

Ref: A10-SEC-BD-808/202/2023

Date: 04.08.2023

To,

Listing Compliance Department Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001.	The Manager - Listing Compliance National Stock Exchange of India Limited 'Exchange Plaza' C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400051
Security Code: 523598	Trading Symbol: SCI

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the Financial Statements of the Shipping Corporation of India Limited for the year ended 31st March, 2023 and response of the Management thereon.

Dear Sir/Madam,

The Company has received letter from Comptroller and Auditor General of India (CAG) dated 04.08.2023 (enclosed herewith as **Annexure-1**), CAG has conducted Supplementary Audit on Financial Statements of the Company for the year ended 31st March, 2023 under the provisions of Section 143 of the Companies Act, 2013.

Further, the response of the Management is enclosed herewith as **Annexure-2**.

Request you to kindly take the same on records.

Thanking You,

Yours Faithfully,
For The Shipping Corporation of India Limited

Smt. Swapnita Vikas Yadav
Company Secretary and Compliance Officer

Encl: As Above

भारतीय लेखापरीक्षा और लेखा विभाग
कार्यालय महानिदेशक लेखापरीक्षा
(नौवहन), मुंबई



INDIAN AUDIT AND ACCOUNTS DEPARTMENT
OFFICE OF THE DIRECTOR GENERAL OF AUDIT
(SHIPPING), MUMBAI.

गोपनीय/शीघ्र डाक

संख्या: डीजीए(नौवहन)/सीए-II/एससीआई/लेखा/2022-23/106

04/08/2023

अध्यक्ष एवं प्रबंध निदेशक,
भारतीय नौवहन निगम लिमिटेड,
शिपिंग हाऊस, 245, मादाम कामा रोड,
मुंबई 400 021

विषय: 31 मार्च 2023 को समाप्त वर्ष हेतु भारतीय नौवहन निगम लिमिटेड, मुंबई के स्टैंडअलोन एवं कंसोलिडेटेड वित्तीय विवरणों पर कंपनी अधिनियम 2013 की धारा 143(6)(बी) के अंतर्गत भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ।

महोदय,

31 मार्च 2023 को समाप्त वर्ष हेतु भारतीय नौवहन निगम लिमिटेड, मुंबई के स्टैंडअलोन एवं कंसोलिडेटेड वित्तीय विवरणों पर कंपनी अधिनियम 2013 की धारा 143(6)(बी) के अंतर्गत भारत के नियंत्रक एवं महालेखापरीक्षक के द्वारा दी गई टिप्पणियाँ इस पत्र के साथ संलग्न हैं। टिप्पणियों को मुद्रित वार्षिक प्रतिवेदन के विषयसूची में उचित संकेत सहित सांविधिक लेखापरीक्षक के प्रतिवेदन के आगे रखा जाये।

वार्षिक सामान्य बैठक के समापन के पश्चात, वित्तीय विवरण, सांविधिक लेखापरीक्षक का प्रतिवेदन तथा भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियों को अपनाते हुए वार्षिक सामान्य बैठक की कार्यवाही की एक प्रतिलिपि इस कार्यालय को अविलंब अग्रेषित की जाए। मुद्रित वार्षिक प्रतिवेदन की पाँच प्रतियाँ भी इस कार्यालय को भेजी जायें।

कृपया इस पत्र एवं संलग्नकों की प्राप्ति की सूचना दें।

भवदीय,

(गुलजारी लाल)

महानिदेशक लेखापरीक्षा (नौवहन), मुंबई

संलग्नक: यथोपरि।

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF THE SHIPPING CORPORATION OF INDIA LIMITED, MUMBAI, FOR THE YEAR ENDED 31 MARCH 2023

The preparation of financial statements of The Shipping Corporation of India Limited, Mumbai for the year ended 31 March 2023 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 09 May 2023.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of The Shipping Corporation of India Limited, Mumbai for the year ended 31 March 2023 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the Financial Statements and the related Audit Report.

A. Comments on Profitability

1. Statement of Profit and Loss

Sl. No. VIII. Tax expense

Tax Pertaining to earlier years (-) ₹9309 lakh


An amount of ₹9309 lakh being income tax paid for earlier assessment years 2008-09 and 2022-23 was written back and acknowledged as profit in the Statement of Profit and Loss. The SCI has opted Tonnage Tax option under the Income Tax Act. According to this option a concessional rate of tax is applied on income from shipping activities. On the income from other than shipping activities, regular rate of income tax is charged.

For the assessment year 2008-09, SCI had made an appeal with Income Tax Appellate Tribunal for considering interest from bank deposits amounting to ₹227.68 crore as income from shipping activity. Tribunal passed its order on 14.03.2023 which stated, "the appeal by the assessee (SCI) is partly allowed for statistical purposes".

Based on the Tribunal's order and without waiting for refund order from the Income Tax Department, SCI accounted for ₹9314 lakh (₹77,58,19,031 A.Y. 2008-09 and ₹15,56,32,008 for A.Y 2022-23 on same grounds) as profit arising from tax refund.

Management has confirmed that they had neither received any refund order nor any communication regarding appeal by the Income Tax Department. Thus, the calculation for refund is not based on any concrete evidence. Hence, the accounting treatment of refund is not correct. This has resulted in overstatement of Profits and Income Tax Assets (Net of Provision) (Note-8) by ₹9309 lakh¹.

For and on behalf of the
Comptroller & Auditor General of India


(Guljari Lal)
Director General of Audit (Shipping), Mumbai
Place : Mumbai
Date : 04.08.2023

¹ ₹9314 lakh - ₹5 lakh(admin exp and dividend income)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SHIPPING CORPORATION OF INDIA LIMITED, MUMBAI, FOR THE YEAR ENDED 31 MARCH 2023

The preparation of consolidated financial statements of The Shipping Corporation of India Limited, Mumbai for the year ended 31 March 2023 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139 (5) read with section 129 (4) of the Act are responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 09 May 2023.

I, on behalf of the Comptroller and Auditor General of India, have conducted a Supplementary Audit of the consolidated financial statements of The Shipping Corporation of India Limited, Mumbai for the year ended 31 March 2023 under section 143(6)(a) read with section 129(4) of the Act. We conducted a supplementary audit of the financial statements of The Shipping Corporation of India Limited but did not conduct Supplementary Audit of the Financial Statements of Inland & Coastal Shipping Limited, India LNG Transport Company (No. 1) Limited (Malta), India LNG Transport Company (No. 2) Limited (Malta), India LNG Transport Company (No. 3) Limited (Malta) and India LNG Transport Company (No. 4) Limited (Singapore) for the year ended on that date. Further, Section 139(5) and 143(6)(a) of the Act are not applicable to India LNG Transport Company (No. 1) Limited (Malta), India LNG Transport Company (No. 2) Limited (Malta), India LNG Transport Company (No. 3) Limited (Malta) and India LNG Transport Company (No. 4) Pvt Limited (Singapore) being private entities/entities incorporated in foreign countries under the respective laws, for appointment of their Statutory Auditor and for conduct of supplementary audit. Accordingly, Comptroller and Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

A. Comments on Consolidated Profitability

1. Statement of Profit and Loss


Sl .No.X Tax expense

Tax Pertaining to earlier years (-) ₹9309 lakh

An amount of ₹9309 lakh being income tax paid for earlier assessment years 2008-09 and 2022-23 was written back and acknowledged as profit in the Statement of Profit and Loss. The SCI has opted Tonnage Tax option under the Income Tax Act. According to this option a concessional rate of tax is applied on income from shipping activities. On the income from other than shipping activities, regular rate of income tax is charged.

Management has confirmed that they had neither received any refund order nor any communication regarding appeal by the Income Tax Department. Thus, the calculation for refund is not based on any concrete evidence. Hence, the accounting treatment of refund is not correct. This has resulted in overstatement of Profits and Income Tax Assets (Net of Provision) (Note-8) by ₹9309 lakh¹.

For and on behalf of the
Comptroller & Auditor General of India


(Guljari Lal)
Director General of Audit (Shipping), Mumbai
Place : Mumbai
Date : 04.08.2023

¹ ₹9314 lakh - ₹5 lakh(admin exp and dividend income)

Annexure-2

Management Response

SCI is assessed under Chapter XII-G of Income tax Act for the purposes of computation of its income from the business of operation of qualifying ships. During the year ended 31.03.2023, Hon'ble ITAT Mumbai has passed an order in favor of the Company in respect of an appeal filed for A.Y. 2008-09 by ruling that the interest income would be treated as a part of core shipping income and hence it need not be offered to tax as 'Income from other sources'. Based on internal assessment of the order and judicial precedence, the Company has reversed the provision and has also disclosed its impact in the financial statements.

The Indian Accounting Standards (Ind AS) mandate that accounting for transactions is to be made based on "substance over form" and the provision shall be reversed based on the best estimate of the management. Since, the Company has reversed the provision created for AY 2008-09 and AY 2022-23 based on the favorable ITAT order and judicial precedence in similar other cases, the Company is of the opinion that the reversal of provision is in accordance with the requirements of Ind AS.
