स्वच्छ भारत
एक कदम स्वच्छता की ओर

प्रभाग
DIVISION

दि स्टेट ट्रेडिंग कार्पोरेशन ऑफ इंडिया लिमिटेड
(भारत सरकार का उद्यम)
THE STATE TRADING CORPORATION OF INDIA LTD.
(A Govt. of India Enterprise)

STC/BS&P/BS/10082/2017/STEX

August 10, 2022

Manager - Listing Compliance Department National Stock Exchange of India Limited Exchange Plaza, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051 Scrip Code : STCINDIA - EQ	Manager – Listing Compliance Department BSE Limited 1st Floor, P.J. Towers, Dalal Street Mumbai – 400001 Scrip Code : 512531

Sub: Revised Audit Report on Annual Accounts (Consolidated) of the Company for the Financial Year 2021-22

Dear Sir/Madam,

This is to inform you that the Board of Directors of the Company had, at its meeting held today i.e. August 10, 2022, considered and approved the Revised Audit Report on Annual Accounts (Consolidated) of the Company for the Financial Year 2021-22.

Please take note of the above document & information on record.

Thanking you,

Yours sincerely,
For The State Trading Corporation of India Limited

10/08/2022

(Vipin Tripathi)
Company Secretary & Compliance Officer

BHATIA & BHATIA
CHARTERED ACCOUNTANTS

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MODIFIED INDEPENDENT AUDITOR'S REPORT
(Based on C&AG observations , we have modified the report)

To Members of The State Trading Corporation of India Limited,

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying Consolidated financial statements of The State Trading Corporation of India Limited ("the Parent") and its subsidiary "STCL Limited" , the parent and its subsidiary are together referred to as "the Group", which comprise the Balance Sheet as at 31st March, 2022, the Statement of Profit and Loss (including Other Comprehensive Income), the statement of changes in Equity and the Consolidated Cash Flow Statement for the year then ended, notes to the Consolidated financial statements including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "The Consolidated Financial Statements").

It is the first year in which the financial statements of the Group have been prepared on non-going concern basis as per decision of the Board of Directors in their meeting held on 05th April, 2021, on the basis of the various events directed by the Administrative Ministry. Therefore, the current year figures are not comparable with that of previous year because accounts for FY 2020-21 were prepared on going concern basis and the same has not been reclassified.

Qualified Opinion

In our opinion and because of the various issues as mentioned in the Basis for Qualified Opinion paragraphs, the aforesaid Consolidated Financial Statements except for the qualified opinion give the information required by the Companies Act 2013 ("the Act") in the manner so required and present a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rule 2015 as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Group as at 31st March 2022 and its loss and total comprehensive loss, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

1. **Non -Current Assets held for Sale**

   i. *We draw your attention to Note No. 2(ii) regarding management decision to continue the Group as non-operating Group for the time being and to prepare the accounts from the financial year 2021-22 onwards as per non-going concern*

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basis. Thus, there has been change in the significant accounting policies of the Group and the presentation of financial statements.

As per Note No. 3.1 (e) in the Notes to accounts it is further stated that the financial statements for the year 2021-22 have been prepared on realization basis (non- going concern assumption) and the non-current assets have been classified as held for sale. Therefore, all the assets held for sale have been carried at their estimated realizable values. However, all the non-current assets held for sale i.e. Property, Plant and Equipment in absence of any report for realizable value have been stated at their respective historical values/carrying values as per books of accounts as on 31.03.2022 and not on realization basis. ***This is non-compliance of the accounting policy No. 3(e) of the Group and we are unable to comment upon the impact of the same on the financial statements.***

Further there is also non-compliance of requirements of IND AS-105.
As per IND AS-105, "Non -Current Assets held for Sale and Discontinued Operations", it requires that asset that meet the criteria to be held for sale should be measured at lower of carrying amount and fair value less costs to sell and to be separately presented in the Balance Sheet and also result of discontinued operations to be presented separately in the Statement of Profit and Loss.

However, no fair value estimation of the non-current assets held for sale have been carried out as on 31st March,2022 but is said to be under process. Thus, there is also non-compliance of IND AS 105 applicable to the Group.

ii. *Refer to Note No.4(a) of Consolidated Financial Statements, non availability of title deeds in the name of the Group in respect of following properties namely:*

a) Leasehold Building

i. *Leasehold land at Jawahar Vyapar Bhawan valued at Rs. 55,929 lacs*
ii. *Leasehold land at Housing Colony at Aurobindo Marg valued at Rs. 12,394 lacs*
iii. *Plot at Mallet Bunder, Mumbai Port Trust valued at Rs. 1167 lacs*

b) Freehold Building

i. *8 Residential Flats at Asian Games Village Complex, allotted by DDA amounting to Rs. 2720 lacs*
ii. *7 apartments in different locations of Mumbai amounting to Rs. 1918 lacs*

Further, lease period for plot at Mallet Bunder, Mumbai Port Trust has already expired and the land has been handed over to Mumbai Port Trust. Surrender certificate has been executed on 12.11.2021. But this still continues to be shown as non current assets held for sale. Thus, non- current assets held for sale has been overstated by Rs. 1167 lacs. It will also have consequential impact on the

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*Statement of Profit and Loss account resulting into **understatement of loss by Rs. 1167 lacs.***

*Further the farm tanks installed at Mallet Bunder amounting to Rs. 14.84 lacs have also been handed over on as is where is basis. The State Trading Corporation of India Limited has not raised any debit note for the same and thus non-current assets are being **overstated by Rs. 14.84 lacs.***

Further, STC has not amortised the value of the leasehold properties according to the IND AS 116 for the period expired till 31.03.2022 resulting into overstatement of non-current assets held for sale and consequential impact on loss of the STC, the amount whereof could not be quantified in absence of complete data from the Group.

iii. *Refer Note No. 4, for non-adjustment of value/area in Fixed Assets Register against areas acquired by Delhi Metro Rail Corporation (DMRC) for construction of Metro Station & by L&DO for widening of the Road during Asian Games, as well as the flats/area of land sold by the Group to The Handicrafts and Handloom Exports Corporation of India Limited (HHEC) for its Housing colony. Management is in correspondence with DMRC and concerned departments.*
This has resulted into overstatement of non-current assets held for sale and consequential impact on loss of the STC, the amount whereof could not be quantified in absence of complete data from the STC.

2. *Trade Receivables*

Trade receivables includes a sum of Rs. 1,69,419.41 lacs (relates to State Trading Corporation of India Limited only) which have been outstanding for more than 3 years. The Group has made provision for bad and doubtful debts amounting to Rs. 62,727.62 lacs and another sum of Rs. 67,833.68 lacs have been shown as "Having Significant increase in credit risk" since the same is under litigation. As per Note No.9, it is explained that no provision has been made for the same since the relevant creditors will be paid only after recovery of these trade receivables, though in most of the cases agreements are not tripartite.

Further there has been no recovery during the Financial Year 2021-22 and there is no major update of legal cases which are pending at various forums. Thus trade receivable do not seems to be stated at realisable value less cost to be incurred to recover these trade receivables. There is also no balance confirmation available for these trade receivables as on 31.03. 2022 and hence we are unable to comment upon the genuineness and effect of the same on the financial statements, if any.

We are of the view that trade receivables amounting to 1,69,419.41 lacs (relates to State Trading Corporation of India Limited) are considered doubtful of recovery resulting into short provision for doubtful debts amounting to Rs. 1,06,691.79 lacs. Thus the provision for bad and doubtful debts has been understated by Rs. 1,06,691.79 lacs and consequential impact on the statement of profit and loss account resulting into understatement of loss by Rs. 1,06,691.79 lacs.

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Further in case of M/s Rajat Pharmaceuticals Ltd (RPL), under note no.39, who drew bills of exchange on STC which were accepted upon receipt of overseas buyer's pre-acceptance to STC's bills of exchange. However, the foreign buyers defaulted in making payments against the export bills and have gone into liquidation. A sum of Rs.527.86 crores has been admitted by the liquidator of one of the foreign buyer's i.e. Loben Trading Co. Pte. Ltd, Singapore. A Decree of Rs 62.47 crores approx. has been passed by Hon'ble Bombay High Court in favour of STC against the dues from another foreign buyer i.e Sweetland Trading Pte Ltd., Singapore. As of current date, RPL has gone into liquidation and official liquidator is appointed by Hon'ble High Court of Bombay. The matter is also under investigation by CBI. Banks & Financial institutions have filed legal suit against RPL before DRT making STC also a party to the case claiming Rs. 476.47 Crore. Also refer to Note No. 39, for matters other than RPL, as all these matters are sub-judice and/or under investigation of CBI and we are unable to comment upon the genuineness and effect of the same on the Financial Statements.

3. ***Borrowings***

i. *Refer to Note No. 20, the view of the default by the STC in paying due to interest amount to the banks, STC was declared NPA. The lender banks have initiated DRT proceedings against the STC. The memorandum of the OTS (MOTS) proposal with lender banks is still in progress and is in line with the minutes of the high-level meeting held in 29.08.2019 and the further clarificatory letter dated 13.10.2020 of the Administrative Ministry. The liability towards banks is proposed to be settled by the way of transfer of title of identified property worth Rs.300 crore on "as is where is basis" as a full and final settlement.*

However, as per the recent correspondence between Canara Bank (lead bank) and STC dated 22.04.2022, the lender bank has given two options to the latter: -

1. *Execution of equitable mortgage in favour of the lead bank at Delhi so that lenders can legally proceed for sale of properties mentioned in the Settlement Agreement with the authority to sell and realise the sale amount.*

2. *As joint suit is pending before the DRT-II, Delhi, the lenders shall proceed before DRT in execution of the consent decree for the accepted OTS amount of Rs. 300 cr.*

   The decision making is pending with STC to convey their acceptance of suitable option for moving the MOTS ahead subject to seeking opinion from senior Government advocate. Pending settlement of OTS, the Group has not provided any interest further in its financial statements during 2021-22.

ii. *Considering the fact that correspondence has been made by Canara Bank and STC in respect of the MOTS of Borrowings, the Borrowings have been crystallized at Rs. 30,000 lacs on as is where is basis. However, contrary to this, borrowings have been reflected at Rs. 80,623.24 lacs as against 30000 lacs, thereby overstating the borrowings to the extent of Rs. 50,623.24 lacs. The management is of the opinion that the matter is still in discussion stage.*
This is also non-compliance of IND AS -109 as well as IND AS -10 (regarding events occurring after Balance Sheet date) by not taking into consideration the accounting effects of the events

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occurring after the balance sheet date regarding crystallization of bank loan amount at Rs. 30,000 lacs.

4. ***Foreign Currency Receivables and Payables***

   Currently, as per books of accounts, USD 3,149.35 lacs and Euros 20.90 lacs is receivable from its foreign buyers and USD 1665.41 lacs and Pound 0.04 lacs is payable to its foreign suppliers. In nutshell, there are foreign buyers and creditors standing in the financials of STC which have not been revalued in the FY 21-22, the potential impact of which is huge.

   Thus, the STC has not complied with Ind AS 21 (regarding Effects of Changes in Foreign Exchange) by not revaluing the carrying amounts, in most cases, of foreign currency receivables and payables which are under litigation/disputed.

   Therefore, we are unable to ascertain the potential impact on the financial statements, if any.

5. ***Deferred tax Assets (Net)***

   Refer Note No. 12, the STC has MAT credit of Rs. 1347.81 lacs. However, there is no virtual certainty of profits in the future considering the high value of contingent liabilities, significant decrease in the sales value, negative net worth of STC and decision of the board of directors regarding Non operative status of the STC dated 05.04.2021. This observation was also raised by the CAG auditors for the FY 2020-21. But still the MAT credit has not been reversed and this has resulted into understatement of loss by 1347.81 lacs and overstatement of Current assets by Rs. 1347.81 lacs.

6. ***Other Current Assets***

   i. *Refer Note No. 14 –"Other Current Assets for non-provisioning in respect of Duties and taxes recoverable , CST (coal) amounting to Rs. 6.89 lacs which is non recoverable and still not written off.*

   ii. *Refer Note No. 11- Other Financial Assets -Claims Recoverable for non-provisioning in respect of Claims Recoverable o/s since last many financial years amounting to 1613.43 lacs where no present status could be ascertained by the management of the STC and still not written off.*

      *This is **non-compliance of IND AS -36** as no provision has been made for impaired assets.*
      All these current assets are being reflected at their carrying amounts instead of on realization values.
      This has resulted into overstatement of Current assets by Rs. 1620.32 lacs and understatement of loss by Rs. 1620.32 lacs.

7. Provisions

Refer Note No. 38, for non-provision of a demand of Rs. 4,743 lacs out of total demand received from Land and Development Office - New Delhi amounting to Rs. 13,283 lacs (for the period March,2004 to July, 2018) which has resulted in understatement of loss by Rs 4,743 lacs and understatement of liabilities. However, it has been shown as contingent liability. Also, STC has not provided for interest accruing on the said demand amount (to be calculated at the rate of 10%) approx. The matter is under correspondence with L&DO office and no provision is made for the year 2021-22 in the accounts.

8. Trade Payables

Trade payables includes a sum of Rs. 1,11,960.60 lakh (relates to STC only) and are without any balance confirmation and are outstanding for more than 3 financial years.

No amount is payable to these parties as these are suppliers who have entered into legal agreement with STC wherein no amount is payable to them until and unless the amount is recovered from the foreign buyer. Thus, the management has not accorded any treatment to these trade payables and to that extent, liabilities are overstated.

9. Statutory Dues

GST

The GST input receivable and payable balances are not reconciled by STC as on March 31,2022. No satisfactory data/explanation has not been furnished to us till the date of finalization of audit.

Tax Deducted at Source

In respect of the TDS deducted by the tenants, STC has not accounted for the TDS reconciled with amount as appearing in Form 26AS available on the portal amounting to Rs. 20.19 lacs .

It has been further observed that the Total TDS Default of ₹ 9.33 lacs is appearing on the Income Tax (TRACES) Portal. No provision has been made for this demand and also not disclosed as Contingent liability.

Year wise bifurcation of the defaults is as under: -

Financial Year	***Amount***
2021-22	*14,680*
2020-21	*59,067*
2019-20	*1765*
2018-19	*17000*
Prior years	*8,39,824*
Total	***9,32,925***

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We are, therefore, unable to comment upon the effect of the above in the Financial Statements relating to GST and TDS reconciliations not carried out.

10. *Cash and Bank Balances*

It has been observed from the Form 26AS -downloaded from the Income tax portal that Interest income from Canara Bank amounting to ₹ 4,15,593 on which TDS amounting to Rs. 41,559 has been deducted by the Canara Bank is appearing in the AIS. However neither the Income nor the TDS Receivable is booked in the books of accounts as the management does not have any details regarding this fixed deposit.

Canara Bank has however informed on 26-05-2022 that this FDR does not belong to STC Limited. The matter is under correspondence and correction at the Bank level.

Therefore, we are not able to comment upon the effect of this non accounting of Interest received and TDS thereof on the financial statement in the absence of complete details regarding this fixed deposit.

11. ***Unaudited Accounts of the Subsidiary***

We did not audit the financial statements of subsidiary namely STCL Limited included in the financials of the Company where financial statements reflect total assets of 987.97 lacs as at March 31, 2022, total revenue of 813.56 lacs and net cash inflows amounting to 673.25 lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by another auditor whose Signed Auditor's Reports have not been furnished to us by the Management. There are no full time Directors in the said Subsidiary and for this reason Audited Financial Statements cannot be adopted and signed.

Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the aforesaid subsidiary and our report in terms of subsection (3) of section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is qualified .

Other Observations

Refer Note No. 24, customer at credit includes amount payable to U.P. Government amounting to Rs 603 lacs. As informed by the management, Branch has made various other claims on U.P Government and accordingly dues of Rs. 3911 lacs is recoverable from U.P. Government for which debit note dated March 10, 2014 was raised. However, the said claim was not recognized in the Consolidated financial statements of the branch till date, as its ultimate collection was not certain. In absence of information on acceptability of the said claim by the UP Government, we are unable to ascertain its possible impact, if any, on the Consolidated financial statements of the Group.

It seems that the financial statements have not been prepared on realization basis as mentioned in the accounting policies. All non-current assets held for Sale and other current assets have been stated at their carrying amounts as appearing in the books of

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accounts without making any exercise by the management to determine the realizable value of each current asset.

The impact of the following observations is not ascertainable:-

i. *Refer to Cases and Disputes and matters under Litigation and amounts covered under Contingent Assets and Contingent Liabilities, since majority of the matters are subjudice, it is not possible to quantify the liabilities and the interest obligation if any on these cases.*

ii. *Refer to Claims recoverable from HHEC, co-owner to the property at Jawahar Vyapar Bhawan, who have not paid their share of expenses to STC since last many years amounting to Rs. 728.31 lacs as on March 31,2022. The matter is said to be under correspondence with HHEC.*

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for opinion.

Emphasis of Matters:

a. Refer Note No. 38(ii), Contingent Liabilities which includes an amount of Rs. 1.33 Crores in respect of pending sales tax liability. The Group has not complied in carrying out corrective actions as suggested by Government Audit Party (GAP) for F.Y. 2014-15 in the accounts as on 31st March, 2016 and for F.Y. 2015-16 in the accounts as on 31st March, 2017 amounting to Rs. 0.19 Crores and Rs. 1.11 Crores respectively.

b. Refers to Note No.38, in respect of litigation matters, their present status and provisioning, if any, required and on-going investigations into the alleged irregularities; further, the STC's past operations have exposed it to the risk of extensive litigation and contractual claims from third parties with increased litigation costs not fully provided for. Due to the range of potential outcomes, voluntary retirement of employees dealing with these cases and the significant uncertainty around the resolution of various claims, the amount of ultimate liabilities, if any, to be recorded in the statements as provision is not ascertainable.

Our opinion is qualified in respect of these above matters.

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Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the basis for qualified opinion section, we have determined the matters described below to be the Key audit Matters to be communicated in our report.

S.No.	Particulars	Description	Procedures applied for audit
1	Evaluation of uncertain tax positions and contingent liabilities	The STC has uncertain material tax positions and contingent liabilities including matters under dispute which involves significant judgment to determine the possible outcomes of these disputes.	In response to this key matter, our audit included, amongst other principal audit procedures: -We evaluated management's judgment of tax risks, estimates of tax exposures and contingencies by testing the design implementation and operating effectiveness of the related controls. -We obtained details of completed tax assessments and demands for the year ended March 31, 2022 from management. -We involved in the detailed discussions with the management for underlying assumptions in estimating the tax provisions and the possible outcome of the disputes. - Our team also considered legal precedence and other rulings in evaluating management's position on these uncertain tax positions as at March 31, 2022 to evaluate whether any change was required to management's position on these uncertainties.

2	IT systems and controls over Financial Reporting	We identified IT systems and controls over financial reporting as a key audit matter for the Group because its financial accounting and reporting systems are fundamentally reliant on IT systems and IT controls to record it in books. Automated accounting procedures and IT environment controls, which include IT governance, IT general controls over program development and changes, access to program and data and IT operations, IT application controls and interfaces between IT applications are required to be designed and to operate effectively to ensure accurate financial reporting.	In response to this key matter, our audit included, amongst other principal audit procedures: • Assessed the complexity of the IT environment by through discussion with the head of IT and internal audit and identified IT applications that are relevant to our audit. • Assessed the design and evaluation of the operating effectiveness of IT general controls over program development and changes, access to program and data and IT operations by engaging IT specialists. • Performed inquiry procedures at the Group in respect of the overall security architecture and any key threats addressed by the Group in the current year. • Assessed the design and evaluation of the operating effectiveness of IT application controls in the key processes impacting financial reporting of the Group by engaging IT specialists. • Assessed the operating effectiveness of controls relating to data transmission through the different IT systems to the financial reporting systems.

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Information Other than the Financial Statements and Auditor's Report thereon

The Group's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Annual Report on CSR activities, Report on Corporate Governance, Secretarial Auditor's Report Information, but does not include the Consolidated financial statements and our auditor's report thereon. The Management Discussion and Analysis, Annual Report on CSR activities, Report on Corporate Governance, Secretarial Auditor's Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the Consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the Consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read such other information as and when made available to us and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group's Board of Directors are responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Consolidated financial statements that give a true and fair view of the financial position, financial performance, (changes in equity) and cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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Management has prepared these financial statements on non-going concern basis as per decision of the Board of Directors.

Board of Directors are also responsible for overseeing the Group's financial reporting process. However it is to point out that there are no Full Time Working Directors in the Group as on 31st March, 2022 and the Group is functioning only with the assistance of Independent Directors and Director (Finance) on Additional Charge.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the STC has adequate internal financial controls system in place and the operating effectiveness of such controls.

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

- Concluded on the appropriateness of management's use of the non-going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the STC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the STC to cease to continue as a going concern.

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- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

However the financial statements of the STC have been prepared on non-going concern basis as decided by the Board of Directors.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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Report on Other Legal and Regulatory Requirements:

1. As required by Section 143(3) of the Act, we report that:

i. We have sought and obtained all the information and explanations, except for the matters referred in "Basis for Qualified Opinion"- **Impact of which is partly non-ascertainable**, which to the best of our knowledge and belief were necessary for the purposes of our audit and if not, the details thereof and the effect of such information on the financial statements.

ii. In our opinion, proper books of account as required by law have been kept by the Group, except for the matters referred in "Basis for Qualified Opinion", so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the Agra branch which have been prepared in Delhi only.

iii. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account. We have not visited any branch offices of STC as we were informed that all Branches are closed and no activities are carried out from these Branches. The audit was conducted remotely by us from Corporate Office of STC at New Delhi.

iv. In our opinion, the aforesaid Consolidated financial statements comply with the Indian Accounting Standards, except for the para (b) of Basis for Qualified opinion, specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.

v. The going concern matter described under "Material uncertainty in relation to Going Concern" paragraph above, in our opinion, may have an adverse effect on the functioning of the Group.

vi. Pursuant to the Notification No. GSR 463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act are not applicable to the Group, being a Government Group;

vii. With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in **"Annexure A". Our report expresses a qualified opinion on the adequacy and operating effectiveness of the Group's internal financial controls over financial reporting.**

viii. Pursuant to the Notification No. GSR 463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of Section 197 of the Companies Act, 2013, are not applicable to the Group, being a Government Group; and

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ix. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

a. The Group has not been able to disclose the impact of pending litigations on its financial position in its financial statements, refer note 38 & 39 to the financial statements.

b. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

c. During the year , the Group has made no transfer to Investor Education and Protection Fund due to heavy accumulated losses. Therefore , question of delay in transferring amounts, required to be transferred, by the Group does not arise.

d. As the Audited Financials of the Subsidiary Company namely STCL Limited have not been provided to us and there are no full time working directors in both the Companies , we cannot Comment upon the adequacy and correctness of the following:-

i) The respective Managements of the Parent Company and its subsidiary (unaudited as stated above) which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiary, that, to the best of their knowledge and belief, other than as disclosed in notes to accounts, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Parent Company or any such subsidiary to or in any other person or entity, including foreign entity ('Intermediaries') with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Parent Company or any of such subsidiary ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

ii) The respective Managements of the Parent Company and its subsidiary which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiary, that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Parent Company or any of such subsidiary from any person or entity, including foreign entity ('Funding Parties') with the understanding, whether recorded in writing or otherwise, that the Parent Company or any of such subsidiary shall, whether directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

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(iii) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditors of the subsidiary which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our attention or other auditor's notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11 (e) as provided under (a) and (b) above, contain any material misstatement.

e. There has been no dividend declared during the year.

f. The Company has not used such accounting software for maintaining its books of accounts which can record audit trail facility and thus the question of tampering with the feature of audit trail cannot be commented upon.

For **BHATIA AND BHATIA**
CHARTERED ACCOUNTANTS
FRN No. 003202N of ICAI

BHATIA & BHATIA
NEW DELHI
Chartered Accountants

(R. BHATIA) F.C.A.
Partner
Membership No.017572
UDIN:22017572AJTQFW2048

Place: New Delhi
Date: 26.07.2022

"Annexure A" to INDEPENDENT AUDITOR'S REPORT

Referred to Clause (vii) of Paragraph 2 under the heading of "Report on other Legal and Regulatory Requirements" of Independent Auditor's Report of even date to the members of the State Trading Corporation of India Limited on the Consolidated Financial Statements for the year ended 31st March 2022

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **The State Trading Corporation of India Limited** ("the Group") as of March 31, 2022 in conjunction with our audit of the Consolidated financial statements of the Group for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Group's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Group's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Group's internal financial control over financial reporting includes those policies and procedures that

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Group are being made only in accordance with authorizations of management and directors of the Group; and

(3) provide reasonable assurance regarding prevention or timely detection of un-authorized acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting (IFCFR)

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become

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inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

a) STC is maintaining "Performance Management System", Payroll Software and "Leave Management System" which are not interfaced with each other as well as the accounting software. As a result of above, Manual Accounting entries are being made on periodical basis in the Tally ERP, Accounting software used by Group.

b) Lack of effective scrutiny of accounting ledgers as far as o/s liabilities/Claims recoverable/Security Deposits is seen as they are not updated.

c) Manner of maintenance of Fixed Assets Schedule & register need to be strengthened.

d) Lack of proper contract management is noticed. Irrespective of completion of contracts the EMD/Security deposits are still being withheld in the books by the Group.

e) Lack of control over the renewal of Rent/lease Agreements on timely basis. There are numerous of agreements which have not been renewed over a long period.

f) Ineffective implementation of accounting policy in balance confirmation of trade receivable & vendor balance, is noticed. The balances outstanding in the trade receivable account cannot be reconciled in customers' books as balance confirmations are not available for these customers.

g) As there are no proper Full Time working Directors in the Group, and there is also lack of Senior management personnel in the Group, all decisions and matters requiring immediate attention are kept on hold and there is ineffective management control in the Group.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Group's annual or interim financial statements will not be prevented or detected on a timely basis.

Qualified Opinion

In our opinion, the Group has, except for effects of the material weaknesses described above on achievement objectives of the control criteria, in all material respects, an adequate internal financial controls system over financial reporting and such internal financials controls over financial reporting were operating effectively as at 31st March, 2022, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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We have, to the extent possible, considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2022 Consolidated financial statements of the Group, and these material weaknesses are not likely to affect our opinion on the Consolidated financial statements of a Group.

For **BHATIA AND BHATIA**
CHARTERED ACCOUNTANTS
FRN No. 003202N of ICAI

BHATIA & BHATIA NEW DELHI Chartered Accountants

(R. BHATIA) F.C.A.
Partner
Membership No.017572
UDIN: 22017572AJTQFW2048

Place: New Delhi
Date: 26.07.2022