



COMMENTS OF C&AG OF INDIA ON CONSOLIDATED FINANCIAL STATEMENTS

O/o the Principal Director of Audit,
(Agriculture, Food & Water Resources),
New Delhi

Confidential

Report/2-48/DGA/(AF&WR)/Accounts/FACT/2020-21/2964
Dtd. 8/09/2021

To

The Chairman & Managing Director
The Fertilisers and Chemicals Travancore Limited
Eloor, Udyogamandal, Kochi 63 501

Sub: Comments of the Comptroller and Auditor General of India under section 143 (6) (b) of the Companies Act 2013 on the financial accounts of The Fertilisers and Chemicals Travancore Limited (Consolidated) for the year ended 31 March 2021.

Sir,

The Comments on the financial accounts of The Fertilisers and Chemicals Travancore Limited (Consolidated) for the year ended 31stMarch, 2021 under Section 143 (6) (b) of the Companies Act, 2013 is forwarding herewith.

Kindly acknowledge receipt.

Yours faithfully,

(Sd/-)

Keerti Tewari

Director General of Audit
(Agriculture, Food & Water Resources)

Encl: as above

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 FERTILISERS AND CHEMICALS TRAVANCORE LIMITED FOR THE YEAR ENDED 31 MARCH 2021

The preparation of consolidated financial statements of The Fertilisers and Chemicals Travancore Limited, Udyogamandal for the year ended 31 March 2021 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 auditor appointed by the Comptroller and Auditor General of India under section 139(5) read with section 129(4) of the Act is 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 him vide his Audit Report dated 18 June 2021.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) read with section 129(4) of the Act of the consolidated financial statements of The Fertilisers and Chemicals Travancore Limited, Udyogamandal for the year ended 31 March 2021. We conducted a supplementary

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audit of the financial statements of The Fertilisers and Chemicals Travancore Ltd, Udyogamandal and FACT-RCF Building Products Limited for the year ended on that date. Further, section 139 (5) and 143 (6)(a) of the Act are not applicable to Kerala Enviro Infrastructure Limited being private entity 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 the Company. 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 consolidated financial statements and the related audit report:

A. Comments on Disclosure**(I) Note 42: Disclosure under Ind AS 24 on related party transactions**

Department of Fertilisers, Govt of India, had accorded the approval (16 November 2018) to The Fertilisers and Chemicals Travancore Limited (FACT) for additional investment of Rs. 2,925 lakh to the equity share capital of FACT-RCF-Building Products Limited (FRBPL).

FRBPL is a joint venture between the FACT Limited and Rashtriya Chemicals & Fertilisers Limited. The FACT Limited in its 75th Annual General Meeting approved the additional investment in FRBPL. Against approval received for Rs. 2,925 lakh, FRBPL. had issued equity shares amounting to Rs. 1,518 lakh towards gypsum supplied and other services provided by the FACT Limited during the period from 2010-2013. Equity Shares amounting to Rs.1,168 lakh against which gypsum and other services provided by the FACT Limited during 2014-2020, are pending for allotment by FRBPL. Further, supply of gypsum from FACT amounting to Rs.239 lakh is still pending as on 31 March 2021 to complete the above additional investment.

This comment was also included in the audit certificate for the year ended 31 March 2020. However, corrective action has not been taken by the FACT Limited.

(II) Note 43: Financial reporting of Interest in Joint venture

As per Para 2 of Part III of Division II of Schedule III of the Companies Act, 2013, pertaining to General Instructions for the preparation of Consolidated Financial Statements, details pertaining to parent Company and its subsidiaries/ Joint Ventures is to be disclosed by the Company in its Consolidated Financial statements. However, details of the parent company i.e. FACT Limited has not been included in Note-43 of Notes to Financial Statements. Thus, the disclosure in Note 43 is deficient to the extent.

This comment was also included in the audit certificate for the year ended 31 March 2020. However, corrective action has not been taken by the FACT Limited.

Place: New Delhi

Date: 07.09.2021

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

(Sd/-)
KeertiTewari
Director General of Audit (AF & WR)
(Agriculture, Food & Water Resources)
New Delhi

COMMENTS OF C&AG OF INDIA ON CONSOLIDATED FINANCIAL STATEMENTS

REPLIES TO THE 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 FERTILISERS AND CHEMICALS TRAVANCORE LIMITED (CONSOLIDATED) FOR THE YEAR ENDED 31st MARCH 2021

Comments of C & AG	Reply
<p>A. Comments on Disclosure</p> <p>(I) Note 42: Disclosure under Ind AS 24 on related party transactions</p> <p>Department of Fertilisers, Govt of India, had accorded the approval (16 November 2018) to The Fertilisers and Chemicals Travancore Limited (FACT) for additional investment of Rs. 2,925 lakh to the equity share capital of FACT-RCF-Building Products Limited (FRBPL)</p> <p>FRBPL is a joint venture between the FACT Limited and Rashtriya Chemicals & Fertilisers Limited. The FACT Limited in its 75th Annual General Meeting approved the additional investment in FRBPL. Against approval received for Rs. 2,925 lakh, FRBPL had issued equity shares amounting to Rs. 1,518 lakh towards gypsum supplied and other services provided by the FACT Limited during the period from 2010-2013. Equity Shares amounting to Rs.1,168 lakh against which gypsum and other services provided by the FACT Limited during 2014-2020, are pending for allotment by FRBPL. Further, supply of gypsum from FACT amounting to Rs.239 lakh is still pending as on 31 March 2021 to complete the above additional investment.</p> <p>This comment was also included in the audit certificate for the year ended 31 March 2020. However, corrective action has not been taken by the FACT Limited.</p>	<p>In order to comply with the observations of C&AG in Audit certificate for the year ended 31st March 2020, details relating to supply of Gypsum from FACT pending as on 31st March, 2021 to complete the additional investment, and the amount outstanding from FRBL, the investment in equity share capital, share application money pending for allotment etc. are shown in note No. 5, note No.26 and note No. 42 to the financial statements.</p> <p>Provision has already been created against the entire investment and receivables in FRBL in the books of accounts of FACT. Therefore, the equity shares pending allotment by FRBL has no impact on the financial statements of FACT.</p>
<p>(II) Note 43: Financial reporting of Interest in Joint venture</p> <p>As per Para 2 of Part III of Division II of Schedule III of the Companies Act, 2013, pertaining to General Instructions for the preparation of Consolidated Financial Statements, details pertaining to parent Company and its subsidiaries/Joint Ventures is to be disclosed by the Company in its Consolidated Financial statements. However, details of the parent company i.e. FACT Limited has not been included in Note-43 of Notes to Financial Statements. Thus, the disclosure in Note 43 is deficient to the extent.</p> <p>This comment was also included in the audit certificate for the year ended 31 March 2020. However, corrective action has not been taken by the FACT Limited.</p>	<p>In order to comply the observations of C&AG in the Audit Certificate for the year ended 31stMarch 2020, FACT has disclosed the additional information on the entities included in the Consolidated Financial Statement for the year ended 31stMarch 2021, in note No.43.</p> <p>As per the guidance note issued by the Institute of Chartered Accountants of India and section 2(46) and section 2(87) of the Companies Act 2013, the Kerala Enviro Infrastructure Limited (KEIL) and FACT-RCF Building Products Limited (FRBL) are not subsidiaries of FACT and therefore no parent subsidiary relationship exists between FACT and its Joint Ventures. Accordingly FACT has not disclosed other details to be disclosed by a parent Company in note No.43.</p>