



INDEPENDENT AUDITOR'S REPORT (Revised)

To the members of **Tamilnadu Backward Classes Economic Development Corporation Ltd**

QUALIFIED OPINION:

We have audited the accompanying standalone financial statements of **Tamilnadu Backward Classes Economic Development Corporation Limited** (the "Company"), which comprise the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss for the year then ended, statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies. Based on the observations made by the Comptroller & Auditor General of India during their Supplementary Audit, we have revised our earlier Audit Report dated 28/09/2022 to modify the point (viii) in CARO which is referred to point 1 of Report on Other Legal and Regulatory Requirements.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit, and its cash flows for the year ended on that date.

BASIS FOR QUALIFIED OPINION:

- 1) The corporation had sanctioned loans to Tamilnadu Handloom Development Corporation (THDC) during the period 1995-96 to 1998-99. There was an amount of Rs.1,27,06,881 due from THDC as on 31-03-2019, the company has collected Rs. 10,00,000 in the FY 2019-20 and Rs.10,00,000 in FY 2020-21, Considering that these loans are about 19 years old, an amount of Rs.1,07,06,881 is still outstanding as on 31-03-2021, This amount ought to have been provided for as doubtful debts. Had the management provided for these doubtful debts an amount of Rs. 1,07,06,881 would have been increased as expenditure and the profit would have been reduced to that extent.
- 2) (i) The management has not provided for the dividend payable to the Government of Tamilnadu as per Finance- BPE Dept. G.O. Ms. No 123 dated 19.05.14 – Common Dividend Policy for State Public Sector Undertakings. If the company had so provided for dividend, then provision for dividend payable to Government of Tamilnadu would be



Rs.3,68,10,300 based on the disposable profits calculated after giving effect to adjustments for the qualifications mentioned in this audit report.

(ii) National Backward Classes Finance and Development Corporation (NBCFDC) had raised an interest demand of Rs. 1,00,10,742 due to change in method of interest calculation. Even through representations had been made, NBCFDC has declined to waive the interest, however the company has not provided for the interest. This indicates that the company had a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits is required to settle the interest dues. A provision for the interest demand ought to have been created. Hence there is a non-compliance of Accounting Standard – 29 and had the company provided for the interest the Current Liabilities and expenditure would be higher by Rs. 1,00,10,742/-and profit will be lower to that extent.

- 3) The Company has provided for Bad and Doubtful Debts of Rs.56,32,129 by considering debts pending collection for more than 10 year.
- 4) The Company is required to Spend 2% of its average net Profits of the previous 3 years which would work out to Rs.9,82,992 as per Section 135 on Corporate Social Responsibility activities which has not been spent by the company.
- 5) The corporation enjoys exempted under Sec10(26B) of Income Tax Act, 1961. However, for the AY 2008-09 The Income Tax Department had raised a demand of ₹1,69,13,653 on 10/03/2010. The Corporation has disputed this demand and has written a letter in this Regard however a provision for the interest demand ought to have been created. Hence there is a non-compliance of Accounting Standard – 29. Non-provision towards Income Tax demand resulted in understatement of Current Liabilities and overstatement of Profit by Rs.1,69,13,653 /-.

We conducted our audit in accordance with the standards on auditing 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 financial statements section of our report. We are independent of the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics.

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS:

The Company's board of directors are responsible for the matters stated in section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act. This responsibility also includes



maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors are also responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS:

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

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

- Identify and assess 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We Communicate with those charged with governance, among other matters the planned scope and timing of the Audit and significant audit findings, including any significant deficiency 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS:

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The balance sheet and the statement of profit and loss dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the accounting standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014;

(e) Section 164(2) relating to disqualification of directors does not apply to the Company since it is a Government Company as per Ministry of Corporate Affairs Notification No. GSR 463(E) dated 05/06/2015.



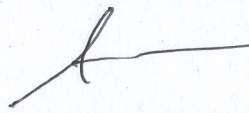
(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and

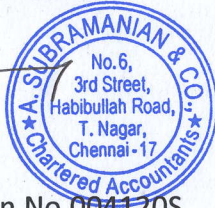
(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;

- a. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note no 20.14;
- b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
- c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

As required by section 143(5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, "Annexure C" on the directions and sub-directions issued by Comptroller and Auditor General of India.

For A. Subramanian & Co
Chartered Accountants


A. Subramanian
Firm Registration No. 004120S



Membership No. 019329

Place: Chennai

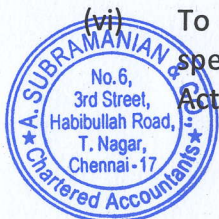
Date: 17/11/2022

UDIN: 22019329BDKJFL9112

"ANNEXURE A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and our audit procedures, the title deeds of the immovable properties are held in the name of the Company as at the balance sheet date.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the CARO 2016 Order is not applicable.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a) (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and hence compliance with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, as amended, with regard to the deposits accepted is not applicable to the Company.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148 (1) of the Companies Act, 2013 for any of the products sold and services rendered by the Company.



(vii) According to the information and explanations given to us, in respect of statutory dues:

- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, and other material statutory dues wherever applicable to it to the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2021 for a period of more than six months from the date of becoming payable.

- (b) *According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and value added tax which have not been deposited with the appropriate authorities on account of any dispute except the following.*

Type Of Tax	Assessment year	Amount	Forum Where pending
Income Tax	AY 2008-09	1,69,13,653	Rectification pending with AO

- (viii) *In our opinion and according to the information and explanations given to us, the Company has defaulted in the repayment of the differential interest on loans to National Backward Classes Finance and Development Corporation (NBCFDC) amounting to Rs. 1,00,10,742 .*

- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and in our opinion and according to the information and explanations given to us, the Company has applied the term loan for the purpose for which it was raised.

- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.

- (xi) The provisions of section 197 of the Companies Act, 2013 do not apply to the Company and hence reporting under clause (xi) of the CARO 2016 Order is not applicable.

- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.

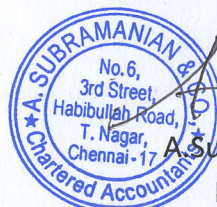


- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, and no related party transactions have been effected by the company.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For A.Subramanian & Co

Chartered Accountants

Firm Registration Number: 004120S



A. Subramanian

Partner

Membership No.019329

Date: 17/11/2022

Place: Chennai

"ANNEXURE B" TO THE INDEPENDENT AUDITOR'S REPORT (Revised)

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting 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 **Tamilnadu Backward Classes Economic Development Corporation Limited** ("the Company") as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 company'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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of Internal Financial Controls. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide 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 company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that 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 company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

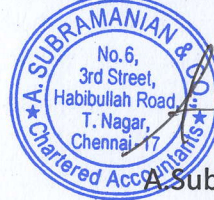
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Company 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.

For A.Subramanian & Co
Chartered Accountants
Firm Registration Number: 004120S



A. Subramanian
Partner
Membership No. 019329

Date: 17/11/2022

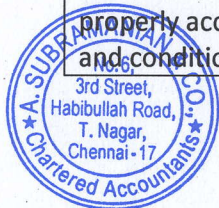
Place: Chennai

UDIN: 22019329BDKJFL9112

"ANNEXURE C" TO THE INDEPENDENT AUDITORS' REPORT (Revised)

**A- DIRECTIONS UNDER SECTION 143(5) OF THE COMPANIES ACT, 2013 ON THE ACCOUNTS OF
TAMILNADU BACKWARD CLASSES ECONOMIC DEVELOPMENT CORPORATION LIMITED**

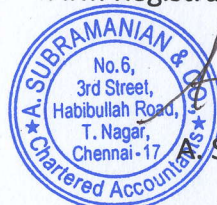
1. Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	The company processes all transactions through IT system. However, the IT system is now under update. However, the Transactions are recorded manually and entered thereafter in the IT system maintained for accounting, care is taken to ensure all transactions are recorded, however these are subject to clerical errors.
2. Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	No, the company is giving loans to beneficiaries through Co-operative Banks and the Co-operative Banks are liable to repay the instalment and interest on due date whether or not they collect the same from the beneficiaries.
3. Whether funds received/receivable for specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	Yes



B- SUB-DIRECTIONS UNDER SECTION 143(5) OF THE COMPANIES ACT, 2013 ON THE ACCOUNTS OF TAMILNADU BACKWARD CLASSES ECONOMIC DEVELOPMENT CORPORATION LIMITED (Revised)

1. Whether the company has a system to ensure that loans were secured by adequate security free encumbrances and have first charge on the mortgaged assets. Further, instances of undue delay in disposal of seized units may be reported	The company is giving loans to beneficiaries through Co-operative Banks and the Co-operative Banks are liable to repay the instalment and interest on due date whether or not they collect the same from the beneficiaries. To this effect, an agreement has been entered into between TABCEDCO and Co-operative Banks
2. Does the company have an effective system of identifying non-performing loans and advances? Do the criteria in this regard conform to the norms laid down by RBI and accounting policy for making provision for the same was adequately disclosed and accounted accordingly?	Not Applicable since all loans are given to beneficiaries through Co-operative Banks and the Co-operative Banks are liable to repay the instalment and interest on due date whether or not they collect the same from the beneficiaries
3. Does the company maintain age wise details of outstanding overdue instalments? If so, age wise details of dues up to 1 year, 1 to 3 years, 3 to 5 years and above 5 years may be given.	NO
4. Whether the balance of debtors ledger have been reconciled with the subsidiary ledgers? If not, the discrepancies in balance, if any, may be stated.	NO, the reconciliation is still pending and the amount cannot be quantified pending reconciliation.
5. Whether the company is entitled for administrative charges from the State Government/ Government of India for implementation of the schemes? If so, whether there were any instance of diversion of funds by charging excess rate of such charges over and above the rate permitted? If so, its accounting impact may be stated.	NO

For A. Subramanian & Co
Chartered Accountants
Firm Registration Number: 004120S



Subramanian
Partner

Membership No.019329

Date: 17/11/2022

Place: Chennai

UDIN: 22019329BDKJFL9112



A. SUBRAMANIAN & Co.
Chartered Accountants

Phone : 044-2834 5298
website : www.asandco.in

QR Code :



COMPLIANCE CERTIFICATE

We have conducted the audit of "Tamilnadu Backward Classes Economic Development Corporation Limited" for the year ended 31st March 2021 in accordance with the directions/ sub directions issued by C&AG of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with the directions/ sub directions issued to us.

For A.Subramanian & Co
Chartered Accountants



A.Subramanian
FRN: 004120S
M.No.: 019329

Place: Chennai
Date: 17/11/2022
UDIN: 22019329BDKJFL9112