

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMIL NADU NEWSPRINT AND PAPERS LIMITED

Report on the audit of the Financial Statements

1. Opinion

- 1.1 We have audited the financial statements of **Tamil Nadu Newsprint and Papers Limited** ("the Company"), which comprise the Balance Sheet as at 31st March 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information ("the financial statements").
- 1.2 In our opinion and to the best of our information and according to the explanations given to us, 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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") & other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and Profit and Other Comprehensive Income, changes in equity and its cash flows for the year ended on that date.

2. Basis for Opinion

- 2.1 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 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 Companies Act, 2013 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 opinion.

3. Key Audit Matters

- 3.1 Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. We have determined that the matters described below are key audit matters to be communicated in our report.

Key Audit Matter	Auditors Response
<p>Provision towards Wage arrears pending wage settlement with employees</p> <p>Management's estimates towards the obligations for wage arrears payable to its employees pending settlement of agreement with employees amounting to ₹ 4562.68 Lakhs. We identified this as the key audit matter for the current year considering the fact that the provision made is based on the management's assessment of the obligation based on past settlements and best estimates of current expectations.</p> <p>(Refer to Note No. 24 to the financial statements)</p>	<p>Our audit approach include:</p> <ul style="list-style-type: none"> • Evaluated the design and operating effectiveness of the internal controls associated with the assessment of implications likely to arise on account of ongoing negotiations and possible settlement to be entered into with employees. • Considered the previous wage revisions negotiations and consequent settlements as benchmarks for the provision made by the management during the year and also reviewed the method of estimation which essentially was based on the wage settlement discussions.

Key Audit Matter	Auditors Response
<p>Recoverability of Goods and Services Tax (GST) and Value Added Tax(VAT) refunds</p> <p>Claims receivables include ₹ 2694.67 Lakhs representing Goods and Services Tax (GST) and Value Added Tax (VAT) refunds.</p> <p>The Recoverability of GST / VAT requires significant management judgement regarding the likelihood of its realizations, pending clarifications or notifications from the Government on the eligibility of the company to receive the amount of SGST paid (under GST Act) towards sales tax incentive due to the company under the Refund option scheme exercised by the company.</p> <p>We identified this as the key audit matter for the current year owing to the materiality of the amounts involved and subjectivity involved to recover the sales tax incentive through SGST paid is matter of significant judgement.</p> <p>(Refer Note No.16 to the financial statements)</p>	<p>Our audit procedures in relation to GST / VAT recoverable as at the reporting is as follows:</p> <ul style="list-style-type: none"> • Assessed and tested the design and the operative effectiveness control of the recoverability of GST / VAT towards the amounts paid under SGST. • Obtained companies analysis GST / VAT recoverability and decided the reasonableness of the assumptions used. • Assessed the appropriateness and adequacy in the financial statements in accordance with the applicable accounting standards.
<p>Recoverability of Minimum Alternate Tax (MAT) credit asset</p> <p>As at March 31, 2020, the Company has recognised deferred tax asset in the nature of MAT credit aggregating to ₹ 29317.17 lakhs.</p> <p>Recognition of MAT credit asset requires significant judgement regarding the likelihood of its realization within the utilization period if these projections are not met.</p> <p>These future taxable profits are computed based on the business plan prepared by the management and projected post-tax cash flows of the Company and there are inherent uncertainties involved in forecasting such profits.</p> <p>We identified this as key audit matter for current year audit owing to the materiality of the amounts involved and inherent subjectivity involved in the determination of utilization of MAT credit through estimation of future taxable profits.</p> <p>(Refer to note 3(p)(ii) for the accounting policy and Note No.21 to the financial statements.)</p>	<p>Our audit procedures in relation to assessment of MAT credit recognised as at reporting date, are as follows:</p> <ul style="list-style-type: none"> • Assessed and tested the design and operating effectiveness of the Company's controls over recognition of the MAT credit. • Assessed the Company's analyses for MAT credit realisability involving future projections of taxable profits. • Tested the appropriateness of the forecasted tax liability computation as per the provisions of the IT Act. • Obtained and evaluated sensitivity analysis performed by the management on aforesaid key assumptions. • Assessed the appropriateness and adequacy of the related disclosures in the financial statements in accordance with the applicable accounting standards.

Key Audit Matter	Auditors Response
<p>Contingent Liabilities</p> <p>Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt.</p> <p>There is a significant level of judgement required in estimating the level of provisioning. The company's assessment is supported by the facts of matter, their own judgment, past experience, and advices from legal and independent tax consultants wherever considered necessary.</p> <p>Accordingly, unexpected adverse outcomes may significantly impact the Company's reported profit and the Balance Sheet.</p> <p>We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of these matters which requires application of judgment in interpretation of law.</p> <p>(Refer to notes 38 to the financial statements)</p>	<p>Our audit approach involved :-</p> <ul style="list-style-type: none"> • Evaluated and tested the procedures and controls relating to the identification, recognition and measurement of provisions for disputes and disclosures in relation to matters concerning the contingent liabilities. • Our audit was focused on analysing the facts of subject matter under consideration and judgments/ interpretation of law involved. • Understanding the current status of the litigations/tax assessments. • Examining recent orders and/or communication received from various Tax Authorities/ Judicial forums and follow up action thereon. • Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice. • Review and analysis of evaluation of the contentions of the company through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues.

4. Emphasis of Matter

We draw your attention to Note 2(d) to the financial statements, which describes the management's assessment of the impact of the outbreak of Coronavirus (Covid-19) on the business operations of the Company. The management believes that no adjustments are required in the financial results as it does not impact the current financial year. However, in view of the highly uncertain economic environment, a definitive assessment of the impact on the subsequent periods is highly dependent upon circumstances as they evolve.

Our opinion is not modified in respect of this matter.

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

- 5.1 The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in Board's Report including Annexures to Board's Report and Shareholder's Information, but does not include the financial statements and our auditor's report thereon.
- 5.2 Our opinion on the financial statements does not cover the other information and we do not express any form of assurance/conclusion thereon.
- 5.3 In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- 5.4 If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

- 6.1 The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
- 6.2 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.
- 6.3 Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

7 Auditor's Responsibilities for the Audit of the Financial Statements

- 7.1 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.
- 7.2 As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism 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.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

- 7.3 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
- 7.4 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.
- 7.5 From the matters communicated with those charged with governance, we determine those matters that were of most significance 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.

8. Report on Other Legal and Regulatory Requirements

- 8.1 As required under Section 143[5] of the Companies Act, 2013, we give in the "**Annexure A**" our report on the directions issued by the Comptroller and Auditor General of India
- 8.2 As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "**Annexure B**", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- 8.3 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, the Statement of Profit and Loss, Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
 - e. On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
 - 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 C". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting; and
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the company to its directors during the year is in accordance with the provisions of section 197 of the Act.
 - h. 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:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements as referred to in Note No. 38 to the financial statements;
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, and as required on long-term contracts including derivative contracts as referred to in Note No. 41 to the financial statements.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **BRAHMAYYA & CO.,**
CHARTERED ACCOUNTANTS
Firm Regn No: 000511S

Date : June 30, 2020
Place : Chennai

R. Nagendra Prasad
Partner
Membership No. 203377
UDIN No. : 20203377AAAACL9184

Annexure “A” to the Independent Auditor’s Report of even date on the financial statements of M/s. Tamil Nadu Newsprint and Papers Limited

Sl. No.	Compliance	Comments
01	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 has implemented Oracle E-Business suite to process all its accounting transactions through IT System. There are no accounting transactions processed outside IT system, hence, commenting on consequential financial impact does not arise.
02	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.	There was no restructuring of loans during the year, hence, commenting on consequential financial impact does not arise.
03	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.	The company has not received funds for specific schemes from central/state agencies during the current year.
04	Whether the Company’s pricing policy absorbs all fixed and variable costs of production as well as the allocation of overheads?	Yes
05	Whether the Company has fixed norms for normal losses and a system for evaluation of abnormal losses for remedial action is in existence?	Yes
06	What is the system of valuation of by-products and finished products? List out the cases of deviation from its declared policy.	Finished goods at factory are measured at lower of cost which includes cost of inputs (net of taxes and duties eligible for credits) and overheads and net realizable value. Finished goods at branches are valued on the above basis and also include transportation cost to branches and insurance cost.
07	State the extent of utilization of plant and machinery during the year vis-à-vis installed capacity	Paper – 98.06% Packaging Board – 86.39% Cement – 84.95%
08	Whether the Company has effective system for physical verification, valuation of stock, treatment of non-moving items and accounting of effect of shortage / excess noticed during physical verification	Yes. The company has effective system of physical verification, valuation of stock and a policy for treatment of non-moving items and accounting of effect of shortage / excess noticed during physical verification.

Annexure “B” to the Independent Auditors’ Report

The Annexure B referred to in Independent Auditors’ Report to the members of the Company on the financial statements for the year ended 31st March 2020, on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we report that –

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The fixed assets have been physically verified by the Management at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material;
- (c) All title deeds of the immovable properties are held by the Company except Land (extending about 10 grounds and 425 square feet) on which the Corporate Office of the Company functioning at Chennai. The transfer of title of the said land by the Government of Tamil Nadu in favour of the Company is yet to be done pending completion of necessary formalities.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, Immoveable properties of land whose title deeds have been pledged with a lead bank as securities for term loans and other credit facilities availed by the company the same are stated to have been held in the name of the company based on the mortgage deed executed between the Bank and the Company for which confirmations have been obtained from the lead bank.

- ii. As explained to us, the inventories have been physically verified during the year by the management. The discrepancies noticed on physical verification of the same were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account;
- iii. In our opinion and according to the information and explanations given to us, the company has not granted any loans secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, clauses (iiia), (iiib) and (iiic) of paragraph 3 of the Order are not applicable to the company for the year;
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which the provisions of section 185 and 186 of the Act are applicable.
- v. The Company has not accepted any deposit to which the provisions of Sections 73 to 76 of the Act and The Companies (Acceptance of Deposits) Rules, 2014 would apply. As informed to us, no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal related to compliance with above provisions.
- vi. We have broadly reviewed the books of account maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014 prescribed by the Central Government under section 148(1) of the Act and are of the opinion that prima-facie, the prescribed accounts and cost records have been made and maintained. We have not, however, made a detailed examination of the cost records with a view to determining whether they are accurate or complete;
- vii. (a) According to the information and explanations given to us and the records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees’ state insurance, income-tax, Goods and Services Tax, duty of customs, cess and other statutory dues and there are no undisputed statutory dues outstanding as at 31st March 2020, for a period of more than six months from the date they became payable.
- (b) According to the records of the company and information and explanations given to us, there are no outstanding amounts in respect of goods and services tax that have not been deposited with the appropriate authorities on account of any dispute. Disputed income tax, wealth tax, service tax, value added tax, duty of customs, duty of excise that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Name of the Statute	Nature of Dues	Period to which the amount pertains	Amount [Rs. Lakhs]	Forum where the dispute is pending
Cenvat Credit Rules,2004	Input credit reversal	1997-2002	66.43	Hon'ble High Court of Madras
Cenvat Credit Rules,2004	Capital goods Credits	2003-2007	1708.24	Commissioner of Central Excise, Trichy
Cenvat credit Rules,2004	Capital goods Credits	2008-2009	14.15	Hon'ble High Court of Madras
Cenvat credit Rules,2004	Input credit reversal	2009-2015 2016-2018	1695.59	The Customs, Excise and Service Tax Appellate Tribunal, Chennai
Cenvat credit Rules,2004	Input Service Credit	2012-2018	320.89	The Customs, Excise and Service Tax Appellate Tribunal, Chennai
Cenvat credit Rules,2004	Input credit reversal on coal	2013-2018	2981.42	The Customs, Excise and Service Tax Appellate Tribunal, Chennai
Customs Act, 1962	Customs Duty	1991-1993	90.47	Assistant Commissioner of Customs, Chennai
Customs Act, 1962	Customs Duty	1999-2000	106.29	Deputy Commissioner of Customs, Chennai
Customs Act, 1962	Customs Duty	2014-2015	75.70	The Customs Excise and Service Tax Appellate Tribunal, Chennai
Customs Act, 1962	Customs Duty	1999-2000	20.44	Assistant Commissioner of Customs, Cochin
Customs Act, 1962	Customs Duty	2000-2001	217.39	Hon'ble Supreme Court
Customs Act, 1962	Customs Duty	2012-2013	2400.99	The Customs, Excise and Service Tax Appellate Tribunal referred to the Larger bench
Income Tax Act,1961	Income Tax	2002-2004	629.29	Assessing Officer, Chennai
Income Tax Act,1961	Income Tax	2004-2005 2009-2010 2012-2013 2014-2015	1134.01	Income Tax Appellate Tribunal, Chennai
Income Tax Act,1961	Income Tax	2007-2008	103.86	Hon'ble High Court of Madras
Income Tax Act,1961	Income Tax	2016-2017	6171.82	Commissioner of Income-tax (Appeals), Chennai & Assessing Officer, Chennai
Wealth Tax Act,1957	Wealth Tax	1997-2000 2001-2003	19.46	Commissioner of Income Tax (Appeals), Chennai
TNVAT ACT, 2006	Value Added Tax	2006-2013	741.37	Sales Tax Appellate Tribunal, Madurai
CST ACT, 1956	Central Sale Tax	1997-2001	42.71	Sales Tax Appellate Tribunal, Madurai

- viii. According to the information and explanations given to us, the company has not defaulted in repayment of any loans or borrowings from banks or financial institutions. The company has not issued any debentures and has not borrowed any amount from Government during the year under report.
- ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). Term Loans have been applied for the purpose for which they were obtained.

- x. To the best of our knowledge and belief and according to the information and explanations given to us, there have been no cases of fraud by the company or on the company by its officers or employees has been noticed or reported during the year under report.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable

For **BRAHMAYYA & CO.,**
CHARTERED ACCOUNTANTS
Firm Regn No: 000511S

Place : Chennai
Date : June 30, 2020

R. Nagendra Prasad
Partner
Membership No. 203377
UDIN No. : 20203377AAAAACL9184

Annexure “C” to the Independent Auditor’s Report of even date on the Financial Statement of M/s. Tamil Nadu Newsprint and Papers Limited

Report on the Internal Financial Controls over financial reporting under Clause [i] of Sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of **M/s. Tamil Nadu Newsprint and Papers Limited** [“the Company”] as of **March 31, 2020** 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 that are established by the Company in their separate internal control manuals 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.

Auditors’ 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”] and the Standards on Auditing, issued by the Institute of Chartered Accountants of India 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 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 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 authorizations of management and directors of the Company

and [3] provide reasonable assurance regarding prevention or timely detection of unauthorized 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 controls 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, 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 operative effectively as at **March 31, 2020**, based on the internal control over financial reporting criteria that are established by the Company in their separate internal control manuals 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 **BRAHMAYYA & CO.,**
CHARTERED ACCOUNTANTS
Firm Regn No: 000511S

Place : Chennai
Date : June 30, 2020

R. Nagendra Prasad
Partner
Membership No. 203377
UDIN No. : 20203377AAAAACL9184