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K. VIJAYAKUMAR & CO
CHARTERED ACCOUNTANTS

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☎: 8078144535 ✉ kv2823535@gmail.com

To

06/02/2024

The Senior Deputy Accountant General (AMG-III),
O/o Principal Accountant General (Audit I),
Audit Bhavan, M.G.Road,
Thiruvananthapuram - 695 001

Sub: Revised Independent Auditors Report , Annexure A and B of The Pharmaceutical Corporation (IM) Kerala Ltd

Sir,

We are forwarding herewith the Revised Independent Auditors Report, Annexure A, B and C of The Pharmaceutical Corporation (IM) Kerala Ltd.

We have addressed the issues raised in the Draft Audit comments of the Comptroller & Auditor General of India under section 143 (6) of the companies Act, 2013. Based on the Draft Audit comments, we have made additional qualifications in point No.13 of our Independent Audit Report. Annexure A, B and C remains the same except the date of concerned reports.

Please find enclosed the Revised Independent Audit Report, Annexure A, B and C.

Thanking You

Yours faithfully



For K. VIJAYAKUMAR & CO.
Firm Reg. No. 004712S

ASWATHY CV, B.Com.FCA
M. No. 235692, Partner
CHARTERED ACCOUNTANTS

CA K Vijayakumar (Managing Partner), CA Subin V.R (Partner) & CA Aswathy C.V (Partner)
First Floor, EDR Complex, Near Town Hall, Irinjalakuda-680 121, Ph: 0480 2823535



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Independent Auditors' Report (Revised)

To

THE MEMBERS OF
THE PHARMACEUTICAL CORPORATION (IM) KERALA LIMITED,
KUTTANALLUR, THRISSUR

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the Standalone Financial Statements of THE PHARMACEUTICAL CORPORATION (IM) KERALA LIMITED- CIN U24231KL1975SGC002722 ("the Company"), which comprise the Balance Sheet as at March 31, 2023, the Statement of Profit and Loss and the 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.

We had issued our Independent Auditor's Report for the year ended 31st March 2023 vide Report dated 26th October, 2023. We intent to revise the original report considering the 'Draft comments of the Comptroller & Auditor General of India' under section 143 (6) of the Companies Act, 2013. Hence our original report is revised as under: -

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



CA K Vijayakumar (Managing Partner), CA Subin V.R (Partner) & CA Aswathy C.V (Partner)
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("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, except for the matters pointed in our basis for the Qualified opinion, as referred to in Note 2 of notes to financial statements, of the state of affairs of the Company as at 31st March, 2023 and its profit, its cash flows for the year ended on that date.

Basis for Qualified Opinion

1. The Company has not complied with the following Accounting Standards issued under the Companies (Accounting Standards) Amendment Rules, 2016 and by the Institute of Chartered Accountants of India for the preparation of financial statements:

a) Valuation of Inventories (AS 2) -

As per the stated accounting policy of the company as given in Note No.2.2, it was disclosed that, The Company is valuing its closing stock as follows;

- o Raw materials at purchase price less 25% towards estimated loss of driage and storage
- o Finished goods at Government selling price less 20% estimated margin
- o Work in progress at factory cost of raw materials less 25%
- o Containers & Packing materials, Spares & Fuel at cost

As per paragraph number 5 of Accounting Standard 2 on Valuation of Inventories, Inventories should be valued at the lower of cost and net realisable value. The standard further provides the method of valuing this cost/net realisable value of Inventory.

The company is following aforesaid method of valuing Inventories consistently during the past several years which is not in conformity with the AS-2 regarding Valuation of Inventories and the company has not mentioned in notes regarding the valuation of Net Realisable Value of inventories. Since the exact loss on account of driage and storage is not available, we are not able to quantify the impact of the valuation of closing stock of raw materials inconsistent with AS-2 and its impact on the profit reported during the year.



We are unable to quantify the impact on the valuation of Finished goods and Work in progress together with its impact on the profit reported during the year, since sufficient information is not available.

b) Revenue Recognition (AS 9)-

As per the stated accounting policy of the company as given in Note No.2.5, it was disclosed that, the revenue from the sale of goods was recognized when the goods are identifiable and billed against confirmed order.

As per paragraph number 11 (i) of Accounting Standard 9 on Revenue Recognition, a transaction involving the sale of goods, performance should be regarded as being achieved when the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership.

The company accepts all orders for supply of its products at the buyers' end, hence, the risk and rewards of ownership of the products are deemed to be transferred only at the point of delivery at the buyers' end and not at the point of invoicing the products against confirmed order. The delivery of goods is also the responsibility of the company and this transportation cost also considered for arriving at cost price of the product.

Goods valued at Rs.9,89,56,291 /- invoiced/billed before 31st March 2023 (during the Financial Year 2022-23), but packed and dispatched after 31st March 2023 (during the Financial Year 2023-24), was recognized during the financial year 2022-23, which has resulted in overstatement of Revenue from sale of products by Rs.9,89,56,291/- during the year 2022-23.

Similarly, Goods valued at Rs.8,45,22,348/- invoiced/billed before 1st of April 2022 (during the Financial Year 2021-22), but packed and dispatched after 1st of April 2022 (during the Financial Year 2022-23) was not recognised during the financial year 2022-



23, which has resulted in understatement of Revenue from sale of products during the year 2022-23 by Rs.8,45,22,348/- .

We are unable to quantify the impact on the valuation of Finished Goods together with its impact on the profit reported during the year, since sufficient information is not available.

c) Property Plant and Equipment (AS 10) -

- According to Accounting Standard (AS) 10 - Property, Plant and Equipment, assets should be recognized when certain criteria are met, which include control over the asset, the expectation of future economic benefits, reliability of measurement, and the probability of economic benefits flowing to the entity.

AS 10 mandates that assets should be recognized when it is probable that future economic benefits will flow to the entity and the cost of the asset can be reliably measured. However, the company recognizes assets constructed on leasehold land for which the lease agreement has expired. Furthermore, the company's possession of the land and the utilization of assets with a written-down value (WDV) of Rs.269.65 lakhs on this land are expressly subject to the renewal of the lease agreement.

Additionally, the company has not adhered to AS 10 in limiting the useful lives of the assets on leased land to the current year, nor has it recognized any impairment loss. This non-compliance has led to a significant overstatement of assets and profit.

- As per AS 10, an enterprise is encouraged to disclose the carrying amount of temporarily idle PPE, gross carrying amount of any fully depreciated PPE that is still in use and carrying amount of PPE retired from active use and not held for disposal. The same was not disclosed by the company.

e) Leases (AS 19) -

AS 19 stipulates that incremental lease rentals should be recognized when lease agreements are renewed or extended.



As per the stated accounting policy of the company as given in Note No.2.13, it was disclosed that, the company's lease agreement for 83.44 acres of land at Kadannappilly Village, Kannur District, which was originally executed for 15 years in 1990 and is currently in the process of renewal, no provision has been made in the accounts for the incremental lease rental, if any, payable from the date of 01-01-2006.

Similarly, the company has lease agreements for properties in Pathanapuram (Kollam District) and Muttathara (Thiruvananthapuram District), both owned by government departments. Despite being in the process of renewing these lease agreements, no provision has been made in the accounts for the incremental lease rental, if any, payable upon renewal from the specified dates.

We are unable to quantify the impact on failure to account for incremental lease rentals together with its impact on the profit reported during the year, since sufficient information is not available.

2. The company has received advance of Rs.202.50 lakhs towards Share Application Money Pending Allotment under section 42 of Companies Act, 2013 and has failed to allot the shares within sixty days from the date of receipt of the same resulting in non-compliance of provisions of section 42(6) of Companies Act, 2013.
3. The Company has advances against sales outstanding for more than 365 days aggregating to Rs.239.71 lakhs. Hence the Company has violated the rule 2(1)(c)(xii)(a) of Acceptance of Deposits, Rules 2014 read with Section 73 of the Companies Act, 2013. As it is not possible to state whether any part of advances against sales collected by the Company will come under the definition of Public Deposits, we are unable to comment on the same.
4. Other Long Term Liabilities (Note No 5) was understated by Rs.239.71 lakhs due to the wrong inclusion of advances against sales outstanding for more than 365 days . The wrong inclusion of liabilities in Current Liabilities has resulted in understatement of Non-Current Liabilities and corresponding overstatement of Current liabilities to the extent of Rs.239.71 lakhs.



5. Debit balances of 'Advance to Customers' amounting to Rs.1562.63 lakhs were netted against the credit balance of 'Advance from Customers' and shown under Other Current Liabilities. The company should have been classified the accounts with debit balances as under Non- Current Asset or under Other Current Assets instead of netting the same with Other Current Liabilities. Thus, inclusion of debit balances in Other Current Liabilities has resulted in understatement of Current Liabilities and corresponding understatement of Non-Current and Current Assets to the extent of Rs.1562.63 lakhs.
6. The company has accepted Earnest Money Deposit (EMD) as guarantee against tender from various contractors, and the amount outstanding for refunds were not available with the company. Therefore, it is not able to provide the quantitative details and state whether any part of the Earnest Money Deposit collected by the Company will come under the definition of Public Deposit; hence we are unable to comment whether the company has violated the rule 2(1)(c)(xii) of Acceptance of Deposits, Rules 2014 read with Section 73 of the Companies Act, 2013.
7. a) As per the stated accounting policy of the company as given in Note No.2.6(a),it was disclosed that the company recognises the capital asset on the date on which the work completion certificate is obtained either from the management or from the external agency. Till the date of obtaining completion certificate, the expenses are treated as work in progress. Some of the Capital Work In Progress was ready for capitalisation in previous years but could not capitalise in respective years. On further scrutiny, it has been found those Capital work in progress of previous years were not capital expenditure in nature, however amount has been transferred from capital work in progress to revenue expenses.

As per AS 10 items of property, plant, and equipment (PPE) should be recognized as assets when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The company accounts the items categorized as "Capital Work in Progress" (CWIP) in previous years, specifically "CWIP ETP Muttathara," "CWIP Water System Kuttanellur," and "CWIP Muttathara Factory," have not undergone the transition to being recognized



as assets, as stipulated by AS 10. Instead, in the present year, these same items have been reclassified as expenses to the extent of Rs.2.95 lakhs, which we are unable to state whether any part of the same will come under the definition of prior period items.

b) As per the stated accounting policy of the company as given in Note No.2.4, it was disclosed that, in previous year, bills for KITCO regarding consultancy work amounting ₹ 0.45 lakhs and for Enviro Machines amounting ₹ 1.33 lakhs were wrongly recorded in CWIP work of ETP Muttathara instead of Revenue expenditure. So, company recorded these entries into correct head in the current year, which we are unable to state whether any part of the same will come under the definition of prior period items.

c) Consultancy fees payable to KITCO Ltd. for the construction of the Capital Work in Progress of the company were not properly recognized in the relevant previous years. Additionally, no provisions were set aside for this obligation during those prior periods. However, it is worth noting that the entire invoice amount has been accounted for as an expense in the current Financial Year 2022-23, and the company has recognized the corresponding liability during this period, which leads to understatement of profit to that extent and we are unable to state whether any part of the same will come under the definition of prior period items for the preparation of Financial Statement.

8. Reference is invited to Note 31(d) on CSR wherein it was mentioned that there was an unspent amount of Rs.149.44 lakhs for previous years (till FY 2021-22) under CSR on account of an ongoing project and the same would be spent in Financial Year 2023- 24. It appears that the company neither transferred the unspent amount to the fund stated in Schedule VII.

9. The company did not have an appropriate internal control system for maintenance of books of account related to Interest and Interest receivable. This could result in inaccurate calculation of interest in the financial statement.

'Interest on Treasury Deposit' as per financial statement is Rs.1,143.70 lakhs, whereas 'Interest on Treasury Deposit' as per the calculation based on the information available from the company is Rs.1,049.66 lakhs.



We are unable to state whether any part of the interest on Treasury Deposit received by the company will come under the definition of prior period items.

10. Reference is invited to Note 23 on Cost of Materials Consumed wherein it was mentioned that since stock records are not giving proper consumption of goods, consumption and work in progress are arrived on the basis of closing stock physically verified.

The company identify the purchase for the financial 2022-23 by reverse working process based on the closing stock, adjusted in accordance with company's policy. Hence, we are unable to quantify the impact on a typical accounting method in the calculation of purchase together with its impact on the profit reported during the year, since sufficient information is not available.

11. Sales promotion expense which remains payable as on 31st March, 2023 totalling to Rs. 738.70 lakhs were shown under Other Current liabilities. A significant portion of these outstanding amounts has been carried forward for multiple years. Thus, inclusion of credit balances in Other Current Liabilities has resulted in understatement of Non-Current Liabilities and corresponding overstatement of Current liabilities to that extent.

Additionally, despite our diligent efforts, we have been unable to secure adequate and appropriate audit evidence to validate the authenticity of these outstanding payables. Due to the prolonged period during which these sales promotion expenses have remained outstanding and our inability to confirm their validity, we are unable to quantify any potential impact, if any, on the company's profitability.

12. We are unable to confirm the accuracy of the bifurcation of balances into and the resultant impact on the presented financial statements and their accompanying disclosures for the following reasons:

- Other Long Term liabilities specified in Note 5 into Non Current and Current
- Trade Payables specified in Note 7 to Total Outstanding dues of MSME and Total Outstanding dues of Creditors other than MSME.
- Trade Receivables specified in Note 17 to Secured, considered good and Unsecured, considered good



- Security Deposit specified in Note 5 to Current and Non-current

13. Additional Qualification based on the Supplementary Audit conducted by C&AG
- a) Financial Statements of the previous Financial Year (2021-22) was not adopted in AGM so far.
 - b) Further to point No. 8 above the company created a provision of Rs. 190.13 lakhs for CSR within short-term provisions.

We conducted our audit of the financial statements 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 obtained by us is sufficient and appropriate to provide a basis for our qualified audit opinion on the financial statements.

Emphasis of matter

1. Reference is invited to Note No 7, 14, 17 and 19 to the Financial Statements, certain balances of Trade Payables, Long Term Loans & Advances, Trade Receivables and Short Term Loans & Advances are subject to confirmation. We are unable to comment on the adjustments, if any, to be made in these accounts and the impact, if any, in the reported financial statements and its disclosures. Our opinion is not modified in respect of this matter.
2. Reference is invited to Note No 2.6 on Property, Plant & Equipment to the Financial Statements, it was stated that Company is not able to evaluate the scrap value of the assets at the time of acquisition, so company has applied a flat 5% scrap value to all its assets. This approach does not align with the principles outlined in AS 10. Our opinion is not modified in respect of this matter.



3. Proper GST invoices as per GST Act has not been raised to the invoices related to various income streams, including Tender form fees, Scrap sale, Project fees, and rental income which were forming part of the Other Income of the company as per the Note No.22 to the Financial Statement. Our opinion is not modified in respect of this matter.
4. No provision has been made in the accounts for the interest on Share Application Money where it is not allotted within 60 days as per Section 42(6) of the Companies Act, 2013, as there is no claim from the Government of Kerala in this regard, We are unable to comment on the adjustments if any to be made in these accounts and the impact if any in the reported financial statements and its disclosures. Our opinion is not modified in respect of this matter.
5. Reference is invited to Note No 2.17 on Provisions & Contingent Liabilities to the Financial Statements, it was stated that no provision has made in the Financial Statement on account of lease rent arrears for the period from 2005-06 to 2020-21 directed by Revenue Authorities due to the company has not received any Government order regarding this matter to pay the amount to Government. Our opinion is not modified in respect of this matter.
6. The Turnover as per the books of the company mismatches with the figures reported in the GST returns. The Turnover amounts are as follows:

Turnover as per books of accounts	:	Rs. 1,74,68,76,420.16
Turnover as per GSTR1	:	Rs. 1,74,75,02,046.62
Turnover as per GSTR3B	:	Rs. 1,74,74,58,915.71

The differences have been reconciled by the company for the preparation of Financial Statement. Our opinion is not modified in respect of this matter.

Other matters

1. Reference is invited to Note No.2.6 'Property, Plant & Equipment - AS 10' to the Financial Statements, ledger accounts balances of certain Property, Plant and Equipments shows a credit balance and accumulated depreciation shows a debit balance. Even though there are differences, the same has been reconciled by the company for the preparation of financial statements.



2. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the company w.e.f. April 1, 2023, reporting under this clause is not applicable.

Other information

The Company's management and Board of Directors are responsible for other information. The other information comprises the information in the Management Discussion and Analysis, Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's information, but does not include the financial statements and our auditor's report thereon.

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

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 in the audit or otherwise appears to be materially misstated.

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.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance 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, read with Rule 7 of the Companies (Accounts) Rules, 2014.

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.

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. Those 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 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.

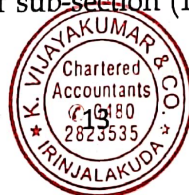
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material 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 auditors' 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 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 issued by the Central Government of India in terms of sub-section (11) of section 143 of The Companies Act



2013, we give in "Annexure A", a statement on the matters specified in the paragraph 3 and 4 of the Order.

2. As required by Section 143(5) of the Act, we give in "Annexure B", a statement on the compliance to the Directions issued by the Comptroller and Auditor General of India.

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 purpose of our audit; except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, 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.
- 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account; except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph.
- d. In our opinion the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2016.
- e. Being a Government Company, the provisions of Section 164(2) of the Act are not applicable vide Notification No. GSR 463(E) dated 5th June 2015.
- f. With respect to the adequacy of the internal financial controls with reference to financial statements over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".
- g. Being a Government Company, the provisions of Section 197 of the Act are not applicable vide Notification No. GSR 463(E) dated 5th June 2015.
- 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 does not have any pending litigations which would impact its financial position.
- ii) The Company does not have any long-term contracts requiring a provision for material foreseeable losses.
- iii) The Company does not have any amounts required to be transferred to the Investor Education and Protection Fund.
- iv) a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested by the company to or in any other person(s) or entities, including foreign entities ("Intermediaries"), with the understanding that the intermediary shall whether directly or indirectly lend or invest in other persons or entities identified in any manner by or on behalf of the company (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of ultimate beneficiaries.
- b) The management has represented that, to the best of its knowledge and belief, no funds have been received by the company from any person(s) or entities including foreign entities ("Funding Parties") with the understanding that such company 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 guarantee, security or the like on behalf of the Ultimate beneficiaries.
- c) Based on such audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material misstatement.
- v) Board of Directors has not proposed any Dividend for the Financial Year 2022-23. The Company has a proposed dividend of Rs.100.00 lakhs for previous Financial Year 2021-22, which is subject to the approval of shareholders in the Annual General Meeting and the company has paid dividend (for the Financial Year 2020-21) of Rs.100 lakhs during the year.



The Revised Audit Report is issued after getting an assurance from the Management that the Revised Audit Report will be circulated to all to whom the original audit report was circulated.

The revised audit report is issued only in the case of Independent Auditor's Report and Report under Sec 143(11) and Report under Sec 143(5) remains the same except the date of concerned reports.

UDIN: 24235692BKASNF8787

Place: Irinjalakuda

Date: 06/02/2024

For K. VIJAYAKUMAR & CO.
Firm Reg. No. 004712S

ASWATHY CV, B.Com.FCA
M. No. 235692, Partner
CHARTERED ACCOUNTANTS



The Annexure A referred to in paragraph 1 under the heading "Report on other Legal and Regulatory Requirements" of our Report of even date to the members of The Pharmaceutical Corporation(IM) Kerala Limited, Thrissur on the accounts of the company for the year ended 31st March, 2023

On the basis of our examination of the books of accounts and records of the Company carried out in the normal course of audit and according to the information and explanation given to us, we state that:

- i) a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- b) The Property, plant and equipment of the Company have been physically verified by the management in accordance with a program of verification, which in our opinion provides for physical verification of all the property, plant and equipment at reasonable intervals. According to the information and explanations, given to us, no material discrepancies were noticed on such verification.
- c) In our opinion and according to the information and explanations given to us, the title deed of immovable property are held in the name of the Company except in respect of title deed of 8.52 acres of land in the name of SKVA Co-operative Pharmacy and Stores Limited No.4318 which are yet to be transferred in the name of the Company as disclosed under Note No.10 in the notes forming part of the attached financial statements. According to the information and explanation given to us and based on the examination of the lease agreement, we report that in respect of the building constructed in the lease land, the lease agreement is in the name of the company where the company is the lessee in the agreement.

Details of leasehold properties are mentioned below:

SI No.	Description of Property	Area	Lease Year	Agreement Value	Rent paid during the year
1	Land (Kannur District , Kadannappilly Village , Pariyaram)	83.44 acres	1990	Rs. 10,430.00 (83.44 * 125)	Rs. 10,430.00
2	Land (Kollam District , Pathanapuram)	0.10 acres	2012	Rs. 1,000.00	Nil
3	Land(Thiruvananthapuram District , Muttathara Village)	1 acre	2015	Rs. 4,047.00	Nil



- d) The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year.
- e) No proceedings initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made there under.
- ii) a) The inventory has been physically verified by the management at the year end. In our opinion, the frequency of such verification by the management is reasonable. The procedure of the physical verification of inventories followed by the management are reasonable and adequate in commensurate to the size of the Company and the nature of its business. Based on the Management Representation Letter received from the company, no discrepancies of 10% or more in aggregate for each class of inventory were noticed on such verification.
- b) The company has not been sanctioned working capital limits in excess of Rs.5 crores, in aggregate, at any point of time during the year, from banks or financial institutions on basis of security of current assets. Accordingly reporting requirements of paragraph 3(ii)(b) of the order is not applicable to the company.
- iii) According to the information and explanations provided to us, during the year the Company has not provided loans, advances in the nature of loans, stood guarantees or securities to companies, firms, limited liability partnerships or any other parties during the year. Accordingly, the requirement to report on clause 3(iii) of the Order is not applicable.
- iv) According to the information and explanations provided to us, there are no loans granted, investments made, guarantees and securities given by the Company to which provisions of sections 185 and 186 of the Act are applicable and accordingly, the requirement to report on clause 3(iv) of the Order is not applicable.
- v) The Company has advances against sales outstanding for more than 365 days aggregating to Rs.239.71 Lakhs which will come under the definition of Public deposits as defined under Rule 2(1)(c)(xii)(a) of the Companies (Acceptance of Deposits), Rules 2014 read with Section 73 of the Companies Act, 2013. Hence the Company has not complied with the provisions of Section 73 of the Companies Act, 2013.

According to the information and explanations given to us, the Company has not received any order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.

- vi) We have reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 148(1) of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate or complete.



- vii) a) According to the information provided and explanations given to us and based on our examination of the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Goods and Services Tax, Income-tax and other material statutory dues applicable to it. There are no material outstanding statutory dues existing as on the last day of the financial year which is outstanding for more than six months from the day these becomes payable.
- b) According to the information provided and explanations given to us and based on the records of the company, dues of Goods and Services Tax, Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Custom, Duty of Excise, Value Added Tax, cess, and other statutory dues that have not been deposited on account of any dispute.
- viii) There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961.
- ix) The Company has not availed any loans and borrowings during the year. Accordingly, reporting under clause (ix)(a) of the Order is not applicable.
- b) According to the information and explanations given to us, the Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- c) According to the information and explanations given to us, the Company has not obtained any term loans during the year. Accordingly, reporting under clause 3(ix)(c) of the Order is not applicable.
- d) On an overall examination of the financial statements of the Company, we report that no funds have been raised on short-term basis. Hence reporting under clause 3(ix)(d) of the Order is not applicable.
- e) The company has no subsidiaries, joint ventures or associate company, therefore has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, joint ventures or associate company as defined under Companies Act, 2013.
- f) The Company has not raised any loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Thus, reporting under paragraph 3(ix)(f) is not applicable to the Company.
- x) a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, reporting under clause 3(x)(a) of the Order is not applicable.
- b) The Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Accordingly, reporting under clause 3(x)(b) of the Order is not applicable.



- xi) a) According to the information and explanations given by the management and based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements, we report that no fraud by the Company or any fraud on the Company has been noticed or reported during the year.
- b) No report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.
- xii) In our opinion, the Company is not a Nidhi Company as per the provisions of the Companies Act, 2013. 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 the Sections 177 and 188 of the Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the notes to financial statements for the year, as required by the applicable accounting standards.
- xiv) a) In our opinion and according to the information and explanations provided to us, the Company has an internal audit system commensurate with the size and nature of its business.
- b) In our opinion and according to the information and explanations provided to us, the internal audit reports pertaining to the year under audit that have been issued till the date of this audit report, have been considered by us while determining the nature, timing and extent of our audit procedures.
- xv) According to the information and explanations provided to us, the Company has not entered into any non-cash transactions with its directors or persons connected with its directors. Accordingly, requirement to report on clause 3(xv) of the Order is not applicable.
- xvi) According to the information and explanations given to us and based on our examinations of the records of the Company, Company is not required to be registered under section 45 - IA of the Reserve Bank of India Act, 1934.
- xvii) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, the Company has not incurred cash losses in the financial year and in the immediately preceding financial year. Accordingly, the requirement to report on clause 3(xvii) of the Order is not applicable.
- xviii) There has been no resignation of the statutory auditors during the year and accordingly reporting under clause 3(xviii) of the Order is not applicable



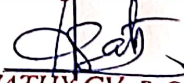
- xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the Audit Report, that the Company is not capable of meeting its liabilities existing at the date of Balance Sheet as and when they fall due within a period of one year from the Balance Sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the information and explanation as made available to us by the management of the Company up to the date of the Audit Report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the Balance Sheet date, will get discharged by the Company as and when they fall due.
- xx) a) In our opinion and according to the information and explanations provided to us, The company has cumulative unspent amounts of Rs.149.44 lakhs from various financial years in respect of projects other than those ongoing that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in accordance with second proviso to sub section 5 of section 135 of Companies Act, 2013.
- b) In our opinion and according to the information and explanations provided to us, The company has unspent amounts of Rs.40.47 lakhs during the financial year in respect of ongoing projects, and the company has transferred the amount to a special account in a scheduled bank in accordance of provision of sub section (6) of section 135 of Companies Act, 2013.
- xxi) As our report is on standalone financial statement of the company, no comment has been included in respect of paragraph 3(xxii) of the order under this report.

UDIN: 24235692BKASNF8787

Place: Irinjalakuda
Date: February 6 , 2024

For K. VIJAYAKUMAR & CO.

Firm Reg. No. 004712S



ASWATHY CV, B.Com, FCA

M. No. 235692, Partner

CHARTERED ACCOUNTANTS



The Annexure B referred to in paragraph 2 as required by Section 143(5) of the Act under the heading "Report on other Legal and Regulatory Requirements" of our Report even date to the members of The Pharmaceutical Corporation(IM) Kerala Limited, Thrissur on the accounts of the company for the year ended 31st March, 2023

We have examined the books of accounts of The Pharmaceutical Corporation(IM) Kerala Limited for the year ended March, 2023 and we have submitting our comments and answers to the questions asked in the directions issued by the Comptroller & Auditor General of India, according to the best of information and explanation given to us by the management and appears from the examination of books of accounts and records produced before us by the company.

General directions under section 143(5) of The Companies Act, 2013

- i. The Company has a system in place to process all the accounting transactions through its implemented IT system, SAP. As such, we have not come across any accounting transactions processed outside IT system which would have an impact on the integrity of the accounts or any financial implications.
- ii. Based on our examination of relevant records of the Company and the information and findings / explanations received from the Management, there were no cases of restructuring of an existing loan or cases of waiver / write off of debts / loans / interest by any of the lenders of the Company due to inability to repay the loan.
- iii. Based on our examination of relevant records of the Company and the information, explanations and findings received from the Management, funds received / receivable for specific schemes from Central / State agencies were properly accounted for / utilized as per terms and conditions and applicable Accounting Standard.

Sector Specific Sub-directions under section 143(5) of The Companies Act, 2013

Agriculture and Allied Sector

a) General

- i. According to the information and explanations given to us, the land owned by the company has not encroached upon, under litigation, put to use or declared surplus during the year.
- ii. According to the information and explanations given to us, physical verification and valuation of standing crops/ trees was not done at the end of the Financial Year in accordance with the standard industry practices.
- iii. As per the information explanations given to us, the stock of seeds packing/ certification materials and other items have been taken on the basis of stock records and there is no excess or shortage found during physical verification and due consideration has been given for deterioration in the quality of old stocks while taking the value of stock of seeds packing/ certification materials and other items.



- iv. According to the information and explanations given to us, all the agriculture produce procured are properly stored but the same is not insured.
- v. As per the information and explanation given to us company has not disbursed any loans/subsidies/ agro inputs and agriculture machineries to beneficiaries.
- vi. As per information and explanation given to us and the records produced before us, the company received grants from the National Medical Plants Board for the supply of medical seedlings, plants and herbs to the government institutions, local bodies and DIC centres, the company accounted the same as per AS-12 and utilized as per the terms and conditions.
- vii. According to the information and explanations given to us, the company has no abandoned projects.

b) Agriculture Procurement

The Company is not engaged in any Agricultural Procurement activities.

Health Sector

- i. In our opinion and according to the information obtained and explanations given to us, the company has carried out activities relating to health promotion, prevention of epidemics, community health and sanitation activities.
- ii. According to the information and explanations given to us, the cost accounting system of the company ensures correct accounting of cost for each category of medicines/drugs/equipment and machinery.
- iii. According to the information and explanations given to us, the system for valuation and accounting of medicine inventory followed by the company is adequate and in accordance with the standard practices of the industry.

Services Sector

- i. According to the information and explanations given to us, the company's pricing policy absorbs all fixed and variable cost of production as well as the allocation of overheads.
- ii. According to the information and explanations given to us, company has not recovered commission for work executed on behalf of government/other organizations and the, the company has an efficient system for billing and collection of revenue.
- iii. As per the information obtained and explanations given to us, the company regularly monitors timely receipt of subsidies from government and is properly recording them in its books of accounts.



- iv. In our opinion and according to the information obtained and explanations given to us, the company has not earned any interest on parking of funds received for specific projects from government.
- v. According to the information and explanations given to us, the company has not entered into Memorandum of Understanding with its Administrative Ministry.

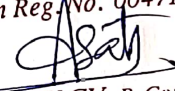
Trading Sector

- i. According to the information and explanations given to us, the company has an effective system for recovery of dues in respect of its sales activities and the dues outstanding and recoveries there against have been properly recorded in the books of accounts.
- ii. The inventory has been physically verified by the management at the year end. In our opinion, the frequency of such verification by the management and the procedure of the physical verification of inventories followed by the management are reasonable and adequate in commensurate to the size of the Company and the nature of its business. Based on explanations and findings received from the Management, any discrepancies of 10% or more in aggregate for each class of inventory were not noticed on such verification.
- iii. In our opinion, the systems followed by the company in the recovery of dues in respect of sale activities are sufficient and working effectively.

UDIN: 24235692BKASNF8787

Place: Irinjalakuda
Date: February 6, 2024

For K. VIJAYAKUMAR & CO.
Firm Reg No. 004712S


ASWATHY CV, B.Com.FCA
M. No. 235692, Partner
CHARTERED ACCOUNTANTS



Annexure "C" to the Independent Auditors' Report of even date on the Financial Statements of The Pharmaceutical Corporation (IM) Kerala Limited.

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 Pharmaceutical Corporation (IM) Kerala Limited ("The Company") as of March 31, 2023 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 ('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 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 (the 'Standards'), 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 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 operate defectively 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 qualified audit opinion on the Company's internal financial controls 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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 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. According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31st 2023:

1. The Company did not have an appropriate internal control system in the maintenance of debtors accounts. This could potentially result in inaccurate balances of the debtors.
2. The Company did not have an appropriate internal control system for obtaining external balance confirmation on a periodic basis. This could potentially result in inaccurate assets and liabilities disclosed in the books of accounts and financial statements.
3. The Company did not have an appropriate internal control system in the maintenance of stock records. This could potentially result in inaccurate disclosure of Work in Progress in the books of accounts and financial statements.
4. The Company did not have an appropriate internal control system for reviewing, computation and booking of fixed assets (put in use not accounted). This could



potentially result in inaccurate calculation of depreciation disclosed in the books of accounts.

5. The Company did not have an appropriate internal control system for checking and approving the accounting entries viz "Maker - Checker" concept
6. The Company did not have an appropriate internal control system for maintenance of books of accounts related to interest and interest receivables. This could result inaccurate calculation of interest in the financial statement.

"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 Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Qualified Opinion

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, 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 March 31, 2023, 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 ICAI.

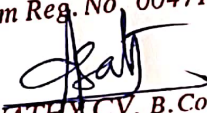
We have considered the material weaknesses identified and reported above in determining the nature, timing and extent of audit tests applied in our audit of the 31st March, 2023 financial statements of the Company and aforesaid report and opinion on Internal Financial Control over financial reporting should be read in conjunction with our report of even date issued on the financial statements of the Company.

UDIN: 24235692BKASNF8787

Place: Irinjalakuda

Date: February 6, 2024

For K. VIJAYAKUMAR & CO.
Firm Reg. No. 004712S


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M. No. 235692, Partner
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