

FORM B

Covering Letter for filing of Annual Audit Report with the Stock Exchanges

1.	Name of Company	Electrotherm (India) Limited
2.	Annual Financial Statements for the year ended	30 th September, 2013
3.	Type of Audit Qualification	Qualified Opinion/ Matter of Emphasis and other observations
4.	Frequency of Qualification	It appears since last audit report of 2011-2012 (consisting of 18 months)
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report	<p>Emphasis matters and Qualifications :</p> <ol style="list-style-type: none"> Note No.2.27 in respect Winding up petition filed by the creditors and recovery cases against the company. Note No.2.28 in respect of restructuring of the debts of the company and which may affect the going concern's Concept of the Company upon final outcome of the said pending petitions/cases. Note No. 2.29 in respect of non provision of long disputed advances, doubtful trade receivable, claim/liability against the company and in absence of full information with the company, the exact amount of the same is not quantified. Note no. 2.39 in respect of third party balance confirmations, grouping & Classification, Disclosure of Gross Amounts, non-provision of interest on NPA accounts of banks, indication of impairment of assets and other related issues, resulting into effect on the results/affairs, as given in the said notes. <p>Other observations/remarks :</p> <ol style="list-style-type: none"> The Company is in process of updating the records showing particulars of quantity and situation of fixed assets. Physical verification of the inventories, except of the inventories as stated in Note No.2.39(e) The Company has an internal Audit Department System; however, the same is required to be further strengthened

with regard to the scope, reporting and its compliance so that it can be commensurate with size and nature of business of the Company.

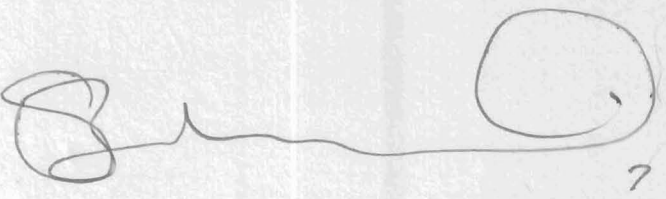
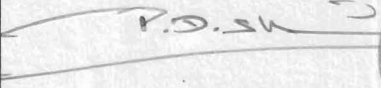
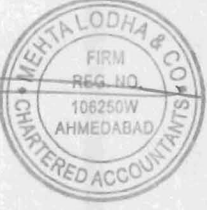
8. The Company is depositing Central Sales Tax Liability and VAT liability slightly delays in payment.
9. The Company has defaulted in repayment of dues (including interest) to financial Institutions and banks and details relating to extent of defaults are not readily available with the Company.

Management Response :

1. The winding up petitions and recovery cases against the company have been contested by the Company before the statutory authorities including Courts/Tribunals and hence in our opinion the said legal cases would not affect the going concern concept of accounting to the Company.
2. The Company has approached the lenders to restructure the entire debt of the Company. In accordance to the guidelines for Corporate Debt Restructuring (CDR) issued by Reserve Bank of India, the flash report of the Company was discussed at CDR Empowered Group (EG) meeting and the reference for restructuring of the debt of the Company was admitted with CDR Cell on August 23/24, 2012 with cutoff date as January 1, 2012. Bank of India the referring Institution submitted a Memorandum dated July 20, 2013 for re-entry of the Company in CDR, the flash cum final report of the Company with revised cutoff date (i.e. March 31, 2013) was submitted to CDR Cell in accordance with the guidelines for Corporate Debt Restructuring issued by the Reserve Bank of India. The final scheme had been discussed at the CDR EG Meeting and the reference to restructuring of the debt of the Company was re admitted on August 23, 2013.
3. The Company has contested with the Excise Department and is hopeful of recovering the terminal excise duty of Rs.15.79 million and shall also be able to recover the advance of Rs.122.28 million on resolution of the dispute. In case of VAT liability with Maharashtra Sales Tax Department the company has contested the liability and is hopeful of recovering the advance payment of Rs.40.00 Million from Maharashtra Sale Tax Department in due course. The Input Credit Receivable shall be adjusted on completion of the Project. The Company has incurred heavy losses hence not written off Preliminary expenses of Rs. 0.04 Million and Advertisement expenses of Rs.6.52 Million.

With regard to the third party Balance Confirmation and

		<p>its classification and other issue affecting the financial statements to the extent stated therein, the management is taking all necessary steps so that the confirmation of the third parties are obtained and establish proper mechanism to reconcile inter departmental transactions.</p> <p>With regards to capital work in progress, the company shall be able to complete all pending projects in current year, hence shall not required provision for impairment of assets.</p> <p>With regard to slow moving inventories The Company has valued it on estimate net realizable value.</p> <p>The Company is under process of restructuring its debt with banks and financial institution under CDR mechanism and the restructuring package envisages reduction in interest rates with cut-off date of March 31, 2013 and further envisages funding of interest for prior period overdue interest, hence the defaulted amount shall be crystallized once the scheme is finalized and shall be converted into fresh loan. Hence in opinion of the management of the company, the matter shall be resolved on receipt of the Letter of Approval (LOA) from CDR EG.</p> <p>4. The Company has initiated the process of updating the records of fixed assets afresh and the Management is of the opinion that it shall be able to comply with the requirement in due course of financial year.</p> <p>5. The Company has been incurring cash losses since June, 2011 and considering the liquidity crunch at times there have been certain delays in fulfilling statutory payments. The management of the company shall try to pay future statutory dues within statutory time lines.</p> <p>6. With regard to strengthen the Internal Audit System; the management is of the opinion that RSM astute is the Internal Auditor of the Company. Further concurrent auditors namely M/s. A. L. Chechani & Company and M/s. Mandovara Shah and Associates have been appointed as a joint concurrent auditors as per the advice by the bankers of the Company. The Board of directors if of the view that the appointment of concurrent auditor and internal auditor has strengthened the internal control system substantially which is commensurate with size and nature of business of the Company.</p>
6.	Additional comments from the Board/Audit committee chair	No Additional Comments offered.

7.	Mr. Shailesh Bhandari Managing Director	
	Auditor of the Company	For Mehta Lodha & Co. Firm Registration No. 106250W Chartered Accountants   Prakash D. Shah Partner M. No.34363
	Mr. Ram Singh Audit Committee Chairman	