

FORM B

Format of covering letter in terms of SEBI circular no.CIR/CFD/DIL/7/2012 dated August 13, 2012 of the Annual Audit Report to be filed with the Stock Exchange.

1.	Name of the company	ALPS INDUSTRIES LTD.
2.	Annual Financial Statements for the year ended	31 st March, 2015
3.	Type of Audit qualification	<p>Detail of Qualification in Audit Report:</p> <p>The Auditors have given the following qualification with regard to non provisioning of disputed claims in earlier years against company in their Audit Report dated 30th May 2015 on the Financial Statements for the year ended on 31st March, 2015:</p> <p><i>"The company has not made any provision towards losses amounting to Rs.39205 Lac on derivative contracts (refer to note nos. 36 (A) (c) I, II and III to the notes to account) and towards claim amounting to Rs. 6259 Lac against the corporate guarantee provided by the company on behalf of one of its subsidiary company (Refer to note no. 36 (A) (c) IV to the notes to account), hence to these extent the loss as shown in the statement of profit and Loss, accumulated losses and current liabilities are understated. This matter was also qualified in our report on the financial statements for the year ended on 31st March 2014."</i></p>
4.	Frequency of qualification	Since Financial Year 2008-09
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>Please refer to note nos. 36 (A) (d) I, II, III and IV to the notes to account in the financial statements as of 31st March 2015 with regard to contingent liability in respect of illegal & disputed claims towards derivative transactions and corporate guarantee against the company reproduced as under:</p> <p>36 (A) (d)</p> <p>I. The Company had certain exotic derivative transactions with ABN Amro Bank, which the Company has disputed in an earlier year as these transactions were per se illegal and also not within the exchange control regulatory permission of RBI and were entered into by the company on the basis of incomplete disclosures and details thus falls in the category of mis-selling by the bank to the company. ABN Amro Bank had</p>



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	<p>communicated an estimated liability of the Company against these transactions of Rs. 12530 Lac (P.Y. Rs. 12530 Lac). Subsequently, the deal expired in June 2010 and as per assessment by the independent expert, the maximum claim which can be raised by the bank against the company is Rs. 30800 Lac as of June 2010, excluding any fee or any amount received/ paid or payable on settlement. However bank has not communicated any further amount to the company during last about 5 years. On the basis of legal opinion, the Company has not admitted the claims and filed a suit in the competent civil court who had issued an interim order for maintenance of status quo with regard to recovery towards these transactions, which is still continued. The Hon'ble Allahabad High Court while admitting the appeal of the bank against this status quo order and the suit has directed the continuation of the status quo order granted by the Hon'ble Civil Court and also stayed the proceedings before Hon'ble Civil Court till further order. The said appeal is still under consideration of Hon'ble High Court. In view of above facts, no provision against these transactions is considered necessary.</p> <p>II. Kotak Mahindra Bank Limited (KMBL) filed an Original Application (O.A.) before Hon'ble Debt Recovery Tribunal, Mumbai (DRT) for recovery of its claim amounting to Rs. 601.11 lac (P.Y. Rs. 601.11 lac) in respect of certain foreign currency derivative transactions which were per se illegal as not within the regulatory permission of RBI and were entered into by the company on the basis of incomplete disclosures and details thus falls in the category of mis-selling by the bank to the company. Hon'ble DRT vide an interim order has restrained the company to sale of its certain Fixed Assets. Hon'ble Debt Recovery Appellate Tribunal (DRAT) Mumbai, on Appeal of the company, has directed to return the said OA and set aside the said restrained order passed by the Hon'ble DRT. The Hon'ble Bombay High Court vide an interim order in the writ filed by KMBL against the order of Hon'ble DRAT has stayed the order of Hon'ble DRAT & restored the operation of restrain order passed by</p>
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	<p>Hon'ble DRT and also stayed the proceedings before Hon'ble DRT till further order. The said writ still under consideration of Hon'ble Bombay High Court. Besides this, Subsequently, Kotak Mahindra Bank had also raised another claim of Rs. 1435 Lac (P.Y. Rs. 1435 Lac) in respect of these foreign currency derivative transactions. On the basis of legal opinion, the company has not admitted these claims of bank against these transactions and filed a suit in the competent civil court of law against these derivative transactions where the same is still pending adjudication. An appeal filed by the company against the order passed by the Hon'ble Civil Court in the matter of withdrawing its earlier order directing to maintain the status quo as regards the recovery proceedings is also pending adjudication before Hon'ble Allahabad High Court. In view of above facts, no provision against these transactions is considered necessary.</p> <p>III. DBS Bank Ltd. has raised claims amounting to US\$ 91.09 Lac & Rs. 667.39 lac (totaling to Rs. 6369.38 lac, approx) (P.Y. totaling to Rs. 6142.45 lac approx) against the Company in respect of certain foreign currency derivative transactions which were per se illegal as not within the regulatory permission of RBI and were entered into by the company on the basis of incomplete disclosures and details thus falls in the category of mis-selling by the bank to the company. On the basis of legal opinion, the company has not admitted the claims of bank & filed a suit in the competent civil court of law against these transactions who has issued an interim order for maintenance of status quo with regards to recovery towards these transactions. The interim order is still continuing and the matter is still pending adjudication. A revision filed by bank against the status quo order passed by Hon'ble Civil Court is also pending adjudication before Hon'ble Allahabad High Court. In view of above facts, no provision against these transactions is considered necessary.</p> <p>IV. Merrill Lynch Capital Services Inc. raised a claim of US\$ 195.80 Lac (Rs. 12255.24 Lac approx.) (P.Y. Rs.</p>
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		<p>11767.54 Lac approx.) against the company in respect of an alleged corporate guarantee of US\$ 100 Lac (Rs. 6259.08 lac approx.) (P.Y. Rs. 6009.98 Lac approx.) to be given by the company for one of its subsidiary company M/s Alps USA Inc. These claims relate to derivative transactions and corporate guarantee thereof which were per se illegal as not within the regulatory permission of RBI and were entered into by the company on the basis of incomplete disclosures and details thus falls in the category of mis-selling by the bank to the company. RBI has also refused to take on record the said corporate guarantee. Based on legal opinion, the company has not admitted said claim and filed a suit in the competent civil court of law. An Appeal filed by the company against the order passed by Hon'ble Civil Court in the matter of withdrawing its jurisdiction and earlier order directing to maintain the status quo as regards the recovery proceedings is pending adjudication before Hon'ble Allahabad High Court. In view of above facts, no provision against above claim is considered necessary.</p> <p>Management's Response to the Auditors qualification in the Board of Directors report dated 30th May, 2015 is as follows:</p> <p>"Observations in the Auditors' Report are dealt within notes to accounts at appropriate places and being self explanatory, needs no further explanations."</p>
6.	Additional Comments from the Board/Audit Committee chair:	<p>This may relate to nature of the qualification including materiality agreement/disagreement on the qualification, steps taken to resolve the qualification, etc.</p> <p>In fact the subject matter of auditor's qualification relates to certain derivative transactions & Corporate Guarantee for derivative transactions (transactions or contracts) of the years 2006-09. These transactions are actually void ab-initio and these resultant claims are disputed being illegal.</p>



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	<p>However the claims against these transactions are disclosed as contingent liability under Note Nos. 36 (A) (d) I, II, III and IV to the notes to Account in the financial statements as of 31st March, 2015.</p> <p>Some of the discrepancies of these transactions (Derivative as well as Corporate Guarantee) are as under:</p> <ol style="list-style-type: none">The Company while executing the aforesaid Contracts was actually got lewd by the Market tactics of the respective Bankers/Parties to persuade the Company to enter into these transactions.In terms of the FEMA & its guidelines these Derivate Contracts/options could not have been entered into by the Company. The writing of option contract was permitted at that time only to the Authorized Dealer and the clients were actually prohibited to write options.In term of extent FEMA Guideline, the Company could have only purchased Derivative contracts against payment of a clear cut premium.The Company had no underlying exposure to the Foreign Exchange Market in relation to which the permuted transaction could have been entered by the company in pursuance to extent of RBI/FEMA guidelines under FEMA Act.The receipt of premium by the Company was prohibited in terms of the then FEMA Guidelines.In fact while writing the Derivative Option
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	<p>Contract and taking the consent of the Company thereto, the technicality and details of the Derivatives Contracts were never explained to the Company or to any of its officials and very complex Derivative Option Contracts were executed by the aforesaid Bankers i.e. ABN Amro Bank, DBS Bank, Kotak Mahindra Bank with the Company without making the Company understand that a very small upside of the contract, whereas the huge downside (that is the possibility of making losses is unlimited) of the Company.</p> <p>vii. That conceptually, in an option contract the option writer charges a premium from the option buyer, where by the option writer provides an option to the option buyer, an option to buy or sell a currency on a pre determined date at a pre-determined rate. The option purchasers only have an option and no obligation to execute the contract. Therefore the maximum loss an option writer can incur is limited to the premium paid by the option purchaser to the option writer.</p> <p>viii. That in this background only the exchange control manual containing RBI guidelines under FEMA Act clearly provides that Foreign Exchange Derivatives are complex product and were after being permitted for the first time after a long gap of more than 3 decades, only with a clear cut condition that the Authorized Dealer, through verification of Documentary Evidence is satisfied about the genuineness of the underlying exposure.</p>
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	<p>ix. That the Company authorized the execution of derivative contracts vide Resolution dated June 02, 2004, Feb 02, 2007 and Feb 29, 2008 and these aforesaid Resolutions authorizes the execution of derivatives <i>"to hedge currency fluctuation in respect of its export and import contracts and foreign currency loans and other foreign currency related matters as permitted by the Reserve Bank of India"</i>. In our view, the execution of the various contracts analyzed in this note, which start with swapping rupee debt into JPY, are not covered by the powers delegated under the said resolutions nor does the writing of options seem to be covered by the company's Memorandum.</p> <p>x. That the whole transactions entered into by the Company with ABN Amro Bank was in gross violation of Foreign Exchange Regulations and was a clear case of defrauding the Company by the concerned banks taking benefit of ignorance of complex technicalities of derivative transaction by the Company's management.</p> <p>xi. That the Company entered into similar derivative transaction with other two banks i.e. Kotak Mahindra Bank and DBS Bank.</p> <p>xii. That the Company was only one of the thousands of corporate which were duped by the fraudulent approach of several banks, while undertaking Foreign Exchange Derivative Transactions arising out of the white spread losses and claims raised by</p>
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	<p>banks on large number of Corporate, a Public Interest Litigation was filed by Writ Petition (Crl.) No. 344 of 2009 in the name of Pravanjan Patra Vs. Republic of India & others before Hon'ble High Court of Orissa at Cuttack.</p> <p>xiii. That the Hon'ble Orissa High Court had also got conducted preliminary enquiry in the matter by the Central Bureau of Investigation (CBI).</p> <p>xiv. That Hon'ble Orissa High Court has made following important observation in Para 13 to 16 to their order dated 24th Dec, 2009 in the Writ Petition (Crl.) No. 344 of 2009 which are reproduced herein below for kind reference.</p> <ol style="list-style-type: none">1. Para 13 of the Hon'ble Orissa High Court Judgment states that upon Perusal of the report of CBI, as mentioned above and considering the facts and circumstances of the case, prima facie we are of the opinion that commission of offences of cheating, criminal conspiracy and fraud cannot be ruled out. This Court has not formed any opinion about the involvement of officers of RBI. Therefore, the apprehensions of the learned counsel for the RBI that this court may not take the submission of the learned counsel for the petitioner for granted that there is involvement of the officials of the RBI has no relevance.2. Para 14 of the Hon'ble Orissa High Court Judgment states that from the above mentioned facts and circumstances, it appears
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	<p>that besides serious irregularities as admitted in the report of CBI, as indicated above, the following criminal actions cannot be ruled out (i)making false declaration deliberately by the users/ customers in making hedge transactions in excess of their exposures, (ii) IDG has identified violation which are serious in nature and appears to be intentional and deliberate which also forms mensrea in commission of offence, (iii) booking of contracts under past performance basis beyond 50% of the eligible limit without obtaining CA certificate, (iv) misuse of transactions by using photocopies of the same underlying to enter into different contracts with different banks. The CBI has specifically observed in the report that there is clear cut violations of the guidelines of RBI and it may be said that there is enough in this world for every one's need but not for any one's greed .There are apparent violation of FEMA and if investigation is done by the CBI, the violation of FEMA can also seen and on that basis criminal offences can also be found out.</p> <p>3. Para 15 of the Hon'ble Orissa High Court Judgment states that from the Facts that false declaration were made as also from the abovementioned actions, the commission of offences of cheating, fraud and criminal conspiracy cannot be ruled out. The CBI has conducted a thorough enquiry. The Action of the CBI is appreciable. CBI is the reputed investigating agency and there is no other investigating agency of national level in the country. The instant matter is the matter of the national interest. If the allegations are found to</p>
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	<p>be true, then CBI would be busting a large financial scam affecting the economy of the country. The culprits should not, therefore, be allowed to go free. Considering the facts and circumstances we think it appropriate that the matter should be investigated by the CBI and action in accordance with the law should be taken.</p> <p>4. Para 16 of the Hon'ble Orissa High Court Judgment states that in the result, we allow this writ petition and direct the CBI to investigate in to the offences on the basis of above observation.</p> <p>xv. That the aforesaid Judgment of Hon'ble Orissa High Court is under appeal before Hon'ble Supreme Court, whereby under Case No. CRLMP No.4199/2010 [CRLMP No. 5475/2015] The Hon'ble Supreme Court had given an Interim Stay to the Judgment of Hon'ble Orissa High Court.</p> <p>xvi. That the Company had filed several cases against ABN Amro Bank, DBS Bank Limited and Kotak Mahindra Bank against their illegal demands & debit notes in pursuance to complex Cross Currency Derivatives Contract entered into by the Company with them. In all the cases filed in the Year 2008 & 2010, there is a stay by an appropriate Court against the banks to recover the alleged demands. However in case of Kotak Mahindra Bank, in view of the circumstances, subsequently the Court did not consider the need of continuing its earlier stay order.</p>
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	<p>xvii. That an Amount of Rs. 10649.42 Lac [US\$ 19.57 Millions] has also been reflected as Contingent Liability in the Financial Statement for the year ended on 31st March 2013 towards the demand made on the company against the Corporate Guarantee provided by the Company in favour of Merill Lynch Inc, USA in respect of the Derivative Transactions undertaken by 100% subsidiary of the Company [Alps USA Inc]. It may be noted that the Corporate Guarantee executed for US\$ 10 Million only whereas a claim has been raised as equivalent to US\$19.57 Millions. That it may be further noted that the derivative transactions have been entered into with the subsidiary company in India only by the MLCS which are not permitted by FEMA. It may be noted that the Corporate Guarantee executed by the Company was not permitted in terms of Indian Foreign Exchange Regulation and accordingly returned to be taken on record (rejected) by the Reserve Bank of India.</p> <p>xviii. That in furtherance to the disputed demands by ABN Amro Bank, Kotak Mahindra Bank, DBS Bank, the Board of Directors of the Company considers the matter and demands to disclose the estimated claims of these Banks as a contingent liability in the financial statement for the financial year ending on 31st March 2009 onwards.</p> <p>xix. That the disclosure of the claims of the banks as a contingent liability has been continuing for</p>
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	<p>last several years and similar qualification has been coming in the financial statement since 31st March, 2009. Accordingly these disputed claims have been stated as contingent liability of Rs. 44988 Lac in the last Audited Balance Sheet as of 31.03.2014 and of Rs. 45464 Lac in the current Audited Balance Sheet as of 31.03.2015 while the Auditors has continued to qualify their reports with a total qualified amount of Rs. 45464 lac in their current year's Audit Report dated 30th May, 2015 on the financial statements for the year ended on March 31, 2015. The increase of Rs. 476 lac in the total qualified amount as compared to their previous qualification is on account of change in exchange rate of USD against Rupee at the current year ended on 31st March 2015 over previous year ended on 31st March 2014.</p> <p>xx. That it is well accepted principle in India in terms of Indian Accounting standards and Standards on Auditing that the contingent liability need not be provided unless the liability becomes a present obligation where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate can be made out of the amount of the obligation.</p> <p>In case company would have considered this qualification as liability during the current financial year 2014-15 its Net Loss for the year would have been of Rs. 48403.29 Lac as</p>
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		<p>against already stated Net Loss of Rs. 2948.70 Lac and current years Accumulated Loss & Current Liabilities would have been higher by Rs. 45464 Lac.</p> <p>The management has decided to consider for provision of these disputed claims only after the decision of Hon'ble Courts against the company.</p>
7.	<p>To be signed by-</p> <p>CEO/Managing Director</p> <p>CFO</p> <p>Auditor of the Company</p> <p>Audit Committee Chairman</p>	<p>Name</p> <p>Sandeep Agarwal</p> <p>A. K. Singhal</p> <p>For P. Jain & Co. Chartered Accountants (Firm Reg. No. 00071109)</p> <p>Munish Kr. Jain (Partner) Membership No. 070335</p> <p>T. R. KHOSLA (DIN No:-02724242)</p> <p>Signature</p> <p>For Alps Industries Ltd.</p> <p>Managing Director</p> <p>GHANESH & COMPANY CHARTERED ACCOUNTANTS GHAZIABAD</p>

Note: As Mr. Prabhat Krishna, the Chairman of Audit Committee was on leave of absence in the Audit Committee & Board Meetings held on May 30, 2015, Mr. T. R. Khosla an Independent Director and Member of Audit Committee was appointed as the Chairman of the Meeting. Hence the Form is being signed by Mr. T. R. Khosla.

FORM A

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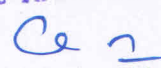
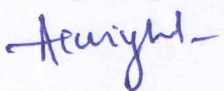

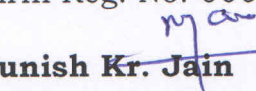

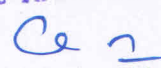
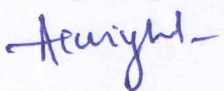

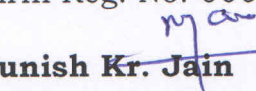

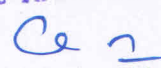
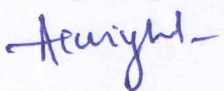

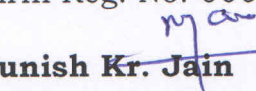

1.	Name of the company	ALPS INDUSTRIES LTD.
2.	Annual Financial Statements for the year ended	31 st March, 2015
3.	Type of Audit observation	<p>Un-qualified / Matter of Emphasis</p> <p>Details of Matter of Emphasis:</p> <p>The Auditors have emphasized the following Matters in their Audit Report dated 30th May 2015 on the Annual Financial Statement for the year ended on 31.03.2015:</p> <p>“Emphasis of Matters</p> <p>We draw attention to the following matters in the Notes to Financial Statements:</p> <ol style="list-style-type: none">1. To the Note no. 37 relating to non provision of interest amounting to RS. 12291.33 lac for the financial year 2014-15 on loans taken from banks/Financial Institution/ARC/Subsidiary companies pursuant to consent of the secured lenders, constituting more than 83% of the outstanding secured debt of the company, to the Draft Rehabilitation Scheme (DRS) which is pending consideration before the Hon’ble BIFR, which interalia envisages the complete waiver of all outstanding interest from these lenders.2. To note no 42 regarding pending confirmation of balances from trade receivable, loans & Advances and trade payables and reconciliation thereof and ascertainment of slow, non moving and damaged inventory and impact thereof, if any.3. To the Note no. 43 relating to non adjustment of amounts paid to secured lenders in terms of settlement reached with them, under consideration of the DRS by the Hon’ble BIFR.4. To the Note no. 45 which briefs the status of the reference of the company filed with the Hon’ble Board of Industrial & Financial Reconstruction (BIFR) u/s 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. The financial statements have been prepared by the company on going concern basis pending sanction of the rehabilitation scheme by the Hon’ble BIFR.”



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4.	Frequency of Qualification	First Time, w.e.f. Financial Year 2014-15.												
5.	To be signed by-	<table border="0"><thead><tr><th>Name</th><th>Signature</th></tr></thead><tbody><tr><td>Sandeep Agarwal (DIN No:-00139439)</td><td><i>for Alps Industries Ltd</i>  <i>Managing Director</i></td></tr><tr><td>A.K. Singhal</td><td></td></tr><tr><td>For P. Jain & Co. Chartered accountants (Firm Reg. No. 000711C)</td><td></td></tr><tr><td>Munish Kr. Jain (Partner) Membership No. 070335</td><td></td></tr><tr><td>Tilak Raj Khosla (DIN No:-02724242)</td><td></td></tr></tbody></table>	Name	Signature	Sandeep Agarwal (DIN No:-00139439)	<i>for Alps Industries Ltd</i>  <i>Managing Director</i>	A.K. Singhal		For P. Jain & Co. Chartered accountants (Firm Reg. No. 000711C)		Munish Kr. Jain (Partner) Membership No. 070335		Tilak Raj Khosla (DIN No:-02724242)	
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	CEO/Managing Director													
	CFO													
	Auditor of the Company													
	Audit Committee Chairman													

Note: As Mr. Prabhat Krishna, the Chairman of Audit Committee was on leave of absence in the Audit Committee & Board Meetings held on May 30, 2015, Mr. T. R. Khosla an Independent Director and Member of Audit Committee was appointed as the Chairman of the Meeting. Hence the Form is being signed by Mr. T. R. Khosla.