

ALOK INDUSTRIES LIMITED

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July 20, 2019

National Stock Exchange of India Ltd,
Exchange Plaza, 5th Floor,
Plot no. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai-400051

Subject: Clarification for Financial Results – ALOKTEXT

Dear Sir/Madam,

This has reference to our financial results for the quarter and year ended 31.03.2019 along with (i) Statement on Impact of Audit Qualification (for audit report with modified opinion) - Standalone and (ii) Statement on Impact of Audit Qualification (for audit report with modified opinion) – Consolidated, submitted to you on 14th June 2019. You have sought a clarification as to why these statements have been signed by Mr. Ajay Joshi, Member of the Monitoring Committee and not the Managing Director of the Company.

As already intimated to the Stock Exchanges, pursuant to an application made by State Bank of India, the Hon'ble National Company Law Tribunal, Ahmedabad Bench ("NCLT"), vide its order dated 18 July 2017, passed an order for commencement of the Corporate Insolvency Resolution Process on the Company under the provisions of the IBC, 2016. Pursuant to the order of the NCLT, the powers of the Board of Directors were suspended and the Committee of Creditors (CoC) with requisite number of votes resolved to appoint Mr. Ajay Joshi as a Resolution Professional ("RP") on 16th August, 2017.

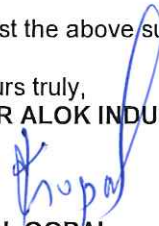
Section 17(1)(b) of the Code states that the powers of the Board of Directors of the Company stand suspended (from the date of appointment of the IRP) and are to be exercised by the IRP (and after appointment of RP, by the RP). Thus, in accordance with this provision of the IBC, the powers of the Board of Directors of the Company were being exercised by the RP, till the approval of the Resolution Plan.

Pursuant to its order dated March 08, 2019, the Hon'ble NCLT approved the resolution plan ("Approved Resolution Plan") submitted by the Resolution Applicants for the Company under Section 31 of the Code. For the period between the NCLT Approval Date (as defined in the Approved Resolution Plan) and the Closing Date (as defined in the Approved Resolution Plan), a Monitoring Committee has been formed as per the provisions of the Approved Resolution Plan to manage the affairs of the Company and to maintain the Company as a going concern. Currently, the affairs of the company are accordingly being managed by the Monitoring Committee. The powers of the Board of Directors continue to remain suspended as per the terms of the Approved Resolution Plan.

Under the circumstances, we state that the (i) Statement on Impact of Audit Qualification (for audit report with modified opinion) - Standalone and (ii) Statement on Impact of Audit Qualification (for audit report with modified opinion) – Consolidated have therefore been signed by Mr. Ajay Joshi, in his capacity as a member of Monitoring Committee (and duly authorized by the Monitoring Committee for this purpose) instead of by the Managing Director.

Trust the above suitably resolves your query.

Yours truly,
FOR ALOK INDUSTRIES LIMITED


K. H. GOPAL
COMPANY SECRETARY

Annexure- I
Statement on Impact of Audit Qualification (for audit report with modified opinion) submitted
along-with Annual Audited Financial Results- Standalone

Statement on Impact of Audit Qualification for the Financial Year ended 31st March, 2019

I.	Sr. No	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualification)
	1.	Turnover/ Total Income	3,253.08	Not applicable as not quantified
	2.	Total Expenditure	(8,016.15)	
	3.	Exceptional Items	7,045.19	
	4.	Net Profit/ (Loss)	2282.12	
	5.	Other Comprehensive Income	1.69	
	6.	Total comprehensive Income	2283.81	
	7.	Earnings Per Share	16.67	
	8.	Total Assets	17,899.85	
	9.	Total Liabilities	30,822.03	
	10.	Net Worth	(12,922.18)	
	11.	Any other Financial Item(s) (as felt appropriate by the management)	-	

II. Audit Qualification (each audit qualification separately):

a. Details of Audit Qualification:

- (i) As per Indian Accounting Standard 36 on Impairments of Assets, the Company is required to determine impairment in respect of fixed assets as per the methodology prescribed under the said Standard. However the Management of the Company has not done impairment testing for the reasons explained in note no. 7 of the Standalone Financial Results. In the absence of any working for impairment of the fixed assets as per Ind AS 36, the impact of impairment, if any on the Standalone Financial Results is not ascertainable. The audit report on the Standalone Financial Results for the year ended 31st March, 2018 was also qualified in respect of this matter.
- (ii) As mentioned in note no. 5 of the Standalone Financial Results, the Company continued to recognize deferred tax assets up to March 31, 2017, Rs. 1,423.11 crore. Pending implementation of Approved Resolution Plan and absence of probable certainty and convincing evidence for taxable income in future, as required by the Ind AS 12, we are unable to ascertain the extent to which these deferred tax assets can be utilized. The audit report on the Standalone Financial Results for the year ended 31st March, 2018 was also qualified in respect of this matter.
- (iii) As mentioned in the note no. 9(c) of the Standalone Financial Results, the Impairment testing of the assets of the wholly owned subsidiary, Alok Infrastructure Limited is not carried out. Therefore adequacy of the Provision for doubtful loan in the books of the company is not ascertainable.

b. Type of Audit Qualification : Qualified Opinion

c. Frequency of qualification:

- Audit Qualification (i) - Repetitive
 Audit Qualification (ii) - Repetitive
 Audit Qualification (iii) - Appeared for the First time

d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not applicable, as not quantified.

e. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Audit Qualification (i) - Impact is not quantifiable

Audit Qualification (ii) - Impact is not quantifiable

Audit Qualification (iii) - Impact is not quantifiable

(ii) If management is unable to estimate the impact, reasons for the same:

Audit Qualification (i)

The Company's current level of operations, at about 30% of the capacity, may not be an indication of the future performance of the Company. Pending implementation of the Approved Resolution Plan, reliable projections of availability of future cash flows of the Company supporting the carrying value of Property, Plant and Equipment cannot be determined. Accordingly Impairment testing under Ind AS could not be performed while presenting these results.

Audit Qualification (ii)

The net deferred tax assets as on 31st March, 2019 are Rs. 1423.11 crore (Previous Year Rs. 1423.11 crore). Since reliable projections of future taxable income shall be available only when the Approved Resolution Plan is implemented, deferred tax assets for the current period and the Financial Year are presently not recognised and the net deferred tax assets as at the end of the previous financial year have been carried forward.

Audit Qualification (iii)

Alok Infrastructure Limited, Wholly owned subsidiary has not carried out any impairment testing of investment property and therefore the correct carrying value of investment property in the



financial result is unascertainable.

(iii) Auditors' Comments on above:

We accept management's comment as noted above and refer "Basis of Qualified Opinion" in the Independent Auditors' Report dated June 14, 2019 on the Standalone Financial Results of the company for the quarter and year ended March 31, 2019.

III. Signatories:

- On behalf of Monitoring Committee

Ajay Joshi



Member of Monitoring Committee

Sunil O. Khandelwal



- Chief Financial Officer

Chief Financial Officer

- Statutory Auditor



Mr. D. V. Ballal
Partner.
Membership No. 13107
For M/s. Shah Gupta & Co., Chartered
Accountants
Firm Registration No. 109574W



Mr. Devdas Bhat
Partner
Membership No. 048094
For M/s. NBS & Co.,
Chartered Accountants
Firm Registration No. 110100W



Place: Mumbai

Date: 14th June, 2019

Annexure- II
Statement on Impact of Audit Qualification (for audit report with modified opinion) submitted
along-with Annual Audited Financial Results- Consolidated

Statement on Impact of Audit Qualification for the Financial Year ended 31st March, 2019

I.	Sr. No	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualification)
	1.	Turnover/ Total Income	3,370.77	Not applicable as not quantified
	2.	Total Expenditure	(8,338.78)	
	3.	Exceptional Items	7,045.19	
	4.	Net Profit/ (Loss)	2,077.18	
	5.	Other Comprehensive Income	(149.82)	
	6.	Share of profit from joint ventures	(1.02)	
	7.	Total comprehensive Income	1,926.34	
	8.	Earnings Per Share	15.17	
	9.	Total Assets	18,016.35	
	10.	Total Liabilities	32,634.76	
	11.	Net Worth	(14,618.43)	
	12.	Any other Financial Item(s) (as felt appropriate by the management)		

II. Audit Qualification (each audit qualification separately):

a. Details of Audit Qualification:

- (i) As per Indian Accounting Standard 36 on Impairments of Assets, the Holding Company is required to determine impairment in respect of fixed assets as per the methodology prescribed under the said Standard. However the Management of the Holding Company has not done impairment testing for the reasons explained in note no. 7 of the Consolidated Financial Results. In the absence of any working for impairment of the fixed assets as per Ind AS 36, the impact of impairment, if any on the Consolidated Financial Results is not ascertainable. The audit report on the Consolidated Financial Results for the year ended 31st March, 2018 was also qualified in respect of this matter.
- (ii) As mentioned in note no. 5 of the Consolidated Financial Results, the Holding Company continued to recognize deferred tax assets upto March 31, 2017, Rs. 1,423.11 crore. Considering the pending implementation of Approved Resolution Plan and absence of probable certainty and convincing evidence for taxable income in future, as required by the Ind AS 12, we are unable to ascertain the extent to which these deferred tax assets can be utilized. The audit report on the Consolidated Financial Results for the year ended 31st March, 2018 was also qualified in respect of this matter.
- (iii) As mentioned in the note no. 9(c) of the Consolidated Financial Results, the Impairment testing of the assets of the wholly owned subsidiary, Alok Infrastructure Limited is not carried out. Therefore adequacy of the carrying value of the assets in the Consolidated Financial Results is not ascertainable.
- (iv) The Consolidated Financial Results include the Unaudited Financial Results of two subsidiary whose Ind AS Financial Statements reflect total assets of Rs. 319.13 crore as at 31st March, 2019, total revenue of Rs. 165.80 crore, net loss after tax of Rs. 49.92 crore, and total comprehensive income amounting to Rs.(49.92) crore for the year ended on that date, and Ind AS Financial Statements of two joint controlled entities whose financial results reflect Group's share of net loss is Rs. 1.08 crore as considered in the Ind AS Consolidated Financial Statements. Our opinion, in so far as it relates to the amounts included in respect of these two subsidiaries and two joint control entities, is based solely on such Unaudited Ind AS Financial Statements. We are not in a position to comment on the consequential impact, if any, arising out of subsequent audit of these entities, on the Consolidated Financial Results. Our opinion on the Consolidated Financial Results is modified in respect of our reliance on the Ind AS financial statements / financial information certified by the Management. The audit report on the Ind AS Consolidated Financial Results for the year ended 31st March, 2018 was also qualified in respect of this matter.

b. Type of Audit Qualification : Qualified Opinion

c. Frequency of qualification:

- | | |
|---------------------------|-------------------------------|
| Audit Qualification (i) | - Repetitive |
| Audit Qualification (ii) | - Repetitive |
| Audit Qualification (iii) | - Appeared for the First time |
| Audit Qualification (iv) | - Repetitive |

f. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not applicable, as not quantified.

g. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

- | | |
|--------------------------|------------------------------|
| Audit Qualification (i) | - Impact is not quantifiable |
| Audit Qualification (ii) | - Impact is not quantifiable |



Audit Qualification (iii) - Impact is not quantifiable

Audit Qualification (iv) - Nil

(ii) If management is unable to estimate the impact, reasons for the same:

Audit Qualification (i)

The Company's current level of operations, at about 30% of the capacity, may not be an indication of the future performance of the Company. Pending implementation of the Approved Resolution Plan, reliable projections of availability of future cash flows of the Company supporting the carrying value of Property, Plant and Equipment cannot be determined. Accordingly Impairment testing under Ind AS could not be performed while presenting these results.

Audit Qualification (ii)

The net deferred tax assets as on 31st March, 2019 are Rs. 1423.11 crore (Previous Year Rs. 1423.11 crore). Since reliable projections of future taxable income shall be available only when the Approved Resolution Plan is implemented, deferred tax assets for the current period and the Financial Year are presently not recognised and the net deferred tax assets as at the end of the previous financial year have been carried forward.

Audit Qualification (iii)

Alok Infrastructure Limited, Wholly owned subsidiary has not carried out any impairment testing of investment property and therefore the correct carrying value of investment property in the financial result is unascertainable.

Audit Qualification (iv)

The two subsidiaries Alok International Inc. (parent company, Alok Industries Limited) and Mileta a.s. (parent company, Alok Infrastructure Limited) are incorporated in the United States of America (US) and the Czech Republic (Czech) respectively. The US subsidiary has not carried out any activity during the year 2018-19 under review. Since this company is effectively a defunct company, management is of the view that the audited financial statements of this subsidiary will not materially differ from the unaudited versions and hence may be relied upon. The Czech step-down subsidiary, an integrated textile company, while being operational and profit making too, is not a material subsidiary. For the year under review, the Czech subsidiary witnessed unforeseeable circumstances causing a delay of their Board Meeting beyond June 2019 for adoption of its accounts, which is permissible, being an unlisted entity. The management had to therefore consider the unaudited numbers for the purpose of consolidation. Since the Czech company is not a material subsidiary, the management is of the opinion that the unaudited financial statements of the Czech step-down subsidiary may also be relied upon. Similarly, the businesses of the two jointly controlled entities are also not material and the management is of the view that the audited financial statements of these jointly controlled entities will not materially differ from the unaudited versions and hence may be relied upon.

(iii) Auditors' Comments on above:

We accept management's comment as noted above and refer "Basis of Qualified Opinion" in the Independent Auditors' Report dated June 14, 2019 on the Consolidated Financial Results of the company for the quarter and year ended March 31, 2019.

III. Signatories:

- On behalf of Monitoring Committee

Ajay Joshi

Member of Monitoring Committee

- Chief Financial Officer

Sunil O. Khandelwal

Chief Financial Officer

- Statutory Auditor

Mr. D. V. Ballal
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Place: Mumbai

Date: 14th June, 2019

