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Alps Industries Ltd.

Regd./Corp. Office :
57/2, Site-IV, Industrial Area,
Sahibabad, Ghaziabad-201 010,
Uttar Pradesh India
Tel. : +91-120-4161700
Tele Fax : +91-120-2895299, 2896041
E-mail : alps@alpsindustries.com
CIN : L51109UP1972PLC003544
www.alpsindustries.com

ALPS/41/SE10/2016-2017

September 20, 2016

Dr. V.R. NARSIMHAN

National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Plot No. C/1, G-Block, Bandra-Kurla Complex
Bandra (E), **Mumbai - 400 051**
Ph - 91-22-2659 8101 - 8114
Fax : 022 - 26598237/38/ 2659 8100
Email - cmlist@nse.co.in

SUB: SUBMISSION OF STATEMENT OF IMPACT OF AUDIT QUALIFICATIONS FOR THE YEAR ENDED 2012-13, 2013-14 AND 2014-15.

Dear Sir,

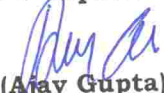
This has reference to the letter dated July 25, 2016 vide reference No. CFD/CMD/PM/SKS/OW/20922/2016 of Securities Exchange Board of India for Disclosure of the Statement of Impact on Audit Qualifications in terms of SEBI Circular No. CIR/CFD/CMD/56/2016 dated May 27, 2016 read with SEBI(Listing Obligations and Disclosure Requirements)(Amendment) Regulations 2016 in which SEBI has directed to submit the above statement from the financial year 2012-13 onwards during which the qualifications existed. As per requirement of SEBI we are enclosing relevant Statements of Impact of Audit Qualifications for Standalone & Consolidated financial statements for the financial year ended 2012-13, 2013-14 and 2014-15. There are no audit qualification in the financial year 2015-16.

This is for your kind information and record, please.

Thanking you,

Yours faithfully,

For **Alps Industries Limited**


(Ajay Gupta)
Company Secretary
& General Manager Legal
ENCL. a/a.-SIX DOCUMENTS.

CC: SEBI MUMBAI- FOR INFORMATION PLEASE.

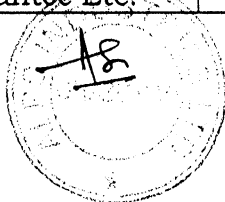
**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS
IN TERMS OF REGULATION 33 OF SECURITIES AND EXCHANGE BOARD OF
INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015 AND CIR/CFD/CMD/56/2016 DATED MAY 30, 2016**

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE FINANCIAL YEAR ENDED
MARCH 31, 2013 (STANDALONE)**

NAME OF THE COMPANY : ALPS INDUSTRIES LTD. (L51109UP1972PLC003544)

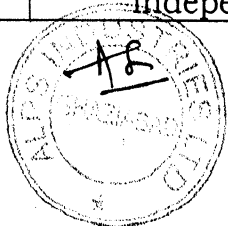
(Rs. In Lacs)

1.	SI No.	particulars	Audited Figures(as reported before adjusting for qualification)	Adjusted Figures(audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	70641.44	70641.44
	2.	Total Expenditure	82171.28	126068.28
	3.	Net Profit/(Loss)	(11529.84)	(55426.84)
	4.	Earnings per share (in Rs.)	(32.39)	(141.70)
	5.	Total Assets	109198.68	109198.68
	6.	Total Liabilities	134408.30	178305.30
	7.	Net Worth	(25209.62)	(69106.62)
	8.	Any other financial item(s)(as felt appropriate by the management) - Contingent Liability towards Derivative Contracts & Corporate Guarantee Etc.	49789.79	5892.79



II. AUDIT QUALIFICATION (EACH AUDIT QUALIFICATION SEPARATELY)

S. I. No.	Questionnaire	Particulars
a.	Detail of Audit Qualification	The Auditors have given the following qualification in their Audit Report dated 30th May 2013 on the Financial Statements for the year ended on 31st March, 2013: <i>" As discussed in Note Nos. 35(A) (d) I, II and III to the notes to account, The company has not made any provision towards the losses on derivative contracts crystallized amounting to Rs.38458 Lac and claims of Rs. 5439 lacs against the corporate guarantee provided by the company on behalf of one of it's subsidiary company (Refer to note no. 35(A) (d) IV of notes to account), hence to that extent the loss as shown in statement of profit & Loss, accumulated losses and current liabilities is understated."</i>
b.	Type of Audit qualification	Qualified Opinion
c.	Frequency of qualification	Continuing Since Financial Year 2008-09
d.	Audit Qualification where the impact quantified by the Auditor, Management's Views:	Management has given details of the Illegal & Disputed contracts in its Notes on Accounts & as required by AS-29 issued by ICAI " Provisions, Contingent Liabilities and Contingent Assets" has also disclosed the amount of these illegal disputed claims as Contingent Liability under note nos. 35 (A) (d) I, II, III and IV to the notes to account in the financial statements as of 31st March 2013 which are reproduced as under: 35 (A) (d) (I) I. The Company had certain exotic derivative transactions with ABN Amro Bank, which the Company has disputed in competent court of law in an earlier year. Till that time the ABN Amro bank had communicated estimated liability of the Company against these transactions of Rs. 12530 Lac (p.y. Rs. 12530 Lac). Subsequently, the deal was expired in June 2010 and as per assessment by the independent agency, the value of this deal is Rs 30800



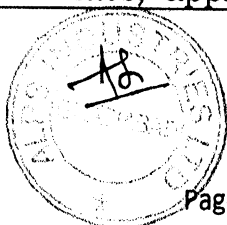
Lac as of June 2010 (negative to the Company) excluding any fee or any amount received/ paid or payable on settlement. However bank has not communicated any further amount to the company. On the basis of legal opinion, the Company has not admitted the claim and matter became subjudice and the competent court had issued an interim order for maintenance of status quo with regard to recovery towards these transactions which is still continued. In view of above facts, no provision against these transactions is considered necessary.

35 (A) (d) (II)

- I. Kotak Mahindra Bank Limited filed an Original Application (O.A.) before Hon'ble Debt Recovery Tribunal-II, Mumbai (DRT) for recovery of it's claim amounting to Rs. 601.11 lac (p.y. Rs. 601.11 lac) in respect of certain foreign currency derivative transactions against which vide an interim order Hon'ble DRT 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 set aside the said order of the DRT. Aggrieved with the order of DRAT, Kotak Mahindra Bank has filed a writ before Bombay High Court. The Hon'ble High Court has stayed the order of DRAT & allowed the operation of order of DRT till next order, where the matter is pending adjudication. Besides this, subsequently Kotak Mahindra Bank has also raised a claim of Rs. 1435 Lac (p.y. Rs. 1435 Lac) in respect of these foreign currency derivative transactions. Based on the legal advice, these claims have not been admitted & these derivative transactions have been disputed in the civil court of law pending adjudication. In view of above facts, no provision against these transactions is considered necessary.

35 (A) (d) (III)

DBS Bank Ltd. have lodged claims amounting to US\$ 91.09957 Lac & Rs. 667.39 lac totalling to Rs. 5622.23 lacs, approx (previous year Rs. 5327.63 lacs approx)



against the Company in respect of certain foreign currency derivative transactions. Based on the legal advice, the claims have not been admitted & these transactions have been disputed in the civil court of law against which the Company has got an interim order for maintenance of status quo with regards to recovery towards these transactions which is still continued. In view of above facts, no provision against these transactions is considered necessary.

37 (A) (d) (IV)

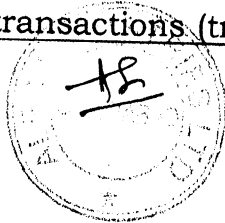
Merrill Lynch Capital Services Inc. raised a claim of US\$ 195.80 Lac Rs. 10649.42 Lac approx (previous year US\$ 195.80 Lac, Rs.10016.44 Lac approx) the company in respect of a corporate guarantee of \$ 100 Lac Rs. 5438.93 lac approx (previous year \$100 Lac Rs. 5115.65 Lacs approx) given by the company for one of its subsidiary company M/s Alps USA Inc. Based on legal advice, the company has not admitted and disputed the said claim which still is pending before the court of law. In view of above facts, no provision against above claim is considered necessary.

Management has also given its comment in its Directors Report on the Auditors Qualification under the Heading "Auditor's Observations" as under :-

"Observations in the Auditors' Report are dealt within notes to accounts at appropriate places and being self explanatory, needs no further explanations. as required under amended clause 31(a) of the listing agreement and SEBI Circular No. CIR/CFD/DIL/7/2012 dated August 13, 2012, the necessary disclosures/details in the prescribed Form B will be complied with as per the requirement.

The additional facts w.r.t. to the contracts which have been disputed by Management being illegal are as under :

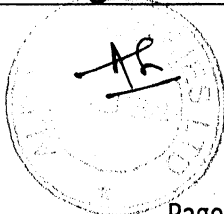
The subject matter of auditor's qualification relates to certain derivative transactions & Corporate Guarantee for derivative transactions (transactions or contracts) of the years 2006-09.



These transactions are actually void ab-initio and these resultant claims are disputed being illegal. However the claims against these transactions are disclosed as contingent liability under Note Nos. 35 (A) (d) I, II, III and IV to the notes to Account in the financial statements as of 31st March, 2013.

Some of the discrepancies of these transactions (Derivative as well as Corporate Guarantee) in terms of the FEMA & its guidelines are as under:-

- i. The Company could have only purchased Derivative contracts against payment of a clear cut premium while in these transactions, it has been paid
- ii. 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 which has not been done by the Banks.
- iii. That the all the transactions entered into by the Company were in gross violation of Foreign Exchange Regulations and was a clear case of defrauding the Company by the concerned banks.
- iv. 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 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**.

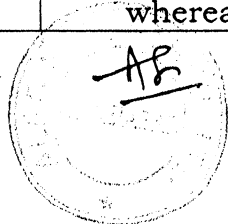


of FEMA can also be seen and on that basis criminal offences can also be found out.

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 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.
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.

vii. 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.

viii. 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 Merrill 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

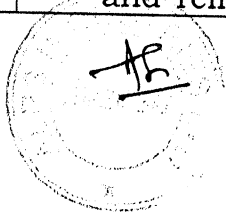


US\$19.57 Millions. That it may be further noted that the derivative transactions have been entered into with the subsidiary company in India only by the MLCS which are not permitted by FEMA. It may be noted that the Corporate Guarantee executed by the Company was not permitted in terms of Indian Foreign Exchange Regulation and accordingly returned to be taken on record (rejected) by the Reserve Bank of India.

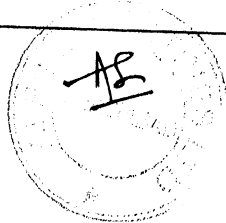
ix. That the Company had filed several cases against ABN Amro Bank, DBS Bank Limited and Kotak Mahindra Bank & Merrill Lynch Capital Services Inc. USA against their illegal demands & debit notes in pursuance to complex Cross Currency Derivatives Contract & Corporate Guarantee entered into by the Company 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 & also in case of Merrill Lynch Capital Services Inc. , the court has returned the case of the company. However appeals of company against these orders are under court decision of Hon'ble High Court.

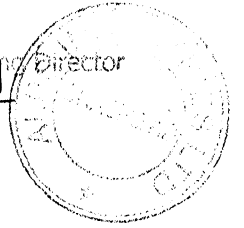
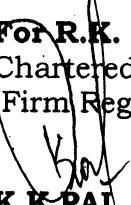
x. That in furtherance to the disputed demands by ABN Amro Bank, Kotak Mahindra Bank, DBS Bank, the Board of Directors of the Company considers the matter and demands to disclose the estimated claims of these Banks as a contingent liability in the financial statement for the financial year ending on 31st March 2009 onwards.

xi. 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. The management has decided to consider these disputed claims only after the decision of Hon'ble Courts against the company. However in view of the explanations given by the Management, the Statutory Auditors has not qualified their Audit Report on the financial statements of the company for the year 2015-16 on these items.
e.	Audit Qualification where the impact is not quantified by the Auditor :- Not Applicable	
(i)	Management's Estimation on the impact of audit qualification	
(ii)	If management is unable to estimate the impact, reasons for the same:	
(iii)	Auditor's Comments on (i) or (ii) above:	



HI.	To be signed by-	Name	Signature
	CEO/Managing Director	Sandeep Agarwal  A. K. Singhal	For ALPS INDUSTRIES LTD.    
	CFO		
	Audit Committee Chairman	PRABHAT KRISHNA (DIN No:- 02569624)	
	Auditor of the Company	For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C)  K.K.PAL (Partner) Membership No. 074999 	

Date : 19.09.2016

Place : Ghaziabad

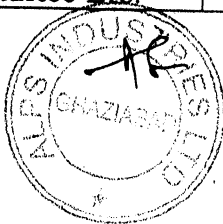
**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS
IN TERMS OF REGULATION 33 OF SECURITIES AND EXCHANGE BOARD OF
INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015 AND CIR/CFD/CMD/56/2016 DATED MAY 30, 2016**

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE FINANCIAL YEAR ENDED
MARCH 31, 2013 (CONSOLIDATED)**

NAME OF THE COMPANY : ALPS INDUSTRIES LTD. (L51109UP1972PLC003544)

(Rs. In Lacs)

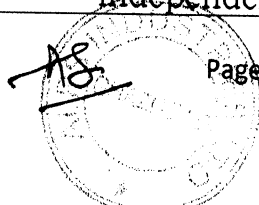
1.	SI No.	particulars	Audited Figures(as reported before adjusting for qualification)	Adjusted Figures(audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	72904.90	72904.90
	2.	Total Expenditure	84486.80	128383.80
	3.	Net Profit/(Loss)	(11581.90)	(55478.90)
	4.	Earnings per share (in Rs.)	(32.53)	(141.84)
	5.	Total Assets	109674.53	109674.53
	6.	Total Liabilities	133303.71	177200.71
	7.	Net Worth	(23629.18)	(67526.18)
	8.	Any other financial item(s)(as felt appropriate by the management) - Contingent Liability towards Derivative Contracts & Corporate Guarantee Etc.	49789.79	5892.79



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b.	Type of Audit qualification	Qualified Opinion
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d.	Audit Qualification where the impact quantified by the Auditor, Management's Views:	Management has given details of the Illegal & Disputed contracts in its Notes on Accounts & as required by AS-29 issued by ICAI "Provisions, Contingent Liabilities and Contingent Assets" has also disclosed the amount of these illegal disputed claims as Contingent Liability under note nos. 37 (A) (d) I, II, III and IV to the notes to account in the financial statements as of 31st March 2013 which are reproduced as under: 37 (A) (d) (I) I. The Company had certain exotic derivative transactions with ABN Amro Bank, which the Company has disputed in competent court of law in an earlier year. Till that time the ABN Amro bank had communicated estimated liability of the Company against these transactions of Rs. 12530 Lac (p.y. Rs. 12530 Lac). Subsequently, the deal was expired in June 2010 and as per assessment by the independent agency, the value of this deal is Rs 30800



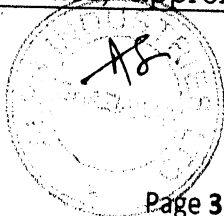
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against the Company in respect of certain foreign currency derivative transactions. Based on the legal advice, the claims have not been admitted & these transactions have been disputed in the civil court of law against which the Company has got an interim order for maintenance of status quo with regards to recovery towards these transactions which is still continued. In view of above facts, no provision against these transactions is considered necessary.

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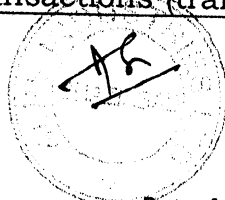
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These transactions are actually void ab-initio and these resultant claims are disputed being illegal. However the claims against these transactions are disclosed as contingent liability under Note Nos. 35 (A) (d) I, II, III and IV to the notes to Account in the financial statements as of 31st March, 2013.

Some of the discrepancies of these transactions (Derivative as well as Corporate Guarantee) in terms of the FEMA & its guidelines are as under:-

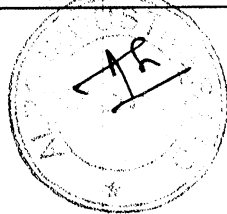
- i. The Company could have only purchased Derivative contracts against payment of a clear cut premium while in these transactions, it has been paid
- ii. The exchange control manual containing RBI guidelines under FEMA Act clearly provides that Foreign Exchange Derivatives are complex product and were 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 which has not been done by the Banks.
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- iv. 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 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**.



v. That the Hon'ble Orissa High Court had also got conducted preliminary enquiry in the matter by the Central Bureau of Investigation (CBI).

vi. 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.

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 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



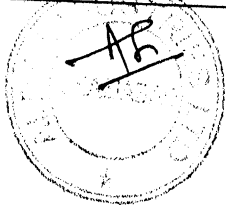
of FEMA can also seen and on that basis criminal offences can also be found out.

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 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.

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.

vii. 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.

viii. 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 Merrill 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

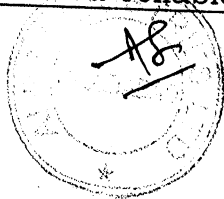


US\$19.57 Millions. That it may be further noted that the derivative transactions have been entered into with the subsidiary company in India only by the MLCS which are not permitted by FEMA. It may be noted that the Corporate Guarantee executed by the Company was not permitted in terms of Indian Foreign Exchange Regulation and accordingly returned to be taken on record (rejected) by the Reserve Bank of India.

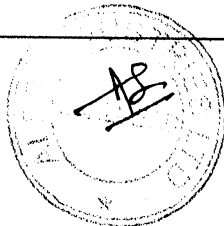
ix. That the Company had filed several cases against ABN Amro Bank, DBS Bank Limited and Kotak Mahindra Bank & Merrill Lynch Capital Services Inc. USA against their illegal demands & debit notes in pursuance to complex Cross Currency Derivatives Contract & Corporate Guarantee entered into by the Company 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 & also in case of Merrill Lynch Capital Services Inc. , the court has returned the case of the company. However appeals of company against these orders are under court decision of Hon'ble High Court.

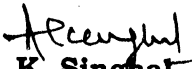
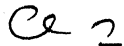
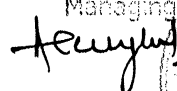
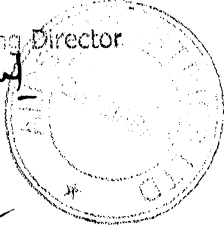
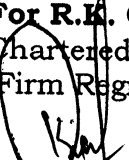
x. That in furtherance to the disputed demands by ABN Amro Bank, Kotak Mahindra Bank, DBS Bank, the Board of Directors of the Company considers the matter and demands to disclose the estimated claims of these Banks as a contingent liability in the financial statement for the financial year ending on 31st March 2009 onwards.

xi. 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. The management has decided to consider these disputed claims only after the decision of Hon'ble Courts against the company. However in view of the explanations given by the Management, the Statutory Auditors has not qualified their Audit Report on the financial statements of the company for the year 2015-16 on these items.
e.	Audit Qualification where the impact is not quantified by the Auditor :- Not Applicable	
(i)	Management's Estimation on the impact of audit qualification	
(ii)	If management is unable to estimate the impact, reasons for the same:	
(iii)	Auditor's Comments on (i) or (ii) above:	



III.	To be signed by-	Name	Signature
	CEO/Managing Director	Sandeep Agarwal  A. K. Singhal	For ALP INDUSTRIES LTD.  Managing Director  
	CFO		
	Audit Committee Chairman	PRABHAT KRISHNA (DIN No:- 02569624)	
	Auditor of the Company	For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C)  K.K. PAL (Partner) Membership No. 074999  	

Date : 19.09.2016

Place : Ghaziabad

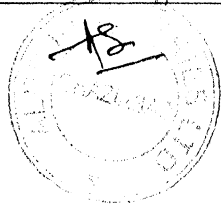
**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS
IN TERMS OF REGULATION 33 OF SECURITIES AND EXCHANGE BOARD OF
INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015 AND CIR/CFD/CMD/56/2016 DATED MAY 30, 2016**

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE FINANCIAL YEAR ENDED
MARCH 31, 2014 (STANDALONE)**

NAME OF THE COMPANY : ALPS INDUSTRIES LTD. (L51109UP1972PLC003544)

(Rs. In Lacs)

1.	SI No.	particulars	Audited Figures(as reported before adjusting for qualification)	Adjusted Figures(audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	81651.53	81651.53
	2.	Total Expenditure	93417.14	138405.14
	3.	Net Profit/(Loss)	(11765.61)	(56753.61)
	4.	Earnings per share (in Rs.)	(33.23)	(145.10)
	5.	Total Assets	109282.59	109282.59
	6.	Total Liabilities	146227.82	191215.82
	7.	Net Worth	(36945.23)	(81933.23)
	8.	Any other financial item(s)(as felt appropriate by the management) - Contingent Liability towards Derivative Contracts & Corporate Guarantee Etc.	67044.92	22056.92



II. AUDIT QUALIFICATION (EACH AUDIT QUALIFICATION SEPARATELY)

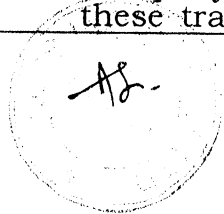
S. I. No.	Questionnaire	Particulars
a.	Detail of Audit Qualification	The Auditors have given the following qualification in their Audit Report dated 30th May 2014 on the Financial Statements for the year ended on 31st March, 2014: <i>" The company has not made any provision towards losses amounting to Rs.38979 Lac on derivative contracts crystallized Refer to Note Nos. 36 (A) (d) I, II and III to the notes to account) and towards claims amounting to Rs.. 6009 lacs against the corporate guarantee provided by the company on behalf of one of it's subsidiary company (Refer to note no. 36(A) (d) IV of notes to account), hence to these extent the loss as shown in statement of profit & Loss, accumulated losses and current liabilities are understated."</i>
b.	Type of Audit qualification	Qualified Opinion
c.	Frequency of qualification	Continuing Since Financial Year 2008-09
d.	Audit Qualification where the impact quantified by the Auditor, Management's Views:	Management has given details of the Illegal & Disputed contracts in its Notes on Accounts & as required by AS-29 issued by ICAI " Provisions, Contingent Liabilities and Contingent Assets" has also disclosed the amount of these illegal disputed claims 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 2014 which are reproduced as under: 36 (A) (d) (I) I. The Company had certain exotic derivative transactions with ABN Amro Bank, which the Company has disputed in an earlier year. During the tenure of transaction ABN Amro Bank had communicated an estimated liability of the company against these outstanding transactions as Rs. 12530 Lac. Though, the bank has not further communicated any liability of the company but as per assessment made by an independent agency on the



request of the company, the value of this deal on the day of its expiry i.e. June 2010 is Rs 30800 Lac (negative to the Company) (P.Y. Rs. 30800 Lac) excluding any fee or any amount received/ paid or payable on settlement. On the basis of legal opinion, the Company has not admitted the claim of bank against these transactions 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. The Hon'ble High Court while admitting the appeal of the bank against this status Quo order and suit has directed the continuation of status Quo Order granted by the Hon'ble Civil Court and also state 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.

36 (A) (d) (II)

Kotak Mahindra Bank Limited (KMBL) filed an Original Application (OA) before Hon'ble Debt Recovery Tribunal, Mumbai (DRT) for recovery of its claim amounting to Rs. 601.11 lacs (P.Y. Rs. 601.11 Lacs) in respect of certain foreign currency derivative transactions against which vide an interim order Hon'ble DRT has restrained the company from selling 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 restrain 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 and restored the restrain order passed by Hon'ble DRT and also stayed the proceedings before Hon'ble DRT till further order. The said writ is still under consideration of Hon'ble Bombay High Court. Besides this, subsequently, on expiration of the tenure of these transactions, Kotak Mahindra Bank has also raised a claim of Rs. 1435 Lacs (P.Y. Rs. 1435 Lacs) in respect of these foreign currency derivative transactions. On the basis of legal opinion, the Company has not admitted the claims of bank against these transactions and filed a suit in the competent



civil court of law where the same are still pending adjudication. An appeal filed by the company against the order passed by 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 High Court. In view of above facts, no provision against these transactions is considered necessary.

36 (A) (d) (III)

DBS Bank Ltd. have raised claims amounting to US\$ 91.09957 Lac & Rs. 667.39 lac, totaling to Rs. 6142.46 lac approx (previous year totaling to Rs. 5622.23 lac approx) against the Company in respect of certain foreign currency derivative transactions. On the basis of legal opinion, the Company has not admitted the claims of bank against these transactions and filed a suit in the competent civil court of law, which 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. An appeal 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.

36 (A) (d) (IV)

Merrill Lynch Capital Services Inc. raised a claim of US\$ 195.80 Lacs, Rs. 11767.54 Lac approx, (P.Y. US\$ 195.80 Lacs, Rs 10649.42 Lac approx.) against the company in respect of an alleged corporate guarantee of \$ 100 Lacs (Rs. 6009.98 Lac approx) ((previous year \$100 Lacs(Rs. 5438.93 Lac approx.)) alleged to be given by the company for one of its subsidiary company M/s Alps USA Inc. Based on legal advice, the company has not admitted the said claim and filed a suit in the competent civil court. 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 also pending adjudication before

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Hon'ble Allahabad High Court. In view of above facts, no provision against this claim is considered necessary.

Management has also given its comment in its Directors Report on the Auditors Qualification under the Heading "Auditor's Observations" as under :-

"Observations in the Auditors' Report are dealt within notes to accounts at appropriate places and being self explanatory, needs no further explanations. As required under amended clause 31(a) of the listing agreement and SEBI Circular No. CIR/CFD/DIL/7/2012 dated August 13, 2012, the necessary disclosures/details in the prescribed Form B have been appended with the Annual Report."

The additional facts w.r.t. to the contracts which have been disputed by Management being illegal are as under :

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. However the claims against these transactions are disclosed as contingent liability under Note Nos. 35 (A) (d) I, II, III and IV to the notes to Account in the financial statements as of 31st March, 2013.

Some of the discrepancies of these transactions (Derivative as well as Corporate Guarantee) in terms of the FEMA & its guidelines are as under:-

- i. The Company could have only purchased Derivative contracts against payment of a clear cut premium while in these transactions, it has been paid
- ii. 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 which has not been done by the Banks.

iii. That the all the transactions entered into by the Company were in gross violation of Foreign Exchange Regulations and was a clear case of defrauding the Company by the concerned banks.

iv. 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 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**.

v. That the Hon'ble Orissa High Court had also got conducted preliminary enquiry in the matter by the Central Bureau of Investigation (CBI).

vi. 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.

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

12-



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 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 be seen and on that basis criminal offences can also be found out.
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 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.
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.

vii. 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.

viii. That an Amount of Rs. 11767.54 Lac [US\$ 19.57 Millions] has also been reflected as Contingent Liability in the Financial Statement for the year ended on 31st March 2014 towards the demand made on the company against the Corporate Guarantee provided by the Company in favour of Merrill 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.

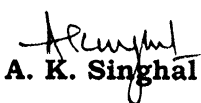
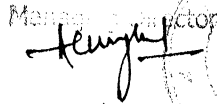
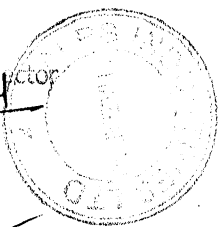
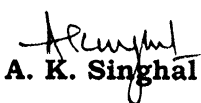
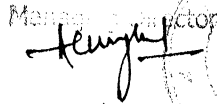
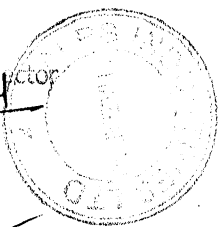
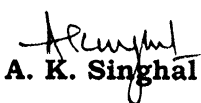
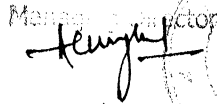
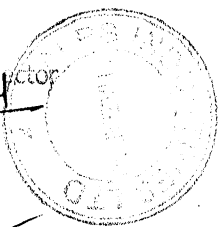
ix. That the Company had filed several cases against ABN Amro Bank, DBS Bank Limited and Kotak Mahindra Bank & Merrill Lynch Capital Services Inc. USA against their illegal demands & debit notes in pursuance to complex Cross Currency Derivatives Contract & Corporate Guarantee entered into by the Company 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

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		stay order & also in case of Merrill Lynch Capital Services Inc. , the court has returned the case of the company. However appeals of company against these orders are under court decision of Hon'ble High Court. x. 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. xi. 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. The management has decided to consider these disputed claims only after the decision of Hon'ble Courts against the company. However in view of the explanations given by the Management, the Statutory Auditors has not qualified their Audit Report on the financial statements of the company for the year 2015-16 on these items.
e.	Audit Qualification where the impact is not quantified by the Auditor :- Not Applicable	
(i)	Management's Estimation on the impact of audit qualification	



(ii)	If management is unable to estimate the impact, reasons for the same:													
(iii)	Auditor's Comments on (i) or (ii) above:													
III.	To be signed by- CEO/Managing Director CFO Audit Committee Chairman Auditor of the Company	<table border="0"> <tr> <td data-bbox="496 489 798 523">Name</td><td data-bbox="943 489 1257 523">For ALPS INDIA LTD. Signature</td></tr> <tr> <td data-bbox="496 546 798 580">Sandeep Agarwal</td><td data-bbox="1034 535 1166 580">C 2</td></tr> <tr> <td data-bbox="496 603 695 705">  A. K. Singhal </td><td data-bbox="1042 591 1257 818">  Manager  </td></tr> <tr> <td data-bbox="496 784 798 852">PRABHAT KRISHNA (DIN No:- 02569624)</td><td data-bbox="1201 535 1417 762">  </td></tr> <tr> <td data-bbox="496 886 863 988"> For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C) </td><td data-bbox="831 988 967 1124">  </td></tr> <tr> <td data-bbox="496 1056 839 1158">  K.K. PAL (Partner) Membership No. 074999 </td><td></td></tr> </table>	Name	For ALPS INDIA LTD. Signature	Sandeep Agarwal	C 2	 A. K. Singhal	 Manager 	PRABHAT KRISHNA (DIN No:- 02569624)		For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C)		 K.K. PAL (Partner) Membership No. 074999	
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Sandeep Agarwal	C 2													
 A. K. Singhal	 Manager 													
PRABHAT KRISHNA (DIN No:- 02569624)														
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Date : 19.09.2016

Place : Ghaziabad

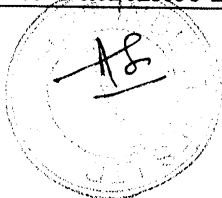
**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS
IN TERMS OF REGULATION 33 OF SECURITIES AND EXCHANGE BOARD OF
INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015 AND CIR/CFD/CMD/56/2016 DATED MAY 30, 2016**

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE FINANCIAL YEAR ENDED
MARCH 31, 2014 (CONSOLIDATED)**

NAME OF THE COMPANY : ALPS INDUSTRIES LTD. (L51109UP1972PLC003544)

(Rs. In Lacs)

1.	SI No.	particulars	Audited Figures(as reported before adjusting for qualification)	Adjusted Figures(audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	83308.81	83308.81
	2.	Total Expenditure	95065.02	140053.02
	3.	Net Profit/(Loss)	(11756.21)	(56744.21)
	4.	Earnings per share (in Rs.)	(33.20)	(145.07)
	5.	Total Assets	109881.10	109881.10
	6.	Total Liabilities	145237.33	190225.33
	7.	Net Worth	(35356.23)	(80344.23)
	8.	Any other financial item(s)(as felt appropriate by the management) - Contingent Liability towards Derivative Contracts & Corporate Guarantee Etc.	67044.92	22056.92



II. AUDIT QUALIFICATION (EACH AUDIT QUALIFICATION SEPARATELY)

S. I. No.	Questionnaire	Particulars
a.	Detail of Audit Qualification	The Auditors have given the following qualification in their Audit Report dated 30th May 2014 on the Financial Statements for the year ended on 31st March, 2014: <i>" The company has not made any provision towards losses amounting to Rs.38979 Lac on derivative contracts crystallized Refer to Note Nos. 37 (A) (d) I, II and III to the notes to account) and towards claims amounting to Rs.. 6009 lacs against the corporate guarantee provided by the company on behalf of one of it's subsidiary company (Refer to note no. 37 (A) (d) IV of notes to account), hence to these extent the loss as shown in statement of profit & Loss, accumulated losses and current liabilities are understated."</i>
b.	Type of Audit qualification	Qualified Opinion
c.	Frequency of qualification	Continuing Since Financial Year 2008-09
d.	Audit Qualification where the impact quantified by the Auditor, Management's Views:	Management has given details of the Illegal & Disputed contracts in its Notes on Accounts & as required by AS-29 issued by ICAI " Provisions, Contingent Liabilities and Contingent Assets" has also disclosed the amount of these illegal disputed claims as Contingent Liability under note nos. 37 (A) (d) I, II, III and IV to the notes to account in the financial statements as of 31st March 2014 which are reproduced as under: 37 (A) (d) (I) I. The Company had certain exotic derivative transactions with ABN Amro Bank, which the Company has disputed in an earlier year. During the tenure of transaction ABN Amro Bank had communicated an estimated liability of the company against these outstanding transactions as Rs. 12530 Lac. Though, the bank has not further communicated any liability of the company but as per assessment made by an independent agency on the



request of the company, the value of this deal on the day of its expiry i.e. June 2010 is Rs 30800 Lac (negative to the Company) (P.Y. Rs. 30800 Lac) excluding any fee or any amount received/ paid or payable on settlement. On the basis of legal opinion, the Company has not admitted the claim of bank against these transactions 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. The Hon'ble High Court while admitting the appeal of the bank against this status Quo order and suit has directed the continuation of status Quo Order granted by the Hon'ble Civil Court and also state 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.

37 (A) (d) (II)

Kotak Mahindra Bank Limited (KMBL) filed an Original Application (OA) before Hon'ble Debt Recovery Tribunal, Mumbai (DRT) for recovery of its claim amounting to Rs. 601.11 lacs (P.Y. Rs. 601.11 Lacs) in respect of certain foreign currency derivative transactions against which vide an interim order Hon'ble DRT has restrained the company from selling 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 restrain 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 and restored the restrain order passed by Hon'ble DRT and also stayed the proceedings before Hon'ble DRT till further order. The said writ is still under consideration of Hon'ble Bombay High Court. Besides this, subsequently, on expiration of the tenure of these transactions, Kotak Mahindra Bank has also raised a claim of Rs. 1435 Lacs (P.Y. Rs. 1435 Lacs) in respect of these foreign currency derivative transactions. On the basis of legal opinion, the Company has not admitted the claims of bank against these transactions and filed a suit in the competent

AS.



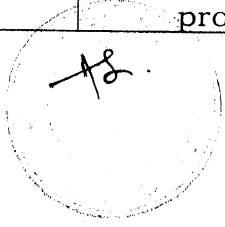
civil court of law where the same are still pending adjudication. An appeal filed by the company against the order passed by Hon'ble Civil Court in the matter of withdrawing its earlier order directing to maintain the status quo as regards the recovery proceedings is also pending adjudication before Hon'ble High Court. In view of above facts, no provision against these transactions is considered necessary.

37 (A) (d) (III)

DBS Bank Ltd. have raised claims amounting to US\$ 91.09957 Lac & Rs. 667.39 lac, totaling to Rs. 6142.46 lac approx (previous year totaling to Rs. 5622.23 lac approx) against the Company in respect of certain foreign currency derivative transactions. On the basis of legal opinion, the Company has not admitted the claims of bank against these transactions and filed a suit in the competent civil court of law, which 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. An appeal 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.

37 (A) (d) (IV)

Merrill Lynch Capital Services Inc. raised a claim of US\$ 195.80 Lacs, Rs.11767.54 Lac approx, (P.Y. US\$ 195.80 Lacs, Rs 10649.42 Lac approx.) against the company in respect of an alleged corporate guarantee of \$ 100 Lacs (Rs. 6009.98 Lac approx) ((previous year \$100 Lacs(Rs. 5438.93 Lac approx.)) alleged to be given by the company for one of its subsidiary company M/s Alps USA Inc. Based on legal advice, the company has not admitted the said claim and filed a suit in the competent civil court. 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 also pending adjudication before



Hon'ble Allahabad High Court. In view of above facts, no provision against this claim is considered necessary.

Management has also given its comment in its Directors Report on the Auditors Qualification under the Heading "Auditor's Observations" as under :-

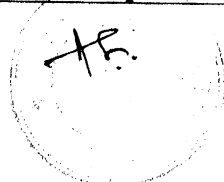
"Observations in the Auditors' Report are dealt within notes to accounts at appropriate places and being self explanatory, needs no further explanations. As required under amended clause 31(a) of the listing agreement and SEBI Circular No. CIR/CFD/DIL/7/2012 dated August 13, 2012, the necessary disclosures/details in the prescribed Form B have been appended with the Annual Report."

The additional facts w.r.t. to the contracts which have been disputed by Management being illegal are as under :

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. However the claims against these transactions are disclosed as contingent liability under Note Nos. 37 (A) (d) I, II, III and IV to the notes to Account in the financial statements as of 31st March, 2014.

Some of the discrepancies of these transactions (Derivative as well as Corporate Guarantee) in terms of the FEMA & its guidelines are as under:-

- i. The Company could have only purchased Derivative contracts against payment of a clear cut premium while in these transactions, it has been paid
- ii. 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



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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 which has not been done by the Banks.

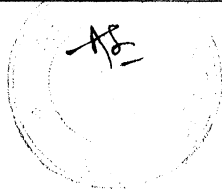
iii. That the all the transactions entered into by the Company were in gross violation of Foreign Exchange Regulations and was a clear case of defrauding the Company by the concerned banks.

iv. 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 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**.

v. That the Hon'ble Orissa High Court had also got conducted preliminary enquiry in the matter by the Central Bureau of Investigation (CBI).

vi. 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.

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 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 be seen and on that basis criminal offences can also be found out.
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 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.
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.

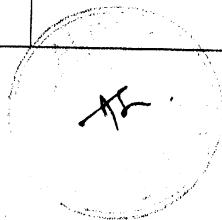
vii. That the aforesaid Judgment of Hon'ble Orissa High Court is under appeal before Hon'ble Supreme Court, whereby under Case No. CRLMP No.4199/2010 [CRLMP No. 5475/2015] The Hon'ble Supreme Court had given an Interim Stay to the Judgment of Hon'ble Orissa High Court.

viii. That an Amount of Rs. 11767.54 Lac [US\$ 19.57 Millions] has also been reflected as Contingent Liability in the Financial Statement for the year ended on 31st March 2014 towards the demand made on the company against the Corporate Guarantee provided by the Company in favour of Merrill 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.

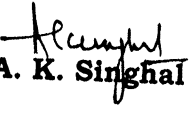
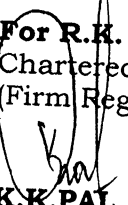
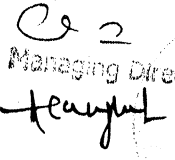
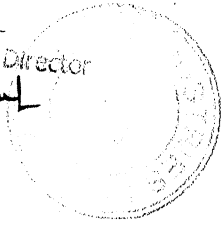
ix. That the Company had filed several cases against ABN Amro Bank, DBS Bank Limited and Kotak Mahindra Bank & Merrill Lynch Capital Services Inc. USA against their illegal demands & debit notes in pursuance to complex Cross Currency Derivatives Contract & Corporate Guarantee entered into by the Company 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 & also in case of Merrill Lynch Capital Services Inc. , the court has returned the case of the company. However appeals of company against these orders are under court decision of Hon'ble High Court. x. 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. xi. 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. The management has decided to consider these disputed claims only after the decision of Hon'ble Courts against the company. However in view of the explanations given by the Management, the Statutory Auditors has not qualified their Audit Report on the financial statements of the company for the year 2015-16 on these items.
e.	Audit Qualification where the impact is not quantified by the Auditor :- Not Applicable	
(i)	Management's Estimation on the impact of audit qualification	



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(ii)	If management is unable to estimate the impact, reasons for the same:		
(iii)	Auditor's Comments on (i) or (ii) above:		
III.	To be signed by- CEO/Managing Director CFO Audit Committee Chairman Auditor of the Company	Name Sandeep Agarwal  A. K. Singhal PRABHAT KRISHNA (DIN No:- 02569624) For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C)  K.K.PAL (Partner) Membership No. 074999 	Signature For ALPS T...  Managing Director  

Date : 19.09.2016

Place : Ghaziabad

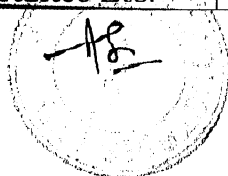
**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS
IN TERMS OF REGULATION 33 OF SECURITIES AND EXCHANGE BOARD OF
INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015 AND CIR/CFD/CMD/56/2016 DATED MAY 30, 2016**

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE FINANCIAL YEAR ENDED
MARCH 31, 2015 (STANDALONE)**

NAME OF THE COMPANY : ALPS INDUSTRIES LTD. (L51109UP1972PLC003544)

(Rs. In Lacs)

1.	SI No.	particulars	Audited Figures(as reported before adjusting for qualification)	Adjusted Figures(audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	64980	64980
	2.	Total Expenditure	64928.70	113392.70
	3.	Net Profit/(Loss)	(2948.70)	(48412.70)
	4.	Earnings per share (in Rs.)	(10.78)	(123.77)
	5.	Total Assets	103341.85	103341.85
	6.	Total Liabilities	143360.79	188824.79
	7.	Net Worth	(40018.94)	(85482.94)
	8.	Any other financial item(s)(as felt appropriate by the management) - Contingent Liability towards Derivative Contracts & Corporate Guarantee Etc.	68283.57	22819.57



H. AUDIT QUALIFICATION (EACH AUDIT QUALIFICATION SEPARATELY)

S. I. No.	Questionnaire	Particulars
a.	Detail of Audit Qualification	The Auditors have given the following qualification in their Audit Report dated 30th May 2015 on the Financial Statements for the year ended on 31st March, 2015: <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 claims amounting to Rs. 6259 lacs against the corporate guarantee provided by the company on behalf of one of it's subsidiary company (Refer to note no. 36(A) (C) IV of notes to account), hence to these extent the loss as shown in statement of profit & 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>
b.	Type of Audit qualification	Qualified Opinion
c.	Frequency of qualification	Continuing Since Financial Year 2008-09
d.	Audit Qualification where the impact quantified by the Auditor, Management's Views:	Management has given details of the Illegal & Disputed contracts in its Notes on Accounts & as required by AS-29 issued by ICAI " Provisions, Contingent Liabilities and Contingent Assets" has also disclosed the amount of these illegal disputed claims as Contingent Liability under note nos. 36 (A) (c) I, II, III and IV to the notes to account in the financial statements as of 31st March 2015 which are reproduced as under: 36 (A) (c) (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 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.

36 (A) (c) (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 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.

36 (A) (c) (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.

36 (A) (c) (IV)

Merrill Lynch Capital Services Inc. raised a claim of US\$ 195.80 Lac (Rs. 12255.24 Lac approx.) (P.Y. Rs. 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.) alleged 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.

Management has also given its comment in its Directors Report on the Auditors Qualification under the Heading "Auditor's Observations" as under :-

"Observations in the Statutory Auditors' Report are dealt within notes to accounts at appropriate places and being self explanatory, needs no further explanations. As required under amended clause 31(a) of the listing agreement and SEBI Circular No. CIR/CFD/DIL/7/2012 dated August 13, 2012, the necessary disclosures/details in the prescribed Form A & Form B have been appended with the Annual Report to the Stock Exchanges."

The additional facts w.r.t. to the contracts which have been disputed by Management being illegal are as under :

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. However the claims against these transactions are disclosed as contingent



liability under Note Nos. 36 (A) (c) I, II, III and IV to the notes to Account in the financial statements as of 31st March, 2015.

Some of the discrepancies of these transactions (Derivative as well as Corporate Guarantee) in terms of the FEMA & its guidelines are as under:-

- i. The Company could have only purchased Derivative contracts against payment of a clear cut premium while in these transactions, it has been paid
- ii. 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 which has not been done by the Banks.
- iii. That the all the transactions entered into by the Company were in gross violation of Foreign Exchange Regulations and was a clear case of defrauding the Company by the concerned banks.
- iv. 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 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**.
- v. That the Hon'ble Orissa High Court had also got conducted preliminary enquiry in the matter by the



Central Bureau of Investigation (CBI).

vi. 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.

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 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.
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 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.

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.

vii. 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.

viii. That an Amount of Rs. 12255.24 Lac [US\$ 19.57 Millions] has also been reflected as Contingent Liability in the Financial Statement for the year ended on 31st March 2015 towards the demand made on the company against the Corporate Guarantee provided by the Company in favour of Merrill 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



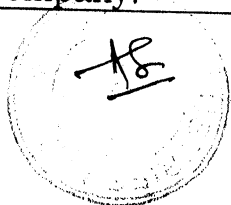
not permitted by FEMA. It may be noted that the Corporate Guarantee executed by the Company was not permitted in terms of Indian Foreign Exchange Regulation and accordingly returned to be taken on record (rejected) by the Reserve Bank of India.

ix. That the Company had filed several cases against ABN Amro Bank, DBS Bank Limited and Kotak Mahindra Bank & Merrill Lynch Capital Services Inc. USA against their illegal demands & debit notes in pursuance to complex Cross Currency Derivatives Contract & Corporate Guarantee 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 & also in case of Merrill Lynch Capital Services Inc. , the court has returned the case of the company. However appeals of company against these orders are under court decision of Hon'ble High Court.

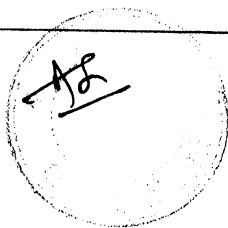
x. That in furtherance to the disputed demands by ABN Amro Bank, Kotak Mahindra Bank, DBS Bank, the Board of Directors of the Company considers the matter and demands to disclose the estimated claims of these Banks as a contingent liability in the financial statement for the financial year ending on 31st March 2009 onwards.

xi. 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.

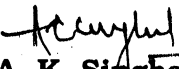
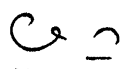
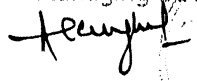
The management has decided to consider these disputed claims only after the decision of Hon'ble Courts against the company.



		However in view of the explanations given by the Management, the Statutory Auditors has not qualified their Audit Report on the financial statements of the company for the year 2015-16 on these items.
e.	Audit Qualification where the impact is not quantified by the Auditor :- Not Applicable	
(i)	Management's Estimation on the impact of audit qualification	
(ii)	If management is unable to estimate the impact, reasons for the same:	
(iii)	Auditor's Comments on (i) or (ii) above:	



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III.	To be signed by-	Name	Signature For ALPS INDUSTRIES LTD.
	CEO/Managing Director	Sandeep Agarwal  A. K. Singhal	 Managing Director 
	CFO		
	Audit Committee Chairman	PRABHAT KRISHNA (DIN No:- 02569624)	
	Auditor of the Company	For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C)  K.K.PAL (Partner) Membership No. 074999	

Date : 19.09.2016

Place : Ghaziabad



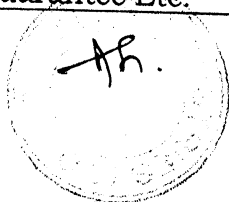
**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS
IN TERMS OF REGULATION 33 OF SECURITIES AND EXCHANGE BOARD OF
INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015 AND CIR/CFD/CMD/56/2016 DATED MAY 30, 2016**

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE FINANCIAL YEAR ENDED
MARCH 31, 2015 (CONSOLIDATED)**

NAME OF THE COMPANY : ALPS INDUSTRIES LTD. (L51109UP1972PLC003544)

(Rs. In Lacs)

1.	SI No.	particulars	Audited Figures(as reported before adjusting for qualification)	Adjusted Figures(audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	65623.85	65623.85
	2.	Total Expenditure	68565.87	114029.87
	3.	Net Profit/(Loss)	(2942.02)	(48406.02)
	4.	Earnings per share (in Rs.)	(10.76)	(123.76)
	5.	Total Assets	103952.56	103952.56
	6.	Total Liabilities	142376.21	187840.21
	7.	Net Worth	(38423.65)	(83887.65)
	8.	Any other financial item(s)(as felt appropriate by the management) - Contingent Liability towards Derivative Contracts & Corporate Guarantee Etc.	68283.57	22819.57



II. AUDIT QUALIFICATION (EACH AUDIT QUALIFICATION SEPARATELY)

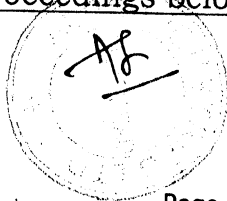
S. I. No.	Questionnaire	Particulars
a.	Detail of Audit Qualification	The Auditors have given the following qualification in their Audit Report dated 30th May 2015 on the Financial Statements for the year ended on 31st March, 2015: <i>" The company has not made any provision towards losses amounting to Rs.39205 Lac on derivative contracts (Refer to Note Nos. 37 (A) (c) I, II and III to the notes to account) and towards claims amounting to Rs. 6259 lacs against the corporate guarantee provided by the company on behalf of one of it's subsidiary company (Refer to note no. 37 (A) (c) IV of notes to account), hence to these extent the loss as shown in statement of profit & 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>
b.	Type of Audit qualification	Qualified Opinion
c.	Frequency of qualification	Continuing Since Financial Year 2008-09
d.	Audit Qualification where the impact quantified by the Auditor, Management's Views:	Management has given details of the Illegal & Disputed contracts in its Notes on Accounts & as required by AS-29 issued by ICAI " Provisions, Contingent Liabilities and Contingent Assets" has also disclosed the amount of these illegal disputed claims as Contingent Liability under note nos. 37 (A) (c) I, II, III and IV to the notes to account in the financial statements as of 31st March 2015 which are reproduced as under: 37 (A) (c) (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 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.

37 (A) (c) (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 Hon'ble DRT and also stayed the proceedings before Hon'ble DRT till further order. The said writ



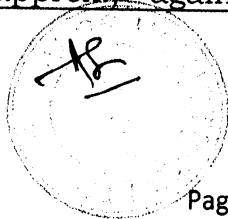
still under consideration of Hon'ble Bombay High Court. Besides this, Subsequently, Kotak Mahindra Bank had also raised another claim of Rs. 1435 Lac (P.Y. Rs. 1435 Lac) in respect of these foreign currency derivative transactions. On the basis of legal opinion, the company has not admitted these claims 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.

37 (A) (c) (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.

37 (A) (c) (IV)

Merrill Lynch Capital Services Inc. raised a claim of US\$ 195.80 Lac (Rs. 12255.24 Lac approx.) (P.Y. Rs. 11767.54 Lac approx.) against the company in respect of an alleged



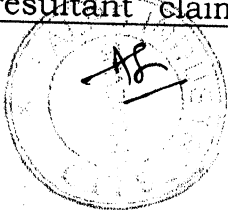
corporate guarantee of US\$ 100 Lac (Rs. 6259.08 lac approx.) (P.Y. Rs. 6009.98 Lac approx.) alleged to be given by the company for one of its subsidiary company M/s Alps USA Inc. These claims relate to derivative transactions and corporate guarantee thereof which were per se illegal as not within the 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.

Management has also given its comment in its Directors Report on the Auditors Qualification under the Heading "Auditor's Observations" as under :-

"Observations in the Statutory Auditors' Report are dealt within notes to accounts at appropriate places and being self explanatory, needs no further explanations. As required under amended clause 31(a) of the listing agreement and SEBI Circular No. CIR/CFD/DIL/7/2012 dated August 13, 2012, the necessary disclosures/details in the prescribed Form A & Form B have been appended with the Annual Report to the Stock Exchanges."

The additional facts w.r.t. to the contracts which have been disputed by Management being illegal are as under :

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. However the



claims against these transactions are disclosed as contingent liability under Note Nos. 37 (A) (c) I, II, III and IV to the notes to Account in the financial statements as of 31st March, 2015.

Some of the discrepancies of these transactions (Derivative as well as Corporate Guarantee) in terms of the FEMA & its guidelines are as under:-

- i. The Company could have only purchased Derivative contracts against payment of a clear cut premium while in these transactions, it has been paid
- ii. 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 which has not been done by the Banks.
- iii. That the all the transactions entered into by the Company were in gross violation of Foreign Exchange Regulations and was a clear case of defrauding the Company by the concerned banks.
- iv. 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 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**.
- v. That the Hon'ble Orissa High Court had also got

conducted preliminary enquiry in the matter by the Central Bureau of Investigation (CBI).

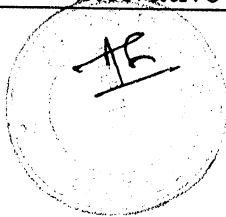
vi. That Hon'ble Orissa High Court has made following important observation in Para 13 to 16 to their order dated 24th Dec, 2009 in the Writ Petition (Crl.) No. 344 of 2009 which are reproduced herein below for kind reference.

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 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.

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 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.
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.

vii. 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.

viii. That an Amount of Rs. 12255.24 Lac [US\$ 19.57 Millions] has also been reflected as Contingent Liability in the Financial Statement for the year ended on 31st March 2015 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



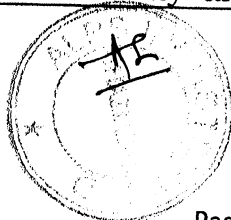
subsidiary company in India only by the MLCS which are not permitted by FEMA. It may be noted that the Corporate Guarantee executed by the Company was not permitted in terms of Indian Foreign Exchange Regulation and accordingly returned to be taken on record (rejected) by the Reserve Bank of India.

ix. That the Company had filed several cases against ABN Amro Bank, DBS Bank Limited and Kotak Mahindra Bank & Merrill Lynch Capital Services Inc. USA against their illegal demands & debit notes in pursuance to complex Cross Currency Derivatives Contract & Corporate Guarantee 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 & also in case of Merrill Lynch Capital Services Inc. , the court has returned the case of the company. However appeals of company against these orders are under court decision of Hon'ble High Court.

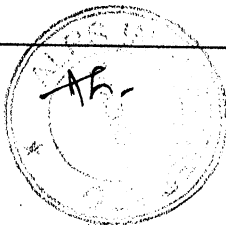
x. That in furtherance to the disputed demands by ABN Amro Bank, Kotak Mahindra Bank, DBS Bank, the Board of Directors of the Company considers the matter and demands to disclose the estimated claims of these Banks as a contingent liability in the financial statement for the financial year ending on 31st March 2009 onwards.

xi. 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.

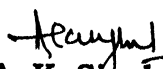
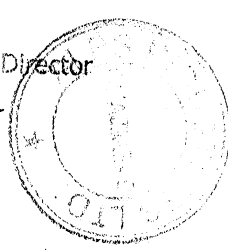
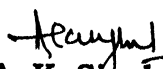
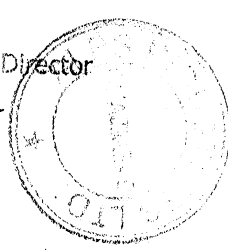
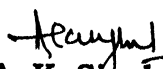
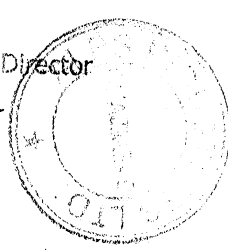
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III.	To be signed by- CEO/Managing Director CFO Audit Committee Chairman Auditor of the Company	<table border="0"> <tr> <td data-bbox="529 176 1055 923"> Name Sandeep Agarwal  A. K. Singhal PRABHAT KRISHNA (DIN No:- 02569624) For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C)  K.K. PAL (Partner) Membership No. 074999  </td> <td data-bbox="1055 176 1539 923"> Signature For ALPS INDUSTRIES LTD.  Managing Director     </td> </tr> </table>	Name Sandeep Agarwal  A. K. Singhal PRABHAT KRISHNA (DIN No:- 02569624) For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C)  K.K. PAL (Partner) Membership No. 074999 	Signature For ALPS INDUSTRIES LTD.  Managing Director    
Name Sandeep Agarwal  A. K. Singhal PRABHAT KRISHNA (DIN No:- 02569624) For R.K. Govil & Co., Chartered Accountants (Firm Regn. No. 000748C)  K.K. PAL (Partner) Membership No. 074999 	Signature For ALPS INDUSTRIES LTD.  Managing Director    			

Date : 19.09.2016

Place : Ghaziabad