Arshiya

Ref: AL/SE/0916/04

Date: 29/09/2016

National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra- Kurla Complex, Bandra (East), Mumbai - 400051. Fax No. 2659 8237 / 38	Corporate Relationship Department Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, 2nd Floor, Dalal Street, Mumbai – 400 001 Fax No. 2272 3121/ 2037

Re.: - Arshiya Limited – **NSE Scrip Name: ARSHIYA**
BSE Scrip Code: 506074

Sub: Statement on impact of Audit Qualification for the Financial Year ended March 31, 2016.

Dear Sir/Madam,

Please find attached herewith Standalone and Consolidated Statement on impact of Audit Qualification for the Financial Year ended March 31, 2016 pursuant to Regulation 33/52 of the SEBI (Listing Obligation and Disclosures Requirements) (Amendment) Regulations, 2016.

This is for your information and record please.

Thanking you.

Yours faithfully,

For Arshiya Limited

ARSHIYA LIMITED MUMBAI

Savita Dalal
Company Secretary & Compliance Officer

Enclosed: As above

STANDALONE

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016

[*See* Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

(Rs. in lacs)

I.	S. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income	6,477.08	6,477.08
	2.	Total Expenditure	23,743.74	37,528.72
	3.	Net Profit/(Loss) after tax	(27,839.50)	(41,624.47) *
	4.	Earnings Per Share (amount in Rs.)	(19.62)	(29.33) *
	5.	Total Assets	2,24,009.00	2,24,009.00
	6.	Total Liabilities	2,00,981.96	2,14,766.94
	7.	Net Worth (Excluding Revaluation Reserve and Amalgamation Reserve)	285.12	(13,499.86)
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
	i.	Revaluation Reserve	22,617.12	22,617.12
	Ii.	Amalgamation Reserve	124.80	124.80

II. Audit Qualification (each audit qualification separately):

a. Details of Audit Qualification:

1. In respect of non-provision of interest aggregating to Rs. 5,212.56 lacs on loans excluding loans assigned to Asset Reconstruction Company as referred to in Note no. 3.1.

2. In respect of non-provision of interest aggregating to Rs. 8,572.42 lacs on loans assigned to Asset Reconstruction Company as referred to in Note no. 3.2 and 3.2.1.

M. A. PARIKH & CO. MUMBAI CHARTERED ACCOUNTANTS

3. In respect of pending approval from Central Government in relation to excess remuneration paid to Ex-Executive Director of the Company for F.Y. 2013-14 as referred to in Note no. 7.

4. In respect of non-compliance with the provision of sub section 4 of Section 203 of the Act relating to appointment of Chief Financial Officer as referred to in Note no. 8.

b. Type of Audit Qualification :

Qualified Opinion ~~/ Disclaimer of Opinion / Adverse Opinion~~

c. Frequency of qualification:

Qualification nos. per (a) above 1, 2 and 4 appeared for the first time in F.Y. 2015-16, whereas No. 3 has been appearing since F.Y. 2013-14.

d. For Audit Qualification(s) as per Auditors report on year to date results of the Company pursuant to the regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 for the fiscal ended 31st March, 2016, where the impact is quantified by the auditor, Management's Views:

i.) Refer Point No. 3.1 of Auditors Report (First Time)

Management Response - Post CDR exit, lenders are entitled to exercise rights and remedies available under the original loan documents, however in the absence of any communication from these lenders, the Company has not provided for additional interest from CDR cut-off date till 31st March 2016 aggregating to Rs.5,212.56 lacs.

M. A. PARIKH & CO. MUMBAI CHARTERED ACCOUNTANTS

ii.) Refer Point No. 3.2 of Auditors Report (First Time)

Management Response - The Company has not provided for Interest on assigned loans. Upon finalization of restructuring with ARC, the Company will record the effect of the revised terms as to repayment of Principal and Interest. Had the Company provided for interest on such assigned loans, the loss for the year would have been higher by Rs. 7,842.53 lacs.

iii.) Refer Point No. 3.2.1 of Auditors Report (First Time)

Management Response - On the basis of Consent Terms filed by the Company and ARC with the Hon'ble Bombay High Court, the Company has not provided for interest on loan assigned to ARC from the date of assignment amounting to Rs. 729.89 lacs.

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

i.) Refer Point No. 7 of Auditors Report (Appearing since F.Y. 2013-14)

Management Response - The Company had filed an application to the Central Government for waiver of excess remuneration paid, which has since been rejected by the Central Government vide their letter dated 2nd June, 2016. Accordingly, on 30th June, 2016 the Company has recorded a sum of Rs. 83.52 lacs as due from Mr. Major Suhas Thakar (Ex-Executive Director). The net amount recoverable from said Ex-Executive director as on 31st August, 2016 Rs.42.10 lacs.

* The amount recoverable from Maj. Suhas Thakar of Rs. 83.52 lacs is not adjusted while giving the Adjusted Figures (audited figures after adjusting for qualifications) in the table.

M. A. PARIKH & CO. MUMBAI CHARTERED ACCOUNTANTS

ii.) Refer Point No. 8 of Auditors Report (First Time)

Management Response -Mr. Shyam Rathi resigned w.e.f. 14th November 2014 and the Company found a suitable candidate only in the month of July 2015 when Mr. V.L. Ganesh was appointed as CFO w.e.f. 10th July 2015. The Company is in the process of identifying a suitable individual for this role. In the interim the Company has appointed Mr. Santosh Maheshwari as Group President who has extensive experience of 26 years with very large Indian Corporate entities.

iii.) Auditors' Comments on (i) and (ii) above: We agreed with the reason stated by the management.

III. Signatories:

- Mr. Ajay S Mittal
  Chairman &Managing Director

- Mr. Ashish Bairagra
  Audit Committee Chairman

- Mr. Mukul Patel,
  Partner
  M/s. M. A. Parikh & Co.,
  Statutory Auditors

Date: 28.09.2016

Place: Mumbai

CONSOLIDATED

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016

[*See* Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

(Rs. in lacs)

I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income	31,040.41	31,040.41
	2.	Total Expenditure	68,895.00	1,02,860.68
	3.	Net Profit/(Loss) after tax	(60,375.26)	(94,340.94) *
	4.	Earnings Per Share (amount in Rs.)	(42.54)	(66.48) *
	5.	Total Assets	3,43,130.54	3,43,130.54
	6.	Total Liabilities	3,77,505.98	4,11,471.67
	7.	Net Worth (excluding Revaluation Reserve and Amalgamation Reserve)	(97,480.14)	(1,31,445.83)
	8.	Any other financial item(s) (as felt appropriate by the management)		
	i.	Revaluation Reserve	62,979.90	62,979.90
	Ii.	Amalgamation Reserve	124.80	124.80

II. <u>Audit Qualification (each audit qualification separately):</u>

a. **Details of Audit Qualification:**

1. In respect of non-provision of interest aggregating to Rs.15,750. 54 lacs on loans excluding loans assigned to Asset Reconstruction Company as referred to in Note no. 3.1.
2. In respect of non-provision of interest aggregating to Rs.18,215.14 lacs on loans assigned to Asset Reconstruction Holding Company as referred to in Note no. 3.2 and 3.2.1.
3. In respect of pending approval from Central Government in relation to excess remuneration paid to Ex-Executive Director of the Holding Company for F.Y.



2013-14 as referred to in Note no. 6.

4. In respect of non-compliance with the provision of sub section 4 of Section 203 of theAct by Holding Company relating to appointment of Chief Financial Officer as referred to in Note no. 7.1.
5. In respect of non-compliance with the provision of sub section 1 of Section 203 of the Act by Subsidiary Companies (Arshiya Central FTWZ Limited, Arshiya Rail Infrastructure Limited, Arshiya Northern FTWZ Limited and Arshiya Industrial and Distribution Hub Limited) relating to appointment of whole-time Company Secretary and Chief Financial Officer as referred to in Note no. 7.2.
6. In respect of non-compliance with the provision of sub section 1 of Section 203 of the Act by Subsidiary Companies(Arshiya Central FTWZ Limited and Arshiya Industrial and Distribution Hub Limited) relating to appointment of Managing Director or Whole-time Director or Chief Executive Officer as referred to in Note no. 7.3.

b. **Type of Audit Qualification :**

Qualified Opinion ~~/ Disclaimer of Opinion / Adverse Opinion~~

c. **Frequency of qualification:**

Qualification nos. per (a) above 1, 2, 4, 5 and 6 appeared for the first time in F.Y.2015-16, whereas No. 3 has been appearing since F.Y. 2013-14.

d. **For Audit Qualification(s) as per Auditors report on year to date Consolidated results of the Company pursuant to the regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 for the fiscal ended 31st March, 2016, where the impact is quantified by the auditor, Management's Views:**

i.) Refer Point No. 3.1 of Auditors Report (First Time)

Management Response - Post CDR exit, lenders are entitled to exercise rights and remedies available under the original loan documents, however in the absence of any communication from these lenders, the Group has not provided for additional



interest from CDR cut-off date till 31st March 2016 aggregating to Rs. 15,750.54 lacs.

ii.)Refer Point No. 3.2 of Auditors Report (First Time)

Management Response – The Group has not provided for Interest on assigned loans. Upon finalization of restructuring with ARC, the Group will record the effect of the revised terms as to repayment of Principal and Interest. Had the Group provided for interest on such assigned loans, the loss for the year would have been higher by Rs. 17,485.25 lacs.

iii.) Refer Point No. 3.2.1 of Auditors Report (First Time)

Management Response - On the basis of Consent Terms filed by the Holding Company and ARC with the Hon'ble Bombay High Court, the Holding Company has not provided for interest on loan assigned to ARC from the date of assignment amounting to Rs. 729.89 lacs.

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

i.) Refer Point No. 6 of Auditors Report (Appearing since 2013-14)

Management Response - The Holding Company had filed an application to the Central Government for waiver of excess remuneration paid, which has since been rejected by the Central Government vide their letter dated 2nd June, 2016. Accordingly, on 30th June, 2016 the Holding Company has recorded a sum of Rs. 83.52 lacs as due from Mr. Major Suhas Thakar (Ex-Executive Director). The net amount recoverable from said Ex-Executive Director as on 31st August, 2016 Rs. 42.10 lacs.

* The amount recoverable from Maj. Suhas Thakar of Rs. 83.52 lacs is not adjusted while giving the Adjusted Figures (audited figures after adjusting for qualifications) in the table.



ii.)Refer Point No. 7.1, 7.2 & 7.3 of Auditors Report (First Time)

Management Response - Mr. Shyam Rathi resigned w.e.f. 14th November 2014 and the Company found a suitable candidate only in the month of July 2015 when Mr. V.L. Ganesh was appointed as Chief Financial Officer w.e.f. 10th July 2015.

One subsidiary has not commenced its operations and the other two are in nascent stages and are non-operating Companies. All the Subsidiary Companies are in the process of appointing Managing Director or Whole-time Director or Chief Executive Officer, Whole-time Company Secretary and Chief Financial Officer in compliance with the provisions of Section 203 of the Companies Act, 2013.

iii.) Auditors' Comments on (i) and (ii) above: We agreed with the reasons stated by the management.

III. Signatories:

- Mr. Ajay S Mittal
  Chairman &Managing Director

- Mr. Ashish Bairagra
  Audit Committee Chairman

- Mr. Mukul Patel,
  Partner
  M/s. M. A. Parikh & Co.,
  Statutory Auditors

Date: 28.09.2016

Place: Mumbai