9th February, 2021

The Secretary The National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No. C/1, G Block Bandra - Kurla Complex, Bandra (E) MUMBAI - 400 051	Department of Corporate Services BSE Limited 1st Floor, New Trading Ring, Rotunda Building P J Towers, Dalal Street, Fort, MUMBAI – 400 001

Sub.: Clarification – Statement of impact of audit qualification.

Dear Sir,

With reference to clarification sought on Statement of Impact of Audit Qualification not signed by MD/CEO and CFO for quick result submitted to the Exchange dated 08-Dec-2020, we wish to inform that the page with signature of CEO and Dy. CFO was inadvertently missed. Accordingly, please find enclosed Statement of Impact of Audit Qualification with all signatures.

Further, we regret the delayed reply as you are aware that Ballarpur Industries Limited is undergoing Corporate Insolvency Resolution Process and is operating with minimal staff.

You are requested to take the above information on record.

Thanking you,

Yours faithfully,
for **BALLARPUR INDUSTRIES LIMITED**

AKHIL MAHAJAN
CHIEF GENERAL MANAGER & COMPANY SECRETARY
(Ballarpur Industries Limited is undergoing Corporate Insolvency Resolution Process under Insolvency and Bankruptcy Code 2016. The affairs, business and assets of the corporate debtor are being managed by Mr. Anuj Jain, Resolution Professional vide Hon'ble National Company Law Tribunal, Principal bench, New Delhi order dated May 27, 2020)

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

Statement on Impact of Audit Qualifications for the Financial Year ended 31 March 2020

[See Regulation 32 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

I	Sl. No	Particulars	Audited figures (as reported before adjusting for qualifications) (Rs. in lakhs)	Adjusted figures (audited figures after adjusting for qualifications) (Rs. in lakhs)
	1	Turnover/ Total income	33,591	Not Determinable
	2	Total Expenditure (including exceptional items)	162,262	
	3	Net profit/(loss)	(128,668)	
	4	Earnings per share	(9.95)	
	5	Total Assets	367,003	
	6	Total Liabilities	489,206	
	7	Net worth	(122,203)	
	8	Any other financial item(s) (as felt appropriate by the management)	-	

II Audit Qualification (each audit qualification separately):

Qualification 1

a. Details of Audit Qualification

The Company has not accrued the liability towards outstanding put options and the management is unable to quantify the liability with respect to the outstanding put options (refer note 9 to the standalone financial results). Accordingly, we are unable to quantify the impact.

b. Type of Audit Qualification: Disclaimer of opinion

c. Frequency of Qualification: Qualified Opinion Since FY 2016-17

d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: N.A.

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

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

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

In view of the prevailing uncertainties arising from initiation of the insolvency resolution process and since no claim has been received from the option holders, the potential liability arising from put option, cannot be determined with certainty and has accordingly not been recognized in these financial results.

(iii) Auditor's Comment on (i) or (ii) above:

Quantification is not possible at present, based on the information and explanation provided by the management.

Qualification 2

a. **Details of Audit Qualification:**

i A material uncertainty exists that casts significant doubt on the ability of the Company to continue as a going concern. Pending resolution of the CIRP, the financial statements are prepared by management on a going concern basis.

We have not been able to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the use of going concern assumption in the preparation of the financial statements. (Refer note 4 to the standalone financial results).

b. **Type of Audit Qualification:** Disclaimer of opinion

c. **Frequency of Qualification:** First time during the financial year under report

d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.

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

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

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

Note 4:
The Company's net worth is negative as on the reporting date and it continues to incur heavy losses. There is persistent severe strain on the working capital, and this has resulted in considerable decline in the level of operations of the Company. As stated in note 2 to the standalone financial results, pursuant to commencement of CIRP, the Board of Directors of the Company stand suspended and the management of the Company vest in the Resolution Professional ("RP"). The RP is expected to make every endeavor to protect and preserve the value of the property of the Company and manage the operations of the Company as a going concern. The ability of the Company to continue as a going concern is dependent on the successful completion of the corporate insolvency resolution process. Pending outcome of the CIRP, the standalone financial statements have been prepared on a going concern basis.

(iii) Auditor's Comment on (i) or (ii) above:

Quantification is not possible at present, based on the information and explanation provided by the management.

Qualification 3

a. **Details of Audit Qualification:**

Pursuant to commencement of the Corporate Insolvency Resolution Process ('CIRP') on 17 January 2020 under Insolvency and Bankruptcy Code, 2016 ('the Code'), the Resolution Professional ('RP') has received various claims submitted by the financial creditors, operational creditors, employees and other creditors.

i With respect to the financial creditors, the Company has recognized additional liability of Rs. 27,742 lakhs (net of reversals and write back of liabilities), which represents the difference between borrowings and corresponding interest claims of the financial creditors admitted by the RP and the borrowings and interest accrued in the books as at the date of admission of the Company to CIRP. We have not been provided with reconciliation along with reasons for this difference in order to ascertain the completeness and valuation of liabilities recognized by the Company.

ii With respect to the operational creditors, employees and other creditors, the RP is in the process of receiving and assessing the claims. The claims already admitted by the RP are under reconciliation by the Company with the liabilities appearing in the books of account. The consequential impact of these is currently not ascertainable and we are unable to conclude on the possible financial impact of the same.

(Refer note 2 and note 5 to the standalone financial results)

b. **Type of Audit Qualification:** Disclaimer of opinion

c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**
(i)	Management's estimation on the impact of audit qualification: N.A.
(ii)	If management is unable to estimate the impact, reasons for the same: Note 2: The National Company Law Tribunal ("NCLT"), Mumbai bench, vide Order dated 17 January 2020 ("Insolvency Commencement Order") has initiated Corporate Insolvency Resolution Process ("CIRP") against the Company based on petition filed by M/s. Finquest Financial Solutions Private Limited under Section 7 of the Insolvency and Bankruptcy Code, 2016 ("the Code"). Mr. Divyesh Desai (IBBI/PA-001/IP-P00169/2017-2018/10338) was appointed as an Interim Resolution Professional ("IRP") to manage affairs of the Company in accordance with the provisions of the Code. Subsequently, Hon'ble NCLT vide its Order dated 27 May 2020 has appointed Mr. Anuj Jain (IBBI/IPA-001/IP-P00142/2017-2018/10306) as Resolution Professional of the Company. Pursuant to the Insolvency Commencement Order and in line with the provisions of the Code, the powers of the Board of Directors were suspended and the same were exercised by IRP/RP as applicable from the respective appointment dates. Note 5: Pursuant to commencement of CIRP, the RP has received various claims submitted by the financial creditors, operational creditors, employees and other creditors. The Company observed a difference of Rs. 27,742 Lakhs between the carrying amount of borrowings (including interest accrued) in the books of account and the financial creditors' claims admitted by the RP. The Company has accrued this difference of Rs. 27,742 Lakhs as at 31 March 2020 and charged finance cost in statement of profit or loss. The overall obligations and liabilities regarding other claims submitted by operational creditors, employees and others shall be determined during the CIRP. Pending final outcome of this, no accounting impact in the books of accounts has been made in respect of excess, short, or non-receipts of claims for operational creditors, employees and other creditors.
(iii)	Auditor's Comment on (i) or (ii) above: **Quantification is not possible at present, based on the information and explanation provided by the management.**
Qualification 4	
a.	**Details of Audit Qualification:** Provision for gratuity and compensated absences pertaining to the corporate office and Kamalapuram Unit have been determined by the management on an adhoc basis as at 31 March 2020. Ind AS 19 'Employee Benefits' requires that the provision for long term employee benefits such as gratuity and compensated absences need to be determined based on actuarial valuation. Accordingly, the provision for long term employee benefits as at 31 March 2020 is not in compliance with Ind AS 19 and we are unable to conclude on the adequacy of the provision for gratuity and compensated absences as at 31 March 2020. The provision for gratuity and the provision for leave encashment which has been determined on an adhoc basis as at 31 March 2020 is Rs. 924 lakhs and Rs. 296 lakhs respectively. (Refer note 10 to the standalone financial results)
b.	**Type of Audit Qualification:** Disclaimer of opinion
c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**

(i)	Management's estimation on the impact of audit qualification: N.A.
(ii)	If management is unable to estimate the impact, reasons for the same: Note 10: The Company has recognized provision for gratuity and leave encashment obligation pertaining to Unit Shree Gopal based on actuarial valuation. The actuarial valuation of gratuity and leave encashment obligation pertaining to Kamalapuram Unit and Head Office have not been done as at 31 March 2020 and provision has been recognized based on management's internal estimation. The provision for gratuity and the provision for leave encashment which has been determined based on management's internal estimation as at 31 March 2020 is Rs 924 Lakhs and Rs 296 Lakhs respectively.
(iii)	Auditor's Comment on (i) or (ii) above: **Quantification is not possible at present, based on the information and explanation provided by the management.**
Qualification 5	
a.	**Details of Audit Qualification:** The Company has not performed impairment assessment of its investments as at 31 March 2020 in line with the requirements of Ind AS 109 Financial Instruments & Ind AS 36 Impairment of Assets. Accordingly, we are unable to conclude on the carrying value of investments and the consequential impact, if any, on the standalone financial results. (Refer note 11 to the standalone financial results)
b.	**Type of Audit Qualification:** Disclaimer of opinion
c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**
(i)	Management's estimation on the impact of audit qualification: N.A.
(ii)	If management is unable to estimate the impact, reasons for the same: Pending completion of CIRP, investments as at 31 March 2020 have not been tested for impairment.
(iii)	Auditor's Comment on (i) or (ii) above: **Quantification is not possible at present, based on the information and explanation provided by the management.**
Qualification 6	
a.	**Details of Audit Qualification:**

	Note 11: The Company has reclassified the land at Choudwar, Odisha, from 'assets held for sale' to property, plant and equipment. Ind AS 105 'Non-current assets held for sale and discontinued operations' requires that when a non-current asset ceases to be classified as 'assets held for sale', the same shall be measured at the lower of i. its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and ii. its recoverable amount at the date of the subsequent decision not to sell The Company has not determined the recoverable amount as at the date of reclassification and has reclassified the land at its carrying value of Rs. 39,951 lakhs. The same is not in compliance with Ind AS 105 and we are unable to ascertain on the financial impact of the same. (Refer note 12 to the standalone financial results)
b.	**Type of Audit Qualification:** Disclaimer of opinion
c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**
(i)	Management's estimation on the impact of audit qualification: N.A.
(ii)	If management is unable to estimate the impact, reasons for the same: Freehold land classified as "Assets held for sale" in the previous year have been reclassified as "Property Plant and Equipment" ("PPE") consequent to the initiation of CIRP proceedings against the Company. Pending conclusion of the CIRP proceedings, the recoverable amount of the freehold land is not determined and it has been reclassified to PPE at it carrying value in the books of account.
(iii)	Auditor's Comment on (i) or (ii) above: **Quantification is not possible at present, based on the information and explanation provided by the management.**
Qualification 7	
a.	**Details of Audit Qualification:** On account of the COVID-19 related lockdown restrictions, management was unable to perform the physical count of inventories as at 31 March 2020. Further, on account of the suspension of the operations of the Company as stated in note 6 to the standalone financial results we were unable to perform any alternate procedures to audit the existence of the inventories as per SA 501 'Audit Evidence – Specific Consideration for Selected Items' and 'Physical inventory verification – Key audit considerations amid COVID-19' issued by the Institute of Chartered Accountants of India. Therefore, we are unable to conclude whether inventories of Rs. 1,678 lakhs are fairly stated as at 31 March 2020 in the standalone financial results. (Refer note 6 and note 7 to the standalone financial results)
b.	**Type of Audit Qualification:** Disclaimer of opinion
c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**

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

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

Note 6: The pandemic caused due to COVID-19 disease adversely impacted the economy. Every component of the business of the Company including sales, liquidity, supply chain management and production were affected due to nationwide lockdown from 23rd of March 2020. The manufacturing operations of Unit Shree Gopal has since not recommenced. The Company has considered the possible effects that may result from the pandemic relating to COVID 19 on the carrying value of property, plant and equipment, investments, inventories, receivables and other current assets based on information available till the date of approval of these financial statements.
Note 7: On account of the lockdown and other restrictions imposed by COVID-19 pandemic, the management was unable to complete the physical count of inventories as at 31 March 2020.

(iii) Auditor's Comment on (i) or (ii) above:

Quantification is not possible at present, based on the information and explanation provided by the management.

Qualification 8

a. **Details of Audit Qualification:**

The Company has recognized an impairment loss of Rs. 35,100 lakhs on property, plant and equipment as at 31 March 2020. As per Ind AS 36 'Impairment of Assets', impairment loss is to be recognized at the excess of carrying amount of assets / cash generating unit (CGU) over their recoverable value. The Company has not determined the recoverable amount as per the requirements of Ind AS 36 'Impairment of Assets' and has not provided us the basis for determining the impairment loss of Rs. 35,400 lakhs. Therefore, we are unable to conclude on the adequacy of impairment loss recognized by the Company and whether the property, plant and equipment are fairly stated in the standalone financial results. (Refer note 13 to the standalone financial results)

b. **Type of Audit Qualification:** Disclaimer of opinion

c. **Frequency of Qualification:** First time during the financial year under report

d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**
N.A.

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

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

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

Note 13: During the year, the property, plant and equipment of Unit Shree Gopal were tested for impairment based on value-in-use determined by management's internal assessment and an impairment loss of Rs. 35,400 lakhs is recognized and included in exceptional items in the statement of profit or loss. Pending outcome of CIRP, the property, plant and equipment pertaining to Kamalapuram Unit and Head Office were not tested for impairment as at 31 March 2020.

(iii) Auditor's Comment on (i) or (ii) above:

Quantification is not possible at present, based on the information and explanation provided by the management.

Qualification 9

a. **Details of Audit Qualification:**

	Dues from related parties includes Rs. 109,246 lakhs due from Ballarpur International Holdings BV ("BIH") and Rs. 6,359 lakhs due from Sabah Forest Industries ("SFI"), a step-down subsidiary of the Company, which is under resolution process in Malaysia. The Company has created provision for expected credit loss of Rs. 36,249 lakhs and Rs. 1,908 lakhs as at 31 March 2020 towards the receivable from BIH and SFI respectively. We have not been provided with the basis for determining the provision for expected credit loss. Therefore, we are unable to conclude on the adequacy of the provision for expected credit loss and the recoverability of the balance receivables from BIH and SFI.
	b. **Type of Audit Qualification:** Disclaimer of opinion
	c. **Frequency of Qualification:** First time during the financial year under report
	d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
	e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
	(i) Management's estimation on the impact of audit qualification: N.A.
	(ii) If management is unable to estimate the impact, reasons for the same:
	(iii) Auditor's Comment on (i) or (ii) above: **Quantification is not possible at present, based on the information and explanation provided by the management.**
	Qualification 10
	a. **Details of Audit Qualification:**

	The Company has carried forward deferred tax assets (net) of Rs. 11,924 lakhs from earlier years. Based on the information and explanations and the supporting evidences provided to us, we are unable to ascertain the realization of these deferred tax assets pending the CIRP. (Refer note 14 to the standalone financial results.)
b.	**Type of Audit Qualification:** Disclaimer of opinion
c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**
(i)	Management's estimation on the impact of audit qualification: N.A.
(ii)	If management is unable to estimate the impact, reasons for the same: The Company has carried forward deferred tax assets (net) of Rs. 11,924 Lakhs. Considering the ongoing corporate insolvency resolution process, the certainty as to the realization of deferred tax assets cannot be ascertained at this stage. Consequently, adjustments to deferred tax (net) available have not been given effect to, during the year. No additional deferred tax assets have been recognized during the year.
(iii)	Auditor's Comment on (i) or (ii) above: **Quantification is not possible at present, based on the information and explanation provided by the management.**
Qualification 11	
a.	**Details of Audit Qualification:** The Company has availed the ineligible input credit of Goods & Service Tax amounting to Rs. 282 lakhs as at 31 March 2020. The Company has availed and utilized input credit of Rs. 282 lakhs on inward supplies of goods and services whereas the liability to the vendor has not been settled for more than 180 days (time limit specified in the second proviso to sub-section (2) of section 16 of Central Goods and Service Tax Act, 2017) as at 31 March 2020. Accordingly, as per Rule 37 of Central Goods and Service Tax (CGST) Rules 2017, the Company is required to reverse the input credit and settle such input credit as outward tax liability.
b.	**Type of Audit Qualification:** Disclaimer of opinion
c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** In view of the prevailing uncertainties arising from initiation of the insolvency resolution process and the ITC availed for Rs. 282 lakhs has not been reversed.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor: N.A.**
Qualification 12	
a.	**Details of Audit Qualification:** We have not been provided with the bank reconciliation statement for 4 bank accounts maintained by the Company having a carrying amount of Rs. 8 Lakhs as at 31 March 2020. The consequential impact, if any, is not ascertainable. (Refer note 15 to the standalone financial results)
b.	**Type of Audit Qualification:** Disclaimer of opinion

c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**
(i)	Management's estimation on the impact of audit qualification: N.A.
(ii)	If management is unable to estimate the impact, reasons for the same: **Note 15.** Bank reconciliation statements as at 31 March 2020 have not been prepared for 1 bank accounts having a carrying amount of Rs 8 Lakhs since the bank statements were not available for these bank accounts.
(iii)	Auditor's Comment on (i) or (ii) above: **Quantification is not possible at present, based on the information and explanation provided by the management.**
Qualification 13	
a.	**Details of Audit Qualification:** Confirmation of balances have not been received in respect of certain loans and advances, balances with banks, borrowings (including interest accrued thereon), trade and other payables. The Company continues the process of obtaining confirmations and reconciliation of the balances. The impact of the same is not ascertainable at present. (Refer note 16 to the standalone financial results)
b.	**Type of Audit Qualification:** Disclaimer of opinion
c.	**Frequency of Qualification:** First time during the financial year under report
d.	**For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A.
e.	**For Audit Qualification(s) where the impact is not quantified by the auditor:**
(i)	Management's estimation on the impact of audit qualification: N.A.
(ii)	If management is unable to estimate the impact, reasons for the same: **Note 16:** Certain balances of secured and unsecured borrowings, balances with banks, trade receivables, trade and other payables and loans and advances are subject to confirmation and reconciliation.
(iii)	Auditor's Comment on (i) or (ii) above: **Quantification is not possible at present, based on the information and explanation provided by the management.**
Qualification 14	
a.	**Details of Audit Qualification:**

	During the year, the Company has received an Order from the Hon'ble Supreme Court of India confirming the grid support charges payable to Transmission Corporation of Andhra Pradesh Limited ("APTRANSCO"). The Company has estimated the liability to be Rs. 1,516 Lakhs. However, pending receipt of demand from APTRANSCO, the Company has not recognized the liability as at 31 March 2020 and has reported this as a contingent liability in the standalone financial results. (Refer note 17 to the standalone financial results)	
	b. **Type of Audit Qualification:** Disclaimer of opinion	
	c. **Frequency of Qualification:** First time during the financial year under report	
	d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** Note 17. During the year the Company has received an Order from Supreme Court of India confirming the grid support charges payable to Transmission Corporation of Andhra Pradesh Limited ("APTRANSCO"). The Company has estimated the liability to be Rs 1,516 Lakhs. However, the Company has not received any demand from APTRANSCO till date and accordingly no liability is accrued towards the same as at 31 March 2020 and has considered this as a contingent liability	
	e. **For Audit Qualification(s) where the impact is not quantified by the auditor:** N.A.	
III	**Signatories:**	
	For Sharp & Tannan Chartered Accountants (Firm's Registration No. 003792S) V. Viswanathan Partner Membership No. 215565	For Ballarpur Industries Limited R R Vederah Audit Committee - Chairman
	Place: Chennai	Place: Gurugram
	Date: 8 December 2020	Date: 8 December 2020

III	Signatories:	
	For Ballarpur Industries Limited Neehar Aggarwal Chief Executive Officer	For Ballarpur Industries Limited R Rajagopal Deputy Chief Financial Officer
	Place: Gurugram	Place: Gurugram
	Date: 8 December 2020	Date: 8 December 2020