

Cimmco Limited



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9th June, 2018

National Stock Exchange of India Limited
Exchange Plaza Bandra-Kurla Complex
Bandra (E), Mumbai-400051

Kind Attn.: Mr. Kautuk Upadhyay, Chief Manager

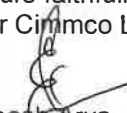
Ref.: Your letter No. NSE/LIST/FR/6619 dated 29-May-2018 read with email dated 04 June 2018
Sub.: Non-compliance as per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sirs,

We refer your letter no. NSE/LIST/FR/6619 dated 29-May-2018 read with email dated 04 June 2018 on the captioned subject, and submit the signed copy of the Statement on Impact of Audit Qualifications (for audit report with modified opinion) along-with Annual Audited Financial Results of the Company – Standalone for the financial year ended March 31, 2018.

Please take the above on record.

Thanking you,
Yours faithfully,
For Cimmco Limited


Dinesh Arya
Group Company Secretary

Encl.: As above.

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results of Cimmco Limited – Standalone for the financial year ended March 31, 2018

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2018 [See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]				
I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs in lacs)	Adjusted Figures (audited figures after adjusting for qualifications) (Rs in lacs) (Refer Note below)
	1	Turnover / Total income (including other income)	13,662.33	13,662.33
	2	Total Expenditure (including tax expenses)	15,994.15	15,994.15
	3	Net Profit / (Loss)	(2,331.82)	(2,331.82)
	4	Earnings / (Loss) Per Share	(8.53)	(8.53)
	5	Total Assets	36,292.94	36,292.94
	6	Total Liabilities	20,134.12	20,134.12
	7	Net Worth (Total Equity)	16,158.82	16,158.82
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
	Note: Not applicable as impact of audit qualification cannot be quantified. Hence figures are same as reported before adjusting for qualifications.			
II.	Audit Qualification			
	a. Details of Audit Qualification (as reproduced from the audit report): We draw your attention to Note 6 (a) to the Ind AS financial statements regarding certain claims amounting to Rs. 854.81 lacs (Rs. 854.81 lacs as at March 31, 2017) net of expected credit loss of Rs. 3,097.53 lacs (Rs. 3,097.53 lacs as at March 31, 2017), which has been considered good and recoverable by the management. Pending outcome of the Company's appeal against the arbitration order and final decision of the Hon'ble High Court of Delhi, we are unable to comment on the recoverability of the above, and its consequential impact on these Ind AS financial statements.			
	b. Type of Audit Qualification : Qualified Opinion			
	c. Frequency of qualification: Was Emphasis of matter for FYE 2011-12, and qualification for FYE 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Impact not quantified by the auditors and therefore, not applicable.			
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:			
	(i)	Management's estimation on the impact of audit qualification: Impact of audit qualification cannot be quantified.		
	(ii)	Management response and reasons for inability to estimate the impact: Rs 854.81 lacs (Rs. 854.81 lacs as at March 31, 2017, Rs 759.83 lacs as at March 31, 2016), net of expected credit loss amounting to Rs. 3097.53 lacs recoverable from Indian Railways on account of difference of lease rental for the wagons leased to Indian Railways: In the year 1997-98 the Company (Cimmco) had entered into 3 separate sub-lease rental agreements with Indian Railways (IR) for lease to IR of 1200 wagons for a primary period of 10 years. However, owing to changes in the rate of Income Tax as well as the depreciation rate as per the Income Tax Act, the sub-lease rentals payable by IR to Cimmco in terms of the sub-lease agreements were impacted and IR, on a misinterpretation of the relevant clause in the sub-lease agreements, did not release the differential sub-lease rental to the Company. Although the issues were clarified, IR continued to withhold the differential payment and being compelled by non-recovery of its dues Cimmco invoked the Arbitration Clause and referred the matter to Arbitration on 27/10/2004. Due to the erosion of the net worth of Cimmco as at 30.06.2000 and		

Chairman having become sick, the operations of Cimnico were suspended/closed with effect from 13.11.2000. As such, only a skeleton staff/personnel were available in Cimnico to actively pursue the matter. This led to lack of attention to the arbitration in the matter for a long time.

Cimnico has been aggressively pursuing with the Arbitration Tribunal to expeditiously complete the Arbitration proceedings which had been kept in abeyance for the parties to explore the possibilities of amicable settlement. However, since the Tribunal did not fix further dates of hearing, a petition was filed before the Hon'ble High Court of Delhi on 14th August, 2014 seeking reconstitution of the Arbitration Tribunal. The matter was heard on 22nd August, 2014, however the Tribunal recommenced the proceedings and arguments have been concluded on May 2, 2015. Thereafter, the Tribunal has fixed September 7, 8 and 9, 2015 for making and publishing the award. The Tribunal passed an award on 03/02/2016 whereby the Company's claims were rejected. Being aggrieved by the award the Company has filed an appeal under section 34 of the Arbitration & Conciliation Act, 1996 (as amended) before the Hon'ble High Court, Delhi on 29/04/2016 and the matter was heard on 02/06/2016 when the Court directed issue of the notice to Indian Railways. The matter was last heard on 17/05/2018 when an adjournment was requested by Indian Railways on ground of their Counsel being unwell. Matter has been directed to be listed on 29.08.2018.

Cimnico is convinced of merit of the case. The management is hopeful of getting a favourable order from the Hon'ble High Court, Delhi for recovery of the amount and hence this amount has been considered good of recovery.

(iii) **Auditors' Comments on (i) or (ii) above:**

Refer details of audit qualification [para II (a) above]

III

For Cimnico Limited

J P Chowdhary
Executive Chairman

Vincent Mohta
Chief Financial Officer

J K Shukla
Chairman of Audit Committee

For Price Waterhouse & Co. Chartered Accountants LLP
ICAI Firm Registration No.: 304026E/E-300009
CHARTERED ACCOUNTANTS

Avijit Mukerji
Partner
Membership No.056155

Place: Kolkata

Date: May 22, 2018

(Signature)