Note:

1.The above results duly approved by the Audit Committee has been taken on record by the Board of Directors in their meeting held on 28.05.2014.

2.The Company operates in a single segment only viz. Textiles. The power generated through Wind Energy is captively consumed.

3.The exceptional items of Rs.423.00 lakhs represents an advance given to one party in 2006 and remains doubtful now provided for.

4.The Company cease to be under CDR mechanism with effect from 25.09.12 vide CDR letter dt. 22.10.12 due to non compliance of certain terms & conditions of CDR package. However, the financial impact in terms of interest differentials of Rs.85 crores, by virtue of such non-compliance has not been provided for in the books of accounts.

5.The Company although has provided for the interest payment on Bank loans, no payment has been made from October ' 2011, as a result of which Banks have declared the account as NPA. In view of non payment of interest, the TUF subsidy receivable has not been recognized from October 2011.

6.The extraordinary item of Rs. 577.88 lakhs for the year ended 31st Mar 14 represents the impairment of Building and Plant & Machinery for the company as a whole (Historical cost Rs.43342.05 lakhs ,WDV Rs. 19085.75 lakhs and Net Realizable value Rs 18507.87 lakhs). The Net realizable value (NRV) for the core assets for impairment has been adopted based on [illegible] since there is no virtual certainty in realizing the same.

7. The timing differences arising between accounting and taxable income resulted in deferred tax asset and the same was not recognized as there is no virtual certainty in realizing the same.

8.The Company has been served with Notice under section 13 (2) of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) dt. 04.12.12 recalling outstanding dues of Rs. 360.24 Crores. (excluding dues to IDBI). The Company was also served with Possession Notice under section 13 (4) of SARFAESI Act.

9. The lenders (excluding IDBI) have filed a recovery application before DRT, Coimbatore on 09/03/13 vide OA No. 40/2013.

10. In view of the company becoming Sick within the meaning of Section 3(1) (o) of the Sick Industries Special Provisions Act, 1985 during financial year 31.03.2013, necessary reference was made to BIFR in terms of provision of the Companies Act 1956. The above reference made by the company is abated in accordance the 3rd proviso to Section 15(1) of SICA vide order dt 26.03.2014.

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11A. SAMB in their capacity as the lead bank has released an E-Auction notice under SARFAESI Act on 22.12.2013 for sale of Units 4,8,9 & Two Wind Mills. The Company has [illegible]

11B. SAMB has again released an e-auction notice under SARFAESI Act dt.09.03.2014 for sale of all units except unit 3 and Two wind mills.

12. Notices to treat the company as Willful Defaulter from State Bank of India & State Bank of Travancore vide its letters dt.24.12.12 and 18.01.13 respectively has been served on the company. The Company had represented vide letters dt.12.01.13 & 18.01.13 respectively.

13. There was no complaint received from investors' during the quarter ended 31.03.14. No complaint was pending at both at the beginning and at the end of the quarter. No complaint was pending at both at the beginning and at the end of the quarter.

14.Previous period figures have been regrouped and reclassified, wherever necessary, except for the netting of debit and credit balances of the same party

15.The qualifications of the Statutory Auditors

Rs.423 lakhs consumed core & Advances are subject to confirmation. As advance of for in the accounts of the company during quarter ended 31.12.2013.

15b.Transactions related to Job work at units III, IV & IX had been accounted for the year ended 31.03.2013 and the loss sustained by the Company was Rs.133 lakhs (Upto Jan 2013). The Company was advised by the lenders to make good the loss. However, the same has not been complied with by the Company.

15c.The interest provisions for all loans from Banks have been worked based on the then prevailing CDR Package and not on the original sanction/revised floating rates. Consequent to the company non compliance with CDR package and reverting back to the original sanction, the differential interest that ought to have been provided for in the audited position at Rs 85 Crores (from 01.07.2008 to 31.03.2014)cumulatively for claims of the banks have been duly accounted for by the company) The estimated loss due to the above for the ended 31st March 2014, is understated to the extent of Rs. 18 Crores.

15d. On examination of the books of accounts and the information and explanations given to us, the internal control system is not commensurate with the nature of its business in respect of inventory and sale of goods and services.

15e. The Company has changed the method of Accounting for NETTING of balance when transactions are made with the same party. Hitherto the company was not netting the debit and credit balances of the same party. However, for the year ended 31.03.2014 the company has NETTED the debit and credit balances of the same party. Hence, Debtors and Creditors have got reduced by Rs. 60.45 Crores each as on 31.03.2014.

16.Management Reply to the observations of the Auditors.

Reply to 15 (a) The due action is being taken by the management to recover the dues/confirmation.

Reply to 15 (b) Efforts are being made by the company to ensure compliance with the advise of the lenders.

Reply to 15 (c) On receipt of a demand from the lenders regarding the higher interest on account of company being out of CDR package, the due provision for the interest differentials will be made in the accounts.

Reply to 15 (d) The management has taken earnest efforts to strengthen the internal controls.

Reply to 15 (e) In the opinion of the Management, in order to reflect the actual position of Books of Accounts, no qualification is resorted to.

28.05.2014

MANOJ KUMAR TIBREWAL

(MANAGING DIRECTOR)

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