



LAKSHMI VILAS BANK

Secretarial Department

CIN: L65110TN1926PLC001377

Ref/Sec/205 & 266/49/2020-2021

July 10, 2020

The General Manager Department of Corporate Services National Stock Exchange of India Exchange Plaza, C-1-Block G Bandra Kurla Complex, Bandra-E Mumbai - 400 051 Company Symbol: LAKSHVILAS	The General Manager Department of Corporate Services BSE Limited Listing Department Phiroze Jeejeeboy Tower Dalal Street, Fort Mumbai - 400 001 Scrip Code: 534690
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Dear Sir,

Sub: Submission of statement on impact of Audit Qualifications for the financial year ended 31.03.2020.

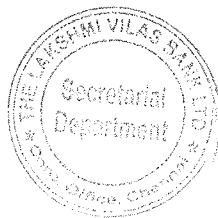
Please find enclosed herewith the "Statement of impact of Audit qualifications (for Audit Report with modified Opinion)" as per the format specified by SEBI vide Circular CIR/CFD/CMD/56/2016 dated May 27, 2016 for the year ended 31.03.2020.

This is for your information and records.

Thanking You,

Yours faithfully,
For The Lakshmi Vilas Bank Limited

N Ramanathan
Company Secretary
Encl: A/a



Annexure I

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2020

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

I.

Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (in lakh)	Adjusted Figures (audited figures after adjusting for qualifications) (in lakh)
1.	Turnover / Total income	255803.02	253333.02
2.	Total Expenditure	257348.65	259748.65
3.	Net Profit/(Loss)	(83604.47)	(207030.47)
4.	Earnings Per Share (Rs.)	-25.16	-62.30
5.	Total Assets	2442151.50	2323595.50
6.	Total Liabilities	2442151.50	2323595.50
7.	Net Worth	-18942	-23812
8.	Any other financial item(s) (as felt appropriate by the management)	-	-

II.

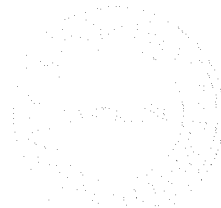
Audit Qualification (each audit qualification separately)

a. Details of Audit Qualification:

- During the financial year ended 31st March 2018, the Bank had adjusted loans aggregating to Rs.794 crore extended to RHC Holding Private Limited and Ranchem Private Limited against deposits of Religare Finvest Limited. The said adjustment has been contested by Religare Finvest Limited and a suit has been filed against the Bank in May 2018 before the Honourable High Court of Delhi. The matter still remains sub-judice. Further, the Economic Offences Wing, Delhi ("EOW") has initiated proceedings against the Directors of the Bank and SEBI has sought clarification on the above matter. However, as per the Bank, based on legal opinions obtained against the suit, the said appropriation is lawful and tenable and hence not made any specific provision on this score. The Reserve Bank of India ("RBI") vide letter dated 21st November 2019, had advised the Bank to maintain provisions, on a prudential basis, to cover potential losses for the 'Claim against the Bank not acknowledged as debt' in respect of the above-mentioned matter. In case of adverse judgment, the management needs to provide an additional amount of Rs.594 crore after considering the available contingent provision of Rs.200 crore provided in the books. Considering the above, the Provisions (other than Tax) and Contingencies would have increased, net loss for the year would have increased, shareholders' funds would have decreased, by Rs.594 crore each and the Capital Adequacy Ratio (Basel III) would have reduced by 4.50%.



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The audit opinion on the financial statements for the years ended 31st March 2018 and 31st March 2019 was also qualified in respect of this matter.

2. We draw attention to Note 4 of the Financial Results, which indicates that the Bank has reversed the cumulative provision of Rs.48.70 crore held towards revision of wages due to employees with effect from November 2017. While the Bank has cited the withdrawal of mandate given to the Indian Banks' Association ("IBA") to negotiate revision of salary on its behalf, as the basis for reversing the provision, there is no evidence to suggest that there will not be any liability for the wage revision with effect from November 2017. While the quantum of wage revision cannot be determined as on date, it is likely that the provision required would at least be Rs.48.70 crore. Considering the above, the Employees Cost and the net loss for the year would have increased by Rs.24 crore each, Other income would have decreased by Rs.24.70 crore and Other liabilities and Provisions as at 31st March 2020 would have increased by Rs.48.70 crore.

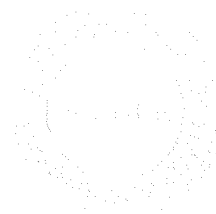
3. We draw attention to Note 7 of the Financial Results, which states that the Bank has recognised net deferred tax asset of Rs. 1,185.57 crore as at 31st March 2020, of which Rs.326.01 crore was created during the year ended 31st March 2020. As mentioned in Note 17 of the Financial Results, the Bank has decided not to opt for reduced corporate tax rate under Section 115BA of the Income Tax Act and the deferred tax asset and liability have been calculated with the existing tax rate.

As per the requirements of AS 22 "Accounting for Taxes on Income", deferred tax assets should be recognised and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In our opinion, considering the recurring losses and in the present scenario of the Bank going through the Prompt Corrective Action imposed by the RBI, there is no certainty that the Bank will have sufficient future taxable income to justify the creation of deferred tax asset. Had the deferred tax asset not been created and retained, the net loss for the year would have been higher by Rs.1,185.57 crore.

b. Type of Audit Qualification :	Qualified Opinion
c. Frequency of qualification:	Annual
d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:	
1.	"Board directed Management to withdraw the mandate given to IBA to negotiate wages of its officers and workmen staff from 1 st November 2017. Accordingly, Bank has written separate letters to IBA regarding withdrawal of mandate for Officers and for workmen staff. Since the mandate stands withdrawn, there is no liability on the Bank to pay any arrears of wages with effect from 1 st November, 2017. Accordingly, Bank has reversed the entire provision of arrears of wages amounting to Rs. 48.70 crore."
2.	"Bank has already engaged services of merchant bankers and has received non-binding letter from Clix group for amalgamation with the bank which is under process. Simultaneously Bank will talk to other investors to raise capital. This will enable the Bank to grow the business and this along with other cost control measures undertaken by the Bank would generate sufficient profits in order to absorb DTA."



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

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

"Disputing the said adjustment, M/s.Religare Finvest Limiteda has filed a suit against the Bank in May, 2018 before the Honourable High Court of Delhi and the same is being defended appropriately by the Bank The matter still remains sub-judice. Based on two independent legal opinion that the Bank's action is lawful and tenable, no liability is expected."

As regards (i) & (ii) our Qualification of Rs.594 crore in this regards continues.

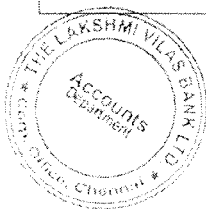
Signatories:

Antena

Approved through Mail. Mail
Attached.

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AN**

Date: 10.07.2020



Hariharan K (VP & CFO)

From: Manjunath K <bkm9090@yahoo.co.in>
Sent: 10 July 2020 15:35
To: secretarial
Cc: Hariharan K (VP & CFO); Ramanathan N (Company Secretary)
Subject: Re: Annexure to Auditors Report for your signature

The note is approved

Regards

B.K.MANJUNATH
Chairman of Audit Committee

Sent from my iPad

On 10-Jul-2020, at 3:30 PM, secretarial <secretarial@lvbank.in> wrote:

Dear Sir,

Please find attached herewith the Annexure to Auditors Report for your signature.

Thanks and Regards,

<image001.jpg> **Sneha Sharma | Asst. Company Secretary**
Secretarial Department
The Lakshmi Vilas Bank Limited | CIN: L65110TN1926PLC001377
Corporate Office | No.4, Sardar Patel Road | Guindy | Chennai -600032
www.lvbank.com | LL:91-44-22205306.

<Annexure to Auditors Report.pdf>