

SEL MANUFACTURING COMPANY LIMITED

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CIN:L51909PB2000PLC023679



SEL/NSE/2016-17

Dtd.: 14.02.2017

The Manager
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E)
MUMBAI
400 051

Dear Sir/Madam

Sub: UN-AUDITED QUARTERLY/NINE MONTHS PERIOD RESULTS:
Symbol: SELMCL Series: EQ ISIN No: INE105I01012

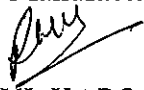
Further to our earlier letter dated 01.02.2017, we are pleased to enclose herewith a copy of Companies un-audited financial results (i.e. standalone and consolidated) for the Quarter and Nine Months period ended 31.12.2016 in consonance with the new Accounting Standards. These results have been considered and taken on record by the Board of Directors of the Company in its meeting held today i.e. 14.02.2017. The said meeting commenced at 04.00 p.m. and concluded at 05.42 p.m.

Hope you will find these in order.

Kindly acknowledge receipt.

Thanking you,

Yours faithfully,
For SEL Manufacturing Company Limited


RAHUL KAPOOR
(COMPANY SECRETARY)



Encl.: As above

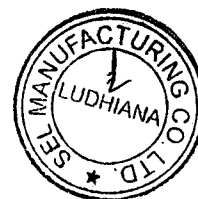
Statement of Unaudited Financial Results for the Quarter & Nine Months Period Ended December 31, 2016

(Rs. in Lacs)

Sr. No.	Particulars	Standalone				
		Unaudited Quarter Ended 31/12/2016	Unaudited Quarter Ended 30/09/2016	Unaudited Quarter Ended 31/12/2015	Unaudited Year to date 31/12/2016	Unaudited Year to date 31/12/2015
1	Income from operations					
	a) Sales/income from operations	35924.63	37880.63	44903.58	118640.15	147862.84
	b) Other operating income	0.00	0.00	0.00	0.00	0.00
	Total income from operations (net)	35924.63	37880.63	44903.58	118640.15	147862.84
2	Expenses					
	a) Cost of material consumed	28163.21	26359.68	25274.87	84260.91	86195.51
	b) Purchase of stock-in-trade	0.00	0.16	3196.89	0.16	4985.63
	c) Changes in inventories of finished goods, work in progress and stock in trade	5413.85	13221.92	2510.94	26063.30	2302.56
	d) Employee benefits expenses	2547.96	2613.55	2669.16	7812.80	8315.50
	e) Depreciation and amortisation expenses	2898.67	2896.03	7219.49	8639.71	21426.42
	f) Other expenses	6309.28	7663.45	8451.02	21418.60	27869.02
	Total expenses	45332.97	52754.79	49322.37	148195.48	151094.64
3	Profit/(+)/loss(-) from operations before other income, finance cost and exceptional items (1-2)	-9408.34	-14874.16	-4418.79	-29555.33	-3231.80
4	Other income	2735.31	1955.72	6014.89	8014.92	9183.26
5	Profit/(+)/loss(-) from ordinary activities before finance cost & exceptional items (3+4)	-6673.03	-12918.44	1596.10	-21540.41	5951.46
6	Finance cost	1169.49	10566.79	8444.53	21130.21	25049.77
7	Profit/(+)/loss(-) from ordinary activities after finance cost but exceptional items(5-6)	-7842.52	-23485.23	-6848.43	-42670.62	-19098.31
8	Exceptional Items	-15204.20	6855.74	3964.16	3017.51	18873.98
9	Profit (+)/ Loss (-) from ordinary activities before tax (7+8)	7361.68	-30340.97	-10812.59	-45688.13	-37972.29
10	Tax Expense	5343.55	2311.51	428.95	3635.71	1926.24
11	Net Profit (+)/ Loss (-) from ordinary activities after tax (9-10)	2018.13	-32652.48	-11241.54	-49323.84	-39898.53
12	Extraordinary items (net of tax expenses _____ Lakhs)	0.00	0.00	0.00	0.00	0.00
13	Net Profit (+)/ Loss (-) for the period (11+12)	2018.13	-32652.48	-11241.54	-49323.84	-39898.53
14	Other Comprehensive Income	0.00	0.00	0.00	0.00	0.00
15	Total Comprehensive Income(+)/Loss(-) for the period (13+14)	2018.13	-32652.48	-11241.54	-49323.84	-39898.53
16	Paid-up equity share capital of Rs. 10/- each	33134.70	33134.70	33134.70	33134.70	33134.70
17	Earning per share (EPS) (in Rs.) (not annualised)					
	a) Basic	B- 0.61	B- (9.85)	B- (3.39)	B- (14.89)	B- (12.04)
	b) Diluted	D- 0.61	D- (9.85)	D- (3.39)	D- (14.89)	D- (12.04)

Notes:

- The above results are reviewed by the Audit Committee and taken of record at the meeting of the Board of Directors on 14.02.2017.
- The Company had opted for CDR of its Debt in November, 2013. The CDR package was approved by the competent authority in June, 2014 and implemented by lenders in September, 2014. The credit facilities envisaged & sanctioned under CDR package were not fully released by the lenders which resulted in sub-optimum utilization of manufacturing facilities and the company could not complete one of its spinning project where substantial amount was already incurred. The company has accumulated losses of Rs. 456.88 crores as at December 31, 2016 resulting net worth reduced to Rs. 262.44 crores. Also the company is facing cash flow mismatch and is not servicing debt obligations as per the terms of CDR package sanctioned earlier. The Company's Management is of the view that the company is an operative Company and will be able to meet its obligations to lenders, In view of the same the financial statements have prepared on a going concern basis.
- The statement of unaudited standalone financial results for the nine months and quarter ended December 31, 2016 has been prepared in accordance with Indian Accounting Standard (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the companies (Indian Accounting Standards) Rules, 2016. The Company adopted Ind-AS from April, 2016, and accordingly these financial results have been prepared in accordance with the recognition and measurement principles in Ind-AS 34 - Interim Financial Reporting, prescribed under section 133 of the Companies Act, 2013 (the 'Act') read with the relevant rules issued thereunder.
- The Company has only one Reportable Segment i.e. Textiles, hence Segment Reporting is not applicable.



5 The majority of lenders have stopped charging interest on debts, since the dues from the Company have been categorized as Non Performing Asset. The Company is in active discussion/negotiation with its lenders to restructure its debts at a sustainable level including waiver of unpaid interest. In view of the above, pending finalization of there structuring plan, the Company has stopped providing accrued interest in its books retrospectively from 1 April, 2016. The amount of such accrued interest not so provided stands at Rs. 89.98/Rs. 200.95 crores for the quarter/nine months ended 31 December, 2016 and accordingly the same has not been considered for compilation of results of the said period. During the period ended December 2016, the company has reversed unpaid interest on loans for the period from 1 April, 2016 to 30 September, 2016 of Rs. 110.97 crores. Due to this the interest expense as well as net loss for the quarter/nine months ended 31 December, 2016 is reduced by Rs 110.97 crores and correspondingly the equity is increased by the same amounts. Exceptional items in quarter ended December, 2016 include reversal of interest of Rs. 110.97 crores for the period ended September 2016 pursuant to above change. Further one of the subsidiary of the company namely SEL Textiles Limited has not provided interest on bank dues in majority of accounts which are declared non performing assets by the banks. Due to this, the net loss of the subsidiary is reduced by Rs. 31.81/Rs. 82.52 crores for the quarter/nine months ended December 2016, correspondingly the diminution in the value of investments of the company is reduced by the same amount.

6 The company has revised the useful life of the machinery installed in Spinning/Terry Towel units based on technical reports retrospectively from 1 April, 2016. Due to this the depreciation as well as net loss for the quarter/nine months ended 31 December, 2016 is reduced by Rs. 32.61 crores/Rs. 109.68 crores respectively and correspondingly the "Property, Plant & Equipments" (Non Current Assets) and equity are increased by the same amounts. Exceptional items in quarter ended September, 2016 include reversal of depreciation of Rs. 40.02 crores for June 2016 quarter pursuant to above change. Further one of the subsidiary of the company namely SEL Textiles Limited has revised the useful life of the machinery installed in Spinning/Terry Towel units based on technical reports effective from 1 April, 2016. Due to this the depreciation as well as net loss for the quarter/nine months ended 31 December, 2016 of the subsidiary is reduced by Rs. 12.50 crores/Rs. 37.30 crores respectively. Correspondingly the provision for diminution in the value of investments of the company is reduced by the same amount.

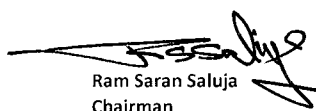
7 Exceptional items consists of provision for diminution in value of investments and in quarter ended December, 2016 reversal of interest (as per note no. 5) & in quarter ended September, 2016 reversal of depreciation (as per note no. 6).

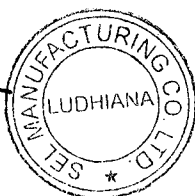
8 Reconciliation of Net Profit/(Loss) as previously reported on account of transition from the previous Indian GAAP to Ind AS for the quarter and nine months period ended 31st December, 2015.

Particulars	(Rs. In Crores)	
	Quarter Ended December 2015	Nine Months Ended December 2015
Net Profit/(Loss) for the period under previous Indian GAAP	(107.82)	(190.98)
<u>Add: Ind AS Adjustments</u>		
Impact of measuring investments at fair value through profit & loss	(39.64)	(188.74)
Tax Impact	(35.05)	19.26
Net Profit/(Loss) as per Ind AS	(112.41)	(398.98)

9 Figures relating to the previous period have been regrouped/rearranged, wherever necessary to make them comparable with those of the current period.

For and on behalf of Board of Directors


Ram Saran Saluja
Chairman



Date: 14.02.2017
Place: Ludhiana

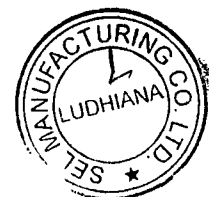
Statement of Consolidated Unaudited Financial Results for the Quarter & Nine Months Period Ended December 31, 2016

(Rs. in lacs)

Sr. No.	Particulars	Consolidated				
		Unaudited Quarter Ended 31/12/2016	Unaudited Quarter Ended 30/09/2016	Unaudited Quarter Ended 31/12/2015	Unaudited Year to date 31/12/2016	Unaudited Year to date 31/12/2015
1	Income from operations					
	a) Sales/Income from operations	43390.47	46220.97	57271.21	146456.96	187634.87
	b) Other operating income	0.00	0.00	0.00	0.00	0.00
	Total income from operations (net)	43390.47	46220.97	57271.21	146456.96	187634.87
2	Expenses					
	a) Cost of material consumed	33005.22	32722.52	35411.64	106492.50	120771.67
	b) Purchase of stock-in-trade	0.00	179.36	3317.47	179.36	5106.21
	c) Changes in inventories of finished goods, work in progress and stock in trade	7282.95	18572.43	1593.28	33837.02	-3061.16
	d) Employee benefits expenses	3125.80	3187.12	3327.32	9557.44	10362.51
	e) Depreciation and amortisation expenses	9069.95	3992.72	9448.07	11739.16	28113.19
	f) Other expenses	8009.06	8922.79	10348.93	26338.40	34739.20
	Total expenses	60492.98	67576.94	63446.71	188143.88	196031.62
3	Profit/(+)/loss(-) from operations before other income, finance cost and exceptional items (1-2)	-17102.51	-21355.97	-6175.50	-41686.92	-8396.75
4	Other income	3696.54	1454.22	6638.82	9435.45	12367.00
5	Profit/(+)/loss(-) from ordinary activities before finance cost & exceptional items (3+4)	-13405.97	-19901.75	463.32	-32251.47	3970.25
6	Finance cost	1583.49	14726.68	11615.15	29617.11	35186.39
7	Profit/(+)/loss(-) from ordinary activities after finance cost but exceptional items (5-6)	-14989.46	-34628.43	-11151.83	-61868.58	-31216.14
8	Exceptional items	-21402.53	-5234.00	0.00	-16168.53	0.00
9	Profit (+)/ Loss (-) from ordinary activities before tax (7+8)	6413.07	-29394.43	-11151.83	-45700.05	-31216.14
10	Tax Expense	6977.60	-10983.39	-7185.97	-8072.83	-3420.71
11	Net Profit (+)/Loss(-) from ordinary activities after tax (9-10)	-564.53	-18411.04	-3965.86	-37627.22	-27795.43
12	Extraordinary items (net of tax expenses Lakhs)	0.00	0.00	0.00	0.00	0.00
13	Net Profit (+)/ Loss (-) for the period (11+12)	-564.53	-18411.04	-3965.86	-37627.22	-27795.43
14	Share of profit/(loss) of associates	0.00	0.00	0.00	0.00	0.00
15	Minority Interest	-0.56	-25.68	-18.23	-26.91	-19.13
16	Net Profit (+)/ Loss (-) after taxes, minority interest and share of profit/(loss) of associates (+13+14+15)	-563.97	-18385.36	-3947.63	-37600.31	-27776.30
17	Other Comprehensive Income	0.00	0.00	0.00	0.00	0.00
18	Total Comprehensive Income(+)/Loss(-) for the period (16+17)	-563.97	-18385.36	-3947.63	-37600.31	-27776.30
19	Paid-up equity share capital of Rs. 10/- each	33134.70	33134.70	33134.70	33134.70	33134.70
20	Earning per share (EPS) (in Rs.) (not annualised)					
	a) Basic	B- (0.17)	B- (5.55)	B- (1.19)	B- (11.35)	B- (8.38)
	b) Diluted	D- (0.17)	D- (5.55)	D- (1.19)	D- (11.35)	D- (8.38)

Notes:

- The above results are reviewed by the Audit Committee and taken of record at the meeting of the Board of Directors on 14.02.2017.
- The holding and one of its subsidiary Company had opted for CDR of its Debt in the year 2013-14. The CDR package was approved by the competent authorities and implemented by lenders. However, the credit facilities envisaged and sanctioned under CDR package were not released by the lenders to the said companies, which resulted in sub-optimum utilization of manufacturing facilities. Due to non-disbursement of funds the said companies could not complete their spinning projects where substantial amounts were already incurred. All this has led to adverse financial performance and substantial erosion in net worth of the said companies. The Companies have discussed the matter with the lenders and taken up request for release of funds with Management of respective banks. Due to these efforts it is hopeful that the funds would be released in near future thereby improving the operational efficiency and thus the companies will be able to meet their obligations to lenders, In view of the same the financial statements have prepared on a going concern basis.
- The statement of unaudited consolidated financial results for the quarter and nine months ended December 31, 2016 has been prepared in accordance with Indian Accounting Standard (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the companies (Indian Accounting Standards) Rules, 2016. The Company adopted Ind-AS from April, 2016, and accordingly these financial results have been prepared in accordance with the recognition and measurement principles in Ind-AS 34 -Interim Financial Reporting, prescribed under section 133 of the Companies Act, 2013 (the 'Act') read with the relevant rules issued thereunder.
- During the period ended December 2016, the company and one of its subsidiary have stopped charging interest on debts, since the dues from the Company the company and one of its subsidiary have been categorized as Non Performing Asset. The Company and one of its subsidiary is in active discussion/negotiation with its lenders to restructure its debts at a sustainable level including waiver of unpaid interest. In view of the above, pending finalization of there structuring plan, the Company and one of its subsidiary has stopped providing accrued interest in its books retrospectively from 1 April, 2016. The amount of such accrued interest not so provided stands at Rs. 121.80/Rs. 283.49 crores for the quarter/nine months ended 31 December, 2016 and accordingly the same has not been considered for compilation of results of the said period. Due to this the interest expense as well as net loss for the quarter/nine months ended 31 December, 2016 is reduced by Rs. 121.80/Rs. 283.49 crores and correspondingly the equity is increased by the same amounts. Exceptional items in quarter ended December, 2016 include reversal of interest of Rs. 161.67 crores for the period ended September 2016 pursuant to above change.



- 5 Reconciliation of Net Profit/(Loss) as previously reported on account of transition from the previous Indian GAAP to Ind AS for the quarter and Nine Months period ended 31st December, 2015.

Particulars	(Rs. In Crores)	
	Quarter Ended December 2015	Nine Months Ended December 2015
Net Profit/(Loss) for the period under previous Indian GAAP	(162.83)	(295.89)
Add: Ind AS Adjustments		
Depreciation and Amortization	0.00	0.00
Other Adjustments	(3.37)	(23.23)
Tax Impact	126.54	41.16
Net Profit as per Ind AS	(39.66)	(277.96)

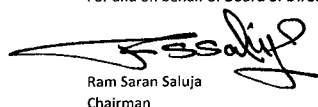
- 6 The Company has only one Reportable Segment i.e. Textiles, hence Segment Reporting is not applicable.

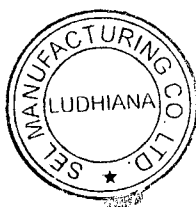
- 7 During the period ended September 2016, the company and one of its subsidiary has revised the useful life of the machinery installed in Spinning/Terry Towel units based on technical reports retrospectively from 1 April, 2016. Due to this the depreciation as well as net loss for the quarter/nine months ended 31 December, 2016 is reduced by Rs. 45.11 crores/Rs. 146.98 crores respectively and correspondingly the "Property, Plant & Equipments" (Non Current Assets) and equity are increased by the same amounts. Exceptional items in quarter ended September, 2016 include reversal of depreciation of Rs. 52.34 crores for June 2016 quarter pursuant to above change.

- 8 Exceptional items includes reversal of interest (as per note no. 4) & reversal of depreciation (as per note no. 7) adjusted therein.

- 9 Figures relating to the previous period have been regrouped/rearranged, wherever necessary to make them comparable with those of the current period.

For and on behalf of Board of Directors


Ram Saran Saluja
Chairman



Date: 14.02.2017
Place: Ludhiana

INDEPENDENT AUDITOR'S REVIEW REPORT

To
The Board of Directors,
SEL Manufacturing Co. Ltd.,

Introduction

We have reviewed the accompanying statement of unaudited standalone financial results of SEL Manufacturing Company Limited (the company) for the quarter and nine months ended December 31, 2016 ("the Statement") prepared by the company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 read with SEBI Circular no. CIR/CFD/FAC/62/2016 dated 5th July, 2016. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these standalone financial results based on our review.

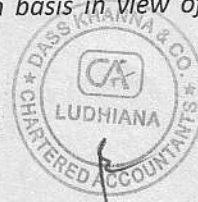
Scope of Review

We conducted our review in accordance Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

We report that:

1. The company has not provided for interest amounting to Rs 200.95 Crores pertaining to nine months ended on 31st December 2016 (Rs 89.98 Crores for the quarter ended 31st December 2016) on NPA classified bank borrowings on accrual basis as required under Ind AS 1 - Presentation of financial statements. Further interest for June/ September 2016 quarters amounting Rs 110.97 crores on NPA classified bank borrowings is reversed in December 2016 quarter and adjusted in exceptional items. (refer note no 5 of the interim financial results).
2. During the reporting period, there is reduction in provision for diminution in the value of investments in one of its subsidiary namely SEL Textiles Limited due to non provision of interest amounting to Rs 82.52 Crores pertaining to nine months ended on 31st December 2016 (Rs 31.81 Crores for the quarter ended 31st December 2016) on NPA classified bank borrowings on accrual basis as required under Ind AS 1 -Presentation of financial statements. Further interest for June/ September 2016 quarters amounting Rs 50.71 crores on NPA classified bank borrowings is reversed in December 2016 quarter resulting reduction in provision for diminution in the value of investments in December 2016 quarter. (refer note no 5 of the interim financial results).
3. Note No. 2 of the interim financial results describes that in the opinion of the management despite sub optimum capacity utilization, incurring substantial losses during the quarter and nine months ended December 31st, 2016 and substantial reduction in net worth as at December 31st, 2016, the unaudited standalone financial results have been prepared on a going concern basis in view of matters fully



explained in the said note. However, these situations give rise to material uncertainty in respect of company's ability to continue as going concern which is part dependent on successful outcome of the discussions with the CDR lenders and company's ability to generate sufficient funds to support its operations and fulfill repayment obligations.

4. *The company has recognized deferred tax asset amounting to Rs. 166.07 crores and MAT Credit Entitlement of Rs. 55.34 crores upto 31st December, 2016 considering probability that sufficient taxable income will be available during specified period against which such deferred tax asset/MAT Credit Entitlement can be adjusted. However no conclusive documents/ evidences are provided to support their claim. The company ability to continue as going concern is dependent on factors discussed in para (3) above. In case the going concern status of the company is suspect, deferred tax asset/MAT Credit Entitlement recognized till date will require to be reversed.*

We further report that except for the effect , if any, of the matters specified in para (3) above, had the impact of our observation made in paragraph (1) , (2) & (4) above been considered, the profit / (loss) for the quarter ended on 31st December, 2016 and nine months ended on 31st December, 2016 would have been Rs. 484.70 crores and Rs.998.12 crores respectively (as against the reported figure of Rs 20.18 crores/ (Rs 493.24) respectively).

The earnings/ (loss) per share for the quarter ending 31st December 2016 and nine months ending 31st December 2016 would have been (Rs 14.63) and (Rs.30.12)respectively as against reported earnings (loss) per share Rs 0.61 and (Rs. 14.89) respectively.

Qualified Conclusion

Based on our review conducted as above, nothing *except the above observations* has come to our attention that causes us to believe that the accompanying statement of unaudited standalone financial results read with notes thereon, prepared in accordance with Indian Accounting Standards as specified under section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 and other recognized accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular no. CIR/CFD/FAC/62/2016 dated 5th July, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

We draw attention to the following matters:

1. No provision has been made for Trade Receivables as on December 31st, 2016 amounting to Rs 446.29 crores outstanding for more than 180 days from the due date. However the management claims that the said receivables are recoverable and no provision is required to be made therefore.
2. The level of inventories maintained by the company is high. This may include unidentified slow/non-moving and obsolete items of Inventories lying with the company for which no provision has been made. Further during the nine months ended on December 31st, 2016 there has been reduction in the realization of some of the finished goods from the fair market value estimated by the management due to obsolescence.
3. Note No. 6 of the interim financial results regarding revision in useful life of machinery installed in Spinning /Terry towel units of the company and one of its subsidiary namely SEL Textiles Limited based on technical reports effective from April 2016

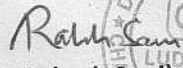


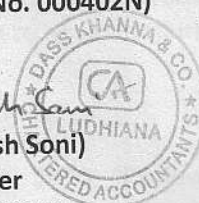
4. Search & Seizure action u/s 132(1) of the Income Tax Act, 1961 was carried on the Company, its promoters and some other companies/entities during the financial year 2013-14. Assessments have been completed for Assessment Year 2008-09, 2009-10, 2012-13 and 2014-15 on March 31st, 2016 and there was no additional tax liability on the assessment for the said years. For the remaining assessment years i.e. 2010-11, 2011-12 & 2013-14, demands aggregating to Rs. 283.43 crores have been raised by income tax department. Further Income Tax authorities have issued a show cause notice for initiating penalty proceedings u/s 274 read with section 271 of the Income Tax Act, 1961. Further, the Company is in process of filing appeals against these demands and no provision has been made in this regard.

Our conclusion is not modified in respect of the matters reported in para (1) to (4) of Emphasis of matters.

Place: Ludhiana
Date: 14.02.2017

For DASS KHANNA & CO.
Chartered Accountants
(Firm Reg. No. 000402N)


(CA. Rakesh Soni)
Partner
M.No. : 083142



INDEPENDENT AUDITOR'S REVIEW REPORT

To
The Board of Directors,
SEL Manufacturing Co. Ltd.,

Introduction

We have reviewed the accompanying statement of consolidated unaudited financial results of SEL Manufacturing Company Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") for the nine months and quarter ended December 31, 2016 ("the Statement") prepared by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 read with SEBI Circular no. CIR/CFD/FAC/62/2016 dated 5th July, 2016. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these consolidated financial results based on our review.

The Statement includes the financial results of following entities:

1. SEL Manufacturing Co. Ltd. (Holding Company)
2. SEL Textiles Limited (Subsidiary Company)
3. SEL Aviation Private Limited (Subsidiary Company)
4. SE Exports (Subsidiary Firm)
5. SEL Textile Corporation (Subsidiary Company)

Scope of Review

We conducted our review in accordance Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion. We did not review the financial results of overseas branch of the holding company and its four subsidiaries.

Basis of Qualified Conclusion

We report that:

1. The holding company and one of its subsidiary namely SEL Textiles Limited have not provided for interest amounting to Rs 283.49 Crores pertaining to nine months ended on 31st December 2016 (Rs 121.79 Crores for the quarter ended 31st December 2016) on NPA classified bank borrowings on accrual basis as required under Ind AS 1 -Presentation of financial statements. Further interest for June/ September 2016 quarters amounting Rs 161.67 crores on NPA classified bank borrowings is reversed in December 2016 quarter and adjusted in exceptional items. (refer note no 4 of the interim financial results).
2. Note No. 2 of the interim financial results describes that in the opinion of the management of despite sub optimum capacity utilization, incurring substantial losses during the quarter and nine months



ended December 31st, 2016 and substantial reduction in net worth as at December 31st, 2016 of the holding as well as one of its subsidiary company namely SEL Textiles Limited, the unaudited consolidated financial results have been prepared on a going concern basis in view of matters fully explained in the said note. However, these situations give rise to material uncertainty in respect of the said company's ability to continue as going concern which is part dependent on successful outcome of the discussions with the CDR lenders and respective companies ability to generate sufficient funds to support their operations and fulfill repayment obligations.

3. The Group has recognized deferred tax asset amounting to Rs. 274.00 crores and MAT Credit Entitlement of Rs.64.55 crores upto 31st December, 2016 considering probability that sufficient taxable income will be available during specified period against which such deferred tax asset/MAT Credit Entitlement can be adjusted. However no conclusive documents/ evidences are provided to support their claim. The ability to continue as going concern of holding and one of its subsidiary namely SEL Textiles Limited is dependent on factors as discussed in para (2) above. In case the going concern status of the respective companies is suspect, deferred tax asset/MAT Credit Entitlement recognized till date will require to be reversed.

We further report that except for the effect, if any, of the matters stated in paragraph (2) above, had the impact of our observation made in paragraph (1) & (3) above been considered, the earnings/ (loss) of the group for the quarter ended on 31st December, 2016 and nine months ended on 31st December, 2016 would have been (Rs. 627.68 crores) and (Rs.998.04 crores) respectively (as against the reported figure of (Rs 5.64 crores) and (Rs 376.00) respectively).

The earnings/ (loss) per share for the quarter ending 31st December 2016 and nine months ending 31st December 2016 would have been (Rs 18.94) and (Rs.30.12) respectively as against reported earnings (loss) per share (Rs 0.17) and (Rs. 11.36) respectively.

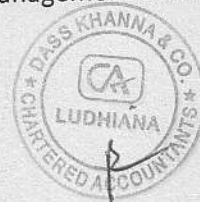
Qualified Conclusion

Based on our review conducted as above, nothing except the above observations has come to our attention that causes us to believe that the accompanying statement of unaudited consolidated financial results read with notes thereon, prepared in accordance with Indian Accounting Standards as specified under section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 and other recognized accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular no. CIR/CFD/FAC/62/2016 dated 5th July, 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

We draw attention to the following matters:

1. No provision has been made for Trade Receivables as on 31st December 2016 amounting to Rs 625.45 crores outstanding for more than 180 days from the due date. However the management claims that the said receivables are recoverable and no provision is required to be made therefore.
2. The level of inventories maintained by the Holding Company and one of its subsidiary is high. This may include unidentified slow / non-moving and obsolete items of Inventories lying with the respective companies for which no provision has been made. Further during the nine months ended on December 31st, 2016 in holding company, there has been reduction in the realization of some of the finished goods from the fair market value estimated by the management due to obsolescence.



3. Note No. 7 of the interim financial results regarding revision in useful life of machinery based on technical reports effective from April 2016.
4. Search & Seizure action u/s 132(1) of the Income Tax Act, 1961 was carried on the holding company, its promoters and some other related companies/entities during the financial year 2013-14. Assessments of subsidiaries have been completed for the complete block period whereas in case of holding company assessments have been completed for Assessment Year 2008-09, 2009-10, 2012-13 and 2014-15 on March 31st, 2016 and there was no additional tax liability on the assessment for the said years. For the remaining assessment years i.e. 2010-11, 2011-12 & 2013-14, assessments have been completed by the Income Tax Authorities on 30th January, 2017, and demands aggregating to Rs. 283.43 crores have been raised by income tax department. Further Income Tax authorities have issued a show cause notice for initiating penalty proceedings u/s 274 read with section 271 of the Income Tax Act, 1961. Further, the holding company is in process of filing appeals against these demands, no provision has been made in this regard.

Our conclusion is not modified in respect of the matters reported in para (1) to (4) of Emphasis of matters.

Other Matters

We draw attention to the following matter:

1. We did not review the interim financial results of four subsidiaries included in the consolidated financial results whose interim financial results for the nine months and quarter ended 31st December, 2016 reflect total revenues of Rs. 300.11 crores and Rs. 83.01 crores respectively. The consolidated financial results also include for the nine months and quarter ended 31st December, 2016. The group's share of net (loss) /profit of (Rs. 116.46 crores) and Rs. 56.39 crores respectively.

Our conclusion is not modified in respect of the matters reported in Other Matters.

Place: Ludhiana
Date: 14.02.2017

For DASS KHANNA & CO.
Chartered Accountants
(Firm Reg. No. 000402N)


(CA. Rakesh Soni)
Partner
M.No.: 083142

