

SEL MANUFACTURING COMPANY LIMITED

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Tel: +91-161-6611111, Fax: +91-161-6611112, Website: www.selindia.in
CIN:L51909PB2000PLC023679



SEL/NSE/2016-17

Dtd.: 12.12.2016

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/HALF YEARLY RESULTS:
Symbol: SELMCL Series: EQ ISIN No: INE105I01012

Further to our earlier letter dated 05.12.2016, we are pleased to enclose herewith a copy of Companies un-audited financial results (i.e. standalone and consolidated) for the quarter and half year period ended 30.09.2016 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. 12.12.2016. The said meeting commenced at 02.00 p.m. and concluded at 03.40 p.m.

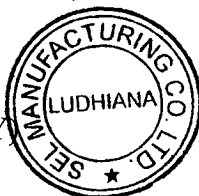
Hope you will find these in order.

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 & Six Months Ended September 30, 2016

PART- I

		(Rs. In Lacs)				
Sr. No.	Particulars	Standalone				
		Unaudited Quarter Ended 30/09/2016	Unaudited Quarter Ended 30/06/2016	Unaudited Quarter Ended 30/09/2015	Unaudited Year to date 30/09/2016	Unaudited Year to date 30/09/2015
1	Income from operations					
	a) Sales/income from operations	37880.63	44834.89	50375.01	82715.52	102959.26
	b) Other operating income	0.00	0.00	0.00	0.00	0.00
	Total income from operations	37880.63	44834.89	50375.01	82715.52	102959.26
2	Expenses					
	a) Cost of material consumed	26359.68	29738.02	28604.87	56097.70	60920.64
	b) Purchase of stock-in-trade	0.16	0.00	1304.40	0.16	1788.74
	c) Changes in inventories of finished goods, work in progress and stock in trade	13221.92	7427.53	139.01	20849.45	-208.30
	d) Employee benefits expenses	2613.55	2651.29	2745.26	5264.84	5646.34
	e) Depreciation and amortisation expenses	2896.03	6847.01	7137.72	5741.04	14206.93
	f) Other expenses	7663.45	7445.87	9719.86	15109.32	19418.00
	Total expenses	52754.79	54109.72	49651.72	102862.51	101772.27
3	Profit/(+)/loss(-) from operations before other income, finance cost and exceptional items (1-2)	-14874.16	-9274.83	723.29	-20146.99	1186.99
4	Other income	1955.72	3323.89	1749.07	5279.61	3168.37
5	Profit/(+)/Loss(-) from ordinary activities before finance cost & exceptional items (3+4)	-12918.44	-5950.94	2472.36	-14867.38	4355.36
6	Finance cost	10566.79	9393.93	8772.89	19960.72	16605.24
7	Profit/(+)/Loss(-) from ordinary activities after finance cost but exceptional items(5-6)	-23485.23	-15344.87	-6300.53	-34828.10	-12249.88
8	Exceptional Items	6855.74	7363.97	3454.00	18221.71	14909.82
9	Profit (+) Loss (-) from ordinary activities before tax (7+8)	-30340.97	-22708.84	-9754.53	-53049.81	-27159.70
10	Tax Expense	2311.51	-4019.35	-491.54	-1707.84	1497.29
11	Net Profit (+)/ Loss (-) from ordinary activities after tax (9-10)	-32652.48	-18689.49	-9262.99	-51341.97	-28656.99
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)	-32652.48	-18689.49	-9262.99	-51341.97	-28656.99
14	Other Comprehensive Income	0.00	0.00	0.00	0.00	0.00
15	Total Comprehensive Income(+)/Loss(-) for the period (13+14)	-32652.48	-18689.49	-9262.99	-51341.97	-28656.99
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- (9.85)	B- (5.64)	B- (2.80)	B- (15.49)	B- (8.65)
	b) Diluted	D- (9.85)	D- (5.64)	D- (2.80)	D- (15.49)	D- (8.65)

Notes:

- The above results are reviewed by the Audit Committee and taken of record at the meeting of the Board of Directors on 12.12.2016. A limited review of the financial results for the quarter and six months ended September 30, 2016 have been carried out by the Statutory Auditors. The financial results and other information for the quarter and six months ended September, 2015 have not been audited or reviewed by the Statutory Auditors. However the management has exercised necessary due diligence to ensure that the unaudited financial results provide a true and fair view of the company's affairs.
- 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. 530.49 crores as at September 30, 2016 resulting net worth reduced to Rs. 242.26 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.
- Exceptional items consists provision for diminution in value of investments and in quarter ended September 30, 2016 reversal of depreciation (as per note no. 6) amounting to Rs. 40.02 crores adjusted therein.
- The statement of unaudited standalone financial results for the quarter and six months period ended September 30, 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.



6 During the period ended September 2016, 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/half year ended 30 September, 2016 is reduced by Rs. 37.05 crores/ Rs. 77.07 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 30, 2016 include reversal of depreciation of Rs.40.02 crores for quarter ended June 30, 2016 pursuant to above change.

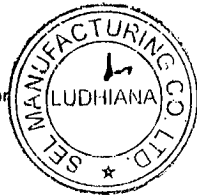
7 Reconciliation of Net Profit/(Loss) as previously reported on account of transition from the previous Indian GAAP to Ind AS for the quarter and six months period ended 30 September, 2015

Particulars	(Rs. In Crores)	
	Quarter Ended September 30 2015	Six Months Ended September 30 2015
Net Profit/(Loss) for the period under previous Indian GAAP		
<u>Add: Ind AS Adjustments</u>	<u>(41.65)</u>	<u>(83.16)</u>
Impact of measuring investments at fair value through profit & loss	(34.54)	(149.10)
Tax Impact	16.44	54.31
Net Profit/(Loss) as per Ind AS	(92.63)	(286.57)

8 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

Sd/-
Nirmal Saluja
Managing Director



Date: 12.12.2016
Place: Ludhiana

Standalone Statement of Assets and Liabilities

(Rs. in Lakhs)	
PARTICULARS	As at 30th September, 2016 (Unaudited)
ASSETS	
(1) Non Current Assets	
(a) Property, Plant and Equipment	181,226.27
(b) Capital Work in Progress	15,913.25
(c) Other Intangible Assets	22.79
(d) Financial Assets	
(i) Investments	5,358.05
(ii) Loans	3,823.38
(iii) Others	1,708.62
(e) Deferred Tax Assets (Net)	21,950.88
(f) Other Non-Current Assets	5,533.60
Sub-total-Non Current Assets	235,536.84
(2) Current Assets	
(a) Inventories	120,808.36
(b) Financial Assets	
(i) Trade Receivables	89,108.82
(ii) Cash & Cash Equivalents	1,017.12
(iii) Bank Balances other than (ii) above	47.73
(iv) Loans	7,567.42
(c) Current Tax Assets (Net)	295.36
(d) Other Current Assets	34,078.96
Sub-total-Current Assets	252,923.77
TOTAL ASSETS	488,460.61
EQUITY AND LIABILITIES	
Equity	
(a) Equity Share Capital	33,134.70
(b) Other Equity	(15,879.63)
Sub-total-Equity	17,255.07
LIABILITIES	
(1) Non-Current Liabilities	
(a) Financial Liabilities	
(i) Borrowings	243,110.25
(b) Provisions	125.12
Sub-total-Non Current Liabilities	243,235.37
(2) Current Liabilities	
(a) Financial Liabilities	
(i) Borrowings	148,242.90
(ii) Trade Payables	10,274.48
(iii) Other Financial Liabilities	62,210.30
(b) Other Current Liabilities	6,579.70
(c) Provisions	662.79
Sub-total-Current Liabilities	227,970.17
TOTAL EQUITY & LIABILITIES	488,460.61



Statement of Consolidated Unaudited Financial Results for the Quarter & Six Months Ended September 30, 2016

PART-I

		(Rs. in lacs)				
Sr. No.	Particulars	Consolidated				
		Unaudited Quarter Ended 30/09/2016	Unaudited Quarter Ended 30/06/2016	Unaudited Quarter Ended 30/09/2015	Unaudited Year to date 30/09/2016	Unaudited Year to date 30/09/2015
1	Income from operations					
	a) Sales/Income from operations	46220.97	56845.52	65367.89	103066.49	130363.66
	b) Other operating income	0.00	0.00	0.00	0.00	0.00
	Total income from operations	46220.97	56845.52	65367.89	103066.49	130363.66
2	Expenses					
	a) Cost of material consumed	32722.52	40764.76	42450.54	73487.28	85360.03
	b) Purchase of stock-in-trade	179.36	0.00	1304.40	179.36	1788.74
	c) Changes in inventories of finished goods, work in progress and stock in trade	18572.43	7981.64	-1773.21	26554.07	-4654.44
	d) Employee benefits expenses	3187.12	3244.52	3445.08	6431.64	7035.19
	e) Depreciation and amortisation expenses	3992.72	9144.49	9366.71	7903.21	18665.12
	f) Other expenses	8922.79	9406.55	12281.27	18329.34	24390.27
	Total expenses	67576.94	70541.96	67074.79	132884.90	132584.91
3	Profit(+)/Loss(-) from operations before other income, finance cost and exceptional items (1-2)	-21355.97	-13696.44	-1706.90	-29818.41	-2221.25
4	Other income	1454.22	4284.69	3191.69	5738.91	5728.18
5	Profit(+)/Loss(-) from ordinary activities before finance cost & exceptional items (3+4)	-19901.75	-9411.75	-1484.79	-24079.50	3506.93
6	Finance cost	14726.68	13306.94	11827.06	28033.62	23571.24
7	Profit(+)/Loss(-) from ordinary activities after finance cost but exceptional items (5-6)	-34628.43	-22718.69	-10342.27	-52113.12	-20064.31
8	Exceptional Items	-5234.00	0.00	0.00	0.00	0.00
9	Profit (+)/ Loss (-) from ordinary activities before tax (7+8)	-29394.43	-22718.69	-10342.27	-52113.12	-20064.31
10	Tax Expense	-10983.39	-4067.04	6851.15	-15050.43	3765.26
11	Net Profit (+)/Loss(-) from ordinary activities after tax (9-10)	-18411.04	-18651.65	-17193.42	-37062.69	-23829.57
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)	-18411.04	-18651.65	-17193.42	-37062.69	-23829.57
14	Share of profit/(loss) of associates	0.00	0.00	0.00	0.00	0.00
15	Minority Interest	-25.68	-0.67	-0.59	-26.35	-0.90
16	Net Profit (+)/ Loss (-) after taxes, minority interest and share of profit/(loss) of associates (+13+14+15)	-18385.36	-18650.98	-17192.83	-37036.34	-23828.66
17	Other Comprehensive Income	0.00	0.00	0.00	0.00	0.00
18	Total Comprehensive Income (+)/Loss(-) for the period (16+17)	-18385.36	-18650.98	-17192.83	-37036.34	-23828.66
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- (5.55)	B- (5.63)	B- (5.19)	B- (11.18)	B- (7.19)
	b) Diluted	D- (5.55)	D- (5.63)	D- (5.19)	D- (11.18)	D- (7.19)

Notes:

- The above results are reviewed by the Audit Committee and taken of record at the meeting of the Board of Directors on 12.12.2016. A limited review of the financial results for the quarter and six months ended September 30, 2016 have been carried out by the Statutory Auditors. The financial results and other information for the quarter and six months ended September 30, 2015 have not been audited or reviewed by the Statutory Auditors. However the management has exercised necessary due diligence to ensure that the unaudited financial results provide a true and fair view of the company's affairs.
- 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 six months ended September 30, 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 September 2016, the company and one of its subsidiary have revised the useful life of the machinery installed in Spinning/Terry Towel units based on technical reports from 1 April, 2016. Due to this the depreciation as well as net loss for the quarter/half year ended 30 September, 2016 is reduced by Rs. 49.53 crores/ Rs. 101.87 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 30, 2016 include reversal of depreciation of Rs.52.34 crores for quarter ended June 30, 2016 pursuant to above change.
- Exceptional items includes reversal of depreciation of Rs. 52.34 crores for the quarter ended June 2016 pursuant to the change in the useful life of the machinery.



6 Reconciliation of Net Profit/(Loss) as previously reported on account of transition from the previous Indian GAAP to Ind AS for the quarter and half year period ended 30th September, 2015

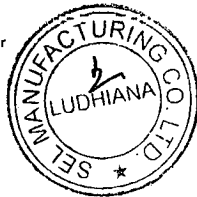
Particulars	(Rs. In Crores)	
	Quarter Ended September 30, 2015	Six Months Ended September 30, 2015
Net Profit/(Loss) for the period under previous Indian GAAP	(73.65)	(133.06)
<u>Add: Ind AS Adjustments</u>		
Depreciation and Amortization	0.00	0.00
Other Adjustments	(9.30)	(19.86)
Tax Impact	(88.97)	(85.38)
Net Profit as per Ind AS	(171.92)	(238.30)

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

8 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

Sd/-
Narinder Singh
Managing Director



Date: 12.12.2016
Place: Ludhiana

Consolidated Statement of Assets and Liabilities

(Rs. In Lakhs)	
As at 30th September, 2016	
PARTICULARS	(Unaudited)
ASSETS	
(1) Non Current Assets	
(a) Property, Plant and Equipment	256,484.32
(b) Capital Work in Progress	54,805.44
(c) Other Intangible Assets	22.79
(d) Financial Assets	
(i) Investments	4,211.81
(ii) Loans	15,341.58
(iii) Others	1,708.62
(e) Deferred Tax Assets (Net)	34,377.05
(f) Other Non-Current Assets	6,454.59
Sub-total-Non Current Assets	373,406.20
(2) Current Assets	
(a) Inventories	145,507.44
(b) Financial Assets	
(i) Trade Receivables	109,679.46
(ii) Cash & Cash Equivalents	1,449.32
(iii) Bank Balances other than (ii) above	238.85
(iv) Loans	13,408.07
(c) Current Tax Assets (Net)	5.80
(d) Other Current Assets	41,754.97
Sub-total-Current Assets	312,043.91
TOTAL ASSETS	685,450.11
EQUITY AND LIABILITIES	
Equity	
(a) Equity Share Capital	33,134.70
(b) Other Equity	(2,463.91)
Sub-total-Equity	30,670.79
LIABILITIES	
(1) Non-Current Liabilities	
(a) Financial Liabilities	
(i) Borrowings	323,390.37
(b) Provisions	158.44
Sub-total-Non Current Liabilities	323,548.81
(2) Current Liabilities	
(a) Financial Liabilities	
(i) Borrowings	183,768.21
(ii) Trade Payables	14,780.35
(iii) Other Financial Liabilities	102,799.79
(b) Other Current Liabilities	29,078.20
(c) Provisions	803.96
Sub-total-Current Liabilities	331,230.51
TOTAL EQUITY & LIABILITIES	685,450.11



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 six months ended September 30, 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.

Conclusion

Based on our review conducted as above, nothing 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. 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 six months ended September 30th, 2016 and substantial reduction in net worth as at September 30th, 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.
2. The company has recognized deferred tax asset amounting to Rs. 219.50 crores and MAT Credit Entitlement of Rs. 55.34 crores upto 30th September, 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. The company ability to continue as going concern is dependent on factors as discussed in para (1) 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.

3. No provision has been made for Trade Receivables as on September 30, 2016 amounting to Rs 516.70 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.
4. 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 half year ended on September 30, 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.
5. 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. There is no additional tax liability arising on account of completion of assessments for the said years. Pending proceedings for the remaining assessment years i.e. 2010-11, 2011-12 & 2013-14, no provision has been considered necessary by the Company in this regard.
6. Note No. 6 of the interim financial results regarding revision in useful life of machinery based on technical reports effective from April 2016.

Our conclusion is not modified in respect of the matters reported in para (1) to (6) of Emphasis of matters.

Other Matters

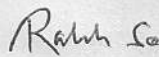
We draw attention to the following matters:

1. Refer Note No. 4 to the interim financial results which states that the company has adopted Ind AS for the financial year commencing from April 1st, 2016 and accordingly the statement has been prepared in compliance with Ind AS.
2. We have not reviewed the comparative figures including the reconciliation of total comprehensive income for the quarter and six months ended on September 30th 2015 and accordingly we do not express any conclusion on the results in the statement for the quarter and six months ended September 30th 2015. These figures have been furnished by the management.

Our conclusion is not modified in respect of the matters reported in para (1) and (2) of other matters.

Place: Ludhiana
Date: 12.12.2016

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 six months and quarter ended September 30, 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.

Conclusion

Based on our review conducted as above, nothing 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. 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 six months and quarter ended September 30th, 2016 and substantial reduction in net worth as at September 30th, 2016 of the holding as well as one of its subsidiary company, 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 companies' ability to continue as going concerns which are part dependent on successful outcome of the discussions with the CDR lenders and companies' ability to generate sufficient funds to support their operations and fulfill repayment obligations.
2. The Group has recognized deferred tax asset amounting to Rs. 343.77 crores and MAT Credit Entitlement of Rs. 64.55 crores upto 30th September, 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. The ability to continue as going concern of the holding and one of its subsidiary company is dependent on factors discussed in para (1) above. In case the going concern status of the said companies is suspect, deferred tax asset/MAT Credit Entitlement recognized till date will require to be reversed.
3. No provision has been made for Trade Receivables amounting to Rs 686.25 crores outstanding for more than 180 days from the due date as on September 30, 2016. However the management claims that the said receivables are recoverable and no provision is required to be made therefore.
4. The level of inventories maintained by the Holding Company and its one domestic 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 half year ended on September 30, 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.
5. 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 the case of the Holding Company, assessments have been completed for Assessment Year 2008-09, 2009-10, 2012-13 and 2014-15. No additional tax liability arose on account of completion of assessments for the said years. Pending proceedings for the remaining assessment years i.e. 2010-11, 2011-12 & 2013-14, no provision has been considered necessary by the holding company in this regard.
6. Note No. 4 of the interim financial results regarding revision in useful life of machinery based on technical reports effective from April 2016.

Our conclusion is not modified in respect of the matters reported in para (1) to (6) of Emphasis of matters.

Other Matters

We draw attention to the following matters:

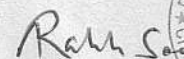


1. Refer Note No. 3 to the interim financial results which states that the Group has adopted Ind AS for the financial year commencing from April 1st, 2016 and accordingly the statement has been prepared in compliance with Ind AS.
2. We have not reviewed the comparative figures including the reconciliation of total comprehensive income for the six months and quarter ended on September 30th 2015 and accordingly we do not express any conclusion on the results in the statement for the six months and quarter ended September 30th 2015. These figures have been furnished by the management.
3. We did not review the interim financial results of four subsidiaries included in the consolidated financial results whose interim financial results reflect total revenues of Rs. 217.10 crores for the six months and quarter ended 30th September, 2016. The consolidated financial results also include the group's share of net loss of Rs 172.85 crores for the six months and quarter ended 30th September, 2016.

Our conclusion is not modified in respect of the matters reported in para (1) to (3) of Other Matters.

Place: Ludhiana
Date: 12.12.2016

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


(CA Rakesh Soni)

Partner

M.No.: 083142

