

Ref: VEL/18-19/040

24th July, 2018

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

VALECHAENG

Kind Attn: Mr. Yogesh Deshmukh

Dear Sir,

Sub: Non-Compliance as per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

Ref: Your letter NSE/LIST/FR/7266 dated 23rd July, 2018

With reference to the above letter, we enclose herewith the Statement on impact of Audit Qualification (for Audit Report with modified opinion) on the Financial Results of the Company for the Fourth Quarter and year ended **31st March, 2018**.

Kindly take the same on record.

Thanking you,

Yours faithfully

For VALECHA ENGINEERING LIMITED



(VIJAYKUMAR MODI)

Company Secretary & Legal

ANNEXURE I

Statement on Impact of Audit Qualifications
(For audit report with modified opinion) submitted along-with
Annual Audited Financial Results (Standalone & Consolidated)

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.	Sr. no.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1	Turnover / Total Income	27549,60,296	Not ascertainable
	2	Total Expenditure	31095,22,395	
	3	Net Profit/(loss) before OCI	(3545,62,099)	
	4	Earnings Per Share- Basic	(15.74)	
	5	Total Assets	95538,20,344	
	6	Total Liabilities	92616,35,653	
	7	Net Worth	2921,84,691	
	8	Any Other Financial Item		
II. Audit Qualification (each audit qualification separately) :				
1	a.	Details of Audit Qualification :		
		The Company has not evaluated expected credit loss provision as required under Ind AS 109 "Financial Instruments" for loans and advances aggregating to Rs 22,697.38 lakhs given to three of its subsidiaries and one step-down subsidiary. Also, the Company has extended Corporate Guarantee aggregating to Rs 64386.17 Lakhs to Banks/Financial institution on behalf of three subsidiaries (including one step-down subsidiary) for which fair valuation of guarantee income of Rs 920.54 Lakhs and Rs 1,287.72 Lakhs for the quarter and year ended March 31, 2018, respectively have been recognized. Further, the Company has made investment aggregating to Rs 4,168.95 lakhs in above mentioned subsidiaries which have incurred losses and have negative net-worth as at March 31, 2018. In the absence of detailed information, we are unable to comment upon its impairment provision, if any, and corresponding impact on the loss of the year. Further, the Company has also invested Rs 2,695.01 lakhs in three of its Associate Company. In the absence of detailed information and relevant financial statements, we are unable to comment upon its impairment provision, if any.		
	b.	Type of Audit Qualification :	Qualified Opinion	
	c.	Frequency of qualification :	Once	
	d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views : NA		
	e.	For Audit Qualification(s) where the impact is not quantified by the auditor :		
	(i)	The company has issued financial guarantee to Financial Institutions on behalf of three subsidiaries and one step down subsidiary based on terms of sanctioned letter issued by Financial Institutions. The company has charged commission for the providing corporate guarantee to the subsidiaries and same is recognised in financials. The guarantee provided is collateral security supported by main primary security of the subsidiary companies. Therefore, company has not provided for Impairment of Loans and advances to and Investment in Subsidiaries. The financial statements of associate companies could not be provided due to various reasons. Based on the discussion with respective managements, we do not foresee any material impacts on the financial statement of the company.		



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2	a.	Details of Audit Qualification :
		The company has not provided for interest amounting to Rs. 391.50 lakhs on late payment of Tax deducted at Source. Further, the Company has not provided for penal interest for default in repayment of borrowings from Banks and Financial Institution. However, in the absence of detailed computation of penal interest, we are unable to comment upon its impact on the loss of the year.
	b.	Type of Audit Qualification : Qualified Opinion
	c.	Frequency of qualification : Once
	d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views : Due to non-availability of surplus profit and cash flow for last few years, the company has not provided for interest on statutory liability and penal interest on banks / Financial Institutions. The company is approaching banks / Financial Institutions for Restructuring of Loans and hence, penal interest will be waived by banks / financial institutions.
	e.	For Audit Qualification(s) where the impact is not quantified by the auditor :
3	a.	Details of Audit Qualification :
		The Company has not repaid deposits (including unpaid interest upto March 2017 - Rs. 262.23 Lakhs) amounting to Rs. 3,165.09 Lakhs as at March 31, 2018 as per the contractual terms and repayment schedule / order passed by the Company Law Board – New Delhi Branch heard on February 22, 2016 (Order passed under section 74(2) of the Companies Act Ref.C.P.NO. 05(MB) 2016). Further, the company has also not provided penal interest and fine as levied under rule 21 of (Acceptance of Public Deposit) Rules, 2014. Further in the absence of detailed information and computation of penal interest pertaining to previous years, if any, we are unable to comment upon its impact on the loss of the year.
	b.	Type of Audit Qualification : Qualified Opinion
	c.	Frequency of qualification : Once
	d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :
	e.	For Audit Qualification(s) where the impact is not quantified by the auditor :
	(i)	Due to non-availability of surplus profit and cash flow for last few years, the company has not provided for penal interest on public deposit.



4	a. Details of Audit Qualification :
	The company has not evaluated whether any impairment provision is required for expected credit losses (ECL) in accordance with Ind AS 109 - 'Financial Instruments' for Trade Receivables aggregating to Rs. 24,385.86 Lakhs which includes Rs. 16,029.64 Lakhs pertaining to additional claims raised during previous years due to price escalation and various other reasons which are under arbitration before various authorities. Also, the company has not evaluated whether any impairment provision is required for ECL in accordance with Ind AS mentioned above for loans extended to various related parties amounting to Rs. 93.89 Lakhs as at March 31, 2018. In the absence of relevant information, third party confirmation/reconciliation and detailed working, we are unable to comment upon its recoverability and corresponding impact of impairment on the loss of the year, if any.
	b. Type of Audit Qualification : Qualified Opinion
	c. Frequency of qualification : Once
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :
	e. For Audit Qualification(s) where the impact is not quantified by the auditor :
	(i) The company has booked their claims on conservative basis and management believe that they have strong case for each of the claims lodged against the client. This has been validated by legal consultant. Hence, the Board has decided not to account for Impairment provision.
5	a. Details of Audit Qualification :
	We did not audit the books of accounts of two project sites due to unavailability of supporting documents and records which includes total revenue of Rs 3,062.64 Lakhs, Net Loss of Rs 1,859.28 Cr and Net Assets of Rs 2,301 Lakhs. Hence, we are unable to comment its impact on the loss and corresponding total assets and liabilities of the company as at and for year ended March 31, 2018, had the said units have been audited by us
	b. Type of Audit Qualification : Qualified Opinion
	c. Frequency of qualification : Once
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :
	e. For Audit Qualification(s) where the impact is not quantified by the auditor :
	(i) The company is facing strike, lock-out and local unrest at above mentioned site. Hence document could not be provided. However, as soon as the situation is normalised, the same will be provided to the auditor. However, Management do not foresee any material impacts on the financial statements.
6	a. Details of Audit Qualification :
	We did not audit total assets and total Liabilities of Rs 12,046.04 Lakhs and Rs 7,924.77 Lakhs respectively included in the Statement which pertains to 17 project sites of the company. The company does not have any information and relevant documents for transactions during the year for these units. Hence the company has not accounted the same. In the absence of the same, we are unable to comment upon resultant impact, if any on loss and net assets of the company, had the said units have been audited by us.
	b. Type of Audit Qualification : Qualified Opinion
	c. Frequency of qualification : Once
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :
	e. For Audit Qualification(s) where the impact is not quantified by the auditor :
	(i) Closure of mentioned sites due to heavy losses, the company is facing lock-out and local unrest at above mentioned site. Hence document could not be provided. However, as soon as the situation is normalised, the same will be provided to the auditor. However, Management do not foresee any material impacts on the financial statements.



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7	a. Details of Audit Qualification : The Company has paid / provided managerial remuneration of Rs 198.34 Lakhs. The company has applied to Central Government vide form No. MR-2 dated 08/12/2017 & 28/03/2018. However, the same is subject to approval from Central Government.
	b. Type of Audit Qualification : Qualified Opinion
	c. Frequency of qualification : Once
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :
	e. For Audit Qualification(s) where the impact is not quantified by the auditor :
	(i) The company has applied to Central Government for approval of Managerial Remuneration paid during the year. The approval for Managerial Remuneration is still awaited.
8	a. Details of Audit Qualification : The Holding Company has invested Rs 2,695.01 Lakhs in three of its Associate Companies. As the Holding Company does not have control on the said associates and the accounts were not made available to the Management, these associates have not been considered in the consolidated Ind AS financial statements. We are unable to comment upon the resultant impact, if any, on the loss of the consolidated Ind AS financial statements of the Company as at March 31, 2018, had the audited financial statement for the associates were made available.
	b. Type of Audit Qualification : Qualified Opinion
	c. Frequency of qualification : Once
	d. For Audit Qualification(s) where the impact is quantified by the auditor,
	e. For Audit Qualification(s) where the impact is not quantified by the auditor :
	(i) The financial statements of associate companies could not be provided due to various reasons. Based on the discussion with respective managements, we do not foresee any material impacts on the financial statement of the company.

III.	Signatories :	Signatures
	Vice-Chairman-cum Managing Director Mr. Jagdish K. Valecha	
	Auditors For Kanu Doshi Associates LLP. Chartered Accountants Firm Registration No. Mr. Jayesh Parmar Partner M. No. 045375 Place : Mumbai Date : 19th July 2018	 

Ass
CFO
Anil Kojge




CHAIRMAN OF AUDIT
COMMITTEE
KETAN GANDHI