

## INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS OF SURANA INDUSTRIES LIMITED

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of **SURANA INDUSTRIES LIMITED** ("the Company") for the Quarter and Nine Months ended 31 December, 2014 ("the Statement"), being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreements with the Stock Exchanges, except for the disclosures in Part II - Select Information referred to in paragraph 5 below. 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 the Statement based on our review.
2. We conducted our review of the Statement in accordance with the 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 Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

3. We observed the following matters:
  - a. Capital work in progress as at 31 December, 2014 relating to the Pelletisation and Benefication plant at Raichur, amounting to Rs 24505 Lakhs (work in respect of which has been stalled since January 2013 for want of additional equity and finance) includes :
    - i. interest on borrowing costs amounting to Rs 5982 Lakhs (Rs 586 Lakhs capitalized during the quarter ended 31 December 2014 and Rs. 1662 Lakhs capitalized during the nine months ended 31 December 2014), which has been determined based on the gross interest charged by the banks as against the weighted average of the borrowing costs applicable to the borrowings outstanding during the relevant periods.
    - ii. Interest on borrowings relating to the periods during which the project has been stalled.
  - b. Trade receivable as at 31 December, 2014 includes amounts receivable from certain parties amounting to Rs 21679 Lakhs, which is subject to confirmation and reconciliation.
  - c. Long term advances includes an amount of Rs 24287 Lakhs as at 31 December, 2014 paid for construction of civil work for Pelletisation and Benefication plant at Raichur, which is subject to confirmation and reconciliation.
  - d. Long term unquoted investments includes investment made in Surana Power Limited, a wholly owned subsidiary, amounting to Rs 41850 Lakhs, in respect of which no operations have been carried out since August 2013 and its ongoing 2 X 210 MW power project has been stalled. For reasons stated in note 9 (d) of the Statement, the Company has not recorded diminution in the value of the above investment.

In respect of matters stated in 3(a) to (d) above, we are unable to determine whether any adjustments would be required in respect of the carrying values of capital work in progress, trade receivable, long term advances and long term investments.



# Deloitte Haskins & Sells LLP

- e. i) The Company's financing arrangements for the Pelletisation and Benefication Project under the Corporate Debt Restructuring ("CDR") package was required to be tied up before 31 December 2014 and the promoters were required to infuse equity in terms of the CDR package, which have not been complied with.  
ii) The operations at the Raichur plant of the Company have been stalled since January 2013.

Pending infusion of finance and equity as stated in paragraph (i) above, and recommencement of the operations / completion of the project, the Company has not recorded any adjustment to the carrying values of the fixed assets, advances and inventory relating to above project / plant.

## Qualification

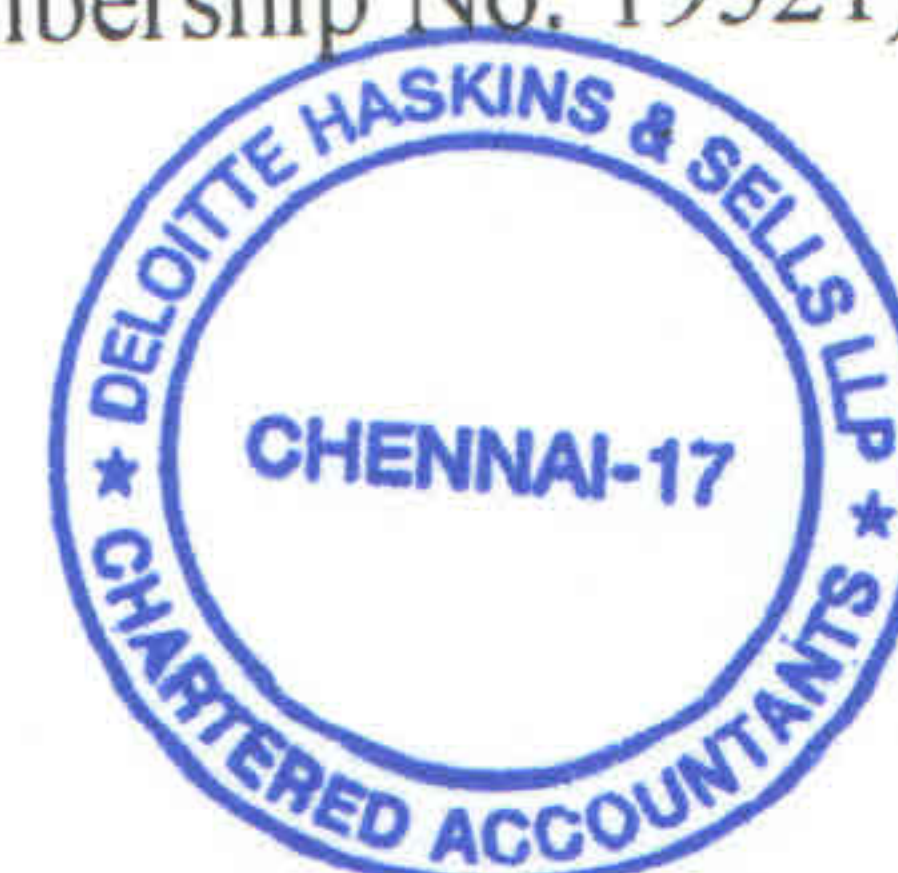
4. Based on our review conducted as stated above, *except for the possible effects of the matters described in paragraph 3 above*, nothing has come to our attention that causes us to believe that the accompanying Statement has not been prepared in accordance with the Accounting Standards specified under the Companies Act, 1956 (which are deemed to be applicable in respect of Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014) and other accounting principles generally accepted in India, and has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreements with the Stock Exchanges, including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged/encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of Clause 35 of the Listing Agreements with the Stock Exchanges and the particulars relating to investor complaints disclosed in Part II - Select Information for the Quarter and Nine Months Ended 31 December, 2014 of the Statement, from the details furnished by the Registrars.

For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



M K Ananthanarayanan  
Partner  
(Membership No. 19521)

Chennai, February 14, 2015



Part I : Statement of Standalone Unaudited Financial Results for the quarter and nine months ended 31st December, 2014

| (Rupees in lakhs except EPS and shareholding data) |                                                                                   |                   |                    |                   |                   |                   |                |
|----------------------------------------------------|-----------------------------------------------------------------------------------|-------------------|--------------------|-------------------|-------------------|-------------------|----------------|
| Sl. No                                             | Particulars                                                                       | Quarter Ended     |                    |                   | Nine Months Ended |                   | Year Ended     |
|                                                    |                                                                                   | December 31, 2014 | September 30, 2014 | December 31, 2013 | December 31, 2014 | December 31, 2013 | March 31, 2014 |
|                                                    |                                                                                   | Unaudited         | Unaudited          | Unaudited         | Unaudited         | Unaudited         | Audited        |
| 1                                                  | Income from operations                                                            |                   |                    |                   |                   |                   |                |
|                                                    | a. Net Sales/Income from Operations (Net of excise duty)                          | 18,951.91         | 9,429.14           | 10,569.06         | 37,455.65         | 43,069.38         | 55,520.60      |
|                                                    | b. Other Operting Income                                                          | -                 | -                  | -                 | -                 | -                 | -              |
|                                                    | Total Income from operations (Net)                                                | 18,951.91         | 9,429.14           | 10,569.06         | 37,455.65         | 43,069.38         | 55,520.60      |
| 2                                                  | Expenses                                                                          |                   |                    |                   |                   |                   |                |
|                                                    | (a) Cost of Material Consumed                                                     | 1,746.48          | 3,838.05           | 7,708.50          | 7,967.92          | 38,686.60         | 43,788.60      |
|                                                    | (b) Purchases of stock -in-trade                                                  | 13,895.37         | 5,214.83           | 1,964.17          | 25,618.98         | 1,964.17          | 10,755.91      |
|                                                    | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 3,277.24          | 383.15             | 440.08            | 3,747.43          | 692.61            | 2,596.87       |
|                                                    | (d) Employee Benefits Expense                                                     | 208.98            | 119.80             | 325.01            | 442.10            | 936.15            | 1,255.79       |
|                                                    | (e) Depreciation and Amortisation Expense                                         | 2,040.30          | 3,794.94           | 1,011.75          | 5,922.50          | 2,931.05          | 3,192.79       |
|                                                    | (f) Other Expenses                                                                | 463.27            | 423.01             | 699.45            | 1,477.80          | 2,154.55          | 2,834.48       |
|                                                    | Total Expenses                                                                    | 21,631.64         | 13,773.78          | 12,148.96         | 45,176.73         | 47,365.13         | 64,424.44      |
|                                                    | Profit/(Loss) from operations before other income, finance costs and tax (1 - 2)  | (2,679.73)        | (4,344.64)         | (1,579.90)        | (7,721.08)        | (4,295.75)        | (8,903.84)     |
| 3                                                  | Other Income                                                                      | 136.15            | (0.85)             | 63.81             | 720.14            | 212.52            | 302.51         |
| 4                                                  | Profit/(Loss) from ordinary activities before finance costs and tax (3 + 4)       | (2,543.58)        | (4,345.49)         | (1,516.09)        | (7,000.94)        | (4,083.23)        | (8,601.33)     |
| 5                                                  | Finance costs                                                                     | 3,880.29          | 3,958.12           | 4,232.43          | 9,540.13          | 9,460.93          | 14,786.19      |
| 6                                                  | Profit/(Loss) from ordinary activities before tax (5 - 6)                         | (6,423.87)        | (8,303.61)         | (5,748.52)        | (16,541.07)       | (13,544.16)       | (23,387.52)    |
| 7                                                  | Tax expense (note 4)                                                              | -                 | 4,118.55           | (2,126.37)        | 3,385.65          | (4,766.98)        | (7,841.40)     |
| 8                                                  | Net Profit/(Loss) for the period after taxes (7-8)                                | (6,423.87)        | (12,422.16)        | (3,622.15)        | (19,926.72)       | (8,777.18)        | (15,546.12)    |
| 9                                                  | Paid-up equity share capital (face value Rs. 10/-)                                | 4,451.91          | 4,451.91           | 4,451.91          | 4,451.91          | 4,451.91          | 4,451.91       |
| 10                                                 | Reserves excluding revaluation reserves as per Balance Sheet of previous year     | -                 | -                  | -                 | -                 | -                 | 89,256.53      |
| 11                                                 | Earning Per Share (Rs.) - Basic and Diluted                                       | (14.43)           | (27.90)            | (8.14)            | (44.76)           | (19.72)           | (34.92)        |

Part II : Select Information for the Quarter and Nine Months ended December 31, 2014

| Sl. No | Particulars                                                           | Quarter Ended     |                    |                   | Nine Months Ended |                   | Year Ended     |
|--------|-----------------------------------------------------------------------|-------------------|--------------------|-------------------|-------------------|-------------------|----------------|
|        |                                                                       | December 31, 2014 | September 30, 2014 | December 31, 2013 | December 31, 2014 | December 31, 2013 | March 31, 2014 |
| A      | PARTICULARS OF SHAREHOLDING                                           |                   |                    |                   |                   |                   |                |
| 1      | Public Shareholding                                                   |                   |                    |                   |                   |                   |                |
|        | - Number of Shares                                                    | 24,211,565        | 24,211,565         | 24,211,565        | 24,211,565        | 24,211,565        | 24,211,565     |
|        | - Percentage of shareholding                                          | 54.38%            | 54.38%             | 54.38%            | 54.38%            | 54.38%            | 54.38%         |
| 2      | Promoters and Promoter Group Shareholding                             |                   |                    |                   |                   |                   |                |
|        | a. Pledged / Encumbered                                               |                   |                    |                   |                   |                   |                |
|        | - Number of shares                                                    | 20,307,502        | 20,307,502         | 11,150,000        | 20,307,502        | 11,150,000        | 13,427,676     |
|        | - Percentage of shares                                                |                   |                    |                   |                   |                   |                |
|        | (as a % of the total shareholding of the promoter and promoter group) | 100%              | 100%               | 54.91%            | 100%              | 54.91%            | 66.12%         |
|        | - Percentage of shares                                                |                   |                    |                   |                   |                   |                |
|        | (as a % of the total share capital of the Company)                    | 45.62%            | 45.62%             | 25.05%            | 45.62%            | 25.05%            | 30.16%         |
|        | b. Non -encumbered                                                    |                   |                    |                   |                   |                   |                |
|        | - Number of shares                                                    | -                 | -                  | 9,157,502         | -                 | 9,157,502         | 6,879,826      |
|        | - Percentage of shares                                                |                   |                    |                   |                   |                   |                |
|        | (as a % of the total shareholding of the promoter and promoter group) | -                 | -                  | 45.09%            | -                 | 45.09%            | 33.87%         |
|        | - Percentage of shares                                                |                   |                    |                   |                   |                   |                |
|        | (as a % of the total share capital of the Company)                    | 0.00%             | 0.00%              | 20.57%            | 0.00%             | 20.57%            | 15.45%         |

| B | Particulars                                    | 3 months ended<br>December 31, 2014 |
|---|------------------------------------------------|-------------------------------------|
|   | INVESTOR COMPLAINTS                            |                                     |
|   | Pending at the beginning of the quarter        | Nil                                 |
|   | Received during the quarter                    | Nil                                 |
|   | Disposed of during the quarter                 | Nil                                 |
|   | Remaining unresolved at the end of the quarter | Nil                                 |



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Notes:

- 1 The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on 14 February, 2015.
- 2 a. During the quarter, the Company has aligned the useful life of fixed assets in line with Schedule II of Companies Act, 2013, with effect from 1 April, 2014. As a result, the depreciation charge for the quarter and nine months ended 31 December, 2014, is higher by Rs. Rs. 967.32 lakhs, with consequential effect on profit / (loss) before tax by the same amount.  
b. Depreciation charge for the three months ended 30 September, 2014 and nine months ended 31 December, 2014 includes an amount of Rs. 2799.88 Lakhs pertaining to prior period.
- 3 Finance cost includes Recompense Interest recorded in the quarter ended 31 December, 2014 and nine months period ended 31 December, 2014 amounting to Rs. 1,436.61 lakhs and Rs. 3386.84 Lakhs, respectively, in terms of CDR package approved by CDR EG vide letter dated 13 March, 2014, reference no. CDR (SSA)/No.1127/ 2013-14. The payment of Recompense interest is subject to the Company repaying all loans and interest within the stipulated period as has been defined in CDR package.
- 4 Tax expense of Rs. 4118.55 lakhs for the quarter ended 30 September, 2014 and Rs. 3385.65 for the nine months ended 31 December, 2014 includes reversal of MAT Credit of Rs. 3129.74 Lakhs and another sum of Rs. 988.81 Lakhs towards reversal of Deferred Tax Assets booked in the earlier period.
- 5 Without considering the above effect of point Nos. 2b, 3 and 4, the post tax loss for the nine months ended 31 December 2014 would have been Rs. 9621.45 Lakhs as against the reported loss of Rs. 19926.72 lakhs, and Rs. 4,987.26 Lakhs for the quarter ended December 31, 2014 as against the reported loss of Rs. 6,423.87 Lakhs and Rs. 3,553.50 Lakhs for the previous quarter ended 30 September, 2014 as against the reported loss of Rs. 12,422.16 Lakhs respectively.
- 6 Comparative Financial information has been regrouped and reclassified, wherever necessary, to correspond to the figures of the current quarter/period.
- 7 As the Company is primarily engaged in only one segment viz. "Iron & Steel products" and that the operations are in India, there are no separate reportable segments as per the Accounting Standard 17 prescribed by the Companies (Accounting Standards) Rules 2006.
- 8 The Statutory Auditors of the Company have carried out a Limited Review of the Standalone Financial Results for the quarter ended 31st December, 2014 in compliance with clause 41 of the Listing Agreement.
- 9 Statutory Auditors have observed that they are unable to determine whether any adjustments would be required in respect of the carrying values of capital work in progress relating to Pelletisation and Benefication project, trade receivable, long term advances, long term investments, and fixed assets, advances and inventory under the CDR package. The detailed observations and our submissions are as follows:  
  
a) Observation:  
i. Capital work in progress relating to the Pelletisation and Benefication project as at 31 December, 2014 includes interest on borrowing costs amounting to Rs. 5982 Lakhs (Rs. 586 Lakhs capitalized during the quarter ended 31 December, 2014 and Rs. 1662 Lakhs capitalized during the nine months ended 31 December, 2014), which has been determined based on the gross interest charged by the banks for the Pelletisation and Benefication project as against the weighted average of the borrowing costs applicable to the borrowings outstanding during the relevant periods.  
ii. Interest on borrowings relating to the periods during which the project has been stalled.  
Our submission: Interest incurred for the Pellet project will be reviewed and necessary adjustment, if required will be made before the year end.  
  
b) Observation:  
Trade receivable as at 31 December, 2014 includes amounts receivable from certain parties amounting to Rs 21679 Lakhs, which is subject to confirmation and reconciliation.  
  
c) Observation: Long term advances includes an amount of Rs 24287 Lakhs paid for construction of civil work for Pelletisation and Benefication plant at Raichur, which is subject to confirmation and reconciliation.  
Our submission: The reconciliations in respect of (b) and (c) above are in progress and adjustment if any, will be recorded on completion of reconciliation. The Company does not foresee any adjustment which will materially affect the results.  
  
d) Observation :  
Long term unquoted investments includes investment made in Surana Power Limited, a wholly owned subsidiary, amounting to Rs 41850 Lakhs, in respect of which no operations have been carried out since August 2013 and its ongoing 2 X 210 MW power project has been stalled. The Company has not recorded diminution in the value of the above investment.  
Our submission:  
The Company is in the process of infusing necessary funds and is expected to recommence operation and complete the project by 31 March, 2016.  
  
e) Observation :  
The Company's financing arrangements for the Pelletisation and Benefication Project under the Corporate Debt Restructuring ("CDR") package was required to be tied up before 31 December 2014 and the promoters were required to infuse equity in terms of the CDR package, which has not been complied with. The operations at the Raichur plant of the Company have been stalled since January 2013. Pending infusion of finance and equity, and recommencement of the operations / completion of the project, the Company has not recorded any adjustment to the carrying values of the fixed assets, advances and inventory relating to above project / plant.  
Our submission :  
With regard to the financing arrangements for the Pelletisation and Benefication Project under the Corporate Debt Restructuring ("CDR") package and infusion of equity by the promoters required to be tied up before 31 December 2014, extension is being sought from CDR-EG and steps are being taken by the promoters to bring in equity for the project.

Place : Chennai  
Date : 14/02/2015



For Surana Industries Limited

Dineshchand Surana  
Managing Director

