# ELECTROSTEEL CASTINGS LIMITED

G. K. TOWER, 19 CAMAC STREET, KOLKATA-700 017 (INDIA)
TEL : Board Number 91-33-22839990, 40090600
Fax (Directors) 91 33-22894336, (Sales) 91-33-22894337, (Export) 91-33-22894338, (Finance) 91-33-22894339,
CIN - L27310OR1955PLC000310
E-mail Id: companysecretary@electrosteel.com


28 July 2016

**BSE Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

Scrip Code: **500128**

**National Stock Exchange of India Limited**
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051

Symbol: **ELECTCAST**

Dear Sir/Madam,

**Sub: Submission of Statement on impact of Audit Qualifications for the Financial Year ended 31 March 2016**

In furtherance to our letter dated 14 May 2016 captioned "Outcome of Meeting of the Board of Directors of the Company held on 14 May 2016", we hereby enclose the 'Statement on impact of Audit Qualifications' for the Financial Year ended 31 March 2016 for both Standalone and Consolidated Financial Results of the Company, in terms of SEBI Circular No. CIR/CFD/CMD/56/2016 dated 27 May 2016.

This is for your information and records.

Thanking you,
Yours faithfully,

**For Electrosteel Castings Limited**

**Subhra Giri Pathaik**
**Company Secretary**
**FCS 6490**

**ANNEXURE I**

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

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016**
**[*See* Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]**

(Rs in Lakhs)

| I. | Sl. No. | Particulars | Audited Figures (as reported before adjusting for qualifications) | Adjusted Figures (audited figures after adjusting for qualifications) |
|---|---|---|---|---|
| | 1. | Turnover / Total income | 200429.80 | Not Ascertainable |
| | 2. | Total Expenditure | 192380.13 | |
| | 3. | Net Profit/(Loss) | 5895.50 | |
| | 4. | Earnings Per Share | 1.65 | |
| | 5. | Total Assets | 531142.59 | |
| | 6. | Total Liabilities | 276916.57 | |
| | 7. | Net Worth | 196707.90 | |
| | 8. | Any other financial item(s) (as felt appropriate by the management) | - | - |
| | | | | |

II. **Audit Qualification (each audit qualification separately):**

a. **Details of Audit Qualification:**
Attention has been drawn by the Auditors' under Para 3 of the Auditors' Report to the following notes of the financial results for the quarter and year ended 31st March 2016 -

Para 3(a): Note No. 4(a) dealing with cancellation of coal blocks allotted to the company and the resultant amount of the claim for compensation along with interest thereon currently being outstanding pending decision of the court.

Para 3(b): Note No. 4(b) regarding non-provision of diminution in the value of investments in a joint venture company, pending determination of the claim for compensation against North Dhadu Coal Block.

Impact with respect to Para 3(a) and Para 3(b) are presently not ascertainable and as such cannot be commented upon by us

b. **Type of Audit Qualification:** Qualified Opinion / ~~Disclaimer of Opinion~~ / ~~Adverse Opinion~~

c. **Frequency of qualification:** ~~Whether appeared first time~~ / ~~repetitive~~ / since how long continuing – since financial year 2014-15

d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**
N.A

e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**

(i) **Management's estimation on the impact of audit qualification: N.A**

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

Para 3(a) – In pursuance of the Order dated September 24, 2014 issued by the Hon'ble Supreme Court of India (the Order) followed by the Ordinance promulgated by the Government of India, Ministry of Law & Justice (legislative department) dated October 21, 2014 (Ordinance) for implementing the Order, allotment of Parbatpur coal block (coal block/mines) to the Company which was under advanced stage of implementation, has been cancelled w.e.f. April 01, 2015. In terms of the Ordinance, the Company was allowed to continue the operations in the said block till March 31, 2015. Accordingly, the same has been handed over to Bharat Coking Coal Limited (BCCL) as per the direction from Coal India Ltd. (CIL) with effect from April 01, 2015. The Company pending acceptance and recovery of the amount of compensation, has filed a petition before the Hon'ble High Court at Delhi, hearing whereof has been concluded and judgement is awaited.

As stated in Note 4(a) of the financial results, pending decision of the Court,
(i) Rs.128884.11 lakhs incurred pertaining to the coal block till March 31, 2015 after setting off income, stocks etc. there against as per the accounting policy then followed by the company has been continued to be shown as freehold land, capital work in progress, other fixed assets and other respective head of accounts;
(ii) Interest and other finance cost for the period from April 01, 2015 onwards against the fund borrowed and other expenses directly attributable in this respect amounting to Rs. 9414.78 lakhs have been considered as other recoverable under current assets;
(iii) Realisation against sale of assets, advances etc. amounting to Rs. 633.83 lakhs have been adjusted there against.
The matter being subjudice the amount of compensation and consequential adjustments to be given effect to on ascertainment of the amounts thereof are presently not ascertainable.

Para 3(b) - In terms of the Supreme Court Order as referred above, North Dhadhu Coal Block, allotted in joint venture with other companies, has also been cancelled w.e.f. September 24,2014. The Company barring initial contribution of Rs. 822.81 lakhs has not made any further investments in the said the joint venture company. In respect of Company's investment of Rs.822.81 lakhs in North Dhadhu Coal Block, allotted in joint venture with other companies, in view of the management as stated in Note 4(b), the compensation to be received in terms of the ordinance is expected to cover the cost incurred by the Joint Venture Companies and thereby no dimunition in value of such investment is expected to arise and accordingly no provision has been considered necessary by the management.

(iii) **Auditors' Comments on (i) or (ii) above:**

As stated herein above, the impact with respect to above and consequential adjustments cannot be ascertained by the management and as such cannot be commented upon by us.

III. **Signatories:**

| | |
|---|---|
| CEO/Managing Director | Umang Kejriwal<br>Managing Director |
| CFO | Brij Mohan Soni<br>Chief Financial Officer |
| Audit Committee Chairman | Binod Kumar Khaitan<br>Audit Committee Chairman |
| Statutory Auditor | For Lodha & Co<br>Chartered Accountants<br>Firm's ICAI Registration No: 301051E<br>R.P.Singh<br>(Partner)<br>Membership No: 52438 |

Place: Kolkata
Date: July 26, 2016

**ANNEXURE I**

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

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016**
**[*See* Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]**

(Rs in Lakhs)

| I. | Sl. No. | Particulars | Audited Figures (as reported before adjusting for qualifications) | Adjusted Figures (audited figures after adjusting for qualifications) |
|---|---|---|---|---|
| | 1. | Turnover / Total income | 218041.76 | Not Ascertainable |
| | 2. | Total Expenditure | 211936.58 | |
| | 3. | Net Profit/(Loss) | (3321.59) | |
| | 4. | Earnings Per Share | (0.93) | |
| | 5. | Total Assets | 498107.64 | |
| | 6. | Total Liabilities | 296557.64 | |
| | 7. | Net Worth | 144012.39 | |
| | 8. | Any other financial item(s) (as felt appropriate by the management) | - | - |
| | | | | |

II. **Audit Qualification (each audit qualification separately):**

a. **Details of Audit Qualification:**
Attention has been drawn by the Auditors' under Para 3 of the Auditors' Report to the following notes of the financial results for the quarter and year ended 31st March 2016 -

Para 3(a): Note No. 4(a) dealing with cancellation of coal blocks allotted to the company and the resultant amount of the claim for compensation along with interest thereon currently being outstanding pending decision of the court.

Para 3(b): Note No. 4(b) regarding non-provision of diminution in the value of investments in a joint venture company, pending determination of the claim for compensation against North Dhadu Coal Block.

Impact with respect to Para 3(a) and Para 3(b) are presently not ascertainable and as such cannot be commented upon by us

b. **Type of Audit Qualification:** Qualified Opinion / ~~Disclaimer of Opinion~~ / ~~Adverse Opinion~~

c. **Frequency of qualification:** ~~Whether appeared first time~~ / ~~repetitive~~ / since how long continuing – since financial year 2014-15

d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:** N.A

e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**

(i) **Management's estimation on the impact of audit qualification: N.A**

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

Para 3(a) – In pursuance of the Order dated September 24, 2014 issued by the Hon'ble Supreme Court of India (the Order) followed by the Ordinance promulgated by the Government of India, Ministry of Law & Justice (legislative department) dated October 21, 2014 (Ordinance) for implementing the Order, allotment of Parbatpur coal block (coal block/mines) to the Company which was under advanced stage of implementation, has been cancelled w.e.f. April 01, 2015. In terms of the Ordinance, the Company was allowed to continue the operations in the said block till March 31, 2015. Accordingly, the same has been handed over to Bharat Coking Coal Limited (BCCL) as per the direction from Coal India Ltd. (CIL) with effect from April 01, 2015. The Company pending acceptance and recovery of the amount of compensation, has filed a petition before the Hon'ble High Court at Delhi, hearing whereof has been concluded and judgement is awaited.

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(ii) Interest and other finance cost for the period from April 01, 2015 onwards against the fund borrowed and other expenses directly attributable in this respect amounting to Rs. 9414.78 lakhs have been considered as other recoverable under current assets;
(iii) Realisation against sale of assets, advances etc. amounting to Rs. 633.83 lakhs have been adjusted there against.
The matter being subjudice the amount of compensation and consequential adjustments to be given effect to on ascertainment of the amounts thereof are presently not ascertainable.

Para 3(b) - In terms of the Supreme Court Order as referred above, North Dhadhu Coal Block, allotted in joint venture with other companies, has also been cancelled w.e.f. September 24,2014. The Company barring initial contribution of Rs. 822.81 lakhs has not made any further investments in the said the joint venture company. In respect of Company's investment of Rs.822.81 lakhs in North Dhadhu Coal Block, allotted in joint venture with other companies, in view of the management as stated in Note 4(b), the compensation to be received in terms of the ordinance is expected to cover the cost incurred by the Joint Venture Companies and thereby no dimunition in value of such investment is expected to arise and accordingly no provision has been considered necessary by the management.

(iii) **Auditors' Comments on (i) or (ii) above:**

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III. **Signatories:**

| | |
|---|---|
| CEO/Managing Director | Umang Kejriwal<br>Managing Director |
| CFO | Brij Mohan Soni<br>Chief Financial Officer |
| Audit Committee Chairman | Binod Kumar Khaitan<br>Audit Committee Chairman |
| Statutory Auditor | For Lodha & Co<br>Chartered Accountants<br>Firm's ICAI Registration No: 301051E<br>R.P.Singh<br>(Partner)<br>Membership No: 52438 |

Place: Kolkata
Date: July 26, 2016