



8th September, 2016

1. **National Stock Exchange of India Limited**
Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai 400051
2. **Bombay Stock Exchange Limited**
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001

Dear Sirs,

Sub: Disclosure of the Impact of Audit Qualifications under Regulation 33/52 of SEBI (LODR), (Amendment) Regulations, 2016

With reference to Notification No. SEBI/LAD-NRO/GN/2016-17/001 dated May 25, 2016 and Circular No. CIR/CFD/CMD/56/2016 dated May 27, 2016 issued by the Securities and Exchange Board of India (SEBI), we enclose herewith "**Statement of Impact of Audit Qualifications**" of the Company for both Standalone and Consolidated Audited Financial Results separately for the FYE 31st March, 2016.

Please take this on record.

Thanking you,

Yours faithfully,

For Titagarh Wagons Limited

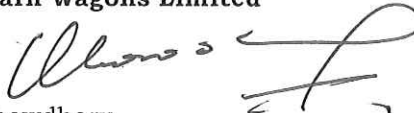
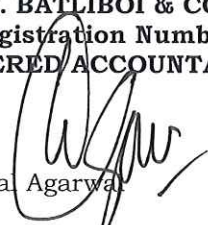
Authorized Signatory
Encl: As stated above



Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results of Titagarh Wagons Limited – Standalone for the financial year ended March 31, 2016

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]				
I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. In lacs)	Adjusted Figures (audited figures after adjusting for qualifications) (Rs. In lacs)
	1	Turnover / Total income (including other income)	33,670.72	33,670.72
	2	Total Expenditure (including tax expenses)	33,039.72	33,039.72
	3	Net Profit/(Loss)	631.00	631.00
	4	Earnings Per Share	0.57	0.57
	5	Total Assets	86,908.41	86,908.41
	6	Total Liabilities	9,934.93	9,934.93
	7	Net Worth (refer note a below)	76,324.05	76,324.05
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	Audit Qualification			
	a. Details of Audit Qualification (as reproduced from the audit report):			
	We draw attention to Note 10(e) regarding non-provision against investment in equity shares, 0.1% optionally fully convertible debentures and loans given amounting to Rs 455.06 lacs, Rs 3,166.50 lacs and Rs 890.93 lacs respectively to Titagarh Marine Limited (TML), a wholly owned subsidiary Company, as at March 31, 2016, based on reasons mentioned therein, though the net worth as per the consolidated financial statements of the subsidiary is fully eroded. We are unable to comment on the carrying value/ recoverability of such investments and loan including consequential adjustments that may be required in these financial statements.			
	b. Type of Audit Qualification : Qualified Opinion			
	c. Frequency of qualification: First time			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management views:			
	Impact not quantified by the auditors and therefore, not applicable.			
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:			
	(i) Management's estimation on the impact of audit qualification:			
	Impact of audit qualification cannot be quantified.			
	(ii) Management response and reasons for inability to estimate the impact:			
	The Board of Directors of the Company at its meeting held on September 24, 2015 had approved a Scheme of Amalgamation (the Scheme) of its wholly owned subsidiaries namely Cimmco Equity Holdings Private Limited and Titagarh Marine Limited (alongwith its two wholly owned subsidiary companies- Corporated Shipyard Private Limited and Times Marine Enterprises Private Limited) with Titagarh Wagons Limited pursuant to the Sections 391 to 394 and other applicable provisions of the Companies Act 1956. The Hon'ble High Court has sanctioned the Scheme and certified true copies of the order on the subject (the Order) have been received subsequent to the adoption of the financial statements for the year ended 31 st March 2016. With the filing of the Order with the Registrar of Companies the Scheme is effective from 13/07/2016. Although the erosion of the networth of the respective subsidiary			



	companies was already accounted for in the consolidated financial statements of the Company, pending sanction of the Scheme by the Hon'ble High Court no adjustment was made in the standalone financial statements for FYE 31/03/2016. The adjustment due to erosion in the networth of the respective subsidiaries would be considered in the standalone financial statements of the Company in the financial year 2016-17.
	(iii) Auditors' Comments on (i) or (ii) above: Refer details of audit qualification [para II (a) above]
III	For Titagarh Wagons Limited  Umesh Chowdhary Vice Chairman & Managing Director and CEO
	 Anil Agarwal Chief Financial Officer
	 D N Davar Chairman of Audit Committee
	For S. R. BATLIBOI & CO. LLP Firm Registration Number: 301003E/E300005 CHARTERED ACCOUNTANTS  per Kama Agarwal Partner Membership No. 88652 
	Place: Kolkata
	Date: August 22, 2016

Notes:

- a) Net worth means paid up capital and free reserves. Revaluation reserve and foreign currency translation reserve have been excluded while calculating net worth.

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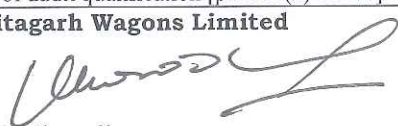


Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results of Titagarh Wagons Limited – Consolidated for the financial year ended March 31, 2016

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]				
I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1	Turnover / Total income (including other income)	99,064.64	99,064.64
	2	Total Expenditure (including tax expenses and before minority interest)	101,872.37	101,872.37
	3	Net Profit/(Loss) (after minority interest)	(2,519.27)	(2,519.27)
	4	Earnings Per Share	(2.27)	(2.27)
	5	Total Assets	242,590.09	242,590.09
	6	Total Liabilities	162,521.11	162,521.11
	7	Net Worth (refer note a below)	69,200.00	69,200.00
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	Audit Qualification			
	a. Details of Audit Qualification (as reproduced from the audit report):			
	We draw attention to the following:			
	- Note no. 15.2(a)(i) regarding certain claims of a step down subsidiary Company amounting to Rs 3,952.35 lacs (Rs 3,952.35 lacs as at March 31, 2015), which has been considered good of recovery by the management. Although the management is hopeful to recover the claims in full, pending final decision of the Court, we are unable to comment on its recoverability including consequential impact that may arise in this regard in these consolidated financial statements. This had also caused us to qualify our audit opinion on the consolidated financial statements for the year ended March 31, 2015. - A subsidiary Company has capitalised certain indirect expenses including business and market development amounting to Rs. 835.29 lacs (including Rs. 332.20 lacs recognised upto March 31, 2015) till December 31, 2015 as a prototype under intangible assets on the basis that the project has not started commercial production till December 31, 2015. This being a matter of management estimation and in the absence of adequate information on the evaluation of the nature of activities performed during the period, we are unable to comment on the appropriateness of such capitalisation in terms of Accounting Standard 26 on Intangible Assets including any consequential adjustments that may be required in this regard in these consolidated financial statements. This had also caused us to qualify our audit opinion on the consolidated financial statements for the year ended March 31, 2015.			
	b. Type of Audit Qualification :			
	- Qualified Opinion - Qualified Opinion			
	c. Frequency of qualification:			
	- Was Emphasis of matter for FYE 2011-12, and qualification for FYE 2012-13, 2013-14, 2014-15 and 2015-16. - Qualification for FYE 2014-15 and 2015-16			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:			
	Impact not quantified by the auditors and therefore, not applicable.			

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	e. For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification:
	Impact of audit qualification cannot be quantified.
	(ii) Management response and reasons for inability to estimate the impact:
	<u>For first qualification:</u> Rs. 3952.35 lacs recoverable from Indian Railways on account of difference of lease rental for the wagons leased to Indian Railways: In the year 1997-98 the Company (Cimmco) had entered into 3 separate sub-lease rental agreements with Indian Railways (IR) for lease to IR of 1200 wagons for a primary period of 10 years. However, owing to changes in the rate of Income Tax as well as the depreciation rate as per the Income Tax Act, the sub-lease rentals payable by IR to Cimmco in terms of the sub-lease agreements were impacted and IR, on a misinterpretation of the relevant clause in the sub-lease agreements, did not release the differential sub-lease rental to the Company. Although the issues were clarified, IR continued to withhold the differential payment and being compelled by non-recovery of its dues Cimmco invoked the Arbitration Clause and referred the matter to Arbitration on 27/10/2004. Due to the erosion of the net worth of Cimmco as at 30.06.2000 and Cimmco having become sick, the operations of Cimmco were suspended/closed with effect from 13.11.2000. As such, only a skeleton staff/personnel were available in Cimmco to actively pursue the matter. This led to lack of attention to the arbitration in the matter for a long time. Cimmco has been aggressively pursuing with the Arbitration Tribunal to expeditiously complete the Arbitration proceedings which had been kept in abeyance for the parties to explore the possibilities of amicable settlement. However, since the Tribunal did not fix further dates of hearing, a petition was filed before the Hon'ble High Court of Delhi on 14th August, 2014 seeking reconstitution of the Arbitration Tribunal. The matter was heard on 22nd August, 2014, however the Tribunal recommenced the proceedings and arguments have been concluded on May 2, 2015. Thereafter, the Tribunal has fixed September 7, 8 and 9, 2015 for making and publishing the award. The Tribunal passed an award on 03/02/2016 whereby the Company's claims were rejected. Being aggrieved by the award the Company has filed an appeal under section 34 of the Arbitration & Conciliation Act, 1996 (as amended) before the Hon'ble High Court, Delhi on 29/04/2016 and the matter was heard on 02/06/2016 when the Court directed issue of the notice to Indian Railways. The matter has been re-notified on 13/09/2016. Cimmco is convinced of merit of the case. The management is hopeful of getting a favourable order from the Hon'ble High Court, Delhi for recovery of the amount and hence this amount has been considered good of recovery. <u>For second qualification:</u> The expenses amounting to Rs.835.29 lacs relates to the certain portion of pre-operative expenditure of the Company's subsidiary Titagarh Agrico Private Limited (TAPL) which was in the process of implementing the project to manufacture tractors, accounted for such expenses as intangible assets under development in accordance with Accounting Standard 26. However, the auditors of the Company differ in their interpretation of the said Accounting Standard relating to the said portion of pre-operative expenditure and have therefore expressed such qualified opinion. The aforesaid cost incurred till the time of receipt of the ICT approval from Central Farm Machinery Training & Testing Institute, Budni (M.P.), Government of India, has been considered as pre-operative expense and capitalised in the books as the said approval was necessary to commence bulk production.
	(iii) Auditors' Comments on (i) or (ii) above:
	Refer details of audit qualification [para II (a) above]
III	For Titagarh Wagons Limited  Umesh Chowdhary Vice Chairman & Managing Director and CEO



Anil Agarwal

Anil Agarwal
Chief Financial Officer

D N Davar

D N Davar
Chairman of Audit Committee

For S. R. BATLIBOI & CO. LLP
Firm Registration Number: 301003E/E300005
CHARTERED ACCOUNTANTS

Kamal Agarwal

per Kamal Agarwal
Partner
Membership No.58652



Place: Kolkata

Date: August 22, 2016

Notes:

- a) Net worth means paid up capital and free reserves. Revaluation reserve and foreign currency translation reserve have been excluded while calculating net worth.

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