



# Surana Industries Limited



CIN : L27104TN1991PLC020533

Corp. H.O. : # 29, Whites Road, V Floor,

Royapettah, Chennai - 600 014. ☎ : 2852 5127

★ Fax: 044-2852 0713 ★ Grams : "GURUHASTI"

Email: surana@suranaind.com ★ Website : www.suranaind.com

Ref: SIL/SEC/ 683 /FY2015-2016

February 11, 2016

**The Manager**  
**National Stock Exchange of India Limited**  
 Listing Department  
 Exchange Plaza, Bandra-Kurla complex  
 Bandra (E), Mumbai – 400051.

**The Deputy General Manger,**  
**Department of Corporate Services,**  
**Bombay Stock Exchange Limited,**  
 23<sup>rd</sup> Floor, PJ Towers, Dalal Street,  
 Mumbai-400 001.

**Sub: Un-Audited Financial Results for the Quarter and Nine Months ended 31<sup>st</sup> December, 2015.**

**Ref: Scrip Code: 513597, Scrip ID: SURANAIND, Symbol: SURANAIND**

Dear Sir/Madam,

Pursuant to Regulation 33 and other applicable regulations of SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 we are enclosing herewith Un-audited Financial Results for the quarter and Nine Months ended 31<sup>st</sup> December, 2015 along with the Limited Review Report by the Statutory Auditors.

We would further like to inform you that these results have been approved by the Board of Directors in their meeting held on 11<sup>th</sup> February, 2016. The said results are also being published in the Newspapers as required under the Regulation 47 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is for your information and records.

Thanking You,

Yours Faithfully,

**For Surana Industries Limited**



**D.Hem Senthil Raj**

**Company Secretary & Compliance Officer**

**M.No: F8366**

## GURUDEV

## SURANA INDUSTRIES LIMITED

Registered Office: #F67, 68 &amp; 69, SIPCOT INDUSTRIAL COMPLEX, GUMMIDIPONDI - 601 201, TAMILNADU

CIN : L27104TN1991PLC020533 Email : secretarial@suranaind.com, www.suranaind.com

Scrip Code: SURANAIND, Scrip ID: 513597, Symbol: SURANAIND



## PART I

(In Rs. lakhs except equity share and per equity share data)

## Statement of Standalone Unaudited Financial Results for the quarter and Nine Months ended 31st December 2015

| Sl. No | Particulars                                                                                              | Quarter Ended      |                    |                   | Nine Months ended  |                    |                    | Year Ended |
|--------|----------------------------------------------------------------------------------------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|------------|
|        |                                                                                                          | December 31, 2015  | September 30, 2015 | December 31, 2014 | December 31, 2015  | December 31, 2014  | March 31, 2015     |            |
|        |                                                                                                          | Unaudited          | Unaudited          | Unaudited         | Unaudited          | Unaudited          | Audited            |            |
| 1      | <b>Income from operations</b>                                                                            |                    |                    |                   |                    |                    |                    |            |
|        | (a) Net Sales/Income from Operations (Net of excise duty)                                                | 7,362.60           | 17,725.43          | 18,951.91         | 46,644.48          | 37,455.65          | 64,217.62          |            |
|        | (b) Other Operating Income                                                                               | 118.56             | 102.87             | -                 | 336.69             | -                  | -                  |            |
|        | <b>Total Income from operations (Net)</b>                                                                | <b>7,481.16</b>    | <b>17,828.30</b>   | <b>18,951.91</b>  | <b>46,981.17</b>   | <b>37,455.65</b>   | <b>64,217.62</b>   |            |
| 2      | <b>Expenses</b>                                                                                          |                    |                    |                   |                    |                    |                    |            |
|        | (a) Cost of Material Consumed                                                                            | 1,037.94           | 1,381.37           | 1,746.48          | 4,161.37           | 7,967.92           | 9,871.63           |            |
|        | (b) Purchases of stock -in-trade                                                                         | 5,712.43           | 15,313.52          | 13,895.37         | 41,506.44          | 25,618.98          | 50,101.40          |            |
|        | (c) Changes in inventories of Finished Goods, WIP and Stock-in-trade                                     | 3,841.55           | 2,842.62           | 3,277.24          | 6,277.67           | 3,747.43           | 4,148.99           |            |
|        | (d) Employee Benefits Expenses                                                                           | 128.80             | 153.98             | 208.98            | 423.51             | 442.10             | 456.41             |            |
|        | (e) Depreciation and Amortisation Expenses                                                               | 1,030.03           | 1,078.43           | 2,040.30          | 3,177.46           | 5,922.50           | 6,183.36           |            |
|        | (f) Other Expenses                                                                                       | 528.08             | 6,088.61           | 463.27            | 7,195.80           | 1,477.80           | 4,066.88           |            |
|        | <b>Total Expenses</b>                                                                                    | <b>12,278.83</b>   | <b>26,858.53</b>   | <b>21,631.64</b>  | <b>62,742.25</b>   | <b>45,176.73</b>   | <b>74,828.67</b>   |            |
| 3      | <b>Profit/(Loss) from operations before other income and finance costs and exceptional items (1 - 2)</b> | <b>(4,797.67)</b>  | <b>(9,030.23)</b>  | <b>(2,679.73)</b> | <b>(15,761.08)</b> | <b>(7,721.08)</b>  | <b>(10,611.05)</b> |            |
|        | Other Income                                                                                             | 18.97              | 416.41             | 136.15            | 448.54             | 720.14             | 797.39             |            |
|        | <b>Profit/(Loss) from ordinary activities before finance costs and exceptional items (3 + 4)</b>         | <b>(4,778.70)</b>  | <b>(8,613.82)</b>  | <b>(2,543.58)</b> | <b>(15,312.54)</b> | <b>(7,000.94)</b>  | <b>(9,813.66)</b>  |            |
|        | Finance costs                                                                                            | 6,451.69           | 4,483.65           | 3,880.29          | 15,167.19          | 9,540.13           | 13,635.78          |            |
| 8      | <b>Profit/(Loss) from ordinary activities after finance cost but before exceptional items (5 - 6)</b>    | <b>(11,230.39)</b> | <b>(13,097.47)</b> | <b>(6,423.87)</b> | <b>(30,479.73)</b> | <b>(16,541.07)</b> | <b>(23,449.44)</b> |            |
| 9      | Exceptional items (Refer Note 7)                                                                         | (7,441.53)         | -                  | -                 | (7,441.53)         | -                  | -                  |            |
| 10     | <b>Profit/(Loss) from ordinary activities before tax (7-8)</b>                                           | <b>(18,671.92)</b> | <b>(13,097.47)</b> | <b>(6,423.87)</b> | <b>(37,921.26)</b> | <b>(16,541.07)</b> | <b>(23,449.44)</b> |            |
| 11     | Tax expense                                                                                              | -                  | -                  | -                 | -                  | 3,385.65           | 2,829.45           |            |
| 12     | <b>Net Profit/(Loss) from ordinary activities after tax (9-10)</b>                                       | <b>(18,671.92)</b> | <b>(13,097.47)</b> | <b>(6,423.87)</b> | <b>(37,921.26)</b> | <b>(19,926.72)</b> | <b>(26,278.89)</b> |            |
| 13     | 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           |            |
| 14     | Reserves excluding revaluation reserves as per Balance Sheet of previous accounting year                 | -                  | -                  | -                 | -                  | -                  | -                  |            |
|        | Earning Per Share (Rs.) - Basic and Diluted                                                              | (41.94)            | (29.42)            | (14.43)           | (85.18)            | (44.76)            | (59.03)            |            |

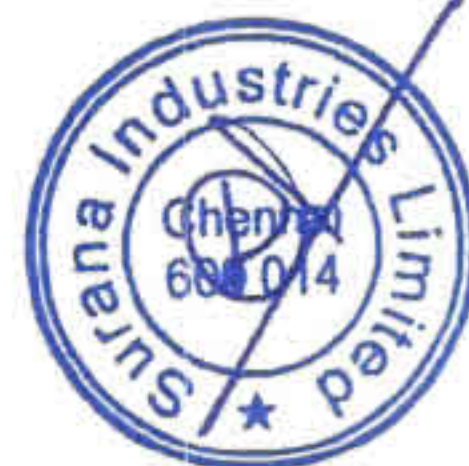


**Notes:**

1. The above statement of Unaudited Standalone Financial Results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on 11<sup>th</sup> February, 2016.
2. The statutory auditors of the Company have carried out a Limited Review (LR) of the Unaudited Financial Results for the quarter and nine months ended 31<sup>st</sup> December, 2015. The auditors have issued a qualified limited review report and our responses are stated in paragraph 10.
3. The Company is engaged in a single business segment i.e. dealing with iron and steel products primarily in one geographical segment. Accordingly, there are no separate reportable segment as per the Accounting Standard 17 on Segment Reporting.
4. As per CDR package, the loan instalments were due for repayment from September 2015. The Company had sought extension for repayment of loan from the lenders and CDR-EG as a result of inadequate cash flows, which was not granted. At the joint lenders meeting held on 22<sup>nd</sup> September 2015, lenders discussed options relating to conversion of part of loan into equity under a Strategic Debt Restructuring ("SDR"). Subsequently, at the high level joint lenders meeting held on 22<sup>nd</sup> January 2016, mandate for an SDR with a fresh reference date of 28<sup>th</sup> December 2015 was assessed, and mandate was available only from 6 banks with 31.78% of the overall exposure of loans. Hence, it was concluded that SDR cannot be invoked. At the above meeting, it was also reiterated that the Company should expedite steps for revival by bringing in new investors and that time will be provided by the banks until 15<sup>th</sup> March, 2016 for discussions with likely investors and finding an acceptable investor.
5. The Company has one material subsidiary viz. Surana Power Ltd ("SPL") which has 2 plants :
  - a) 35 MW coal fired power plant meant for the captive power consumption of the integrated steel plant at Raichur of the Company, which is shut down for the past two years due to labour and working capital issues. UCO Bank has issued a notice under The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI") for the various assets pertaining to this plant
  - b) 2 X 210 MW Thermal Power Plant at Raichur under implementation has also been stalled for the past two years and IDBI being the lead bank has taken the possession of the project assets under SARFAESI on 21st December, 2015. Efforts for identifying suitable buyers will be undertaken by the lead bank.



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6. Under the Scheme of Arrangement of Settlement of Advances with a project vendor entered on 31<sup>st</sup> December, 2015, the Company is to acquire land and fixed assets, Eighty Five Lakh Equity Shares of SPL, and inventory as part of settlement of the dues from the vendor. The Company is in the process of securing title to the said assets and will record these assets in the books of account upon completion of the transfer formalities. On acquisition of equity shares of SPL as mentioned above, SPL will become a wholly owned subsidiary of the Company.
7. Exceptional items represents writeoff of interest during construction period amounting to Rs. 6,554.36 lakhs and pre-operative expenditure of Rs. 889.78 lakhs pertaining to Pelletization and Beneficiation project capitalized in earlier years from inception of the project.
8. During January 2016, one out of the 15 consortium lenders has declared the Company as a wilful defaulter. The Company is of the view that the declaration is without merit. The Company is in the process of contesting the declaration at the appropriate redressal forum.
9. Figures of the previous quarters/period/year have been regrouped and reclassified wherever considered necessary to conform to the current period's classification.

#### 10. Auditors Comments:

Matters qualified in the Auditors Report for the year ended 31<sup>st</sup> March 2015 and also applicable for the quarter and nine months period ended 31<sup>st</sup> December 2015 and our responses are as follows:

##### A. Observation:

1. Current investments include investments made in the following subsidiaries carried at cost:
  - (a) Surana Power Limited ("SPL"), a subsidiary, amounting to Rs. 41,850.00 lakhs. This subsidiary is not in operation since August 2013 and its ongoing 2 X 210 MW power project has been stalled. As stated in Note 5, in respect of the 35 MW coal fired power plant, UCO Bank has issued a notice under The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI") for the assets pertaining to the said plant. In respect of the 2 X 210 MW project, IDBI Bank (the lead bank) has taken over the possession of the project assets of the 2 X 210 MW project under SARFAESI on December 21, 2015.



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(b) (i) Surana Mines and Minerals Limited ("SMML"), a wholly owned subsidiary based in Singapore, amounting to Rs. 5,848.26 lakhs; and

(ii) Surana Green Power Limited ("SGPL"), a wholly owned subsidiary amounting to Rs. 5,615.36 lakhs.

As per Accounting Standard 13 – Accounting for Investments, these investments should be valued at the lower of cost and net realizable value as the Company is planning to dispose off these investments. In the absence of the net realizable value, we are unable to comment on the adjustments, if any, that may be required to the carrying value of these investments as at December 31, 2015.

#### **Our Submission:**

With respect to the investments in Surana Power Limited, as explained in Note 5 above, the necessary adjustments to the carrying value of the investment would be considered at the time of liquidating the investment in the said subsidiary.

With respect to the investments in Surana Green Power Limited and Surana Mines and Minerals Limited, the Company is into advanced negotiations with prospective buyers and is seeking best alternatives for maximizing the value of the investments. In the opinion of the management, the Company will be able to realize the carrying value of the said investments and hence, no adjustments to the carrying values of these investments are considered necessary.

#### **B. Observation:**

2. Inventory aggregating to Rs. 22,391.47 lakhs the quantity, quality and realizable value of which were not assessed and determined. As per Accounting Standard 2 – Inventories, these inventories should be valued at the lower of cost and net realizable value. In the absence of the net realizable value, we are unable to comment on the adjustments that may be required to the carrying values of these inventories as at 31<sup>st</sup> December, 2015.

#### **Our Submission:**

Owing to a number of factors such as non-availability of raw materials, rupee depreciation, power curtailment, high interest burden, labour agitation and cost overrun of its projects, the Raichur plant of the Company has not been operated since April 2013. In the absence of production, there has been no issue or consumption of inventories at its Raichur plant. Inventories lying at the facilities will be physically weighed on resumption of production and blended with fresh materials purchased for use in production / sales. Hence management is of the view that any adjustment arising out of such physical verification, segregation and blending will not be material and will be dealt with in the normal course of business.



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11. Matters qualified in the Auditors Report for the year ended 31<sup>st</sup> March 2015 and not applicable during the quarter and nine months ended 31<sup>st</sup> December, 2015 and our responses are as follows:

**Observation**

1. Capital work in progress as at September 30, 2015 include:

- (a) Interest on borrowings aggregating to Rs. 5,313.27 lakhs (including Rs. 614.41 lakhs for the quarter and Rs. 1,236.82 lakhs for the half year ended September 30, 2015) relating to the periods during which the project has been stalled, which is a departure from Accounting Standard 16 (AS-16) on "Borrowing Costs". Had the interest capitalized during the period in which the project was stalled been charged to the Statement of Profit & Loss, finance cost and loss for the quarter and half year ended September 30, 2015 would have been higher by Rs. 614.41 lakhs and Rs. 1,236.82 lakhs respectively.
- (b) Preoperative expenses incurred in relation to the project aggregating to Rs. 68.36 lakhs (including Rs. Nil for the quarter and half year ended September 30, 2015) relating to the periods during which the project has been stalled, which is a departure from Accounting Standard 10 (AS-10) on "Fixed Assets". Had such expenditure capitalized during the period in which the project was stalled been charged to the Statement of Profit & Loss, other expenses and loss for the quarter and half year ended September 30, 2015 would have been higher by Rs. 68.36 lakhs.

**Our Submission:**

The above interest on borrowings and the preoperative expenses capitalized have been written off to the profit and loss during the quarter ended 31<sup>st</sup> December, 2015 (included in the amounts written off as exceptional item - refer note 7).



Date : 11<sup>th</sup> February, 2016  
Place : Chennai, India

By order of the Board  
For Surana Industries Limited

Dineshchand Surana  
Managing Director



## INDEPENDENT AUDITORS' REVIEW REPORT ON REVIEW OF INTERIM FINANCIAL RESULTS

### 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 December 31, 2015 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Statement which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standards for Interim Financial Reporting ("AS 25"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. 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.
3. Current investments include investments made in the following subsidiaries carried at cost:
  - (a) Surana Power Limited ("SPL"), a subsidiary, amounting to Rs. 41,850.00 lakhs. This subsidiary is not in operation since August 2013 and its ongoing 2 X 210 MW power project has been stalled. As stated in Note 5, in respect of the 35 MW coal fired power plant, UCO Bank has issued a notice under The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI") for the assets pertaining to the said plant. In respect of the 2 X 210 MW project, IDBI Bank (the lead bank) has taken over the possession of the project assets of the 2 X 210 MW project under SARFAESI on December 21, 2015.
  - (b) (i) Surana Mines and Minerals Limited ("SMML"), a wholly owned subsidiary based in Singapore, amounting to Rs. 5,848.26 lakhs; and



- (ii) Surana Green Power Limited ("SGPL"), a wholly owned subsidiary amounting to Rs. 5,615.36 lakhs.

As per Accounting Standard 13 – Accounting for Investments, these investments should be valued at the lower of cost and net realizable value as the Company is planning to dispose off these investments. In the absence of the net realizable value, we are unable to comment on the adjustments, if any, that may be required to the carrying value of these investments as at December 31, 2015.

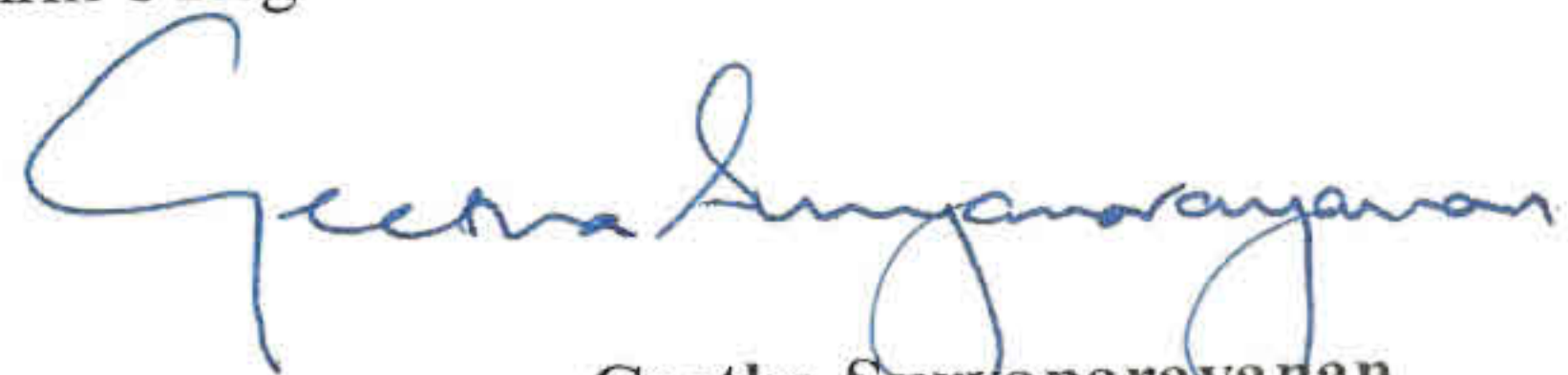
4. Inventory aggregating to Rs. 22,391.47 lakhs the quantity, quality and realizable value of which were not assessed and determined. As per Accounting Standard 2 – Inventories, these inventories should be valued at the lower of cost and net realizable value. In the absence of the net realizable value, we are unable to comment on the adjustments that may be required to the carrying values of these inventories as at December 31, 2015.
5. Based on our review conducted as stated above, except for the possible effects of the matters described in paragraphs 3 and 4 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the aforesaid Accounting Standards and other accounting principles 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, including the manner in which it is to be disclosed, or that it contains any material misstatement.

**Emphasis of Matter**

6. As at December 31, 2015, the Company's net worth has eroded by more than 50%. Further as stated in Note 4, the Company has not complied with the repayment and other terms as per the Master Restructuring Agreement (MRA) dated March 24, 2014 and SDR could not be invoked. The Company has been advised by the bankers to expedite steps for revival by bringing in new investors. The ability of the Company to continue as a going concern is significantly dependent upon bringing in new investors to revive its operations.

Our report is not qualified in respect of this matter.

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



**Geetha Suryanarayanan**  
Partner  
(Membership No. 29519)

Chennai, February 11, 2016

