

CIN No: L31909TG1988PLC008652

MIC Electronics Limited

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www.mic.in

www.micelectronics.com

ISO 9001:2008 ISO 14001:2004 Certified Company



Thursday, May 30, 2019

To
The Secretary
Bombay Stock Exchange Limited
Phirjo Jeejeebhoy Towers
Dalal Street
Mumbai-400 001

To
The Secretary
National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051

Dear Sir / Madam,

Sub : Approval of Audited Financial Results for the Quarter / Year ended March 31, 2019

Scrip Code : 532850

This is to inform you that as per Section 17 of the Insolvency and Bankruptcy Code, 2016 ('Code'), upon appointment of the Resolution Professional, the powers of the Board of Directors stands suspended and such powers shall be exercised by the Resolution Professional appointed for the Company. Hence, in this regard, pursuant to Regulation 30 and 33 of SEBI (Listing obligations and Disclosure Requirements) Regulation 2015, the Resolution Professional on Thursday, May 30, 2019 has taken view of the Audited Financial results for the Quarter / Year ended March 31, 2019, both Standalone & Consolidated as submitted by the Management and Auditors' Reports. The referred documents are enclosed.

The meeting between the members of the management and the Resolution Professional commenced at 4.00 PM and concluded at 6.50 PM.

With respect to Disclaimer of Opinion in certain matters as stated in the Auditors' Report, we are attaching herewith our replies for the same.

Further, Resolution Professional has given permission to the Management to publish the results in the newspapers and place on Company's and Stock Exchanges websites, vide his letter dated 30.05.2019 (enclosed).

Kindly take the results on record.

Thanking you,

Yours truly,

For MIC Electronics Limited

(M.S.MURALI KRISHNAN)

Company Secretary

Encl : as above

MIC Electronics Limited						(Rs.in crores)					
AUDITED FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31ST MARCH 2019						CONSOLIDATED					
STAND-ALONE					SR NO.	Particulars					
3 months ended	Previous 3 months ended	Corresponding 3 months ended in the previous year	Year to date figures for current period ended (12M)	Previous Accounting year ended (12 Months)			3 months ended	Previous 3 months ended	Corresponding 3 months ended in the previous year	Year to date figures for current period ended (12M)	Previous Accounting year ended (12 Months)
31.03.2019	31.12.2018	31.03.2018	31.03.2019	31.03.2018			31.03.2019	31.12.2018	31.03.2018	31.03.2019	31.03.2018
Audited	Un-Audited	Audited	Audited	Audited			Audited	Un-Audited	Audited	Audited	Audited
					1	Income					
1.00	2.69	15.41	4.84	164.17		Revenue from Operations	1.00	2.69	15.41	4.84	
0.23	1.72	0.24	0.68	1.17		Other Income	0.23	1.72	0.24	0.68	
1.23	4.41	15.65	5.50	165.34		Total Income	1.23	4.41	15.65	5.50	
					2	Expenses					
0.11	1.34	30.28	2.30	145.17	a	Cost of Material Consumed	0.11	1.34	30.28	2.30	
-	-	0.03	-	18.39	b	Purchase of stock-in-trade	-	-	0.03	-	
0.44	0.47	(15.96)	0.32	(25.72)	c	Changes in inventories of finished goods, work-in-progress and stock-in-trade	0.44	0.47	(15.96)	0.32	
0.68	0.89	2.39	3.69	5.65	d	Employee benefits expense	0.68	0.89	2.39	3.69	
0.01	0.01	23.12	0.06	24.42	e	Finance Costs	0.01	0.01	23.12	0.06	
1.90	1.92	1.98	7.66	7.75	f	Depreciation and Amortisation expense	1.90	1.92	1.98	7.66	
14.30	0.96	11.53	18.67	24.95	g	Other Expenses	14.30	0.96	11.50	18.68	
17.44	5.59	53.37	32.70	200.61		Total Expenses	17.44	5.59	53.34	32.71	
(16.21)	(1.18)	(37.72)	(27.20)	(35.27)	3	Profit / (Loss) from ordinary activities before exceptional items	(16.21)	(1.18)	(37.69)	(27.21)	
0.28	-	96.19	0.28	96.19	4	Exceptional Items - Expenditure / (Income)	0.28	-	96.19	0.28	
(16.49)	(1.18)	(133.91)	(27.48)	(131.46)		Profit / (Loss) before tax	(16.49)	(1.18)	(133.88)	(27.49)	
-	-	59.34	-	59.85	5	Tax Expense	-	-	59.34	-	
(16.49)	(1.18)	(193.25)	(27.48)	(191.31)	6	Profit for the period	(16.49)	(1.18)	(193.22)	(27.49)	
-	-	0.56	-	0.56	7	Other Comprehensive Income	-	-	0.56	-	
(16.49)	(1.18)	(192.69)	(27.48)	(190.75)	8	Total comprehensive income for the period	(16.49)	(1.18)	(192.65)	(27.49)	
44.05	44.05	44.05	44.05	44.05	9	Paid up Equity Share capital, equity shares of Rs.2/- each	44.05	44.05	44.05	44.05	
-	-	-	(155.46)	(127.99)	10	Other equity excluding revaluation reserve	-	-	-	(148.48)	
					11	Earning Per Share (Face value of Rs.2/- each)					
(0.75)	(0.05)	(8.75)	(1.25)	(8.66)		(a) Basic	(0.75)	(0.05)	(8.75)	(1.25)	
(0.66)	(0.05)	(7.70)	(1.10)	(7.62)		(b) Diluted	(0.66)	(0.05)	(7.70)	(1.10)	

Notes:

- Corporate Insolvency Resolution Process (CIRP) has been initiated in respect of MIC Electronics Limited ("company") under the provisions of the insolvency and Bankruptcy Code, 2016 ('Code') by an order of the National Company Law Tribunal (NCLT), Hyderabad with effect from 13th March 2018. As per Section 17 of the Code, appointed Mr.N.Prabhakar as the interim Resolution Professional (IRP) in terms of IBC. Mr.N.Prabhakar was subsequently confirmed by the committee of creditors (CoC) as the Resolution Professional (RP).
Accordingly, RP took control of the management and operations of the company. As the powers of the Board of Directors have been suspended, the above results have not been adopted by the Board of Directors. However, the same have been reviewed and signed by Shri L.N.Malleswara Rao, Director of the Company. These financial statements have thereafter been taken on record by the RP on 30th May 2019 for filing with Stock Exchanges.
- As part of CIRP Process, the Resolution professional has submitted the Resolution Plan approved by Committee of Creditors (CoC) to Honourable NCLT, Hyderabad Bench. The Resolution plan yet to be approved by the Honourable NCLT, Hyderabad.
- The statutory auditors have expressed disclaimer of opinion for the year ended 31st March 2019 in respect of the following matters.
 - During the year, the company has incurred a net loss of Rs.27.48 crores resulting into accumulated losses of Rs.155.46 crores as at 31st March 2019 and erosion of its network. The company has obligations towards fund based borrowings aggregating to Rs.182.14 crores. As part of CIRP Process, the resolution plan approved by CoC was submitted to Hon'ble NCLT, Hyderabad Bench and is currently under process. In the opinion of the management, resolution and revival of the company is possible in foreseeable future, accordingly, in view of the ongoing CIRP, above results have been prepared on the basis that the company is a going concern.
 - The company has certain trade receivables, security deposits, loans and advances, other financial and current assets aggregating to Rs.34.59 crores. The management of the company is confident of recovery of the aforesaid dues. Confirmation of balances could not be obtained as at 31st March 2019 for various trade receivables, trade payables though the management has requested for confirmation of balances. The management has already made provision for doubtful receivables / advances and believes that no material adjustments would be required in books of accounts upon receipt of these confirmations.
 - Since, the company is under CIRP, due to the shortage of resources, physical verification of inventories and its valuation could not be done as on 31st March 2019 aggregating to Rs.49.88 crores. However, as part of CIRP, physical verification of inventories and its valuation has been done during the financial year 2017-18 by external valuers and no material movements to the inventories have taken place during the financial year 2018-19 due to lower level of operations of the company. Hence, the company is of the opinion that there will be no material changes to the valuation of inventories as on 31st March 2019.
 - Physical verification of fixed assets aggregating to Rs.83.96 crores (WDV as on 31 March 2019) has been carried out by the management. However due to the ongoing CIRP and the constraint of resources, the company is still in the process of reconciliation of properties as per verification reports with fixed assets records.
- While calculating diluted EPS, outstanding 3,00,00,000 convertible share warrants issued on preferential basis have been considered.
- The consolidated financial results include the unaudited financial results of the wholly owned subsidiaries, M/s MIC Green Energy Solutions Pvt Ltd and M/s MIC Electronics Inc.



- 6 Management reviewed the deferred tax assets/liabilities on temporary differences between the tax base of assets and liabilities and their carrying amounts for the financial reporting purpose at reporting date. However, as the company is under CIRP, there is virtual uncertainty of taxable profits in near future and availability of deferred tax assets to be set off. Accordingly, the deferred tax (net assets) for the reporting period i.e., April 1, 2018 to March 31, 2019 have not been considered.
- 7 The Company has only one segment i.e., LED Products.
- 8 The interest on debt for the quarter ended March 31, 2019 has not been charged to the statement of profit and loss since the company is under CIRP process and the claims along with interest have been considered as on insolvency commencement date i.e., March 13, 2018.
- 9 The company has got a foreign exchange loss of Rs.3.04 crores for the six months ended 30.09.18. However, the company has got foreign exchange gain of Rs.1.39 crores for the next half year ended 31.03.19 resulting in a net foreign exchange loss of Rs.1.65 crores for the year ended 31.03.19. These figures have been regrouped/rearranged in the quarterly financials to show the net impact.
- 10 The statement includes results for the quarter ended 31st March 2019 and 31st March 2018 being the balancing figure between the audited figures in respect of the financial year and previous financial year and the published figures upto 3rd quarter of the current financial year and previous financial year respectively.
- 11 Exceptional items comprises of depletion in value of inventories
- 12 Figures have been regrouped or rearranged wherever necessary.

Place : Hyderabad
Date : 30.05.2019


L.N. Malleswara Rao
Director



**STATEMENT OF ASSETS & LIABILITIES
AS AT 31ST MARCH 2019**

(Rs.in crores)

Standalone		Particulars	Consolidated	
As at 31.03.2019	As At 31.03.2018		As At 31.03.2019	As At 31.03.2018
Audited	Audited		Audited	Audited
		ASSETS		
		Non Current Assets		
82.05	89.68	Property, Plant & Equipment	82.05	89.68
1.82	1.82	Capital Work-in-Progress	1.82	1.82
0.09	0.12	Other Intangible Assets	0.09	0.12
		Financial Assets		
		(i) Investments	7.12	6.70
11.75	11.85	Other Non Current Assets	11.88	11.98
95.71	103.47		102.96	110.30
		Current Assets		
49.88	50.56	Inventories	49.88	50.56
		Financial Assets		
19.44	33.75	(i) Trade receivables	19.44	33.75
0.05	0.06	(ii) Cash & Cash Equivalents	0.06	0.06
1.72	1.65	(iii) Bank balances other than ii above	1.72	1.65
0.15	0.15	(iv) Other financial assets	0.80	0.77
3.28	3.10	Other Current Assets	3.28	3.11
74.52	89.27		75.18	89.90
170.23	192.74	TOTAL ASSETS	178.14	200.20
		EQUITY AND LIABILITIES		
		Equity		
44.05	44.05	Equity Share Capital	44.05	44.05
(155.46)	(127.99)	Other Equity	(148.48)	(121.41)
(111.41)	(83.94)		(104.43)	(77.36)
		Liabilities		
		Non-current liabilities		
		Financial Liabilities		
		(i) Borrowings		
2.15	2.19	Long Term Provisions	2.15	2.19
2.15	2.19		2.15	2.19
		Current liabilities		
		Financial Liabilities		
14.86	14.86	(i) Borrowings	14.86	14.86
57.82	55.65	(ii) Trade Payables	58.75	56.53
181.27	180.76	(iii) Other Financial Liabilities	181.27	180.76
24.85	22.53	Other current liabilities	24.85	22.53
0.69	0.69	Current Tax Liabilities (Net)	0.69	0.69
279.49	274.49		280.42	275.37
170.23	192.74	TOTAL EQUITY & LIABILITIES	178.14	200.20



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MIC Electronics Limited

Replies for the Disclaimer of Opinion in the Auditors' Report for the Quarter / Year ended
March 31, 2019

Sl.No	Reference in Auditors' Report	Disclaimer of Opinion	Management's replies
1	Paragraph 4 (a)	Note 3(a) to the statement, in respect of preparation of financial statements of the Company on going concern basis. During the year the Company has incurred a Net Loss of Rs.27.48 crores resulting into accumulated losses of Rs.155.46 crores and erosion of its Net worth as at 31st March 2019. The Company has obligations towards fund based borrowings aggregating to Rs.182.14 crores. Even though the resolution plan submitted for the company is approved by Committee of Creditors, the matter is still pending before Honorable NCLT, Hyderabad bench. The ultimate outcome of these matters at present is uncertain. We are unable to obtain audit evidence in relation to going concern.	The management is of the opinion that the resolution and revival of the company is possible foreseeable future and accordingly, in view of the ongoing CIRP process and hence results have been prepared on the basis that the company is a going concern.
2	Paragraph 4 (b)	Note 3(b) to the statement in connection with trade receivables, security deposits, loans and advances, other financial and current assets aggregating to Rs.34.59 crores. There is existence of material uncertainties over the realisability of these amounts due to various factors such as disputes, age of these assets etc. There is also	The management of the company is confident of recovery of the aforesaid dues. Confirmation of balances could not be obtained as at 31st March 2019 for various trade receivables, trade payables though the management has requested for confirmation of balances. The management has already made provision for doubtful receivables / advances and believes that no material adjustments would be



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		non-availability of confirmation of various trade receivables, trade payables etc. In absence of alternative corroborative evidence, we are unable to comment on the extent to which such balances are recoverable/payable	required in books of accounts upon receipt of these confirmations.
3	Paragraph 4 (c)	The Company has neither counted the physical inventories nor stated the inventories at the lower of cost and net realizable value as on 31st March 2019 which constitute departure from the accounting standards prescribed under section 133 of the Companies Act, 2013. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at March 31, 2019 which are stated in the balance sheet at Rs 49.88 crores.	Since, the company is under CIRP , due to the shortage of resources , physical verification of inventories and its valuation could not be done as on 31st March 2019 aggregating to Rs.49.88 crores. However, as part of CIRP, physical verification of inventories and its valuation has been done during the financial year 2017-18 by external valuers and no material movements to the inventories have taken place during the financial year 2018-19 due to lower level of operations of the company. Hence, the company is of the opinion that there will be no material changes to the valuation of inventories as on 31st March 2019.
4	Paragraph 4 (d)	According to the information and explanation given to us, the Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years. However, the management is still in the process of reconciliation of quantities as per verification reports with the fixed assets records. Pending such reconciliation and physical verification, we are unable to comment on the reasonableness of the physical verification	Physical verification of fixed assets aggregating to Rs.83.96 crores (WDV as on 31 March 2019) has been carried out by the management. However due to the ongoing CIRP and the constraint of resources, the company is still in the process of reconciliation of properties as per verification reports with fixed assets records.

		programme and discrepancies that may arise on such reconciliation and physical verification of fixed assets as well as requirement of any provision for impairment of fixed assets. We were unable to satisfy ourselves by alternative means concerning the fixed assets held at March 31, 2019 which are stated in the balance sheet at Rs 83.96 crores.	
5	Paragraph 4 (e)	The Company has received communication from State Bank of India to conduct a forensic audit and appointed an audit firm to conduct the forensic audit and as on the date of the report, the forensic audit is still under progress. The Company is of the view that material adjustments or disclosures, if any arising out of the forensic audit would be considered after conclusion of the forensic audit and the Management has not estimated the impact of any adjustment that may arise to the amounts and disclosures in the financial statements.	The Forensic Audit is in progress and upon conclusions, any material adjustments or disclosures will be considered.



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PRABHAKAR . N

M.Com, LLB, CAIIB, ACS(Inter)

Insolvency Professional

(Regd. Under Insolvency & Bankruptcy Code 2016 With IBBI)

D.No. 11-12-7; Road No. 1,
Income Tax Colony, SRK Puram,
Hyderabad - 500 102.

Mob : 9502053200

Email : pnandiraju26@gmail.com

IP Regd. No. : IBBI/IPA-002/IP-N00361/2017-18/11030



Date : 30.05.2019

To
The Board of Directors
MIC Electronics Limited
Kushaiguda
Hyderabad

Dear Sir:

Sub : Permission for publication and uploading of Company's audited financial results for the 4th Quarter / year ended 31st March, 2019 in Company's/ Stock Exchanges Website.

Referring to the above, I permit you for publishing and uploading of Company's audited financial results for the 4th Quarter / year ended 31st March, 2019 in Company's / Stock Exchanges website.



N Prabhakar
Insolvency Professional
for MIC Electronics Limited



PAVULURI & Co.

CHARTERED ACCOUNTANTS

Plot No.48, Flat No.301,
Micasa, Phase - I, Kavuri Hills,
Hyderabad - 500 033.
Ph : 040-2970 2638 / 2639 / 2640
Email : pavuluriandco@gmail.com

INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS

TO THE RESOLUTION PROFESSIONAL MIC ELECTRONICS LIMITED

1. We have audited the accompanying Statement of Financial Results of **MIC ELECTRONICS LIMITED** ("the Company") for the quarter and year ended March 31, 2019 ("the Statement"), being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.
2. This Statement is the responsibility of the Company's Management, however, pursuant to ongoing Corporate Insolvency Resolution Process (CIRP) powers of the board of Directors have been suspended and these Powers are now vested with Resolution Professional (RP). The Statement, as it relates to the quarter ended March 31, 2019, has been compiled from the related interim standalone financial statements prepared in accordance with Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34") and as it relates to the year ended March 31, 2019, has been compiled from the related annual financial statements prepared in accordance with Indian Accounting Standards, prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued there under and other accounting principles generally accepted in India. Our responsibility is to express an opinion on the Statement based on our audits of such interim financial statements and annual financial statements.
3. We conducted our audits in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal financial control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Statement.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.





PAVULURI & Co.

CHARTERED ACCOUNTANTS

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Micasa, Phase - I, Kavuri Hills,
Hyderabad - 500 033.
Ph : 040-2970 2638 / 2639 / 2640
Email : pavuluriandco@gmail.com

4. Basis of Disclaimer of Opinion:

- (a) Note 3(a) to the statement, in respect of preparation of financial statements of the Company on going concern basis. During the year the Company has incurred a Net Loss of Rs.27.48 crores resulting into accumulated losses of Rs.155.46 crores and erosion of its Net worth as at 31st March 2019. The Company has obligations towards fund based borrowings aggregating to Rs.182.14 crores. Even though the resolution plan submitted for the company is approved by Committee of Creditors, the matter is still pending before Honorable NCLT, Hyderabad bench. The ultimate outcome of these matters at present is uncertain. We are unable to obtain audit evidence in relation to going concern.
- (b) Note 3(b) to the statement in connection with trade receivables, security deposits, loans and advances, other financial and current assets aggregating to Rs.34.59 crores. There is existence of material uncertainties over the realisability of these amounts due to various factors such as disputes, age of these assets etc. There is also non-availability of confirmation of various trade receivables, trade payables etc. In absence of alternative corroborative evidence, we are unable to comment on the extent to which such balances are recoverable/payable.
- (c) The Company has neither counted the physical inventories nor stated the inventories at the lower of cost and net realizable value as on 31st March 2019 which constitute departure from the accounting standards prescribed under section 133 of the Companies Act, 2013. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at March 31, 2019 which are stated in the balance sheet at Rs 49.88 crores.
- (d) According to the information and explanation given to us, the Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years. However, the management is still in the process of reconciliation of quantities as per verification reports with the fixed assets records. Pending such reconciliation and physical verification, we are unable to comment on the reasonableness of the physical verification programme and discrepancies that may arise on such reconciliation and physical verification of fixed assets as well as requirement of any provision for impairment of fixed assets. We were unable to satisfy ourselves by alternative means concerning the fixed assets held at March 31, 2019 which are stated in the balance sheet at Rs 83.96 crores.
- (e) The Company has received communication from State Bank of India to conduct a forensic audit and appointed an audit firm to conduct the forensic audit and as on the date of the report, the forensic audit is still under progress. The Company is of the view that material adjustments or disclosures, if any arising out of the forensic audit would be considered after conclusion of the forensic audit and the Management has not estimated the impact of any adjustment that may arise to the amounts and disclosures in the financial statements..



R

Branches :

Flat No : 301, Block C, Green City Towers, Green City Township, Near Export Apparel Park, **Visakhapatnam** - 530049.
Flat No.: 504, Madhu Towers, Srinivasa Nagar Bank Colony, **Vijayawada** - 520008, Ph : 0866-2545418



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As a result of these matters, we have not been able to obtain sufficient appropriate audit evidence to state whether any adjustments or disclosure would be required to the information included in the financial statement and the impact thereof.

5. Disclaimer of Opinion :

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraph, we do not have a basis to form an opinion on the financial statements. Accordingly, we do not express an opinion on the financial statements.

Place: Hyderabad
Date: 30.05.2019



For PAVULURI&Co.
Chartered Accountants
Firm Reg. No:012194S

(CA N. RAJESH)

PARTNER
M.No : 223169



INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

**TO THE RESOLUTION PROFESSIONAL
MIC ELECTRONICS LIMITED**

1. We have audited the accompanying Statement of Consolidated Financial Results of **MIC ELECTRONICS LIMITED** ("the Company") and its subsidiaries (the company and its subsidiaries together referred to as Group) for the quarter and year ended March 31, 2019 ("the Statement"), being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.
2. This Statement is the responsibility of the Company's Management, however, pursuant to ongoing Corporate Insolvency Resolution Process (CIRP) powers of the board of Directors have been suspended and these Powers are now vested with Resolution Professional (RP). The Statement, as it relates to the quarter ended March 31, 2019, has been compiled from the related interim standalone financial statements prepared in accordance with Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34") and as it relates to the year ended March 31, 2019, has been compiled from the related annual financial statements prepared in accordance with Indian Accounting Standards, 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 express an opinion on the Statement based on our audits of such interim financial statements and annual financial statements.
3. We conducted our audits in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal financial control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Statement.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.





4. Basis of Disclaimer of Opinion:

- (a) Note 3(a) to the statement, in respect of preparation of financial statements of the Company on going concern basis. During the year the Company has incurred a Net Loss of Rs.27.48 crores resulting into accumulated losses of Rs.155.46 crores and erosion of its Net worth as at 31st March 2019. The Company has obligations towards fund based borrowings aggregating to Rs.182.14 crores. Even though the resolution plan submitted for the company is approved by Committee of Creditors, the matter is still pending before Honorable NCLT, Hyderabad bench. The ultimate outcome of these matters at present is uncertain. We are unable to obtain audit evidence in relation to going concern.
- (b) Note 3(b) to the statement in connection with trade receivables, security deposits, loans and advances, other financial and current assets aggregating to Rs.34.59 crores. There is existence of material uncertainties over the realisability of these amounts due to various factors such as disputes, age of these assets etc. There is also non-availability of confirmation of various trade receivables, trade payables etc. In absence of alternative corroborative evidence, we are unable to comment on the extent to which such balances are recoverable/payable.
- (c) The Company has neither counted the physical inventories nor stated the inventories at the lower of cost and net realizable value as on 31st March 2019 which constitute departure from the accounting standards prescribed under section 133 of the Companies Act, 2013. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at March 31, 2019 which are stated in the balance sheet at Rs 49.88 crores.
- (d) According to the information and explanation given to us, the Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years. However, the management is still in the process of reconciliation of quantities as per verification reports with the fixed assets records. Pending such reconciliation and physical verification, we are unable to comment on the reasonableness of the physical verification programme and discrepancies that may arise on such reconciliation and physical verification of fixed assets as well as requirement of any provision for impairment of fixed assets. We were unable to satisfy ourselves by alternative means concerning the fixed assets held at March 31, 2019 which are stated in the balance sheet at Rs 83.96 crores.
- (e) The Company has received communication from State Bank of India to conduct a forensic audit and appointed an audit firm to conduct the forensic audit and as on the date of the report, the forensic audit is still under progress. The Company is of the view that material adjustments or disclosures, if any arising out of the forensic audit would be considered after conclusion of the forensic audit and the Management has not estimated the impact of any adjustment that may arise to the amounts and disclosures in the financial statements.



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PAVULURI & Co.

CHARTERED ACCOUNTANTS

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As a result of these matters, we have not been able to obtain sufficient appropriate audit evidence to state whether any adjustments or disclosure would be required to the information included in the consolidated financial statements and the impact thereof.

5. Disclaimer of Opinion :

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraph, we do not have a basis to form an opinion on the consolidated financial statements. Accordingly, we do not express an opinion on the consolidated financial statements.

For PAVULURI&Co.
Chartered Accountants
Firm Reg. No:012194S



N. Rajesh

(CA N. RAJESH)
PARTNER
M.No : 223169

Place: Hyderabad
Date: 30.05.2019