Shriram epc
Engineering the future

ANNEXURE I

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - (Standalone)
Statement on Impact of Audit Qualifications for the Financial Year ended March 31,2017 , (See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016)

Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
		Rs lakhs	
1	Turnover / Total income	53,000.00	53,000.00
2	Total Expenditure	76,173.58	76,173.58
3	Net Profit/(Loss)	-23,173.58	-23,173.58
4	Earnings Per Share	-4.12	-4.12
5	Total Assets	3,06,038.37	3,06,038.37
6	Total Liabilities	1,48,260.68	1,48,260.68
7	Net Worth	1,57,777.69	1,57,777.69
8	Any other financial item(s) (as felt appropriate by the management)	-	-

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

a. Details of Audit Qualification:

1(a)

We draw attention to the Note No. 4 of the Statement regarding the dues aggregating to Rs.12,141.62 Lakhs in respect of an overseas project. As mentioned in the Note, the construction activities have ceased and the case filed by the Company against the customer for recovery of the dues is pending before Iraqi Court. The Company has also filed appropriate claims with Export Credit and Guarantee Corporation (ECGC). However in the absence of any positive development till this date in these matters, there is uncertainty on the amount that would be ultimately realizable by the Company. In view of the uncertainty involved, we are unable to comment on the carrying value of the said receivable.

Note NO 4 as appearing in the Standalone Financial Results for the quarter and year ended March 31, 2017

The Company was in the course of executing project for Governorate of Basra, Government of Iraq ('the customer'). There were some delays in commencement of the project due to regulatory compliances However the said contract has been cancelled by the Customer during February 2014. The construction activities has been ceased, and the case filed against the customer for the recovery of the amounts so far incurred in respect of the said project, is pending before the Iraqi Court. Further, Company has also filed a claim with concerned authorities and insurers towards compensation for cancellation of contract. The total amounts due to Company recorded under Trade Receivables, Unbilled revenue representing the actual cost incurred (after excluding the margin which has been written off) and Short Term loans and advances, in respect of this project, aggregate to Rs. 12,141.62 Lakhs. Considering the steps taken by the Company, the management is confident of realizing the monies and do not expect any shortfall in realization of the dues. The auditors have qualified this matter in their report for the quarter and year ended March 31, 2017.

1(b)

We draw attention to Note No5 of the Statement regarding advances of Rs. 12,309.72 Lakhs and Trade Receivables of Rs. 1,023.58 Lakhs due, from a related party. These advances and Trade Receivables are considered good and recoverable by the management for the reasons stated in the said note. In the absence of audit evidence to corroborate management's assessment of recoverability of these advances and having regard to age of these balances, we are unable to comment on the extent to which these balances are recoverable.

Note No 5 as appearing in the Standalone Financial Results for the quarter and year ended March 31, 2017

Long term Loans and advances include Rs. 12,309.62 Lakhs (including interest accrued up to 31 March 2016 of Rs. 2,489.57 Lakhs), and Other Trade Receivables under "Other Non Current assets" include net amount of Rs. 1,023.58 Lakhs, due from Leitwind Shriram Manufacturing Limited (LSML)(a related party). As part of the Corporate Debt Restructuring (CDR) package entered into by LSML with its bankers, the dues to SEPC is subordinated to the dues to Bankers and hence expected to be recovered substantially before March 2030 and the balance thereafter. Considering the extended repayment period and future business potential for Wind Energy Business, the management is confident of realizing the dues However as a matter of prudence, the Company has stopped recognising interest from 01st April 2016 on the principal amount outstanding The auditors have qualified this matter in their report for the quarter and year ended March 31, 2017.

DELOITTE HASKINS & SELLS CHENNAI-17 CHARTERED ACCOUNTANTS

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CIN : L74210TN2000PLC045167

TÜV INDIA ISO 9001 Certified

1© **Emphasis of Matter**

i) We draw attention to Note No. 6 to the Statement regarding the dues of Rs. 8,300.19 Lakhs in respect of a project which is stalled due to statutory delays faced by the customer. The dues are considered fully realisable by the management at this stage in view of the steps taken by the Company for their realization

Note No 6 as appearing in the Standalone Financial Results for the quarter and year ended March 31, 2017

The Company entered into a contract to construct Ammonia plant for Bharath Coal and Chemicals Limited (BCCL) (related party). The project is stalled due to delay in statutory approvals. The total exposure in this project recorded under Unbilled Revenue and Contract Work In Progress is Rs. 8,300.19 lakhs. Considering the positive development in BCCL's efforts in identifying alternate options to complete the project, the management is of the view that BCCL will be in a position to complete the Ammonia Plant project and thereby the Company will be able to realize these amounts in full.

Emphasis of Matter

ii) We draw attention to Note No 7 to the financial statements regardign dues of Rs.78,011.70 Lakhs due from an associate and a subsidiary of the associate which have been outstanding for a considerable period of time. The dues are considered fully realisable by the management at this stage for the reasons stated in the said note.

Note No 7 as appearing in the Standalone Financial Results for the quarter and year ended March 31, 2017

Long term loans and advances include Rs 78,011.70 lakhs due from an associate company and its subsidiary. In order to secure these dues the company has entered into an arrangement, with the said associate and another wholly owned subsidiary of the associate which is engaged in coal mining operations in USA by which the company has acquired absolute and unconditional mining operation rights to exploit the coking coal reserves in relation to the mines of the said subsidiary, and the right to surplus cash flows, (after meeting subsidiary's lenders and other commitments), to the extent of the above mentioned dues. Also the associate company has given an undertaking that it will not divest its holdings in the said subsidiary company, without the prior consent of the company till the dues to the company are settled.Based on the projected operations of the mines and consequential projected cash flows, the outstanding dues are expected to be recoverable over a period of 11 years. In view of a mining asset and its cash flows being secured towards the outstanding due to the Company, no provision is considered necessary for these dues at this stage. However, as a matter of prudence the company has stopped recognising interest from April 1, 2016 on principal amounts outstanding.

	c. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing	Qualification 1(a)- Repetitive (Second Year) Qualification 1(b)- First time Emphasis of Matter -1©(i) - Repetitive (Second Year) Emphasis of Matter -1©(ii) - First Year
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:	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:	Nil
1	Turnover / Total Income	
2	Total Expenditure	
3	Net Profit/(Loss)	
4	Earnings Per Share	
5	Total Assets	
6	Total Liabilities	
7	Net Worth	
	(ii) If management is unable to estimate the impact, reasons for the same ;	Management is of the view of the entire amount is recoverable
	(iii) Auditors' Comments on (i) or (ii) above;	Refer Audit Report dated 30 May 2017 on the standalone financial statements of the Company.

III. Signatories

T.Shivaraman
Managing Director, CEO

R.S Chandrasekharan
Chief Financial Officer

S.Krishanamurthy
Audit Committee Chairman

For Deloitte Haskins and Sells

M K Ananthanarayanan
Partner

Place: Chennai
Date: 30th May 2017

SHRIRAM EPC LIMITED CHENNAI

DELOITTE HASKINS & SELLS CHENNAI-17 CHARTERED ACCOUNTANTS

ANNEXURE I

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - (Consolidated)
Statement on Impact of Audit Qualifications for the Financial Year ended March 31,2017 , [See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
		Rs lakhs	
1	Turnover / Total Income	75,453.64	75,453.64
2	Total Expenditure	97,279.99	97,279.99
3	Net Profit/(Loss)	-21,826.35	-21,826.35
4	Earnings Per Share	-3.88	-3.88
5	Total Assets	3,42,022.66	3,42,022.66
6	Total Liabilities	1,83,037.80	1,83,037.80
7	Net Worth	1,58,984.86	1,58,984.86
8	Any other financial item(s) (as felt appropriate by the management)	-	-

II. Audit Qualification (each audit qualification separately):

a. Details of Audit Qualification:

1(a) We draw attention to the Note No. 4 of the Statement regarding the dues aggregating to Rs.12,141.62 Lakhs in respect of an overseas project. As mentioned in the Note, the construction activities have ceased and the case filed by the Company against the customer for recovery of the dues is pending before Iraqi Court. The Company has also filed appropriate claims with Export Credit and Guarantee Corporation (ECGC). However in the absence of any positive development till this date in these matters, there is uncertainty on the amount that would be ultimately realizable by the Company. In view of the uncertainty involved, we are unable to comment on the carrying value of the said receivable.

Note No 4 as appearing in the Consolidated Financial Results for the quarter and year ended March 31, 2017

The Company was in the course of executing project for Governorate of Basra, Government of Iraq ('the customer'). There were some delays in commencement of the project due to regulatory compliances. However the said contract has been cancelled by the Customer during February 2014. The construction activities has been ceased, and the case filed against the customer for the recovery of the amounts so far incurred in respect of the said project, is pending before the Iraqi Court. Further, Company has also filed a claim with concerned authorities and insurers towards compensation for cancellation of contract. The total amounts due to Company recorded under Trade Receivables, Unbilled revenue representing the actual cost incurred (after excluding the margin which has been written off) and Short Term loans and advances, in respect of this project, aggregate to Rs. 12,141.62 Lakhs. Considering the steps taken by the Company, the management is confident of realizing the monies and do not expect any shortfall in realization of the dues. The auditors have qualified this matter in their report for the quarter and year ended March 31, 2017.

1(b) We draw attention to Note No5 of the Statement regarding advances of Rs. 12,309.72 Lakhs and Trade Receivables of Rs. 1,023.58 Lakhs due, from a related party. These advances and Trade Receivables are considered good and recoverable by the management for the reasons stated in the said note. In the absence of audit evidence to corroborate management's assessment of recoverability of these advances and having regard to age of these balances, we are unable to comment on the extent to which these balances are recoverable.

Note No 5 as appearing in the Consolidated Financial Results for the quarter and year ended March 31, 2017

Long term Loans and advances include Rs. 12,309.62 Lakhs (including interest accrued up to 31 March 2016 of Rs. 2,489.57 Lakhs), and Other Trade Receivables under "Other Non Current assets" include net amount of Rs. 1,023.58 Lakhs, due from Leitwind Shriram Manufacturing Limited (LSML)(a related party). As part of the Corporate Debt Restructuring (CDR) package entered into by LSML with its bankers, the dues to SEPC is subordinated to the dues to Bankers and hence expected to be recovered substantially before March 2030 and the balance thereafter. Considering the extended repayment period and future business potential for Wind Energy Business, the management is confident of realizing the dues.However as a matter of prudence, the Company has stopped recognising interest from 01st April 2016 on the principal amount outstanding The auditors have qualified this matter in their report for the quarter and year ended March 31, 2017.

10 **Emphasis of Matter**

i) We draw attention to Note No. 6 to the Statement regarding the dues of Rs. 8,300.19 Lakhs in respect of a project which is not progressing due to statutory delays faced by the customer. The dues are considered fully realisable by the management at this stage in view of the steps taken by the Holding Company for their realization

Note No 6 as appearing in the Consolidated Financial Results for the quarter and year ended March 31, 2017

The Company entered into a contract to construct Ammonia plant for Bharath Coal and Chemicals Limited (BCCL) (related party). The project is stalled due to delay in statutory approvals. The total exposure in this project recorded under Unbilled Revenue and Contract Work in Progress is Rs. 8,300.19 lakhs. Considering the positive development in BCCL's efforts in identifying alternate options to complete the project, the management is of the view that BCCL will be in a position to complete the Ammonia Plant project and thereby the Company will be able to realize these amounts in full.

Emphasis of Matter

ii) We draw attention to Note No 7 to the financial statements regardign dues of Rs.78,011.70 Lakhs due from an associate and a subsidiary of the associate which have been outstanding for a considerable period of time. The dues are considered fully realisable at this stage in view of the steps taken by the Holding Company's management for the reasons stated in the said note.

Note No 7 as appearing in the Consolidated Financial Results for the quarter and year ended March 31, 2017

Long term loans and advances include Rs 78,011.70 lakhs due from an associate company and its subsidiary. In order to secure these dues the company has entered into an arrangement, with the said associate and another wholly owned subsidiary of the associate which is engaged in coal mining operations in USA by which the company has acquired absolute and unconditional mining operation rights to exploit the coking coal reserves in relation to the mines of the said subsidiary, and the right to surplus cash flows, (after meeting subsidiary's lenders and other commitments), to the extent of the above mentioned dues. Also the associate company has given an undertaking that it will not divest its holdings in the said subsidiary company, without the prior consent of the company till the dues to the company are settled.Based on the projected operations of the mines and consequential projected cash flows, the outstanding dues are expected to be recoverable over a period of 11 years. In view of a mining asset and its cash flows being secured towards the outstanding due to the Company, no provision is considered necessary for these dues at this stage. However, as a matter of prudence the company has stopped recognising interest from April 1, 2016 on principal amounts outstanding.

c. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing	Qualification 1(a)- Repetitive (Second Year) Qualification 1(b)- First time Emphasis of Matter -10(i) - Repetitive (Second Year) Emphasis of Matter -10(ii) - First Year
d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views	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: 1 Turnover / Total income 2 Total Expenditure 3 Net Profit/(Loss) 4 Earnings Per Share 5 Total Assets 6 Total Liabilities 7 Net Worth	Nil
(ii) If management is unable to estimate the impact, reasons for the same :	Management is of the view of the entire amount is recoverable
(iii) Auditors' Comments on (i) or (ii) above:	Refer Audit Report dated 30 May 2017 on the Consolidated financial statements of the Company.

III. Signatories:

T. Shivaraman Managing Director, CEO	R .S Chandrasekharan Chief Financial Officer
S Krishnamurthy Audit Committee Chairman	For Deloitte Haskins and Sells M K Ananthanarayanan Partner

SHRIRAM EPC LIMITED CHENNAI

DELOITTE HASKINS & SELLS CHENNAI-17 CHARTERED ACCOUNTANTS

Place: Chennai
Date : 30th May 2017