

IRSL:STEXCH:2017-18:
6th June 2017

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Bandra - Kurla Complex,
Bandra (E)
Mumbai - 400 051.
Thru.: **NEAPS**
Stock Code NSE: **INDORAMA**

BSE Limited
Floor 25,
P. J. Towers,
Dalal Street,
Mumbai - 400 001.
Thru.: **BSE Listing Centre**
Stock Code BSE: **500207**

ISIN: INE156A01020

Indo Rama Synthetics (India) Limited - CIN L17124MH1986PLC166615

Sub: Submission of Statement on impact of Audit Qualification (for audit report with modified opinion) for the FY ended 31st March 2017

Dear Sir,


This is with reference your E-mail dated 2nd June 2017, regarding the above subject.

In this connection, please find herewith Statement on impact of Audit Qualification (for audit report with modified opinion), Standalone and Consolidated, for the financial year ended 31st March 2017, in the prescribed format Annexure-I, for your reference and record.

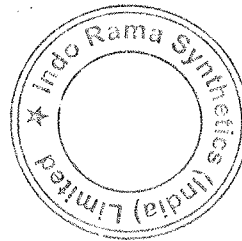
Hope you will find the same in order

Thanking You.

Yours faithfully,
for **Indo Rama Synthetics (India) Limited**


Jayantk Sood
CHRO & Company Secretary
(ICSI Membership No.: FCS 4482)

Encl.: As above



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

Statement on Impact of Audit Qualification for the Financial Year ended March 31, 2017
(See Regulation 33/52 of the SEBI (LODR) Amendment) Regulations, 2016)

(Rs. in Crores)

I.	Sl. No.	Particulars	Standalone	
			Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1	Turnover / Total income	2729.57	2726.65
	2	Total Expenditure	2813.80	2812.79
	3	Net Profit / (Loss) after tax	(84.23)	(86.14)
	4	Earnings Per Share (Rs.)	(5.55)	(5.67)
	5	Total Assets	1607.78	1539.83
	6	Total Liabilities	1106.08	1106.08
	7	Net Worth	501.70	433.75
	8	Any other financial item (s) (as felt appropriate by the Management)	-	-

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

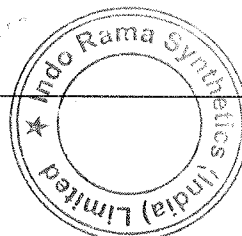
Qualifications referred to in paragraph 4(i) and 4(ii) of the Standalone Independent Auditors' Report dated 18 May 2017 to the members of Indo Rama Synthetics (India) Limited on the accounts for the year ended 31 March 2017:

(i) Attention is drawn to note 3 of the financial results relating to Deferred Tax Assets amounting to Rs. 54.08 crores as at 31 March 2017 recognised by the Company on the basis of future outlook of business confirming that sufficient future taxable income will be available against which these assets will be realized. In view of the losses suffered in the current as well as preceding periods, and other unused tax losses available to the Company, we are not in agreement with the deferred tax assets recognised. Had such income not been recognised, the net loss before tax for the year would have been higher by Rs. 54.08 crores, the net profit after tax for the year would have been lower by Rs. 54.08 crores and other equity as at 31 March 2017 would have been lower by Rs.54.08 crores.

(ii) Attention is drawn to Note 4 (b) of the Standalone Financial Results, which enumerates, recognition of interest of Rs. 13.87 crores for the year ended 31 March 2017 on the insurance claim lodged by the Company with its insurance company for the loss of certain assets and loss suffered due to business interruption at its plant in 2007-08. The said recognition of assets is not in accordance with accounting principle stated in Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets". Had such income not been recognised, the net loss before and after tax for the year ended 31 March 2017 would have been higher by Rs. 2.92 crores, the net loss before and after tax for the year ended 31 March 2016 would have been higher by Rs. 10.95 crores and Other equity as at 31 March 2017 would have been lower by Rs. 13.87 crores.

b. Type of Audit Qualification : Qualified opinion.**c. Frequency of Audit Qualification :** Appeared in the Auditors Review Report since the quarter ended 30 June 2016 and 30 September 2015, respectively.**d. For Audit Qualification(s) where the impact is qualified by the Auditor, Management's views:** The Company is of the view on the basis of legal advise that the amounts recognised are fully recoverable. The copy of Legal Opinion attached.**e. For Audit Qualification(s) where the impact is not quantified by the Auditor:** Not Applicable.**III. Signatory:**

President & Chief Financial Officer

Place: Gurgaon
Date: 06-Jun-2017

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

Statement on Impact of Audit Qualification for the Financial Year ended March 31, 2017
(See Regulation 33/52 of the SEBI (LODR) Amendment) Regulations, 2016)

(Rs. in Crores)

Sl. No.	Particulars	Consolidated (continuing operations)	
		Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
1	Turnover / Total income	2733.35	2730.43
2	Total Expenditure	2813.80	2812.79
3	Net Profit / (Loss) after tax	(80.45)	(82.36)
4	Earnings Per Share (Rs.)	(5.30)	(5.42)
5	Total Assets	1607.78	1539.83
6	Total Liabilities	1106.08	1106.08
7	Net Worth	501.70	433.75
8	Any other financial item (s) (as felt appropriate by the Management)	-	-

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

Qualifications referred to in paragraph 5(i) and 5(ii) of the Consolidated Independent Auditors' Report dated 18 May 2017 to the members of Indo Rama Synthetics (India) Limited on the accounts for the year ended 31 March 2017:

(i) Attention is drawn to note 6 of the financial results relating to Deferred Tax Assets amounting to Rs. 54.08 crores as at 31 March 2017 recognised by the Company on the basis of future outlook of business confirming that sufficient future taxable income will be available against which these assets will be realized. In view of the losses suffered in the current as well as preceding periods, and other unused tax losses available to the Company, we are not in agreement with the deferred tax assets recognised. Had such income not been recognised, the net loss before tax for the year would have been higher by Rs. 54.08 crores, the net profit after tax for the year would have been lower by Rs. 54.08 crores and other equity as at 31 March 2017 would have been lower by Rs.54.08 crores.

(ii) Attention is drawn to Note 7 (b) of the Consolidated Financial Results, which enumerates, recognition of interest of Rs. 13.87 crores for the year ended 31 March 2017 on the insurance claim lodged by the Company with its insurance company for the loss of certain assets and loss suffered due to business interruption at its plant in 2007-08. The said recognition of assets is not in accordance with accounting principle stated in Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets". Had such income not been recognised, the net loss before and after tax for the year ended 31 March 2017 would have been higher by Rs. 2.92 crores, the net loss before and after tax for the year ended 31 March 2016 would have been higher by Rs. 10.95 crores and Other equity as at 31 March 2017 would have been lower by Rs. 13.87 crores.

b. **Type of Audit Qualification** : Qualified opinion.

c. **Frequency of Audit Qualification** : Appeared in the Auditors Review Report in 31 March 2017 and 31 March 2016, respectively.

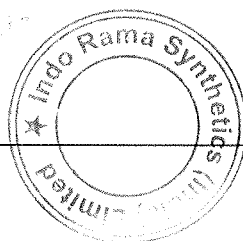
d. **For Audit Qualification(s) where the impact is qualified by the Auditor, Management's views**: The Company is of the view on the basis of legal advise that the amounts recognised are fully recoverable. The copy of Legal Opinion attached.

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

III. Signatory:

President & Chief Financial Officer

Place: Gurgaon
Date: 06-Jun-2017



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To,

Dated: 20.03.2015

Mr. Vishal Kant Sharma
Head Legal
INDO RAMA SYNTHETICS (INDIA) LTD
20th Floor, DLF Square,
DLF Phase-2, NH-8
Gurgaon-122002, Haryana, India

SUB: Appeal under Section 37 of the Arbitration and Conciliation Act 1996 challenging the Order dated 20.01.2015 passed in OMP No. 1036/2012 being IFFCO TOKIO GENERAL INSURANCE CO. LTD. Vs INDO RAMA SYNTHETICS LTD.

Dear Sir,

We have had meetings with the following Senior Advocates:

1. Mr. Harish Salve
2. Mr. Kapil Sibal
3. Mr. P. Chidambaram
4. Mr. C.K. Mukhopadhyay
5. Mr. Joy Basu

The main ground for filing an appeal is that in the garb of public policy the court cannot set aside an arbitral award unless it shocks the conscience of the court and is against justice and morality. In this case no issue of public policy arises because all that the arbitral tribunal has decided is which method of computation should be used in determining the loss that the insured has suffered. A court cannot sit on appeal on an arbitration award and the method of computation to be used to reach its conclusion, which is a matter of interpretation of the contract and which is solely the prerogative of the arbitral tribunal. Following is a list of grounds on which the Impugned order dated 20.01.2015 can be challenged.

- ⇒ The learned Single Judge exceeded its jurisdiction conferred upon him under section 34 of the Act in interfering with a pure finding of fact, by overlooking that when a court is applying the "public policy" test to an arbitration award, it is not empowered it to sit in appeal over the award of an Arbitral Tribunal by reassessing or re-appreciating the evidence.
- ⇒ A possible view by the arbitrator on facts has necessarily to pass muster as the arbitrator / arbitral tribunal, as the case may be, is the ultimate master of the quantity and quality of evidence to be relied upon when it delivers the arbitral award.

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- ⇒ The learned Single Judge has over-reached its jurisdiction under section 34 of the Act, by partly setting aside the Arbitral Award even when there existed no bar on the face of said Arbitral Award.
- ⇒ The learned Single Judge completely overlooked the settled position in law with respect to the unambiguous limited scope of interference under Section 34 of the Act, by erroneously substituting the considered plausible view arrived at by the learned Arbitral Tribunal after appreciating the entire factual matrix, conduct of the parties, the contractual context, evidence pleaded and proved before it with respect to the appropriate mode of assessment / computation, with that of its own.
- ⇒ When the arbitral tribunal is found to have acted within its jurisdiction, no further question shall be raised and the court will not exercise its jurisdiction unless it is found that there exists any bar on the face of the award.
- ⇒ The broad guidelines and criteria laid down by the '*Insurance Institute of India in IC-57 Fire and Consequential Loss Insurance*' for application of the 'output' method for computing losses, stood indisputably satisfied in the facts and circumstances of the present case.
- ⇒ The terms of the contract can be express or implied, and the conduct of the parties would also be a relevant factor in the matter of construction of a contract. The construction of the contract agreement is purely within the jurisdiction of the arbitrators having regard to the wide nature, scope and ambit of the arbitration agreement and thus, the Arbitral Tribunal could not have been said to have misdirected themselves in passing the Award by taking into consideration the conduct of the parties.
- ⇒ To cover and protect INDO RAMA (hereinafter referred to as 'the Insured') from any unforeseen contingency, the Parties themselves had agreed to incorporate the '*Alternative Basis Clause*' being the "output" method for computing the losses alongside the standard "turnover" method, and on the basis of which, the premium payable by the Appellant / Insured was computed and paid by the insured.
- ⇒ After carefully analyzing and thoroughly examining the intent, object and purpose of the contract entered into between the parties, the learned Arbitral Tribunal had decided the '*Alternative Basis Clause*' being the "output" method to be the appropriate mode for computing the losses suffered by the insured. The learned Single Judge failed to appreciate that a contract of insurance covers a contingency, which necessarily amounts to a loss attributable to the insured and therefore is distinct and separate from the realm of ordinary contract.

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- ⇒ The reason for introducing the *Alternative Basis Clause* to be calculated on output basis was due to sales of the insured being cyclical and correspondingly sales/turnover vary from time to time as the industry / markets have cyclic ups and downs. Thus, in order to cater to this cyclic demand as contra distinct to a continuous stable demand, the production in any case has to be kept constant in order to cater to the upward cycle in the demand whenever it happens which is difficult to predict. Consequently, the production/output remains constant and accumulation of stocks if any during a downward sale cycle gets depleted over a period of time when the markets pick up. Therefore, due to the cyclical nature of sale and demand, the insured sought protection in terms of the insurance cover based on actual production/output rather than turnover.
- ⇒ The accepted legal position that different formulae can be applied in different circumstances and the question as to whether damages ought to have been computed by taking recourse to one or the other methods and / or formula, having regard to the facts and circumstances of a particular case, would eminently fall within the domain of the learned Arbitral Tribunal.
- ⇒ The learned Arbitral Tribunal had placed reliance on the “output method” for calculating the losses suffered by the insured, was an alternative basis clause in the contract, and which was agreed between the parties to be invoked “*whenever found necessary*”. Thus, the decision of the learned Arbitral Tribunal upholding the “output” method as the appropriate method for computation was well within the contract entered into between the Parties and indeed, a plausible interpretation that does not render the award unjust and unreasonable. It is well settled that that if two views are possible from a situation, an Arbitrator is fully entitled to take one plausible view.
- ⇒ The appointment of Shri R.Srivatsan as the Surveyor was acceptable to both parties as is evident from the letter of the Respondent dated 6th September 2010. It is also important to note that the material placed before the learned Tribunal, the Report of Shri R.Srivatsan was upheld by the learned Arbitral Tribunal, which demonstrates that the quantum of loss stands fully established twice over both by the Surveyor Shri R. Srivatsan as well as the Learned Arbitral Tribunal. It is further submitted that even the initial surveyor Shri Adarsh Gupta did not at any stage question the loss of quantum of output of the insured.
- ⇒ The findings arrived at by the learned Tribunal was after duly considering the conduct of the Parties including the Surveyors. It is submitted that the Surveyor

appointed by the insurance company was completely unreliable and unworthy of credit, which further corroborates in view of the various self-contradictory stands taken by it, as also ascertained by the learned Tribunal. It is submitted that in passing the Arbitral Award, the learned Tribunal categorically observed one such fallacious statement made by the surveyor to the extent that both turnover and output methods would lead to the same result, which was subsequently contradicted by the said Surveyor, by stating that the results may vary if calculated by both the methods.

- ⇒ The Arbitral Award was passed by the learned Tribunal was passed after carefully analyzing the entire evidence led, pleaded and proved before it, and in pursuance thereof, the learned Tribunal concluded that the calculations provided by the insured herein for the amount of loss claimed have neither been disputed by the respondent not by the surveyor.

All the Senior Advocates are of the unanimous opinion that this is a fit case for filing appeal under Section 37 thereby challenging the said order and that the appeal should be filed at the earliest. We have now filed an appeal in the Hon'ble High Court of Delhi and you shall be informed about the date as and when the said matter is listed before this Hon'ble Court.

Yours faithfully


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