

Singhi & Co.

Chartered Accountants

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Limited Review Report on Quarterly and Year-to-date Standalone Financial Results of Electrosteel Castings Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,
The Board of Directors,
Electrosteel Castings Limited

We have reviewed the accompanying statement of Unaudited Financial Results of **Electrosteel Castings Limited** ("the Company") for the quarter ended December 31, 2018 and the year-to-date results for the period from April 01, 2018 to December 31, 2018 together with the notes thereon ("the Statement") attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI's Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

This Statement, which is the responsibility of the Company's management and approved by the Board of Directors in their meeting held on January 29, 2019, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), 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.

We conducted our review of the Statement in accordance with the Standard on Review Engagement (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 Financial 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 provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Attention is drawn to the following notes of the accompanying results:

- a) Note No. 4 in respect to cancellation of coal block allotted to the company in earlier years and non-recognition of the claims receipt thereof & non-carrying of any adjustment in the books of accounts for the reasons stated in the note. Pending acceptance of claim, disclosures as per Indian Accounting standard will be given effect on final settlement and the balances appearing in the books of accounts in respect to such coal block have been carried forward at their carrying cost and disclosed as capital work in progress, property plant & equipment, inventories and other heads of account. The impact and consequential adjustment thereof are not presently ascertainable.
- b) Note No. 5 in respect of cancellation of North Dhadhu Coal block and non impairment in the value of the Investment and share of Bank guarantee in the Joint Venture Company, pending determination of the claim for compensation.
- c) Note No. 7 in respect to Company's investment amounting to Rs. 1653.76 lacs in Electrosteel Steels Limited (ESL), the pledge of which was invoked by the lenders of ESL and the same has been set aside by the Hon'ble Calcutta High Court. The plea of the company to release the pledge is pending before the Hon'ble Calcutta High Court. Further certain fixed assets of Elavur plant of the Company which are mortgaged in favor of a Lender of ESL who has assigned his rights to another entity, has been disputed by the company as enumerated in the note. Above exposures have been carried forward at their carrying value & no impairment has been provided in respect to above and the impact of which is not presently ascertainable.



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- d) Impact with respect to (a), (b) and (c) above are presently not ascertainable and as such cannot be commented upon by us.

Based on our review conducted as stated above, we report that, excepting the possible effect of the matters stated (a) to (c) above, nothing has come to our attention that causes us to believe that the accompanying statement, prepared in accordance with the applicable Indian Accounting Standards as prescribed under section 133 of the Companies Act, 2013, read with relevant rules issued there under 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 read with SEBI's Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016, including the manner in which it is to be disclosed, or that it contains any material mis-statement.



For Singhi & Co.
Chartered Accountants
Firm's Registration No. 302049E

(GOPAL JAIN)
Partner
Membership No. 59147

Place: Kolkata
Date: January 29, 2019

**ELECTROSTEEL CASTINGS LIMITED**

CIN: L27310OR1955PLC000310

Registered Office : Rathod Colony, P. O. Rajgangpur, Sundergarh, Odisha 770 017

Tel. No.:+91 06624 220 332; Fax:+91 06624 220 332

Corporate Office: 19, Camac Street, Kolkata 700 017

Website: www.electrosteelcastings.com

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(Rs.in lakhs)

STATEMENT OF STANDALONE UNAUDITED RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31/12/2018

Particulars	3 months ended 31/12/2018	Preceding 3 months ended 30/09/2018	Corresponding 3 months ended in the previous year 31/12/2017	Year to date figures for current period ended 31/12/2018	Year to date figures for previous period ended 31/12/2017	Year to date figures for previous year ended 31/03/2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1. Revenue From Operations	64100.01	56381.29	51166.35	169417.68	141399.12	194366.44
2. Other Income	1416.72	1493.66	2210.88	4457.37	5654.06	7991.72
3. Total income (1 + 2)	65516.73	57874.95	53377.23	173875.05	147053.18	202358.16
4. EXPENSES						
(a) Cost of materials consumed	32700.13	26247.94	22529.34	82474.31	64004.37	87314.93
(b) Purchases of Stock-in-Trade	1526.60	1546.82	2155.90	4286.07	6262.66	7600.88
(c) Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	(2844.93)	(2642.47)	1354.02	(8610.95)	(2738.68)	(32.74)
(d) Employee benefits expense	5276.85	5445.51	4733.05	15252.87	14828.31	18880.82
(e) Finance costs	5735.20	5470.36	4516.95	17772.68	15015.31	20231.83
(f) Depreciation and amortization expense	1335.34	1409.74	1517.35	4165.33	4525.54	5921.85
(g) Other expenses	17419.29	16527.78	13421.79	49526.97	41978.03	57881.73
Total expenses	61148.48	54005.68	50228.40	164867.28	143875.54	197999.30
5. Profit / (Loss) before exceptional items and tax (3 - 4)	4368.25	3869.27	3148.83	9007.77	3177.64	4358.86
6. Exceptional Items	-	(21121.70)	-	(78990.08)	-	-
7. Profit / (Loss) before tax (5 - 6)	4368.25	(17252.43)	3148.83	(69982.31)	3177.64	4358.86
8. Tax expense:						
Current tax	-	-	1890.28	-	2154.65	2503.00
Deferred tax	1535.59	(6421.75)	(780.19)	(4615.36)	(1410.03)	(1118.64)
Related to earlier year	-	-	-	-	-	(1724.14)
9. Profit / (Loss) for the period (7 - 8)	2832.66	(10830.68)	2038.74	(65366.95)	2433.02	4698.64
10. Other Comprehensive Income						
A (i) Items that will not be reclassified to profit or loss						
a) Remeasurements of the defined benefit plans	4.31	4.29	(30.76)	12.90	(92.28)	14.33
b) Equity instruments through other comprehensive income	(4971.67)	2860.48	-	(622.52)	(5.49)	(9.09)
(ii) Income tax relating to items that will not be reclassified to profit or loss	(1.50)	(6.78)	10.64	(9.78)	33.20	(1.91)
B (i) Items that will be reclassified to profit or loss						
a) Effective portion of Cash flow hedge reserve	50.56	99.43	126.61	267.44	176.65	290.25
(ii) Income tax related to items that will be reclassified to profit or loss	(17.67)	(34.75)	(43.82)	(93.46)	(61.14)	(99.55)
Other Comprehensive Income for the year (net of tax)	(4935.97)	2922.67	62.67	(445.42)	50.94	194.03
11. Total Comprehensive Income for the period (9 + 10)	(2103.31)	(7908.01)	2101.41	(65812.37)	2483.96	4892.67
12. Paid-up equity share capital (Face value - Re. 1/-)	4054.82	4054.82	3569.55	4054.82	3569.55	3569.55
13. Other equity excluding revaluation reserve						285625.01
14. Earnings per equity share of par value of Re. 1 each.						
(1) Basic (Rs.)	0.74	(2.94)	0.57	(17.17)	0.68	1.32
(2) Diluted (Rs.)	0.74	(2.94)	0.57	(17.17)	0.68	1.32



Notes:

1. The above financial results which have been prepared in accordance with Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI circular dated July 5, 2016, have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on January 29, 2019. The above results have been subjected to Limited Review by the Statutory Auditors.
2. The Company operates mainly in one business segment viz. Pipes and all other activities revolve around the main business.
3. Due to delay in grant of forest, environment and other clearances from various authorities and execution of mining lease of an area of 192.50 ha. by the State Government of Jharkhand for iron and manganese ores at Dirsumburu in Kodilabad Reserve Forest, Saranda of West Singhbhum, Jharkhand, the validity period of letter of intent granted in this respect expired on January 11, 2017. The Company filed a writ petition before the Hon'ble High Court of Jharkhand on January 10, 2017, praying inter-alia for direction for grant of said lease in favour of the Company. The Hon'ble High Court in its order while observed, being not averse in granting relief with respect to cut off date, admitted the said petition and fixed the case for further hearing and adjudication. Pending decision of the Hon'ble High Court, Rs.5748.91 lakhs so far incurred in connection with these Mines/related facilities, have been carried forward under respective heads of fixed assets, capital work in progress and advances.
4. In pursuance of the Order dated September 24, 2014 issued by the Hon'ble Supreme Court of India (the Order) followed by the Ordinance promulgated by the Government of India, Ministry of Law & Justice (legislative department) dated October 21, 2014 (Ordinance) for implementing the Order, allotment of Parbatpur coal block (coal block/mines) to the Company which was under advanced stage of implementation, had been cancelled w.e.f. April 01, 2015. In terms of the Ordinance, the Company was allowed to continue the operations in the said block till March 31, 2015. Accordingly, the said block had been handed over to Bharat Coking Coal Limited (BCCL) as per the direction from Coal India Ltd. (CIL) with effect from April 01, 2015 and the same has been subsequently allotted to Steel Authority of India Limited (SAIL).

Following a petition filed by the Company, the Hon'ble High Court at Delhi has pronounced its judgement on March 09, 2017. Accordingly based on the said judgement, the Company has claimed Rs.153176.00 lakhs towards compensation against the said coal block, acceptance whereof is awaited. Aggrieved due to delay in acceptance of claim, on a petition filed by the Company before the Hon'ble High Court, the Hon'ble Court had directed to Ministry of Commerce to expedite the matter. The Hon'ble Court has further directed the appropriate authority to take decisions within a specific time frame and the matter is pending.

Pending acceptance of the Company's claim as above;

(i) Rs.128884.11 lakhs incurred pertaining to the coal block till March 31, 2015 after setting off income, stocks etc. there against as per the accounting policy then followed by the Company has been continued to be shown as freehold land, capital work in progress, other fixed assets and other respective head of accounts;

(ii) Interest and other finance cost for the year ended March 31, 2016 against the fund borrowed and other expenses directly attributable in this respect amounting to Rs. 9514.74 lakhs has been considered as other recoverable under current assets; and

(iii) Compensation of Rs. 8312.34 lakhs so far received and net realisations/claims against sale of assets, advances, input credits etc. amounting to Rs. 2054.70 lakhs have been adjusted.

Disclosure as per Indian Accounting Standard and adjustments arising with respect to above will be given effect to on final acceptance/settlement of the claim.

5. In terms of the Hon'ble Supreme Court Order as referred above, North Dhadhu Coal Block, allotted in joint venture with other companies, has also been cancelled w.e.f. September 24, 2014. The Company barring initial contribution of Rs. 822.81 lakhs and Company's share of bank guarantee amounting to Rs. 2745.00 lakhs (encashment of which has been stayed by Hon'ble High Court of Jharkhand) has not made any further investments in the said joint venture company. In view of the management, the compensation to be received in terms of the The Coal Mines (Special Provision) Ordinance 2014, is expected to cover the cost incurred by the Joint Venture Company and thereby no adjustments towards any impairment in value of such investment is required at this stage.
6. The Board of Directors of the Company, at its meeting held on August 11, 2014 had approved the Scheme of Amalgamation ("the Scheme") of its wholly owned subsidiary, Mahadev Vyapaar Pvt. Ltd. with the Company with effect from April 1, 2014 ("Appointed Date"). Pending approval by National Company Law Tribunal, Kolkata Bench ("NCLT"), no effect of the Scheme has been carried out.
7. In view of approved resolution plan as confirmed by Hon'ble National Company Law Appellate Tribunal (NCLAT) by its order dated August 10, 2018 and pursuant to issuance of additional Equity Shares by Electrosteel Steels Limited (ESL) for giving impact of the resolution plan, ESL had ceased to be an associate of the Company during the quarter ended June 30, 2018. To comply with the requirements of Ind AS 109 "Financial Instruments", the Company had fair valued the investment in ESL and a sum of Rs. 57868.38 lakhs representing difference between the carrying value of said investment and fair value on the date of change of status was considered as exceptional item in statement of Profit and Loss in the quarter ended June 30, 2018. The company had elected the option under the said Ind AS to present the subsequent fair value changes of the said investment through Other Comprehensive Income. Further in terms of the approved resolution plan, advances and trade receivable amounting to Rs. 21121.70 lakhs receivable from ESL was written off during previous quarter and shown as exceptional item in statement of Profit and Loss.
During the quarter, shares of ESL were delisted and Vedanta Star Limited (holding company of ESL) has made an exit offer to the shareholders of ESL at price of Rs. 9.54 per share which is open till December 20, 2019. In view of non availability of fair value of shares of ESL due to delisting, the Company has considered the exit price as the basis of valuation of investment in ESL and sum of Rs. 4971.67 lakhs has been provided during the quarter.
Further Investment amounting to Rs. 1653.76 lakhs in ESL as on December 31, 2018 are pledged with the lenders of the ESL. The consortium of the lenders had issued notice for the invocation of such shares which has been disputed by the Company and on the plea filed by the Company, the Hon'ble High Court of Calcutta has set aside the notices issued by the lenders. The Company's plea for release of the pledge is pending before the Hon'ble Court.
One of the lenders of ESL in whose favour the Company had mortgaged certain Land & Building of the Company situated at Elavur, Tamilnadu, has assigned its rights in the favour of another entity which has been disputed by the company. Pending settlement of the matter, these assets have been carried forward at their carrying book value.



8. Capital work in progress and security deposits includes a sum of Rs. 4066.42 lakhs and Rs. 30.04 lakhs respectively towards construction of railway siding in Haldia, West Bengal. The railways authorities have withdrawn permission for the railways siding which is contested by the Company. The Company is also exploring alternate avenues to utilise the siding and hence carried the same at book value.
9. In accordance with the requirements of Ind AS, revenue from operations for the quarter and nine months ended December 31, 2018 and quarter ended December 31, 2017 and September 30, 2018 is net of Goods and Service Tax (GST). However revenue for the nine month ended December 31, 2017 and year ended March 31, 2018 being inclusive of excise duty are not comparable with corresponding figures.
10. Pre Goods & Service Tax (GST), the Company was enjoying certain benefits under Industrial Promotion Scheme of State Government. Post GST, pending notifications by the State Government, on prudent basis, the Company has not recognised any income under the scheme from July 01, 2017, as the amount thereof is presently unascertainable.
11. Other Income for the quarter and nine months ended December 31, 2018 includes Rs. 803.00 lakhs on account of gain on earlier redemption of Non Convertible Debentures amounting to Rs. 16050.00 lakhs.
12. Previous periods' figures have been regrouped/rearranged wherever necessary.

For ELECTROSTEEL CASTINGS LTD.


Mahendra Kumar Jalan

Whole-time Director
(DIN: 00311883)

Kolkata
January 29, 2019

