

**ISMT Limited**

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**STATEMENT OF AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31st MARCH,2017**

Sr. No	Particulars	Standalone				Rs. in Crore Consolidated	
		Quarter ended 31st March,2017	Quarter ended 31st Dec,2016	Quarter ended 31st March,2016	Year ended 31st March, 2017	Year ended 31st March, 2016	Year ended 31st March, 2016
		Refer Note No 9	Unaudited	Unaudited	Audited	Audited	Audited
<b>1</b>	<b>Income</b>						
	<b>Revenue from Operations</b>						
	<b>Sales of Products</b>	<b>351.38</b>	<b>346.43</b>	<b>317.81</b>	<b>1,418.72</b>	<b>1,331.28</b>	<b>1,412.12</b>
	Less : Inter Segment Transfers	64.07	55.85	49.58	227.92	232.55	232.55
	Inter Division Transfers	17.80	11.41	5.90	51.42	24.57	24.57
	Sales to Subsidiary Companies	-	-	-	-	-	54.41
	Excise Duty	23.71	27.27	27.03	110.60	105.72	105.72
	(a) Net Sales	245.80	251.90	235.30	1,028.78	968.44	1,069.74
	(b) Other Operating Revenue ( net)	7.36	5.22	7.70	24.40	23.24	24.87
	<b>(c) Revenue from Operations - Net ( a+b )</b>	<b>253.16</b>	<b>257.12</b>	<b>243.00</b>	<b>1,053.18</b>	<b>991.68</b>	<b>1,014.75</b>
	(d) Other Income	2.62	0.56	6.34	6.07	12.08	6.48
	<b>Total Revenue - ( c+d )</b>	<b>255.78</b>	<b>257.68</b>	<b>249.34</b>	<b>1,059.25</b>	<b>1,003.76</b>	<b>1,027.45</b>
<b>2</b>	<b>Expenses</b>						
	(a) Cost of Materials Consumed	136.92	132.59	115.15	522.43	477.62	529.10
	(b) Purchases of stock-in-trade	-	0.04	-	0.04	0.04	0.04
	(c) Changes in inventories of finished goods, work -in - progress and stock-in-trade	(6.22)	(10.41)	23.73	13.01	51.52	14.40
	(d) Employee Benefits Expense	28.02	28.04	27.91	110.14	106.30	121.55
	(e) Finance Costs	58.54	69.54	77.85	268.89	280.13	270.07
	(f) Depreciation and Amortisation Expense	19.49	17.14	18.01	70.63	71.83	73.78
	(g) Other Expenses	85.90	93.59	83.61	363.38	344.06	362.05
	<b>Total Expenses</b>	<b>322.65</b>	<b>330.53</b>	<b>346.26</b>	<b>1,348.52</b>	<b>1,331.50</b>	<b>1,368.42</b>
<b>3</b>	<b>Profit / (Loss) from Operations before exceptional and extraordinary items and Tax ( 1-2 )</b>	<b>(66.87)</b>	<b>(72.85)</b>	<b>(96.92)</b>	<b>(289.27)</b>	<b>(327.74)</b>	<b>(340.97)</b>
<b>4</b>	<b>Exceptional items - Foreign Exchange (Gain) / Loss</b>	<b>(1.08)</b>	<b>0.69</b>	<b>(4.80)</b>	<b>(0.83)</b>	<b>45.08</b>	<b>(0.29)</b>
<b>5</b>	<b>Profit / (Loss) before extraordinary items and tax (3-4)</b>	<b>(65.79)</b>	<b>(73.54)</b>	<b>(92.12)</b>	<b>(288.44)</b>	<b>(372.82)</b>	<b>(385.38)</b>
<b>6</b>	<b>Extraordinary items</b>	-	-	-	-	-	-
<b>7</b>	<b>Profit / (Loss) before tax (5-6)</b>	<b>(65.79)</b>	<b>(73.54)</b>	<b>(92.12)</b>	<b>(288.44)</b>	<b>(372.82)</b>	<b>(385.38)</b>
<b>8</b>	<b>Tax Expenses :</b>						
	(a) Current Tax	-	-	-	-	-	-
	(b) MAT Credit - written off	-	-	9.39	-	9.39	0.01
<b>9</b>	<b>Net Profit / (Loss) for the period from continuing operations before Share of Minority Interest and Associate (7-8)</b>	<b>(65.79)</b>	<b>(73.54)</b>	<b>(101.51)</b>	<b>(288.44)</b>	<b>(382.21)</b>	<b>(394.81)</b>
<b>10</b>	<b>Share of Minority Interest</b>	-	-	-	-	-	-
<b>11</b>	<b>Share of Associate (Rs NIL Lacs, Previous year Rs. 0.32 Lacs)</b>	-	-	-	-	-	(0.02)
<b>12</b>	<b>Net Profit / ( Loss) for the period after tax and Share of Minority Interest and Associate(9-10-11)</b>	<b>(65.79)</b>	<b>(73.54)</b>	<b>(101.51)</b>	<b>(288.44)</b>	<b>(382.21)</b>	<b>(394.78)</b>
<b>13</b>	<b>Earnings per share</b>						
	Basic & Diluted Earnings per share of Rs.5/- each (Rs) ( not annualised)	(4.49)	(5.02)	(6.93)	(19.69)	(26.09)	(19.83)

SEGMENT WISE AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31<sup>st</sup> MARCH, 2017.

Rs. in Crore

Sr No	Particulars	Standalone				Consolidated		
		1	2	3	4	5	6	7
		Quarter ended 31st March, 2017	Quarter ended 31st Dec, 2016	Quarter ended 31st March, 2016	Year ended 31st March, 2017	Year ended 31st March, 2016	Year ended 31st March, 2017	Year ended 31st March, 2016
	Refer Note No 9	Unaudited	Unaudited	Audited	Audited	Audited	Audited	
<b>1 Segment Revenue</b>								
a) Gross Sales – Tube		211.93	175.63	172.33	750.56	644.85	845.93	725.69
Less : Inter Division Sales to Subsidiary Companies		17.80	11.41	5.90	51.42	24.57	51.42	24.57
Excise Duty		-	-	-	-	-	54.41	57.77
		15.00	14.45	15.73	60.93	53.84	60.93	53.84
<b>Sub total</b>		<b>179.13</b>	<b>149.77</b>	<b>150.70</b>	<b>638.21</b>	<b>566.44</b>	<b>679.17</b>	<b>589.51</b>
b) Gross Sales – Steel		139.45	170.80	145.48	668.16	686.43	668.16	686.43
Less : Inter Segment Excise Duty		64.07	55.85	49.58	227.92	232.55	227.92	232.55
		8.71	12.82	11.30	49.67	51.88	49.67	51.88
<b>Sub total</b>		<b>66.67</b>	<b>102.13</b>	<b>84.60</b>	<b>390.57</b>	<b>402.00</b>	<b>390.57</b>	<b>402.00</b>
<b>Total Net Sales/ Income from Operations</b>		<b>245.80</b>	<b>251.90</b>	<b>235.30</b>	<b>1,028.78</b>	<b>968.44</b>	<b>1,069.74</b>	<b>991.51</b>
<b>2 Segment Results</b>								
Profit / ( Loss) after Depreciation and Before Finance Costs & Exceptional items, Unallocable income (net) and Tax.								
a) Tube		(6.52)	(11.68)	(23.19)	(43.83)	(70.79)	(43.93)	(78.22)
b) Steel *		(1.88)	10.52	2.44	28.02	24.85	28.02	24.85
<b>Total</b>		<b>(8.40)</b>	<b>(1.16)</b>	<b>(20.75)</b>	<b>(15.81)</b>	<b>(45.94)</b>	<b>(15.91)</b>	<b>(53.37)</b>
Less : Finance Costs		58.54	69.54	77.85	268.89	280.13	270.07	282.44
: Exceptional item - Foreign Exchange ( Gain) / Loss		(1.08)	0.69	(4.80)	(0.83)	45.08	(0.29)	44.41
Add : Unallocable Income ( Net of Unallocable Expenses)		0.07	(2.15)	1.68	(4.57)	(1.67)	(4.90)	(5.16)
<b>Total Profit / ( Loss) Before Tax</b>		<b>(65.79)</b>	<b>(73.54)</b>	<b>(92.12)</b>	<b>(288.44)</b>	<b>(372.82)</b>	<b>(290.59)</b>	<b>(385.38)</b>
Less : Tax Expenses		-	-	-	-	-	0.01	0.04
Current Tax		-	-	-	-	-	-	-
MAT Credit written off		-	-	9.39	-	9.39	-	9.39
<b>Total Profit / ( Loss) After Tax</b>		<b>(65.79)</b>	<b>(73.54)</b>	<b>(101.51)</b>	<b>(288.44)</b>	<b>(382.21)</b>	<b>(290.60)</b>	<b>(394.81)</b>
Less: Share of Minority Interest		-	-	-	-	-	(0.02)	(0.03)
: Share of Associate (Rs. NIL, Previous Year Rs. 0.32 Lacs)		-	-	-	-	-	-	-
<b>Profit / ( Loss) After Share of Minority Interest and Associate</b>		<b>(65.79)</b>	<b>(73.54)</b>	<b>(101.51)</b>	<b>(288.44)</b>	<b>(382.21)</b>	<b>(290.58)</b>	<b>(394.78)</b>
<b>3 Capital Employed Segment Assets</b>								
a) Tube		1,432.79	1,437.63	1,464.90	1,432.79	1,464.90	1,447.19	1,450.99
b) Steel		387.73	419.09	413.03	387.73	413.03	387.73	413.03
c) Unallocable		622.48	606.70	601.24	622.48	601.24	606.92	587.40
<b>Total Assets</b>		<b>2,443.00</b>	<b>2,463.42</b>	<b>2,479.17</b>	<b>2,443.00</b>	<b>2,479.17</b>	<b>2,441.84</b>	<b>2,451.42</b>
<b>Segment Liabilities</b>								
a) Tube		102.85	104.95	143.21	102.85	143.21	125.92	116.25
b) Steel		86.47	106.66	125.85	86.47	125.85	86.47	125.85
c) Unallocable		2,605.79	2,538.12	2,273.78	2,605.79	2,273.78	2,635.60	2,326.59
<b>Total Liabilities</b>		<b>2,795.11</b>	<b>2,749.73</b>	<b>2,542.84</b>	<b>2,795.11</b>	<b>2,542.84</b>	<b>2,847.99</b>	<b>2,568.69</b>

\* Includes profit on steel captively consumed by Tube Segment

## ISMT LIMITED

## STATEMENT OF ASSETS AND LIABILITIES

Rs. In Crore

Particulars	Standalone		Consolidated	
	As at	As at	As at	As at
	31 <sup>st</sup> Mar, 2017	31 <sup>st</sup> Mar, 2016	31 <sup>st</sup> Mar, 2017	31 <sup>st</sup> Mar, 2016
	Audited	Audited	Audited	Audited
<b>A EQUITY AND LIABILITIES</b>				
<b>1 Shareholders' Funds</b>				
a) Share Capital	73.25	73.25	73.25	73.25
b) Reserves & Surplus	(425.36)	(136.92)	(479.40)	(190.52)
<b>Total Shareholders' funds</b>	<b>(352.11)</b>	<b>(63.67)</b>	<b>(406.15)</b>	<b>(117.27)</b>
<b>2 Non - Current Liabilities</b>				
a) Long Term Borrowings	630.54	819.51	641.68	850.25
b) Deferred Tax Liabilities (net)	-	-	-	-
c) Long Term Provisions	6.37	6.54	7.47	7.97
<b>Total Non Current Liabilities</b>	<b>636.91</b>	<b>826.05</b>	<b>649.15</b>	<b>858.22</b>
<b>3 Current Liabilities</b>				
a) Short Term Borrowings	1,058.65	922.42	1,075.76	942.05
b) Trade Payables				
Payables to Micro and Small Enterprises	0.05	0.03	0.05	0.03
Other Payables	128.89	218.09	141.36	219.75
c) Other Current Liabilities	968.04	573.38	979.10	580.05
d) Short Term Provisions	2.57	2.87	2.57	2.87
<b>Total Current Liabilities</b>	<b>2,158.20</b>	<b>1,716.79</b>	<b>2,198.84</b>	<b>1,744.75</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,443.00</b>	<b>2,479.17</b>	<b>2,441.84</b>	<b>2,485.70</b>
<b>B ASSETS</b>				
<b>1 Non - Current Assets</b>				
a) Fixed Assets				
Tangible Assets	1,447.44	1,519.40	1,488.58	1,563.76
Capital Work-in-Progress	17.29	5.01	105.56	94.11
b) Goodwill on Consolidation	-	-	37.67	37.67
c) Non-Current Investment	52.81	52.79	0.02	-
d) Long Term Loans and Advances	141.40	129.70	2.78	8.41
e) Other Non Current Assets	83.18	83.18	84.21	84.35
<b>Total Non Current Assets</b>	<b>1,742.12</b>	<b>1,790.08</b>	<b>1,718.82</b>	<b>1,788.30</b>
<b>2 Current Assets</b>				
a) Inventories	322.64	331.25	333.54	343.18
b) Trade Receivables	200.16	187.98	203.40	181.40
c) Cash and Cash Equivalents	48.42	33.46	51.37	35.05
d) Short Term Loans and Advances	25.50	31.52	29.21	31.77
e) Other Current Assets	104.16	104.88	105.50	106.00
<b>Total Current Assets</b>	<b>700.88</b>	<b>689.09</b>	<b>723.02</b>	<b>697.40</b>
<b>Total Assets</b>	<b>2,443.00</b>	<b>2,479.17</b>	<b>2,441.84</b>	<b>2,485.70</b>

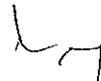
NOTES ON AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2017

1. The Company had exercised the option as per Para 46A inserted in the AS-11 for treatment of exchange difference on long term monetary liabilities. Accordingly Exchange Gain of Rs. 3.68 Crore for the quarter ended March 31, 2017 and Rs. 6.75 Crore for the year ended March 31, 2017 has been adjusted to the respective fixed asset cost.
2. The Company through its Subsidiary Company, ISMT Enterprises S.A., Luxembourg has invested Rs. 48.43 Crore in Structo Hydraulics AB, Sweden (SHAB). The Company had given a corporate guarantee / Stand by Letter of Credit of Rs 33.33 Crore (USD 5 million) in respect of loans availed by SHAB and the same has been invoked by the lender of SHAB and the Company is seeking requisite approvals from the regulatory authorities for treating the said payment as equity investment in SHAB. The receivable on account of sales made to SHAB is Rs. 64.66 Crore against which a provision for doubtful debts has been made of Rs. 50.39 Crore up to financial year 2016-17 and the net balance as on March 31, 2017 of Rs.14.27 Crore is collectible. No provision, however, has been made in respect of diminution in the value of investment made in ISMT Enterprises S.A., which is in the nature of forward integration and considered Strategic and Long Term.
3. i) Maharashtra Electricity Regulatory Commission (MERC) had disallowed Company's petition regarding banking of energy facility under Energy Banking Agreement (EBA) vide its orders dated June 20, 2014 and January 12, 2015. The Company filed an appeal before the Appellate Tribunal (APTEL) against the said order and the same has been dismissed by the APTEL vide their order dated April 1, 2016. Thereafter, the Company filed an appeal, challenging the APTEL order, before the Hon'ble Supreme Court and the same has been admitted by the Supreme Court on August 1, 2016. The Company had accrued EBA benefit aggregating to Rs. 49.97 Crore up to March 31, 2014, of which amount outstanding as on March 31, 2017 is Rs. 39.53 Crore, representing excess energy charges paid to Maharashtra State Electricity Distribution Company Limited (MSEDCL) on account of non-availability of banking facility. There was no further accrual since April 1, 2014 on account of suspension of operation of power plant.  
  
ii) In view of the above the Company has not been able to operate the 40 MW Captive Power Plant (CPP) and is held for sale. In the opinion of the management, the net realizable value of the CPP is not less than its carrying amount of Rs. 240. 80 Crore.
4. Employee Benefits Expense includes remuneration payable to the Managing Director and Executive Director for the quarter ended March 31, 2017 of Rs. 0.75 Crore and Rs.1.92 Crore for the year ended March 31, 2017 and cumulatively amounting to Rs. 2.26 Crore up to March 31, 2017, which is subject to approval of the Central Government.
5. The Company has unabsorbed Minimum Alternate Tax (MAT) credit entitlement as at March 31,2017 of Rs. 82.05 Crore, which is allowed to be carried forward for a period of fifteen years under the Income Tax Act,1961 from the year in which MAT was paid and will lapse thereafter. Accordingly, the unabsorbed MAT shall be provided in the statement of profit and Loss to the extent of lapse of MAT credit in the respective years.
6. As a result of various corrective steps taken in the past, the Company's net loss for the year has come down from Rs. 382.21 Crore to Rs. 288.44 Crore. In view of other important developments including levy of long term anti-dumping duty by the Government of India effective February 17, 2017 on import of tubes from China and with increase in oil prices and gradual pick up in the economy. The Company has, therefore, continued to prepare its financial statements on Going Concern basis.
7. The lenders of the Company are exploring various options for debt resolution and pending the same, interest on the loans has been provided as per the terms of sanction letters of the respective banks on simple interest basis. However no overdue / penal and compounding of interest, if any, has been provided.
8. Tridem Port and Power Company Private Limited (TPPCL), the wholly owned subsidiary of the Company, along with its subsidiaries had proposed to set up a thermal power project along with its captive port in Tamil Nadu. However, on account of subsequent adverse developments, the Company has decided not to pursue these projects. No provision has, however, been considered necessary for the amount invested of Rs 2.58 Crore and advances given to TPPCL of Rs 105.29 Crore, since in the opinion of the management, the Company expects to realise not less than the amount invested/advanced.

9. The figures of the last quarter of year ended March 31, 2017 are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the current financial year.
10. The consolidated financial statements have been prepared in accordance with Accounting Standard-(AS) 21.
11. The comparative figures have been regrouped and reclassified to meet the current quarter's classification.

The above results have been reviewed by the Audit committee and approved by the Board of Directors at their meetings held on May 30, 2017.

For ISMT Limited



Rajiv Goel  
Whole-time Director &  
Chief Financial Officer

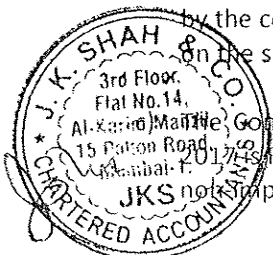
Place: Pune  
Date: May 30, 2017

**Auditors' Report on the Standalone Financial Results of ISMT Limited**

Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,  
The Board of Directors  
ISMT Limited  
Pune, India.

1. We have audited the accompanying Statement of Standalone Financial Results of ISMT Limited ("the Company") for the year ended 31<sup>st</sup> March, 2017 ("the Statement"), being submitted by the company pursuant to the requirement of the 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, have been prepared on the basis of the related financial statements which are in accordance with the Accounting Standards prescribed under Section 133 of the Companies Act 2013 read with the relevant rules issued there under and other accounting principles generally accepted in India. Our responsibility is to express an opinion on the Statement.
2. We have conducted our audit in accordance, with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform audit to obtain reasonable assurance about whether the Statement is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the Statement. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of the significant accounting estimates made by the Management, as well as evaluating the overall presentation of the Statement. We believe that the audit evidence, we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.
3. **Basis for Qualified Opinion:**
  - a) The Company has outstanding Minimum Alternate Tax (MAT) entitlement of Rs. 82.05 Crores as on March 31, 2017. Taking into consideration the loss during the current financial year and carried forward losses under the Income Tax, in our opinion there is no convincing evidence that the MAT entitlement can be adjusted within the specified period against the future taxable profits under the provisions of Income Tax Act 1961. In view of the same, in our opinion, the MAT entitlement cannot be continued to be recognised as an asset in terms of "Guidance note on accounting for credit available in respect of MAT under the Income Tax Act, 1961". Non-writing off of the same has resulted in understatement of loss for the year and overstatement of the reserves by Rs.82.05 Crores and its consequential effect on the Earnings per Share of the company.
  - b) The Company, through its subsidiary, has invested Rs. 48.43 Crores in Structo Hydraulics AB Sweden (SHAB). Net receivable, after taking into consideration the provision made against the same, to the company from SHAB against the supplies made is Rs 14.27 Crores and Rs 33.33 Crores is receivable from SHAB due to invocation of Bank Guarantee. SHAB has been incurring cash losses and its net worth is also eroded. No provision for diminution in value of investment and net receivable is made by the company as explained in Note No. 2 forming part of the Statement. We are unable to comment on the same and ascertain its impact, if any, on the Statement in respect of the above matters.



The Company had recognized claim in earlier year, of which outstanding balance as on March 31, Rs. 39.53 Crores, against Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) for non-implementation of Energy Banking Agreement. The Company had appealed to Appellate Tribunal

(APTEL) against the order passed by Maharashtra Electricity Regulatory Commission (MERC) and the same has been dismissed by the APTEL. The company has filed an appeal, challenging the APTEL order, before the Hon'ble Supreme Court and the same has been admitted by the Supreme Court on August 1, 2016. The realization of this claim is contingent and dependent upon the outcome of the decision of the Supreme Court. In our opinion the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent liabilities and Contingent assets. Recognition of the above claim has resulted in overstatement of Reserves by Rs.39.53 Crores. Refer Note No. 3 forming part of the Statement.

- d) Pending approval / sanction of the debt resolution by the lenders, the Company has not provided for the overdue /penal/compounding of interest. The quantum and its impact on the Statement, if any, is unascertainable. Refer Note No. 7 forming part of the Statement.

#### 4. Qualified opinion:

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, the Statement;

- i. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ; and
- ii. give a true and fair view in conformity with the aforesaid Accounting Standards and other accounting principles generally accepted in India of the net Loss and other financial information of the Company for the year ended 31<sup>st</sup> March, 2017

#### 5. Emphasis of Matter:

We draw attention to the following matters in the Notes to the Statement:

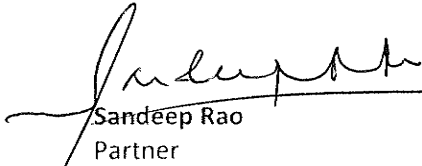
- a) Note No. 4 regarding remuneration to Managing Director and Executive Director of the Company amounting to Rs. 1.92 Crores for the Financial Year 2016-17 (Rs 2.26 Crores cumulative up to 31<sup>st</sup> March 2017) is subject to approval of the Central Government.
- b) The Statement indicates that the Company has accumulated losses and its net worth has been fully eroded, the Company has incurred a net cash loss during the current and previous year(s) and the Company's current liabilities exceeded its current assets as at the balance sheet date. These conditions indicate the existence of a material uncertainty about the Company's ability to continue as a going concern. However, the financial statements of the Company have been prepared on a going concern basis for the reasons stated in Note No 6.
- c) Note No. 8 in the Statement explaining reason for non-provision for diminution, if any, in the value of investment in wholly owned subsidiary Company "Tridem Port and Power Company Pvt Ltd" of Rs 2.58 Crores and Project advance of Rs 105.29 Crores for setting up a thermal power project along with its captive port, which is discontinued and is held for sale.
- d) Note No. 3 (ii) in the Statement explaining reason for non-provision for impairment, if any, with respect to carrying value of Rs 240.80 Crores as on 31<sup>st</sup> March 2017 of 40 MW Captive Power Project (CPP) at Chandrapur, Maharashtra, which is under suspended operations and is held for sale.



Our opinion is not qualified in respect of these matters.

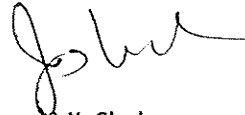
6. The Statement includes the results for the Quarter ended 31<sup>st</sup> March, 2017 being the balancing figure between audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the current financial year which were subject to Limited Review by us.

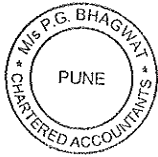
For M/S P G BHAGWAT  
Firm's Registration Number 101118W  
Chartered Accountants

  
Sandeep Rao  
Partner  
Membership Number 47235  
Pune: May 30, 2017



For J. K. SHAH & CO  
Firm's Registration Number 109606W  
Chartered Accountants

  
J.K. Shah  
Partner  
Membership Number 3662  
Mumbai: May 30, 2017



**M/s P. G. BHAGWAT**  
CHARTERED ACCOUNTANTS  
SUITE 102, 'ORCHARD',  
DR. PAI MARG, BANER,  
PUNE - 411 045



**Auditors' Report on the Consolidated Financial Results of ISMT Limited**

Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

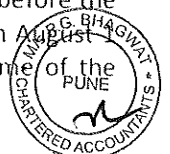
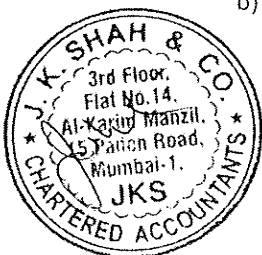
To,

The Board of Directors

ISMT Limited

Pune, India

1. We have audited the accompanying Statement of Consolidated Financial Statement of ISMT Limited ("the Holding Company") and its Subsidiaries (the Holding Company and Its subsidiaries together referred to as "the Group"), for the year ended 31<sup>st</sup> March, 2017 ("the Statement"), being submitted by the Holding 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 Holding Company's Management and approved by the Board of Directors, has been prepared on the basis of the related consolidated financial statements which are in accordance with the Accounting Standards prescribed under Section 133 of the Companies Act 2013 as applicable and other accounting principles generally accepted in India. Our responsibility is to express an opinion on the Statement.
2. We have conducted our audit in accordance, with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform audit to obtain reasonable assurance about whether the Statement is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the Statement. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of the significant accounting estimates made by the Management, as well as evaluating the overall presentation of the Statement. We believe that the audit evidence, we have obtained is sufficient and appropriate to provides a basis for our Qualified Audit opinion.
3. **Basis for Qualified Opinion:**
  - a) The Holding Company has outstanding Minimum Alternate Tax (MAT) entitlement of Rs. 82.05 Crores as on March 31, 2017. Taking into consideration the loss during the current financial year and carried forward losses under the Income Tax, in our opinion there is no convincing evidence that the MAT entitlement can be adjusted within the specified period against the future taxable profits under the provisions of Income Tax Act 1961. In view of the same, in our opinion, the MAT entitlement cannot be continued to be recognised as an asset in terms of "Guidance note on accounting for credit available in respect of MAT under the Income Tax Act, 1961". Non-writing off of the same has resulted in understatement of loss for the year and overstatement of the reserves by Rs.82.05 Crores and its consequential effect on the Earnings per Share of the Group.
  - b) The Holding Company had recognized claim in earlier year, of which outstanding balance as on March 31, 2017 is Rs. 39.53 Crores, against Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) for non-implementation of Energy Banking Agreement. The Holding Company had appealed to Appellate Tribunal (APTEL) against the order passed by Maharashtra Electricity Regulatory Commission (MERC) and the same has been dismissed by the APTEL. The Holding Company has filed an appeal, challenging the APTEL order, before the Hon'ble Supreme Court and the same has been admitted by the Supreme Court on August 2016. The realization of this claim is contingent and dependent upon the outcome of the appeal.



decision of the Supreme Court. In our opinion the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent liabilities and Contingent assets. Recognition of the above claim has resulted in overstatement of Reserves by Rs.39.53 Crores. Refer Note No. 3 forming part of the Statement.

- c) Pending approval / sanction of the debt resolution by the lenders, the Holding Company has not provided for the overdue /penal/compounding of interest. The quantum and its impact on the Statement, if any, is unascertainable. Refer Note No. 7 forming part of the Statement.

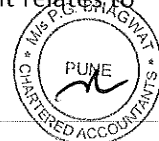
#### 4. Emphasis of Matters:

We draw attention to the following matters in the Notes to the consolidated financial statements:

- a) Note No. 4 regarding remuneration to Managing Director and Executive Director of the Holding Company amounting to Rs. 1.92 Crores for the financial year 2016-17 (Rs. 2.26 Crores cumulative up to 31<sup>st</sup> March 2017) is subject to approval of the Central Government.
- b) The Statement which indicates that the Group has accumulated losses and its net worth has been fully eroded, the Group has incurred a net cash loss during the current and previous year and the Group's current liabilities exceeded its current assets as at the balance sheet date. These conditions indicate the existence of a material uncertainty about the Group's ability to continue as a going concern. However, the consolidated financial statements of the Group have been prepared on a going concern basis for the reasons stated in the Note No 6.
- c) Note No. 8 in the Statement explaining reason for non-provision for impairment, if any, with respect to carrying value of Rs 104.60 Crores as on 31<sup>st</sup> March 2017 of thermal power project along with its captive port, which is discontinued and is held for sale.
- d) Note No.3 (ii) in the Statement explaining reason for non-provision for impairment, if any, with respect to carrying value of Rs 240.80 Crores as on 31<sup>st</sup> March 2017 of 40 MW Captive Power Project( CPP) at Chandrapur, Maharashtra, which is under suspended operations and is held for sale.

#### 5. Other Matters:

- We did not audit the financial statements / financial information of nine subsidiaries included in the consolidated year to date results, whose financial statements reflect total assets of Rs. 336.86 Crores as at 31<sup>st</sup> March, 2017, as well as the total revenue of Rs.105.69 Crores for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the year to date financial results, to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
- We did not audit the financial statements/financial information of two subsidiaries whose financial statements/financial information reflect total assets of Rs.0.01 Crore as at 31<sup>st</sup> March, 2017 as well as the total revenues of Rs NIL for the year ended on that date. These financial statements/ financial information are unaudited and have been furnished to us by the Management and our opinion on the year to date financial results, in so far as it relates to



the aforesaid subsidiary is based solely on such unaudited financial statements / financial information.

6. In our opinion and to the best of our information and according to the explanations given to us except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, and based on the consideration of the reports of the other auditors referred to in paragraph 5 above, the Statement:

i. Include the year to date financial results of the following entities:

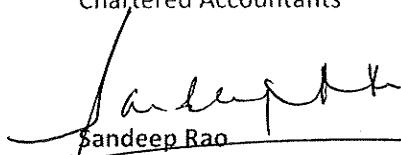
List of Subsidiaries:

ISMT Enterprises S.A Luxembourg, Structo Hydraulics AB Sweden, ISMT Europe AB Sweden, Structo (UK) Limited, Tridem Port and Power Company Pvt. Ltd., Nagapattinam Energy Pvt. Ltd., Best Exim Pvt. Ltd., Success Power and Infraprojects Pvt. Ltd. , Marshal Microware Infrastructure Development Company Pvt. Ltd., PT ISMT Resources, Indonesia, Indian Seamless Inc., USA .

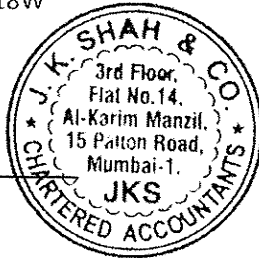
ii. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and

i. give a true and fair view in conformity with the aforesaid Accounting Standards and other accounting principles generally accepted in India of the consolidated net loss and other financial information of the Group for the year ended 31<sup>st</sup> March, 2017.

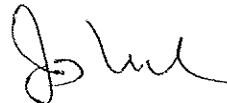
For M/S P G BHAGWAT  
Firm's Registration Number 101118W  
Chartered Accountants

  
Sandeep Rao

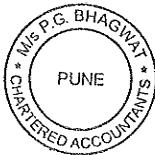
Partner  
Membership Number 47235  
Pune: May 30, 2017



For J. K. SHAH & CO  
Firm's Registration Number 109606W  
Chartered Accountants



J.K. Shah  
Partner  
Membership Number 3662  
Mumbai: May 30, 2017



**M/s P. G. BHAGWAT**  
CHARTERED ACCOUNTANTS  
SUITE 102, 'ORCHARD',  
DR. PAI MARG, BANER,  
PUNE - 411 045

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, 2015)				
Rs. in Crore				
I.	Sr. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income		
	2.	Total Expenditure	1,059.25	1,059.25
	3.	Net Profit/(Loss)	1,347.69	1,469.27
	4.	Earnings Per Share	(288.44)	(410.02)
	5.	Total Assets	(19.69)	(27.99)
	6.	Total Liabilities	2,443.00	2,321.42
	7.	Net Worth	2,795.11	2,795.11
	8.	Any other financial item(s) (as felt appropriate by the management)	(352.11)	(473.69)

Note :- Impact of Audit qualification mentioned in 2(a) and 4 (a) below has not been included above as the exact quantum of the same cannot be ascertained.

II. Audit qualification (each qualification separately):

(1)(a) Details of Audit Qualification:

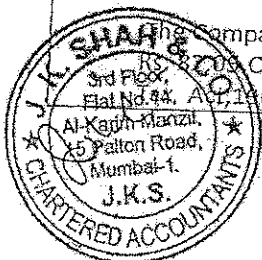
The Company has outstanding Minimum Alternate Tax (MAT) entitlement of Rs. 82.05 Crore as on March 31, 2017. Taking into consideration the loss during the current financial year and carried forward losses under the Income Tax Act, 1961, in our opinion, there is no convincing evidence that the MAT entitlement can be adjusted within the specified period against the future taxable profits under the provisions of Income Tax Act, 1961. In view of the same, in our opinion, the MAT entitlement cannot be continued to be recognized as an asset in terms of "Guidance note on accounting for credit available in respect of MAT under the Income Tax Act, 1961". Non-writing off of the same has resulted in understatement of loss for the year and overstatement of the reserves by Rs. 82.05 Crore and its consequential effect on the Earnings Per Share of the Company.

(b) Type of Audit Qualification : Qualified Opinion

(c) Frequency of qualification : appearing since financial year 2013-14 .

(d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :

The company has unabsorbed Minimum Alternate Tax (MAT) credit entitlement as at March 31, 2017 of Rs. 82.05 Crore, which is allowed to be carried forward for a period of fifteen years under the Income Tax Act, 1961 from the year in which MAT was paid and will lapse thereafter. Accordingly, the



unabsorbed MAT shall be provided in the statement of profit and Loss to the extent of lapse of MAT credit in the respective years.

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

(i) Management's estimation on the impact of audit qualification :

(ii) If management is unable to estimate the impact, reason for the same:

(iii) Auditor's Comments on (i) or (ii) above:

(2)(a) Details of Audit Qualification:

The Company, through its subsidiary, has invested Rs. 48.43 Crores in Structo Hydraulics AB Sweden (SHAB). Net receivable, after taking into consideration the provision made against the same, to the company from SHAB against the supplies made is Rs 14.27 Crores and Rs 33.33 Crores is receivable from SHAB due to invocation of Bank Guarantee. SHAB has been incurring cash losses and its net worth is also eroded. No provision for diminution in value of investment and net receivable is made by the company as explained in Note No. 3.17 forming part of the financial statements. We are unable to comment on the same and ascertain its impact, if any, on the financial statements in respect of the above matters

(b) Type of Audit Qualification : Qualified Opinion

(c) Frequency of qualification : appearing since financial year 2013-14.

(d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

The Company through its Subsidiary Company, ISMT Enterprises S.A., Luxembourg has invested Rs. 48.43 Crore in Structo Hydraulics AB, Sweden (SHAB). The Company had given a corporate guarantee / Stand by Letter of Credit of Rs 33.33 Crore (USD 5 million) in respect of loans availed by SHAB and the same has been invoked by the lender of SHAB and the Company is seeking requisite approvals from the regulatory authorities for treating the said payment as equity investment in SHAB. The receivable on account of sales made to SHAB is Rs. 64.66 Crore against which a provision for doubtful debts was made of Rs. 50.39 Crore up to financial year 2016-17 and the net balance as on March 31, 2017 of Rs.14.27 Crore is collectible. No provision, however, has been made in respect of temporary diminution in the value of investment made in ISMT Enterprises S.A., which is in the nature of forward integration and considered Strategic and Long Term.

(e) For Audit Qualification(s) where the impact is not quantified by the auditor :

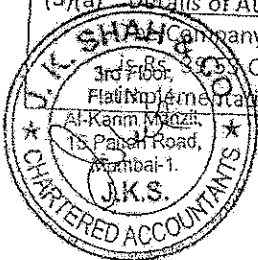
(i) Management's estimation on the impact of audit qualification: Nil

(ii) If management is unable to estimate the impact, reason for the same: Not ascertainable.

(ii) Auditor's Comments on (i) or (ii) above: Not ascertainable as explained in the qualification stated above.

(3)(a) Details of Audit Qualification:

The Company had recognized claim in earlier years, of which outstanding balance as on March 31, 2016 is Rs. 30.05 Crores, against Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) for non-implementation of Energy Banking Agreement. The company had appealed to Appellate Tribunal



(APTEL) against the order passed by Maharashtra Electricity Regulatory Commission (MERC) and the same has been dismissed by the APTEL. The company has filed an appeal, challenging the APTEL order, before the Hon'ble Supreme Court and the same has been admitted by the Supreme Court on August 1 2016. The realization of this claim is contingent and dependent upon the outcome of the decision of the Supreme Court. In our opinion, the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent Liabilities and Contingent Assets. Recognition of the above claim has resulted in overstatement of Reserves by Rs. 39.53 Crores. Refer Note No. 3.2 (ii) forming part of the financial statements

(b) Type of Audit Qualification : Qualified Opinion

(c) Frequency of qualification : appearing since financial year 2013-14

(d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Maharashtra Electricity Regulatory Commission (MERC) had disallowed Company's petition regarding banking of energy facility under Energy Banking Agreement (EBA) vide its orders dated June 20, 2014 and January 12, 2015. The Company filed an appeal before the Appellate Tribunal (APTEL) against the said order and the same has been dismissed by the APTEL vide their order dated April 1, 2016. Thereafter, the Company filed an appeal, challenging the APTEL order, before the Hon'ble Supreme Court and the same has been admitted by the Supreme Court on August 1, 2016. The Company had accrued EBA benefit aggregating to Rs. 49.97 Crore up to March 31, 2014, of which amount outstanding as on March 31, 2017 is Rs. 39.53 Crore, representing excess energy charges paid to Maharashtra State Electricity Distribution Company Limited (MSEDCL) on account of non-availability of banking facility. There was no further accrual since April 1, 2014 on account of suspension of operation of power plant.

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

(i) Management's estimation on the impact of audit qualification:

(ii) If management is unable to estimate the impact, reason for the same:

(ii) Auditor's Comments on (i) or (ii) above:

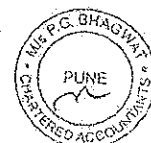
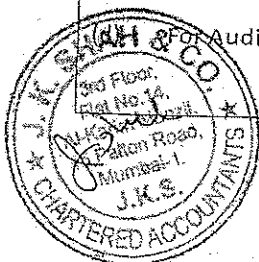
(4)(a) Details of Audit Qualification:

Pending approval/sanction of the debt resolution by the lenders, the Company has not provided for the overdue /penal/compounding of interest .The quantum and its impact on the financial statements, if any, is unascertainable. Refer Note No. 3.19 forming part of the financial statements.

(b) Type of Audit Qualification : Qualified Opinion

(c) Frequency of qualification : appearing first time in financial year 2016-17

(d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:



The lenders of the Company are exploring various options for debt resolution and pending the same, interest on the loans has been provided as per the terms of sanction letters of the respective banks on simple interest basis. However, no overdue/penal/ compounding of interest, if any, has been provided.

(e) For Audit Qualification(s) where the impact is not quantified by the auditor:

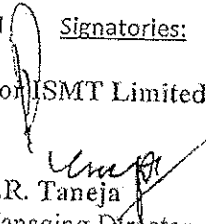
(i) Management's estimation on the impact of audit qualification: Not ascertainable.


(ii) If management is unable to estimate the impact, reason for the same: Not ascertainable.


(ii) Auditor's Comments on (i) or (ii) above: Not ascertainable as explained in the qualification stated above.

III Signatories:

For ISMT Limited


  
B.R. Taneja  
Managing Director  
Pune: May 30, 2017

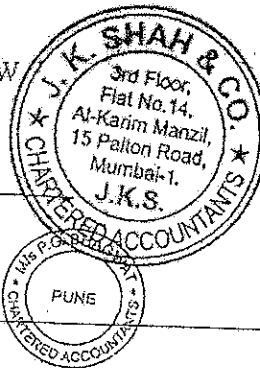
  
Rajiv Goel  
Chief Financial Officer

  
Deepa Mathur  
Audit Committee Chairperson

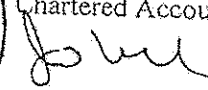
Statutory Auditors

For M/s P.G. Bhagwat  
Firm Registration No. 101118W  
Chartered Accountants

  
Sandeep Rao  
Partner  
Membership No. 47235  
Pune: May 30, 2017



For J. K. Shah & Co.  
Firm Registration No. 109606W  
Chartered Accountants

  
J. K. Shah  
Partner  
Membership No. 3662  
Mumbai: May 30, 2017

M/s P. G. BHAGWAT  
CHARTERED ACCOUNTANTS  
SUITE 102, 'ORCHARD',  
DR. PAI MARG, BANER,  
PUNE - 411 045

**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]				
Rs. in Crore				
I.	Sr. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income	1,101.09	1,101.09
	2.	Total Expenditure	1,391.67	1,513.25
	3.	Net Profit/(Loss)	(290.58)	(412.16)
	4.	Earnings Per Share	(19.83)	(28.13)
	5.	Total Assets	2,441.84	2,320.26
	6.	Total Liabilities	2,847.99	2,847.99
	7.	Net Worth	(406.15)	(527.73)
	8.	Any other financial item(s) (as felt appropriate by the management)		

Note: - Impact of Audit qualification mentioned in 3(a) below has not been included above as the exact quantum of the same cannot be ascertained.

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

**(1)(a) Details of Audit Qualification:**

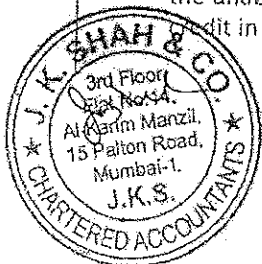
The Holding Company has outstanding Minimum Alternate Tax (MAT) entitlement of Rs. 82.05 Crore as on March 31, 2017. Taking into consideration the loss during the current financial year and carried forward losses under the Income Tax Act, 1961, in our opinion, there is no convincing evidence that the MAT entitlement can be adjusted within the specified period against the future taxable profits under the provisions of Income Tax Act, 1961. In view of the same, in our opinion, the MAT entitlement cannot be continued to be recognized as an asset in terms of "Guidance note on accounting for credit available in respect of MAT under the Income Tax Act, 1961". Non-writing off of the same has resulted in understatement of loss for the year and overstatement of the reserves by Rs. 82.05 Crore and its consequential effect on the Earnings Per Share of the Company.

(b) Type of Audit Qualification : Qualified Opinion

(c) Frequency of qualification : appearing since financial year 2013-14.

(d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :

The Holding Company has unabsorbed Minimum Alternate Tax (MAT) credit entitlement as at March 31, 2017 of Rs. 82.05 Crore, which is allowed to be carried forward for a period of fifteen years under the Income Tax Act, 1961 from the year in which MAT was paid and will lapse thereafter. Accordingly, the unabsorbed MAT shall be provided in the statement of profit and Loss to the extent of lapse of MAT credit in the respective years.





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

- (i) Management's estimation on the impact of audit qualification :
- (ii) If management is unable to estimate the impact, reason for the same:
- (iii) Auditor's Comments on (i) or (ii) above:

(2)(a) Details of Audit Qualification:

The Holding Company had recognized claim in earlier years, of which outstanding balance as on March 31, 2016 is Rs. 39.53 Crores, against Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) for non-implementation of Energy Banking Agreement. The company had appealed to Appellate Tribunal (APTEL) against the order passed by Maharashtra Electricity Regulatory Commission (MERC) and the same has been dismissed by the APTEL. The company has filed an appeal, challenging the APTEL order, before the Hon'ble Supreme Court and the same has been admitted by the Supreme Court on August 1 2016. The realization of this claim is contingent and dependent upon the outcome of the decision of the Supreme Court. In our opinion, the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent Liabilities and Contingent Assets. Recognition of the above claim has resulted in overstatement of Reserves by Rs. 39.53 Crores. Refer Note No. 3.2 (ii) forming part of the financial statements

(b) Type of Audit Qualification : Qualified Opinion

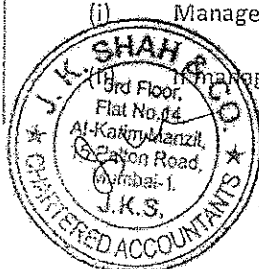
(c) Frequency of qualification : appearing since financial year 2013-14

(d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:  
Parent Company

Maharashtra Electricity Regulatory Commission (MERC) had disallowed Company's petition regarding banking of energy facility under Energy Banking Agreement (EBA) vide its orders dated June 20, 2014 and January 12, 2015. The Company filed an appeal before the Appellate Tribunal (APTEL) against the said order and the same has been dismissed by the APTEL vide their order dated April 1, 2016. Thereafter, the Company filed an appeal, challenging the APTEL order, before the Hon'ble Supreme Court and the same has been admitted by the Supreme Court on August 1, 2016. The Company had accrued EBA benefit aggregating to Rs. 49.97 Crore up to March 31, 2014, of which amount outstanding as on March 31, 2017 is Rs. 39.53 Crore, representing excess energy charges paid to Maharashtra State Electricity Distribution Company Limited (MSEDCL) on account of non-availability of banking facility. There was no further accrual since April 1, 2014 on account of suspension of operation of power plant.

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

- (i) Management's estimation on the impact of audit qualification:
- (ii) If management is unable to estimate the impact, reason for the same:



(ii) Auditor's Comments on (i) or (ii) above:

(3)(a) Details of Audit Qualification:

Parent Company

Pending approval/sanction of the debt resolution by the lenders, the Holding Company has not provided for the overdue /penal/compounding of interest .The quantum and its impact on the financial statements, if any, is unascertainable. Refer Note No. 3.19 forming part of the financial statements.

(b) Type of Audit Qualification : Qualified Opinion.

(c) Frequency of qualification : appearing first time in financial year 2016-17

(d) For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

The lenders of the Company are exploring various options for debt resolution and pending the same interest on the loans has been provided as per the terms of sanction letters of the respective banks on simple interest basis. However, no overdue/penal/ compounding of interest, if any, has been provided.

(e) For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification: Not ascertainable.

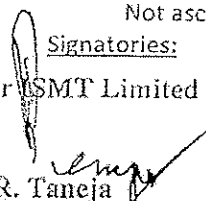
(ii) If management is unable to estimate the impact, reason for the same: Not ascertainable.


(iii) Auditor's Comments on (i) or (ii) above:

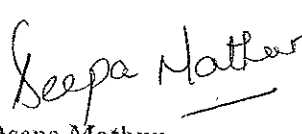
Not ascertainable as explained in the qualification stated above.

III Signatories:

For SMT Limited

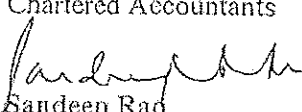
  
B.R. Taneja  
Managing Director  
Pune: May 30, 2017

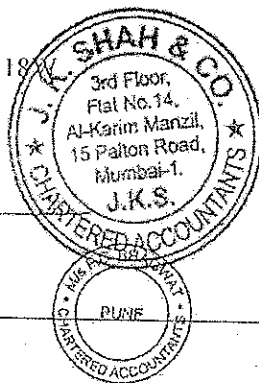
  
Rajiv Goel  
Chief Financial Officer

  
Deepa Mathur  
Audit Committee Chairperson

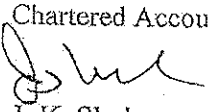
Statutory Auditors

For M/s P.G. Bhagwat  
Firm Registration No. 101118  
Chartered Accountants

  
Sandeep Rao  
Partner  
Membership No. 47235  
Pune: May 30, 2017



For J. K. Shah & Co.  
Firm Registration No. 109606W  
Chartered Accountants

  
J. K. Shah  
Partner  
Membership No. 3662  
Mumbai: May 30, 2017

M/s P. G. BHAGWAT  
CHARTERED ACCOUNTANTS  
SUITE 102, 'ORCHARD',  
DR. PAI MARG, BANER,  
PUNE - 411 045