

Statement of Standalone Audited Financial Results for the Quarter & Year Ended March 31, 2020

PART - I		(Rs. in Lakhs)				
Sr. No.	Particulars	Audited Quarter Ended 31/03/2020	Unaudited Quarter Ended 31/12/2019	Audited Quarter Ended 31/03/2019	Audited Year Ended 31/03/2020	Audited Year Ended 31/03/2019
1	Income from operations					
	a) Revenue from operations	7,294.69	7,688.13	11,269.21	29,104.29	45,910.97
	b) Other income	4,813.05	841.98	(165.48)	7,659.79	7,539.42
	<b>Total income from operations</b>	<b>12,107.74</b>	<b>8,530.11</b>	<b>11,103.73</b>	<b>36,764.08</b>	<b>53,450.39</b>
2	Expenses					
	a) Cost of material consumed	448.29	1,966.67	2,695.31	6,324.90	15,027.60
	b) Purchase of stock-in-trade	-	-	25.69	-	29.74
	c) Changes in inventories of finished goods, work in progress and stock in trade	762.55	165.13	1,622.98	1,934.16	(163.08)
	d) Employee benefits expenses	1,670.19	1,511.35	2,031.83	6,792.17	8,037.40
	e) Finance Cost	13.58	24.49	212.12	121.05	337.54
	f) Depreciation and amortisation expenses	2,671.92	2,717.76	2,673.99	10,782.78	10,883.24
	g) Other expenses	4,779.27	5,077.91	5,795.22	20,884.03	25,958.93
	<b>Total expenses</b>	<b>10,345.79</b>	<b>11,463.31</b>	<b>15,057.14</b>	<b>46,839.08</b>	<b>60,111.38</b>
3	<b>Profit from operations before exceptional items (1-2)</b>	<b>1,761.95</b>	<b>(2,933.20)</b>	<b>(3,953.41)</b>	<b>(10,075.00)</b>	<b>(6,660.98)</b>
4	Exceptional Items	6,577.50	611.14	6,630.17	244,026.36	16,935.56
5	<b>Profit (+)/ Loss (-) before tax (3+4)</b>	<b>(4,815.55)</b>	<b>(3,544.34)</b>	<b>(10,583.58)</b>	<b>(254,101.36)</b>	<b>(23,596.54)</b>
6	Tax Expense	-	-	-	-	-
7	<b>Net Profit (+)/ Loss (-) for the period from Continuing Operations tax (5-6)</b>	<b>(4,815.55)</b>	<b>(3,544.34)</b>	<b>(10,583.58)</b>	<b>(254,101.36)</b>	<b>(23,596.54)</b>
8	Net Profit (+)/ Loss (-) from Discontinuing Operations	-	-	-	-	-
9	Tax Expense of Discontinuing Operations	-	-	-	-	-
10	<b>Net Profit (+)/ Loss (-) from Discontinuing Operations after Tax (8-9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11	<b>Net Profit (+)/ Loss (-) for the period (7+10)</b>	<b>(4,815.55)</b>	<b>(3,544.34)</b>	<b>(10,583.58)</b>	<b>(254,101.36)</b>	<b>(23,596.54)</b>
12	Other Comprehensive Income					
	a (i) Items that will not be reclassified to Profit or Loss	(186.16)	37.70	386.30	62.28	401.41
	(ii) Income Tax relating to Items that will not be reclassified to Profit or Loss	-	-	-	-	-
	b (i) Items that will be reclassified to Profit or Loss	(224.16)	(176.53)	(307.85)	(779.99)	(351.90)
	(ii) Income Tax relating to Items that will be reclassified to Profit or Loss	-	-	-	-	-
13	<b>Total Comprehensive Income for the Period (11+12)</b>	<b>(5,225.87)</b>	<b>(3,683.17)</b>	<b>(10,505.13)</b>	<b>(254,819.07)</b>	<b>(23,547.03)</b>
14	Paid-up equity share capital of Rs. 10/- each	33,134.70	33,134.70	33,134.70	33,134.70	33,134.70
15	Other Equity	-	-	-	(514,908.07)	(260,089.01)
16	i. Earning per share (EPS) (for Continuing Operations)					
	(in Rs.) (not annualised)					
	a) Basic	B- (1.45)	B- (1.07)	B- (3.19)	B- (76.69)	B- (7.12)
	b) Diluted	D- (1.45)	D- (1.07)	D- (3.19)	D- (76.69)	D- (7.12)
	ii. Earning per share (EPS) (for Discontinued Operations)					
	(in Rs.) (not annualised)					
	a) Basic	-	-	-	-	-
	b) Diluted	-	-	-	-	-
	iii. Earning per Share (EPS) (for Discontinued & Continuing Operations)					
	(in Rs.) (not annualised)					
	a) Basic	B- (1.45)	B- (1.07)	B- (3.19)	B- (76.69)	B- (7.12)
	b) Diluted	D- (1.45)	D- (1.07)	D- (3.19)	D- (76.69)	D- (7.12)

**Notes:**

- The Audited financial statements for the quarter and financial year ended March 31, 2020 of SEL Manufacturing Company Limited ("SEL" or "Company") are enclosed herewith. The information presented above is extracted from the Audited financial statements. The financial statements are prepared in accordance with the Indian Accounting Standards (Ind-AS) as prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.
- Pursuant to an application filed before the Hon'ble National Company Law Tribunal, Chandigarh Bench ("NCLT") by State Bank of India against SEL Manufacturing Company Limited ("Corporate Debtor" or the "Company"), under Section 7 of the Insolvency and Bankruptcy Code, 2016 read with the rules and regulations framed thereunder, as amended from time to time ("Code"), the NCLT vide its order ("Admission Order") dated April 11, 2018 ("Insolvency Commencement Date") had admitted the application for the initiation of the corporate insolvency resolution process ("CIRP") of the Corporate Debtor. Subsequently, the NCLT vide its order dated April 25, 2018 ("IRP Order") appointed Mr. Navneet Kumar Gupta as the interim resolution professional of the Corporate Debtor ("IRP"). Due to legal interventions, CIRP was in abeyance from May 01, 2018 to May 21, 2018. Subsequently, in the first meeting of the committee of creditors of the Corporate Debtor held on June 15, 2018 IRP was confirmed as the resolution professional of the Corporate Debtor ("Resolution Professional" or "RP").
- Subsequently, a petition was filed by Mr. Dhiraj Saluja, one of the promoters and directors of the Corporate Debtor, before the High Court ("Petition") wherein the High Court, vide its interim order dated June 22, 2018, directed the CIRP of the Corporate Debtor to be kept in abeyance and directed the earlier board of directors of the Corporate Debtor to operate their bank accounts and bank operations as before the initiation of the CIRP of the Corporate Debtor to protect the interest of the bank consortium. This Petition was transferred to the Hon'ble Supreme Court ("Transferred Case"). The Hon'ble Supreme Court vide its order dated September 6, 2019 as prayed for, dismissed the Transferred Case as withdrawn ("Withdrawal Order"). A copy of the Withdrawal Order was published on September 11, 2019 ("Publication Date"). Accordingly, on and from the Publication Date, the CIRP of the Corporate Debtor stands resumed.
- Prior to 6th September 2019, during the abeyance period, SEL was managed by the Board of Directors of SEL. As per the provisions of the IBC, on and from the CIRP Restoration Date till the completion of Resolution Process of SEL, the powers of the board of directors of SEL stands suspended and vests with the RP. As part of duties casted upon the Resolution Professional under the Code, the RP, has taken on record these financial results, in good faith and has authorised the directors of the Company to sign these financial results.
- The Company has only one Reportable Segment i.e. Textiles, hence Segment Reporting is not applicable.



- 6 The Corporate Insolvency Resolution Process has been initiated under "Insolvency and Bankruptcy Code, 2016" (as referred in Note No. 2 above). In view of this, the Company has stopped providing interest accrued and unpaid effective 1st April, 2016 in its books. The amount of such accrued and unpaid interest, calculated according to the CDR term, not provided for is estimated at Rs. 57,776.67 lakhs for the year ended March 31, 2020 and the same has not been considered for preparation of the financial results for the year ended March 31, 2020. Due to non-provision of the interest expense, net loss for the year ended March 31, 2020 is reduced by Rs. 57,776.67 lakhs. Further, the financial liability is reduced by Rs. 201,240.00 lakhs and correspondingly the equity is increased by the same amount.
- 7 During the year, the Company has written made provision on allowance for trade receivables, advances to suppliers and other current assets aggregating to Rs. 28,578.21 lakhs, net of amount collected and provision made, in compliance of Ind AS 109. And the company has written down of inventories of Finished Goods identified as non-moving, slow moving, obsolete and damaged inventory to net realizable value by Rs 803 lakhs, which is charged to charged profit & loss as exceptional item.
- 8 The company had given financial guarantee to the extent of INR 201,324 lakhs to the bankers of its subsidiary namely SEL Textiles Limited, to secure the credit facilities availed by it. The said guarantee has been invoked by the bankers before initiation of Corporate Insolvency Resolution Process of SEL Manufacturing Company Limited and hence said financial guarantee amounting INR 201,324 lakhs (consisting of principal outstanding and interest thereon upto March 31, 2020 calculated as per terms of MRA with CDR lenders of subsidiary company) and has been duly recognized in financial statements as required by Ind AS 109. There was a corresponding amount of investment in Subsidiary recorded up to that extent, however, considering negative networth of SEL Textile Limited, during the year a provision for impairment has been recorded for INR 201,324 lakhs.
- 9 The Company was implementing a Spinning project which got stuck due to non-disbursement of credit facilities by the banks. However, post Corporate Insolvency Resolution Process (CIRP) the Company impairment testing has been conducted and considering the technical assessment and management estimates, INR 12,544.57 lakhs value of Capital work in progress has been impaired as per Ind AS 36. During the year, a provision for impairment has been recorded for and the same does have an impact on the losses of the company.
- 10 With reference to interest subsidy receivable, the subsidies are to be released by the Ministry of Textiles and MP Government and the Company is not hopeful of receiving the same. During the year, a provision for impairment has been recorded for INR 26,621.40 lakhs and the same does have an impact on the losses of the company.
- 11 During the year, Central Bureau of Investigation carried out search & seizure action at the registered office of the Company and the residence of the erstwhile Directors of the Company on 5th November 2019 from 09.30 AM to 09.00 PM. under section 165 of the Criminal Procedure Code on the Company and its directors. The consequential proceedings are in progress.
- 12 During the year, the Company has received notice dated February 13, 2020 on February 26, 2020 from the Ministry of Corporate Affairs further ordering the investigation of books of accounts and papers under section 210(1)(c) of the Companies Act, 2013 and the erstwhile Directors of the Company under section 217(5) of the Companies Act, 2013 have been issued summons to appear before the authorities. The consequential proceedings are in progress.
- 13 During the year, the Company has received summon dated March 4, 2020 on March 12, 2020 from the Directorate General of GST Intelligence under section 14 of the Central Excise Act, 1944 to give evidence truthfully on such matters concerning the enquiry as may be asked and produce the documents and records for examination. The consequential proceedings are in progress.
- 14 Resolution plan received for SEL Manufacturing Company Limited, from consortium of Arr Lss Industries Private Limited & Leading Edge Commercial FZ, has been approved by Committee of Creditors on 6th Oct 2020, under provisions of Insolvency & Bankruptcy Code and related Regulations. Further, the Hon'ble National Company Law Tribunal has approved the Resolution Plan on 10th February, 2021.
- 15 Subsequent to the year end March 31, 2020, the Principal Commissioner of Income Tax (Central), Ludhiana filed an appeal before the Hon'ble High Court of Punjab & Haryana which was heard on November 4, 2020 in the matter pertaining to the assessment u/s 153 w.r.s 143(3) of the Income Tax Act, 1961 for the assessment years 2010-11, 2011-12 & 2013-14, which was completed on January 31, 2017 where an amount of INR 280.00 crores was demanded from the Company. Appeals that were filed before the CIT (A) on July 27, 2017 were decided by the CIT (A) on December 29, 2017 against the company. On February 02, 2018, Company filed an appeal before the ITAT, Chandigarh bench against the order of CIT (A) and the same had been decided by the ITAT in the favor of the Company on February 28, 2019.
- 16 Figures relating to the previous period have been regrouped/rearranged, wherever necessary to make them comparable with those of the current period.

For and on behalf of Board of Directors

  
Naresh Gupta  
Director & CFO

Date: 13.02.2021  
Place: Ludhiana

Statement of Consolidated Audited Financial Results for the Quarter & Year Ended March 31, 2020

PART-I		(Rs. in Lakhs)				
Sr. No.	Particulars	Audited Quarter Ended 31/03/2020	Unaudited Quarter Ended 31/12/2019	Audited Quarter Ended 31/03/2019	Audited Year Ended 31/03/2020	Audited Year Ended 31/03/2019
1	Income from operations					
	a) Revenue from operations	9,411.45	9,173.74	14,854.58	35,261.58	60,672.87
	b) Other income	6,296.74	1,043.38	(364.46)	9,902.99	9,168.72
	<b>Total income from operations</b>	<b>15,708.19</b>	<b>10,217.12</b>	<b>14,490.12</b>	<b>45,164.57</b>	<b>69,841.59</b>
2	Expenses					
	a) Cost of material consumed	27.96	2,583.73	3,589.24	6,809.23	19,395.57
	b) Purchase of stock-in-trade	732.80	-	63.08	732.80	281.92
	c) Changes in inventories of finished goods, work in progress and stock in trade	763.90	(31.25)	2,427.35	2,608.94	1,248.15
	d) Employee benefits expenses	2,350.77	1,982.60	2,663.24	9,027.33	11,460.88
	e) Finance Cost	39.95	25.82	520.71	263.06	684.27
	f) Depreciation and amortisation expenses	3,572.37	3,658.73	3,596.09	14,505.62	14,630.76
	g) Other expenses	6,016.40	5,944.95	7,451.78	24,428.96	34,502.78
	<b>Total expenses</b>	<b>13,504.17</b>	<b>14,164.58</b>	<b>20,311.49</b>	<b>58,375.96</b>	<b>82,204.33</b>
3	Profit from operations before exceptional items (1-2)	2,204.02	(3,947.46)	(5,821.37)	(13,211.39)	(12,362.74)
4	Exceptional Items	9,002.53	1,076.80	7,278.96	45,524.79	24,884.24
5	<b>Profit (+)/ Loss (-) before tax (3+4)</b>	<b>(6,798.51)</b>	<b>(5,024.26)</b>	<b>(13,100.30)</b>	<b>(58,736.18)</b>	<b>(37,246.98)</b>
6	Tax Expense	-	-	(0.03)	-	(0.03)
7	<b>Net Profit (+)/ Loss (-) for the period from Continuing Operations tax (5-6)</b>	<b>(6,798.51)</b>	<b>(5,024.26)</b>	<b>(13,100.30)</b>	<b>(58,736.18)</b>	<b>(37,246.94)</b>
8	Net Profit (+)/ Loss (-) from Discontinuing Operations	-	-	-	-	-
9	Tax Expense of Discontinuing Operations	-	-	-	-	-
10	<b>Net Profit (+)/ Loss (-) from Discontinuing Operations after Tax (8-9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11	<b>Net Profit (+)/ Loss (-) for the period (7+10)</b>	<b>(6,798.51)</b>	<b>(5,024.26)</b>	<b>(13,100.30)</b>	<b>(58,736.18)</b>	<b>(37,246.94)</b>
12	Profit/(Loss) attributable to					
	(1) Owners of the Company	(6,796.98)	(5,025.64)	(13,100.38)	(58,735.34)	(37,249.45)
	(2) Non-Controlling Interests	(1.53)	1.38	0.08	0.84	2.50
	<b>Profit/(Loss) for the period</b>	<b>(6,798.51)</b>	<b>(5,024.26)</b>	<b>(13,100.30)</b>	<b>(58,734.50)</b>	<b>(37,246.94)</b>
13	Other Comprehensive Income					
	a (i) Items that will not be reclassified to Profit or Loss	(167.93)	50.87	28.57	96.79	496.51
	(ii) Income Tax relating to Items that will not be reclassified to Profit or Loss	-	-	-	-	-
	b (i) Items that will be reclassified to Profit or Loss	(219.88)	(260.71)	(200.28)	(1,148.65)	(801.13)
	(ii) Income Tax relating to Items that will be reclassified to Profit or Loss	-	-	-	-	-
14	<b>Total Comprehensive Income for the Period (11+13)</b>	<b>(7,186.32)</b>	<b>(5,234.10)</b>	<b>(13,272.01)</b>	<b>(59,788.04)</b>	<b>(37,551.56)</b>
	<b>Total Comprehensive Income attributable to</b>					
	(1) Owners of the Company	(7,186.17)	(5,235.48)	(13,272.09)	(59,787.20)	(37,554.07)
	(2) Non-Controlling Interests	(0.15)	1.38	0.08	(0.84)	2.50
	<b>Total Comprehensive Income</b>	<b>(7,186.32)</b>	<b>(5,234.10)</b>	<b>(13,272.01)</b>	<b>(59,788.04)</b>	<b>(37,551.56)</b>
15	Paid-up equity share capital of Rs. 10/- each	33,134.70	33,134.70	33,134.70	33,134.70	33,134.70
16	Other Equity	-	-	-	(369,154.74)	(309,367.55)
17	i. Earning per share (EPS) (for Continuing Operations)					
	(in Rs.) (not annualised)					
	a) Basic	R- (2.05)	B- (1.52)	B (3.95)	B- (17.71)	R- (11.24)
	b) Diluted	D (2.03)	D- (1.52)	D- (3.95)	D- (17.73)	D- (11.24)
	ii. Earning per share (EPS) (for Discontinued Operations)					
	(in Rs.) (not annualised)					
	a) Basic	-	-	-	-	-
	b) Diluted	-	-	-	-	-
	iii. Earning per Share (EPS) (for Discontinued & Continuing Operations)					
	(in Rs.) (not annualised)					
	a) Basic	B- (2.05)	B- (1.52)	B- (3.95)	B- (17.73)	B- (11.24)
	b) Diluted	D- (2.05)	D- (1.52)	D- (3.95)	D- (17.73)	D- (11.24)

**Notes:**

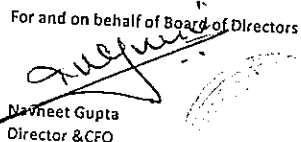
1 The Audited financial statements for the quarter and financial year ended March 31, 2020 of SEL Manufacturing Company Limited ("SEL" or "Company") are enclosed herewith. The information presented above is extracted from the Audited financial statements. The financial statements are prepared in accordance with the Indian Accounting Standards (Ind-AS) as prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

2 Pursuant to an application filed before the Hon'ble National Company Law Tribunal, Chandigarh Bench ("NCLT") by State Bank of India against SEL Manufacturing Company Limited ("Corporate Debtor"), under Section 7 of the Insolvency and Bankruptcy Code, 2016 read with the rules and regulations framed thereunder, as amended from time to time ("Code"), the NCLT vide its order ("Admission Order") dated April 11, 2018 ("Insolvency Commencement Date") had admitted the application for the initiation of the corporate insolvency resolution process ("CIRP") of the Corporate Debtor. Subsequently, the NCLT vide its order dated April 25, 2018 ("IRP Order") appointed Mr. Navneet Kumar Gupta as the interim resolution professional of the Corporate Debtor ("IRP"). Due to legal interventions, CIRP was in abeyance from May 01, 2018 to May 21, 2018. Subsequently, in the first meeting of the committee of creditors of the Corporate Debtor held on June 15, 2018 IRP was confirmed as the resolution professional of the Corporate Debtor ("Resolution Professional" or "RP").



- 3 Subsequently, a petition was filed by Mr. Dhiraj Saluja, one of the promoters and directors of the Corporate Debtor, before the High Court ("Petition") wherein the High Court, vide its interim order dated June 22, 2018, directed the CIRP of the Corporate Debtor to be kept in abeyance and directed the earlier board of directors of the Corporate Debtor to operate their bank accounts and bank operations as before the initiation of the CIRP of the Corporate Debtor to protect the interest of the bank consortium. This Petition was transferred to the Hon'ble Supreme Court ("Transferred Case"). The Hon'ble Supreme Court vide its order dated September 6, 2019 as prayed for, dismissed the Transferred Case as withdrawn ("Withdrawal Order"). A copy of the Withdrawal Order was published on September 13, 2019 ("Publication Date"). Accordingly, on and from the Publication Date, the CIRP of the Corporate Debtor stands resumed.
- 4 Prior to 6th September 2019, during the abeyance period, SEL was managed by the Board of Directors of SEL. As per the provisions of the IBC, on and from the CIRP Restoration Date till the completion of Resolution Process of SEL, the powers of the board of directors of SEL stands suspended and vests with the RP. As part of duties casted upon the Resolution Professional under the Code, the RP, has taken on record these financial results, in good faith and has authorised the directors of the Company to sign these financial results.
- 5 The Company has only one Reportable Segment i.e. Textiles, hence Segment Reporting is not applicable.
- 6 In the case of Holding Company, the Corporate Insolvency Resolution Process has been initiated under "Insolvency and Bankruptcy Code, 2016". In view of this, the Company has stopped providing interest accrued and unpaid effective April 1, 2016 in its books. And in the case one of its subsidiary company, the secured lenders have stopped charging interest on debts, since the dues from the company has been categorized as Non Performing Asset and the company is in active discussion/negotiation with their lenders to restructure their debts at a sustainable level including waiver of unpaid interest. In view of the above, the Holding Company & one of its subsidiary has stopped providing interest accrued and unpaid effective April 1, 2016 in its books. The amount of such accrued and unpaid interest (including penal interest) not provided for is estimated at Rs. 81,797.14 lakhs (Previous Year Rs. 76,136.75 lakhs) for the year ended March 31, 2020 and accordingly the same has not been considered for preparation of the financial statements for the year ended March 31, 2020. Due to non provision of the interest expense, net loss for the year ended March 31, 2020 is reduced by Rs. 81,797.14 lakhs. Further the Financial Liability is reduced by Rs. 285,631 lakhs and correspondingly the equity is increased by the same amount.
- 7 During the year, the Holding and one of its subsidiary Company has written made provision on allowance for trade receivables and advances to suppliers aggregating to Rs. 32,099.74 lakhs, net of amount collected and provision made, in compliance of Ind AS 109. And the company has written down of inventories of Finished Goods identified as non-moving, slow moving, obsolete and damaged inventory to net realizable value by Rs 803 lakhs, which is charged to charged profit & loss as exceptional item.
- 8 The Company was implementing a Spinning project which got stuck due to non-disbursement of credit facilities by the banks. However, post Corporate Insolvency Resolution Process (CIRP) the Company impairment testing has been conducted and considering the technical assessment and management estimates, INR 12,544.72 lakhs value of Capital work in progress has been impaired as per Ind AS 36. During the year, a provision for impairment has been recorded for and the same does have an impact on the losses of the company.
- 9 With reference to interest subsidy receivable, the subsidies are to be released by the Ministry of Textiles and MP Government and the Company is not hopeful of receiving the same. During the year, a provision for impairment has been recorded for INR 26,621.40 lakhs and the same does have an impact on the losses of the company.
- 10 During the year, Central Bureau of Investigation carried out search & seizure action at the registered office of the Company and the residence of the erstwhile Directors of the Company on 5th November 2019 from 09.30 AM to 09.00 PM. under section 165 of the Criminal Procedure Code on the Company and its directors. Subsequent to the year end March 31, 2020, Central Bureau of Investigation carried out search & seizure action at the registered office of one of the subsidiary company SEL Textiles Limited and the residence of the Directors of the Company on 14th August, 2020 under section 165 of the Criminal Procedure Code on the Company and its directors. The consequential proceedings are in progress. The consequential proceedings in the case of the said companies are in progress.
- 11 During the year, the Company has received notice dated February 13, 2020 on February 26, 2020 from the Ministry of Corporate Affairs further ordering the investigation of books of accounts and papers under section 210(1)(c) of the Companies Act, 2013 and the erstwhile Directors of the Company under section 217(5) of the Companies Act, 2013 have been issued summons to appear before the authorities. The consequential proceedings are in progress.
- 12 During the year, the Company has received summon dated March 4, 2020 on March 12, 2020 from the Directorate General of GST Intelligence under section 14 of the Central Excise Act, 1944 to give evidence truthfully on such matters concerning the enquiry as may be asked and produce the documents and records for examination. The consequential proceedings are in progress.
- 13 Resolution plan received for SEL Manufacturing Company Limited, from consortium of Arr Ess Industries Private Limited & Leading Edge Commercial FZ, has been approved by Committee of Creditors on 6th Oct 2020, under provisions of Insolvency & Bankruptcy Code and related Regulations. Further, The Hon'ble National Company Law Tribunal has approved the Resolution Plan on 10th February, 2021.
- 14 Subsequent to the year end March 31, 2020, the Principal Commissioner of Income Tax (Central), Ludhiana filed an appeal before the Hon'ble High Court of Punjab & Haryana which was heard on November 4, 2020 in the matter pertaining to the assessment u/s 153 w.r.s 143(3) of the Income Tax Act, 1961 for the assessment years 2010-11, 2011-12 & 2013-14, which was completed on January 31, 2017 where an amount of INR 280.00 crores was demanded from the Holding Company. Appeals that were filed before the CIT (A) on July 27, 2017 were decided by the CIT (A) on December 29, 2017 against the holding company. On February 02, 2018, Holding Company filed an appeal before the ITAT, Chandigarh bench against the order of CIT (A) and the same had been decided by the ITAT in the favor of the Holding Company on February 28, 2019.
- 15 Figures relating to the previous period have been regrouped/rearranged, wherever necessary to make them comparable with those of the current period.

For and on behalf of Board of Directors

  
Navneet Gupta  
Director & CFO

Date: 13.02.2021  
Place: Ludhiana

**STATEMENT OF ASSETS & LIABILITIES (STANDALONE)**

(In Lakhs)

PARTICULARS	AS AT 31.03.2020	AS AT 31.03.2019
<b>ASSETS</b>		
<b>(1) Non Current Assets</b>		
(a) Property, Plant and Equipment	139,890.30	150,649.27
(b) Capital Work in Progress	4,246.00	16,940.42
(c) Investment Property	-	-
(d) Goodwill	-	-
(e) Other Intangible Assets	-	-
(f) Intangible Assets under Development	-	-
(g) Biological Assets Other Than Bearer Plants	-	-
(h) Financial Assets	-	-
(i) Investments	133.02	202,221.43
(ii) Trade Receivable	-	-
(iii) Loans	-	-
(iv) Others	0.50	0.50
(i) Deferred Tax Assets (Net)	-	-
(j) Other Non-Current Assets	1,039.80	945.00
	<b>145,309.62</b>	<b>370,756.62</b>
<b>(2) Current Assets</b>		
(a) Inventories	2,742.03	5,898.79
(b) Financial Assets	-	-
(i) Current Investments	-	-
(ii) Trade Receivables	7,110.93	4,262.64
(iii) Cash & Cash Equivalents	181.76	475.12
(iv) Bank Balances other than (iii) above	34.64	32.59
(v) Loans	-	-
(vi) Others	466.47	27,382.78
(c) Current Tax Assets (Net)	1,909.36	1,443.20
(d) Other Current Assets	1,782.21	2,428.97
	<b>14,227.41</b>	<b>41,924.08</b>
<b>TOTAL ASSETS</b>	<b>159,537.03</b>	<b>412,680.70</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
(a) Equity Share Capital	33,134.70	33,134.70
(b) Other Equity	(514,908.07)	(260,089.01)
	<b>(481,773.37)</b>	<b>(226,954.31)</b>
<b>LIABILITIES</b>		
<b>(1) Non-Current Liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	118,092.11	158,498.35
(ii) Trade Payables	-	-
(iii) Other Financial Liabilities	-	-
(b) Provisions	139.68	136.12
(c) Deferred Tax Liabilities (Net)	-	-
(d) Other Non-Current Liabilities	-	-
	<b>118,231.79</b>	<b>158,634.47</b>

<b>(2) Current Liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	342,718.54	342,261.40
(ii) Trade Payables	6,766.73	6,843.50
(iii) Other Financial Liabilities	172,824.90	131,187.39
(b) Other Current Liabilities	144.53	116.84
(c) Provisions	623.91	591.41
(d) Current Tax Liabilities(Net)	-	-
	<b>523,078.61</b>	<b>481,000.54</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>159,537.03</b>	<b>412,680.70</b>

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# STATEMENT OF ASSETS & LIABILITES (CONSOLIDATED)

(In Lakhs)

PARTICULARS	AS AT 31.03.2020	AS AT 31.03.2019
<b>ASSETS</b>		
<b>(1) Non Current Assets</b>		
(a) Property, Plant and Equipment	201,004.62	215,520.33
(b) Capital Work in Progress	43,235.73	55,940.78
(c) Investment Property	-	-
(d) Goodwill	-	-
(e) Other Intangible Assets	-	-
(f) Intangible Assets under Development	-	-
(g) Biological Assets Other Than Bearer Plants	-	-
(h) Financial Assets	-	-
(i) Investments	4,181.76	4,280.56
(ii) Trade Receivable	-	-
(iii) Loans	-	-
(iv) Others	8.75	18.84
(i) Deferred Tax Assets (Net)	-	-
(j) Other Non-Current Asscls	4,150.82	4,053.97
	<b>252,581.67</b>	<b>279,814.50</b>
<b>(2) Current Assets</b>		
(a) Inventories	4,191.57	7,272.38
(b) Financial Assets		
(i) Current Investments	-	-
(ii) Trade Receivables	7,414.28	5,901.30
(iii) Cash & Cash Equivalents	264.83	539.31
(iv) Bank Balances other than (iii) above	34.79	32.74
(v) Loans	-	-
(vi) Others	6,805.38	33,721.95
(c) Current Tax Assets (Net)	2,532.91	1,878.98
(d) Other Current Assets	3,011.26	3,887.21
	<b>24,255.02</b>	<b>53,233.87</b>
<b>TOTAL ASSETS</b>	<b>276,836.69</b>	<b>333,048.36</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
(a) Equity Share Capital	33,134.70	33,134.70
(b) Other Equity	(369,154.74)	(309,367.55)
Equity attributable to owners of the Company	<b>(336,020.04)</b>	<b>(276,232.85)</b>
Non-Controlling Interest	17.47	18.31
Total Equity	<b>(336,002.57)</b>	<b>(276,214.54)</b>
<b>LIABILITIES</b>		
<b>(1) Non-Current Liabilities</b>		
(a) Financial Liabilities		
(i) Borrowings	161,470.46	219,495.12
(ii) Trade Payables	-	-
(iii) Other Financial Liabilites	6.85	-
(b) Provisions	178.38	173.47
(c) Deferred Tax Liabilities (Net)	-	-
(d) Other Non-Current Liabilities	-	-
	<b>161,655.70</b>	<b>219,668.59</b>

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(a) Financial Liabilities		
(i) Borrowings	175,535.73	177,132.41
(ii) Trade Payables	11,958.99	12,011.34
(iii) Other Financial Liabilities	260,492.18	199,557.32
(b) Other Current Liabilities	2,464.79	184.64
(c) Provisions	731.87	708.59
(d) Current Tax Liabilities(Net)	-	-
	<b>451,183.56</b>	<b>389,594.31</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>276,836.69</b>	<b>333,048.36</b>

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**SEL MANUFACTURING COMPANY LIMITED**

Cash Flow Statement for the Year Ended 31st March, 2020

		(Rs. In Lakhs)		
Particulars	Details	Current Year	Details	Previous Year
<b>A</b>	<b>Cash Flow from Operating Activities</b>			
	Net Profit before Taxes & Extraordinary Items	(254,101.36)		(23,596.54)
	Adjustments for Non Cash Items:			
	-Depreciation & Amortization	10,782.78	10,883.24	
	-Provision for Diminution in Value of Investments	202,100.73	(121.46)	
	-Provision for Doubtful Debts	546.39	14,710.45	
	-Impairment in Value of Capital Work in Progress	12,544.57	-	
	-Allowances for Loans & Advances	28,031.82	2,346.58	
	-Inventories Written Down to Net Realisable Value	802.84	-	
	-Interest Cost	17.81	171.92	
	-Interest Income	(295.22)	(96.87)	
	-Dividend Income	-	(0.37)	
	-Share of Loss/(Profit) from Firm	(47.49)	54.10	
	-(Profit)/Loss on Sale of Fixed Assets	-	(138.07)	27,809.50
	Adjustments for Changes in Working Capital:			
	-Increase/ (Decrease) in Trade Payables	(76.77)	265.74	
	-Increase/ (Decrease) in Other Current Liabilities	27.70	(407.16)	
	-Increase/ (Decrease) in Other Financial Liabilities	526.73	33,746.34	
	-Increase/ (Decrease) in Current Provisions	32.50	(76.07)	
	-(Increase)/ Decrease in Trade Receivables	(2,848.29)	(5,421.39)	
	-(Increase)/ Decrease in Other Current Assets	(646.76)	3,522.99	
	-(Increase)/ Decrease in Current Assets Tax (Net)	(466.17)	(442.88)	
	-(Increase)/ Decrease in Bank Balance other than Cash	(2.05)	31.05	
	-(Increase)/ Decrease in Other Financial Assets	294.90	302.39	
	-(Increase)/ Decrease in Inventories	2,353.92	(804.30)	32,435.69
	Cash Generation from Operations	(421.43)		36,648.64
	-Taxes Paid	-		-
	Net Cash from Operating Activities	(421.43)		36,648.64
<b>B</b>	<b>Cash Flows from Investing Activities</b>			
	-Purchase of Plant, Property & Equipments	(23.80)	(21.97)	
	-(Increase)/Decrease in Capital Work in Process	-	45.31	
	-Proceeds from Sale of Plant, Property & Equipments	-	142.13	
	-Interest Income	295.22	96.87	
	-Share of Profit/(Loss) from Firm	14.00	(54.10)	
	-Dividend Income	-	0.37	
	-(Increase)/Decrease of Non Current Investments	-	54.49	
	-(Increase)/ Decrease in Non Current Loans	-	21.01	
	-Increase/(Decrease)in Non Current Provisions	3.56	(140.26)	
	Net Cash Flows from Investing Activities	288.99		143.85
<b>C</b>	<b>Cash Flows from Financing Activities</b>			
	-Proceeds/(Repayment) of Non Current Borrowings	(48.30)	(33,567.75)	
	-(Increase)/ Decrease in Other Financial Assets Non Current	(94.80)	(1,861.19)	
	-Proceeds/(Repayment) of Current Financial Borrowings	-	(974.94)	
	-Interest Cost	(17.81)	(171.92)	
	Net Cash Flows from Financing Activities	(160.91)		(36,575.80)
	Net Increase/(Decrease) in Cash & Cash Equivalent	(293.35)		216.70
	Cash & Cash Equivalents - Opening Balance	475.12		258.42
	Cash & Cash Equivalents - Closing Balance	181.76		475.12



**SEL MANUFACTURING COMPANY LIMITED**

Consolidated Cash Flow Statement for the Year Ended 31st March, 2020

		(Rs. in Lakhs)		
Particulars	Details	Current Year	Details	Previous Year
<b>A</b>	<b>Cash Flow from Operating Activities</b>			
	Net Profit before Taxes & Extraordinary Items	(58,735.34)		(37,249.48)
	Adjustments for Non Cash Items:			
	-Depreciation & Amortization	14,505.62	14,630.76	
	-Provision for Doubtful Debts	4,034.58	22,550.29	
	-Impairment in Value of Capital Work in Progress	12,544.57	-	
	-Inventories Written Down to Net Realisable Value	802.84	-	
	-Allowances for Loans & Advances	28,065.16	2,333.96	
	-Interest Cost	123.34	501.01	
	-Interest Income	(436.18)	(127.28)	
	-Dividend Income	-	(0.37)	
	-(Profit)/Loss on Sale of Fixed Assets	(15.54)	(340.14)	
		59,702.03		39,548.23
	Adjustments for Changes in Working Capital:			
	-Increase/ (Decrease) in Trade Payables	(52.35)	703.60	
	-Increase/ (Decrease) in Other Current Liabilities	2,280.15	(431.70)	
	-Increase/ (Decrease) in Other Financial Liabilities	19,975.13	48,656.70	
	-Increase/ (Decrease) in Current Provisions	23.28	(19.12)	
	-(Increase)/ Decrease in Trade Receivables	(5,547.56)	(7,308.18)	
	-(Increase)/ Decrease in Other Current Assets	(27,191.27)	5,733.18	
	-(Increase)/ Decrease in Current Assets Tax (Net)	(653.93)	(662.84)	
	-(Increase)/ Decrease in Current Loans	26,916.57	300.63	
	-(Increase)/ Decrease in Inventories	2,277.97	4,126.51	51,098.77
	<b>Cash Generation from Operations</b>	<b>18,994.68</b>		<b>53,396.52</b>
	-Taxes Paid			(0.03)
	<b>Net Cash from Operating Activities</b>	<b>18,994.68</b>		<b>53,396.55</b>
<b>B</b>	<b>Cash Flows from Investing Activities</b>			
	-Purchase of Plant, Property & Equipments	(40.37)	(31.54)	
	-(Increase)/Decrease in Capital Work in Process	160.49	(17.46)	
	-Proceeds from Sale of Fixed Assets	66.00	1,127.26	
	-Interest Income	436.18	127.28	
	-Dividend Income	-	0.37	
	-(Increase)/ Decrease in Others Financial Assets Non Current	10.09	21.01	
	-(Increase)/ Decrease in Other Non Current Assets	(96.84)	(1,954.40)	
	-Increase/(Decrease)in Non Current Provisions	4.91	(209.62)	
	<b>Net Cash Flows from Investing Activities</b>	<b>540.46</b>		<b>(937.11)</b>
<b>C</b>	<b>Cash Flows from Financing Activities</b>			
	-Increase/(Decrease) in Non Controlling Interest	(0.84)	3.35	
	-Proceeds/(Repayment) of Non Current Borrowings	(18,095.62)	(50,351.80)	
	-Increase/(Decrease)in Other Financial Liabilities Non Current	6.85	-	
	-Proceeds/(Repayment) of Short term Borrowings	(1,596.68)	(1,488.21)	
	-Interest Cost	(123.34)	(501.01)	
	<b>Net Cash Flows from Financing Activities</b>	<b>(19,809.62)</b>		<b>(52,336.66)</b>
	Net Increase/(Decrease) in Cash & Cash Equivalent	(274.48)		122.78
	Cash & Cash Equivalents - Opening Balance	539.31		416.53
	Cash & Cash Equivalents - Closing Balance	264.83		539.31



# MALHOTRA MANIK & ASSOCIATES

CHARTERED ACCOUNTANTS

708/ 6-B, Street No 19-A,  
Punjab Mata Nagar, Pakhowal  
Road, Ludhiana – 141002  
Mobile No. 98550-37608, 9814022781  
E-Mail: mmasso123@gmail.com

**Independent Auditor's Report on the Quarterly and year to date standalone financial results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**

To  
The Resolution Professional/Monitoring Committee of  
SEL Manufacturing Company Limited,

### Qualified Opinion

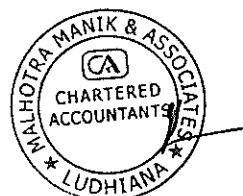
We have audited the accompanying statement of quarterly and year to date Standalone Financial Results of SEL Manufacturing Company Limited ("the Company") for the quarter ended 31<sup>st</sup> March, 2020 and for the year ended 31<sup>st</sup> March, 2020 ("the Statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us, the Statement

- i. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended in this regard; and
- ii. *Except for the possible effects of our observations described in the Basis for Qualified Opinion paragraph below read with paragraphs Material Uncertainty Related to Going Concern and Emphasis of Matter below, gives a true and fair view in conformity with the applicable accounting standards and other accounting principles generally accepted in India, of the net loss and other comprehensive Loss and other financial information of the company for the quarter ended 31<sup>st</sup> March, 2020 and for the year ended 31<sup>st</sup> March, 2020.*

### Basis for Qualified Opinion

1. *Note No. 6 to the Standalone financial results in respect of non provision of interest on borrowings from banks (classified as NPA) amounting Rs. 57,777 lacs & Rs. 53,478 lacs (amount calculated after considering the rates and terms and conditions stipulated originally as per CDR package) for the year ended 31<sup>st</sup> March, 2020 & 31<sup>st</sup> March 2019 respectively. The same is not in compliance with the requirements of para 27 of the Ind AS 1-Presentation of financial results w.r.t. preparation of financial results on accrual basis. Consequently, borrowings are not reflected at fair value in standalone financial results as required by Ind AS 109, Financial Instruments.*
2. *Note No. 9 of the standalone financial results, the company has provided for impairment of Capital work in progress by Rs. 12,544 lacs as per INDAS-36 for the year ended 31<sup>st</sup> March, 2020. As per representation given by Resolution Professional, the impairment of Capital WIP is done on the basis of valuation report as at the Insolvency Commencement Date. However, the said valuation Reports are not provided to us considering the confidentiality of the same. Hence, we are unable to justify its reasonableness.*



*We further report that, had the impact of our observations made in paragraph 1 of Basis for qualified opinion paragraph been considered, the net loss for the year ended 31<sup>st</sup> March, 2020 & 31<sup>st</sup> March 2019 would have been increased by Rs. 57,777 lacs & Rs. 53,478 lacs and the borrowings for the year ended 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2019 would have been increased by Rs. 201,240 lacs & Rs. 143,463 lacs and Equity would have been reduced by the same amount for the years ended 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2019 respectively. The financial impact of matters stated in paragraphs 2 to the Basis for Qualified Opinion can't be measured reliably for the year ended 31<sup>st</sup> March 2020.*

We conducted our audit in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Companies Act, 2013, as amended ("the Act"). Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Results" section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

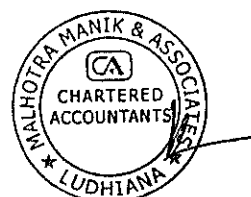
Note no. 2 of the Standalone financial results, stating thereto that the terms and conditions of the sanctioned CDR package w.r.t. interest and principal repayment were not complied with. Consequently, State Bank of India, in its capacity as financial creditor had filed a petition under Insolvency and Bankruptcy Code, 2016(IBC) against the company with Hon'ble National Company Law Tribunal, Chandigarh Bench (NCLT) which was admitted on 11th April 2018 and Corporate Insolvency Resolution Process (CIRP) has been initiated in terms of IBC. Subsequently the NCLT vide its order dated 25<sup>th</sup> April, 2018 ("IRP Order") appointed Mr. Navneet Kumar Gupta as the interim resolution professional of the Corporate Debtor ("IRP"). Due to legal interventions, CIRP was in abeyance from 1<sup>st</sup> May, 2018 to 21<sup>st</sup> May, 2018. Subsequently, in the first meeting of the committee of creditors of the Corporate Debtor held on 15<sup>th</sup> June, 2018 IRP was confirmed as the resolution professional of the Corporate Debtor ("Resolution Professional"). The company has filed an appeal against the admission of petition and appointment of IRP with NCLAT. This petition was transferred to the Hon'ble Supreme Court ("Transferred Case"). The Hon'ble Supreme Court vide its order dated 6<sup>th</sup> September, 2019 as prayed for, dismissed the transferred case as withdrawn ("Withdrawal Order"). A copy of withdrawal order was published on 11<sup>th</sup> September, 2019 ("Publication Date"). Accordingly, on and from the Publication date, the CIRP of the Corporate Debtor stands resumed. The company has incurred net loss of Rs. 254,101 lacs for the year ended 31<sup>st</sup> March, 2020 leading to erosion of entire net worth and current liabilities have exceeded the current assets of the company.

Further refer to Note no. 14 of the Standalone financial results, the Resolution Plan submitted by the consortium of Arr Ess Industries Private Limited & Leading Edge Commercial FZE had been approved by the members of the Committee of Creditors ("CoC") on October 6, 2020 under the provisions Insolvency and Bankruptcy Code and related regulations. Further, The Hon'ble National Company Law Tribunal has approved the Resolution Plan on 10<sup>th</sup> February, 2021.

#### **Emphasis of Matter**

We draw attention to the following matters:

1. The standalone financial results in respect of contingency related to export incentives obligation refundable amounting Rs. 3,855 lacs in respect of Allowance for foreign trade receivables, which is further subject to interest and penalties, the amount of such obligation cannot be determined currently.



2. Note No. 7 of the standalone financial results, the Company has written down provision on allowance for trade receivables, advances to suppliers and other current assets aggregating to Rs. 28,578 lacs, net of amount collected and provision made, in compliance of Ind AS 109. And the company has written down of inventories of Finished Goods identified as non-moving, slow moving, obsolete and damaged inventory to net realizable value by Rs 803 lacs, which is charged to charged profit & loss as exceptional item.
3. Note No. 10 read with note no. 7 of the standalone financial results, the company has provided for allowance for interest subsidy receivable amounting to Rs. 26,621 lacs for the year ended on 31<sup>st</sup> March, 2020 which consists of interest subsidy (i) under TUFs from Ministry of Textiles and (ii) Subsidy under Textile Policy of Government of Madhya Pradesh.
4. Note No. 8 of the standalone financial results, the company has made a provision for impairment of Rs.201,324 lacs (considering negative Net worth of the subsidiary company namely SEL Textiles Limited) for the year ended 31<sup>st</sup> March, 2020 relating to amount recorded as receivable from SEL Textiles Limited on account of invocation of financial guarantee (given by the Company to lenders of SEL Textiles Limited to secure the credit facilities for the said subsidiary company) by the lenders of SEL Textiles Limited.
5. The standalone financial results regarding the balance confirmations of Trade Receivables, Capital/Trade Advances & Trade Payables. During the course of preparation of Standalone financial results, letters have been sent to various parties by the company with a request to confirm their balances as on 31<sup>st</sup> March, 2020 out of which few parties have confirmed their balances to the company.

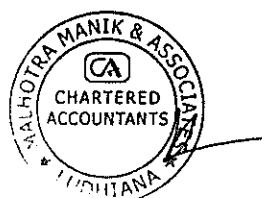
Our conclusion is not modified in respect of the matter.

#### **Management's Responsibility for the Standalone Financial Results**

The Company has been under the corporate insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code, 2016 ('the Code'). The powers of the Board of Directors stand suspended as per Section 17 of the Code and such powers are being exercised by the Resolution Professional appointed by the NCLT under the provisions of the Code. As per the order dated September 6, 2019 of the Hon'ble Supreme Court, the Corporate Insolvency Resolution Process of the company has been restored and as per Section 20 of the Code, the management and operations of the company are being managed by Resolution Professional Mr. Navneet Kumar Gupta.

The Financial Results have been prepared on the basis of the standalone annual financial statements. The Company's management/Resolution Professional is responsible for the preparation and presentation of the statement that gives a true and fair view of the net loss and other comprehensive loss of the Company and other financial information in accordance with the applicable accounting standards prescribed under Section 133 of the Act read with relevant rules issued there under and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial results, management /Resolution Professional is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to



going concern and using the going concern basis of accounting unless management/Resolution Professional either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management/Resolution Professional is also responsible for overseeing the company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Standalone Financial Results**

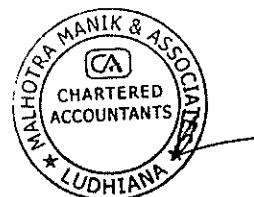
Our objectives are to obtain reasonable assurance about whether the standalone financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

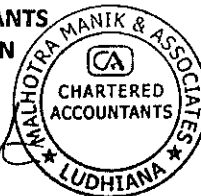
**Other Matters**

The Statement includes the results for the quarter ended 31<sup>st</sup> March, 2020 being the balancing figure between the audited figures in respect of the full financial year ended 31<sup>st</sup> March, 2020 and the published unaudited year-to-date figures up to the third quarter of the current financial year, which were subjected to a limited review by us, as required under the Listing Regulations.

PLACE: LUDHIANA  
DATED: 13.02.2021

FOR MALHOTRA MANIK & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FIRM REG. NO.: 015848N

*Manik Malhotra*  
(CA.MANIK MALHOTRA)  
PARTNER  
M.NO. 094604



UDIN: 21094604 AAAAAAN 4291

**Independent Auditor's Report on the Quarterly and year to date Consolidated financial results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**

To  
The Resolution Professional/Monitoring Committee of  
SEL Manufacturing Company Limited,

**Qualified Opinion**

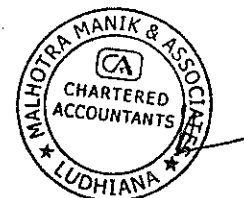
We have audited the accompanying statement of Quarterly and year to date Consolidated Financial Results of SEL Manufacturing Company Limited ("the Parent Company") and its subsidiaries (the Parent Company and its Subsidiaries together referred to as "the Group") for the quarter ended 31<sup>st</sup> March, 2020 and for the year ended 31<sup>st</sup> March, 2020 ("the Statement"), attached herewith being submitted by the parent company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on the separate financial statements/financial information of the subsidiaries, the Statement:

- a) includes the results of the following entities:
  1. SEL Textiles Limited (Wholly Owned Subsidiary Company)
  2. Silverline Corporation Limited (Fellow Subsidiary Company)
  3. SEL Aviation Private Limited (Subsidiary Company)
  4. SE Exports (Subsidiary Firm)
- b) is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended; and
- c) *except for the possible effects of our observations described in the Basis for Qualified Opinion paragraph below read with paragraphs Material Uncertainty Related to Going Concern and Emphasis of Matter below, gives a true and fair view in conformity with the applicable Accounting Standards and other accounting principles generally accepted in India, of the consolidated net loss and other Comprehensive loss and other financial information of the Group for the quarter ended 31<sup>st</sup> March 2020 and for the year ended 31<sup>st</sup> March, 2020.*

**Basis for Qualified Opinion**

- (1) *As mentioned in Note No. 6 to the consolidated financial results in respect of non provision of interest on borrowings from banks (classified as NPA) amounting Rs. 81,797 lacs & Rs. 76,136 lacs (amount calculated after considering the rates and terms and conditions stipulated originally as per CDR package) for the year ended 31<sup>st</sup> March, 2020 & 31<sup>st</sup> March 2019 respectively. The same is not in compliance with the requirements of para 27 of the Ind AS 1-Presentation of Financial Statements w.r.t. preparation of financial statements on accrual basis. Consequently, borrowings are not reflected at fair value in financial statements as required by Ind AS 109, Financial Instruments.*
- (2) *Note No. 8 of the consolidated financial results, the parent company has provided for impairment of Capital work in progress by Rs. 12,544 Lacs as per INDAS-36 for the year ended 31<sup>st</sup> March, 2020. As per representation given by Resolution Professional, the impairment of Capital WIP is done on the basis of valuation report as at the Insolvency Commencement Date. However, the said valuation*





reports are not provided to us considering the confidentiality of the same. Hence, we are unable to justify its reasonableness.

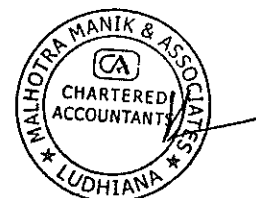
- (3) The Group has not provided to us for our review any working regarding impairment testing conducted to assess recoverable amount of Capital work in progress of Rs 38,990 lakhs (relating to subsidiary company) outstanding as at 31st March, 2020. We are unable to comment on whether the company needs to make a provision in respect of impairment losses on above as required under Ind AS 36 Impairment of Assets.
- (4) The Consolidated financial results, in respect of Borrowings (Non Current), Short Term Borrowings and other Financial Liabilities (Current) respectively contains secured loans from banks and current maturities thereof. There is shortfall in the carrying value of the security against the secured loans consequently the loans are not fully secured.
- (5) The Group has not provided for reversal of input tax amounting to Rs. 169 lakhs (relating to subsidiary company) on trade payables outstanding for more than 180 days under rule 37 of CGST Rules and Sec. 16(2) of the CGST Act.

We further report that, had the impact of our observations made in paragraph 1 & 5 of Basis for qualified opinion paragraph been considered, the net loss for the year ended 31<sup>st</sup> March, 2020 would have been increased by Rs. 81,966 lacs and the borrowings for the year ended 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2019 would have been increased by Rs. 285,631 lacs & Rs. 203,665 lacs and Equity would have been reduced by the same amount for the years ended 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2019 respectively. Further, Loans & Advances would have been reduced by the Rs. 169 lakhs for the year ended 31<sup>st</sup> March, 2020. The financial impact of matters stated in paragraphs 2 to 4 to the Basis for Qualified Opinion can't be measured reliably.

We conducted our audit in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Companies Act, 2013, as amended ("the Act"). Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Results" section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

Note no. 2 of the consolidated financial statements, stating thereto that the terms and conditions of the sanctioned CDR package w.r.t. interest and principal repayment were not complied with in respect of Parent company. Consequently, State Bank of India, in its capacity as financial creditor had filed a petition under Insolvency and Bankruptcy Code, 2016(IBC) against the parent company with Hon'ble National Company Law Tribunal, Chandigarh Bench (NCLT) which was admitted on 11th April 2018 and Corporate Insolvency Resolution Process (CIRP) has been initiated in terms of IBC. Subsequently the NCLT vide its order dated 25<sup>th</sup> April, 2018 ("IRP Order") appointed Mr. Navneet Kumar Gupta as the interim resolution professional of the Corporate Debtor ("IRP"). Due to legal interventions, CIRP was in abeyance from 1<sup>st</sup> May, 2018 to 21<sup>st</sup> May, 2018. Subsequently, in the first meeting of the committee of creditors of the Corporate Debtor held on 15<sup>th</sup> June, 2018 IRP was confirmed as the resolution professional of the Corporate Debtor ("Resolution Professional"). The company has filed an appeal against the admission of petition and appointment of IRP with NCLAT. This petition was transferred to the Hon'ble Supreme Court ("Transferred Case"). The Hon'ble Supreme Court vide its order dated 6<sup>th</sup> September, 2019 as prayed for, dismissed the transferred case as withdrawn ("Withdrawal Order"). A copy of withdrawal order was published on 11<sup>th</sup> September, 2019 ("Publication Date"). Accordingly, on and from the Publication date, the CIRP of the Corporate Debtor stands resumed. The Group has incurred net loss of Rs. 58,736 lacs for the year ended 31<sup>st</sup> March, 2020 leading to erosion of entire net worth and current liabilities have exceeded the current assets of the company.



Moreover the terms and conditions of the sanctioned CDR package w.r.t. interest and principal repayment (relating to subsidiary company) were not complied with. Consequently, the bank accounts of the subsidiary company also became non performing. The subsidiary company has incurred losses leading to erosion of entire net worth and current liabilities have exceeded the current assets of the subsidiary company, Further concerning the subsidiary company's ability to realize the value of inventories, trade receivables and other financial assets, to meet its contractual/ financial obligations w.r.t. repayment of overdue principal and accrued interest on secured borrowings, arranging working capital for ensuring normal operations, further investments required towards ongoing projects under construction. Due to financial constraints, the subsidiary company has started job work operations in major spinning plants instead of pursuing its own manufacturing activities and major source of operating income during the year under consideration is from job work. This condition indicate the existence of a material uncertainty that may cast significant doubt on the subsidiary company's ability to continue as going concern and therefore the subsidiary company may be unable to realize its assets and discharge its liabilities in the normal course of business.

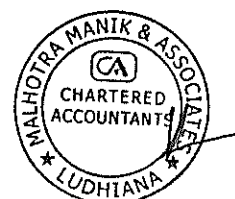
Further refer to Note no. 14 of the consolidated financial statements, the Resolution Plan (relating to parent company) submitted by the consortium of Arr Ess Industries Private Limited & Leading Edge Commercial FZE had been approved by the members of the Committee of Creditors ("CoC") on October 6, 2020 under the provisions Insolvency and Bankruptcy Code and related regulations. Further, The Hon'ble National Company Law Tribunal has pronounced its Order approving the Resolution Plan on 10<sup>th</sup> February, 2021.

#### **Emphasis of Matter**

We draw attention to the following matters:

1. The consolidated financial results in respect of Contingency related to 'compensation payable in lieu of bank sacrifice,' the outcome of which is materially uncertain and cannot be determined currently.
2. The consolidated financial results in respect of contingency related to export incentives obligation refundable amounting Rs. 4,921 lakhs in respect of Allowance for foreign trade receivables, which is further subject to interest and penalties, the amount of such obligation cannot be determined currently.
3. The consolidated financial results regarding the balance confirmations of Trade Receivables, Capital/Trade Advances & Trade Payables. During the course of preparation of consolidated financial statements, e-mails/letters have been sent to various parties by the group with a request to confirm their balances as on 31st March, 2020 out of which few parties have confirmed their balances direct to the company and to the auditors of its subsidiaries.
4. As reported vide note no. 7 to the Consolidated financial results, the group has provided for allowance/impairment of Rs. 32,100 lacs in compliance of Ind AS 109 under Expected credit losses (under ECL Model) in respect of Trade Receivables and Capital/Trade Advances given to suppliers. And the company has written down of inventories of Finished Goods identified as non-moving, slow moving, obsolete and damaged inventory to net realizable value by Rs 803 lakhs, which is charged to charged profit & loss as exceptional item.
5. Note No.9 read with note no. 7 of the consolidated financial statements, the company has provided for allowance for interest subsidy receivable amounting to Rs. 26,621 Lacs for the year ended on 31<sup>st</sup> March, 2020 which consists of interest subsidy (i) under TUFs from Ministry of Textiles and (ii) Subsidy under Textile Policy of Government of Madhya Pradesh for the financial years 2013-14 to 2016-17.

Our conclusion is not modified in respect of this matter.



### **Management's Responsibility for the Consolidated Financial Statements**

The Parent company has been under the corporate insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code, 2016 ('the Code'). The powers of the Board of Directors stand suspended as per Section 17 of the Code and such powers are being exercised by the Resolution Professional appointed by the NCLT under the provisions of the Code. As per the order dated September 6, 2019 of the Hon'ble Supreme Court, the Corporate Insolvency Resolution Process of the company has been restored and as per Section 20 of the Code, the management and operations of the parent company are being managed by the Resolution Professional Mr. Navneet Kumar Gupta.

The Consolidated Financial Results have been prepared on the basis of the consolidated annual financial statements. The Group Company's management/Resolution Professional is responsible for the preparation and presentation of the statement that gives a true and fair view of the net loss and other comprehensive loss of the Company and other financial information in accordance with the applicable accounting standards prescribed under Section 133 of the Act read with relevant rules issued there under and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial results, management /Resolution Professional is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management/Resolution Professional either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

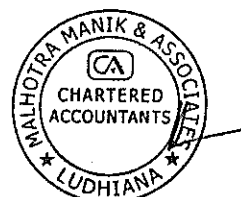
The Group Company's Management/Resolution Professional is also responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company and its subsidiary companies which are companies incorporated in India, has adequate internal financial controls system in place and the operating effectiveness of such controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

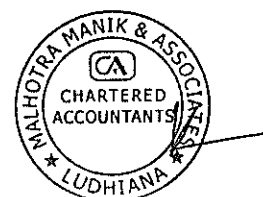
Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We also performed procedures in accordance with the Circular No. CIR/CFD/CMD 1/44/20 19 dated March 29, 2019 issued by the Securities Exchange Board of India under Regulation 33 (8) of the Listing Regulations, to the extent applicable.



### Other Matters

We draw attention to the following matter:

1. We did not audit the financial statements/financial information of two subsidiaries, whose financial statements/ financial information reflect total assets (net) of Rs. 4792 lacs as at 31st March, 2020 and total revenue of Rs. 2 lacs, for the year ended on 31st March, 2020, as considered in the consolidated financial statements. These financial statements/ financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.
2. We have relied on the unaudited financial statements of subsidiary wherein total assets (net) of Rs. 16 lacs as at 31st March, 2020. The group's share of profit aggregate to Rs. 48 lacs for the year ended 31st March, 2020. These unaudited financial statements as approved by the respective management of the subsidiary have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relate to the aforesaid subsidiaries are based solely on such approved unaudited financial statements.

Our opinion on the statement is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors as well as our reliance on such approved unaudited financial statements.

The Statement includes the results for the quarter ended 31<sup>st</sup> March, 2020 being the balancing figure between the audited figures in respect of the full financial year ended on 31<sup>st</sup> March, 2020 and the published un audited year to date figures up to the third quarter of the current financial year, which were subjected to the limited review by us as required under the listing regulations.

PLACE: LUDHIANA  
DATED: 13.02.2021

FOR MALHOTRA MANIK & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FIRM REG.NO.: 015848

*Manik Malhotra*

(CA.MANIK MALHOTRA)  
PARTNER

M.NO.: 094604

UDIN: 21094604 AAAA A04247

