SEL Manufacturing Company Limited

Regd. Office: 274, Dhandari Khurd, G.T. Road, Ludhiana 141014 (Punjab)
Tel.: +91-161-7111117 Fax: +91-161-7111118 Website: www.selindia.in
[CIN: L51909PB2000PLC023679]

Statement of Standalone Unaudited Financial Results for the Quarter Ended June 30, 2019

PART- I

(Rs. in Lakhs)

Sr. No.	Particulars	Unaudited Quarter Ended 30/06/2019	Audited Quarter Ended 31/03/2019	Unaudited Quarter Ended 30/06/2018	Audited Year Ended 31/03/2019
1	Income from operations				
	a) Revenue from operations	8,450.93	11,269.21	12,642.98	45,910.97
	b) Other income	210.52	(165.48)	260.42	7,539.42
	Total income from operations	**8,661.45**	**11,103.73**	**12,903.40**	**53,450.39**
2	Expenses				
	a) Cost of material consumed	2,639.38	2,695.31	4,128.49	15,027.60
	b) Purchase of stock-in-trade	-	25.69	4.04	29.74
	c) Changes in inventories of finished goods , work in progress and stock in trade	374.43	1,622.98	(1,477.92)	(163.08)
	d) Employee benefits expenses	1,959.85	2,031.83	2,064.05	8,037.40
	e) Finance Cost	117.22	212.12	93.89	337.54
	f) Depreciation and amortisation expenses	2,688.73	2,673.99	2,742.93	10,883.24
	g) Other expenses	6,447.61	5,795.22	6,888.20	25,958.93
	Total expenses	**14,227.22**	**15,057.14**	**14,443.68**	**60,111.37**
3	**Profit/(loss) from operations before exceptional items (1-2)**	**(5,565.77)**	**(3,953.41)**	**(1,540.28)**	**(6,660.98)**
4	Exceptional Items	(3,694.68)	6,630.17	1,026.58	16,935.56
5	**Profit (+)/ (Loss) (-) before tax (3±4)**	**(1,871.09)**	**(10,583.58)**	**(2,566.86)**	**(23,596.54)**
6	Tax Expense	-	-	-	-
7	**Net Profit (+)/ (Loss) (-) for the period from Continuing Operations tax (5-6)**	**(1,871.09)**	**(10,583.58)**	**(2,566.86)**	**(23,596.54)**
8	Net Profit (+)/ (Loss) (-) from Discontinuing Operations	-	-	-	-
9	Tax Expense of Discontinuing Operations	-	-	-	-
10	**Net Profit (+)/ (Loss) (-) from Discontinuing Operations after Tax (8-9)**	-	-	-	-
11	**Net Profit (+)/ (Loss) (-) for the period (7+10)**	**(1,871.09)**	**(10,583.58)**	**(2,566.86)**	**(23,596.54)**
12	**Other Comprehensive Income**				
	a (i) Items that will not be reclassified to Profit or Loss	12.96	386.30	30.63	401.41
	(ii) Income Tax relating to Items that will not be reclassified to Profit	-	-	-	-
	b (i) Items that will be reclassified to Profit or Loss	(194.01)	(307.85)	(158.63)	(351.90)
	(ii) Income Tax relating to Items that will be reclassified to Profit or L	-	-	-	-
13	**Total Comprehensive Income/(loss) for the Period (11+12)**	**(2,052.14)**	**(10,505.13)**	**(2,694.86)**	**(23,547.03)**
14	**Paid-up equity share capital of Rs. 10/- each**	**33,134.70**	**33,134.70**	**33,134.70**	**33,134.70**
15	Other Equity				**(260,089.01)**
16	i. Earning per share (EPS) (for Continuing Operations) (in Rs.) (not annualised)				
	a) Basic	B- (0.56)	B- (3.19)	B- (0.77)	B- (7.12)
	b) Diluted	D- (0.56)	D- (3.19)	D- (0.77)	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- (0.56)	B- (3.19)	B- (0.77)	B- (7.12)
	b) Diluted	D- (0.56)	D- (3.19)	D- (0.77)	D- (7.12)

Notes:

1 The unaudited financial statements for the quarter ended June 30, 2019 have been taken on record by the Board of Directors at its meeting held on July 17th, 2019. The information presented above is extracted from the unaudited 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 The Company had opted for CDR of its Debt in November, 2013. The CDR package was approved by the competent authority in June, 2014 and implemented by lenders in September, 2014. The credit facilities envisaged & sanctioned under CDR package were not fully released by the lenders which resulted in sub-optimum utilization of manufacturing facilities and the company could not complete one of its spinning project where substantial amount was already incurred. All this has led to adverse financial performance and erosion in net worth of the Company. Also the company has been facing cash flow mismatch and is not servicing debt obligations as per the terms of CDR package sanctioned earlier. However, despite all this, the manufacturing capacities are operational and running. The Company has requested its lenders for a second/deep restructuring of its debts. Considering the state of art manufacturing facilities of the Company, most modernized technology, skilled labor force, professional management and inherent viability of the Company, the lenders had in-principle agreed for second/deep restructuring of the debts. Pending discussions with the lenders, State Bank of India in its capacity as financial creditor has filed a petition on 12th October, 2017 under "Insolvency and Bankruptcy Code, 2016" (IBC) with Hon'ble National Company Law Tribunal, Chandigarh Bench (NCLT). On 11th April, 2018, the NCLT vide it's order of even date admitted the said petition and Corporate Insolvency Resolution Process (CIRP) has been initiated. Mr. Navneet Kumar Gupta having Registration No.IBBI/IPA-001/IP-P00001/2016-17/10009 was appointed as Interim Resolution Professional (IRP) vide order dt. 25th April, 2018 and the affairs, business and assets are being managed by the Interim Resolution Professional (IRP).The Company has preferred an appeal against the admission of petition and appointment of IRP with National Company Law Appellate Tribunal (NCLAT).

The Corporate Insolvency Resolution Process (CIRP) has since been kept in abeyance vide order dt. 22nd June, 2018 of Hon'ble High Court of Punjab & Haryana. The matter has since been transferred to Hon'ble Supreme Court of India and is pending for adjudication. Accordingly, the

Company has prepared these financial statements on the basis of going concern assumption. Due to non disbursement of credit facilities the Company had suffered operational losses as well as capital losses. Therefore, the Company has presented before the Adjudicating Authority counter claim & claim of set off against the banks.

3 The Company has only one Reportable Segment i.e. Textiles, hence Segment Reporting is not applicable.

4 The secured lenders have stopped charging interest on borrowings, since the accounts of the Company have been categorized as Non Performing Asset. Further the Corporate Insolvency Resolution Process has been initiated under "Insolvency and Bankruptcy Code, 2016" (as referred in Note No. 2 above). In view of the above, 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. 13,779 lakhs for the quarter ended 30th June, 2019 and the same has not been considered for preparation of the financial statements for the quarter ended 30th June, 2019. Due to non provision of the interest expense, net loss for the quarter ended 30th June, 2019 is reduced by Rs. 13,779 lakhs. Further the Financial Liability is reduced and correspondingly the equity is increased by the same amount.

5 During the quarter the Company has made an allowance/impairment for trade receivables and loans & advances agreegating to Rs. (3,695) lakhs, net of amount collected and provision made, in complaince of Ind AS 109 which is charged to Profit & Loss Statement as an exceptional item. Though the company strongly believes that the balance trade receivables and loans & advances are fully recoverable/adjustable.

6 The company had given financial guarantee to the extent of Rs 201,324 lakhs to the bankers of its subsidiary namely SEL Textiles Limited, to secure the credit facilities availed by it. The said financial guarantee amounting Rs. 201,324 lakhs (consisting of principal outstanding and interest thereon upto 30th June, 2019 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. The said guarantee has been invoked by the bankers before initiation of Corporate Insolvency Resolution

7 The Company was implementing a Spinning project which got stuck due to non-disbursement of credit facilities by the banks. However, post Corporate Insolvency Resoluation Process (CIRP) the Company expects that the project would be completed. Therefore, impairment testing was not conducted.

8 With reference to interest subsidy receivable, the subsidies are to released by the Ministry of Textiles and MP Government and the Company is hopeful of receiving the same. Since the subsidies are not related to the current year, the same does not have any impact on current year losses of the company.

9 Figures relating to the previous period have been regrouped/rearranged, whereever necessary to make them comparable with those of the

For and on behalf of Board of Directors

Ram Saran Saluja
Chairman/Director

SEL MANUFACTURING CO. LTD. LUDHIANA

Date: 17.07.2019
Place: Ludhiana

SEL Manufacturing Company Limited

Regd. Office: 274, Dhandari Khurd, G.T. Road, Ludhiana 141014 (Punjab)

Tel.: +91-161-7111117 Fax: +91-161-7111118 Website: www.selindia.in

[CIN: L51909PB2000PLC023679]

Statement of Consolidated Unaudited Financial Results for the Quarter Ended June 30, 2019

PART- I

(Rs. in Lakhs)

Sr. No.	Particulars	Unaudited Quarter Ended 30/06/2019	Audited Quarter Ended 31/03/2019	Unaudited Quarter Ended 30/06/2018	Audited Quarter Ended 31/03/2019
1	Income from operations				
	a) Revenue from operations	10,359.11	14,854.58	18,540.24	60,672.87
	b) Other income	219.38	(364.46)	477.38	9,168.72
	Total income from operations	**10,578.49**	**14,490.12**	**19,017.62**	**69,841.59**
2	Expenses				
	a) Cost of material consumed	2,851.40	3,589.24	6,724.15	19,395.57
	b) Purchase of stock-in-trade	-	63.08	4.05	281.92
	c) Changes in inventories of finished goods , work in progress and stock in trade	1,227.52	2,427.35	(2,165.86)	1,248.15
	d) Employee benefits expenses	2,567.59	2,663.24	3,205.62	11,460.88
	e) Finance Cost	215.34	520.71	124.46	684.27
	f) Depreciation and amortisation expenses	3,798.54	3,596.09	3,686.50	14,630.76
	g) Other expenses	7,340.22	7,451.78	9,759.60	34,502.78
	Total expenses	**18,000.61**	**20,311.49**	**21,338.52**	**82,204.33**
3	**Profit/(loss) from operations before exceptional items (1-2)**	(7,422.12)	(5,821.37)	(2,320.90)	(12,362.74)
4	Exceptional Items	(4,204.07)	7,278.96	5,948.93	24,884.24
5	**Profit (+)/ (Loss) (-) before tax (3+4)**	**(3,218.05)**	**(13,100.33)**	**(8,269.83)**	**(37,246.98)**
6	Tax Expense	-	(0.03)	-	(0.03)
7	**Net Profit (+)/ (Loss) (-) for the period from Continuing Operations tax (5-6)**	(3,218.05)	(13,100.30)	(8,269.83)	(37,246.95)
8	Net Profit (+)/(Loss) (-) from Discontinuing Operations	-	-	-	-
9	Tax Expense of Discontinuing Operations	-	-	-	-
10	Net Profit (+)/(Loss) (-) from Discontinuing Operations after Tax (8-9)	-	-	-	-
11	**Net Profit (+)/ (Loss) (-) for the period (7+10)**	(3,218.05)	(13,100.30)	(8,269.83)	(37,246.95)
12	**Profit/(Loss) attributable to**				
	(1) Owners of the Company	(3,217.89)	(13,100.38)	(8,266.72)	(37,249.45)
	(2) Non-Controlling Interests	(0.16)	0.08	(3.11)	2.50
	Profit/(Loss) for the period	**(3,218.05)**	**(13,100.30)**	**(8,269.83)**	**(37,246.95)**
13	**Other Comprehensive Income**				
	a (i) Items that will not be reclassified to Profit or Loss	22.67	28.57	46.32	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	(230.90)	(200.28)	(200.28)	(801.13)
	(ii) Income Tax relating to Items that will be reclassified to Profit or Loss	-	-	-	-
14	**Total Comprehensive Income/(loss) for the Period (11+13)**	(3,426.28)	(13,272.01)	(8,423.79)	(37,551.57)
	Total Comprehensive Income/(loss) attributable to				
	(1) Owners of the Company	(3,426.12)	(13,272.09)	(8,420.68)	(37,554.07)
	(2) Non-Controlling Interests	(0.16)	0.08	(3.11)	2.50
	Total Comprehensive Income/(loss)	**(3,426.28)**	**(13,272.01)**	**(8,423.79)**	**(37,551.57)**
15	**Paid-up equity share capital of Rs. 10/- each**	**33,134.70**	**33,134.70**	**33,134.70**	**33,134.70**
16	Other Equity				**(309,367.55)**
17	i. Earning per share (EPS) (for Continuing Operations) (in Rs.) (not annualised)				
	a) Basic	B- (0.97)	B- (3.95)	B- (2.50)	B- (11.24)
	b) Diluted	D- (0.97)	D- (3.95)	D- (2.50)	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- (0.97)	B- (3.95)	B- (2.50)	B- (11.24)
	b) Diluted	D- (0.97)	D- (3.95)	D- (2.50)	D- (11.24)

SEL MANUFACTURING CO. LTD. LUDHIANA

Notes:

1 The unaudited financial statements for the quarter ended June 30, 2019 have been taken on record by the Board of Directors at its meeting held on July 17th, 2019. The information presented above is extracted from the unaudited 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 The Holding and one of its subsidiary Company had opted for CDR of its Debt in the year 2013-14. The CDR package was approved by the competent authorities and implemented by lenders. However, the credit facilities envisaged and sanctioned under CDR packages were not released by the lenders to the said companies, which resulted in sub-optimum utilization of manufacturing facilities. Due to non-disbursement of funds the said companies could not complete their respective spinning projects where substantial amounts were already incurred. All this has led to adverse financial performance and erosion in net worth of the said companies. Both the company are facing cash flow mismatch and are not servicing debt obligations as per the terms of CDR packages sanctioned earlier. Despite all, the manufacturing capacities are operational and running. The Holding company and one of its subsidiary company were finding it difficult to serve its debt obligations, they have requested their lenders for a second/deep restructuring of its debts. Pending discussions with the lenders of the Holding Company, State Bank of India in its capacity as financial creditor has filed a petition on 12th October, 2017 under "Insolvency and Bankruptcy Code, 2016" (IBC) with Hon'ble National Company Law Tribunal, Chandigarh Bench (NCLT). On 11th April, 2018, the NCLT vide it's order of even date admitted the said petition and Corporate Insolvency Resolution Process (CIRP) has been initiated. Mr. Navneet Kumar Gupta having Registration No.IBBI/IPA-001/IP-P00001/2016-17/10009 was appointed as Interim Resolution Professional (IRP) vide order dt. 25th April, 2018 and the affairs, business and assets are being managed by the Interim Resolution Professional (IRP).The Holding Company has preferred an appeal against the admission of petition and appointment of IRP with National Company Law Appellate Tribunal (NCLAT). The Corporate Insolvency Resolution Process (CIRP) has since been kept in abeyance vide order dt. 22nd June, 2018 of Hon'ble High Court of Punjab & Haryana. The matter has since been transferred to Hon'ble Supreme Court of India and is pending for adjudication. The group has prepared these financial statements on the basis of going concern assumption. Due to non disbursement of credit facilities the Group had suffered operational losses as well as capital losses. Therefore, the Holding company and one of its subsidiary has presented before the Adjudicating Authority counter claim & claim of set off against the banks.

3 The secured lenders have stopped charging interest on debts, since the dues from the Holding Company & one of its subsidiary have been categorized as Non Performing Asset and both the companies are in active discussion/negotiation with their lenders to restructure their debts at a sustainable level including waiver of unpaid interest. In case of the Holding Company the Corporate Insolvency Resolution Process has been initiated under "Insolvency and Bankruptcy Code, 2016". In view of the above, the Holding Company & one of its subsidiary has stopped providing interest accrued and unpaid effective 1 April 2016 in its books. The amount of such accrued and unpaid interest not provided for is estimated at Rs. 19,189 lakhs for the quarter ended 30th June, 2019 and accordingly the same has not been considered for preparation of the financial statements for the quarter ended 30th June, 2019. Due to non provision of the interest expense, net loss for the quarter ended 30th June, 2019 is reduced by Rs. 19,189 lakhs. Further the Financial Liability is reduced and correspondingly the equity is increased by the same amount.

4 The Company has only one Reportable Segment i.e. Textiles, hence Segment Reporting is not applicable.

5 During the quarter the Holding and one of its subsidiary Company has made an allowance/impairment for trade receivables and loans & advances agreegating to Rs. (4,204) lakhs, net of amount collected and provision made, in complaince of Ind AS 109 which is charged to Profit & Loss Statement as an exceptional item. Though the company strongly believes that the balance trade receivables and loans & advances are fully recoverable/adjustable.

6 The Holding Company and one of its subsidiary Company were implementing a Spinning project(s) which got stuck due to non-disbursement of credit facilities by the banks. However, post Corporate Insolvency Resoluation Process (CIRP) the Holding Company and negotation with lenders also, the Company and its subsidiary expects that the project would be completed. Therefore, impairment testing was not conducted.

7 With reference to interest subsidy receivable, the subsidies are to released by the Ministry of Textiles and MP Government and the Company is hopeful of receiving the same. Since the subsidies are not related to the current year, the same does not have any impact on current year losses of the company.

8 Figures relating to the previous period have been regrouped/rearranged, whereever necessary to make them comparable with those of the current

For and on behalf of Board of Directors

Ram Saran Saluja
Chairman/Director

SEL MANUFACTURING CO. LTD. LUDHIANA

Date: 17.07.2019
Place: Ludhiana

MALHOTRA MANIK & ASSOCIATES
CHARTERED ACCOUNTANTS

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Mobile No. 98550-37608
E-Mail:mmasso123@gmail.com

INDEPENDENT AUDITOR'S REVIEW REPORT

To
The Board of Directors,
SEL Manufacturing Company Ltd.,

Introduction

We have reviewed the accompanying Statement of unaudited financial results of SEL Manufacturing Company Limited (the company) for the period ended June 30, 2019 ("the Statement"). This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

Scope of Review

We conducted our review of the Statement in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial results are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

The company has not provided the provision of interest amounting to Rs 13,779 lakhs pertaining to quarter ended on 30th June, 2019 on NPA classified bank borrowings which 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.

1. *The company has not provided for any allowance under ECL Model for interest subsidy receivable amounting to Rs. 26,621 Lakhs 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.*

2. *The company has not provided to us for our review any working regarding impairment testing being conducted to assess recoverable amount of Capital work in progress of Rs 16,834 lakhs outstanding as at 30th June, 2019. 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.*

We further report that, except for the effects, if any, of the matters stated in paragraph (2&3) above which are not ascertainable, had the impact of our observations made in para (1) above, the net loss and borrowings for the quarter ended 30th June, 2019 would have been increased by Rs. 13,779 lakhs and the

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CHARTERED ACCOUNTANTS
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LUDHIANA

equity would have been reduced by the same amount. The financial impact of matters stated in paragraphs 2&3 to the Basis for Qualified conclusion can't be measured reliably.

Qualified Conclusion

Based on our review conducted as above, nothing *except for possible effects of our observations* described in the Basis of qualified conclusion paragraph above has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with Indian Accounting Standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

Material Uncertainty Related to Going Concern

Note no. 2 *of the unaudited 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. The company has filed an appeal against the admission of petition and appointment of IRP with NCLAT. The CIRP has since been kept in abeyance vide order dated 22.06.2018 of Hon'ble High Court of Punjab and Haryana. The company has incurred net loss of Rs. 1871 lakhs for the quarter ending 30th June, 2019 resulting into accumulated losses of Rs. 322780 lakhs leading to erosion of entire net worth and current liabilities have exceeded the current assets of the company, Further concerning the company's ability to realize the value of inventories, trade receivables and other financial assets, 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 and the Corporate guarantee given on the behalf of its subsidiary namely SEL Textiles Limited. Moreover, the company has not recognized Deferred Tax assets and MAT credit as the availability of future taxable income is not certain. Due to financial constraints, the company has started job work operations in major spinning plants instead of pursuing its own manufacturing activities. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as going concern and therefore company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Emphasis of Matter

We draw attention to the following matters:

1. Note No. 5 of the unaudited financial results, the Company has provided for allowance /impairment for Trade Receivables and Loans and Advances agreegating to Rs. (3695) Lakhs net of amount collected and provision made under Expected credit losses for the quarter ended on 30th June, 2019.

MALHOTRA MANIK & ASSOCIATES
CHARTERED ACCOUNTANTS
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2. Contingency related to 'compensation payable in lieu of bank sacrifice,' the outcome of which is materially uncertain and cannot be determined currently.

3. Contingency relating to export incentives obligation refundable in respect of allowance for foreign trade receivables amounting Rs. 3,855 lakhs as per audited financial statements at 31.03.2019 which is further subject to interest and penalties.

Our conclusion is not modified in respects of the matters reported in para (1 to 3) of Emphasis of matters.

FOR MALHOTRA MANIK & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN.: 015848N

MALHOTRA MANIK & ASSOCIATES CA CHARTERED ACCOUNTANTS FRN: 015848N M.No.:094604 LUDHIANA

Manik Malhotra

PLACE: LUDHIANA
DATED: 17.07.2019

(CA. MANIK MALHOTRA)
PROPRIETOR
M.No.: 094604

UDIN: 19094604AAAAAU2666

MALHOTRA MANIK & ASSOCIATES
CHARTERED ACCOUNTANTS

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Mobile No. 98550-37608
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INDEPENDENT AUDITOR'S REVIEW REPORT

To
The Board of Directors,
SEL Manufacturing Company Ltd.,

Introduction

We have reviewed the accompanying statement of consolidated unaudited financial results of SEL Manufacturing Company Limited ("the Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group"), and its share of the net loss and total comprehensive for the quarter ended June 30, 2019 ("the Statement"), being submitted by the parent pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation33 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

The Statement includes the financial results of following entities:

1. SEL Manufacturing Co. Ltd. (Holding Company)
2. SEL Textiles Limited (Subsidiary Company)
3. SEL Aviation Private Limited (Subsidiary Company)

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4. SE Exports (Subsidiary Firm)

Basis of Qualified Conclusion

1. *The group has not provided the provision of interest amounting to Rs. 19,189 lakhs pertaining to the quarter ended on 30th June, 2019 on NPA classified bank borrowings which 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. *The group has not provided for any allowance under ECL model for interest subsidy receivable amounting to Rs. 32,952 Lakhs 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.*
3. *The group has not provided to us for our review any working regarding impairment testing being conducted to assess recoverable amount of Capital work in progress of Rs 55,834 lakhs outstanding as at 30th June, 2019. 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.*

We further report that, except for the effects, if any, of the matters stated in paragraphs (2&3) above which are not ascertainable, had the impact of our observations made in para (1) above been considered, the net loss and borrowings for the quarter ended 30th June, 2019 would have been increased by Rs.19,189 lakhs and the equity would have been reduced by the same amount. The financial impact of matters stated in paragraphs 2&3 to the Basis for Qualified Opinion can't be measured reliably.

Qualified Conclusion

Based on our review conducted as stated above, nothing *except for possible effects of our observations* described in the Basis of qualified conclusion paragraph above has come to our attention that causes us to believe that the accompanying statement of consolidated unaudited financial results, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards as specified under section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015,as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Material Uncertainty Related to Going Concern

Note no. 2 of the *consolidated unaudited 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

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and Corporate Insolvency Resolution Process (CIRP) has been initiated in terms of IBC.The company has filed an appeal against the admission of petition and appointment of IRP with NCLAT. The CIRP has since been kept in abeyance vide order dated 22.06.2018 of Hon'ble Court of Punjab and Haryana. The group has incurred net loss of Rs. 3218 lakhs for the quarter ending 30th June, 2019 resulting into accumulated losses of Rs. 370314 lakhs leading to erosion of entire net worth and current liabilities have exceeded the current assets of the company, Further concerning the company's ability to realize the value of trade receivables and other financial assets, 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 and the Corporate guarantee given on the behalf of its subsidiary namely SEL Textiles Limited. Moreover the group has not recognized Deferred Tax assets and MAT credit as the availability of future taxable income is not certain. Due to financial constraints, the group has started job work operations in major spinning plants instead of pursuing its own manufacturing activities. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the group's ability to continue as going concern and therefore group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Emphasis of Matter

We draw attention to the following matters:

1. Note No. 5 of the Consolidated unaudited financial results, the Group has provided for allowance /impairment for Trade Receivables and Loans and Advances aggregating to Rs. (4204) Lakhs net of amount collected and provision made under Expected credit losses for the quarter ended on 30th June, 2019 .

2. Contingency related to 'compensation payable in lieu of bank sacrifice,' the outcome of which is materially uncertain and cannot be determined currently.

3. Contingency relating to export incentives obligation refundable in respect of allowance for foreign trade receivables amounting Rs. 4,921 lakhs as per audited financial statements at 31.03.2019 which is further subject to interest and penalties.

   Our conclusion is not modified in respect of the matters reported in para (1 to 3) of Emphasis of matters.

Other Matters

We draw attention to the following matter:

1. We did not review the interim financial statements/financial information/financial results of one subsidiary included in the consolidated unaudited financial results, whose interim financial results reflect total revenue of Rs. Nil lakhs and total comprehensive income of Rs. (0.03) lakhs for the quarter ended 30th June, 2019, as considered in the consolidated unaudited financial results. These interim financial statements/financial information/ financial results have been reviewed by other auditors whose reports have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors and the procedures performed by us as stated in paragraph above.

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2. The consolidated unaudited financial results includes the interim financial statements/financial information/financial results of one subsidiary whose financial statements/financial information/financial results reflect total revenue of Rs. 34 lakhs and total net profit of Rs. 34 lakhs for the quarter ended 30th June, 2019, as considered in the consolidated unaudited financial results, based on their interim financial statements/financial information/financial results which have not been reviewed/audited by their auditors. According to the information and explanations given to us by the Management, these interim financial statements/financial information/ financial results are not material to the Group.

Our conclusion is not modified in respect of the matters reported in Other Matters.

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Manik Malhotra

PLACE: LUDHIANA
DATED: 17.07.2019

(CA. MANIK MALHOTRA)
PROPRIETOR
M.No.: 094604

UDIN: 19094604AAAAAV9487