



Steelco Gujarat Limited

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CIN No.: L27110GJ1989PLC011748

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2017

Sr. No.	Particulars	(Rupees in lakhs, unless otherwise stated)				
		Quarter ended			Nine months ended	
		31.12.2017 (Unaudited)	30.09.2017 (Unaudited)	31.12.2016 (Unaudited)	31.12.2017 (Unaudited)	31.12.2016 (Unaudited)
1	Income					
	a) Revenue from operations (Refer note 3)	8,394.93	15,487.13	14,311.82	36,819.83	42,571.28
	b) Other income	44.51	16.06	42.79	70.50	80.55
	Total Income	8,439.44	15,503.19	14,354.61	36,890.33	42,651.83
2	Expenses					
	a) Cost of materials consumed	6,244.38	12,769.56	11,124.19	28,936.25	32,489.57
	b) Changes in inventories of finished goods and work-in-progress	383.90	1,061.32	(172.17)	1,744.30	87.18
	c) Excise duty on sales (Refer note 3)	-	-	483.33	844.65	1,533.24
	d) Employee benefits expense	485.42	437.97	398.09	1,359.36	1,243.13
	e) Finance costs	600.04	517.55	339.26	1,606.57	1,460.48
	f) Depreciation and amortisation expense	83.28	83.03	63.96	235.10	191.21
	g) Other expenses	1,985.30	2,179.07	2,381.58	6,109.09	6,834.78
	Total expenses	9,782.32	17,048.50	14,618.24	40,835.32	43,839.59
3	Loss before exceptional items (1-2)	(1,342.88)	(1,545.31)	(263.63)	(3,944.99)	(1,187.76)
4	Exceptional items (Refer note 7 and note 15)	833.60	-	-	833.60	-
5	Loss before tax (3-4)	(2,176.48)	(1,545.31)	(263.63)	(4,778.59)	(1,187.76)
6	Tax expense/ (benefit)					
	a) Current Tax	-	-	-	-	-
	b) Deferred Tax	-	-	-	-	-
7	Loss after tax (5-6)	(2,176.48)	(1,545.31)	(263.63)	(4,778.59)	(1,187.76)
8	Other Comprehensive Income (OCI):					
	a) Items that will not be reclassified to profit or loss (net of tax)	(1.48)	(31.56)	(4.72)	(33.71)	(14.17)
	b) Items that will be reclassified to profit or loss (net of tax)	-	-	-	-	-
	Total Other Comprehensive Income (net of tax)	(1.48)	(31.56)	(4.72)	(33.71)	(14.17)
9	Total Comprehensive Income (7+8)	(2,177.96)	(1,576.87)	(268.35)	(4,812.30)	(1,201.93)
10	Paid-up equity share capital (Face value INR 10 each per share)	4,256.18	4,256.18	4,256.18	4,256.18	4,256.18
11	Basic and diluted earnings per share (of INR 10) (not annualised) (in INR)	(5.11)	(3.63)	(0.62)	(11.23)	(2.79)
	See accompanying notes to the financial results					



Notes :

- 1 The above results were reviewed by the Audit Committee and then approved by the Board of Directors at their respective meetings held on 30 March 2018. The statutory auditors of the Company have carried out limited review of these Unaudited Financial Results.
- 2 The Company adopted Indian Accounting Standard ("Ind AS") from 1 April 2017 and accordingly these financial results have been prepared in accordance with the recognition and measurement principles laid down in the Ind AS 34 "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and the other accounting principles generally accepted in India. Consequently, the financial results for the quarter and nine months ended 31 December 2016 have been restated as per the principles of Ind AS 34 to make them comparable.
- 3 Excise duty on sales was included under Revenue from operations and disclosed separately under Expenses upto all reporting periods ending 30 June 2017. Post implementation of Goods and Services Tax (GST) from quarter ended 30 September 2017, revenue from operations is reported net of GST and hence to that extent is not comparable.
- 4 Reconciliation of the Net loss as previously reported on account of transition from the previous Indian GAAP to Ind AS for the quarter and nine months ended 31 December 2016.

Particulars	(INR in lakhs)	
	Quarter ended 31.12.2016 (Unaudited)	Nine months ended 31.12.2016 (Unaudited)
Net loss as per previous GAAP	(157.84)	(870.16)
Add: Adjustments in statement of profit and loss		
Actuarial loss on employee defined benefit plan recognised in OCI	4.72	14.17
Other adjustments	(110.51)	(331.77)
Net loss before OCI as per Ind AS	(263.63)	(1,187.76)
Less: Adjustments in OCI		
Actuarial loss on defined benefit plan transferred from statement of profit and loss	(4.72)	(14.17)
Total Comprehensive Income as per Ind AS	(268.35)	(1,201.93)

- 5 The Company has only one manufacturing unit at Palej, to produce steel products i.e cold rolled and galvanised steel and hence there is only a single business segment.
- 6 The Company has incurred a net loss of INR 4,778.59 lakhs during the nine-month period ended 31 December 2017, and as of that date, the accumulated losses aggregating INR 19,687.60 lakhs have resulted in erosion of its net worth. Further, as of that date, the Company's current liabilities exceeded its current assets by INR 11,707.97 lakhs. The financial results of the Company have been prepared on a going concern basis in view of the management's efforts of recovery and the revival of the operations of the Company by purchase of new machinery and achieving higher output and efficiencies. The Company is in the process of further negotiating the restructuring of its debts and has submitted debt resolution proposal to the bankers. The Ultimate Holding Company has committed to provide necessary support, including financial support, for smooth operations of the Company and the management has committed to effective utilization of the same. The appropriateness of the basis of going concern basis is interalia dependent upon the Company's ability to raise requisite long term finance and/or generate sufficient cash flows in future to meet its commitment of future revival plans and for continuing operations. The matter is disclosed under basis of disclaimer of conclusion in the independent auditor's limited review report.
- 7 The Company has imported certain machinery amounting to INR 1,045.85 lakhs which has not been cleared from the sea-port, despite having received notices from the competent authorities. The management has estimated demurrage and detention charges of INR 548.11 lakhs to be paid towards the non-clearance of the machinery till 31 December 2017 and which has been provided in the books. Further, the management has given clearance on auction of such machinery and written off 75% of the total value of the machinery and the estimated loss of INR 784.39 lakhs, which could arise out of such auction has been classified under "exceptional items" in the results.
- 8 The trade receivables include balances aggregating INR 7,619.04 lakhs in respect of which the Company has not made any assessment for expected credit loss in accordance with the requirements of Ind AS 109: Financial Instruments, as the management considers such balances as good and recoverable in the future. The matter is disclosed under basis of disclaimer of conclusion in the independent auditor's limited review report.
- 9 The trade receivables include balances aggregating INR 6,495.19 lakhs in foreign currency, which are pending for settlement and have resulted in delays in receipt beyond the timeline stipulated by the FED Master Direction No. 16/2015-16 under the Foreign Exchange Management Act, 1999. Further, there are balance payables to same parties aggregating to the extent of INR 5,432.12 lakhs. The Company has filed necessary applications with the appropriate authority for condonation of such delays except for the amount aggregating INR 45.64 lakhs. The management is of the view that the possible penalties etc. which may be levied for such irregularities are likely to be condoned by the regulatory authorities. The matter is emphasised in the independent auditor's limited review report.
- 10 The Company has defaulted in repayment of dues to the banks during the three months and nine months ended 31 December 2017, aggregating INR 167.82 lakhs and INR 505.05 lakhs, respectively, including accrued interest thereon. The total amounts overdue, including accrued interest thereon, aggregate INR 2,176.79 lakhs, as at 31 December 2017. Further, these loans from banks are secured by way of joint mortgage of immovable properties of the Company situated at Plot No.2, GIDC Estate, Palej, Dist. Bharuch, Gujarat (India), both present and future, and by way of hypothecation of whole of immovable property of the Company, including plant and machinery and other movables, both present and future (save and except inventories and book debts) whether installed or not, or in the course of transit by way of first charge to the lenders subject to the first charge on specified movable assets created in favor of banks providing working capital finance) to rank on " pari- passu basis. The secured borrowings are further secured by way of pledge of 31,921,366 Equity Shares held by the promoters in favor of the consortium of Bankers and corporate guarantee of Spica Business Corp., Panama, the Ultimate Holding Company. The Company is currently under the Corporate Debt Restructuring scheme. While the Company is in breach of the related covenants, as mentioned in note 6, the Company is currently in the process of re-negotiating the restructuring of these debts with the lenders under the Joint lender forum scheme and expects the process to result in a favorable outcome, whereby, it will be able to meet the renegotiated terms. The matter is emphasised in the independent auditor's limited review report.




- 11 The Company has paid excess managerial remuneration to the managing director, amounting to INR 43.16 lakhs, which was recognised as an expense in the financial year 2016-17 (INR 15.12 lakhs for the nine months ended 31 December 2016). The Company has filed an application for seeking approval of the Central Government as required under the relevant provisions of the Companies Act, 2013 ('Act') and rules thereunder. The Company has currently not shown such payment as recoverable from the Managing Director. The management is of the view that such an approval is likely to be obtained, this has been emphasised in the independent auditors limited review report. Further the Company has paid managerial remuneration of INR 62.99 lakhs and INR 120.19 lakhs during the quarter and nine months period ended 31 December 2017 respectively, which is subject to no objection certificate to be received from certain bankers of the Company, this matter has been disclosed under basis of disclaimer of conclusion in the independent auditor's limited review report.
- 12 The Company had entered into an agreement to sale in relation to a part of its leasehold industrial land with Steelco Color Coating Limited during the financial year ended 31 March 2016 for a total consideration of INR 1,500 lakhs out of which INR 518.93 lakhs was received in advance as at 31 March 2016. The balance consideration of INR 981.07 lakhs is outstanding as at 31 December 2017. The final sale deed and registration of titles in favor of the buyer was subject to clearances from regulatory and other requisite authorities mentioned in the agreement to sale. However, the lenders in the Joint Lender Meeting (JLM) held on the 15 December 2017 expressed their concern on the transaction carried out and expressed their view to consider the transaction as null and void and forfeit the advance received by the Company. The matter is disclosed under basis of disclaimer of conclusion in the independent auditor's limited review report.
- 13 The trade payables include balances aggregating INR 3,599.13 lakhs in foreign currency, which are pending for settlement and have resulted in delays in payment beyond the timeline stipulated by the FED Master Direction No. 17/2016-17 under the Foreign Exchange Management Act, 1999. The Company has filed necessary applications with the appropriate authority for condonation of such delays. The management is of the view that the possible penalties etc. which may be levied for such irregularities are likely to be condoned by the regulatory authorities. The matter is emphasised in the independent auditor's limited review report.
- 14 During the quarter ended 31 December 2016, the Company had not provided the bank interest in respect of certain banks, as the account of the Company had been classified as Non-Performing Assets (NPA) since the banks could not recover the interest, as a result of which loss during the quarter ended on 31 December 2016 is understated by INR 206.60 lakhs and INR 332.45 lakhs for the period ended 31 December 2016. The matter was qualified by the predecessor auditor in their limited review report.
- 15 There was an incident of fire which occurred on 16 December 2017 in the factory premises of the Company. The plant activities which had been discontinued were revived and resumed on 29 December 2017. The management has estimated loss of INR 49.21 lakhs till 31 December 2017 and disclosed under 'exceptional items' in the results and currently in the process of estimating further losses, if any, and lodging the claim as at date.
- 16 In view of the various clarifications issued and being issued by the Ind AS Transition Facilitation Group (ITFG) constituted by the Accounting Standards Board of the Institute of Chartered Accountants of India, it may be possible that the interim financials may undergo adjustments on finalisation of full year Ind AS financial statements as at and for the year ended 31 March 2018, due to treatments/methods suggested by ITFG on applicability of various Ind AS.
- 17 The Company has availed exemption under circular no. CIR/CFD/FAC/62/2016 dated 5 July 2016 issued by SEBI, for not submitting the Ind AS compliant Financial Results for the previous year ended 31 March 2017.

Mumbai
30 March 2018



For and on behalf of the Board of Directors


Mitesh H. Shah
Managing Director

