

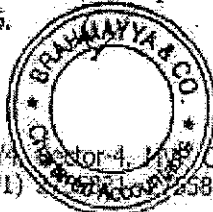


BRAHMAYYA & CO.

Chartered Accountants
at VIJAYAWADA, HYDERABAD, VISAKHAPATNAM, GUNTUR, KAKINADA, TANUKU

REPORT ON THE LIMITED REVIEW CARRIED OUT ON THE UNAUDITED FINANCIAL RESULTS OF VBC INDUSTRIES LIMITED, HYDERABAD FOR THE QUARTER ENDED 31st DECEMBER, 2016 IN TERMS OF CLAUSE 41 OF THE LISTING AGREEMENT.


- 1) We have reviewed the accompanying statement of unaudited financial results of "VBC Industries Limited, Hyderabad" for the quarter ended 31st December, 2016. 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 standalone financial statements based on our review.
- 2) We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, *Review of Interim Financial Information performed by the Independent Auditor of the Entity* issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the standalone financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
- 3) The Company has received demands for fuel surcharge adjustment (FSA) from Southern Power Distribution Company of TS Ltd (SPDCL) pursuant to clause 45B of the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business Amendment) Regulations 2003 (FSA Regulations). The levy has been a subject matter of challenge ever since the DISCOMS made their claim in the year 2010 in respect of the period 2008-09 onwards. The challenge with respect to 2008-09 and 2009-10 were initially accepted by a single judge of the Andhra Pradesh High Court and the appeals filed by the DISCOMS with respect to 2008-09 and 2009-10 are currently pending before the Supreme Court and a full bench of the Andhra Pradesh High Court respectively. With respect to the levy for the years 2010-11 to 2012-13 totaling to Rs. 811.15 Lakhs, no stay has been granted against the levy and collection of FSA charges. Pending the resolution of the legal course being pursued by the company of the dispute no provision has been made for the said demand in the books of account.
The Statutory Auditors have also qualified the above matter in their report for the year ended 31st March 2016.
- 4) Southern Power Distribution company of AP Ltd (SPDCL), vide its letter dated 03.08.2016, raised a demand of Rs.665.17 Lakhs towards Surcharge on Deemed Energy Charges for the years from 2003-04 to 2012. However, the Company is disputing the above demand, hence no provision has been made for the quarter under review. The Company has also received a demand of Rs.590.82 Lakhs towards load factor shortfall deemed energy charges for the years 2014-15 & 2015-16. The said demand has been disputed by the Company. Hence no provision has been made during the quarter under review.
The Statutory Auditors have also qualified the above matter in their report for the year ended 31st March 2016.



- 5) Due to steep increase in the power tariff, the cost of production of Ferro Silicon has far exceeded the market prices, resulting in non recovery of even variable cost of production. Accordingly the company has closed down its production unit at Dinnevarapadu, Kurnool Dist since June 2015. Further the company has defaulted in payment of rescheduled loan installments to an Asset Reconstruction Company, who has taken over the all the loan facilities extended by the company's banker. However, the books of account are maintained under "going concern" concept, as the State Govt of AP has announced reduction in power tariff from 1st April 2016 and the company is hopeful of commencing its manufacturing activities during the second quarter of 2016-17. The Statutory Auditors have also qualified of the above matter for the year ended 31st March, 2016.
- 6) The company has considered the diminution as temporary in nature as stated in note No 2.34 to the standalone financial statements the value of its investment of Rs 11313.89 Lakhs in the equity of Konaseema Gas Power Ltd, whose net-worth has completely eroded and not in operation for more than three years. The Statutory Auditors have also qualified of the above matter for the year ended 31st March, 2016.
- 7) Based on our review conducted as above, subject to paragraphs 3 to 6 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable 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.

Place: Visakhapatnam
Date: 14th February, 2017

For BRAHIMAYYA & CO.,
Chartered Accountants
Firm Regd. No. 000513 S


(C V RAMANA RAJU)
Partner
Membership No.018545

