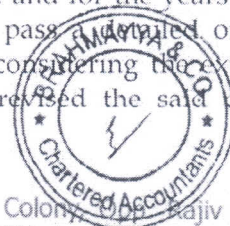




REPORT ON THE LIMITED REVIEW CARRIED OUT ON THE UNAUDITED FINANCIAL RESULTS OF VBC INDUSTRIES LIMITED, HYDERABAD FOR THE QUARTER ENDED 30th SEPTEMBER, 2015 IN TERMS OF CLAUSE 41 OF THE LISTING AGREEMENT.

- 1) We have reviewed the accompanying statement of unaudited financial results of "VBC Industries Limited, Hyderabad" for the quarter ended 30th September, 2015, except for the disclosures regarding "Public Shareholding" and "Promoter and Promoter Group Shareholding" which have been traced from the disclosures made by the management and have not been audited by us. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors of the Company at their meeting held on 14th November, 2015. Our responsibility is to issue a report on these financial statements based on our review.
- 2) We conducted our review in accordance with the standard on "Review Engagement (SRE) 2400, engagements to Review Financial Statements" 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 statements 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.
- 3) The Company has received demands for fuel surcharge adjustment (FSA) from Central Power Distribution Company of AP Ltd (CPDCL) 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. 828.94 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 2015.
- 4) By its order dated 29th April 2014, the single member bench of Hon'ble High Court of AP has allowed the writ petition filed by the company and set aside the demands raised by Southern Power Distribution Company of AP Ltd (SPDCL) previously part of Central Power Distribution Company of AP Ltd (CPDCL) totaling to Rs. 5280.35 Lakhs towards load factor shortfall charges for the period from September 2005 to August 2006, during which the Ferro alloy unit was closed and for the years from 2008-09 to 2011-12 during load reliefs and ordered CPDCL to pass an amended order after giving proper notice indicating the amounts due and by considering the explanations/ pleas raised by the company. Accordingly SPDCL has revised the said demands to Rs 2797.12 (which



includes surcharge of Rs 1539.74 Lakhs) based on the explanations/ pleas by the company, which are still contested by the company. In view of the above, no provision has been made in the books of account against the same. SPDCL has adjusted Rs. 4,28,99,805/-, being the consumption deposit against the said demands, which are grouped under other current assets as "Taxes & Power dues paid under Protest. The Statutory Auditors have also qualified the above matter in their report for the year ended 31st March 2015.

- 5) Based on our review conducted as above, subject to paragraphs 3 and 4 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 Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

Place: Visakhapatnam
Date: 14th November, 2015

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



(C V RAMANA RAO)
Partner
Membership No.018545

