

# B. K. KHARE & Co.

CHARTERED ACCOUNTANTS

T + 91 022 22000607/7318/6360

+ 91 022 66315835/36

F + 91 022 2200 3476

E info@bkkhareco.com

706/708, Sharda Chambers New Marine

Lines, Mumbai - 400 020, India

The Board of Directors  
Innoventive Industries Limited

## Draft Limited Review Report Financial Results for the Quarter and Nine Months ended 31st December, 2014

1. We have reviewed the Standalone Financial Results for the quarter ended 31<sup>st</sup> December, 2014 which are included in the accompanying Statement of Unaudited Financial Results for the quarter and nine months ended 31<sup>st</sup> December, 2014 (‘the ‘Statement’) of Innoventive Industries Limited (‘the Company’) except for the disclosures regarding ‘Public Shareholding’ and ‘Promoter and Promoter Group Shareholding’ which have been traced from 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. Our responsibility is to issue a report on the Statement 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 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. Without qualifying our report, we draw attention to the Note 5 to the Financials Results, which indicates that the net worth of the Company is fully eroded as at December 31, 2014. These conditions along with the matters stated in Note 6 indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern, which is dependent on the future events mentioned in the said note.
4. The Company has not made following provisions for reasons stated in Note 6A to the Financial Results:
  - i. Stock of slow and/non -moving of stores, raw materials, semi-finished and finished goods valued at Rs 1,000 Lakhs approximately;
  - ii. Debts amounting to Rs 3,735 Lakhs (including debt due from a subsidiary amounting to Rs. 3,555 Lakhs ) and Loans and advances amounting to Rs 5,944 Lakhs (including loans from subsidiaries amounting to Rs. 905 Lakhs and write back of provision amounting to Rs.1,633 Lakhs made in the previous period referred to in Note 4 to Financial Results) which are doubtful of recovery.

*We are unable to comment on ultimate loss which may arise on realisation of these balances and appropriateness of write back of provisions referred above. Had the above amounts been fully provided for in the quarter and nine months ended December 31, 2014 the loss for the quarter and nine months would have been higher by Rs.10,679 Lakhs with consequent impact on net worth as on that date.*

**Pune**  
T + 91 020 60601005/6/7/8/9  
+ 91 020 25666932/32926341  
E bkkpune@bkkhareco.com  
Hotel Swaroop, 4th Floor,  
Lane No.10, Prabhat Road,  
Erandwane, Pune - 411 004, India

**Bengaluru**  
T + 91 80 41105357  
E bkkbengaluru@bkkhareco.com  
101, Money Chambers,  
1st Floor, # 6 K. H. Road,  
Shanthinagar,  
Bengaluru - 560027, India

**New Delhi**  
T + 91 011 4182 8360  
E bkkdelhi@bkkhareco.com  
107, Siddharth Chambers,  
Near IIT Gate,  
Kalu Sarai, Hauz Khas,  
New Delhi - 110 016. India.

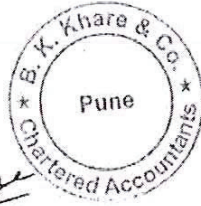


5. As stated in Note 6B to the Financial Results, during the quarter and nine month ended December 31, 2014, pending reconciliations with the banks, the interest and other charges on the working capital loans, term loans and the ECB loans taken from the said banks has been provided by the management as per the Master Restructuring Agreement dated 28<sup>th</sup> September, 2014 entered into with the banks under the Corporate Debt Restructuring Scheme ("CDR"). As per the said agreement, in respect of the banks that have opted and approved the CDR the interest is computed at the rate of 11.5% p.a. on the term loans and 11% p.a. on the working capital loans. In respect of the banks that have not opted and approved the CDR, the interest and other charges is computed at the rates as per the original terms of sanction. The total interest on the basis of above, debited for the quarter and nine month ended December 31, 2014 is Rs. (0.97) Lakhs and Rs. 8,310 Lakhs. We are unable to quantify the impact between the interest and other charges debited by the management and that charged by the bank, if any, arising out of reconciliations with the banks.

6. Based on our review, except for the matters stated in Paragraphs 4 and 5 above and the possible cumulative effect of the same on the financial results for the quarter and nine months ended 31<sup>st</sup> December, 2014, which is material, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other recognized accounting practices and polices 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 other material misstatement.

For and on behalf of

B. K. Khare & Co.  
Chartered Accountants  
(FRN: 105102W)



*P. V. Paranjape*

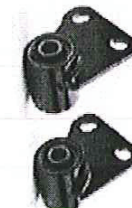
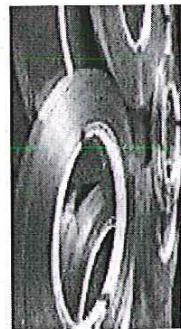
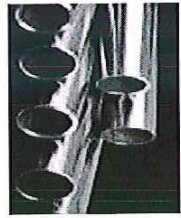
Prasad Paranjape  
Partner

M. No. 047296

Pune

Dated: 19<sup>th</sup> February, 2014





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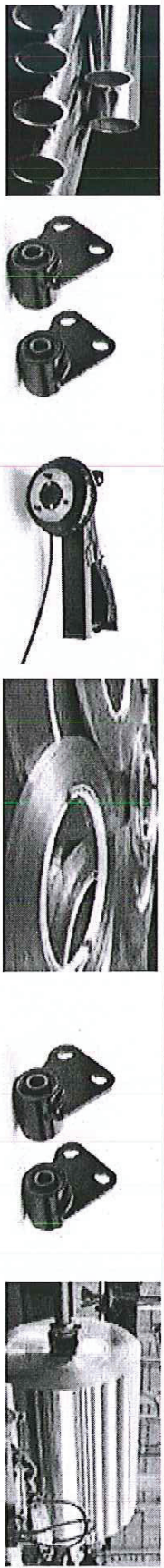
**Unaudited Standalone Financial Results For The Quarter and Nine months Ended December 31, 2014**

(Rs in Lacs)

Particulars	Standalone					
	Quarter ended		Nine months ended		Year ended	
	31.12.2014	30.09.2014	31.12.2013	31.12.2014	31.12.2013	31.03.2014
<b>1 Income from operations</b>						
(a) Net sales	9,033.26	9,308.10	7,731.17	25,980.43	31,344.71	38,359.76
(b) Other operating income	35.02	9.89	(83.16)	67.49	64.34	286.76
<b>Total income from operations (net)</b>	<b>9,068.28</b>	<b>9,317.99</b>	<b>7,648.01</b>	<b>26,047.92</b>	<b>31,409.05</b>	<b>38,646.52</b>
<b>2 Expenses</b>						
(a) Cost of materials consumed	6,400.74	6,862.13	6,733.07	18,212.21	20,622.20	33,723.26
(b) Purchases of stock-in-trade	(37.88)	1,457.46	528.47	1,552.88	3,086.62	9,983.64
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	669.88	631.00	804.37	1,981.89	2,658.05	2,975.53
(d) Employee benefits expense	1,648.26	1,508.57	977.95	5,319.43	3,001.29	3,609.01
(e) Depreciation	133.25	133.73	16.09	122.08	2,113.17	-
(f) Foreign exchange loss / (gain) (net)	2,226.15	6,094.93	2,770.03	11,235.60	8,074.33	33,487.57
(g) Other expenses	11,040.40	16,687.82	11,829.98	38,424.09	40,252.02	83,729.01
<b>Total expenses</b>	<b>(1,972.12)</b>	<b>(7,369.83)</b>	<b>(4,181.97)</b>	<b>(12,376.17)</b>	<b>(8,842.97)</b>	<b>(45,082.49)</b>
<b>3 Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2)</b>	<b>1,035.01</b>	<b>16.45</b>	<b>110.25</b>	<b>1,065.67</b>	<b>172.60</b>	<b>11,209.38</b>
4 Other income	(937.11)	(7,353.38)	(4,071.72)	(11,310.50)	(8,670.37)	(33,873.11)
<b>5 Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)</b>	<b>(0.97)</b>	<b>7,152.30</b>	<b>3,247.90</b>	<b>8,310.00</b>	<b>7,425.19</b>	<b>10,015.36</b>
6 Finance costs	(936.14)	(14,505.68)	(7,319.62)	(19,620.50)	(16,095.56)	(43,888.47)
<b>7 Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)</b>	<b>(936.14)</b>	<b>(14,505.68)</b>	<b>(7,319.62)</b>	<b>(19,620.50)</b>	<b>(16,095.56)</b>	<b>(43,888.47)</b>
8 Exceptional items	(936.14)	(14,505.68)	(7,319.62)	(19,620.50)	(16,095.56)	(43,888.47)
9 Profit / (Loss) from ordinary activities before tax (7+8)	(936.14)	(14,505.68)	(7,319.62)	(19,620.50)	(16,095.56)	(43,888.47)
10 Tax expense	(936.14)	(14,505.68)	(7,319.62)	(19,620.50)	(16,095.56)	(43,888.47)
<b>11 Net Profit / (Loss) from ordinary activities after tax (9-10)</b>	<b>(936.14)</b>	<b>(14,505.68)</b>	<b>(7,319.62)</b>	<b>(19,620.50)</b>	<b>(16,252.86)</b>	<b>(43,465.53)</b>
12 Paid-up equity share capital (Face value of ₹ 10 each)	5,964.40	5,964.40	5,964.40	5,964.40	5,964.40	5,964.40
13 Reserves excluding Revaluation Reserves	(1.57)	(24.32)	(12.27)	(32.90)	(27.25)	(72.87)
<b>14 Basic and Diluted Earnings per share (₹) (not annualised) before and after extraordinary items</b>						

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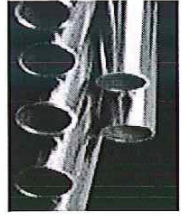


Particulars	Quarter ended				Year ended	
	31.12.2014 (Unaudited)	30.09.2014 (Unaudited)	31.12.2013 (Unaudited)	31.12.2014 (Unaudited)	31.12.2013 (Unaudited)	31.03.2014 (Audited)
<b>A</b>						
<b>1 Public shareholding</b>						
Number of shares	3,25,68,247	3,25,68,247	3,25,68,267	3,25,68,247	3,25,68,267	3,25,68,267
Percentage of shareholding	54.60%	54.60%	54.60%	54.60%	54.60%	54.60%
<b>2 Promoters &amp; Promoter Group Shareholding</b>						
(a) Pledged / Encumbered *						
Number of shares	2,35,20,971	2,32,70,971	62,50,000	2,35,20,971	62,50,000	62,50,000
Percentage of shares (as a % of the total shareholding of promoters and promoter group)	86.87%	85.95%	23.08%	86.87%	23.08%	23.08%
Percentage of shares (as a % of the total share capital of the company)	39.44%	39.02%	10.48%	39.44%	10.48%	10.48%
(b) Non-encumbered						
Number of shares	35,54,781	38,04,781	2,08,25,732	35,54,781	2,08,25,732	2,08,25,732
Percentage of shares (as a % of the total shareholding of promoters and promoter group)	13.13%	14.05%	76.92%	13.13%	76.92%	76.92%
Percentage of shares (as a % of the total share capital of the company)	5.96%	6.38%	34.92%	5.96%	34.92%	34.92%
<b>B</b>						
Investor complaints						31.12.2014
Pending at the beginning of the quarter						Nil
Received during the quarter						3
Disposed of during the quarter						3
Remaining unresolved at the end of the quarter						Nil

\* The term "encumbrance" has the same meaning as assigned to it in regulation 28(3) of the SAST Regulations, 2011







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**Segment-wise revenue, results and capital employed**

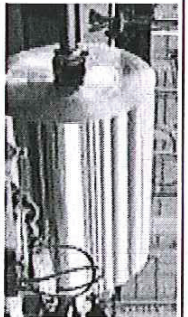
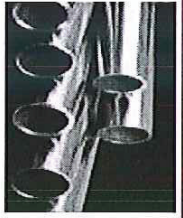
Standalone

(Rs in Lacs)

Particulars	Quarter ended		Nine months ended		Year ended	
	31.12.2014 (Unaudited)	30.09.2014 (Unaudited)	31.12.2013 (Unaudited)	31.12.2014 (Unaudited)		31.12.2013 (Unaudited)
<b>1 Segment revenue</b>						
Motor Vehicle parts	6,383.67	5,862.81	5,437.57	18,128.87	15,010.54	18,548.35
Tubes & Products	2,059.00	1,549.67	1,702.96	5,186.49	8,903.56	10,997.14
Others	590.59	1,895.62	590.64	2,665.07	7,430.61	8,814.26
<b>Total</b>	<b>9,033.26</b>	<b>9,308.10</b>	<b>7,731.17</b>	<b>25,980.43</b>	<b>31,344.71</b>	<b>38,359.75</b>
<b>2 Segment profit / (loss) before tax and financing cost</b>						
Motor Vehicle parts	1,173.08	(1,262.26)	849.46	792.36	2,295.18	(4,260.49)
Tubes & Products	(2,044.40)	(3,557.84)	(1,986.82)	(7,720.36)	(5,888.48)	(14,506.28)
Others	318.62	(126.21)	(1,134.32)	85.16	(3,396.26)	(3,586.57)
<b>Total</b>	<b>(552.70)</b>	<b>(4,946.31)</b>	<b>(2,271.68)</b>	<b>(6,842.86)</b>	<b>(6,989.56)</b>	<b>(22,353.34)</b>
<b>Profit / (Loss) before finance costs</b>	<b>(552.70)</b>	<b>(4,946.31)</b>	<b>(2,271.68)</b>	<b>(6,842.86)</b>	<b>(6,989.56)</b>	<b>(22,353.34)</b>
Less: Finance cost	(0.97)	7,152.30	3,247.90	8,310.00	7,425.19	10,015.36
Less: Exceptional items	384.40	2,407.07	1,800.04	4,467.64	1,680.82	11,519.78
Less: Other Unallocable (Net)	(936.13)	(14,505.68)	(7,319.62)	(19,620.50)	(16,095.57)	(43,888.48)
<b>Profit / (Loss) before tax</b>						
Motor Vehicle parts	8,057.72	6,884.63	22,163.38	8,057.72	22,163.38	7,265.35
Tubes & Products	39,842.39	41,886.79	78,182.40	39,842.39	78,182.40	47,562.75
Others	(162.67)	(481.29)	8,741.52	(162.67)	8,741.52	(247.83)
Unallocable	(62,568.87)	(62,185.44)	(76,616.42)	(62,568.87)	(76,616.42)	(49,322.07)
<b>Total</b>	<b>(14,831.43)</b>	<b>(13,895.31)</b>	<b>32,470.88</b>	<b>(14,831.43)</b>	<b>32,470.88</b>	<b>5,258.20</b>
<b>3 Capital employed</b>						
Motor Vehicle parts						
Tubes & Products						
Others						
Unallocable						

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**NOTES**

- 1 The above financial results have been reviewed by the Audit Committee and taken on record by the Board of Directors at their meeting held on February 19, 2015.
- 2 The results for the quarter ended December 31, 2014 have been "Limited Reviewed" by the statutory auditors of the company.
- 3 Other income for the quarter and nine months ended 31st December, 2014, includes write back of excess provision for earlier periods of Rs. 1,070 Lakhs.
- 4 Other expenses for the quarter and nine months ended 31st December, 2014 are net off provisions of Rs. 1,633 Lakhs made towards doubtful loans and advances during the 6 months ended 30th September, 2014 and for the

year ended 31st March, 2014, due to reconsideration and consequent change in assessment as regard recoverability of Loans and Advances. (Also Refer Note 6A below.)

5 The net worth of the company as at 30th December, 2014 of the company is fully eroded (negative net worth Rs. 14,831 Lakhs) due to losses incurred during the current period. The financial statements of the company are continued to be prepared on a going concern basis as the management is hopeful of turnaround in the operations due to expected improvement in Power and Auto Sector, various other initiatives taken by the company including the relief expected from the Corporate Debt Restructuring Agreement executed with the banks and expected infusion of capital in the company. The statutory auditors of the Company have reported the same as "Emphasis of Matter" in their Limited Review Report.

6 The auditors in their limited review report have made the following qualifications:

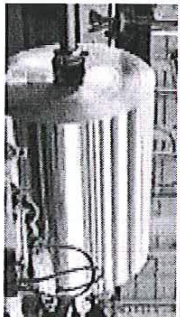
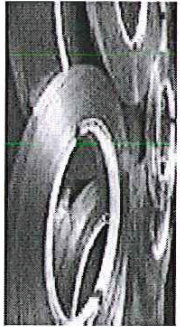
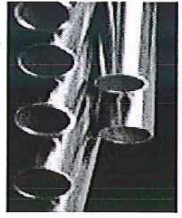
- A No provision has been made in respect of the following:
  - i. Stock of slow and/non-moving of stores, raw materials, semi-finished and finished goods valued at Rs. 1,000 Lakhs approximately;
  - ii. Debts amounting to Rs. 3,735 Lakhs (including debt due from a subsidiary amounting to Rs. 3,555 Lakhs) and Loans and advances amounting to Rs. 5,944 Lakhs (including loans from a subsidiaries amounting to Rs. 905 Lakhs and write back of provision amounting to Rs. 1,633 Lakhs made in the previous periods (Referred to in Note 4 to Financial Results)) which are doubtful of recovery. We are unable to comment on ultimate loss which may arise on realisation of these balances and appropriateness of write back of provisions referred above. Had the above amounts been fully provided for in the quarter and nine months ended December 31, 2014 loss would have been higher by Rs.10,679 Lakhs with consequent impact on net worth as on that date. The Company's Reply to above qualification is as under:

i) The company is making various products for export and domestic market. The Company has to maintain delivery on time and hence sometimes it results into longer cycles. Some of the products are made for supply to spare parts department and we, being its auto component Supplier, are under obligation to keep a stock for a longer time. We are fairly compensated in price and customers are taking entire responsibility of buying the products. Recently, the coal block auctions have been announced in the month of February and we are expecting that the slow moving stock of membrane panel strips will be sold in next six months' time. Accordingly, the Company is of the view that no provision for slow / Non-moving stock is required.

ii) The Company is making full efforts for recovery of the same. The company is hopeful that the debtors pay back the money or give equivalent value of materials over a period of time. Accordingly, the company is of the opinion that no provision is required in respect of the same debts. In respect of Loans and Advances, the Company is making full efforts for recovery of the same. We have received commitments to get the money back or equivalent value materials from them over a period of time. We are also having post dated cheques of some of the parties. Based on the efforts and steps taken by the company, it is of the view that the said loans and advances fully recoverable and is the view that no provision is required in respect thereof.







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8 During the quarter and nine month ended December 31, 2014, pending reconciliations with the banks, the interest and other charges on the working capital loans, term loans and the ECB loans taken from the said banks has been provided by the management as per the Master Restructuring Agreement dated 28th September, 2014 entered into with the banks under the Corporate Debt Restructuring Scheme. As per the said agreement, in respect of the banks that have opted and approved the CDR the interest is computed at the rate of 11.5% pa on the term loans and 11% pa on the Working capital loans. In respect of the banks that have not opted and approved the CDR, the interest is computed at the rates as per the original terms of sanction. The total interest on the basis of above, debited for the quarter and nine month ended December 31, 2014 is Rs. (0.97) Lakhs and Rs. 8,310 Lakhs. We are unable to quantify the impact between the interest and other charges debited by the management and that charged by the bank, if any, arising out of reconciliations with the banks. The Company's Reply to above qualification is as under:-

The Company and the Lead Banks have appointed a special auditor for completing the pending reconciliations with the banks and for calculating correct interest chargeable by the banks. The report of the special auditor is expected by March 15. We have taken the interest and other charges chargeable in case of CDR lenders as per MRA as it's a bilateral agreement and is binding on all the lenders.

BY ORDER OF THE BOARD OF DIRECTORS  
For Innoventive Industries Limited

*[Handwritten Signature]*  
Sd/-

Chandu Chavan  
Chairman and Managing Director



Place : Pune  
Date : February 19, 2015