



AGARWAL DESAI & SHAH

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To
The Board of Directors of
Raj Rayon Industries Limited

1. We have audited the financials results of Raj Rayon Industries Limited ("the Company") for the quarter and year ended 31st March, 2018, attached herewith, being submitted by the company pursuant to the requirement of regulation 33 od SEBI (listing obligations and disclosure Requirements) Regulations, 2015.
2. These quarterly financial results as well as the year to date financial results have been prepared on the basis of the Ind AS financial statements, which are the responsibilities of the company's management. Our responsibility is to express an opinion on these financials based on our audit of such financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standards prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder; or by the Institute of Chartered Accountants of India, as applicable and other accounting principles generally accepted in India.
3. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Basis for Qualified Conclusions:

- a) Due to defaults in payments of Bank loans, the company's accounts have been classified as Non- Performing Assets (NPA) by the lenders under Consortium Advance. The lenders have not charged interest on the company's borrowings / loans since April 2016. Therefore, no provision has been made for such Interest in the books of accounts of the company and to that extent, finance cost and total loss is estimated to be understated by Rs.2632.56 lakhs and Rs. 10,645.94 lakhs for the quarter and Twelve Months ended 31st March 2018 respectively and Other Equity under the head Equity & Liabilities are estimated to be overstated by Rs. 20,049.51 Lakhs.
- b) The Company's account stands exited from CDR Mechanism. However, in view of classification of Company's accounts as Non-Performing Asset (NPA), contingency related to compensation payable in lieu of bank sacrifice cannot be determined currently.
- c) We draw attention to the note no 12 of the attached statement regarding the financial results of the company having been prepared on the going concern basis which contemplates the realization of assets and satisfaction of liabilities in the in the normal course of business. The company has been continuously incurring losses past my years and its networth stands substantially eroded. Theses conditions indicate the exitance of uncertainty that may cast doubt about company's ability to continue as going concern.



4. Emphasis of Matters

- a) Term Loan, Working Capital Term Loan (WCTL), Funded Interest Term Loan (FITL) and Working Capital loans availed by the Company from various banks under consortium advance including the loans of South Indian Bank which have been taken over by Asset Reconstruction Company remained unpaid and overdue.
- b) In our opinion the securities provided to Banks are not adequate to cover the amounts outstanding to them as on the date of Balance Sheet.
- c) The Company is yet to appoint the qualified Company Secretary as the Compliance Officer.

Except above in our opinion and to the best of our information and according to the explanations given to us these quarterly financial results as well as the year the date financial results:

- (i) Are presented in accordance with the requirements of regulation 33 of the SEBI (listing obligations and disclosure Requirements) Regulations, 2015.
- (ii) Give a true and fair view of the net loss and other financial information for the quarter and year ended 31st March, 2018.

5. We draw attention to the following matters -

- a) Note 2 to the statement which states that the company has adopted Ind AS for the financial year commencing from 1st April 2017, and accordingly, the statement has been prepared by the company's management in compliance with Ind AS.
 - b) We are neither engaged to review, nor have we reviewed the comparative figures including the reconciliation to the total comprehensive income for the quarter and Twelve months ended 31st March, 2017 and accordingly we do not express any conclusion on the result in the statement for the said period. As set out in Note 14 to the statement, these figures have been furnished by the management.
 - c) The Company has been served with Summon/Notice from the Debt Recovery Tribunal (DRT) at the instance of State Bank of India and the Phoenix ARC Pvt Ltd., the lenders, calling upon, *inter-alia*, to pass an order and issue Recovery Certificate for recovery of Rs.1008,08.99 Lakhs and Rs. 6548.21 Lakhs respectively along with interest @6.75% above base rate (presently 15.40% p.a. for State Bank of India & @ 13.75% per annum for Phoenix ARC Pvt Ltd. compounded on monthly basis and penal interest @2% on the above amount from the date of filing the application till the date of realization.
 - d) During the year Banks has given special TRA Accounts in which company can do day to day operation i.e. Petty cash account, DEPB account
6. The statement includes for the quarter ended 31st March, 2018 being the balancing figures between audited figures in respect of full financial year and the published year to date figures up-to the end of the third quarter of the current financial year which were subject to limited review by M/s K. M. Garg & Co., (Chartered Accountants), which has been relied upon by us.

For Agarwal Desai & Shah
Chartered Accountants
(Firm Registration No. 124850W)


CA Bharat Kumar
Partner
Membership No. 175787



Place: Mumbai
Date: May 28th, 2018

RAJ RAYON INDUSTRIES LIMITED

 Regd. Office: Survey No. 177/1/3, Village – Surangi, Dist –Silvassa, Dadra & Nagar Haveli (UT) – 396 230
 Tel: 91-22-40343434, Fax: 91-22-40343400, e-mail: investors@rajrayon.com, website: www.rajrayon.com

CIN No. L17120DN1993PLC000368
STATEMENT OF AUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED: 31ST MARCH 2018

PART I							(₹ in Lacs)
Sr.No.	Particulars	Quarter ended 31st March, 2018 (Audited)	Quarter ended 31st Dec, 2017 (Unaudited)	Quarter ended 31st March, 2017 (Audited)	Year ended 31st March 2018 (Audited)	Year ended 31st March 2017 (Audited)	
1	Income :						
i	Revenue from operations	2629.09	2319.85	5225.14	7627.04	27429.73	
ii	Other income	(26.59)	35.13	24.38	41.17	180.71	
	Total Income	2602.50	2354.98	5249.52	7668.21	27610.44	
2	Expenditure:						
	(a) Cost of materials consumed	2102.37	1821.09	3802.91	5954.22	19808.10	
	(b) Purchases of stock-in-trade	0.00	0.00	38.54	0.00	458.69	
	(c) Changes in inventories of finished goods and Work in Progress	453.87	137.22	331.59	1045.48	1723.77	
	(d) Employee benefits expense	89.94	79.64	187.22	308.61	739.81	
	(e) Finance Costs	0.39	0.41	14.80	4.24	169.40	
	(f) Depreciation and amortisation expense	923.40	923.40	1152.75	3695.51	4768.59	
	(g) Other expenses	504.13	468.47	1628.05	1933.48	6570.43	
	Total Expenses	4074.10	3430.23	7155.86	12941.54	34238.79	
3	Profit before Tax (1-2)	(1471.60)	(1075.25)	(1906.34)	(5273.33)	(6628.35)	
4	Tax Expense						
	(a) Current Tax	0.00	0.00	0.00	0.00	0.00	
	(b) Deferred Tax	0.00	0.00	0.00	0.00	0.00	
	(c) (Excess)/Short Provision for earlier years	0.00	0.30	0.16	0.30	0.47	
5	Profit / (Loss) for the period (3-4)	(1471.60)	(1075.55)	(1906.50)	(5273.63)	(6628.82)	
6	Other Comprehensive Income / (Loss)	1.42	0.20	0.00	4.38	0.00	
7	Total Comprehensive Income for the period	(1470.18)	(1075.35)	(1906.50)	(5269.25)	(6628.82)	
8	Paid-up equity share capital of ₹ 1/- each	3464.54	3464.54	3464.54	3464.54	3464.54	
9	Earnings Per Equity Share: Basic & Diluted	(0.42)	(0.31)	(0.55)	(1.52)	(1.91)	

Statement of Assets, Equity and Liabilities is given below :

Sr.No.	Particulars	As at 31st Mar, 2018	As at 31st Mar, 2017
A	ASSETS		
1	Non-Current Assets		
	(a) Property, Plant and Equipment	23,690.34	27,422.67
	(b) Intangible Assets	-	-
	(c) Financial Assets		
	i- Investments	10.02	10.02
	ii-Other Financial Assets	79.73	210.83
	(d) Non Current tax assets (net)	22.64	68.48
	(e) Other Non-Current Assets	1,034.22	1,610.18
	Total Non-Current Assets	24,836.95	29,322.18
2	Current Assets		
	(a) Inventories	664.75	1,814.30
	(b) Financial Assets		
	i- Trade Receivables	2,251.83	2,096.34
	ii- Cash and Cash equivalents	45.70	178.62
	iii- Bank Balances other than (ii) above	276.35	138.71
	iv- Other Financial Assets	399.57	391.84
	(c) Other Current Assets	44.05	241.62
	Total Current Assets	3,682.25	4,861.43
	Total Assets (1+2)	28,519.20	34,183.61
B	EQUITY AND LIABILITIES		
1	Equity		
	(a) Equity Share Capital	3,464.54	3,464.54
	(b) Other Equity	(52,328.83)	(47,063.96)
	Total Equity	(48,864.29)	(43,599.42)
2	Liabilities		
	Non-Current Liabilities		
	(a) Financial Liabilities		
	i- Borrowings	2,400.00	38,851.54
	(b) Provisions	10.32	26.97
	Total Non-Current Liabilities	2,410.32	38,878.51
	Current Liabilities		
	(a) Financial Liabilities		
	i- Borrowings	10,083.27	10,181.57
	ii- Trade Payables	358.30	600.56
	iii- Other Financial Liabilities	64,516.36	28,103.12
	(b) Provisions	10.06	0.73
	(c) Other Current Liabilities	5.18	18.54
	Total Current Liabilities	74,973.17	38,904.52
	Total Equity And Liabilities (1+2)	28,519.20	34,183.61



Raj Kumar Banoth

Notes:

1. The above Audited financial results for the quarter/ Year ended 31st March 2018 have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on 28th May, 2018.
2. The company has adopted Indian Accounting Standards (Ind AS) prescribed u/s 133 of The Companies Act, 2013, read with the relevant rules issued thereunder w.e.f 1st April 2017. The date of transition to Ind AS is April 01, 2016 and accordingly, these audited financial results have been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 "Interim Financial Reporting" and other accounting principles generally accepted in India. The impact of transition has been accounted for in the opening reserves and the comparative period figures have been reinstated accordingly.
3. Revenue from Operations for periods upto 30.06.2017 are exclusive of excise duty in accordance with the requirements of Ind AS. Effective 01.07.2017 with the implementation of Goods and Service Tax (GST), the revenue from operations for the three months/ Year ended 31.03.2018 are exclusive of GST. Hence, the Revenue from Operations for the quarter and Year ended 31.03.2018 are not comparable with the amounts reported in the corresponding previous periods.

4. The reconciliation of Net Profit as previously reported (referred to as Previous GAAP) and Ind AS is as under:

Particulars	(Rs. In Lakhs)	
	Quarter ended 31st Mar, 2017 (audited)	Year ended 31st Mar, 2017 (audited)
Net profit under previous GAAP	(1,908.12)	(6,626.03)
Impact of deferred tax (Refer note no.11)	-	-
Impact of employee benefits (Ind AS 19)	1.62	(2.79)
Net profit for the period under Ind AS	(1,906.50)	(6,628.82)

5. There is a possibility that these quarterly / yearly Financial results may require adjustment before constituting the final Ind AS financial statements as of and for the year ending 31 March 2018 due to change in financial reporting requirements arising from new or revised standards or interpretation issued by MCA or change in the use of one or more optional exemptions from full retrospective application as permitted under Ind AS 101.

6. State Bank of India (Lead Banker under Consortium advance) and its network bank have written off a sum of ₹ 313.04 Crores till the period ended 31st March 2018. However, the Company has continued to classify the same under the respective loan liabilities and has not written off in the books of accounts.

7. The Company's bank accounts have been classified as Non Performing Asset (NPA) by the lenders under consortium advance. The Lenders have not charged any interest during April 2017 - Mar 2018. The Company has not made any provision for Interest on Bank Borrowings and accordingly the Loss & finance cost for the year ended 31st Mar 2018 are understated approximately by ₹ 10744.24 lakhs and ₹ 2,730.87 lakhs respectively. Further in view of the same no provision was made for Interest subsidy under TUFs.

8. The Company has reclassified 15% Non Convertible Non Cumulative Redeemable Preference Shares of ₹ 10/- each as Financial Liability as required by Para 18(a) of Ind AS 32 "Financial Instruments - Presentation". However, the Company has not provided for the Preference dividend on the same as required to be provided by Para 36 of the said standard. Accordingly, the loss for the year ended 31st March, 2018 has been understated by Rs. 210 lakhs.

9. The Company has defaulted in payments of instalments and interest on Term Loan, Working Capital Term Loan, Funded Interest Term Loan and Working Capital Facilities under consortium advances.

10. The Company's account stands exited from CDR Mechanism. However, in view of classification of Company's account as Non-Performing Asset (NPA), contingency related to compensation payable in lieu of bank sacrifice cannot be determined currently.

11. In view of the heavy Losses & uncertainty of profits, no provision was made for Deferred Tax Assets.

12. The Company is incurring continuous losses, and its net worth is fully eroded. However the management is of the view that the Company will remain as going concern.

13. The Company's Continuous Polymerisation (CP) and Direct Polymer Melt (DPM) Plants are shut down since beginning of March 2017 and yet to resume the production. The Company's other Plants are running partially at very low capacity utilisation and accordingly depreciation as per companies act 2013 is charged on single shift basis.

14. The Limited review of audited financial results for the year ended 31st Mar 2018 as required in terms of Clause 33 of the SEBI (Listing Obligation and Disclosure Requirements) regulations has been carried out by statutory auditors.

15. State Bank of India (lead banker) acting as a leader of Consortium lenders has taken symbolic possession of the assets/properties of the company i.e. entire current assets, hypothecated movable Plant & Machinery and immovable properties (Land & Building) located at Mumbai, Surangi, Amli and Dadra & Nagar Haveli as prescribed u/s 13(4) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and published the E-Auction sale notice.

16. The statement includes for the quarter ended 31st March, 2018 being the balancing figures between audited figures in respect of full financial year and the published year to date figures up-to the end of the third quarter of the current financial year which were subject to limited review by M/s K. M. Garg & Co, (Chartered Accountants), which has been relied upon by us.

17. The company is primarily engaged in a single business segment of Manufacturing & Marketing of Textiles Yarns.

18. The previous period figures have been regrouped / rearranged wherever necessary.

19. The Company is in the process of appointment of full time company secretary as a compliance officer of the company.

Place : Mumbai
Date : 28th May 2018



By order of the Board
Rajkumari Kanodia
Rajkumari Kanodia
Non Executive Chairperson & Director