



HARSHIL SHAH & COMPANY

Chartered Accountants

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Independent Auditor's Review Report on the Quarterly and Year to date Unaudited Standalone Financial Results of Tilaknagar Industries Ltd. pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

Review Report to The Board of Directors of Tilaknagar Industries Ltd.

1. We have reviewed the accompanying statement of unaudited standalone financial results of **Tilaknagar Industries Ltd.** ("the Company") for the quarter and nine months ended December 31, 2019 ("the Statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
2. This Statement, which is the responsibility of the Company's management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), specified under Section 133 of the Companies Act, 2013, as amended read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (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 Statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. The Company has not impaired one of the ENA plants as required by Indian Accounting Standard 36 "Impairment of Assets" ("Ind AS 36") though there is an indication of impairment. Reference is invited to note no. 4 of the Statement.
5. The company has not made impairment of advances given to certain parties amounting to Rs. 6,074.08 lakhs as required by Indian Accounting Standard 109 "Financial Instruments" ("Ind AS 109"). Reference is invited to note no. 5 of the Statement.
6. The National Company Law Tribunal ("NCLT") has ordered for liquidation of Prag Distillery (P) Ltd. ("Prag") wholly owned subsidiary of the Company, vide its order No. MA 309/2018 in CP1067/2017 dated July 26, 2018. However, the Company



has not made impairment provision for equity investment of Rs. 1,543.35 lakhs in Prag as required by Ind AS 36. Reference is invited to note no. 7 of the Statement.

7. Based on our review conducted and procedures performed as stated in paragraph 3 above, except for the effects of the matters described in paragraph 4, 5 and 6 above nothing has come to our attention that causes us to believe that the accompanying Standalone Statement of unaudited financial results has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India and has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.
8. We draw attention to note no. 6 in the Statement that the Company has incurred net loss during the quarter and nine months ended December 31, 2019 and due to accumulated losses, its net worth has been eroded. Further, the current liabilities have exceeded the total assets. These events indicate that a material uncertainty exist that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.
9. We draw attention to note no. 8 in the Statement which provides information regarding the default of principal dues and interest of Banks and Financial Institution, restructuring of loans, and interest calculation thereon. Our conclusion is not modified in respect of this matter.
10. The comparative financial results of the company for the preceding corresponding quarter and nine months ended December 31, 2018 were reviewed by the predecessor auditor who expressed modified conclusion on those financial results on February 22, 2019.

For Harshil Shah & Company

Chartered Accountants

ICAI Firm Reg. No. 141179W

Harshil Shah

Partner

Membership No. 124146



Place: Mumbai

Date: February 13, 2020

ICAI UDIN: 20124146AAAABN9894

TILAKNAGAR INDUSTRIES LTD. (CIN: L15420PN1933PLC133303)

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(Rs. in lacs)

Statement of Standalone Unaudited Financial Results for the Quarter and Nine Months ended December 31, 2019

	Particulars	Quarter ended			Nine Months ended		Previous Year
		31.12.2019 Unaudited	30.09.2019 Unaudited	31.12.2018 Unaudited	31.12.2019 Unaudited	31.12.2018 Unaudited	31.03.2019 Audited
I	Revenue from Operations	39,765.07	53,268.26	26,070.61	1,13,259.95	49,573.24	78,161.22
II	Other Income	230.97	104.01	59.80	432.12	154.00	204.39
III	Total Income (I + II)	39,996.04	53,372.27	26,130.41	1,13,692.07	49,727.24	78,365.61
IV	Expenses						
	(a) Cost of materials consumed	8,871.12	12,091.67	7,157.34	26,761.84	14,396.42	23,554.86
	(b) Purchases of stock-in-trade	-	-	-	-	-	-
	(c) Changes in inventories of finished goods, stock-in-trade and work-in-progress	(598.20)	1,166.80	297.03	(331.45)	(502.41)	(2,355.10)
	(d) Excise duty	23,533.62	32,220.56	11,356.62	63,997.61	18,332.75	29,262.11
	(e) Employee benefits expense	467.29	533.81	519.97	1,526.23	1,480.60	2,359.46
	(f) Finance costs	4,830.42	4,671.27	5,422.01	13,919.68	12,279.16	16,819.13
	(g) Depreciation and amortization expense	782.15	779.01	892.12	2,338.54	2,665.51	3,499.44
	(h) Other expenses	5,686.20	5,059.27	5,785.55	15,484.00	15,888.09	20,113.69
	Total Expenses	43,572.60	56,522.39	31,430.64	1,23,696.45	64,540.12	93,253.59
V	Profit/(Loss) before Exceptional Items and Tax (III-IV)	(3,576.56)	(3,150.12)	(5,300.23)	(10,004.38)	(14,812.88)	(14,887.98)
VI	Exceptional Items	-	-	-	-	-	-
VII	Profit/(Loss) before Tax (V-VI)	(3,576.56)	(3,150.12)	(5,300.23)	(10,004.38)	(14,812.88)	(14,887.98)
VIII	Tax Expense						
	(a) Current tax	-	-	-	-	-	-
	(b) Deferred tax	-	-	-	-	-	-
	Total Tax Expense	-	-	-	-	-	-
IX	Profit/(Loss) for the period (VII-VIII)	(3,576.56)	(3,150.12)	(5,300.23)	(10,004.38)	(14,812.88)	(14,887.98)
X	Other Comprehensive Income/(Loss)						
	(a) Items that will not be reclassified to Profit & Loss						
	(i) Remeasurement gain/(loss) in respect of the defined benefit plans	(2.28)	(1.99)	(5.71)	(6.25)	(17.14)	(7.94)
	(ii) Deferred tax on remeasurement gain/(loss) in respect of defined benefit plans	-	-	-	-	-	-
	(b) Items that will be reclassified to Profit & Loss	-	-	-	-	-	-
	Total Other Comprehensive Income/(Loss) for the period [(a) +(b)]	(2.28)	(1.99)	(5.71)	(6.25)	(17.14)	(7.94)
XI	Total Comprehensive Income/(Loss) for the period (IX+X)	(3,578.84)	(3,152.11)	(5,305.94)	(10,010.63)	(14,830.02)	(14,895.92)
XII	Paid-up Equity Share Capital (Face value of Rs. 10/- per Share)	12,513.38	12,513.38	12,513.38	12,513.38	12,513.38	12,513.38
XIII	Reserves as per Balance Sheet of Previous Accounting Year						(45,691.60)
XIV	Earnings Per Equity Share of Rs. 10/- Each (not annualized)						
	(a) Basic (Rs.)	(2.86)	(2.52)	(4.24)	(7.99)	(11.85)	(11.91)
	(b) Diluted (Rs.)	(2.86)	(2.52)	(4.24)	(7.99)	(11.85)	(11.91)

Notes :

- 1 The above Results have been reviewed by the Audit Committee and approved by the Board of Directors at Meeting held on February 13, 2020 and have been subjected to a limited review by the Statutory Auditors.
- 2 The financial results for all periods presented have been prepared in accordance with 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 relevant rules issued thereunder and other accounting principles generally accepted in India.
- 3 The Company is predominantly engaged in the business of manufacture and sale of Indian Made Foreign Liquor (IMFL) and its related products, which constitute a single business segment as per IND-AS 108. Operating Segments. Accordingly, disclosure in accordance with the provisions of Circular issued by the SEBI on July 05, 2016 is not applicable.
- 4 The Company had applied to the State government authorities for dual feed permission for manufacture of ENA through molasses as well as grain at one of its ENA Plants. Permission has been received for operating the fermentation section for one year. It is expected that permission for operating the distillation section also will be received soon. In view of this the management believes that there is no impairment in value of its ENA Plant and hence the recoverable amount of the ENA Plant is not required to be estimated.
- 5 In lieu of advances given to certain parties amounting to Rs.6,074.08 lacs, the Company had received land from one of the group concerns of the parties. The land received has been registered in the name of the Company. The advances have not been adjusted pending certain formalities to be completed on the part of the said parties. In view of this, the management believes that no provision is considered necessary in the books of accounts.
- 6 The Company's net worth has eroded, however, there is an improvement in operational performance of the liquor business in terms of higher sales, market share and margins in the southern states. The Company has entered into compromise settlements with banks and restructuring agreement, subsequent to December 31, 2019 with Edelweiss Asset Reconstruction Company Limited ("EARC") acting as Trustee of EARC Trust SC233, EARC Trust SC241 and EARC Trust SC269, in favour of whom some of the lender Banks and Financial Institution have assigned all the rights, title and interests in financial assistances granted by them to the Company with respect to restructuring of the debts owed to it by the Company. Hence, the accounts are prepared on going concern basis.
- 7 The National Company Law Tribunal ("NCLT") ordered for liquidation of Prag Distillery (P) Ltd, wholly owned subsidiary of the Company ("Prag") vide its order dated July 26, 2018, as a going concern. The Official Liquidator has initiated the process of liquidation of Prag as a going concern. Hence, the accounts have been prepared on a going concern basis.
- 8 The Company had defaulted in repayment of principal dues of loans as well as interest payable to banks and financial institutions, however certain on account payments were made to banks and Edelweiss Asset Reconstruction Company Limited (EARC). The Company has since entered into compromise settlements with banks and has also executed, subsequent to December 31, 2019, restructuring documents/agreements with "EARC" acting as Trustee of EARC Trust SC233, EARC Trust SC241 and EARC Trust SC269, in favour of whom some of the lender Banks and Financial Institution had assigned all the rights, title and interests in financial assistances granted by them to the Company with respect to restructuring of the debts owed to it by the Company. However, pending payment to banks and EARC in full and final settlement as per the terms of the compromise settlement/restructuring agreement, interest has been provided in books of accounts on the principal outstanding at original contracted rates.
- 9 State Bank of India (SBI), a financial creditor of the Company had filed an application before the National Company Law Tribunal (NCLT), Mumbai under Section 7 of the Insolvency & Bankruptcy code claiming default by the Company in repayment of its financial obligation to the Bank. The said application has been withdrawn by SBI and taken on record by NCLT vide order dated October 11, 2019. The Company has since entered into a compromise settlement with SBI for settling its dues amounting to Rs.10,200 lacs towards full and final settlement of the total dues. The Company has paid Rs.2,550 lacs before December 31, 2019 in compliance with the payment schedule of the settlement.
- 10 The Company has adopted modified retrospective approach under Ind AS 116 - Leases, with effect from April 01, 2019. Accordingly, the Company has recognized 'Right of use' assets of Rs. 106.84 lacs and present value of lease liabilities of Rs. 106.84 lacs as on April 01, 2019. In the statement of financial results for the current period, instead of rent expenses (as accounted under previous periods). Amortization of Right of use assets has been accounted under depreciation and amortization expenses and unwinding of discount on lease liabilities has been accounted under finance cost. Accordingly, current period's figures are not comparable with previous periods to that extent. The net impact of adopting this standard on earning per share is not material.
- 11 The Company had entered into arrangements with Vahni Distilleries Private Limited and Punjab Expo Breweries Private Limited, (its subsidiary companies) for manufacture and marketing of its own brands. These subsidiary companies have necessary license and regulatory permits to manufacture alcohol. Upto the quarter ended June 30, 2019 the Company had recognised net surplus (total revenue over total expenses) from the operation through these units under Revenue from operations. However, in the quarter ended September 30, 2019, quarter ended December 31, 2019 and nine months ended December 31, 2019, the Company has aggregated sales and expenses in its Statement of Financial Results with respect to these subsidiary companies. Accordingly, current period's figures are not comparable with previous periods to that extent. Consequent to these changes, there is no impact on the total profit.
- 12 The previous period figures have been regrouped and reclassified wherever necessary.

By Order of the Board
For Tilaknagar Industries Ltd.



Amit Dahanukar
Chairman & Managing Director
(DIN: 00305636)

Place: Mumbai
Date : February 13, 2020