

J. C. BHALLA & CO.
CHARTERED ACCOUNTANTS

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Limited Review Report

Review report to:

The Board of Directors
Spentex Industries Limited
A-60, Okhla Industrial Area, Phase-II,
New Delhi - 110 020.

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results ("the Statement") of Spentex Industries Limited ("the Company") for the quarter and nine months ended December 31, 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 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
3. a. *We are unable to determine the extent of provision that may be required for diminution in the value of long term investment amounting to Rs.2,044.70 lakhs in Amit Spinning Industries Limited (ASIL), a subsidiary of the company. Significant uncertainties exist in relation to the recoverability of loans amounting to Rs.3,201.28 lakhs, interest accrued thereon amounting to Rs.959.50 lakhs and other amounts outstanding of Rs.3,401.90 lakhs due from ASIL. Further, we are unable to determine the amount of liability that may arise on account of corporate guarantee given on behalf of ASIL. Also Refer Note No. 4 to the standalone unaudited financial results for the quarter and nine months ended December 31, 2016.*
- b. *The Company has long term investment amounting to Rs.5,610.11 lakhs and Rs.93.24 lakhs in Spentex Netherland B.V.(SNBV) and Spentex Tashkent Toytepa LLC respectively, subsidiary/step down subsidiary of the company. Further it has an advance recoverable of Rs.950.71 lakhs from SNBV. The Company has also given corporate guarantee of Rs.16,112.59 lakhs on behalf of the subsidiary. As referred in note no. 6 to the standalone financial results, SNBV had filed request for arbitration against Government of Uzbekistan (GOU) of its various claims before International Centre for Settlement of Investment Disputes (ICSID) for the reasons as stated in the*



note. The award has been given during the quarter. It has been explained to us by the management, that proceeding relating to award are yet to be completed. As a result we are unable to obtain sufficient appropriate audit evidence, which make us unable to determine whether any adjustments to the said amounts are necessary.

- c. *The company has not charged to statement of profit & loss Rs.700.12 lakhs, due from its step down subsidiary of the company, Spentex Tashikant Toyetpa LLC. Also Refer Note No. 6 to the standalone financial results for the quarter and nine months ended December 31, 2016.*
- d. *The company has not charged to statement of profit & loss Rs.101.35 lakhs and Rs.26.95 lakhs shown as claim receivables and export incentive respectively. Also Refer Note No. 7 to the standalone financial results for the quarter and nine months ended December 31, 2016.*
- e. *We are unable to comment on the recoverability of amounts relating to certain parties aggregating to Rs.796.81 lakhs for which no provision has been made in the books of accounts. Also Refer Note No. 8 to the standalone financial results for the quarter and nine months ended December 31, 2016.*
- f. *The company has not charged to statement of profit & loss penal interest and other charges, if any, in respect of delay in repayment of borrowings from banks. Therefore, we are unable to comment on the adequacy of interest and other charges provided for in the statement of profit & loss. Also Refer Note No. 10 to the standalone financial results for the quarter and nine months ended December 31, 2016.*

We further report that, without considering the impact of paragraphs 3(a), 3(b) and 3(f) above the effect of which could not be determined, had the observation made by us in paragraphs 3(c), 3(d) and 3(e) above been considered, the loss before tax for the quarter and nine months ended December 31, 2016 would have been Rs.5,546.76 lakhs (as against the reported figure of Rs.3,921.53 lakhs) and Rs.11,124.72 lakhs (as against the reported figure of Rs.9,499.49 lakhs) respectively.

4. Without qualifying our limited review report, we draw attention to:

- a. Note No. 5 to the standalone unaudited financial results for the quarter and nine months ended December 31, 2016, which indicates that the Company has accumulated losses and its net worth has been fully eroded, the Company has incurred a net cash loss during the current quarter and previous year(s) and, the Company's current liabilities exceeded its current assets as at the balance sheet date. Further, majority of the banks had categorized borrowings of the company as Non Performing Assets (NPA) during the previous year(s) and have sent recall notices u/s 13(2) of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI), 2002 to the company. These conditions, along with other matters set forth in Note No. 5, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, the financial results of the Company have been prepared on a going concern basis for the reasons stated in the said Note.



- b. Note No. 7 to the standalone unaudited financial results for the quarter and nine months ended December 31, 2016 regarding balance recoverable of Rs.184.11 lakhs which has been considered good by the management in view of the reasons stated therein. We have relied upon the assertion given by the management as to the recoverability of the said amounts.
- c. Note No. 9 to the standalone unaudited financial results for the quarter and nine months ended December 31, 2016, wherein, the Company has not allotted shares against share application amount of Rs.1,109.50 lakhs which was brought in by the promoters in more than one installment under the restructuring scheme approved by the Bankers of the Company. However, the Company has not complied with the provisions of Section 42 of the Companies Act, 2013 for the reason stated in the said note.
- d. Note No. 11 to the standalone unaudited financial results for the quarter and nine months ended December 31, 2016 regarding balances of parties under the head trade receivables, trade payables and loans & advances which are subject to confirmation, reconciliation and consequential adjustment, if any.
- e. The Company is required to deposit/invest a sum of at least 15% of the amount of its debentures maturing during the financial year 2016-17 in one or more of the prescribed methods vide circular no. 04/2013 dated February 11, 2013 issued by Ministry of Corporate Affairs. However, the company has not complied with the requirement of the said circular.
5. Based on our review conducted as above *subject to the adjustment that may be required to the financial results in view of our remarks stated in paragraph 3 above*, nothing has come to our attention that causes us to believe that the accompanying Statement of Standalone 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 Regulations 33 of 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.

For J C Bhalla & Company
Chartered Accountants
Firm Registration No.001111N



(Akhil Bhalla)
Partner

Membership No.505002

Place : New Delhi
Date : February 14, 2017



Spentex Industries Limited

Regd. Off : A-60, OKHLA INDUSTRIAL AREA, PHASE - II, NEW DELHI - 110020.

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER, 2016

(Rs. In Lakhs except EPS and Shares)

	Particulars	Standalone					
		Quarter ended			Nine Months ended		Year ended
		31.12.2016	30.09.2016	31.12.2015	31.12.2016	31.12.2015	31.03.2016
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1 a)	Net Sales / Income from operations (Net of excise duty)	15930.28	20925.14	18924.74	57959.56	57,025.00	78,845.80
b)	Other Operating Income	127.24	153.56	294.38	464.43	777.35	1,061.79
	Total Income from operations (net)	16,057.52	21,078.70	19,219.12	58,423.99	57,802.35	79,907.60
2	Expenditure:						
a)	Consumption of raw materials (including consumption of stores, spares and packing materials)	12504.97	16764.11	14050.06	44998.44	40,712.29	55,790.76
b)	Purchase of traded goods	104.42	94.02	445.16	233.77	738.17	512.47
c)	Changes in inventories of finished goods, work in progress and stock in trade	(410.61)	(432.93)	(885.22)	(1,065.20)	(601.96)	743.20
d)	Employees benefits expenses	2326.42	2410.66	2047.05	7073.58	6,208.21	8,390.20
e)	Depreciation and amortisation expenses	266.61	276.51	289.14	816.50	843.35	1,124.63
f)	Power and fuel cost	2277.17	2238.82	2214.87	6781.46	7,117.08	9,329.80
g)	Other expenditure	976.03	1005.72	1212.77	3084.24	3,935.23	5,321.97
	Total Expenses	18,045.01	22,356.90	19,373.82	61,922.79	58,952.38	81,213.03
3	Profit / (Loss) from Operations before Other Income, Finance Cost & Exceptional Items (1-2)	(1,987.49)	(1,278.20)	(154.70)	(3,498.80)	(1,150.03)	(1,305.44)
4	Other Income	99.55	195.31	31.63	565.98	710.81	915.30
5	Profit / (Loss) before Finance Cost & Exceptional Items (3+4)	(1,887.93)	(1,082.89)	(123.07)	(2,932.82)	(439.22)	(390.14)
6	Finance Cost	2033.59	1993.66	1,873.11	6,566.67	5,708.18	7,700.98
7	Profit / (Loss) after Finance Cost but before Exceptional Items (5-6)	(3,921.53)	(3,076.55)	(1,996.18)	(9,499.49)	(6,147.40)	(8,091.12)
8	Exceptional Items	-	-	-	-	-	-
9	Profit / (Loss) from Ordinary Activities before tax (7-8)	(3,921.53)	(3,076.55)	(1,996.18)	(9,499.49)	(6,147.40)	(8,091.12)
10	Tax expense	-	-	-	-	-	-
11	Net Profit / (Loss) from Ordinary Activities after tax	(3,921.53)	(3,076.55)	(1,996.18)	(9,499.49)	(6,147.40)	(8,091.12)
12	Extraordinary Items (net of tax expense)	-	-	-	-	-	-
13	Net Profit / (Loss) for the period (after Extra ordinary activities)	(3,921.53)	(3,076.55)	(1,996.18)	(9,499.49)	(6,147.40)	(8,091.12)
14	Paid up Equity Share Capital (Face Value Rs. 10/- each) (no's in Lakhs)	897.72	897.72	897.72	897.72	897.72	897.72
15	Reserves excluding Revaluation Reserves as per balance sheet of previous year						(29,878.77)
	Earnings Per Share (EPS) (not annualized) (Rs.)						
a)	Basic EPS before Extraordinary items for the period and for the previous year	(4.37)	(3.43)	(2.22)	(10.58)	(6.85)	(9.01)
	Diluted EPS before Extraordinary items for the period and for the previous year	(4.37)	(3.43)	(2.22)	(10.58)	(6.85)	(9.01)
b)	Basic EPS after Extraordinary items for the period and for the previous year	(4.37)	(3.43)	(2.22)	(10.58)	(6.85)	(9.01)
	Diluted EPS after Extraordinary items for the period and for the previous year	(4.37)	(3.43)	(2.22)	(10.58)	(6.85)	(9.01)



Notes:

- 1 The above financial results have been reviewed by the Audit Committee and were approved by the Board of Directors in their meeting held on 14th Feb, 2017.
- 2 The Statutory Auditors have carried out review of the Standalone Financial Results of the Company for the quarter and Nine months ended 31st December, 2016.
- 3 In accordance with Accounting Standard 17 on Segment Reporting notified under the Companies (Accounting Standards) Rules, 2006 (as amended) in accordance with section 133 of the Companies Act, 2013, read with rule 7 of Companies (Accounts) Rules, 2014, for standalone financials, the Company has identified two Business Segments viz., Textile Manufacturing and Textile Trading, accordingly segment disclosure has been done.
- 4 The Auditors, in their limited review report have mentioned regarding diminution in the value of company's long term Investment of ` 2,044.70 lakhs and recoverability of ` 7,562.68 lakhs (Previous quarter ` 7,544.29 lakhs) in Amit Spinning Industries Limited (ASIL), subsidiary of the Company. ASIL registered losses during the quarter as well as earlier financials years and eroded its net worth due to sluggish market demand and higher power cost in Maharashtra. ASIL had filed a reference with Board for Industrial and Financial Restructuring (BIFR) under section 15(1) and 15(2) of Sick Industrial Companies (Special Provisions) Act (SICA), 1985. BIFR had declared ASIL as Sick under Section 3(1) (o) of SICA 1985 and appointed Operating Agency under Section 17(3) of SICA 1985. SICA has been since repealed w.e.f. 1st December, 2016. The company believes that the diminution in value of investment is temporary in nature considering the strength of management's plan of revival and reorganization of business. The management believes that losses incurred in the past would reasonably be made good which will also place the subsidiary in a position to repay the liabilities in due course and hence no adjustment is required in the books of accounts.
- 5 As on March 31, 2012, the accumulated losses of the Company had exceeded its net worth. Accordingly company in compliance with the provisions of section 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985 had filed a reference with Board for Industrial and Financial Restructuring (BIFR), however, SICA has since been repealed w.e.f. 1st December, 2016. The operations of the company in the last few years have been adversely impacted due to demand and supply gap, high power tariffs, lack of adequate working capital, declining off take in internal market and overall subdued sentiment in the export market due to the tariff disadvantage created by Free Trade Agreements (FTAs) of our competitors with the big buying nations. In the current financial year cotton prices have gone up significantly and the increase is not fully absorbed in the yarn prices leading to a huge disparity between spot cotton prices and yarn prices impacting the margins. As the company is in advance discussion with its secured creditors to settle the dues, the management believes that the accumulated losses would reasonably be paired in due course and the financial statements as such have been prepared on a going concern basis.
- 6 The Company has an investment of ` 5,610.11 lakhs and ` 93.24 lakhs in its subsidiary Spentex Netherlands B. V. (SNBV) and its step down subsidiary Spentex Tashkent Toytepa LLC (STTL) respectively. Further it has ` 700.12 lakhs as export receivable from STTL and advances recoverable of ` 950.71 lakhs in SNBV as on March 31st, 2016. During the period of investment, Government of Uzbekistan (GOU) changed certain laws and policies breaching the investment agreement and rendered operation of STTL not only unviable, but also expropriated its investment. All the assets and liabilities of STTL have been taken over by National Bank of Uzbekistan (NBU) and existence of STTL has been liquidated as per bankruptcy laws. In view of this corporate guarantee given by company in respect of STTL liability for deferred payment to Tashkent Toytepa Textile (TTL) stands extinguished. SNBV, which had made around 99% investment in the equity of STTL, had filed request for Arbitration against GOU for Claim through its lawyer before International Center for Settlement of Investment Dispute (ICSID). ICSID has given its award during this quarter, however, certain conditions under the award have to be fulfilled by GOU. Since the proceedings under the award are yet to be completed, Board of Directors have decided not to make any provision for the aforesaid amounts.
- 7 Advance balances amount aggregating to ` 184.11 lakhs respectively due from certain parties where payments are not forthcoming. Against the above, the Company has filed a suit for recovery. In addition to above for ` 128.30 lakhs dues from Government Authorities, company had filed an application for release with concerned authorities. The Company is making effort to recover the same and expects to reduce the outstanding dues significantly. Based on outcome of the legal suit coupled with further negotiations with these parties, the management is of the opinion that ultimately there would be no losses against these old balances and hence no provision is considered necessary at the stage.
- 8 Advance balances aggregating to ` 796.81 lakhs are due from certain parties where payments are not forthcoming. The company is making appropriate concerted efforts including negotiations with these parties to recover the same and expect to reduce the outstanding dues significantly. The management is of the view that ultimately there would be no losses against these outstanding balances and hence no provision is considered necessary at this stage.
- 9 The Company has not allotted shares against amount of ` 1,109.50 lakhs which was brought in by the promoters in more than one installments under restructuring scheme approved by the bankers of the company. Due to pending necessary approvals and directions for allotment of shares, the Company has not complied with the provisions of Section 42 of the Companies Act, 2013.
- 10 The Company's accounts had become Non performing assets (NPA) with majority of the banks. The company has submitted restructuring proposal proposing various alternatives to the bank which is under discussions. None of the bank has initiated action in any legal forum. The company has provided interest on such loans, however penal interest, if any, has not been provided.
- 11 The outstanding balance as on 31st December, 2016 in respect of certain trade receivables, trade payables and loans & advances are subject to confirmation/reconciliation at the financial year end and consequential adjustment if any, from the respective parties. The management, however, does not expect any material variations.
- 12 Previous period figures have been regrouped / recasted / rearranged wherever necessary, to conform to the current period presentation.

BY ORDER OF THE BOARD OF DIRECTORS,
FOR SPENTEX INDUSTRIES LIMITED

MUKUND CHOUDHARY
MANAGING DIRECTOR
Place : New Delhi
Date : February 14, 2017



REPORTING OF SEGMENT - WISE REVENUE, RESULTS, ASSETS AND LIABILITIES						
Particulars	Quarter ended			Nine months ended		(Rs. in Lakhs)
	31.12.2016 Unaudited	30.09.2016 Unaudited	31.12.2015 Unaudited	31.12.2016 Unaudited	31.12.2015 Unaudited	Year ended 31.03.2016 Audited
1. Segment Revenue						
a) Textile- Manufacturing	16,375.36	21,391.07	19,087.18	60,210.45	57,370.89	77,277.90
b) Textile Trading	73.99	138.35	987.31	255.41	2,083.37	4,566.02
Total	16,449.35	21,529.42	20,074.49	60,465.85	59,454.27	81,843.92
Less : Inter segment revenue	391.84	450.71	855.38	2,041.86	1,651.92	1,936.33
Total Income	16,057.51	21,078.70	19,219.12	58,423.99	57,802.35	79,907.60
2. Segment Results						
Profit (+) / Loss (-) before tax and interest from each Segment						
a) Textile- Manufacturing	(1,115.43)	142.05	976.07	(776.61)	1,875.07	827.40
b) Textile Trading	(40.97)	71.60	(211.33)	37.40	(137.09)	1,842.56
TOTAL	(1,156.40)	213.65	764.73	(739.21)	1,737.97	2,669.96
Less :						
i) Finance cost	2,033.46	1,993.79	1,873.10	6,566.67	5,708.17	7,700.98
ii) Other unallocable expenditure net off	762.88	1,346.23	962.58	2,422.93	2,536.86	3,193.14
iii) Other unallocable income	31.21	49.83	74.77	229.31	359.66	133.05
Total Profit / (Loss) from Ordinary Activities before tax	(3,921.53)	(3,076.55)	(1,996.18)	(9,499.49)	(6,147.40)	(8,091.12)
Profit/ (Loss) before tax	(3,921.53)	(3,076.55)	(1,996.18)	(9,499.49)	(6,147.40)	(8,091.12)
3. Segment Assets						
a) Textile- Manufacturing	39,359.57	39,200.29	47,426.11	39,359.57	47,426.11	38,402.76
b) Textile Trading	138.28	36.85	261.78	138.28	261.78	258.88
Unallocated	13,650.93	13,850.61	13,667.49	13,650.93	13,667.49	13,747.29
TOTAL	53,148.79	53,087.75	61,355.38	53,148.79	61,355.38	52,408.93
4. Segment Liabilities						
a) Textile- Manufacturing	16,837.71	13,986.87	18,965.96	16,837.71	18,965.96	10,059.19
b) Textile Trading	455.77	233.41	298.35	455.78	298.35	290.70
Unallocated	65,146.86	64,237.49	59,939.39	65,146.86	59,939.39	61,851.10
TOTAL	82,440.34	78,457.77	79,203.70	82,440.35	79,203.70	72,200.99

