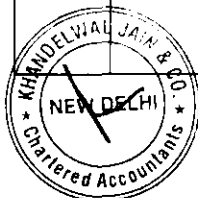


## FORM B

[Pursuant to Clause 31 of Listing Agreement with Stock Exchanges]

1.	Name of the Company	<b>LML LIMITED</b>
2.	Annual financial statements for the year ended	<b>31<sup>st</sup> March, 2013</b>
3.	Type of Audit Qualifications	<b>Qualified</b>
4.	Frequency of qualification	Kindly refer comments for Frequency of qualification against each at item no. 5 below.
5.	Draw attention to relevant notes in the Annual Financial Statements and management response to the qualification in the Directors Report.	<p><b><u>Refer Page No. 16 of Annual Report for 2012-13</u></b></p> <p><b><u>Qualification:</u></b></p> <p>a) <i>As mentioned in note 25 of financial statements, the balances of some of the trade receivables, trade payables, lenders and loans and advances are subject to confirmation/ reconciliation and subsequent adjustments, if any. As such, we are unable to express any opinion as to the effect thereof on the financial statements for the year.</i></p> <p><b><u>Management Response:</u></b></p> <p><b><u>As given in Note No. 25 of Notes of Accounts</u></b></p> <p>Balances of some of the Trade Receivables, Trade Payable, lenders, loans and advances are subject to confirmation from the respective parties and consequential adjustments arising from reconciliation, if any. The management however is of the view that there will be no material adjustment in this regard.</p> <p><b><u>[Qualification since FY 2003-05]</u></b></p> <p>b) <i>As mentioned in note 26 of financial statements, the Company has valued the inventories except finished goods at cost instead of at cost or realizable value, whichever is lower which is not in compliance with the Accounting Standard 2 – Valuation of Inventories prescribed in the Companies( Accounting Standards) Rules, 2006. As explained to us the process of possible utilization of slow / non-moving items of inventory will be undertaken upon finalization of the product plan and the restructuring/revival plan. Since the</i></p>



realizable value as on 31st March, 2013 has not been determined, we are unable to express any opinion as to the effect thereof if any, on the financial statements for the year.

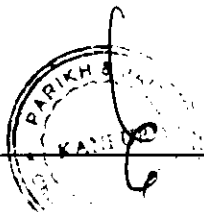
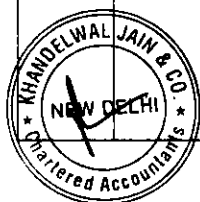
**Management Response:**

**As given in Note No. 26 of Notes of Accounts**

The Company is in the process of restructuring/revival of its business under the aegis of BIFR which inter alia includes finalization of the product plan. The process of possible utilization of slow / non-moving items of inventory will be undertaken upon - finalization of the product plan and the restructuring/revival plan. Pending such ascertainment/ determination the management has considered the inventories except finished goods at cost. Requisite accounting effect, if any, will be given upon such ascertainment/ determination and approval of revival plan

**[Qualification since FY 2006-07]**

- c) As mentioned in note 30 of financial statements, the Company has become a Sick Industrial Company due to erosion of its net worth and its current liabilities have also exceeded its current assets by Rs. 50772.53 lakhs as at Balance Sheet date. These factors, along with other matters as set forth in the said note, raise doubt that the Company will be able to continue as a going concern. The Company is in the process of restructuring/revival of its business under the aegis of BIFR and has submitted the draft revival scheme and as directed by BIFR, the Company is in process of submitting updated revival scheme, considering this the accounts have been prepared on a going concern basis. The Company's ability to continue, as a going concern is dependent upon successful restructuring and revival of its business. In case the going concern concept is vitiated, necessary adjustments will be required on the carrying amount of Assets and Liabilities which are not ascertainable.



**Management Response:**

**As given in Note No. 30 of Notes of Accounts**

The Company became a Sick Industrial Company within the meaning of Section 3(1)(O) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) due to erosion of its net worth and the Company was declared a Sick Industrial Company by BIFR on 8<sup>th</sup> May, 2007. The Company which restarted its operations from April, 2007 is working on the development of various new products and technologies and production of new generation 4-stroke Automatic Gearless Scooter (CVT) has since commenced. The Company has already submitted its draft revival scheme to BIFR and as directed by BIFR, Company is in process of submitting updated revival scheme. In view of this, the accounts have been prepared on the basis of going concern.

**[Qualification since FY 2005-06]**

- d) As mentioned in note no. 32 of financial statements, interest is provided on outstanding amount due to Banks / Financial Institutions (Secured Lenders) at the rate specified for the year amounting to Rs. 2383.18 lakhs as per Multi-partite Agreement (MPA) executed by the Company with the Secured Lenders. MPA provides different rates of interest for different periods as per schedule given therein with Yield to Maturity (YTM) rate of 6.5%. As compared to the YTM rate, there is an excess provision of interest of Rs. 35.30 lakhs for the year which is equivalent to cumulative short provision in earlier years, whereby the loss for the year is higher by the said amount.

**Management Response:**

**As given in Note No. 32 of Notes of Accounts**

**Restructuring of Loans**

- (a) The Company has executed with the Secured Lenders (SL) on 28<sup>th</sup> March, 2005 a Multipartite Agreement (MPA). The Company is in default towards payment of interest since December 2006. Applicable penal interest has been provided on the above over dues. The Draft Revival Scheme submitted to BIFR inter-alia takes into consideration the dues of the SL.



- (b) In terms of the MPA the outstanding amounts are repayable to the SL as per the repayment schedule over eight years along with interest at increasing rate (on yield to maturity basis). Accordingly, the Company has provided interest at the rate specified for the financial period in the MPA and not at the Yield to Maturity (YTM) rate. The amount of interest so provided for the financial year ended 31<sup>st</sup> March, 2013 amounts to Rs.2383.18 lakhs as compared to YTM rate. There is excess provision of Rs.35.30 lakhs for the year, which is equivalent to cumulative short provisions in earlier years.


**[Qualification since FY 2005-06]**

- e) As mentioned in note no. 38 of financial statements, regarding non compliance of requirements under Micro, Small and Medium Enterprises Development Act, 2006, in the absence of information available with the Company. As such, we are unable to express any opinion as to the effect thereof if any, on the financial statements for the year.

**Management Response:**

**As given in Note No. 38 of Notes of Accounts**  
In the absence of information from Trade Payable regarding status under The Micro, Small and Medium Enterprises Development Act, 2006, the liability of interest cannot be reliably estimated, nor required disclosures can be made.

**[Qualification since FY 2007-08]**

6.	Additional comments from the Board / Audit Committee Chair.	In respect of observations made by the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory and do not call for any additional comments.
7.	To be signed by -  • CEO / Managing Director	 [Deepak Kumar Singhania] Chairman & Managing Director



- CFO

[K C Agarwal]  
Executive Director (Commercial) &  
Company Secretary

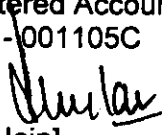
- Auditor(s) of the Company

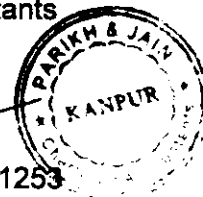
1. For Khandelwal Jain & Co.  
Chartered Accountants  
FRN – 105049W

  
[Akash Shinghal]  
Partner - M.No. 103490



2. For Parikh & Jain  
Chartered Accountants  
FRN - 001105C

  
[A K Jain]  
Partner - M.No. 071253



- Audit Committee Chairman

  
[S K Agarwal]  
Chairman – Audit Committee