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Chartered Accountants

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Review report to the Board of Directors Indosolar Limited

1. We were engaged to review the accompanying statement of un-audited standalone financial results ('the Statement') of Indosolar Limited ('the Company') for the quarter ended 30 September 2013 and six months ended 30 September 2013, 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 reviewed 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 these financial results 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 results 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. *Certain consignments relating to plant and machinery, imported in connection with the expansion of the manufacturing facility, had been lying at the bonded warehouse for a significant period of time until 31 March 2012. In the previous year ended 31 March 2013, such machinery had been removed and demurrage/ detention charges were paid at the time of such removal and the same was included as part of the cost of acquisition of an asset and capitalised under capital work-in-progress accordingly, as at 31 March 2013. The demurrage/ detention charges capitalised aggregated to Rs. 1,254.51 lakhs net of waiver received (Rs. 1,365.93 lakhs as at 31 March 2013). Management is of the view that such expenses are directly attributable to bringing the machinery to its current location and condition and should be capitalised.*

However, we are of the view that such charges should be treated as an expense and accordingly should not be capitalised as they cannot be considered as a cost that is directly attributable for getting the asset ready for its intended use in accordance with the requirements of AS 10 "Accounting for fixed assets". Had the Company accrued for such demurrage/ detention charges, other expense (reflected as a prior period charge), the debit balance in reserves and surplus and the loss for the quarter and six months ended 30 September 2013 would have been higher by Rs. 1,254.51 lakhs and the fixed assets as at 30 September 2013 would have been lower by the corresponding amount. This was also the subject matter of a qualification in the previous quarter.

4. *Attention is invited to note 3, which explains in detail, the status of the contract that was awarded in the quarter ended 31 December 2012, wherein the Company has executed 100 KW until 30 September 2013 out of the total work orders aggregating to 1.6 MW that was required to be executed till 30 June 2013. In lieu of such delays, the Company had filed an application seeking extension in the previous quarter ended 30 June 2013 for completing the unexecuted work citing the prevailing industry condition and logistical issues. During the quarter, on account of breach of terms and conditions of the agreement, MP Urja Vikas Nigam Limited (MP Urja) has served a final notice on the Company, rejecting the extension plea and deciding to cancel the work order (other than the 3 sites considered completed by MP Urja) given to the Company, for forfeiture of earnest money deposit (EMD) amounting to Rs. 60.10 lakhs, adjustment of dues amounting to Rs. 177.23 lakhs payable by MP Urja to the Company against any loss or damage arising due to non completion of the contract and imposition of penalty due to the non compliance with the terms of the agreement by the Company. Management has contested the*

claims being made by MP Urja and have sought for extension of time in completing the contract, citing logistical issues from the customers side and delays arising out of delay in handing over the sites. Further, in their response management is also contesting that there were delays on part of MP Urja to issue site completion reports causing further delays in relation to sites that have been completed by the Company. As a consequence of the claims and counterclaims as evinced through the letters exchanged between the customer and the Company, we are unable to ascertain the impact, if any, on the financial results.

5. Attention is invited to note 2, which explains in detail the substantial erosion of net worth as at 31 March 2013 because of which the reference required in case of erosion of more than 50% of peak net worth was made to BIFR in the year ended 31 March 2013 and also explains the multiple uncertainties being faced by the Company. The Company has been unable to utilise its capacity as the cost of production of solar cells continues to be higher than the prevailing market prices and the plant has remained shut in the current quarter/ six months ended 30 September 2013 and for a substantial part in the previous year ended 31 March 2013. The impact of key policy decision relating to local content requirement and incentivizing projects through Viability Gap Funding shall be known in the coming quarters. Also, some key policy decisions relating to imposition of Anti Dumping Duty and Company's eligibility for certain incentives remain unresolved.

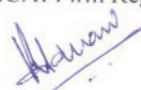
The actual net cash inflows during the current quarter and in the year ended 31 March 2013 are significantly lower than the projections for the same period incorporated in the first CDR package. Accordingly, the cash flow projections approved as part of that CDR package are unreliable and future cash flows in the light of prevailing conditions is not determinable. Due to continued liquidity issues the Company has approached the bankers for a second Corporate Debt Restructuring package. The response of the banks is awaited.

Overall the short term liabilities exceed the short term assets by Rs.15,259.54 lakhs. In addition as per the terms of the first Corporate Debt Restructuring package, an amount of Rs.2,464.26 lakhs, representing 3% of the outstanding Term Loans, Funded Interest Term Loans, Working Capital Demand Loan and Priority Term Loan together with interest remaining unpaid as at 30 September 2013 thereon is payable in the year ending 31 March 2014.

The above factors create multiple uncertainties, and we are unable to determine their possible effects on the financial results. We are also unable to conclude on the ability of the Company to carry on as a going concern.

6. Because of the significance of the matters described in paragraph 4 above, specifically relating to the multiple uncertainties created due to various factors such as response of banks to the application filed for a 2nd Corporate Debt Restructuring; key policy initiatives of the government relating to anti dumping duty and the impact due to local content requirement; we have not been able to obtain moderate assurance as to whether the accompanying statement of unaudited financial results has been prepared in accordance with accounting standards notified pursuant to Companies (Accounting Standards) Rules, 2006 and other recognised accounting practices and policies or that the unaudited financial results are free of material misstatement or state whether the unaudited financial results are presented in accordance with the requirements of Clause 41 of the Listing Agreement.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 101248W



Vikram Advani
Partner
Membership number: 091765

Place: New Delhi
Date: 21 November 2013

STATEMENT OF STANDALONE UNAUDITED RESULTS FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER 2013

(Rs. in Lakhs)

Sl. No.	Particulars	3 months ended	Preceding 3 months ended	Corresponding 3 months ended in the previous year	Year to date figure for current period ended	Year to date figure for the previous period ended	Year ended
		30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.09.2012	31.03.2013
		Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Audited
Part I							
1	Income from operations						
a	Net sales/income from operations (net of excise duty)	226.49	760.11	333.79	986.60	341.37	5,311.55
b	Other operating income	5.13	7.85	7.18	12.98	7.26	11.79
	Total income from operations (net)	231.62	767.96	340.97	999.58	348.63	5,323.34
2	Expenses:						
a	Cost of materials consumed	(1.18)	97.03	795.70	95.85	641.23	5,690.88
b	Purchase of stock in trade	110.73	277.36	73.95	388.09	73.95	146.37
c	Changes in inventories of finished goods, work-in-progress and stock in trade	64.12	(44.99)	(526.92)	19.13	(654.41)	(1,087.01)
d	Employee benefits expense	83.72	95.00	233.23	178.72	447.16	893.25
e	Depreciation and amortisation expense	760.93	752.66	808.20	1,513.59	1,560.83	3,909.78
f	Power and fuel	8.80	43.50	341.76	52.30	370.54	1,051.10
g	Foreign exchange loss/(gain) (net)	311.04	561.03	(184.88)	872.07	42.92	103.34
h	Other expenses	114.80	337.58	529.50	452.38	785.42	1,430.79
	Total expenses	1,452.96	2,119.17	2,070.53	3,572.13	3,267.64	12,138.50
3	Loss from operations before other income, finance cost and exceptional items (1-2)	(1,221.34)	(1,351.21)	(1,729.56)	(2,572.55)	(2,919.01)	(6,815.16)
4	Other income	49.96	61.36	45.00	111.32	121.57	256.90
5	Loss from ordinary activities before finance costs and exceptional items (3+4)	(1,171.38)	(1,289.85)	(1,684.56)	(2,461.23)	(2,797.44)	(6,558.26)
6	Finance costs	2,085.64	1,914.97	1,332.74	4,000.61	2,628.15	5,924.42
7	Loss from ordinary activities after finance cost but before exceptional items (5-6)	(3,257.02)	(3,204.82)	(3,017.30)	(6,461.84)	(5,425.59)	(12,482.68)
8	Exceptional items gain/ (loss)	-	-	-	-	93.82	93.82
9	Loss from ordinary activities before tax (7+8)	(3,257.02)	(3,204.82)	(3,017.30)	(6,461.84)	(5,331.77)	(12,388.86)
10	Tax expenses	-	-	-	-	-	-
11	Loss from ordinary activities after tax (9-10)	(3,257.02)	(3,204.82)	(3,017.30)	(6,461.84)	(5,331.77)	(12,388.86)
12	Extraordinary items (net of tax expenses)	-	-	-	-	-	-
13	Loss after taxes (11+12)	(3,257.02)	(3,204.82)	(3,017.30)	(6,461.84)	(5,331.77)	(12,388.86)
14	Paid up equity share capital (Face value-Rs.10/- each)	33,514.40	33,514.40	33,514.40	33,514.40	33,514.40	33,514.40
15	Reserves (excluding revaluation reserve, if any)	-	-	-	-	-	(24,906.28)
16	Earning per share (before extraordinary item) (in Rs.) (not annualised)						
	Basic	(0.97)	(0.96)	(0.90)	(1.94)	(1.59)	(3.70)
	Diluted	(0.97)	(0.96)	(0.90)	(1.94)	(1.59)	(3.70)
17	Earning per share (after extraordinary item) (in Rs.) (not annualised)						
	Basic	(0.97)	(0.96)	(0.90)	(1.93)	(1.59)	(3.70)
	Diluted	(0.97)	(0.96)	(0.90)	(1.93)	(1.59)	(3.70)
Part II							
A Particulars of Shareholding							
1	Public shareholding						
	- Number of shares	128,144,030	128,144,030	128,144,030	128,144,030	128,144,030	128,144,030
	- Percentage of shareholding	38.24%	38.24%	38.24%	38.24%	38.24%	38.24%
2	Promoters and promoter group shareholding						
a)	Pledged/ encumbered	136,885,495	136,885,495	136,885,495	136,885,495	136,885,495	136,885,495
	- Number of shares	66.13%	66.13%	66.13%	66.13%	66.13%	66.13%
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	40.84%	40.84%	40.84%	40.84%	40.84%	40.84%
	- Percentage of shares (as a % of the total share capital of the company)						
b)	Non encumbered	70,114,502	70,114,502	70,114,502	70,114,502	70,114,502	70,114,502
	- Number of shares	33.87%	33.87%	33.87%	33.87%	33.87%	33.87%
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)						
	- Percentage of shares (as a % of the total share capital of the company)	20.92%	20.92%	20.92%	20.92%	20.92%	20.92%
B Investor Complaints							
	Pending at the beginning of the quarter	-	-	-	-	-	-
	Received during the quarter	1	1	1	1	1	1
	Disposed of during the quarter	1	1	1	1	1	1
	Remaining unresolved at the end of the quarter	-	-	-	-	-	-

Date : 21 November 2013

Place: New Delhi

For and on behalf of the Board of Directors of
Indosolar Limited

Managing Director



1 Standalone Statement of Assets and Liabilities

(Rs. in Lakhs)

Particulars	Un-audited	Audited
	As at 30 September 2013	As at 31 March 2013
A Equity and Liabilities		
1 Shareholders' funds		
(a) Share capital	34,464.40	34,464.40
(b) Reserves and surplus	(31,368.09)	(24,906.28)
Sub-total - Shareholders' funds	3,096.31	9,558.12
2 Non-current liabilities		
(a) Long-term borrowings	86,832.52	84,483.20
(b) Other long-term liabilities	6,858.63	5,633.05
(c) Long-term provisions	30.52	30.51
Sub-total - Non-current liabilities	93,721.67	90,146.76
3 Current liabilities		
(a) Short-term borrowings	6,794.50	4,416.08
(b) Trade payables	1,509.48	4,328.60
(c) Other current liabilities	12,791.40	5,751.06
(d) Short-term provisions	7.06	7.06
Sub-total - Current liabilities	21,102.44	14,502.80
Total - Equity and Liabilities	117,920.42	114,207.68
B Assets		
1 Non-current assets		
(a) Fixed assets	107,569.83	102,228.68
(b) Long-term loans and advances	1,339.65	1,509.54
(c) Other non-current assets	3,168.04	3,091.97
Sub-total - Non-current assets	112,077.52	106,830.19
2 Current assets		
(a) Inventories	4,233.58	4,045.17
(b) Trade receivables	248.36	1,783.10
(c) Cash and cash equivalents	38.33	294.65
(d) Short-term loans and advances	1,250.35	1,182.30
(e) Other current assets	72.28	72.27
Sub-total - Current assets	5,842.90	7,377.49
Total - Assets	117,920.42	114,207.68

For **INDO** **LIMITED**Authorized Signatory
DIRECTOR

- 2 The Company has incurred significant losses in the current quarter and year ended 31 March 2013 resulting in substantial erosion of its net worth because of which the reference required in case of erosion of more than 50% of peak net worth was made to BIFR on 22 November 2012.

The Solar industry witnessed turmoil owing to significant downturn in the global market due to structural over supply situation resulting in a significant reduction in prices of PV cells. During the quarter, the Solar industry globally witnessed some positive results across some of the key markets. However, the Company has been unable to utilise its capacity as the prices of solar cells in demand did not yield margins owing to higher cost of production of solar cells and consequently, the plant continues to remain shut in the current quarter/ six months period ended 30 September 2013. Due to the prevailing conditions, the actual net cash inflows in the current quarter/ six months period ended 30 September and in the year ended 31 March 2013 have been significantly lower than the projections for the same period incorporated in the first CDR package.

During the quarter, there have been some key policy announcements in the guidelines issued under the 'Jawaharlal Nehru National Solar Mission (JNNISM), Phase-II, Batch-I' that provided for bidding with domestic content requirement (both PV/ thin film based cells and modules must be manufactured in India). Also, the guidelines provide that such projects shall be incentivised by way of 'Viability Gap Funding' and the extent of funding shall be determined basis the project cost of setting up of such projects. The impact of these policy decisions in terms of pricing and orders placed on the company shall be known only in the next few quarters. Further, some key decisions that are much awaited for providing a sustained impetus remains unknown at present. Some of these relate to: a) the imposition of Anti Dumping Duty per the application filed by Solar Manufacturers Association of India dated 18th January 2012; and b) eligibility of the Company for certain capital incentives.

Accordingly, the cash flow projections approved as part of the first CDR package continues to be unreliable and future cash flows in the light of prevailing conditions is not determinable.

Overall the short term liabilities exceed the short term assets by Rs. 15,259.54 lacs. Due to continued liquidity issues, the Company has approached the bankers for a second Corporate Debt Restructuring package. The response of the banks is awaited. Also, as per the terms of Corporate Debt Restructuring package an amount of Rs. 2,464.26 lakhs representing 3% of the outstanding Term Loans, Funded Interest Term Loans, Working Capital Demand Loan and Priority Term Loan shall become payable in the year ending 31 March 2014. Further, interest amounting to Rs. 2,236.77 lacs is remaining unpaid as at 30 September 2013.

The above factors create multiple uncertainties and the effect thereof on the financial results, if any, is not ascertainable.

- 3 The Company had been awarded a turnkey contract by MP Urja Vikas Nigam Limited (MP Urja) for setting up of 3MW (in aggregate) SPV Power Plants with a capacity ranging between 10-50 KW per plant, vide letter of intent dated 12 September 2012, through a tender process during the quarter ended 31 December 2012. The contract included design, engineering, supply, installation and commissioning and interfacing of Solar Photovoltaic Power Plants (SPVPP) with 5 years Warranty Cum Comprehensive Maintenance Contract (CMC). In accordance with the stipulated terms of the contract, the Company has deposited earnest money deposit (EMD) amounting to Rs. 60.10 lakhs. Out of the total contract, work orders aggregating to 1.6 MW amounting to Rs. 2,914.13 lakhs was raised on the Company that was required to be executed till 30 June 2013. The Company has raised the bills for having completed 100 KW (5 sites) until 30 September 2013 and the dues outstanding in relation to the executed portion amounts to Rs. 177.23 lakhs. The Company had also filed an application in the previous quarter seeking extension with MP Urja for completion of the unexecuted work till 30 June 2014.

In the current quarter, the Company has received a final notice from MP Urja rejecting the extension plea and deciding to cancel the work order (other than the 3 sites considered completed by MP Urja) given to the Company alongwith the forfeiture of EMD and imposition of penalty due to the non compliance by the Company. MP Urja has also provided in the notice that it shall take action against the Company on account of breach of terms and conditions of the agreement. The contract stipulates a penalty if there is a delay in completing the work order that can extend to a maximum of 10 % of the order value and MP Urja will be free to purchase the balance goods from elsewhere without notice to the Company and carry out the unexecuted work, at Company's cost and risk. Also, any loss or damage that MP Urja may sustain due to such failure MP Urja shall have a right to recover any loss or damage, if any, from any sum payable to the Company. Further, if recovery is not possible from the Company on account of the Company's failure to pay the losses or damages within one month from the claim, the recovery shall be made under Madhya Pradesh Public Demand Recovery Act or any other law applicable under these circumstances.

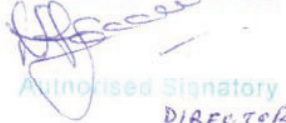
Management has contested the claims being made by MP Urja and have sought for extension of time in completing the contract, citing logistical issues from the customers side and delays arising out of delay in handing over the sites. Further, in their response management is also contesting that there were delays on part of MP Urja to issue site completion reports causing further delays in relation to sites that have been completed by the Company. As a consequence, the impact of the loss or damage due to the action that MP Urja may take and the outcome of the final notice issued, that may include forfeiture of EMD, adjusting the dues against any loss or damage and levy of penalty, in the light of the Company expressing its inability to complete the order within the stipulated time period, is uncertain and the same shall crystallise only on the conclusion of discussion and the actions that the authorities may take against the Company.

- 4 Prior period adjustments:
The results for the current quarter ended 30 September 2013 includes capitalisation of the exchange loss on the long term borrowings amounting to Rs. 424.83 lakhs. Out of the same, prior period exchange loss capitalised amounts to Rs. 310.91 lakhs, which pertains to quarter ended 30 June 2013 and Rs. 383.90 lakhs, which pertains to quarter ended 31 March 2013.
- 5 The Company has incurred expenses in foreign currency (including amortisation of imported machinery) amounting to Rs. 104,075.18 lakhs till 30 September 2013. Such machinery and raw material have been imported without payment of customs duty, being an Export Oriented Unit, on the basis of an undertaking given to customs authorities that the Company shall be able to earn a net positive Net Foreign Exchange within ten years from the commencement of its operation. At current quarter end (i.e. after four years of commencement of its operations), the Company's earnings is a negative Net Foreign Exchange Earnings of Rs. 24,000.91 lakhs. As explained in Note 2 above, the ability of the Company to meet its export obligations over the next 6 years is dependent on various factors which have created multiple uncertainties, the effect of which if any, is not ascertainable.
- 6 In view of the absence of virtual certainty of realisation of carry forward tax losses/ unabsorbed depreciation in the foreseeable future, deferred tax assets has been recognised to the extent of deferred tax liability.
- 7 The Company has only one single primary business segment viz manufacture and sale of Photovoltaic Solar cells. Therefore, the disclosure requirements of Accounting Standard - 17 "Segment Reporting" prescribed by Companies (Accounting Standard) Rules, 2006 are not applicable.
- 8 IPO proceeds amounting to Rs.15,580.55 lakhs is paid for acquisition of machineries for Line C. Rs.14,386.21 lakhs have been utilised towards repayment of loans from banks/ use for the operations of the Company and Rs. 3,358.24 lakhs has been used for meeting IPO expenses. This is in accordance with the manner the IPO proceeds could have been utilised as specified in the prospectus. The balance of the IPO proceeds amounting to Rs. 2,375.00 lakhs pending utilisation, has been invested in interest bearing liquid instruments and bank deposits.
- 9 During the quarter, two Independent directors have tendered their resignation expressing their inability to hold such directorship reducing the number of Independent director's to one resulting in the non-compliance with the provisions of Clause 49 of the Listing Agreement. Management has accordingly, informed the stock exchange in its Quarterly Compliance Report on Corporate Governance for the quarter ended 30 September 2013, of the non-compliance with the Clause 49 (1A) and (IIA) and are making efforts to fill the vacancy so created. In the absence of requisite quorum in the Audit Committee due to non-availability of Independent directors, the results have been approved by the Board of Directors only in their meeting held on 21 November 2013.
- 10 The statutory auditors of the Company have carried out the limited review of the financial results for the quarter and six months ended 30 September 2013 and have modified the report in relation to the following matters: Treatment of demurrage charges amounting to Rs. 1,254.51; Uncertainty over the outcome of the claims and counterclaims in relation to MP order and multiple uncertainties due to various factors resulting in inability to provide a basis for opinion. The same has been filed with the stock exchange and is available on the website of the Company.

For and on behalf of the Board of Directors of
Indosolar Limited

Date : 21 November 2013
Place: New Delhi

For **INDOSOLAR LIMITED**


Authorised Signatory
DIRECTOR

Managing Director