ANNEXURE-I
STATEMENT OF IMPACT OF AUDIT QUALIFICATIONS
(As on 31/03/2015) (F.Y. 2014-15)

1.	S.No.	Particulars	Rs (In Lacs)	
			Audited Figure (As reported before adjusting for qualifications)	Audited Figure (As reported After adjusting for qualifications)*
	1.	Turnover/Total Income	42,269	40,968
	2	Total Expenditure (including tax expenses)	42,207	42,207
	3	Net Profit/(Loss)	62	(1,239)
	4	Earning Per Share (in Rs.)**	0.83	(16.43)
	5	Total Assets	61,315	48,202
	6	Total Liabilities	45,175	45,175
	7	Net Worth***	16,141	3,028
	*** all adjustments are without tax effect.** **** Impact of only current year qualification has been given (read with footnote given below).** ***** Opening qualification of Rs.11,813 Lacs has been adjusted with Net worth.**			
2.	**Audit Qualifications :**			
	a.	**Detail of Audit Qualifications**	Qualification in the Annexure referred to in 'Basis for Qualified Opinion' paragraph of the Auditors' Report dated 13TH July, 2015 to the members of Petron Engineering Construction Limited on the accounts for the year ended 31st March, 2015:-	
			i.	*We report that in respect of certain contracts, as at March 31, 2015, trade receivables and unbilled revenue of Rs. 1,501 Lacs (net of provisions and mobilization advance of Rs. 4,240 Lacs) and Rs. 7,756 Lacs respectively are doubtful of recovery as the said contracts are under suspension or are delayed and the balances receivable from the customers are subject to final confirmation due to pending negotiations. Similarly, the trade payables to vendors in respect of the above mentioned suspended contracts as recorded in the books aggregating Rs. 1,323 Lacs are also subject to negotiations and final confirmation. In the absence of such confirmations and pending final outcome of the negotiations, we are unable to comment upon the amounts ultimately receivable/payable in respect of this contract and the consequential impact on the reported profit for the year ended March 31, 2015 and corresponding assets and liabilities as at that date. Our*

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				Audit Report on the financial statements for the year ended March 31, 2014 was also modified in respect of the above matter.
			ii.	*We report that the Company has recognized revenue of Rs. 2,555 Lacs (during earlier periods) on cost overruns arising due to design changes and delay in completion on certain contracts, without change orders/customer acceptance in respect of the same. Due to the uncertainty over ultimate collection and recoverability of the said amounts, we are unable to comment on the amounts ultimately receivable in respect of these contracts including consequential adjustments that may be required in this regard and consequential impact on the reported profit for the year ended March 31, 2015 and corresponding assets as at that date. Our audit report on the financial statements for the year ended March 31, 2014 was also modified in respect of the above matter.*
			iii.	*We report that the Company has recognized revenues of Rs. 1,301 Lacs during the year ended March 31, 2015 on cost overruns arising due to design changes, contract interpretation issues and delay in completion on certain contracts, which in our opinion, should not have been recognized because they are not in accordance with the revenue recognition principles set out in the Accounting Standard AS 7 Construction Contracts. Accordingly the revenue, profit and unbilled revenue balance as of and for the year ended March 31, 2015 would be lower by Rs. 1,301 Lacs.*
	b.	**Type of Audit Qualification**		Qualified Opinion
	c.	**Frequency of Qualification**		i) Qualification 3(i)- 3rd year of observation ii) Qualification 3(ii) – 2nd year of observation iii) Qualification 3(iii)- 1st year of observation
	d.	**Management Views for audit qualifications where the impact is quantified**	i)	*1. The Company had entered into three contracts aggregating to Rs. 27,974 lacs with one of the customers for design, engineering, supplies and construction of refinery heater & piping packages. This is a mega project (the largest private investment in the region) which is nearly 60% complete, which had hit a temporary road block because of cost escalation, natural disaster and financial constraint. In March 2015 the Company had a meeting with the client, wherein the client had*

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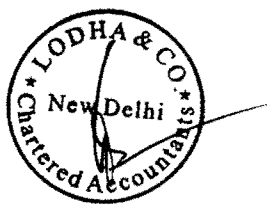
				confirmed that they are in advanced stage for tying up with an investor for financial support to restart the project. Apart from the above, the same has also been reaffirmed by the top executives of the said customer. The amount outstanding in the form of trade receivables of Rs. 1,267 lacs (net of mobilization advance of Rs. 2,926 lacs) is pending negotiations with the customer and the unbilled revenues are in the form of unfinished works and inventories, most of which are marketable, if required. The management is confident of its recovery in due course of time. *As regards Trade payables of Rs. 1,323 lacs relating to the said contract, the same is subject to reconciliation of work performed and can be accurately ascertained after re-negotiation upon re-start of the project or otherwise as the case may be.* *In addition to the above there are trade receivables of Rs. 234 lacs (net of mobilization advance and provisions of Rs. 1,314 lacs) pertaining to some other old / delayed contracts. The Company is negotiating with these clients for recovery and is confident of realization of these receivables.*

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			ii)	*The Company had recognized revenue and receivables of Rs. 2,555 lacs (during earlier period) on account of cost overruns arising due to design changes and delay in completion of certain contracts, in respect of which the change order /customer acceptances are awaited. The contracts have provisions for issuance of change orders due to modifications in specifications, scope and methodology of execution of work. During execution of works, some of the specifications had undergone changes for which change order requests have been sent to the respective clients.* *Further, the company has recognized revenue of Rs. 1,301 lacs during the current year on account of cost overruns arising due to extended stay in certain contracts. There are contractual provisions in these contracts for claims against extended stay at pre-determined rates per month as specified in the respective contracts.* *The company is currently in discussion for getting change orders issued. The management is confident of receiving the recognized revenue after completion of pending formalities in due course of time. Therefore, there will not be any impact on reported profit for the year ended 31 March 2015 and on corresponding assets as at that date.*
	e.	**Management Views for audit qualifications where the impact is not quantified**		Impact Given
		(i) Management estimation on the impact of audit qualification		
		(ii) Auditor's Comment on (i)		

Note :

All figures of qualifications are based on audited financial statements signed by the predecessor auditors of the Company i.e. S R B C & CO LLP.



III.	To be signed by:	
1	**CEO/Managing Director**	Ajay Hans Managing Director
2	**Chief Financial Officer**	Himanshu Mohapatra Chief Finance Officer
3	**Auditor of the Company**	N.K. Lodha (Partner) M.No.85155 M/s Lodha & Co. Chartered Accountants (FRN: 301051E)
4	**Audit Committee Chairman**	Sanjay Jain Audit Committee Chairman

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