Petron Engineering Construction Limited

PECL/NS/LEGAL/BSE-NSE/UFR/2017

February 14, 2017

To:
The Secretary - The Listing Department
BSE Limited ,
P J Towers 25th Floor,
Dalal Street,
Mumbai 400 001.

To:
The Secretary- Listing Department
National Stock Exchange Limited
Exchange Plaza C-1 Block G
Bandra Kurla Complex, Bandra East,
Mumbai 400 051.

Dear Sir / Madam,

Sub: Unaudited Financial Results for the Quarter and Nine Months Ended 31st December, 2016 and Limited Review Report

We are sending herewith the Unaudited Financial Results for the quarter and nine months ended 31st December, 2016, alongwith Limited Review Report dated 14th February, 2017, by M/s. Lodha & Co., Chartered Accountants, New Delhi, Auditors of the Company, pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the aforesaid Unaudited Financial Results and Limited Review Report on your records.

Thanking you,

Yours faithfully
For **PETRON ENGG. CONSTN. LTD.,**

NARESH SHAH
SR. V. P. (LEGAL) & COMPANY SECRETARY

Encl: as stated

Nvs.rr

Petron Engineering Construction Limited

Regd. Office: 6th Floor, Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai-400071
Tel No.+91-22-4085 6200, Fax No.+91-22-4085 6250, Email: corporate@petronengineering.com, Website: www.petronengineering.com, CIN: L45202MH1976PLC019135

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

Rupees in Lacs

Particulars	Quarter Ended			Nine Months Ended		Year Ended
	31st December 2016 (Unaudited)	*30th September 2016 (Unaudited)*	*31st December 2015 (Unaudited)*	*31st December 2016 (Audited)*	*31st December 2015*	*31st March 2016*
Total Income from operations (Net)	9,464	8,910	10,260	26,617	31,969	42,191
Profit/(Loss) from ordinary activities after tax	(183)	(304)	170	(470)	386	436
Profit/(Loss) from ordinary activities after tax (after Extraordinary items)	(183)	(304)	170	(470)	386	436
Equity Share Capital	754	754	754	754	754	754
Earnings per Share (EPS) (of Rs 10/- each) (not annualised)						
(a) Basic and diluted EPS before Extraordinary items	(2.43)	(4.04)	2.26	(6.24)	5.12	5.79
(b) Basic and diluted EPS after Extraordinary items	(2.43)	(4.04)	2.26	(6.24)	5.12	5.79

Notes:

1 The above financial results have been reviewed by the Audit Committee and then approved by the Board of Directors at their respective meetings held on 14th February, 2017 and also

2 The Company is primarily engaged in the business of "Engineering, Procurement & Construction" and operates in a single business segment based on the nature of the products and

3a During the period, assessing officer has disallowed tax credit of Rs.72.97 lacs partaning to AY 2014-15. The company is following up with related customers for recovery of said amount.

3b Tax expense for the period is net of tax expense of earlier years amounting to Rs. 57.22 lacs.

4 The Auditors have commented on,

Auditors' Qualification	Company's Response
(a) In respect of certain suspended / delayed contracts , as of 31st Dec 2016 , trade receivable of Rs.1,775 lacs (net of provisions and mobilization advance of Rs. 2,934 lacs) (quarter ended 30th Sept' 2016, trade receivables of Rs.1,823lacs and 31st Dec 2015 Rs.1,128 lacs , net of provisions and mobilization advance of Rs. 2,934 lacs and Rs.4211lacs respectively)(FY ended 31st March'16 Rs. 1,923 lacs,net of provisions and mobilization advance of Rs.2,934 lacs)and unbilled revenue of Rs.6,256lacs (30th Sept 2016Rs. 6,256lacs and 31st Dec 2015 Rs.7,805lacs)(FY ended 31st March'16 Rs. 6,256 lacs) are doubtful of recovery and the balances receivables from the customers are pending confirmation/ negotiation. Further, the trade payables aggregated to Rs. 815lacs (30th Sept 2016 and 31st Dec 2015 Rs. 815 lacs and Rs. 1,206 lacs respectively)(FY ended 31st March'16 Rs. 819 lacs) in respect of above mentioned contracts are also subject to final negotiation/ confirmation. We are unable to comment upon the status of amount receivables / payables on the reported loss for the three months/nine monthsperiod ended on 31st Dec 2016 and its corresponding impact on assets / liabilities as at that date. This matter was also qualified in our report on the financial results for the year ended 31st March '16 , quarter/ nine months period ended 31st Dec 2015 and in our limited review report for the quarter / six months period ended 30th Sept' 2016.	The matter mainly relates to a mega project (the largest private investment in the region) – which is nearly 60% complete, which had hit a roadblock because of the cost escalation, natural disaster and financial constraints at the client's end. The company had meetings with the client wherein the client has confirmed that they are in discussions with various prospective investors for financial support to restart the project. Considering the developments, the management is confident that the project will restart in near future. Apart from the above, the same has also been reaffirmed by the top executives of the said customer. As commented by the auditors in their report, on the realization of trade receivables and unbilled revenue of the said project, the management hereby informs that the amount outstanding in the form of trade receivables is pending negotiations with client 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 upon restart of the project. In respect of trade receivables and unbilled revenue of other contracts, the company is negotiating with the clients and is confident of realisation of those receivables. In the current year as well as in the previous years, the company was successful in ariving settlements with clients which has resulted in reduction in unbilled revenue/trade receivables. Further, the accounts payables are subject to the reconciliation of the work performed at the said project and can be accurately ascertained after re-negotiation upon restart of the project or otherwise, as the case may be.
(b)(i) The Company has recognised revenues of Rs. Nil during quarter ended 31st Dec 2016 and Rs. 31 lacs during the nine months period ended 31st Dec 2016 on account of cost overruns / claim on certain contracts, which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts'. Accordingly, the Revenue for nine months period is higher by Rs. 31 lacs and loss for the nine months period is lower by Rs. 31 lacs (b)(ii) Rs.2,922 lacs of revenue recognized in earlier years , on account of cost overruns / claim on certain contracts , which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts'as stated above and consequently balance in retained earnings and unbilled revenue balance as at 31st Dec 2016 is higher by Rs.2,953lacs (as at 30thSept 2016: Rs. 2,953lacs, as at 31st March 2016: Rs. 2,922 lacs and as at 31st Dec 2015: Rs.2,929 lacs). This matter was also qualified in our report on the financial results for the year ended 31st March '16 , quarter/ nine months period ended 31st Dec 2015 and in our limited review report for the quarter/ six months period ended 30th Sept 2016.	There are contractual provisions in some of the contracts for claims against extended stay at pre-determined rates per month as specified in the respective contracts. Accordingly the Company has lodged claims for the extended stay. Further, during execution of works, some of the specifications, scope and methodology of execution have undergone changes for which change order requests have been submitted with the respective clients. The Company is negotiating with the Clients and is confident of realisation of those claims.

5 The previous period / year figures have been regrouped/reclassified to make them comparable with that of current period / year wherever necessary.

For Petron Engineering Construction Limited

Ajay Hans
Managing Director
DIN 03068249

PETRON ENGINEERING CONSTN. LTD. CHEMBUR MUMBAI-71.

Mumbai, 14th February, 2017

Petron Engineering Construction Limited

Regd. Office: 6th Floor, Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai-400071

Tel No.+91-22-4085 6200, Fax No.+91-22-4085 6250, Email: corporate@petronengineering.com, Website: www.petronengineering.com, CIN: L45202MH1976PLC019135

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

Rupees in Lacs

Particulars	Quarter Ended			Nine Months Ended		Year Ended
	31st December 2016	*30th September 2016*	*31st December 2015*	*31st December 2016*	*31st December 2015*	*31st March 2016*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
1 Income from Operations						
(a) Net Sales/Income from Operations (net of service tax, sales tax & excise duty)	9,460	8,697	10,244	26,382	31,938	42,155
(b) Other Operating Income	4	213	16	235	31	36
Total Income Operations (Net)	**9,464**	**8,910**	**10,260**	**26,617**	**31,969**	**42,191**
2 Expenditure						
(a) Cost of Materials Consumed	2,399	2,177	2,406	7,256	8,909	12,593
(b) Changes in Project inventories	-	-	-	1	186	69
(c) Sub-contracting expenses	3,526	2,933	3,590	8,608	9,972	13,258
(d) Employees Benefits Expense	2,106	1,939	2,078	5,792	6,326	7,911
(e) Depreciation and Amortisation Expense	169	175	175	514	560	728
(f) Other expenditure	1,066	1,580	1,346	3,691	4,097	5,338
Total	**9,266**	**8,804**	**9,595**	**25,862**	**30,050**	**39,897**
3 **Profit/(Loss) from Operations before Other income, Finance cost and Exceptional items**	**198**	**106**	**665**	**755**	**1,919**	**2,294**
4 Other Income	160	37	151	286	470	682
5 **Profit/(loss) from ordinary activities before Finance Cost and Exceptional items**	**358**	**143**	**816**	**1,041**	**2,389**	**2,976**
6 Finance Cost	546	597	632	1,657	1,885	2,459
7 **Profit/(Loss) from ordinary activities after Finance costs but before Exceptional items**	**(188)**	**(454)**	**184**	**(616)**	**504**	**517**
8 Exceptional items	-	-	-	-	-	-
9 **Net Profit / (Loss) from ordinary activities before tax**	**(188)**	**(454)**	**184**	**(616)**	**504**	**517**
10 Tax Expenses	(5)	(150)	14	(146)	118	81
11 **Net Profit/ (Loss) from ordinary activities after tax**	**(183)**	**(304)**	**170**	**(470)**	**386**	**436**
12 Extraordinary items (net of taxes Rs.Nil)	-	-	-	-	-	-
13 **Net Profit/ (Loss) for the period**	**(183)**	**(304)**	**170**	**(470)**	**386**	**436**
14 Paid-up equity share capital (Face Value: Rs.10/- per equity share)	754	754	754	754	754	754
15 Reserve excluding Revaluation Reserves	-	-	-			15,267
16 Earnings per Share (EPS) (of Rs 10/- each) (not annualised)						
(a) Basic and diluted EPS before Extraordinary items	(2.43)	(4.04)	2.26	(6.24)	5.12	5.79
(b) Basic and diluted EPS after Extraordinary items	(2.43)	(4.04)	2.26	(6.24)	5.12	5.79

PETRON ENGINEERING CONSTN. CO. CHEMBUR MUMBAI-71.

LODHA & CO. New Delhi Chartered Accountants

1 The above financial results have been reviewed by the Audit Committee and then approved by the Board of Directors at their respective meetings held on 14th February, 2017 and also Statutory Auditors have carried out limited review of the same.

2 The Company is primarily engaged in the business of "Engineering, Procurement & Construction" and operates in a single business segment based on the nature of the products and services, the risks and returns etc. Accordingly, these financial results have been prepared for this single segment.

3a During the period, assessing officer has disallowed tax credit of Rs.72.97 lacs partaning to AY 2014-15. The company is following up with related customers for recovery of said amount.

3b Tax expense for the period is net of tax expense of earlier years amounting to Rs. 57.22 lacs.

4 The Auditors have commented on,

Auditors' Qualification	Company's Response
(a) In respect of certain suspended / delayed contracts , as of 31st Dec 2016 , trade receivable of Rs.1,775 lacs (net of provisions and mobilization advance of Rs. 2,934 lacs) (quarter ended 30th Sept' 2016, trade receivables of Rs.1,823lacs and 31st Dec 2015 Rs.1,128 lacs , net of provisions and mobilization advance of Rs. 2,934 lacs and Rs.4211lacs respectively)(FY ended 31st March'16 Rs. 1,923 lacs,net of provisions and mobilization advance of Rs.2,934 lacs)and unbilled revenue of Rs.6,256lacs (30th Sept 2016Rs. 6,256lacs and 31st Dec 2015 Rs.7,805lacs)(FY ended 31st March'16 Rs. 6,256 lacs) are doubtful of recovery and the balances receivables from the customers are pending confirmation/ negotiation. Further, the trade payables aggregated to Rs. 815lacs (30th Sept 2016 and 31st Dec 2015 Rs. 815 lacs and Rs. 1,206 lacs respectively)(FY ended 31st March'16 Rs. 819 lacs) in respect of above mentioned contracts are also subject to final negotiation/ confirmation. We are unable to comment upon the status of amount receivables / payables on the reported loss for the three months/nine monthsperiod ended on 31st Dec 2016 and its corresponding impact on assets / liabilities as at that date. This matter was also qualified in our report on the financial results for the year ended 31st March '16 , quarter/ nine months period ended 31st Dec 2015 and in our limited review report for the quarter / six months period ended 30th Sept' 2016.	The matter mainly relates to a mega project (the largest private investment in the region) – which is nearly 60% complete, which had hit a roadblock because of the cost escalation, natural disaster and financial constraints at the client's end. The company had meetings with the client wherein the client has confirmed that they are in discussions with various prospective investors for financial support to restart the project. Considering the developments, the management is confident that the project will restart in near future. Apart from the above, the same has also been reaffirmed by the top executives of the said customer. As commented by the auditors in their report, on the realization of trade receivables and unbilled revenue of the said project, the management hereby informs that the amount outstanding in the form of trade receivables is pending negotiations with client 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 upon restart of the project. In respect of trade receivables and unbilled revenue of other contracts, the company is negotiating with the clients and is confident of realisation of those receivables. In the current year as well as in the previous years, the company was successful in ariving settlements with clients which has resulted in reduction in unbilled revenue/trade receivables. Further, the accounts payables are subject to the reconciliation of the work performed at the said project and can be accurately ascertained after re-negotiation upon restart of the project or otherwise, as the case may be.
(b)(i) The Company has recognised revenues of Rs. Nil during quarter ended 31st Dec 2016 and Rs. 31 lacs during the nine months period ended 31st Dec 2016 on account of cost overruns / claim on certain contracts, which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts'. Accordingly, the Revenue for nine months period is higher by Rs. 31 lacs and loss for the nine months period is lower by Rs. 31 lacs (b)(ii) Rs.2,922 lacs of revenue recognized in earlier years , on account of cost overruns / claim on certain contracts , which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts'as stated above and consequently balance in retained earnings and unbilled revenue balance as at 31st Dec 2016 is higher by Rs.2,953lacs (as at 30thSept 2016: Rs. 2,953lacs, as at 31st March 2016: Rs. 2,922 lacs and as at 31st Dec 2015: Rs.2,929 lacs). This matter was also qualified in our report on the financial results for the year ended 31st March '16 , quarter/ nine months period ended 31st Dec 2015 and in our limited review report for the quarter/ six months period ended 30th Sept 2016.	There are contractual provisions in some of the contracts for claims against extended stay at pre-determined rates per month as specified in the respective contracts. Accordingly the Company has lodged claims for the extended stay. Further, during execution of works, some of the specifications, scope and methodology of execution have undergone changes for which change order requests have been submitted with the respective clients. The Company is negotiating with the Clients and is confident of realisation of those claims.

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LODHA & CO. ☆ New Delhi ☆ Chartered Accountants

PETRON ENGINEERING CONSTN. LTD. CHEMBUR MUMBAI-71

For Petron Engineering Construction Limited

Ajay Hans
Managing Director
DIN 03068249

Mumbai, 14th February, 2017

LODHA
& CO
Chartered Accountants

12, Bhagat Singh Marg, New Delhi - 110 001, India
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Limited Review Report

To
The Board of Directors,
Petron Engineering Construction Limited

Subject: Limited Review Report for the Quarter /Nine months period ended 31st Dec' 2016

1. We have reviewed the accompanying statement of unaudited financial results (the "Statement") of **Petron Engineering Construction Limited** (the "Company") for the quarter and nine months ended 31st December 2016. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors in their meeting held on 14th February 2017. Our responsibility is to issue a report on the Statement 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 Statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures 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.

3. Basis for Qualified Conclusion

i) Note no. 4(a) of the accompanying unaudited statement of financial results in respect of certain suspended / delayed contracts, as of 31st December 2016, trade receivable of Rs. 1,775 lacs (net of provisions and mobilization advance of Rs. 2,934 lacs) (quarter ended 30th September 2016, trade receivables of Rs. 1,823 lacs and 31st December 2015 Rs. 1,128 lacs, net of provisions and mobilization advance of Rs. 2,934 lacs and Rs. 4211 lacs respectively) (FY ended 31st March 16 Rs. 1,923 lacs, net of provisions and mobilization advance of Rs. 2,934 lacs) and unbilled revenue of Rs. 6,256 lacs (30th September 2016 Rs. 6,256 lacs and 31st December 2015 Rs. 7,805 lacs) (FY ended 31st March 2016 Rs. 6,256 lacs) are doubtful of recovery and the balances receivables from the customers are pending confirmation/ negotiation. Further, the trade payables aggregated to Rs. 815 lacs (30th September 2016 and 31st December 2015 Rs. 815 lacs and Rs. 1,206 lacs respectively) (FY ended 31st March

LODHA & CO. New Delhi Chartered Accountants

2016 Rs. 819 lacs) in respect of above mentioned contracts are also subject to final negotiation/ confirmation. We are unable to comment upon the status of amount receivables / payables on the reported loss for the three months/nine months period ended on 31st December 2016 and its corresponding impact on assets / liabilities as at that date.

This matter was also qualified in our report on the financial results for the year ended 31st March 2016, quarter/ nine months period ended 31st December 2015 and in our limited review report for the quarter / six months period ended 30th September 2016.

ii)

(a) As stated in Note no. 4 (b)(i) of the accompanying unaudited financial results, the Company has recognised revenues of Rs. Nil during quarter ended 31st December 2016 and Rs. 31 lacs during the nine months period ended 31st December 2016, on account of cost overruns / claim on certain contracts, which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts'. Accordingly, the Revenue for nine months period is higher by Rs. 31 lacs and (loss) for the nine months period is lower by Rs. 31 lacs.

(b) As stated in Note no. 4 (b)(ii) Rs. 2,922 lacs of revenue recognized in earlier years, on account of cost overruns / claim on certain contracts, which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts' and consequently balance in retained earnings and unbilled revenue balance as at 31st December 2016 is higher by Rs. 2,953 lacs (as at 30th September 2016 by Rs. 2,953 lacs, as at 31st March 2016 Rs. 2,922 lacs and as at 31st December 2015 by Rs. 2,929 lacs).

This matter was also qualified in our report on the financial results for the year ended 31st March 2016, quarter/ nine months period ended 31st December 2015 and in our limited review report for the quarter/ six months period ended 30th September 2016.

4. Except for the possible effect of the matters stated in paragraph 3 (i) and (ii) **under the heading 'Basis for Qualified Conclusion'** above, based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the 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.

5. **Emphasis of Matter**

Attention is drawn to:

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i) Regarding pending confirmation /reconciliation of balances of certain trade receivable, unbilled revenue, other liabilities and loan & advances as at 31st December 2016, where the management is confident that there will not be any material impact on confirmation /reconciliation on loss for the quarter/ nine months period ended 31st December 2016.

ii) In case of certain pending/ delayed projects estimated costs to completion are based upon management estimates and where the management is confident that there will not be any material impact on completion of work in future.

Our conclusion is not modified in respect of matters stated above.

For LODHA & CO.,
Chartered Accountants
Firm Registration No. – 301051E

(Gaurav Lodha)
Partner
M. No. 507462

LODHA & CO. ☆ New Delhi ☆ Chartered Accountants

Place: New Delhi
Date: 14th February 2017