

PECL/LEGAL/BSE-NSE/2019

May 28, 2019

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: Audited Financial Results for the quarter and year ended 31st March, 2019

This is to inform you that the undersigned, Mr. Udayraj Patwardhan, Resolution Professional (Regn. No. IBBI/IPA-001/IP-P00024/2016-17/10057) appointed by the Hon'ble National Company Law Tribunal vide its Order dated 06.08.2018 in C.P. No. (I.B.)-1374/9/(MB)/2017 MA 500/2018 has duly considered and approved the Audited Financial Results of the Company for the Quarter and Year Ended 31st March, 2019 which has been prepared by the Management of the Company.

Please find enclosed herewith the following :

- 1) Audited Financial Results alongwith the Statement of Assets and Liabilities of the Company for the Quarter and Year Ended 31st March, 2019.
- 2) Independent Auditors Report dated May 28, 2019 issued by M/s. Lodha & Co., Chartered Accountants, Statutory Auditors of the Company.
- 3) Statement on Impact of Audit Qualifications.

The meeting commenced at 18.30 P.M. and concluded at 21.50 P.M.

Kindly take the same on your records.

Thanking you,

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



Mr. Udayraj Patwardhan,
Resolution Professional
Reg. No. IBBI/IPA-001/IP-P00024/2016-2017/10057

Encl: as stated

rr

Registered Office: 6th Floor, Swastik Chambers, Sion-Trombay Road, P.B. No. 7206, Chembur, Mumbai - 400071, India
Tel.: +91-22-4085 6200 Fax: +91-22-4085 6250 / 6797 3509
Email : corporate@petronengineering.com • Website: www.petronengineering.com

CIN : L45202MH1976PLC019135

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 AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31st MARCH 2019

Rupees in Lacs

Particulars	Quarter Ended			Year Ended	
	31st March 2019 (Audited)	31st December 2018 (Unaudited)	31st March 2018 (Audited)	31st March 2019 (Audited)	31st March 2018 (Audited)
Total Income from operations (Net)	3,123	2,906	3,954	13,363	23,392
Profit/(Loss) from ordinary activities after tax	698	(341)	(10,325)	(1,588)	(17,313)
Profit/(loss) from ordinary activities after tax (after Extraordinary items)	736	(341)	(10,346)	(1,550)	(17,334)
Equity Share Capital	754	754	754	754	-
Earnings per Share (EPS) (of Rs 10/- each) (not annualised)					
(a) Basic and diluted EPS	9.26	(4.52)	(136.97)	(21.07)	(229.67)



Notes:

- 1 The Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench, had admitted the petition filed by an operational Creditor for initiating Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (IBC) vide its Order dated March 23, 2018. Pursuant to the said order of NCLT and in line with the provisions of IBC presently all the powers of the Board of Directors are exercised by the RP during the insolvency resolution proceedings period.

A Committee of Creditors (CoC) was formed on May 4, 2018 under Section 21 of the IBC. Pursuant to the order passed by the Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench on 6.08.2018, Mr. Udayraj Patwardhan is appointed as the Resolution Professional(RP), who took charge w.e.f. 9th August 2018 in place of Interim Resolution Professional. Consequent to the resignation of all the Directors of the Company prior to the Order of NCLT, at present there are no members in the Board of Directors. Hence, the above results have been considered and signed by the RP for filing with the Stock Exchanges.

As the CIRP is currently in progress and Resolution Professional is running the Company as a going concern as stipulated by law, Financial statements have been prepared on 'going concern' basis. However, the CIRP period will end on 17th February 2019.

Resolution plan was submitted by one of the resolution applicant which was not approved by CoC. The Company may face liquidation process under IBC 2016 and regulations thereunder, if, no resolution plan is approved by the Honourable NCLT. The CoC in the meeting held on 14th February 2019 have resolved that the company may be liquidated under liquidation as 'going concern'. Accordingly application has been filed with Honourable NCLT is pending hearing.

- 2 The Company is primarily engaged in the business of "Engineering, Procurement & Construction" and operates in a single operating 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.
- 3 The audited accounts are considered by the RP on 28th May 2019
- 4 The Auditors have commented on,

Auditors' Qualification	Company's Response
(a) In respect of certain suspended / delayed contracts, as of 31st March 2019, trade receivable of Rs. 246 lakhs (net of mobilization advance and provisions of Rs. 11 lakhs) (trade receivable of Rs. 246 lakhs as of 31st December 2018 and Rs. 331 lakhs as of 31st March 2018 respectively, net of mobilization advance and provisions of Rs. 11 lakhs and Rs. 3 lakhs respectively as at 31st December 2018 and 31st March 2018) are doubtful of recovery and pending for confirmation/ negotiation. We are unable to comment about the status of amount receivables / payables on the reported profit for the quarter and loss for the year ended 31st March 2019 and its corresponding impact on assets / liabilities as at that date.	The Company is making various efforts to recover the outstanding Trade receivable and is hopeful of recovery. The reconciliation of accounts and negotiations are in progress.
b) Various claims submitted by the financial creditors(including claims filed by ArcelorMittal India Private Limited (AMPL) as stated in note no. 6(b)), operational creditors, other creditors and employees of the Company to the Resolution Professional(RP) pursuant to the Insolvency and Bankruptcy Code, 2016 are currently under reconciliation. Pending reconciliation by the Company, we are unable to comment on the consequential impact, if any, on the reported profit for the quarter and loss for the year ended 31st March 2019 and its corresponding impact over state of affairs as on that date.	The Company is in the process of reconciling the accounts with the parties concerned. Accounting effect, if any, to the same would be made after completing the final reconciliation with the said creditors. The claims accepted by Resolution Professional may not directly have an effect on the balances reflected in the books of accounts.



c) Balances of certain trade receivable (including from related parties), unbilled revenue, trade payables (including MSME and interest payable thereon), secured loans (including Banks and NBFC), bank guarantees and unsecured loans (including from related parties), bank balances, current liabilities, other liabilities (including statutory dues and returns thereof) and loan & advances (read with para (b) above) are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact over reported profit for the quarter and loss for the year ended 31st March 2019 and related components of financial statements as on date.	Because of the CIRP many of the creditors have referred their claims as on the Insolvency commencement date, i.e. 23rd March, 2018 which can be construed as balance confirmations. Wherever there is a difference between the books and the creditors claim, reconciliation work is under way. As far as the receivable is concerned the balances reflects mostly the certified invoices by the client concerned.
d) No provision against overdue Trade Receivables outstanding for more than six months amounting to Rs. 9,606 lakhs (net of mobilisation advances of Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,486 lakhs and excluding performance guarantee encashed by certain parties) (Rs. 8,995 lakhs as of 31st December 2018) (net of mobilisation advances of Rs. 232 lakhs and excluding of unbilled revenue of Rs. 1,864 lakhs and excluding performance guarantee encashed by certain parties) have been made, which are doubtful for recovery considering non confirmation of outstanding balances, short closure of running projects, encashment of performance bank guarantee and demand raised for counter claim /liquidated damages by the parties (customers).	We are following up with all the parties for recovery/realisation of overdue amount and hopeful of recovery of balances.
e) Liability /provision against performance guarantee encashed by the certain parties during the quarter amounting to Rs. Nil (Rs. 3,635 lakhs till nine months period ended 31st December 2018) has not been provided for in the books, where the management is confident about settlement in its favour.	We are in process of initiating arbitration procedure / process in the matter of Bank guarantees (BG) encashed and hopeful of positive outcome in favour of the Company.
f) Certain expenses (including finance costs (refer note no. 10 of financial results))/liabilities/employee benefit expenses have been accounted for as approved by the management based on vouchers and for which contracts, supporting records and agreements could not be made available to the auditors for verification as the same are under process of compilation/update. As per the management, expenses were incurred for business purposes only. Further, in respect of certain contract sites, the Company is in process of compiling / updating the records with respect to employees/labour, where we are unable to comment on the same and its corresponding impact over reported profit for the quarter and loss for the year ended 31st March 2019 and related components of financial statements as on date.	In view of the liquidity constraints, many of the staffs at sites Offices and Head Offices have left their services of the company. This has resulted in delay in compiling information. However, the Company is in the process of taking steps for completing the reconciliation and compiling the records.
g) Regarding non provision against carry over Deferred tax assets as on 31st March 2019 of Rs. 5,991 lacs for the reasons stated in the said note that sufficient future taxable income will be available against which the aforesaid deferred tax asset (net) can be realized and our inability to comment thereon.	The CoC has recommended liquidation as a going concern. In case of any applicant being successful, the Company will change hands accordingly. Thus, it is expected that the Company would be in a position to avail set-off of tax losses against expected taxable profit in the future years as per the provisions if Income Tax Act 1961.
h) Regarding delays in payment of certain statutory dues and non-submission /delay in filing of certain statutory returns (including PF, ESIC, TDS, GST etc.), statutory dues written off and pending reconciliation between books and returns filed, where we are unable to comment on the impact of the same on profit for the quarter and loss for the year ended 31st March 2019 and state of affairs.	There may be slight delay due to cash flow problem.



j) Regarding all the directors (including Woman Director) and Company Secretary resigned by 31st March 2018. Further CFO also resigned during the year. Consequently, all committees of Directors (including Nomination and Remuneration Committee, Audit Committee etc.) were not present during the year in compliance to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended). Regarding non-availability of secretarial forms (including application for extension of Annual General Meeting) and compliances thereof and our inability to comment on related party transactions, compliances related to appointment /resignation of Directors, compliances w.r.t. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), Corporate Governance, submission of annual return with the appropriate authorities and other related regulations and our inability to comment thereon.	As all the directors have resigned and new directors can be appointed only by the shareholders at an AGM/EGM. At present there is no Company Secretary hence required documents could not be prepared and submitted. As all the directors have resigned, hence the Company couldn't file the e-forms with the Registrar of Companies w.r.t. resignation of directors, company secretary, Chief Executive Officer and CFO. However, we are in process of updating required registers /forms which shall be submitted in due course. Subsequently the RP has informed the Holding Company M/s KSS Petron Private Limited for compliance of provisions of Section 168(3) of the Companies Act, 2013.
j) Regarding pending adjustment of impact of physical verification of property, plant and equipment (PPE) in the financial books and reconciliation of the same with the books& records with respect to certain sites, where we are unable to comment on the same. In view of the management impact of final adjustment shall not be material over result for the quarter and year ended 31st March 2019.	The PMD team at respective sites have carried out the verification process. No discrepancy has been found by the said team. Physical verification w.r.t. closed sites is in process.
k) 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.	Most of the project are on the verge of completion and adequate margins are available to absorb any contingency. In view of this management do not expect any material variation in final completion of project compared to estimated cost of completion.
l) Regarding the matter stated in para (a) to (k) above and otherwise internal controls needs to be further strengthened to be commensurate with the size of the company and nature of its business.	The Company has an internal control system in existence and is in the process of further strengthening the same.
m) Regarding preparation of the financial statements on 'going concern' basis notwithstanding the fact that the Company is having negative net worth, continuous losses, lower level of operations effecting cash flows and going concern, short closure in certain projects, current liabilities are in excess of current assets and default in repayment of loan installments and payment of due interest, both on term loans and working capital. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. As company is under corporate insolvency resolution process (CIR process) (as stated in Note no. 1 of the accompanying statement of audited financial results). The Committee of Creditors (CoC) at its meeting have resolved that the Company may be liquidated under liquidation as a "Going Concern". In this regard the Resolution Professional has filed necessary application with the NCLT Court, Mumbai and final decision is pending before the NCLT. The management and the RP have continued its practice to prepare financial statements on going concern basis.	Net worth is not a singular measure of deciding as a 'going concern'. The Company has a good brand name in the industry and during its last 40 years has already established its position as a reliable EPC contractor. Considering the same, it is expected that it will, in due course of time, be in a position to receive a viable Resolution Plan for the approval of CoC and NCLT. Currently the Company is executing few contracts which are able to run on its own by using the cash inflows from these projects. In view of the above, the Company has prepared its accounts on a going concern basis. The CoC has recommended liquidation as going concern. In case the NCLT approving the same, appropriate treatment will be given in the books of account.



5 (a) Due to continuous losses and liquidity constraints, the Company has not been able to make payments, including due instalments of borrowings, and outstanding interest obligations, both in respect of term loans and working capital facilities. Accordingly, there were delays/ defaults in repayment. There are certain overdue amounts as at 31st March 2019. All banks have classified the accounts as Non Performing Assets (NPA) and some banks have given loan recall notice for the outstanding loan amount which were effective on 31st March 2019 (read with note no. 1 above).

(b) During the year ended 31st March 2019 all the financial lenders for working capital facilities have assigned their fund based and non fund based (unsettled) outstanding as accepted by the Resolution Professional as on 23rd March 2018 in favour of Arcelor Mittal India Private Limited ('AMIPL' or 'Assignee') vide Assignment Agreement dated 17th October 2018. No dues certificate from the above referred lenders is pending to be received from lenders and Modification of charges in favour of Assignee is in process as on date.

Further, Company is in process of reconciliation of claims filed by AMIPL with the books of accounts.

7 During the financial year 2017-18 Mr. Manoj Kumar Gaur was appointed as Managing Director for a period of 3 years w.e.f. November 1, 2017, subject to the approval of shareholders but resigned w.e.f. February 14, 2018. However, prior approval of secured creditors and share holders has not been obtained before his appointment as per the provisions of Section II of Part II of Schedule V of the Companies Act, 2013, although intimation to the banks have been made regarding his appointment.

8 In view of continuous losses no Deferred tax assets (net) has been recognised in the current period/quarter.

9 Many of the projects / contracts have been closed/ short closed by the Company and visibility of future cash flows shall be available only upon completion of CIR process. Accordingly, the Company has not considered any significant impairment in the value of its assets during the period

10 Interest payable on secured loans have been provided for/reversed as per the bank statements/outstanding claims filed by the financial lenders. Further, since the Company is in CIR process on interest liability has been provided for the loans assigned by the financial lenders to AMIPL (as stated in note no.6(b) above) by the Company. Due to the reversal of interest as stated above, the finance cost for the quarter ended 31st March 2019 is negative, being the balancing figures between the audited figures for the full financial year and published year to date figures for the nine months ended 31st December 2018.

11 The company has adopted Ind AS 115 "Revenue from contract with customers". The impact of adoption of Ind AS 115 on the financial result of the company for the quarter and year ended on 31st March 2019 is not material.

12 The previous period figures have been regrouped/rearranged / recast to make them comparable with that of current period wherever necessary. The figures of the last quarter ended 31st March 2019 and 31st March 2018 are the balancing figures between audited figures for the full financial year and the published year-to-date figures for the nine months ended.



For Petron Engineering Construction Limited

(Signature)
Bdayaraj Patwardhan

Resolution Professional

Reg.No.IBBI/IPA-001/IP-P00024/2016-17/10057

Mumbai, 28th May, 2019

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 AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31st MARCH 2019

Rupees in Lacs

Particulars	Quarter Ended			Year Ended	
	31st March 2019 (Audited)	31st December 2018 (Unaudited)	31st March 2018 (Audited)	31st March 2019 (Audited)	31st March 2018 (Audited)
1 Revenue from Operations	3,123	2,906	3,954	13,363	23,392
2 Other Income	96	19	495	148	920
3 Total Revenue (1+2)	3,219	2,925	4,449	13,511	24,312
4 Expenses					
(a) Cost of Materials Consumed	354	568	1,450	2,310	6,211
(b) Purchase of trading goods	-	-	84	-	2,181
(c) Changes in Project inventories	-	-	(200)	-	-
(d) Sub-contracting expenses	1,225	1,232	1,958	5,152	8,860
(e) Employee Benefits Expense	552	849	2,056	3,577	6,679
(f) Finance Cost	(576)	14	857	1,308	2,304
(g) Depreciation and Amortisation Expense	178	182	272	724	777
(h) Other expenditure	715	421	11,936	1,955	21,664
Total Expenses	2,448	3,266	18,413	15,026	48,676
5 Profit/(Loss) before exceptional item and tax	771	(341)	(13,964)	(1,515)	(24,364)
6 Exceptional items Gain / (Loss)	-	-	-	-	-
7 Profit/(Loss) before tax	771	(341)	(13,964)	(1,515)	(24,364)
8 Tax Expenses					
(a) Current tax	-	-	67	-	67
(b) Tax for earlier years (net)	73	-	-	73	35
(c) Deferred tax	-	-	(3,706)	-	(7,153)
9 Profit/ (Loss) for the period	698	(341)	(10,325)	(1,588)	(17,313)
10 Other comprehensive income (net of tax)	38	-	(21)	38	(21)
11 Total comprehensive income for the period (comprising profit/(loss) for the period (after tax) and other comprehensive income (after tax))	736	(341)	(10,346)	(1,550)	(17,334)
12 Paid-up equity share capital (Face Value: Rs.10/- per equity share)	754	754	754	754	754
13 Other Equity				(864)	686
14 Earnings per Share (EPS) (of Rs 10/- each) (not annualised)	9.26	(4.52)	(136.97)	(21.07)	(229.67)
(a) Basic and diluted EPS					



Petron Engineering Construction Limited

Statement of Assets and Liabilities

Rupees in Lacs

Particulars	As at 31.03.2019	As at 31.03.2018
	Audited	Audited
ASSETS		
(1) Non-current Assets		
(a) Property, plant and equipment	9,702	10,428
(b) Other Intangible Assets	0	1
(c) Financial Assets		
i) Trade receivables	2,911	2,502
ii) Loans	37	65
iii) Other Financial Assets	3,743	5
(d) Deferred tax assets(Net)	5,991	5,991
(e) Other non-current assets	2,198	3,162
	24,582	22,154
(2) Current Assets		
(a) Financial Assets		
i) Trade receivables	9,423	8,171
ii) Cash and cash equivalents	450	528
iii) Other Bank Balances other than (ii) above	3,661	1,167
iv) Loans	35	25
v) Other Financial Assets	1,510	3,635
(b) Other current assets	1,855	1,421
	16,934	14,947
TOTAL ASSETS	41,516	37,101
EQUITY AND LIABILITIES		
(1) Equity		
(a) Equity Share Capital	754	754
(b) Other Equity	(864)	686
	(110)	1,440
LIABILITIES		
(2) Non-current liabilities		
(a) Financial Liabilities		
i) Borrowings	-	2,011
ii) Other Financial Liabilities	85	61
(b) Provisions	42	92
	127	2,164
(3) Current Liabilities		
(a) Financial Liabilities		
i) Borrowings	21,799	12,220
ii) Trade payables		
-Micro enterprise & small enterprise	167	26
-Others	10,328	10,691
iii) Other Financial Liabilities	4,072	4,594
(b) Other current liabilities	5,046	5,880
(c) Provisions	87	86
	41,499	33,497
TOTAL EQUITY AND LIABILITIES	41,516	37,101



Notes:

- 1 The Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench, had admitted the petition filed by an operational Creditor for initiating Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (IBC) vide its Order dated March 23, 2018. Pursuant to the said order of NCLT and in line with the provisions of IBC presently all the powers of the Board of Directors are exercised by the RP during the insolvency resolution proceedings period.

A Committee of Creditors (CoC) was formed on May 4, 2018 under Section 21 of the IBC. Pursuant to the order passed by the Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench on 6.08.2018, Mr. Udayraj Patwardhan is appointed as the Resolution Professional(RP), who took charge w.e.f. 9th August 2018 in place of Interim Resolution Professional. Consequent to the resignation of all the Directors of the Company prior to the Order of NCLT, at present there are no members in the Board of Directors. Hence, the above results have been considered and signed by the RP for filing with the Stock Exchanges.

As the CIRP is currently in progress and Resolution Professional is running the Company as a going concern as stipulated by law, Financial statements have been prepared on 'going concern' basis. However, the CIRP period will end on 17th February 2019.

Resolution plan was submitted by one of the resolution applicant which was not approved by CoC. The Company may face liquidation process under IBC 2016 and regulations thereunder, if, no resolution plan is approved by the Honorable NCLT. The CoC in the meeting held on 14th February 2019 have resolved that the company may be liquidated under liquidation as 'going concern'. Accordingly application has been filed with Honorable NCLT is pending hearing.

- 2 The Company is primarily engaged in the business of "Engineering, Procurement & Construction" and operates in a single operating 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.

- 3 The audited accounts are considered by the RP on 28th May 2019

- 4 The Auditors have commented on,

Auditors' Qualification	Company's Response
(a) In respect of certain suspended / delayed contracts, as of 31st March 2019, trade receivable of Rs. 246 lakhs (net of mobilization advance and provisions of Rs. 11 lakhs) (trade receivable of Rs. 246 lakhs as of 31st December 2018 and Rs. 331 lakhs as of 31st March 2018 respectively, net of mobilization advance and provisions of Rs. 11 lakhs and Rs. 3 lakhs respectively as at 31st December 2018 and 31st March 2018) are doubtful of recovery and pending for confirmation/ negotiation. We are unable to comment about the status of amount receivables / payables on the reported profit for the quarter and loss for the year ended 31st March 2019 and its corresponding impact on assets / liabilities as at that date.	The Company is making various efforts to recover the outstanding Trade receivable and is hopeful of recovery. The reconciliation of accounts and negotiations are in progress.
b) Various claims submitted by the financial creditors(including claims filed by ArcelorMittal India Private Limited (AMPL) as stated in note no. 6(b)), operational creditors, other creditors and employees of the Company to the Resolution Professional(RP) pursuant to the Insolvency and Bankruptcy Code, 2016 are currently under reconciliation. Pending reconciliation by the Company, we are unable to comment on the consequential impact, if any, on the reported profit for the quarter and loss for the year ended 31st March 2019 and its corresponding impact over state of affairs as on that date.	The Company is in the process of reconciling the accounts with the parties concerned. Accounting effect, if any, to the same would be made after completing the final reconciliation with the said creditors. The claims accepted by Resolution Professional may not directly have an effect on the balances reflected in the books of accounts.



c) Balances of certain trade receivable (including from related parties), unbilled revenue, trade payables (including MSME and interest payable thereon), secured loans (including Banks and NBFC), bank guarantees and unsecured loans (including from related parties), bank balances, current liabilities, other liabilities (including statutory dues and returns thereof) and loan & advances (read with para (b) above) are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact over reported profit for the quarter and loss for the year ended 31st March 2019 and related components of financial statements as on date.	Because of the CIRP many of the creditors have referred their claims as on the Insolvency commencement date, i.e. 23rd March, 2018 which can be construed as balance confirmations. Wherever there is a difference between the books and the creditors claim, reconciliation work is under way. As far as the receivable is concerned the balances reflects mostly the certified invoices by the client concerned.
d) No provision against overdue Trade Receivables outstanding for more than six months amounting to Rs. 9,606 lakhs (net of mobilisation advances of Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,486 lakhs and excluding performance guarantee encashed by certain parties) (Rs. 8,995 lakhs as of 31st December 2018) (net of mobilisation advances of Rs. 232 lakhs and excluding of unbilled revenue of Rs. 1,864 lakhs and excluding performance guarantee encashed by certain parties) have been made, which are doubtful for recovery considering non confirmation of outstanding balances, short closure of running projects, encashment of performance bank guarantee and demand raised for counter claim //liquidated damages by the parties (customers).	We are following up with all the parties for recovery/realisation of overdue amount and hopeful of recovery of balances.
e) Liability /provision against performance guarantee encashed by the certain parties during the quarter amounting to Rs. Nil (Rs. 3,635 lakhs till nine months period ended 31st December 2018) has not been provided for in the books, where the management is confident about settlement in its favour.	We are in process of initiating arbitration procedure / process in the matter of Bank guarantees (BG) encashed and hopeful of positive outcome in favour of the Company.
f) Certain expenses {including finance costs (refer note no. 10 of financial results)} / liabilities/employee benefit expenses have been accounted for as approved by the management based on vouchers and for which contracts, supporting records and agreements could not be made available to the auditors for verification as the same are under process of compilation/update. As per the management, expenses were incurred for business purposes only. Further, in respect of certain contract sites, the Company is in process of compiling / updating the records with respect to employees/labour, where we are unable to comment on the same and its corresponding impact over reported profit for the quarter and loss for the year ended 31st March 2019 and related components of financial statements as on date.	In view of the liquidity constraints, many of the staffs at sites Offices and Head Offices have left their services of the company. This has resulted in delay in compiling information. However, the Company is in the process of taking steps for completing the reconciliation and compiling the records.
g) Regarding non provision against carry over Deferred tax assets as on 31st March 2019 of Rs. 5,991 lacs for the reasons stated in the said note that sufficient future taxable income will be available against which the aforesaid deferred tax asset (net) can be realized and our inability to comment thereon.	The CoC has recommended liquidation as a going concern. In case of any applicant being successful, the Company will change hands accordingly. Thus, it is expected that the Company would be in a position to avail set-off of tax losses against expected taxable profit in the future years as per the provisions if Income Tax Act 1961.
h) Regarding delays in payment of certain statutory dues and non-submission /delay in filing of certain statutory returns (including PF, ESIC, TDS, GST etc.), statutory dues written off and pending reconciliation between books and returns filed, where we are unable to comment on the impact of the same on profit for the quarter and loss for the year ended 31st March 2019 and state of affairs.	There may be slight delay due to cash flow problem.



i) Regarding all the directors (including Woman Director) and Company Secretary resigned by 31st March 2018. Further CFO also resigned during the year. Consequently, all committees of Directors (including Nomination and Remuneration Committee, Audit Committee etc.) were not present during the year in compliance to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended). Regarding non-availability of secretarial forms (including application for extension of Annual General Meeting) and compliances thereof and our inability to comment on related party transactions, compliances related to appointment /resignation of Directors, compliances w.r.t. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), Corporate Governance, submission of annual return with the appropriate authorities and other related regulations and our inability to comment thereon.	As all the directors have resigned and new directors can be appointed only by the shareholders at an AGM/EGM. At present there is no Company Secretary hence required documents could not be prepared and submitted. As all the directors have resigned, hence the Company couldn't file the e-forms with the Registrar of Companies w.r.t. resignation of directors, company secretary, Chief Executive Officer and CFO. However, we are in process of updating required registers/forms which shall be submitted in due course. Subsequently the RP has informed the Holding Company M/s KSS Petron Private Limited for compliance of provisions of Section 168(3) of the Companies Act, 2013.
j) Regarding pending adjustment of impact of physical verification of property, plant and equipment (PPE) in the financial books and reconciliation of the same with the books& records with respect to certain sites, where we are unable to comment on the same. In view of the management impact of final adjustment shall not be material over result for the quarter and year ended 31st March 2019.	The PMD team at respective sites have carried out the verification process. No discrepancy has been found by the said team. Physical verification w.r.t. closed sites is in process.
k) 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.	Most of the project are on the verge of completion and adequate margins are available to absorb any contingency. In view of this management do not expect any material variation in final completion of project compared to estimated cost of completion.
l) Regarding the matter stated in para (a) to (k) above and otherwise internal controls needs to be further strengthened to be commensurate with the size of the company and nature of its business.	The Company has an internal control system in existence and is in the process of further strengthening the same.
m) Regarding preparation of the financial statements on 'going concern' basis notwithstanding the fact that the Company is having negative net worth, continuous losses, lower level of operations affecting cash flows and going concern, short closure in certain projects, current liabilities are in excess of current assets and default in repayment of loan installments and payment of due interest, both on term loans and working capital. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. As company is under corporate insolvency resolution process (CIR process) (as stated in Note no. 1 of the accompanying statement of audited financial results). The Committee of Creditors (CoC) at its meeting have resolved that the Company may be liquidated under liquidation as a "Going Concern". In this regard the Resolution Professional has filed necessary application with the NCLT Court, Mumbai and final decision is pending before the NCLT. The management and the RP have continued its practice to prepare financial statements on going concern basis.	Net worth is not a singular measure of deciding as a 'going concern'. The Company has a good brand name in the industry and during its last 40 years has already established its position as a reliable EPC contractor. Considering the same, it is expected that it will, in due course of time, be in a position to receive a viable Resolution Plan for the approval of CoC and NCLT. Currently the Company is executing few contracts which are able to run on its own by using the cash inflows from these projects. In view of the above, the Company has prepared its accounts on a going concern basis. The CoC has recommended liquidation as going concern. In case the NCLT approving the same, appropriate treatment will be given in the books of account.



- 5 Revenue for the year includes Rs. 1,677 lakhs in respect of certain contracts work /invoices which have not been certified by the parties/ customers. Management is confident that there would not be any material variation on final billing / acceptance of work by the customers and amount is fully realisable.
- 6 (a) Due to continuous losses and liquidity constraints, the Company has not been able to make payments, including due instalments of borrowings, and outstanding interest obligations, both in respect of term loans and working capital facilities. Accordingly, there were delays/ defaults in repayment. There are certain overdue amounts as at 31st March 2019. All banks have classified the accounts as Non Performing Assets (NPA) and some banks have given loan recall notice for the outstanding loan amount which were effective on 31st March 2019 (read with note no. 1 above).
- (b) During the year ended 31st March 2019 all the financial lenders for working capital facilities have assigned their fund based and non fund based (unsettled) outstanding as accepted by the Resolution Professional as on 23rd March 2018 in favour of Arcelor Mittal India Private Limited ('AMIPL' or 'Assignee') vide Assignment Agreement dated 17th October 2018. No dues certificate from the above referred lenders is pending to be received from lenders and Modification of charges in favour of Assignee is in process as on date.
- Further, Company is in process of reconciliation of claims filed by AMIPL with the books of accounts.
- 7 During the financial year 2017-18 Mr. Manoj Kumar Gaur was appointed as Managing Director for a period of 3 years w.e.f. November 1, 2017, subject to the approval of shareholders but resigned w.e.f. February 14, 2018. However, prior approval of secured creditors and share holders has not been obtained before his appointment as per the provisions of Section II of Part II of Schedule V of the Companies Act, 2013, although intimation to the banks have been made regarding his appointment.
- 8 In view of continuous losses no Deferred tax assets (net) has been recognised in the current period/quarter.
- 9 Many of the projects / contracts have been closed/ short closed by the Company and visibility of future cash flows shall be available only upon completion of CIR process. Accordingly, the Company has not considered any significant impairment in the value of its assets during the period
- 10 Interest payable on secured loans have been provided for /reversed as per the bank statements/ outstanding claims filed by the financial lenders. Further, since the Company is in CIR process on interest liability has been provided for the loans assigned by the financial lenders to AMIPL (as stated in note no.6(b) above) by the Company. Due to the reversal of interest as stated above, the finance cost for the quarter ended 31st March 2019 is negative, being the balancing figures between the audited figures for the full financial year and published year to date figures for the nine months ended 31st December 2018.
- 11 The company has adopted Ind AS 115 "Revenue from contract with customers". The impact of adoption of Ind AS 115 on the financial result of the company for the quarter and year ended on 31st March 2019 is not material.
- 12 The previous period figures have been regrouped/rearranged / recast to make them comparable with that of current period wherever necessary. The figures of the last quarter ended 31st March 2019 and 31st March 2018 are the balancing figures between audited figures for the full financial year and the published year-to-date figures for the nine months ended.

Mumbai, 28th May, 2019



For Petron Engineering Construction Limited

Udayraj Patwardhan

Udayraj Patwardhan

Resolution Professional

Reg.No.IBBI/IPA-001/IP-P00024/2016-17/10057

Independent Auditor's Report

To,
The Resolution Professional
Petron Engineering Construction Limited

1. We have audited the accompanying Financial Results of Petron Engineering Construction Limited ('the Company') for the quarter and year ended 31st March 2019 ('the Statement'), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). The financial results for the quarter and year ended 31st March 2019 have been prepared on the basis of the reviewed financial results for the nine-month period ended 31st December, 2018, the audited annual financial statements as at and for the year ended 31st March, 2019, which are the responsibility of the Company's management and has been approved by the Resolution Professional (RP) of the Company on 28th May 2019.

Our responsibility is to express an opinion on these financial results based on our audit of financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard (Ind AS), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India; and in compliance with Regulation 33 of the Listing Regulations.

The quarterly financial results are the derived figures between the audited figures in respect of the year ended 31st March 2019 and the published year-to-date figures up to 31st December, 2018, being the date of the end of the third quarter of the current financial year, which were subject to limited review.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3. Basis of Qualified Opinion

Attention is drawn to:

- i) Note no. 4(a) of the accompanying statement of audited financial results in respect of certain suspended / delayed contracts, as of 31st March 2019, trade receivable of Rs.246 lakhs (net of mobilization advance and provisions of Rs.11 lakhs) (trade receivable of Rs.246 lakhs as of 31st December 2018 and Rs.331 lakhs as of 31st March 2018 respectively, net of mobilization advance and provisions of Rs.11 lacs and Rs. 3 lakhs respectively as at 31st December 2018 and 31st March 2018) are doubtful of recovery and pending for confirmation/negotiation. We are unable to comment about the status of amount receivables / payables on the reported profit



for the quarter and loss for the year ended 31st March 2019 and its corresponding impact on assets / liabilities as at that date.

- ii) As stated in Note no. 4(b) of the accompanying statement of audited financial results regarding various claims submitted by the financial creditors{including claims filed by ArcelorMittal India Private Limited (AMIPL) as stated in note no. 6(b)}, operational creditors, other creditors and employees of the Company to the Resolution Professional(RP) pursuant to the Insolvency and Bankruptcy Code, 2016 are currently under reconciliation. Pending reconciliation by the Company, we are unable to comment on the consequential impact, if any, on the reported profit for the quarter and loss for the year ended 31st March 2019 and its corresponding impact over state of affairs as on that date.
- iii) As stated in Note no. 4(c) of the accompanying statement of audited financial results regarding balances of certain trade receivable (including from related parties), unbilled revenue, trade payables (including MSME and interest payable thereon), secured loans (including Banks and NBFC), bank guarantees and unsecured loans (including from related parties), bank balances, current liabilities, other liabilities (including statutory dues and returns thereof) and loan & advances are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact over reported profit for the quarter and loss for the year ended 31st March 2019 and related components of financial statements as on date.
- iv) As stated in Note no. 4(d) no provision against overdue Trade Receivables outstanding for more than six months amounting to Rs.9,606 lakhs (net of mobilisation advances of Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,486 lakhs and excluding performance guarantee encashed by certain parties) (Rs. 8,995 lakhs as of 31st December 2018) (net of mobilisation advances of Rs.232 lakhs and excluding of unbilled revenue of Rs. 1,864 lakhs and excluding performance guarantee encashed by certain parties) have been made, which are doubtful for recovery considering non confirmation of outstanding balances, short closure of running projects, encashment of performance bank guarantee and demand raised for counter claim / liquidated damages by the parties (customers).
- v) As stated in Note no. 4(e) of the accompanying statement of audited financial results, liability /provision against performance guarantee encashed by the certain parties during the quarter amounting to Rs. Nil (Rs.3,635 lakh still nine months period ended 31st December 2018) has not been provided for in the books, where the management is confident about settlement in its favour.
- vi) As stated in Note no. 4(f) of the accompanying statement of audited financial results regarding certain expenses {including finance costs (refer note no. 10 of financial results)}/ liabilities/employee benefit expenses have been accounted for as approved by the management based on vouchers and for which contracts, supporting records and agreements could not be made available to the auditors for verification as the same are under process of compilation/updation. As per the



management, expenses were incurred for business purposes only. Further, in respect of certain contract sites, the Company is in process of compiling / updating the records with respect to employees/labour, where we are unable to comment on the same and its corresponding impact over reported profit for the quarter and loss for the year ended 31st March 2019 and related components of financial statements as on date.

- vii) As stated in Note no. 4(g) of the accompanying statement of audited financial results regarding non provision against carryover Deferred tax assets as on 31st March 2019 of Rs. 5,991 lacs for the reasons stated in the said note that sufficient future taxable income will be available against which the aforesaid deferred tax asset (net) can be realized and our inability to comment thereon.
- viii) As stated in Note no. 4(h) of the accompanying statement of financial results regarding delays in payment of certain statutory dues and non- submission /delay in filing of certain statutory returns (including PF, ESIC, TDS. GST etc.), statutory dues written off and pending reconciliation between books and returns filed, where we are unable to comment on the impact of the same on profit for the quarter and loss for the year ended 31st March 2019 and state of affairs.
- ix) As stated in note no. 4(i) all the directors (including Woman Director) and Company Secretary resigned by 31st March 2018. Further CFO also resigned during the year. Consequently, all committees of Directors (including Nomination and Remuneration Committee, Audit Committee etc.) were not present during the year in compliance to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended). Regarding non-availability of secretarial forms (including application for extension of Annual General Meeting) and compliances thereof and our inability to comment on related party transactions, compliances related to appointment /resignation of Directors, compliances w.r.t. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), Corporate Governance , submission of annual return with the appropriate authorities and other related regulations and our inability to comment thereon.
- x) As stated in note no. 4(j) of the accompanying statement of audited financial results regarding pending adjustment of impact of physical verification of property, plant and equipment (PPE) in the financial books and reconciliation of the same with the books & records with respect to certain sites, where we are unable to comment on the same. In view of the management impact of final adjustment shall not be material over result for the quarter and year ended 31st March 2019.
- xi) As stated in Note no. 4(k) of the accompanying statement of audited financial results regarding 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.
- xii) As stated in note no. 9 of the accompanying statement of audited financial results, given the current operations of the Company and the Company being under CIR



process, the future impairment, if any, in the realizability of the economic value of fixed assets cannot be determined and our inability to comment thereon.

- xiii) We have been informed by the Resolution Professional that minutes of the meetings of the Committee of Creditors, other than the Committee of Creditors. Accordingly, we are unable to comment on the possible financial, presentation and disclosure impacts, if any, that may arise if we have been provided access to review that information.
- xiv) In view of our comments under para (i) to (xi) above and otherwise, the Company's internal control systems needs to be further strengthened (note no. 4(l) of accompanying statement).
The matters above in para (i) to (xiii) were also qualified in our Limited Review report for the quarter and nine months period ended 31st December 2018 and also in audit report for the quarter and year ended 31st March 2018 {except para (iv), (v), (xi), (xii) and (xiii)}.

Qualified Opinion

- 4. In our opinion and to the best of our information and according to the explanations given to us, except possible effect of our observation reported in para 3 above, these quarterly financial results as well as the year ended results:
 - (i) are presented in accordance with the requirements of Regulation 33 of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Circular No. CIR/CFD/FAC/62/2016 dated 05th July, 2016 and CIR/IMD/DF1/69/2016 dated 10th August, 2016 in this regard; and
 - (ii) give true & fair view of the profit including other comprehensive income and other financial information for the quarter ended 31st March, 2019 as well as the financial results for the year ended 31st March, 2019.

Emphasis of matter

- 5. We draw attention to the followings:
 - i) Pending necessary approvals of the secured creditors and shareholders for the payment of managerial remuneration to the erstwhile Managing Director (ceased w.e.f. February 14, 2018) as stated in note no. 7 of accompanying statement of audited financial results; and
 - ii) Revenue for the year includes Rs.1,677 lakhs, as stated in note no. 5 of accompanying statements in respect of certain contracts work /invoices which have not been certified by the parties/customers. Management is confident that there would not be any material variation on final billing / acceptance of work by the customers and amount is fully realisable.
 - iii) In case of short closure of certain projects during the year, the management is confident that there shall not be any liability on account of liquidated damages or performance failure.



- iv) Margin money (Fixed Deposit) of Rs.2904 lakhs deposited by AMIPL in the name of Petron Engineering Construction Limited ("the Company ") against outstanding bank guarantees are shown under other bank balances, where company is not entitled to receive due interest on said deposits and accordingly the company has not recognized accrued/due interest income and related components thereon.

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

Material uncertainty related to Going Concern

As stated in Note no. 4(m) of the accompanying statement of audited financial results regarding preparation of the financial statements on 'going concern' basis notwithstanding the fact that the Company is having negative net worth, continuous losses, lower level of operations effecting cash flows and going concern, short closure in certain projects, current liabilities are in excess of current assets and default in repayment of loan installments and payment of due interest, both on term loans and working capital. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. As company is under corporate insolvency resolution process (CIR process) (as stated in Note no. 1 of the accompanying statement of audited financial results). The Committee of Creditors (CoC) at its meeting have resolved that the Company may be liquidated under liquidation as a "Going Concern". In this regard the Resolution Professional has filed necessary application with the NCLT Court, Mumbai and final decision is pending before the NCLT. The management and the RP have continued its practice to prepare financial statements on going concern basis.

The above matter was also reported in our audit report for the quarter and nine months period ended 31st December 2018 and year ended 31st March 2018.

For LODHA & CO.

Chartered Accountants

Firm's Registration No. 301051E

(Gaurav Lodha)

Partner

M. No. 507462

Place: Mumbai

Date: 28th May 2019



**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS (FOR AUDIT REPORT WITH MODIFIED OPINION)
SUBMITTED ALONG-WITH ANNUAL AUDITED FINANCIAL RESULTS - PETRON ENGINEERING
CONSTRUCTION LIMITED**

<u>Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2019</u> [See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]				
			(Rs. in Lacs except for EPS)	
I	S.No.	Particulars	Audited Figure (As reported before adjusting for qualifications)	Audited Figure (As reported After adjusting for qualifications)*
	1.	Turnover/Total Income	13,511	13,511
	2	Total Expenditure (excluding income tax/ deferred tax)	15,026	28,513
	3	Net Profit/(Loss) before other comprehensive income	(1,588)	(15,075)
	4	Earning Per Share (in Rs.)	(21.07)	(199.98)
	5	Total Assets	41,516	28,029
	6	Total Liabilities	41,626	41,626
	7	Net Worth	(110)	(13,597)
	8	Any Other financial item (s) (as felt appropriate by the management)	Refer Emphasis of Matter paragraph in the Auditor's Report on quarterly and year to date Financial Results (Annexure A).	
* all adjustments are without tax effect.				
II	Audit Qualifications :			
	a.	Detail of Audit Qualifications	Reference is invited to Para 3 & 6 of the Independent Auditors Report on audited financial results of Petron Engineering Construction Limited:-	
			i) Note no. 4(a) of the accompanying statement of audited financial results in respect of certain suspended / delayed contracts, as of 31 st March 2019, trade receivable of Rs. 246 lakhs (net of mobilization advance and provisions of Rs. 11 lakhs) (trade receivable of Rs. 246 lakhs as of 31 st December 2018 and Rs. 331 lakhs as of 31 st March 2018 respectively, net of mobilization advance and provisions of Rs. 11 lacs and Rs. 3 lakhs respectively as at 31 st December 2018 and 31 ^s March 2018) are doubtful of recovery	



			and pending for confirmation/negotiation. We are unable to comment about the status of amount receivables / payables on the reported profit for the quarter and loss for the year ended 31st March 2019 and its corresponding impact on assets / liabilities as at that date. ii) As stated in Note no. 4(b) of the accompanying statement of audited financial results regarding various claims submitted by the financial creditors {including claims filed by Arcelor Mittal India Private Limited (AMIPL) as stated in note no. 6(b)}, operational creditors, other creditors and employees of the Company to the Resolution Professional (RP) pursuant to the Insolvency and Bankruptcy Code, 2016 are currently under reconciliation. Pending reconciliation by the Company, we are unable to comment on the consequential impact, if any, on the reported profit for the quarter and loss for the year ended 31st March 2019 and its corresponding impact over state of affairs as on that date. iii) As stated in Note no. 4(c) of the accompanying statement of audited financial results regarding balances of certain trade receivable (including from related parties), unbilled revenue, trade payables (including MSME and interest payable thereon), secured loans (including Banks and NBFC), bank guarantees and unsecured loans (including from related parties), bank balances, current liabilities, other liabilities (including statutory dues and returns thereof) and loan & advances are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact over reported profit for the quarter and loss for the year ended 31st March 2019 and related components of financial statements as on date. iv) As stated in Note no. 4(d) no provision against overdue Trade Receivables outstanding for more than six months amounting to Rs. 9,606 lakhs (net of mobilisation advances of Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,486 lakhs and excluding
--	--	--	---



			performance guarantee encashed by certain parties) (Rs. 8,995 lakhs as of 31st December 2018) (net of mobilisation advances of Rs. 232 lakhs and excluding of unbilled revenue of Rs. 1,864 lakhs and excluding performance guarantee encashed by certain parties) have been made, which are doubtful for recovery considering non confirmation of outstanding balances, short closure of running projects, encashment of performance bank guarantee and demand raised for counter claim /liquidated damages by the parties (customers). v) As stated in Note no. 4(e) of the accompanying statement of audited financial results, liability /provision against performance guarantee encashed by the certain parties during the quarter amounting to Rs. Nil (Rs. 3,635 lakhs till nine months period ended 31st December 2018) has not been provided for in the books, where the management is confident about settlement in its favour. vi) As stated in Note no. 4(f) of the accompanying statement of audited financial results regarding certain expenses {including finance costs (refer note no. 10 of financial results)}/ liabilities/employee benefit expenses have been accounted for as approved by the management based on vouchers and for which contracts, supporting records and agreements could not be made available to the auditors for verification as the same are under process of compilation/updation. As per the management, expenses were incurred for business purposes only. Further, in respect of certain contract sites, the Company is in process of compiling / updating the records with respect to employees/labour, where we are unable to comment on the same and its corresponding impact over reported profit for the quarter and loss for the year ended 31st March 2019 and related components of financial statements as on date. vii) As stated in Note no. 4(g) of the accompanying statement of audited financial results regarding non
--	--	--	---



provision against carry over Deferred tax assets as on 31st March 2019 of Rs. 5,991 lacs for the reasons stated in the said note that sufficient future taxable income will be available against which the aforesaid deferred tax asset (net) can be realized and our inability to comment thereon.

viii) As stated in Note no. 4(h) of the accompanying statement of financial results regarding delays in payment of certain statutory dues and non-submission /delay in filing of certain statutory returns (including PF, ESIC, TDS. GST etc.), statutory dues written off and pending reconciliation between books and returns filed, where we are unable to comment on the impact of the same on profit for the quarter and loss for the year ended 31st March 2019 and state of affairs.

ix) As stated in note no. 4(i) all the directors (including Woman Director) and Company Secretary resigned by 31st March 2018. Further CFO also resigned during the year. Consequently, all committees of Directors (including Nomination and Remuneration Committee, Audit Committee etc.) were not present during the year in compliance to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended). Regarding non-availability of secretarial forms (including application for extension of Annual General Meeting) and compliances thereof and our inability to comment on related party transactions, compliances related to appointment /resignation of Directors, compliances w.r.t. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), Corporate Governance , submission of annual return with the appropriate authorities and other related regulations and our inability to comment thereon.

x) As stated in note no. 4(j) of the accompanying statement of audited financial results regarding pending adjustment of impact of physical verification of property, plant and equipment (PPE) in the



4



financial books and reconciliation of the same with the books & records with respect to certain sites, where we are unable to comment on the same. In view of the management impact of final adjustment shall not be material over result for the quarter and year ended 31st March 2019.

xi) As stated in Note no. 4(k) of the accompanying statement of audited financial results regarding 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.

xii) As stated in note no. 9 of the accompanying statement of audited financial results, given the current operations of the Company and the Company being under CIR process, the future impairment, if any, in the realizability of the economic value of fixed assets cannot be determined and our inability to comment thereon.

xiii) We have been informed by the Resolution Professional that minutes of the meetings of the Committee of Creditors, other than the Committee of Creditors. Accordingly, we are unable to comment on the possible financial, presentation and disclosure impacts, if any, that may arise if we have been provided access to review that information.

xiv) In view of our comments under para (i) to (xi) above and otherwise, the Company's internal control systems needs to be further strengthened (note no. 4(l) of accompanying statement).

xv) As stated in Note no. 4(m) of the accompanying statement of audited financial results regarding preparation of the financial statements on 'going concern' basis notwithstanding the fact that the Company is having negative net worth, continuous losses, lower level of operations effecting cash flows and going concern, short closure in certain projects, current liabilities are in excess of current assets and default in repayment of loan installments and payment of due interest, both on term loans and working capital. These conditions indicate the existence of material uncertainty that may cast significant doubt



			about the Company's ability to continue as a going concern. As company is under corporate insolvency resolution process (CIR process) (as stated in Note no. 1 of the accompanying statement of audited financial results). The Committee of Creditors (CoC) at its meeting have resolved that the Company may be liquidated under liquidation as a "Going Concern". In this regard the Resolution Professional has filed necessary application with the NCLT Court, Mumbai and final decision is pending before the NCLT. The management and the RP have continued its practice to prepare financial statements on going concern basis.
	b.	Type of Audit Qualification	Qualified Opinion
	c.	Frequency of Qualification	i) Qualification (i) – 7 th year of observation ii) Qualification (ii) – 2 nd year of observation iii) Qualification (iii)- 2 nd year of observation iv) Qualification (iv)- 1 st year of observation v) Qualification (v)- 1 st year of observation vi) Qualification (vi)- 2 nd year of observation vii) Qualification (vii)- 2 nd year of observation viii) Qualification (viii) – 3 rd year of observation ix) Qualification (ix) – 2 nd year of observation x) Qualification (x) – 2 nd year of observation xi) Qualification (xi) – 1 st year of observation xii) Qualification (xii) – 1 st year of observation xiii) Qualification (xiii) – 1 st year of observation xiv) Qualification (xiv) – 2 nd year of observation xv) Qualification (xv) – 2 nd year of observation
	d.	Management Views for audit qualifications where the impact is quantified	i) Qualification (i) & (iv)- The Company is making various efforts to recover the outstanding Trade receivable and is hopeful of recovery. ii) Qualification (v) – The Company is making various efforts to recover / settlement and is hopeful for recovery.
	e.	Management Views for audit	i.) Qualification (ii) – The Company is in the process of



6



	qualifications where the impact is not quantified	reconciling the accounts with the parties concerned. Accounting effect, if any, to the same would be made after completing the final reconciliation with the said creditors. The claims accepted by Resolution Professional may not directly have an effect on the balances reflected in the books of accounts. ii.) Qualification (iii) - Because of the CIRP many of the creditors have referred their claims as on the Insolvency commencement date, i.e. 23rd March, 2018 which can be construed as balance confirmations. Wherever there is a difference between the books and the creditors claim, reconciliation work is under way. As far as the receivable is concerned the balances reflects mostly the certified invoices by the client concerned. iii.) Qualification (vi) - In view of the liquidity constraints, many of the staffs at sites Offices and Head Offices have left their services of the company. This has resulted in delay in compiling information. However, the Company is in the process of taking steps for completing the reconciliation and compiling the records.. iv.) Qualification (vii) - The CoC has recommended liquidation as a going concern. In case of any applicant being successful, the Company will change hands accordingly. Thus, it is expected that the Company would be in a position to avail set-off of tax losses against expected taxable profit in the future years as per the provisions of Income Tax Act 1961. v.) Qualification (viii) - There may be slight delay due to cash flow problem. vi.) Qualification (ix) - As all the directors have resigned and new directors can be appointed only by the shareholders at an AGM/EGM. At present there is no Company Secretary hence required documents could not be prepared and submitted. As all the directors have resigned, hence the Company couldn't file the e-forms with the Registrar of Companies w.r.t. resignation of directors, company secretary, Chief Executive Officer and CFO. However, we are in process of updating required registers /forms which shall be submitted in due course. Subsequently the RP has informed the Holding Company M/s KSS Petron Private Limited for compliance of provisions of Section 168(3) of the Companies Act, 2013. vii.) Qualification (x) - The PMD team at respective sites
--	---	--



			have carried out the verification process. No discrepancy has been found by the said team. Physical verification w.r.t. closed sites is in process. viii.) Qualification (xi) - Most of the project are on the verge of completion and adequate margins are available to absorb any contingency. In view of this management do not expect any material variation in final completion of project compared to estimated cost of completion. ix.) Qualification (xii) - Many of the projects / contracts have been closed/ short closed by the Company and visibility of future cash flows shall be available only upon completion of CIR process. Accordingly, the Company has not considered any significant impairment in the value of its assets during the period x.) Qualification (xiii) - The Insolvency and Bankruptcy Code, 2016 does not provide for sharing of minutes of Committee of Creditor ("CoC") to person other than the participants of the meeting of CoC xi.) Qualification (xiv) - The Company has an internal control system in existence and is in the process of further strengthening the same. xii.) Qualification (xv) - Net worth is not a singular measure of deciding as a 'going concern'. The Company has a good brand name in the industry and during its last 40 years has already established its position as a reliable EPC contractor. Considering the same, it is expected that it will, in due course of time, be in a position to receive a viable Resolution Plan for the approval of CoC and NCLT. Currently the Company is executing few contracts which are able to run on its own by using the cash inflows from these projects. In view of the above, the Company has prepared its accounts on a going concern basis. The CoC has recommended liquidation as going concern. In case the NCLT approving the same, appropriate treatment will be given in the books of account.
		(i) Management estimation on the impact of audit qualification	None
		(ii) Auditor's Comment on (i)	None

III	To be signed by:	
1	Resolution Professional	



2



		 Udayraj Patwardhan Resolution Professional Reg.No.IBBI/IPA-001/IP-P00024/2016-17/10057 Petron Engineering Construction Limited 
2	Auditor of the Company	 Gaurav Lodha (Partner) M. No. 507462 M/s Lodha & Co. Chartered Accountants (FRN: 301051E) 

Place: Mumbai

Date: 28th May 2019