

PECL/BSE-NSE-/2018-19

June 2, 2018

To
The Secretary – Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001

To
The Secretary – Listing Department
National Stock Exchange Limited
Exchange Plaza, C-1 Block G,
Bandra Kurla Complex, Bandra East,
Mumbai – 400051

Dear Sir,

Sub.: Financial Results for quarter & year ended March 31, 2018

This is to inform you that Interim Resolution Professional (IRP) Mr. Rajeev Mannadiar (Regn. No. IBBI/IPA-001/IP-P00212/2017-18/10412) appointed by the Hon'ble NCLT, Mumbai vide its order dated 23rd March 2018 to conduct Corporate Insolvency Resolution Process (CIRP) of the Company has duly considered and approved the Audited Financial Results of the Company for the quarter and year ended 31st March 2018 which has been prepared by the Management of the Company.

We enclose herewith the following :-

- (1) Audited Financial Results along with the Statement of Assets and Liabilities of the Company for the quarter and year ended March 31, 2018.
- (2) Independent Auditors Report dated June 2, 2018 issued by M/s. Lodha & Co., Chartered Accountants, Statutory Auditor of the Company.
- (3) Statement of Impact of Audit Qualifications.

The meeting commenced at 15.30 p.m. and concluded at 18.30 p.m.

Kindly take the same on your record.

Thanking You,

Yours faithfully,

For **PETRON ENGINEERING CONSTRUCTION LIMITED**



HIMANSHU MOHAPATRA
CHIEF FINANCIAL OFFICER

Encl.: As above

Petron Engineering Construction Limited

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

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STATEMENT OF AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31ST MARCH, 2018

Particulars	Quarter Ended			Year Ended	
	31st March 2018	31st December 2017	31st March 2017	31st March 2018	31st March 2017
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
1 Income from Operations					
(a) Net Sales/Income from Operations	3,864	4,031	8,049	23,392	34,455
(b) Other Operating Income	90	67	-	194	134
Total Income from Operations (Net)	3,954	4,098	8,049	23,586	34,589
2 Other Income	495	29	25	726	194
3 Total Revenue (1+2)	4,449	4,127	8,074	24,312	34,783
4 Expenditure					
(a) Cost of Materials Consumed	1,450	963	893	6,211	7,426
(b) Purchase of trading goods	84	76	1,689	2,181	2,413
(c) Changes in Project inventories	(200)	(173)	(1)	-	-
(d) Sub-contracting expenses	1,958	2,001	2,843	8,860	11,451
(e) Employee Benefits Expense	2,056	1,540	1,655	6,679	7,447
(f) Finance Cost	857	466	237	2,304	1,896
(g) Depreciation and Amortisation Expense	272	164	303	777	817
(h) Other expenditure	11,936	7,843	1,946	21,664	5,441
Total	18,413	12,880	9,565	48,676	36,891
5 Profit/(Loss) before exceptional item and tax	(13,964)	(8,753)	(1,491)	(24,364)	(2,108)
6 Exceptional items Gain / (Loss)	-	-	-	-	-
7 Profit/(loss) before tax	(13,964)	(8,753)	(1,491)	(24,364)	(2,108)
8 Tax Expenses					
(a) Current tax	67	-	-	67	-
(b) Tax for earlier years (net)	-	-	114	35	57
(c) Deferred tax	(3,706)	(2,899)	(485)	(7,153)	(693)
9 Net Profit/ (Loss) for the period	(10,325)	(5,854)	(1,120)	(17,313)	(1,472)
10 Other comprehensive income (net of tax)	(21)	-	42	(21)	42
11 Total comprehensive income for the period (comprising profit/(loss) for the period (after tax) and other comprehensive income (after tax))	(10,346)	(5,854)	(1,078)	(17,334)	(1,430)
12 Paid-up equity share capital (Face Value: Rs.10/- per equity share)	754	754	754	754	754
13 Reserve excluding Revaluation Reserve				686	18,021
14 Earnings per Share (EPS) (of Rs 10/- each) (not annualised)					
(a) Basic and diluted EPS	(136.97)	(77.66)	(14.86)	(229.67)	(19.53)



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 and appointed Mr. Rajeev Mannadiar as the IRP. 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 IRP.

IRP took control of the management and operations of the Company w.e.f April 11, 2018. A Public announcement was made on April 13, 2018 and a Committee of Creditors (CoC) was formed on May 4, 2018 under Section 21 of the IBC. CoC has appointed another Insolvency Professional as Resolution Professional and the Order of Hon'ble NCLT is awaited confirming his appointment. Present IRP has been authorized to continue by the CoC till the RP takes over. 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 signed by Mr. Himanshu Mohapatra, Chief Financial Officer of the Company and the IRP for filing with the Stock Exchanges.

As the CIRP is currently in progress and it is expected that a Resolution Plan for the Company might be approved, adopted and implemented before the stipulated Resolution Period, the financial statements have been prepared on 'going concern' basis. There is however, material uncertainty in this respect as on this date, since the same is dependent upon the Resolution Plan for the Company would be submitted by a prospective Resolution Applicant and will be approved by CoC and NCLT within the stipulated Resolution Period.

2. The Company has adopted Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013, read with the Companies (Accounting Standard) Rules, 2015 w.e.f. April 1, 2017 and the above results have been prepared in compliance with Ind AS. Consequently, the financial results for the quarter and year ended March 31, 2017 have been restated to comply with Ind AS to make them comparable. The figure for the quarter ended March 31, 2018 are the balancing figures between audited figures in respect of full financial year and unaudited year to date figure upto December 31, 2017.
3. The figures for the quarter / year ended March 31, 2017 are based on previously issued and audited financial results prepared in accordance with applicable AS. Such information for the quarter ended / year ended have been adjusted / regrouped / recast for the difference in the accounting principle adopted by the Company in the process of transition to Ind AS.
4. Post adoption of Ind AS and due to adoption of fair valuation of Property Plant and Equipment during the quarter the net worth the company became positive (refer note 8(b)).
5. 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.
6. The Auditors have commented on,

Auditors' Qualification	Company's Response
(a) In respect of certain suspended / delayed contracts, as of March 31, 2018, trade receivable of Rs. 330.76 lacs (net of mobilization advance and provisions of Rs. 3.34 lacs) (trade receivable as of December 31, 2017 and March 31, 2017 of Rs. 1,693 lacs and Rs. 1,749 lacs, respectively, net of mobilization advance and provisions of Rs. 2,934 lacs each as at December 31, 2017 and March 31, 2017) are doubtful of recovery and the balances of trade receivables are pending for confirmation/ negotiation. We are unable to comment about the status of amount receivables on the reported loss for the quarter and year ended March 31, 2017 and its corresponding impact on assets / liabilities as at that date. This matter was also qualified in our Limited Review report for the quarter and year ended March 31, 2017 and quarter and nine months ended December 31, 2017.	The Company is making various efforts to recover the outstanding Trade receivable and is hopeful of recovery.
b) Regarding preparation of the financial statements on 'going concern' basis notwithstanding the fact that the Company is having continuous losses; current liabilities are in excess of current assets; Company is under Corporate Insolvency Resolution Process; and default in making payments towards installments and obligations towards payment of 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.	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.
c) Various claims submitted by the financial creditors, operational creditors, other creditors and employees of the Company to the Interim Resolution Professional pursuant to the Insolvency and Bankruptcy Code, 2016 are currently under consideration/verification/reconciliation. Pending completion of exercise of verification / reconciliation and admission of such claims by IRP, we are unable to comment on the consequential impact, if any, on the financial statement.	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 reconciliation with the said creditors.



d) The balances of secured loans, unsecured loans, trade receivable, unbilled revenue, trade payables (including MSME), other liabilities (including statutory dues and returns), and certain bank balances and loan & advances (including from related parties) are subject to confirmation/ reconciliation. As majority of accounts/balances are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact on profit/loss and assets/ liabilities as at that 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 a balance confirmation. 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 reflect mostly the certified invoices by the client concerned.
e) Certain expenses / 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 /reconciliation. Further, in respect of certain sites, the Company is in process of compiling / reconciling the records with respect to employees/labour/vendors. In view of liquidity constraints remuneration/salary to staff could not be paid on due dates and most of the staff have left service of the Company from some of the sites. The Company is in process of compiling data/records/information and confident that there would not be any material impact on final compilation of data / records, where we are unable to comment on the same and its corresponding impact on profit/loss.	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. The Company does not expect any material impact.
f) Regarding Deferred tax assets as on March 31, 2018 of Rs. 5991.31 lacs for the reasons that the Company is in CIRP the management expects revival and it is of the view that sufficient future taxable income will be available against which the recognised deferred tax asset (net) can be realized and our inability to comment thereon.	Based on the indications available, the Company believes there will be a Resolution Plan which would be acceptable to CoC as well as NCLT. Thus, it is expected that the Company would be in a position to avail set-off of tax losses against expected profit in the future years.
g) Regarding Physical Verification of Property, Plant and Equipment (PPE) could not be conducted and presently is in process and reconciliation with book records will be done on completion of physical verification. In view of security arrangement the management doesn't expect any material differences on final reconciliation with books/records. Further, certain PPE of the Company have been sold by the management considering the exigency after considering the competitive rates and our inability to comment thereon.	The Company's Property, Plants and Equipment (PPE) are scattered all over India for its use. Security arrangements are also provided for safeguarding these assets. As a part of the CIRP process, agencies are being appointed to physically verify the assets.
h) Regarding resignation of all the directors of the Company during the year and there are no members on the Board as on March 31, 2018. For the said reason there is no quorum for conducting meetings of Board of Directors, Nomination and Remuneration Committee, Audit Committee, CSR Committee, etc., in compliance to the provisions of the Companies Act, 2013 and Stock Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, the Company Secretary of the Company has also resigned w.e.f. March 7, 2018. Since all the directors have resigned, the Company couldn't file the e-forms with the Registrar of Companies w.r.t. resignation of directors and company secretary besides appointment and resignation of Chief Executive Officer. Also as per the provisions of the Companies Act, 2013, there is no woman director in the Company. Certain secretarial records including signed Minutes books pursuant to Companies Act 2013 are in the process of compilation/ signatures and the same could not be made available to the auditors for their verification.	As all the directors have resigned new directors can be appointed only by the shareholders at the next AGM/EGM. Since all the Directors have resigned, the Minute Book in respect of the last Board meeting could not be placed for Signature. However, these Minutes have been prepared by the Company Secretary and are available with the Secretarial Department.
i) Regarding certain statutory dues (including GST/Service Tax/ VAT/ PF/ ESI/ Labour cess/ TDS, etc.) could not be paid on due dates due to cash flow issues and there are delays in filing of certain statutory returns with the respective authorities. Delayed payment charges (including penalties amount unascertainable), will be accounted for as and when settled / paid. Necessary steps have been initiated for filing/ revision of returns. Presently due tax have been accounted for on best estimated basis as the reconciliation between the books and returns filed are in process, where we are unable to comment in respect of loss for the quarter and year ended March 31, 2018. Company needs to further strengthen internal control system in this regard. This matter was also qualified in our Limited Review report for the quarter and year ended March 31, 2017 and quarter and nine months ended December 31, 2017.	Due to liquidity constraints the Company could not pay some of the statutory dues. However, these are being paid on priority, depending upon the cash flow available from the projects from April 2018 onwards. Returns are also being filed as and when payments are made. Dues as at the Insolvency Commencement Date i.e., March 23, 2018 will be taken care of in the Resolution Plan.
j) Regarding the matter stated in para (a) to (i) above and otherwise internal controls need 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.



- 7 a) During the Financial year, one of the Company's clients have to undergo Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (IBC). The Company preferred its claim as per the prescribed procedure under CIRP. However, the said claim being of an operational creditor, it stands in a lower priority amongst the creditors. The Company has given effect of these unfavourable developments in its Profit and Loss Accounts for this year by making a provision/write off against doubtful advances to the tune of Rs. 7,523.20 lacs (out of which Rs. 6,256 lacs was provided in December quarters and the balance Rs. 1,267 lacs provided in the current quarter) and the same is reflecting under 'Other Expenses'.
- b) Further, during the year, considering some elements of uncertainty, on a conservative basis, receivables, unbilled revenue, advance to vendors and security deposits amounting to Rs. 2,282.65 lacs, Rs. 8024.85 lacs (out of which Rs. 996.74 lacs was provided in December quarter), Rs. 214.87 lacs and Rs. 46.11 lacs respectively have been written off/ provided for and the same is reflecting under 'Other Expenses'. Trade payables amounting to Rs. 193.97 lacs has been written back in respect of certain closed projects/sites.
- c) The Company has made claims on some of its clients over and above the contracted value amounting to Rs. 1,05,561 lacs towards extra costs incurred because of change in scope of work, extended stay by the project team at the site attributable to the clients, extra costs incurred because of change in law etc. Corresponding costs relating to the claims have been absorbed by the company during the year or previous years. These claims will be accounted for as income in the year in which it is settled by the clients.
- 8 (a) The reconciliation of profit/(loss) after tax and Equity as previously reported on account of transition from previous Indian GAAP to Ind- AS for the quarter and year ended March 31, 2017 are as under:

Particulars	(Rs. In Lacs)		
	Quarter ended March 31, 2017	Twelve months ended March 31, 2017	Equity - March 31, 2017
Profit / (Loss) after tax reported under previous GAAP	(882.40)	(1,352.15)	15,225.35
impact due to fair valuation of Property, plant and Equipment	(29.71)	(118.83)	5,197.04
Fair valuation of security deposits	(0.51)	0.28	(2.69)
Fair valuation of term loans by amortized cost method using effective interest rate	(0.63)	(2.50)	5.00
Deferred tax on Ind AS adjustments	(165.70)	42.46	(1,649.99)
Net Comprehensive income as per Ind AS	(1,078.95)	(1,430.74)	18,774.71

- (b) During the quarter the Company has considered fair value for Property, Plant and Equipment (PPE) situated in India and the impact of Rs. 5,315.87 lacs, in line with option allowed of Ind AS 101 with resulted impact being accounted for in the reserves. Further, on re-assessment of lives of assets (as assessed and estimated by the management and a technical valuer), depreciation reflected in the statement of Profit and Loss is higher by Rs. 29.71 lacs for three months ended March 31, 2018 and Rs. 118.83 lacs for the year ended March 31, 2018 and to that extent profit for the current quarter and year is lower.
- 9 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 stated in note no. 36 of the financial statements for the year ended 31st March 2018. During the financial year 2017-18 majority of banks have classified the accounts as Non Performing Assets (NPA) and some banks have given loan recall notice for the outstanding loan amount.
- 10 Subsequent to the Balance sheet date, one of the customers has encashed a Performance bank guarantee of Rs. 900 Lacs and Advance bank guarantee of Rs. 894.92 Lacs. The company's management/ IRP are in the process of discussion with the customer and also initiated the proceeding through NCLT to recover the Performance Bank Guarantee amount which in the opinion of the Company has been wrongly encashed. The Company's management/ IRP is confident of favourable order from NCLT in the said Performance Guarantee claim. In view of stated facts above, no adjustment has been carried out in the financial statements
- 11 During the year 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 has resigned w.e.f. February 14, 2018. However, prior approval of secured creditors 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. As per the Company's management/ IRP post facto approval will be taken in the ensuing meeting of Committee of Creditors.
- 12 During the current year as per the past practice, the Company has revised the estimated revenue, cost and project related provisions on account of prolongation of the contracts' tenure as per the requirement of the clients owing to uncertainty surrounding completion of the projects which were due to reasons beyond the Company's control. This is being done in line with the general business practice followed in the industry, however additional steps have been initiated for fair estimation of revenue and project related provisions. Accordingly, adjustments on this account and/also on cost reassessment done during the year has been charged/carried out to the Statement of Profit / Loss. (read with note no. 6 (d))
- 13 The previous period figures have been regrouped/rearranged / recast to make them comparable with that of current period wherever necessary.

Mumbai, 2nd June, 2018



For Petron Engineering Construction Limited
Himanshu Mohapatra
Chief Financial Officer

Rajeev Mannadair
Interim Resolution Professional



Petron Engineering Construction Limited

Statement of Assets and Liabilities

Rupees in Lacs

Particulars	As at 31.03.2018	As at 31.03.2017
	Audited	Audited
ASSETS		
(1) Non-current Assets		
(a) Property, plant and equipment	10,428	11,254
(b) Capital work-in-progress	-	16
(c) Other Intangible Assets	1	4
(d) Financial Assets		
i) Trade receivables	2,502	3,045
ii) Loans	65	52
iii) Other Financial Assets	5	6,263
(e) Deferred tax assets(Net)	5,991	-
(f) Other non-current assets	3,162	3,653
	22,154	24,287
(2) Current Assets		
(a) Inventories	-	3
(b) Financial Assets		
i) Trade receivables	8,171	8,420
ii) Cash and cash equivalents	528	726
iii) Other Bank Balances other than (ii) above	1,167	1,583
iv) Loans	25	93
v) Other Financial Assets	3,635	22,634
(c) Other current assets	1,421	1,760
	14,947	35,219
TOTAL ASSETS	37,101	59,506
EQUITY AND LIABILITIES		
(1) Equity		
(a) Equity Share Capital	754	754
(b) Other Equity	686	18,021
	1,440	18,775
LIABILITIES		
(2) Non-current liabilities		
(a) Financial Liabilities		
i) Borrowings	2,011	2,000
ii) Other Financial Liabilities	61	382
(b) Deferred Tax Liabilities (Net)	-	1,172
(c) Provisions	92	100
	2,164	3,654
(3) Current Liabilities		
(a) Financial Liabilities		
i) Borrowings	12,220	8,527
ii) Trade payables	10,717	12,879
iii) Other Financial Liabilities	5,244	5,094
(b) Other current liabilities	5,230	10,466
(c) Provisions	86	111
	33,497	37,077
TOTAL EQUITY AND LIABILITIES	37,101	59,506



Auditor's Report on Quarterly and Year to Date Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**To****The Interim Resolution Professional
Petron Engineering Construction Limited**

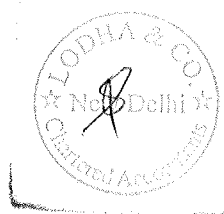
1. We have audited the accompanying statement of quarterly financial results of Petron Engineering Construction Limited ("the Company") for the quarter and the year ended March 31, 2018, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The quarterly financial results are the derived figures between the audited figures in respect of the year ended March 31, 2018 and the published year-to-date figures up to December 31, 2017, being the date of the end of the third quarter of the current financial year, which were subject to limited review. The financial results for the quarter and year to date ended March 31, 2018 have been prepared on the basis of the financial results for the nine month period ended December 31, 2017, the audited annual financial statements as at and for the year ended March 31, 2018, and the relevant requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and are the responsibility of the Company's management and have been approved by the Interim Resolution Professional (IRP) of the Company. Our responsibility is to express an opinion based on our audit of such financial statements which have been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard, Interim Financial Reporting (Ind AS 34), prescribed under the Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India; our audit of the annual financial statements as at and for the year ended March 31, 2018; and the relevant requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
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(s). 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 for Qualified Opinion**
Attention is drawn to:



- i) Note no. 6(a) of the accompanying statement of audited financial results in respect of certain suspended / delayed contracts, as of March 31, 2018, trade receivable of Rs. 330.76 lacs (net of mobilization advance and provisions of Rs. 3.34 lacs) (trade receivable as of December 31, 2017 and March 31, 2017 of Rs. 1,693 lacs and Rs. 1,749 lacs, respectively, net of mobilization advance and provisions of Rs. 2,934 lacs each as at December 31, 2017 and March 31, 2017) are doubtful of recovery and the balances of trade receivables are pending for confirmation/ negotiation. We are unable to comment about the status of amount receivables / payables on the reported loss for the quarter and year ended 31st March 2018 and its corresponding impact on assets / liabilities as at that date.

This matter was also qualified in our Limited Review report for the quarter and year ended 31st March 2017 and quarter and nine months ended 31st December 2017.

- ii) As stated in Note no. 6(c) of the accompanying statement of audited financial results regarding various claims submitted by the financial creditors, operational creditors, other creditors and employees of the Company to the Interim Resolution Professional pursuant to the Insolvency and Bankruptcy Code, 2016 are currently under consideration/ verification/ reconciliation. Pending completion of exercise of verification / reconciliation and admission of such claims by IRP, we are unable to comment on the consequential impact, if any, on the financial statement.
- iii) As stated in Note no. 6(d) of the accompanying statement of audited financial results regarding balances of secured loans, unsecured loans, trade receivable, unbilled revenue, trade payables (including MSME), other liabilities (including statutory dues and returns), and certain bank balances and loan & advances (including from related parties) are subject to confirmation/ reconciliation. As majority of accounts/balances are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact on profit/loss and assets/ liabilities as at that date.
- iv) As stated in Note no. 6(e) of the accompanying statement of audited financial results regarding Certain expenses / 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 /reconciliation. Further, in respect of certain sites, the Company is in process of compiling / reconciling the records with respect to employees/labour/ vendors. In view of liquidity constraints remuneration/salary to staff could not paid on due dates and most of the staff have left service of the Company from some of the sites. The Company is in process of compiling data/records/information and confident that there would not be any material impact on final compilation of data / records, where we are unable to comment on the same and its corresponding impact on profit/loss.
- v) As stated in Note no. 6(f) of the accompanying statement of audited financial results regarding Deferred tax assets (net) as on 31st March 2018 of Rs. 5,991.31 lacs for the reasons that the

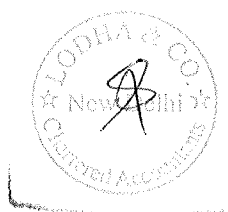


Company is in CIRP the management expects revival and it is of the view that sufficient future taxable income will be available against which the recognised deferred tax asset (net) can be realized and our inability to comment thereon.

- vi) As stated in Note no. 6(g) of the accompanying statement of audited financial results regarding physical verification of Property, Plant and Equipment (PPE) could not be conducted and presently is in process and reconciliation with book records will be done on completion of physical verification and sale of PPE in exigency, where we are unable to comment on the same.
- vii) As stated in 6(h) of the accompanying statement of audited financial results regarding non availability of secretarial records, forms and our inability to comment on related party transactions, compliances of appointment and resignation of Directors, compliances w.r.t. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Corporate Governance and other related regulations.
- viii) As stated in Note no. 6(i) of the accompanying statement of audited financial results regarding certain statutory dues (including GST/Service Tax/ VAT/ PF/ EST/ Labour cess/ TDS, etc.) could not be paid on due dates due to cash flow issues and there are delays in filing of certain statutory returns with the respective authorities. Delayed payment charges (including penalties amount unascertainable), will be accounted for as and when settled / paid. Necessary steps have been initiated for filing/ revision of returns. Presently due tax have been accounted for on best estimated basis as the reconciliation between the books and returns filed are in process, where we are unable to comment in respect of loss for the quarter and year ended March 31, 2018. Company needs to further strengthen internal control system in this regard.
This matter was also qualified in our Limited Review report for the quarter and year ended 31st March 2017 and quarter and nine months ended 31st December 2017.
- ix) In view of our comments under this para includes i) to viii) and otherwise and state of affairs of the Company, the Company has an internal control system which needs to be further strengthened to be made the same commensurate with the size of the Company and nature of its business.

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 observations reported in para 3 above, these quarterly financial results as well as year to date results:
 - (i) have been presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and SEBI circular CIR/CFD/FAC/62/2016 dated July 5, 2016 in this regard; and



- (ii) give a true and fair view of the net loss including other comprehensive income and other financial information for the quarter ended March 31, 2018 as well as the year to date results for the year ended March 31, 2018.

5. Emphasis of matter

We draw attention to the followings:

- i) As stated in Note no. 11 of the accompanying statement of audited financial results regarding pending necessary approvals of the secured creditors for the payment of managerial remuneration to the Managing Director (ceased w.e.f. February 14, 2018).
- ii) As stated in Note no. 12 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.

Our opinion is not modified in respect of these matters.

6. Material uncertainty related to Going Concern

As stated in Note no. 6(b) 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 continuous losses; current liabilities are in excess of current assets; Company is under Corporate Insolvency Resolution Process; and default in making payments towards installments and obligations towards payment of 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.

For Lodha & Co,
Chartered Accountants
Firm Registration No. 301051E


(Gaurav Lodha)
Partner
Membership No. 507462

Place: Mumbai
Date: 2nd June 2018



STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS

I	S.No.	Particulars	(Rs. in Lacs)	
			Audited Figure (As reported before adjusting for qualifications)	Audited Figure (As reported After adjusting for qualifications)*
	1.	Turnover/Total Income	24,312	24,312
	2	Total Expenditure (including tax expenses)	41,625	41,956
	3	Net Profit/(Loss) before other comprehensive income	(17,313)	(17,644)
	4	Earnings Per Share (in Rs.)	(229.67)	(234.05)
	5	Total Assets	37,101	36,770
	6	Total Liabilities	35,661	35,661
	7	Net Worth	1,440	1,109
	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. 6(a) of the accompanying statement of audited financial results in respect of certain suspended / delayed contracts, as of March 31, 2018, trade receivable of Rs. 330.76 lacs (net of mobilization advance and provisions of Rs. 3.34 lacs) (trade receivable as of December 31, 2017 and March 31, 2017 of Rs. 1,693 lacs and Rs. 1,749 lacs, respectively, net of mobilization advance and provisions of Rs. 2,934 lacs each as at December 31, 2017 and March 31, 2017) are doubtful of recovery and the balances of trade receivables are pending for confirmation/ negotiation. We are unable to	



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			comment about the status of amount receivables / payables on the reported loss for the quarter and year ended 31st March 2018 and its corresponding impact on assets / liabilities as at that date. ii) As stated in Note no. 6(b) 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 continuous losses; current liabilities are in excess of current assets; Company is under Corporate Insolvency Resolution Process; and default in making payments towards installments and obligations towards payment of 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. iii) As stated in Note no. 6(c) of the accompanying statement of audited financial results regarding various claims submitted by the financial creditors, operational creditors, other creditors and employees of the Company to the Interim Resolution Professional pursuant to the Insolvency and Bankruptcy Code, 2016 are currently under consideration/ verification/ reconciliation. Pending completion of exercise of verification / reconciliation and admission of such claims by IRP, we are unable to comment on the consequential impact, if any, on the financial statement. iv) As stated in Note no. 6(d) of the accompanying statement of audited financial results regarding balances of secured loans, unsecured loans, trade receivable, unbilled revenue, trade payables
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			(including MSME), other liabilities (including statutory dues and returns), and certain bank balances and loan & advances (including from related parties) are subject to confirmation/reconciliation. As majority of accounts/balances are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact on profit/loss and assets/liabilities as at that date. v) As stated in Note no. 6(e) of the accompanying statement of audited financial results regarding Certain expenses / 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 /reconciliation. Further, in respect of certain sites, the Company is in process of compiling / reconciling the records with respect to employees/labour/ vendors. In view of liquidity constraints remuneration/salary to staff could not paid on due dates and most of the staff have left service of the Company from some of the sites. The Company is in process of compiling data/records/information and confident that there would not be any material impact on final compilation of data / records, where we are unable to comment on the same and its corresponding impact on profit/loss. vi) As stated in Note no. 6(f) of the accompanying statement of audited financial results regarding Deferred tax assets (net) as on 31st March 2018 of Rs. 5,991.31 lacs for the reasons that the Company is
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			in CIRP the management expects revival and it is of the view that sufficient future taxable income will be available against which the recognised deferred tax asset (net) can be realized and our inability to comment thereon. vii) As stated in Note no. 6(g) of the accompanying statement of audited financial results regarding physical verification of Property, Plant and Equipment (PPE) could not be conducted and presently is in process and reconciliation with book records will be done on completion of physical verification and sale of PPE in exigency, where we are unable to comment on the same. viii) As stated in 6(h) of the accompanying statement of audited financial results regarding non availability of secretarial records, forms and our inability to comment on related party transactions, compliances of appointment and resignation of Directors, compliances w.r.t. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Corporate Governance and other related regulations. ix) As stated in Note no. 6(i) of the accompanying statement of audited financial results regarding certain statutory dues (including GST/Service Tax/VAT/ PF/ EST/ Labour cess/ TDS, etc.) could not be paid on due dates due to cash flow issues and there are delays in filing of certain statutory returns with the respective authorities. Delayed payment charges (including penalties amount unascertainable), will be accounted for as and when settled / paid. Necessary steps have been initiated for filing/ revision of returns. Presently due tax have been accounted for on best estimated basis as the reconciliation between
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			the books and returns filed are in process, where we are unable to comment in respect of loss for the quarter and year ended March 31, 2018. Company needs to further strengthen internal control system in this regard. x) In view of our comments under this para includes i) to ix) and otherwise and state of affairs of the Company, the Company has an internal control system which needs to be further strengthened to be made the same commensurate with the size of the Company and nature of its business.
	b.	Type of Audit Qualification	Qualified Opinion
	c.	Frequency of Qualification	i) Qualification (i) – 6th year of observation ii) Qualification (ii) – 1st year of observation iii) Qualification (iii)- 1st year of observation iv) Qualification (iv)- 1st year of observation v) Qualification (v)- 1st year of observation vi) Qualification (vi)- 1st year of observation vii) Qualification (vii)- 1st year of observation viii) Qualification (viii) – 1st year of observation ix) Qualification (ix) – 2nd year of observation x) Qualification (x) – 1st year of observation
	d.	Management Views for audit qualifications where the impact is quantified	i) Qualification (i)- The Company is making various efforts to recover the outstanding Trade receivable and is hopeful of recovery.
	e.	Management Views for audit qualifications where the impact is not quantified	i.) Qualification (ii) – 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

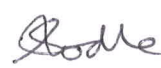


			accounts on a going concern basis. ii.) Qualification (iii) - The Company is in the process of reconciling the accounts with the parties concerned. Accounting effect, if any, to the same would be made after completing the reconciliation with the said creditors. iii.) Qualification (iv) - Because of the 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 a 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. iv.) Qualification (v) - 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. The Company do not expect any material impact. v.) Qualification (vi) - Based on the indications available, the Company believes there will be a Resolution Plan which would be acceptable to CoC as well as NCLT. Thus, it is expected that the Company would be in a position to avail set-off of tax losses against expected profit in the future years. vi.) Qualification (vii) - The Company's Property, Plants and Equipment (PPE) are scattered all over India for its use. Security arrangements are also provided for safeguarding these assets. As a part of the CIRP process, agencies are being appointed to physically verify the assets. vii.) Qualification (viii) - As all the directors have resigned new directors can be appointed only by the shareholders at the next AGM/EGM. Since all the Directors have resigned, the Minute Book in respect of the last Board meeting could not be placed for Signature. However, these Minutes have been prepared by the Company Secretary and are available with the Secretarial Department. viii.) Qualification (ix) - Due to liquidity constraints the
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				Company could not pay some of the statutory dues. However, these are being paid on priority, depending upon the cash flow available from the projects from April 2018 onwards. Returns are also being filed as and when payments are made. Dues as at the Insolvency Commencement Date i.e., March 23, 2018 will be taken care of in the Resolution Plan. ix.) Qualification (x) - The Company has an internal control system in existence and is in the process of further strengthening the same.
		(i) Management estimation on the impact of audit qualification	None	
		(ii) Auditor's Comment on (i)	None	

Emphasis of Matter: Refer Annexure 'A' (attached)

III	To be signed by:	
1	Chief Financial Officer	 Himanshu Mohapatra Chief Financial Officer (CFO) Petron Engineering Construction Limited
2	Interim Resolution Professional	 Rajeev Mannadiar Interim Resolution Professional Petron Engineering Construction Limited
3	Auditor of the Company	 Gaurav Lodha (Partner) M. No. 507462 M/s Lodha & Co. Chartered Accountants (FRN: 301051E) 

Date: 2nd June 2018

Place Mumbai



Petron Engineering Construction Limited
(Financial year ended 31st March 2018)

ANNEXURE 'A'

Emphasis of matter

We draw attention to the followings:

We draw attention to the followings:

- i) As stated in Note no. 11 of the accompanying statement of audited financial results regarding pending necessary approvals of the secured creditors for the payment of managerial remuneration to the Managing Director (ceased w.e.f. February 14, 2018).
- ii) As stated in Note no. 12 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.

Our opinion is not modified in respect of these matters

Management Comments:

On matter referred in (i) above: As per the Company's management/ IRP post facto approval will be taken in the ensuing meeting of Committee of Creditors.

On matter referred in (ii) above: The management is in process of establishing effective implementation with the help of past experience, internal and outside consultants. However, internal controls are exercised departmentally adopting standard procedures in line with the industry. Hence, the Company is reasonably confident about fair and complete disclosures.

