Petron Engineering Construction Limited

PECL/BSE-NSE-OBM/2017-18

July 24, 2017

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 Compled, Bandra East
Mumbai – 400051

Sub.: Outcome of the Board Meeting – Financial Result for quarter & year ended March 31, 2017

Dear Sir,

This is to inform you that the Board of Directors at its meeting held today Monday, July 24, 2017, *inter alia,* considered and approved the following:

(1) Audited Financial Result for the quarter and year ended on March 31, 2017
(2) Auditors Report of the Statutory Auditors of the Company on the Audited Financial Results for the quarter and year ended on March 31, 2017

We enclose herewith Audited Financial Results for the quarter & year ended March 31, 2017 and a copy of the Auditor's Report dated July 24, 2017 along with Statement on Impact of Audit Qualification for audit report with modified opinion in prescribed format of the aforesaid Financial Results issued by M/s. Lodha & Co., Chartered Accountants, being the independent auditors of the Company.

The meeting commenced at 3:00 pm and concluded at 10:00pm.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For Petron Engineering Construction Limited

Ajay Hans
Managing Director
(DIN: 03068249)

Encl.: As above

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 RESULTS FOR THE QUARTER AND YEAR ENDED 31ST MARCH, 2017

Rupees in Lacs

	Particulars	Quarter Ended			Year Ended	
		31st March 2017	*31st December 2016*	*31st March 2016*	*31st March 2017*	*31st March 2016*
		(Audited)	*(Unaudited)*	*(Audited)*	*(Audited)*	*(Audited)*
1	**Income from Operations**					
	(a) Net Sales/Income from Operations (net of service tax, sales tax & excise duty)	8,032	9,460	10,216	34,414	42,155
	(b) Other Operating Income	17	4	6	41	36
	Total Income Operations (Net)	**8,049**	**9,464**	**10,222**	**34,455**	**42,191**
2	Other Income	24	160	211	310	682
3	**Total Revenue (1+2)**	**8,073**	**9,624**	**10,433**	**34,765**	**42,873**
4	**Expenditure**					
	(a) Cost of Materials Consumed	1,934	1,676	3,566	7,425	12,593
	(b) Purchase of trading goods	648	723	-	2,413	-
	(b) Changes in Project inventories	-	-	1	1	69
	(c) Sub-contracting expenses	2,843	3,526	3,286	11,451	13,258
	(d) Employees Benefits Expense	1,593	2,106	1,585	7,384	7,911
	(e) Finance Cost	237	546	573	1,894	2,459
	(f) Depreciation and Amortisation Expense	184	169	168	699	728
	(g) Other expenditure	1,943	1,066	1,241	5,423	5,338
	Total	**9,382**	**9,813**	**10,420**	**36,690**	**42,356**
5	**Profit/(Loss) before exceptional item and tax**	**(1,309)**	**(189)**	**13**	**(1,925)**	**517**
6	Exceptional items Gain / (Loss)	-	-	-	-	-
7	**Profit/(loss) before tax**	**(1,309)**	**(189)**	**13**	**(1,925)**	**517**
11	Tax Expenses	(426)	(5)	(37)	(573)	81
14	**Net Profit/ (Loss) for the period**	**(883)**	**(184)**	**50**	**(1,352)**	**436**
15	Paid-up equity share capital (Face Value: Rs.10/- per equity share)	754	754	754	754	754
16	Reserve excluding Revalution Reserve	-	-	-	13,915	15,267
17	Earnings per Share (EPS) (of Rs 10/- each) (not annualised)					
	(a) Basic and diluted EPS before Extraordinary items	(11.71)	(2.44)	0.67	(17.94)	5.79
	(b) Basic and diluted EPS after Extraordinary items	(11.71)	(2.44)	0.67	(17.94)	5.79

LODHA & CO. New Delhi Chartered Accountants

PETRON ENGINEERING CONSTRUCTION LTD. CHEMBUR MUMBAI

Petron Engineering Construction Limited

Statement of Assets and Liabilities

Rupees in Lacs

Particulars	As at 31st March 2017 (Audited)	As at 31st March 2016 (Audited)
A EQUITY AND LIABILITES		
1 Shareholders' funds		
(a) Share Capital	754	754
(b) Reserves and surplus	14,472	15,824
Sub-total- Shareholders' funds	**15,226**	**16,578**
2 Non-current liabilities		
(a) Long-term borrowings	2,000	650
(b) Deferred tax liabilities (net)	-	152
(c) Other long-term liabilities	382	1,219
(d) Long-term provisions	100	115
Sub-total- Non-current liabilities	**2,482**	**2,136**
3 Current liabilities		
(a) Short-term borrowings	8,527	11,083
(b) Trade Payable	12,879	13,518
(c) Other Current liabilities	15,566	19,138
(d) Short term provisions	111	143
Sub-total Current liabilities	**37,083**	**43,882**
TOTAL - EQUITY AND LIABILITIES	**54,791**	**62,596**
B ASSETS		
1 Non-current assets		
(a) Fixed assets	6,077	6,635
(b) Deferred tax asset (net)	478	-
(c) Long-term loans and advances	3,717	4,343
(d) Trade receivables	3,045	2,085
(e) Other non-current assets	6,263	2,571
Sub-total- Non-current assets	**19,580**	**15,634**
2 Current assets		
(a) Inventories	3	57
(b) Trade receivables	8,421	14,361
(c) Cash and cash equivalents	2,312	1,807
(d) Short-term loans and advances	1,812	3,626
(e) Other current assets	22,663	27,111
Sub-total- Current assets	**35,211**	**46,962**
TOTAL - ASSETS	**54,791**	**62,596**

PETRON ENGINEERING CONSTN. LTD. CHEMBUR MUMBAI-71

LODHA & CO. New Delhi Chartered Accountants

Notes:

1 The above financial results have been reviewed by the Audit Committee and then approved by the Board of Directors at their respective meetings held on 24th July, 2017 and also Statutory Auditors have carried out audit of the same.

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

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

4 The Auditors have commented on,

Auditors' Qualification	Company's Response
(a)In respect of certain suspended / delayed contracts, as at 31stMarch 2017, trade receivable of Rs. 1,748 lacs (net of mobilization advance and provisions of Rs. 2,934 lacs) (as at 31st December 2016, trade receivables of Rs. 1,775 lacs, net of mobilization advance and provisions of Rs. 2,934 lacs) (as at 31st March 2016 Rs. 1,923 lacs, net of mobilization advance and provisions of Rs. 2,934 lacs) and unbilled revenue of Rs.6,256 lacs (Rs. 6,256 lacs as at 31st December, 2016 and 31st March, 2016) are doubtful of recovery and the balances of trade receivables and trade payables are pending for confirmation/ negotiation. Further, the trade payables amounting to Rs. 815 lacs (Rs. 815 lacs as at 31st December 2016 and Rs. 819 lacs as at 31st March 2016 lacs) and other trade receivables in respect of above mentioned contracts are also subject to final negotiation/ confirmation. We are unable to comment about the status of amount receivables / payables on the reported loss for the three months/ year ended on 31stMarch 2017 and its corresponding impact on assets / liabilities as at that date. This matter was also qualified in our report on the financial results for the quarter/year ended 31st March 2016 and in our Limited Review report for quarter/ nine months period ended 31st December 2016.	The matter mainly relates to a mega project (the largest private investment in the region) – which is nearly 60% complete, which had hit a roadblock because of the cost escalation, natural disaster and financial constraints at the client's end. The client has confirmed that they are in discussions with various prospective investors for financial support to restart the project. Considering the developments, it is expected that the project will restart in near future. Apart from the above, the same has also been reaffirmed by the top executives of the said customer. As commented by the auditors in their report, on the realization of trade receivables and unbilled revenue of the said project, the management hereby informs that the amount outstanding in the form of trade receivables is pending negotiations with client and the unbilled revenues are in the form of unfinished works and inventories, most of which are marketable, if required. The management is of the view that recovery will be made upon restart of the project. In respect of trade receivables and unbilled revenue of other contracts, the company is negotiating with the clients and is confident of realisation of those receivables. Further, the accounts payables are subject to the reconciliation of the work performed at the said project and can be accurately ascertained after re-negotiation upon restart of the project or otherwise, as the case may be.
(b) Rs. 2,922 lacs of revenue recognized till 31st march 2017, FY 2016-17 Rs.Nil (till 31st March 2016 Rs. 2,922 lacs), on account of cost overruns / claim on certain contracts, which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts' and consequently balance in retained earnings and unbilled revenue balance as at 31st March 2017 is higher by Rs. 2,922 lacs (as at 31st December 2016 by Rs. 2,953 lacs and as at 31st March 2016 Rs. 2,922 lacs). This matter was also qualified in our report on the financial results for the quarter/year ended 31st March 2016 and in our Limited Review report for quarter/ nine months period ended 31st December 2016.	There are contractual provisions in some of the contracts for claims against extended stay at pre-determined rates per month as specified in the respective contracts. Accordingly the Company has lodged claims for the extended stay. Further, during execution of works, some of the specifications, scope and methodology of execution have undergone changes for which change order requests have been submitted with the respective clients. The Company is negotiating with the Clients and is confident of realisation of those claims.
(C). There are delays in payment of statutory dues and non/delay in filing of certain statutory returns and auditors are unbale to comment on impact on the loss for quarter / year. Company needs to further strenghten internal control system in this regard.	Certain statutory dues could not be paid on due dates due to cash flow issues, however, majority of such dues have since been paid along-with interest. Delayed payment charges (penalties), if any, will be accounted for as and when settled/paid. Necessary steps have been initiated for filing / revision of returns. The Company is in the process of strengthening internal control systems.

5 Other expenses for the quarter / year include receivables / unbilled amount written off / provided for Rs. 855 lacs / Rs.1398 lacs in respect of closed projects.

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

LODHA & CO. * Chartered Accountants * New Delhi

For Petron Engineering Construction Limited

PETRON ENGINEERING CONSTN. LTD. * CHEMBUR MUMBAI-71

Ajay Hans
Managing Director
DIN 03068249

Mumbai, 24th July, 2017

LODHA
& CO
Chartered Accountants

12, Bhagat Singh Marg, New Delhi - 110 001, India
Telephone : 91 11 23710176 / 23710177 / 23364671 / 2414
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E-mail : delhi@lodhaco.com

Independent Auditor's Report on Quarterly Financial Results and Year Ended Results of Petron Engineering Construction Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To
The Board of Directors,
Petron Engineering Construction Limited

1. We have audited the quarterly financial results of **Petron Engineering Construction Limited(" the Company")** for the quarter ended 31st March, 2017 and for the year ended 31st March, 2017 , 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 figures for the quarter ended 31st March 2017 as reported in these financial results, which are balancing figures between audited figures in respect of full financial year and the published year to date figures up to the end of the third quarter of the financial year. Also, the figures up to the third quarter has only been reviewed and not subjected to audit. The financial results for the quarter and year to date ended March 31st, 2017 have been prepared on the basis of the financial results for the nine-month period ended December 31st, 2016, the audited annual financial statements as at and for the year ended March 31st, 2017, 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 Board of Directors of the Company. Our responsibility is to express an opinion on these financial results based on our review of the financial results for the nine-month period ended December 31st, 2016 which was prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25 "Interim Financial Reporting", Interim Financial Reporting, specified 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 31st, 2017; 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. 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.

LODHA & CO. New Delhi Chartered Accountants

3. Basis for qualified opinion

Attention is drawn to:

i) Note no. 4(a) of the accompanying audited statement of financial results in respect of certain suspended / delayed contracts, as at 31stMarch 2017, trade receivable of Rs.1,749 lacs(net of mobilization advance and provisions of Rs. 2,934 lacs) (as at 31stDecember 2016, trade receivables of Rs. 1,775 lacs, net of mobilization advance and provisions of Rs. 2,934 lacs) (as at 31st March 16 Rs. 1,923 lacs, net of mobilization advance and provisions of Rs. 2,934 lacs) and unbilled revenue of Rs. 6,256 lacs (Rs. 6,256 lacs as at 31st December 2016 and 31st March 2016) are doubtful of recovery and the balances of trade receivables and trade payablesare pending for confirmation/ negotiation. Further, the trade payables amounting to Rs. 815 lacs (Rs. 815 lacs as at 31st December 2016and Rs. 819 lacs at 31st March 2016) and other trade receivables in respect of above mentioned contracts are also subject to final negotiation/ confirmation. We are unable to comment about the status of amount receivables / payables on the reported loss for the three months/ year ended on 31stMarch 2017 and its corresponding impact on assets / liabilities as at that date.

This matter was also qualified in our report on the financial results for the quarter/year ended 31st March 2016 and in our Limited Review report for quarter/ nine months period ended 31st December 2016.

ii) As stated in Note no. 4 (b) Rs. 2,922 lacs of revenue recognized till 31st March 2017 (amount for quarter/year NIL and till 31st March 2016 Rs. 2,922 lacs), on account of cost overruns / claim on certain contracts, which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts' and consequently balance in retained earnings and unbilled revenue balance as at 31stMarch 2017 is higher by Rs. 2,922 lacs (as at 31st December 2016 byRs. 2,953 lacs and as at 31st March 2016 Rs. 2,922 lacs).

This matter was also qualified in our report on the financial results for the quarter/year ended 31st March 2016 and in our Limited Review report for quarter/ nine months period ended 31st December 2016.

iii) As stated in Note No. 4(c)regarding delays in payment of certain statutory dues and non/delay in filing of certain statutory returnswhere we are unable to comment in respect on the loss for the quarter / year.Company needs to further strengthen internal control system in this regard.



4. **Emphasis of matter**

We draw attention to the followings:

i) Regarding pending confirmation /reconciliation of balances of certain trade receivable, unbilled revenue, other liabilities (including statutory dues and returns) and loan & advances as at 31st March 2017, where the management is confident that there will not be any material impact on confirmation /reconciliation on loss for the quarter/ year period ended 31st March 2017.

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

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

5. 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 are presented in accordance with the requirements of Regulation 33 of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 andgive true & fair view of the loss and other financial information for the quarter ended 31st March, 2017 as well as the financial results for the year ended 31st March, 2017.

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

LODHA & CO. New Delhi Chartered Accountants

N.K.Lodha
Partner
Membership No. 85155

Place: Mumbai
Date: 24, July,2017

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	34,765	34,765
	2	Total Expenditure (including tax expenses)	36,117	36,117
	3	Net Profit/(Loss)	-1,352	-1,352
	4	Earning Per Share (in Rs.)	-17.94	-17.94
	5	Total Assets	54,790	43,863
	6	Total Liabilities	39,565	39,565
	7	Net Worth	15,225	4,298
	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.	
	* all adjustments are without tax effect. ** Impact of only current year qualification has been given (read with footnote given below). *** Opening qualification has been adjusted with Net worth.			
II	Audit Qualifications :			
	a.	Detail of Audit Qualifications	Qualification in the Annexure referred to in 'Basis for Qualified Opinion' paragraph of the Auditors' Report dated 27th May, 2016 to the members of Petron Engineering Construction Limited on the accounts for the year ended 24th July, 2017 :-	
			i)	Note no. 4(a) of the accompanying audited statement of financial results in respect of certain suspended / delayed contracts, as at 31st March 2017, trade receivable of Rs. 1,749 lacs (net of mobilization advance and provisions of Rs. 2,934 lacs) (as at 31st December 2016, trade receivables of Rs. 1,775 lacs, net of mobilization advance and provisions of Rs. 2,934 lacs) (as at 31st March 16 Rs. 1,923 lacs, net of mobilization advance and provisions of Rs. 2,934 lacs) and unbilled revenue of Rs. 6,256 lacs (Rs. 6,256 lacs as at 31st December 2016 and 31st March 2016) are doubtful of recovery and the balances of trade receivables and trade payables are pending for confirmation/ negotiation. Further, the trade payables amounting to Rs. 815 lacs (Rs. 815 lacs as at 31st December 2016 and Rs. 819 lacs at 31st March 2016) and other trade receivables in respect of above mentioned contracts are also subject to final negotiation/ confirmation. We are unable to comment about the status of amount

				receivables / payables on the reported loss for the three months/ year ended on 31st March 2017 and its corresponding impact on assets / liabilities as at that date. ii) Note no. 4 (b) Rs. 2,922 lacs of revenue recognized till 31st March 2017 (amount for quarter/year NIL and till 31st March 2016 Rs. 2,922 lacs), on account of cost overruns / claim on certain contracts, which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts' and consequently balance in retained earnings and unbilled revenue balance as at 31st March 2017 is higher by Rs. 2,922 lacs (as at 31st December 2016 by Rs. 2,953 lacs and as at 31st March 2016 Rs. 2,922 lacs). iii) Note No. 4(c) regarding delays in payment of certain statutory dues and non/delay in filing of certain statutory returns where we are unable to comment in respect on the loss for the quarter / year. Company needs to further strengthen internal control system in this regard.
	b.	**Type of Audit Qualification**		Qualified Opinion
	c.	**Frequency of Qualification**		i) Qualification (i)- 5th year of observation ii) Qualification (ii) – 4th year of observation iii) Qualification (iii)- 1st year of observation
	d.	**Management Views for audit qualifications where the impact is quantified**		i) The matter mainly relates to a mega project (the largest private investment in the region) – which is nearly 60% complete, which had hit a roadblock because of the cost escalation, natural disaster and financial constraints at the client's end. The client has confirmed that they are in discussions with various prospective investors for financial support to restart the project. Considering the developments, it is expected that the project will restart in near future. Apart from the above, the same has also been reaffirmed by the top executives of the said customer. As commented by the auditors in their report, on the realization of trade receivables and unbilled revenue of the said project, the management hereby informs that the amount outstanding in the form of trade receivables is pending negotiations with client and the unbilled revenues are in the form of unfinished works and inventories, most of which are marketable, if

				required. The management is of the view that it will recovery will be made upon restart of the project. In respect of trade receivables and unbilled revenue of other contracts, the company is negotiating with the clients and is confident of realisation of those receivables. Further, the accounts payables are subject to the reconciliation of the work performed at the said project and can be accurately ascertained after re-negotiation upon restart of the project or otherwise, as the case may be. ii) There are contractual provisions in some of the contracts for claims against extended stay at pre-determined rates per month as specified in the respective contracts. Accordingly the Company has lodged claims for the extended stay. Further, during execution of works, some of the specifications, scope and methodology of execution have undergone changes for which change order requests have been submitted with the respective clients. The Company is negotiating with the Clients and is confident of realisation of those claims. iii) Certain statutory dues could not be paid on due dates due to cash flow issues, however, majority of such dues have since been paid along-with interest. Delayed payment charges (penalties), if any, will be accounted for as and when settled/paid. Necessary steps have been initiated for filing / revision of returns. The Company is in the process of strengthening internal control systems.
	e.	**Management Views for audit qualifications where the impact is not quantified**		
		(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	**~~CEO~~/Managing Director**	**Ajay Hans**

		Managing Director
2	Chief Financial Officer	Himanshu Mohapatra Chief Financial Officer (CFO)
3	Auditor of the Company	N.K. Lodha (Partner) M.No.85155 M/s Lodha & Co. Chartered Accountants (FRN: 301051E)
4	Audit Committee Chairman	Audit Committee Chairman

Date 24th July 2017

Place Mumbai

ANNEXURE 'A'

Emphasis of matter

We draw attention to the followings:

i) Regarding pending confirmation /reconciliation of balances of certain trade receivable, unbilled revenue, other liabilities (including statutory dues and returns) and loan & advances as at 31st March 2017, where the management is confident that there will not be any material impact on confirmation /reconciliation on loss for the quarter/ year period ended 31st March 2017.

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

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

Management Comments:

On matter referred in (i) above: The Company has a system of balance reconciliation on regular basis. As a practice, the Company sends letters to its vendors and its clients for balance confirmation. Depending upon the response received, the reconciliation is being carried out. On final confirmation / reconciliation of balances as stated there will not be any material impact.

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 disclosure.

PETRON ENGINEERING CONSTN. LTD. CHEMBUR MUMBAI-71