

PECL/LEGAL/BSE-NSE/2019-20

November 13, 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: Unaudited Financial Results for the quarter and half year ended 30th September, 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 Unaudited Financial Results of the Company for the Quarter and Half Year Ended 30th September, 2019 which has been prepared by the Management of the Company.

Please find enclosed herewith the following :

- 1) Unaudited Financial Results for the Quarter and Half Year Ended 30th September, 2019.
- 2) Limited Review Report of the Statutory Auditors of the Company for the Quarter and Half Year Ended 30th September, 2019.

The meeting commenced at 16.00 hrs. and concluded at 18.00 hrs.

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

Petron Engineering Construction Limited

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

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

EXTRACT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER 2019

Particulars	Quarter Ended			Half Year Ended		Rupees in Lacs
	30th September 2019	30th June 2019	30th September 2018	30th September 2019	30th September 2018	Year Ended 31st March 2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Total Income from operations (Net)	1,373	1,894	3,589	3,267	7,334	13,363
Profit/(Loss) from ordinary activities after tax	(160)	(211)	(861)	(371)	(1,945)	(1,588)
Profit/(Loss) from ordinary activities after tax (after Extraordinary items)	(160)	(211)	(861)	(371)	(1,945)	(1,550)
Equity Share Capital	754	754	754	754	754	754
Earnings per Share (EPS) (of Rs 10/- each) (not annualised)						
(a) Basic and diluted EPS	(2.12)	(2.81)	(11.42)	(4.92)	(25.80)	(21.07)



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 Resolution Professional (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 results have been prepared on 'going concern' basis. However, the CIRP period has ended 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 Hon'ble 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 Hon'ble NCLT and is pending for hearing and the next date of hearing is on 16th December 2019.

- 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 above financial results of Petron Engineering Construction Limited for the quarter and half year ended 30th September 2019 have been approved by the RP.
- 4 The Auditors have commented on,

Auditors' Qualification	Company's Response
(a) In respect of certain suspended / delayed contracts, as of 30th September 2019, trade receivable of Rs. 246 lakhs (net of mobilization advance and provisions of Rs. 11 lakhs) (trade receivable of Rs. 246 lakhs, Rs. 246 lakhs and Rs. 255 lakhs, net of mobilization advance and provisions of Rs. 11 lakhs, 11 lakhs and Rs. Nil lakhs respectively as at 30th June 2019, 31st March 2019 and 30th September 2018) are doubtful for recovery and pending for confirmation/ negotiation. We are unable to comment on the impact of the same on the reported loss for the quarter ended six months period ended 30th September 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 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 loss for the quarter and six months period ended 30th September 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 and loans & advances are subject to confirmation/reconciliation (including statutory dues and returns filed thereof), where we are unable to comment on the same and its corresponding impact over reported loss for the quarter and six months period ended 30th September 2019 and related components of financial results as on 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 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. 10,318 lakhs (net of mobilisation advances of Rs. 290 lakhs and excluding of unbilled revenue of Rs. 1,375 lakhs and excluding performance guarantee encashed by the certain parties) (Rs. 9,954 lakhs and Rs. 9,606 lakhs of trade receivables net of mobilisation advances of Rs. 290 lakhs and Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,334 lakhs and Rs. 1,486 lakhs and excluding performance guarantee encashed by the certain parties as on 30th June 2019 and 31st March 2019 respectively) 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 and six months amounting to Rs. Nil and Rs. 2,229 lakhs respectively (Rs. 3,635 lakhs during financial year 2018-19) has not been provided for in the books, where the management is confident about settlement in its favour.	We have initiated arbitration procedure / process in the matter of Bank guarantees (BG) encashed.
f) Regarding finance costs, since the Company is in CIR process no interest liability has been provided for including the loans assigned by the financial lenders to AMIPL {as stated in note no.6(b) above} and for inter corporate deposits taken from related party, by the Company, where we are unable to comment on the same and its corresponding impact over reported loss for the quarter and six months period ended 30th September 2019 and related components of financial results as on that date.	Since the Company is in CIRP period, provision of interest is not made. Considering that the Resolution Professional (RPI) accepts the claims as of CIRP commencement date.
g) Regarding non provisioning against carried over Deferred tax assets as on 30th September 2019 of Rs. 5,991 lakhs 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 of Income Tax Act 1961.
h) Regarding delays in payment of certain statutory dues (including penalties) and non- submission /delay in filing of certain statutory returns (including PF, ESIC, TDS, GST etc.), and pending reconciliation between books and returns filed, where we are unable to comment on the impact of the same on loss for the quarter and six month ended 30th September 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 financial year 2018-19. Consequently, all committees of Directors (including Nomination and Remuneration Committee, Audit Committee etc.) were not present during the previous year and the current quarter and half 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 and non-filing of secretarial/ROC forms (including application for extension of AGM) 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.	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, 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 six month ended 30th September 2019.	The PMD team at respective sites has carried out the verification process. No discrepancy has been found by the said team.
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 projects are on the verge of completion and adequate margins are available to absorb any contingency.
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 adequate internal control system in existence.
m) Regarding preparation of the financial results 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 of 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 unaudited 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 results 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. 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 quarter and six months ended includes Rs. 1,511 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 September 30, 2019. Banks and NBFCs have classified the accounts as Non Performing Assets (NPA) and banks/ NBFCs have given loan recall notice for the outstanding loan amount which were effective on 30th September 2019 (read with note no. 1 above).



- (b) During the year ended 31st March 2019 all the financial lenders for working capital facilities (except one bank) 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. Further, Margin money of Rs. 1421 lakhs (Rs. 1421 lakhs and Rs. 2,904 lakhs as on 30th June 2019 and 31st March 2019 respectively) (Fixed Deposit) deposit by AMIPL in the name of the Company against outstanding bank guarantees accounted under other bank balances, where company is not entitled to receive due interest and accordingly the company has not recognized accrued/due interest income and TDS thereon.
- 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 was not 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 The Government of India on 20th September 2019 vide Taxation Law (Amendment) Ordinance, 2019 ('Ordinance') inserted a new section 115BAA in the Income Tax Act, 1961, which provides an option to the Company for paying Income Tax at reduced rates as per the provisions/ conditions defined in the said section. The Company is in process of evaluating the impact of this Ordinance. Further, 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 The company has adopted Ind AS 116 "Leases" effective from April 1, 2019 as notified by the Ministry of corporate affairs (MCA) and applied the standards to its leases. This has resulted in recognising right of use of lease assets and corresponding lease liabilities. The impact of adoption of Ind AS 116 on the financial result of the company for the quarter and half year ended 30th September 2019 is not material.
- 11 The previous period figures have been regrouped/rearranged / recast to make them comparable with that of current period wherever necessary.

Mumbai, 13th November, 2019



For Petron Engineering Construction Limited

Udayraj Patwardhan
Resolution Professional

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

Petron Engineering Construction Limited

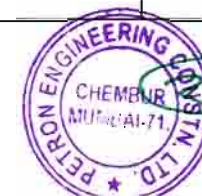
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STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER 2019

Rupees in Lacs

Particulars	Quarter Ended			Half Year Ended		Year Ended
	30th September 2019	30th June 2019	30th September 2018	30th September 2019	30th September 2018	31st March 2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1 Revenue from Operations	1,373	1,894	3,589	3,267	7,334	13,363
2 Other Income	17	17	19	34	33	148
3 Total Revenue (1+2)	1,390	1,911	3,608	3,301	7,367	13,511
4 Expenses						
(a) Cost of Materials Consumed	213	331	569	544	1,388	2,310
(d) Sub-contracting expenses	619	908	1,202	1,527	2,695	5,152
(e) Employee Benefits Expense	261	352	1,059	613	2,176	3,577
(f) Finance Cost	44	32	1,138	76	1,870	1,308
(g) Depreciation and Amortisation Expense	167	168	184	335	364	724
(h) Other expenditure	246	331	317	577	819	1,955
Total Expenses	1,550	2,122	4,469	3,672	9,312	15,026
5 Profit/(Loss) before exceptional item and tax	(160)	(211)	(861)	(371)	(1,945)	(1,515)
6 Exceptional items Gain / (Loss)	-	-	-	-	-	-
7 Profit/(loss) before tax	(160)	(211)	(861)	(371)	(1,945)	(1,515)
8 Tax Expenses						
(a) Current tax	-	-	-	-	-	-
(b) Tax for earlier years (net)	-	-	-	-	-	73
(c) Deferred tax						
9 Profit/ (Loss) for the period	(160)	(211)	(861)	(371)	(1,945)	(1,588)
10 Other comprehensive income (net of tax)	-	-	-	-	-	38
11 Total comprehensive income for the period (comprising profit/(loss) for the period (after tax) and other comprehensive income (after tax))	(160)	(211)	(861)	(371)	(1,945)	(1,550)
12 Paid-up equity share capital (Face Value: Rs.10/- per equity share)	754	754	754	754	754	754
13 Other Equity						(864)
14 Earnings per Share (EPS) (of Rs 10/- each) (not annualised)						
(a) Basic and diluted EPS	(2.12)	(2.81)	(11.42)	(4.92)	(25.80)	(21.07)



Petron Engineering Construction Limited

Statement of Assets and Liabilities

Rupees in Lacs

Particulars	As at 30.09.2019	As at 31.03.2019
	Unaudited	Audited
ASSETS		
(1) Non-current Assets		
(a) Property, plant and equipment	9,368	9,702
(b) Other Intangible Assets	1	0
(c) Financial Assets		
i) Trade receivables	1,979	2,911
ii) Loans	32	37
iii) Other Financial Assets	5,968	3,743
(d) Deferred tax assets(Net)	5,991	5,991
(e) Other non-current assets	1,632	2,198
	24,971	24,582
(2) Current Assets		
(a) Financial Assets		
i) Trade receivables	11,252	9,423
ii) Cash and cash equivalents	125	450
iii) Other Bank Balances other than (ii) above	2,635	3,661
iv) Loans	37	35
v) Other Financial Assets	1,398	1,510
(b) Other current assets	1,900	1,855
	17,347	16,934
TOTAL ASSETS	42,318	41,516
EQUITY AND LIABILITIES		
(1) Equity		
(a) Equity Share Capital	754	754
(b) Other Equity	(1,236)	(864)
	(482)	(110)
LIABILITIES		
(2) Non-current liabilities		
(a) Financial Liabilities		
i) Borrowings	-	-
ii) Other Financial Liabilities	67	85
(b) Provisions	34	42
	101	127
(3) Current Liabilities		
(a) Financial Liabilities		
i) Borrowings	22,566	21,799
ii) Trade payables		
-Micro & Small enterprises	156	167
-Others	10,033	10,328
iii) Other Financial Liabilities	3,904	4,072
(b) Other current liabilities	5,948	5,046
(c) Provisions	92	87
	42,699	41,499
TOTAL EQUITY AND LIABILITIES	42,318	41,516



Petron Engineering Construction Limited

Cash Flow Statement

Particulars	(Rs. in Lacs)	
	For the Half Year ended 30-Sep-19 (Unaudited)	For the year ended 31-Mar-19 (Audited)
A Cash flow from operating activities		
Net profit before tax	(371)	(1,515)
Adjustments for :		
Depreciation and amortization expenses	335	724
Finance cost (net of interest income)	43	1,229
Sundry Balances written back	(0)	(52)
Provision for doubtful debts	-	27
Bad debts/advances written off	-	328
Sales tax & service tax written off	-	236
Remeasurement on defined benefit plans charged to OCI	-	38
(Profit)/loss on sale of assets	-	(3)
Exchange Fluctuation (Gain)/Loss (unrealised) (net)	4	12
Operating profit before working capital changes	10	1,024
(Increase)/decrease in trade receivables, Loans & Other Financial Assets	(3,011)	(3,603)
(Increase)/decrease in Other Assets	326	485
Increase/(decrease) in trade payables and other financial liabilities	(495)	(764)
Increase/(decrease) in provisions & other liabilities	898	(882)
Cash generated from operations	(2,273)	(3,741)
Direct taxes (paid)	195	(265)
Net Cash from operating activities	(2,078)	(4,006)
B Cash flow from Investing Activities		
Purchase of fixed assets	(1)	(4)
Sale of fixed assets	-	10
Interest Received	34	72
Withdrawal of margin money deposits with banks	1,722	445
Investment in margin money deposits with banks	(693)	(2,937)
Net Cash used in investing activities	1,062	(2,415)
C Cash flow from financing activities		
Proceeds of borrowings	767	16,969
Repayment of borrowings	-	(2)
Interest paid (net)	(76)	(1,235)
Increase /(decrease) in cash credit (net)	-	(9,390)
Net cash used in financing activities	691	6,342
Net increase / (decrease) in cash and cash equivalents	(325)	(78)
Cash and cash equivalents as at the beginning of the year	450	528
Effect of exchange differences on cash & cash equivalents held in foreign currency	-	-
Cash and cash equivalents as at the end of the year	125	450
Components of Cash and cash equivalent		
Cash on hand	4	7
Balances with banks:		
On current accounts	121	443
Cash and cash equivalents	125	450



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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 Resolution Professional (RP) during the insolvency resolution proceedings period.

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- 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.
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b) 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 loss for the quarter and six months period ended 30th September 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 and loans & advances are subject to confirmation/reconciliation (including statutory dues and returns filed thereof), where we are unable to comment on the same and its corresponding impact over reported loss for the quarter and six months period ended 30th September 2019 and related components of financial results as on 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 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 reflect mostly the certified invoices by the client concerned.
d) No provision against overdue Trade Receivables outstanding for more than six months amounting to Rs. 10,318 lakhs (net of mobilisation advances of Rs. 290 lakhs and excluding of unbilled revenue of Rs. 1,375 lakhs and excluding performance guarantee encashed by the certain parties) (Rs. 9,954 lakhs and Rs. 9,606 lakhs of trade receivables net of mobilisation advances of Rs. 290 lakhs and Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,334 lakhs and Rs. 1,486 lakhs and excluding performance guarantee encashed by the certain parties as on 30th June 2019 and 31st March 2019 respectively) 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 and six months amounting to Rs. Nil and Rs. 2,229 lakhs respectively (Rs. 3,635 lakhs during financial year 2018-19) has not been provided for in the books, where the management is confident about settlement in its favour.	We have initiated arbitration procedure / process in the matter of Bank guarantees (BG) encashed.
f) Regarding finance costs, since the Company is in CIR process no interest liability has been provided for including the loans assigned by the financial lenders to AMIPL {as stated in note no.6(b) above} and for inter corporate deposits taken from related party, by the Company, where we are unable to comment on the same and its corresponding impact over reported loss for the quarter and six months period ended 30th September 2019 and related components of financial results as on that date.	Since the Company is in CIRP period, provision of interest is not made. Considering that the Resolution Professional (RP) accepts the claims as of CIRP commencement date.
g) Regarding non provisioning against carried over Deferred tax assets as on 30th September 2019 of Rs. 5,991 lakhs 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 of Income Tax Act 1961.
h) Regarding delays in payment of certain statutory dues (including penalties) and non- submission /delay in filing of certain statutory returns (including PF, ESIC, TDS, GST etc.), and pending reconciliation between books and returns filed, where we are unable to comment on the impact of the same on loss for the quarter and six month ended 30th September 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 financial year 2018-19. Consequently, all committees of Directors (including Nomination and Remuneration Committee, Audit Committee etc.) were not present during the previous year and the current quarter and half 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 and non-filing of secretarial/ROC forms (including application for extension of AGM) 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.	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, 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 six month ended 30th September 2019.	The PMD team at respective sites has carried out the verification process. No discrepancy has been found by the said team.
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 projects are on the verge of completion and adequate margins are available to absorb any contingency.
l) Regarding the matter stated in para (a) to (k) 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 adequate internal control system in existence.
m) Regarding preparation of the financial results 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 of 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 unaudited 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 results 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. 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 quarter and six months ended includes Rs. 1,511 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 September 30, 2019. Banks and NBFCs have classified the accounts as Non Performing Assets (NPA) and Banks/ NBFCs have given loan recall notice for the outstanding loan amount which were effective on 30th September 2019 (read with note no. 1 above).



- (b) During the year ended 31st March 2019 all the financial lenders for working capital facilities (except one bank) 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. Further, Margin money of Rs. 1421 lakhs (Rs. 1421 lakhs and Rs. 2,904 lakhs as on 30th June 2019 and 31st March 2019 respectively) (Fixed Deposit) deposit by AMIPL in the name of the Company against outstanding bank guarantees accounted under other bank balances, where company is not entitled to receive due interest and accordingly the company has not recognized accrued/due interest income and TDS thereon.
- 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 was not 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 The Government of India on 20th September 2019 vide Taxation Law (Amendment) Ordinance, 2019 ('Ordinance') inserted a new section 115BAA in the Income Tax Act, 1961, which provides an option to the Company for paying Income Tax at reduced rates as per the provisions/ conditions defined in the said section. The Company is in process of evaluating the impact of this Ordinance. Further, 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 The company has adopted Ind AS 116 "Leases" effective from April 1, 2019 as notified by the Ministry of corporate affairs (MCA) and applied the standards to its leases. This has resulted in recognising right of use of lease assets and corresponding lease liabilities. The impact of adoption of Ind AS 116 on the financial result of the company for the quarter and half year ended 30th September 2019 is not material.
- 11 The previous period figures have been regrouped/rearranged / recast to make them comparable with that of current period wherever necessary.

Mumbai, 13th November, 2019



For Petron Engineering Construction Limited

Udayraj Patwardhan
Resolution Professional

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

Independent Auditor's Report on the Quarterly and Six months ended Unaudited Financial Results of the Company pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

To
The Resolution Professional
Petron Engineering Construction Limited

1. We have reviewed the accompanying statement of unaudited financial results of Petron Engineering Construction Limited ("the Company") for the quarter and six months ended September 30, 2019 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulation").

This Statement, which is the responsibility of the Company's Management and approved by the Company's Resolution Professional on 13th November 2019, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India and compliance with Listing Regulation. Our responsibility is to express a conclusion on the Statement based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement(s). A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. Basis of Qualified Conclusion

Attention is drawn to:

- i) Note no. 4(a) of the accompanying statement of unaudited financial results in respect of certain suspended / delayed contracts as of 30th September 2019, trade receivable of Rs. 246 lakhs (net of mobilization advance and provisions of Rs. 11 lakhs) (trade receivable of Rs. 246 lakhs, Rs. 246 lakhs and Rs. 255 lakhs, net of mobilization advance and provisions of Rs. 11 lakhs, 11 lakhs and Rs. Nil lakhs respectively as at 30th June 2019, 31st March 2019 and 30th September 2018) are doubtful for recovery and pending for confirmation/negotiation. We are unable to comment on the impact of the same on the reported loss for the quarter ended six months period ended 30th September 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 unaudited 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 loss for the quarter and six months period ended 30th September 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 unaudited 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 and loans & advances are subject to confirmation/reconciliation (including statutory dues and returns filed thereof), where we are unable to comment on the same and its corresponding impact over reported loss for the quarter and six months period ended 30th September 2019 and related components of financial results as on that date.
- iv) As stated in Note no. 4(d) of the accompanying statement of unaudited financial results regarding nonprovisioning against overdue Trade Receivables outstanding for more than six months amounting to Rs. 10,318 lakhs (net of mobilisation advances of Rs. 290 lakhs and excluding of unbilled revenue of Rs. 1,375 lakhs and excluding performance guarantee encashed by the certain parties) (Rs. 9,954 lakhs and Rs. 9,606 lakhs of trade receivables net of mobilisation advances of Rs. 290 lakhs and Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,334 lakhs and Rs. 1,486 lakhs and excluding performance guarantee encashed by the certain parties as on 30th June 2019 and 31st March 2019 respectively) 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 unaudited financial results, liability /provision against performance guarantee encashed by the certain parties during the quarter and six months amounting to Rs. Nil and Rs. 2,229 lakhs respectively (Rs. 3,635 lakhs during financial year 2018-19) 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 unaudited financial results regarding finance costs, since the Company is in CIR process no interest liability has been provided for including the loans assigned by the financial lenders to AMIPL (as stated in note no.6(b) above) and for inter corporate deposits taken from related party, by the Company, where we are unable to comment on the same and its corresponding impact over reported loss for the quarter and six months period ended 30th September 2019 and related components of financial results as on that date.
- vii) As stated in Note no. 4(g) of the accompanying statement of unaudited financial results regarding non provisioning against carried over Deferred tax assets as on 30th September 2019 of Rs. 5,991 lakhs 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 unaudited financial results regarding delays in payment and filing of certain statutory dues (including penalties) and returns (including PF, ESIC, TDS, GST etc.) and pending reconciliation between books and returns filed, where we are unable to comment on the impact of the same on loss for the quarter and six months period ended 30th September 2019 and state of affairs. Company needs to further strengthen internal control system in this regard.
- ix) As stated in note no. 4(i) of the accompanying statement of unaudited financial results regarding, all the directors (including Woman Director) and Company secretary resigned by 31st March 2018. Further CFO also resigned during financial year 2018-19. Consequently, all committees of Directors (including Nomination and Remuneration Committee, Audit Committee etc.) were not present during the previous year and the current quarter and six months period in compliance to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended). Regarding non-availability and non-filing of secretarial/ROC forms (including application for extension of AGM) 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 unaudited 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, 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 six months period ended 30th September 2019.
- xi) As stated in Note no. 4(k) of the accompanying statement of unaudited 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 unaudited 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 Property, Plant and equipment cannot be determined and our inability to comment thereon.
- xiii) We have been informed by the Resolution Professional that certain information including the minutes of the meetings of the Committee of Creditors and the outcome of certain specific/ routine procedures carried out as part of the IBC process could not be shared with anyone, other than the Committee of Creditors and NCLT. 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 above stated matters were also qualified in our Limited Review report for the quarter ended June 30, 2019 and September 30, 2018 and also in our audit report for the year ended 31st March 2019.

4. Qualified Conclusion:

Based on our review conducted as above, except for the effects / possible effects of our observation stated in para 3 above (including non-quantification for the reasons stated therein), nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in all material respects in accordance with the applicable Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other recognised accounting practices and policies generally accepted in India has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. Material uncertainty related to Going Concern

As stated in Note no. 4(m) of the accompanying statement of unaudited financial results regarding preparation of the financial results 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 of 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 unaudited 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 results on going concern basis.

The above stated matter was also reported in our limited review report for the quarter ended June 30, 2019, September 30, 2018 and audit report for the year ended 31st March 2019.

6. Emphasis of matter

We draw attention to the followings matters:

- 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 unaudited financial results.



- ii) Revenue for the quarter and six months ended includes Rs. 1,511 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 quarter, as stated in Note no. 9 of accompanying Statement, the management is confident that there shall not be any material liability on account of liquidated damages or performance failure.
- iv) In respect of Margin money(as stated in note no. 6(b) of accompanying Statement) of Rs. 1421 lakhs(Rs. 1421 lakhs and Rs. 2,904 lakhs as on 30th June 2019 and 31st March 2019 respectively) (Fixed Deposit) deposit by AMIPL in the name of the Company against outstanding bank guarantees accounted under other bank balances, where company is not entitled to receive due interest and accordingly the company has not recognized accrued/due interest income and TDS thereon.

Our conclusion is not modified in respect of above stated matters in para (i) to (iv).

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



(Gaurav Lodha)
Partner
M. No. 507462
UDIN: 19507462AAAAYX4141
Place: Mumbai
Date: 13th November 2019

