

PECL/LEGAL/BSE-NSE/2019-20

August 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 ended 30th June, 2019

This is to inform you that the undersigned, Mr. Udayraj Patwardhan, Resolution Professional (Regn. No. IBBI/PA-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 Ended 30th June, 2019 which has been prepared by the Management of the Company.

Please find enclosed herewith the following :

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

The meeting commenced at 18.30 hrs. and concluded at 20.50 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/PA-001/IP-P00024/2016-2017/10057

Encl: as stated

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

CIN : L45202MH1976PLC019135

"Accredited with IMS complying with ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007"

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 ENDED 30TH JUNE 2019

Particulars	Quarter Ended			Rupees in Lacs
				Year Ended
	30th June 2019 (Unaudited)	31st March 2019 (Audited)	30th June 2018 (Unaudited)	31st March 2019 (Audited)
Total Income from operations (Net)	1,894	3,123	3,745	13,363
Profit/(Loss) from ordinary activities after tax	(211)	698	(1,084)	(1,588)
Profit/(Loss) from ordinary activities after tax (after Extraordinary items)	(211)	736	(1,084)	(1,550)
Equity Share Capital	754	754	754	754
Earnings per Share (EPS) (of Rs 10/- each) (not annualised)				
(a) Basic and diluted EPS	(2.81)	9.26	(14.38)	(21.07)



(Signature)

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.

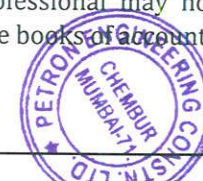
A Committee of Creditors (CoC) was formed on May 4, 2018 under Section 21 of the IBC. Pursuant to the order passed by the Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench on 6.08.2018, Mr. Udayraj Patwardhan is appointed as the Resolution Professional (RP), who took charge w.e.f. 9th August 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 Honourable NCLT. The CoC in the meeting held on 14th February 2019 have resolved that the company may be liquidated under liquidation as 'going concern'. Accordingly application has been filed with Honourable NCLT is pending hearing and the next date of hearing is on 26th August 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 ended June 30, 2019 have been approved by the RP.
- 4 The Auditors have commented on,

Auditors' Qualification	Company's Response
(a) In in respect of certain suspended / delayed contracts, as of 30th June 2019, trade receivable of Rs. 246 lakhs (net of mobilization advance and provisions of Rs. 11 lakhs) (trade receivable of Rs. 246 lakhs as of 31st March 2019 and Rs. 276 lakhs as of 30th June 2018 respectively, net of mobilization advance and provisions of Rs. 11 lacs and Rs. 3 lakhs respectively as at 31st March 2019 and 30th June 2018) are doubtful for recovery and pending for confirmation/negotiation. We are unable to comment about the status of amount receivables / payables on the reported loss for the quarter ended 30th June 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 ended 30th June 2019 and its corresponding impact over state of affairs as on that date.	The Company is in the process of reconciling the accounts with the parties concerned. Accounting effect, if any, to the same would be made after completing the final reconciliation with the said creditors. The claims accepted by Resolution Professional may not directly have an effect on the balances reflected in the books of accounts.



c) Balances of certain trade receivable (including from related parties), unbilled revenue, trade payables (including MSME and interest payable thereon), secured loans (including Banks and NBFC), bank guarantees and unsecured loans (including from related parties), bank balances, current liabilities, other liabilities (including statutory dues and returns thereof and loan & advances are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact over reported loss for the quarter ended 30th June 2019 and related components of financial results as on date.	Because of the CIRP many of the creditors have referred their claims as on the Insolvency commencement date, i.e. 23rd March, 2018 which can be construed as balance confirmations. Wherever there is a difference between the books and the creditors claim, reconciliation work is under way. As far as the receivable is concerned the balances 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. 9,954 lakhs (net of mobilisation advances of Rs. 290 lakhs and excluding of unbilled revenue of Rs. 1,334 lakhs and excluding performance guarantee encashed by the certain parties) (Rs. 9,606 lakhs as of 31st March 2019, net of mobilisation advances of Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,486 lakhs and excluding performance guarantee encashed by the certain parties) have been made, which are doubtful for recovery considering non confirmation of outstanding balances, short closure of running projects, encashment of performance bank guarantee and demand raised for counter claim /liquidated damages by the parties (customers).	We are following up with all the parties for recovery/realisation of overdue amount and hopeful of recovery of balances.
e) Liability /provision against performance guarantee encashed by the certain parties during the quarter amounting to Rs. 2,229 lakhs (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 are in process of initiating arbitration procedure / process in the matter of Bank guarantees (BG) encashed and hopeful of positive outcome in favour of the Company.
f) 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 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 ended 30th June 2019 and related components of financial results as on date.	Since the Company is in CIR period, provision of interest is not made. Considering that the Resolution Professional (RP) accepts the claims as of CIRP commencement date.
g) Regarding non provision against carry over Deferred tax assets as on 30th June 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 ended 30th June 2019 and state of affairs.	There may be slight delay due to cash flow problem.



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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 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.	As all the directors have resigned and new directors can be appointed only by the shareholders at an AGM/EGM. At present there is no Company Secretary hence required documents could not be prepared and submitted. As all the directors have resigned, hence the Company couldn't file the e-forms with the Registrar of Companies w.r.t. resignation of directors, company secretary, Chief Executive Officer and CFO. However , we are in process of updating required registers /forms which shall be submitted in due course. Subsequently the RP has informed the Holding Company M/s KSS Petron Private Limited for compliance of provisions of Section 168(3) of the Companies Act, 2013.
j) Regarding pending adjustment of impact of physical verification of property, plant and equipment (PPE) in the financial books and reconciliation of the same with the books & records, 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 ended June 30, 2019.	The PMD team at respective sites have carried out the verification process. No discrepancy has been found by the said team. Physical verification w.r.t. closed sites is in process.
k) Certain pending/ delayed projects estimated costs to completion are based upon management estimates and where the management is confident that there will not be any material impact on completion of work in future.	Most of the projects are on the verge of completion and adequate margins are available to absorb any contingency. In view of this, the management do not expect any material variation in final completion of project cost compared to estimated cost of completion.
l) Regarding the matter stated in para (a) to (k) above and otherwise internal controls needs to be further strengthened to be commensurate with the size of the company and nature of its business.	The Company has an internal control system in existence and is in the process of further strengthening the same.
m) Regarding preparation of the financial 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 in certain projects, current liabilities are in excess of current assets and default in repayment of loan installments and payment of due interest, both on term loans and working capital. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. As company is under corporate insolvency resolution process (CIR process) (as stated in Note no. 1 of the accompanying statement of 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. Considering the same, it is expected that it will, in due course of time, be in a position to receive a viable Resolution Plan for the approval of CoC and NCLT. Currently the Company is executing few contracts which are able to run on its own by using the cash inflows from these projects. In view of the above, the Company has prepared its accounts on a going concern basis. The CoC has recommended liquidation as going concern. In case the NCLT approving the same, appropriate treatment will be given in the books of account.



- 5 Revenue for the quarter and three month ended includes Rs. 1,198 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
- 6 Due to continuous losses and liquidity constraints, the Company has not been able to make payments, including due instalments of borrowings, and outstanding
- (a) 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 June 30, 2019. All banks have classified the accounts as Non Performing Assets (NPA) and some banks have given loan recall notice for the outstanding loan amount which were effective on June 30, 2019 (read with note no. 1 above).
- (b) During the year ended 31st March 2019 all the financial lenders for working capital facilities have assigned their fund based and non fund based (unsettled) outstanding as accepted by the Resolution Professional as on 23rd March 2018 in favour of Arcelor Mittal India Private Limited ('AMIPL' or 'Assignee') vide Assignment Agreement dated 17th October 2018. No dues certificate from the above referred lenders is pending to be received from lenders.
- 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 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 Due to the reversal of interest, the finance cost for the quarter ended 31st March 2019 is negative, being the balancing figures between the audited figures for the full financial year and published year to date figures for the nine months ended 31st December 2018.
- 11 The company has adopted Ind AS 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 is not material.
- 12 The previous period figures have been regrouped/rearranged / recast to make them comparable with that of current period wherever necessary. The figures of the last quarter ended 31st March 2019 are the balancing figures between audited figures for the full financial year and the published year-to-date figures for the nine months ended.

Mumbai, 13th August, 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 ENDED 30TH JUNE 2019

Particulars	Quarter Ended			Rupees in Lacs
	30th June 2019	31st March 2019	30th June 2018	Year Ended
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
1 Revenue from Operations	1,894	3,123	3,745	13,363
2 Other Income	17	96	14	148
3 Total Revenue (1+2)	1,911	3,219	3,759	13,511
4 Expenses				
(a) Cost of Materials Consumed	331	354	819	2,310
(d) Sub-contracting expenses	908	1,225	1,493	5,152
(e) Employee Benefits Expense	352	552	1,117	3,577
(f) Finance Cost	32	(576)	732	1,308
(g) Depreciation and Amortisation Expense	168	178	180	724
(h) Other expenditure	331	715	502	1,955
Total Expenses	2,122	2,448	4,843	15,026
5 Profit/(Loss) before exceptional item and tax	(211)	771	(1,084)	(1,515)
6 Exceptional items Gain / (Loss)	-	-	-	-
7 Profit/(loss) before tax	(211)	771	(1,084)	(1,515)
8 Tax Expenses				
(a) Current tax	-	-	-	-
(b) Tax for earlier years (net)	-	73	-	73
(c) Deferred tax				
9 Profit/ (Loss) for the period	(211)	698	(1,084)	(1,588)
10 Other comprehensive income (net of tax)	-	38	-	38
11 Total comprehensive income for the period (comprising profit/(loss) for the period (after tax) and other comprehensive income (after tax))	(211)	736	(1,084)	(1,550)
12 Paid-up equity share capital (Face Value: Rs.10/- per equity share)	754	754	754	754
13 Other Equity				(864)
14 Earnings per Share (EPS) (of Rs 10/- each) (not annualised)				
(a) Basic and diluted EPS	(2.81)	9.26	(14.38)	(21.07)



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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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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 ended 30th June 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.



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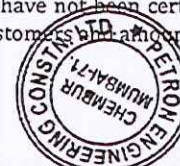
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e) Liability /provision against performance guarantee encashed by the certain parties during the quarter amounting to Rs. 2,229 lakhs (Rs. 3,635 lakhs during financial year 2018-19) has not been provided for in the books, where the management is confident about settlement in its favour.	We are in process of initiating arbitration procedure / process in the matter of Bank guarantees (BG) encashed and hopeful of positive outcome in favour of the Company.
f) 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 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 ended 30th June 2019 and related components of financial results as on date.	Since the Company is in CIR period, provision of interest is not made. Considering that the Resolution Professional (RPI) accepts the claims as of CIRP commencement date.
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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 ended 30th June 2019 and state of affairs.	There may be slight delay due to cash flow problem.



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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. In view of this, the management do not expect any material variation in final completion of project cost compared to estimated cost of completion.
l) Regarding the matter stated in para (a) to (k) above and otherwise internal controls needs to be further strengthened to be commensurate with the size of the company and nature of its business.	The Company has an internal control system in existence and is in the process of further strengthening the same.
m) Regarding preparation of the financial 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 in certain projects, current liabilities are in excess of current assets and default in repayment of loan installments and payment of due interest, both on term loans and working capital. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. As company is under corporate insolvency resolution process (CIR process) (as stated in Note no. 1 of the accompanying statement of 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. Considering the same, it is expected that it will, in due course of time, be in a position to receive a viable Resolution Plan for the approval of CoC and NCLT. Currently the Company is executing few contracts which are able to run on its own by using the cash inflows from these projects. In view of the above, the Company has prepared its accounts on a going concern basis. The CoC has recommended liquidation as going concern. In case the NCLT approving the same, appropriate treatment will be given in the books of account.

- 5 Revenue for the quarter and three month ended includes Rs. 1,198 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.



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- 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 June 30, 2019. All banks have classified the accounts as Non Performing Assets (NPA) and some banks have given loan recall notice for the outstanding loan amount which were effective on June 30, 2019 (read with note no. 1 above).
- (b) During the year ended 31st March 2019 all the financial lenders for working capital facilities have assigned their fund based and non fund based (unsettled) outstanding as accepted by the Resolution Professional as on 23rd March 2018 in favour of Arcelor Mittal India Private Limited ('AM IPL' or 'Assignee') vide Assignment Agreement dated 17th October 2018. No dues certificate from the above referred lenders is pending to be received from lenders.
- 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 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 Due to the reversal of interest, the finance cost for the quarter ended 31st March 2019 is negative, being the balancing figures between the audited figures for the full financial year and published year to date figures for the nine months ended 31st December 2018.
- 11 The company has adopted Ind AS 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 is not material.
- 12 The previous period figures have been regrouped/rearranged / recast to make them comparable with that of current period wherever necessary. The figures of the last quarter ended 31st March 2019 are the balancing figures between audited figures for the full financial year and the published year-to-date figures for the nine months ended.

Mumbai, 13th August, 2019



For Petron Engineering Construction Limited

Udayraj Patwardhan

Udayraj Patwardhan
Resolution Professional

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

Independent Auditor's Review Report

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 ended June 30, 2019 ("the Statement"), 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 Regulation"), read with SEBI Circular No. CIRICFD/CMD1/44/2019 dated March 29, 2019 ("the Circular").

The preparation of the Statement 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, read with the Circular is the responsibility of the Company's management and has been approved by the Resolution Professional of the Company on August 13, 2019. 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. 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 June 2019, trade receivable of Rs. 246 lakhs (net of mobilization advance and provisions of Rs. 11 lakhs) (trade receivable of Rs. 246 lakhs as of 31st March 2019 and Rs. 276 lakhs as of 30th June 2018 respectively, net of mobilization advance and provisions of Rs. 11 lakhs and Rs. 3 lakhs respectively as at 31st March 2019 and 30th June 2018) are doubtful for recovery and pending for confirmation/negotiation. We are unable to comment about the status of amount receivables / payables on the reported loss for the quarter ended 30th June 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 ended 30th June 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 (including statutory dues and returns thereof and loan & advances are subject to confirmation/reconciliation, where we are unable to comment on the same and its corresponding impact over reported loss for the quarter ended 30th June 2019 and related components of financial results as on date.
- iv) As stated in Note no. 4(d) no provision against overdue Trade Receivables outstanding for more than six months amounting to Rs. 9,954 lakhs (net of mobilisation advances of Rs. 290 lakhs and excluding of unbilled revenue of Rs. 1,334 lakhs and excluding performance guarantee encashed by the certain parties) (Rs. 9,606 lakhs as of 31st March 2019, net of mobilisation advances of Rs. 301 lakhs and excluding of unbilled revenue of Rs. 1,486 lakhs and excluding performance guarantee encashed by the certain parties) have been made, which are doubtful for recovery considering non confirmation of outstanding balances, short closure of running projects, encashment of performance bank guarantee and demand raised for counter claim /liquidated damages by the parties (customers).
- v) As stated in Note no. 4(e) of the accompanying statement of unaudited financial results, liability /provision against performance guarantee encashed by the certain parties during the quarter amounting to Rs. 2,229 lakhs (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 ended 30th June 2019 and related components of financial results as on date.
- vii) As stated in Note no. 4(g) of the accompanying statement of unaudited financial results regarding non provision against carry over Deferred tax assets as on 30th June 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 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 ended 30th June 2019 and state of affairs.

- ix) As stated in note no. 4(i) all the directors (including Woman Director) and Company secretary resigned by 31st March 2018. Further CFO also resigned during 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 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 ended June 30, 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 matters above in para (i) to (xi) were also qualified in our Limited Review report for the quarter ended June 30, 2018 and also in our audit report for the quarter and year ended 31st March 2019 {including para (xii) and (xiii)}.

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-qualification 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 Regulation, read with the Circular, 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 in certain projects, current liabilities are in excess of current assets and default in repayment of loan installments and payment of due interest, both on term loans and working capital. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. As company is under corporate insolvency resolution process (CIR process) (as stated in Note no. 1 of the accompanying statement of 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 matter was also reported in our limited review report for the quarter ended June 30, 2018 and audit report for the quarter and 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; and
- ii) Revenue for the quarter includes Rs. 1,198 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, 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 of Rs. 1,421 lakhs (Fixed Deposit) deposit by AMIPL in the name of Petron Engineering Construction Limited 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.

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


(GAURAV LODHA)

Partner

M. No. 507462

UDIN: 19507462AAAAOT2564

Place: New Delhi

Date: 13th August 2019

