



PSL LIMITED

PSL Towers, 615 Makwana Road, Marol, Andheri (East), Mumbai - 400 059.
Telephone : 66447777 166447786 166447799 • Fax : 022-66447700 166447711

Ref: PSL/2016-17/

July 29, 2016

To,

National Stock Exchange of India Limited
Listing Department
Exchange Plaza,
5th Floor, Plot No C/1, G Block,
Bandra Kurla Complex,
Bandra East, Mumbai-400 051
Tel: 022-26598235/36
Fax: 022-26598237/38
NSE Scrip Symbol: PSL

The Bombay Stock Exchange Limited
Corporate Service Department
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001
Tel: 022-22728398
Fax: 022-22722037/39
BSE Scrip Code: 526801

Dear Sir/Madam,

Sub: Submission of Statement on **Impact** of Audit Qualification for the Financial Year ended
on 31st March, 2016 – Standalone & Consolidated

Ref: SEBI Circular No. CIR/CFD/CMD/56/2016 dated May 27, 2016

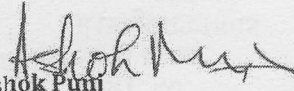
With reference to the captioned subject, this is to inform you that pursuant to Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2016 the Board of Directors, at its meeting held on May 24, 2016, has considered and approved the Audited Financial Results for the Quarter and Financial year ended on 31st March, 2016 (Standalone and Consolidated). In this connection, we are enclosing the Statement on Impact of Audit Qualification (for audit report with modified opinion) on Standalone and Consolidated financials.

Kindly take the same on your records and oblige.

Thanking You

Yours Faithfully

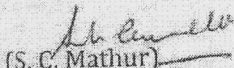
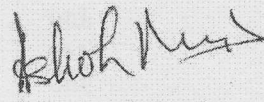
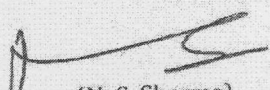
For PSL Limited


Ashok Puri
Managing Director

Encl.: As above

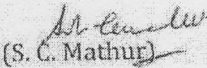
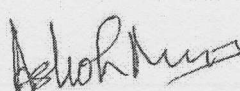
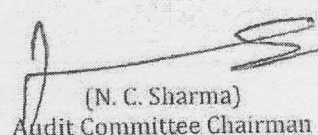
Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results – Standalone

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016				
I.	S. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Amt in Cr.)	Adjusted Figures (audited figures after adjusting for qualifications) (Amt in Cr.)
	1.	Turnover / Total income	106.06	106.06
	2.	Total Expenditure	1462.04	1462.04
	3.	Net Profit/(Loss)	(1355.98)	(1355.98)
	4.	Earnings Per Share	(137.06)	(137.06)
	5.	Total Assets	2849.13	2849.13
	6.	Total Liabilities	2849.13	2849.13
	7.	Net Worth	(2036.93)	(2036.93)
	8.	Any other financial item(s) (as felt appropriate by the management)	N.A	N.A
II.	Audit Qualification (each audit qualification separately):			
	a.	Details of Audit Qualification	:	As per Annexure 1
	b.	Type of Audit Qualification	:	Qualified opinion/Emphasis of Matter
	c.	Frequency of qualification	:	Repetitive (Since year ended 30 th Sept, 2013)
	d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views	:	Auditors View: The Company has not provided for the interest amounting to 627.21 crores for the period from 1/1/2013 to 31/12/2014 and for the interest amounting to 364.66 crores for the year 1/4/15 to 31/03/2016. This would increase the loss of the year. Managements View: The Company has undergone corporate Debt Restructuring and as per the scheme approved by CDR Empowered Group the interest accruing on the outstanding debts was to be built up as funded interest term loan FITL from the cut of date i.e. 01/01/2013.

e.	For Audit Qualification(s) where the impact is not quantified by the auditor:-	
i.	Management's estimation on the impact of audit qualification	N.A.
ii.	If management is unable to estimate the impact, reasons for the same	N.A.
iii.	Auditors' Comments on (i) or (ii) above	N.A.
III.	Signatories: For Suresh C. Mathur & Co. Chartered Accountants FRN: 000891N  (S. C. Mathur) Partner M.No. 1276  (Ashok Punj) Managing Director  (N. C. Sharma) Audit Committee Chairman	
	Place: Mumbai	
	Date: 28/07/2016	

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - Consolidated

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016				
I.	S. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Amt in Cr.)	Adjusted Figures (audited figures after adjusting for qualifications) (Amt in Cr.)
	1.	Turnover / Total income	281.46	281.46
	2.	Total Expenditure	1704.32	1704.32
	3.	Net Profit/(Loss)	(1423.13)	(1423.13)
	4.	Earnings Per Share	(143.82)	(143.82)
	5.	Total Assets	3120.90	3120.90
	6.	Total Liabilities	3120.90	3120.90
	7.	Net Worth	(2362.36)	(2362.36)
	8.	Any other financial item(s) (as felt appropriate by the management)	N.A	N.A
II.	Audit Qualification (each audit qualification separately):			
	a.	Details of Audit Qualification	: As per Annexure 1	
	b.	Type of Audit Qualification	: Disclaimer of Opinion	
	c.	Frequency of qualification	: Repetitive (Since year ended 30 th Sept, 2013)	
	d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views	Auditors View: 1) The Company has not provided for the interest amounting to 627.21 crores for the period from 1/1/2013 to 31/12/2014 and for the interest amounting to 364.66 crores for the year 1/4/15 to 31/03/2016. This would increase the loss of the year. 2) The Company had invested Rs.141.63 crores in its wholly owned subsidiary namely Pipeline Systems Ltd. Due to cumulative losses in the said subsidiary the value of investment is eroded. Managements View: 1) The Company has undergone corporate Debt Restructuring and as per the scheme approved by CDR Empowered Group the interest accruing on the outstanding debts was to be built up as funded interest term loan FITL from the cut of date i.e. 01/01/2013. 2) Losses made by the subsidiary in the temporary phenomena due to general economy slowdown.	

e.	For Audit Qualification(s) where the impact is not quantified by the auditor:-	
i.	Management's estimation on the impact of audit qualification	N.A.
ii.	If management is unable to estimate the impact, reasons for the same	N.A.
iii.	Auditors' Comments on (i) or (ii) above	N.A.
III.	Signatories:	
	For Suresh C. Mathur & Co. Chartered Accountants FRN: 000891N  (S. C. Mathur) Partner M.No. 1276  (Ashok Punj) Managing Director  (N. C. Sharma) Audit Committee Chairman	
	Place: Mumbai	
	Date: 28/07/2016	

**The Board of Directors
PSL Limited**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **PSL Limited** ("the Holding Company") and its subsidiaries (collectively referred to as "the Company" or "the Group"), comprising of the consolidated balance sheet as at 31st March 2016, the consolidated statement of profit and loss, the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

1. The audited financial results of PSL USA INC and PSL North America LLC (step down subsidiary of PSL USA Ltd.) Pipeline System have not been received.
2. The unaudited financial results of PSL FZE (step down subsidiary of Pipeline System Ltd.) have been included in the consolidated financial statements.
3. **PSL USA INC USA**
PSL North America LLC is under United States Bankruptcy Court, as such the management is of the view that there is no realisable value of assets and therefore, have been excluded in the consolidated financial statements. The impairment of assets will be ascertained / recognized as and when the matter would be decided by the United States Bankruptcy Court.

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of the consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013 (hereinafter referred to as "the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014. The Board of Directors of the Company are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Companies Act, 2013. Those standards



require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Company, as at 31st March 2016, and their consolidated loss and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to:

1. **Long Term Borrowings:**

Default In Payment to Banks

Based on our audit procedure and as per the information and explanation given to us, the company has defaulted in repayment of loans and interest to the banks and financial institutions as on 31st March 2016.

2. Consequent upon the financial stress that the company had to suffer, it filed an application before Corporate Debt Restructuring (CDR) Cell on 6th March, 2013 for restructuring of its entire debts as on 1st Jan, 2013. After detailed deliberations at various meeting of company's creditors at the CDR Cell a restructuring package for the Company was finally approved by CDR Empowered Group on 23rd Sept, 2013. Since then, different terms and conditions included in the subject package are being complied with.

In terms of the aforesaid Letter of Approval, for the CDR package:

- a) The promoters of the Company were required to make a total contribution of Rs.146.81 Crore by way of subscribing to the equity capital of the Company/unsecured loan so that the said contribution constitutes 25% of the total sacrifice computed for the aforesaid restructuring.



- b) Since a portion of outstanding debts of various lenders of the company was compulsorily required to be converted into equity shares and assignment of the debt of one of the Lender of the Company namely Yes Bank Limited to Edelweiss Assets Reconstructions Company (EARC) had taken place, the said EARC had executed a Deed of Accession to Master Restructuring Agreement (MRA). Accordingly, for the debt amount of Rs. 2.72 crore, 1046150 equity shares were allotted by the company at the rate of Rs.26/- per share. However, since after re-computation of EARC's debt it was observed that even the remaining debt of Rs.2.28 crore was also required to be converted into equity share of the company, the process of allotment of 876926 equity shares to the said EARC's on preferential allotment basis was initiated by the company as a result of which the in-principle approval from Bombay Stock Exchange (BSE) has been procured.
- c) The Board of the Directors has, in accordance with the SEBI (ICDR) Regulations, by passing a resolution in circulation on 5th February, 2015 also duly ratified on 10th February, 2015 considered and approved, subject to the approval of the members of the company, the proposal of issuance of a total of 4,97,42,306 Equity Shares of face value of Rs.10/- (Total Ten only) each at a total price of Rs.26/- (Rupees Twenty Six only) per equity share (including premium of Rs.16/- to the Promoters/Promoters Group Entities of the promoters group hereinafter collectively referred to "Proposed Allottees" of the Company as mentioned at Point a) and b) above calculated in accordance with the Regulation 76 of Chapter VII of the SEBI (ICDR) Regulations for an aggregate value of Rs.129.33 Crores (Rupees One Hundred Twenty Nine Crores Thirty Three Lacs only).
- i) The equity shares shall be subject to lock-in for a period in accordance with the provisions of the SEBI (ICDR) Regulations.
- ii) The equity shares now to be issued shall rank pari passu with the existing equity shares of the Company in all respects.
- d) The pre-preferential shareholding of Punj International (P) Ltd. and Punj Investment (P) Ltd. are pledged with ICICI Bank with effect from 18-2-2013
- e) The Company had allotted 1046150 equity shares to Edelweiss Assets Reconstruction Company Limited under CDR Scheme on 30.12.2014 which was locked in from 31-12-2014 to 5-2-2016. These shares are now further locked-in from 5-4-2016 to 31-12-2016.
- f) For issuance of aggregate of 50619232 equity shares to the promoter group (as stated in C above) and to one of the creditors (as stated in b above), the company has procured an in-principle approval from Bombay Stock Exchange (BSE). However, the said shares are proposed to be allotted by the company in near future only after receipt of the similar approval from National Stock Exchange (NSE).
- g) As some of the conditions of the CDR package could not be implemented in letter and spirit, various banks which had advanced its facilities to the company have chosen to treat their outstanding dues to the company as Non Performing Assets (NPA).



3. As the company has been continuously facing acute financial crunch, due to low turnover and profitability in the last few years, the Company's Net Worth got eroded and became negative as a result of high quantum of accumulated losses. Due to such prevalent situation the company had become a Sick Industrial Company in terms of Section 3 (1)(o) of Sick Industrial Company Act (SICA) and therefore on 19th June, 2015, a reference was made by it to the Board for Industrial and Financial Restructuring (BIFR). A said reference was admitted on 8th September, 2015 the company has been restrained from disposing off or eliminating in any manner the fixed asset of the company without the prior consent of BIFR.
4. The financial statements being prepared on a going concern basis, notwithstanding the fact that the Company's network is eroded a reference is made to the Board of Industrial and Financial Restructuring (BIFR), some of the conditions of the CDR package could not be implemented in letter and spirit, various banks which had advanced its facilities to the company have chosen to treat their outstanding dues to the company as Non Performing Assets (NPA) and four lenders have declared the Company's account as fraud or Red Flag account (RFA) in their books. These events cast significant doubt on the ability of the Company to continue as a going concern. The appropriateness of the said basis is inter-alia dependent on the Company's ability to infuse requisite funds for meeting its obligations (including statutory liabilities and those in respect of contracts entered into for purchase of goods and assets), rescheduling of debt/other liabilities and resuming normal operations.
5. **Lender Banks' Balance Confirmation as on 31st March 2016:**
We have been informed by the officials of the company that although the company has requested its various bankers to issue their confirmation letters confirming the balances with respect to various Bank Accounts/Bank Guarantee/Letter of Credit/Corporate Guarantee given by company for its subsidiaries company as on 31st March, 2016 but the same have not yet been issued. Pending balance confirmation, book balances as on 31st March, 2016 have been taken in the accounts of the Company.
6. Due to non-implementation of CDR package, there is a Cash and Capital Crunch and the Company is under stress due to reduction in turnover, slow-down in economic environment, increase in the cost of production, as well as due to idle labour, lack of sufficient orders and reduced net realization in comparison to the increase cost of sales.
7. It is noticed that the business of the Company is at stand still and not much production activity is carried out except negligible production which has been carried out in Vizag, Chennai and Jaipur factories. Hence the overall sales of the Company are also very low.
- 8.1 The Company has not provided for the interest amounting to Rs.627.21 Crore for the period from 1st January, 2013 to 31st December, 2014 which was to be built up as funded interest term loan (FITL) on the Working Capital Term Loan and Cash Credit.
- 8.2 The Company has also not provided for the interest amounting to Rs.364.66 Crore for the year 1-4-2015 to 31-3-2016. This would also increase the loss of the year.



8.3 The financial performance had deteriorated substantially in last 12 months. The manufacturing cost has gone up. There is weakness in demand. The Company continue to deal with a range of uncertainties. The interest payments exceeded its operating income. The Company is not able to service its debts.

9. **Outstanding loan of Aditya Birla Finance Limited (ABFL)**

Although one of company's creditors namely ABFL has chosen for transaction specific membership of CDR Group, it has yet to execute the Master Restructuring Agreement already executed by super majority of CDR Lenders. Consequent upon ABFL's complaint to Economic Offences Wing (EOW), the latter advised some of the bankers of the company for a debit freeze of the amount lying to company's credit in some such bank accounts. As a result approximately Rs. 100 million which could have been used by the company for its Operating Expense, Insurance Payment, and payment of Loan to Company's lenders got frozen. However, the Company has initiated legal steps for de-freezing the said amount.

10. Due to flood during the month of November, 2015, the Company's Chennai factory has incurred loss of materials and machinery worth Rs.4.32 crores. The claim received from Insurance Co. amounting to Rs. 2.15 crore and Balance amount Rs. 2.17 Crores yet to be received by the company.

11. **Depreciation**

The Company has not carried out detailed assessment of the useful life of Company's assets and hence depreciation charge has not been adjusted accordingly as per the notification to Schedule II of the Companies Act, 2013.

12. **Operations Maintenance and Management Agreement with Jindal Tubular (India) Ltd.**

a) As per the Operations, Maintenance and Management Agreement with Jindal Tubular (India) Limited, they have taken over operations of the following three units of the Company on the dates shown against them:

	<u>With Effect From</u>
PSL VIZAG	: 15.06.2015
JAIPUR	: 16.07.2015
VARSANA	: 03.08.2015

b) It will not be out of place to mention that Jindal Tubular India Limited has shifted from Varsana, the entire Plant & Machinery to their unit, Ambapura, Madhya Pradesh for their manufacturing purpose. This is contrary to the Agreement. This matter is pending with the Excise Department.

c) The Company has handed over the Jaipur facility to JT (Jindal Tubular) under OMMA. JT had taken a provisional excise license. The Excise Department has informed that the land on which Jaipur facility has been located is given on lease by the Govt. of Rajasthan to the Company and as per lease agreement the company can neither sub-let/sale any part of land nor can make anyone financial and technical partner without prior permission of the State Government. On the basis of this, Excise authorities issued a show cause notice and informed that any entity seeking excise registration has to have

land possession in any manner. Without possession of land by JT, the provisional excise registration shall stand canceled/revoked. Currently, JT and the company are collectively representing the case before excise authorities. JT has informed that in case of non-confirmation or revocation of excise registration, they may not be able to operate and indicated their inability to continue at Jaipur facility under OMMA. The matter is under negotiation.

- d) Jindal Tubular (India) Limited have submitted the provisional unaudited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2016 and shown a loss of Rs.20.63 Crore. Besides this they have claimed legacy payment from PSL amounting to Rs.5.32 Crore. However the PSL Statements are showing outstanding of Rs.2.95 Crore including Rs.2.32 Crore on account of Legacy dues. The Company has not accepted their claim and the accounts are under reconciliations.
 - e) It appears that due to "Net Revenue" being a loss PSL, will not be entitled for any revenues.
- 13. The management has decided not to provide for Gratuity, Leave Encashment for the period of 1st April, 2014 to 31st March 2016 because current provision is considered sufficient by the management for this purpose.
 - 14. There is an existence of adequate internal financial controls and its operational effectiveness in the Company.
 - 15. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 189 of the Companies Act, 2013 have so been entered.
 - 16. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 189 of the Companies Act, 2013 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
 - 17. The Estate Office Kandla Port Trust under Public Premises (Evacuation of unauthorized) passed order on 27/03/2014 for the evacuation of the Kandla PCD-I premises because lease period was over. The Estate Office has taken over the possession of the land. Since the lease amount is under dispute, the lease payments have not been made and not provided in the accounts.
- 18. Investment in Subsidiaries
 - A) Foreign Subsidiaries:
 - i) PSL FZE (Shariah) (Step down Subsidiary) Pipeline Systems Mauritius
 - a) The Company had invested Rs. 141.63 Crores in a wholly owned subsidiary namely Pipeline Systems Mauritius. Due to cumulative losses in the subsidiary the value of investment is eroded. The Company has not provided for the same.



- b) The share certificate of PSL FZE, Sharjah held by PSL Ltd. indirectly through the above said Company, amounting to 100% of the Equity Share Capital of the Company have been pledged in favour of National Bank of Oman S.A.O.G. acting as Security Agent of ICICI Bank Limited, Bahrain.
 - c) During the year PSL FZE has incurred loss of AED 36.45 Mio. Based on the audit procedure and the information obtained, we have observed some of the loans were rolled over / rescheduled by the bank. Also in some cases company was not able to make the payment on due date of installment due to the banks and banks claim was settled by claiming against the Standby Letter of Credit arranged by Parent company, PSL Limited, India.
 - d) PSL FZE has executed a project received from SWLL. Bank of Baroda has given guarantee in favour of State Bank, Bahrain to issue performance guarantee in favour of the client to the extent of USD 4.5 million. This is contingent liability of PSL FZE as on 31-3-2016.
 - e) A creditor has filed a suit for his dues of USD 22,58,175. The matter is sub-judice.
- ii) PSL has given Corporate Guarantee covering facilities sanctioned by lender bankers for working capital of 104.76 million AED Mio against Plant & Machinery, assignment of receivable and inventory against the security of the subordination of unsecured loans advances by PSL fixed assets on pari passu basis.
 - iii) Term Loan Rs.121.61 AED
Term Loan was secured by ICICI SBLC of USD 34.50 Million. As on date Credit Suisse has claimed the SBLC and the Loan from Credit Suisse has been paid off by ICICI Bank and the term loan is now due to ICICI Bank, Bahrain.
 - iv) PSL USA INC (USA)
PSL NA LLC (USA) (Step down Subsidiary)
The Company had invested Rs. 130.34 Crores in a wholly owned subsidiary namely PSL USA Inc. Due to cumulative losses in the step down subsidiary the value of investment is eroded. The Company has not provided for the same.
- Also the outstanding debtors includes receivable amounting to Rs. 22.30 Crores from the subsidiary which is not provided for.
- v) Due to continuous losses suffered by the company's step down subsidiary namely PSL North America LLC, it was directly affecting the financial position of PSL/USA/Inc. (the holding Company of PSL North America LLC). The Company voluntarily petitioned for relief under chapter XI of the Title 11 of United States code were filed in United States Bankruptcy court for the district of Delaware.



All the assets of PSL North America LLC were put to sale/sold to a company for US 100 Million. The impairment of loss/profit on sales of assets will be ascertained / recognized in the current year by the Company.

- vi) The audited financial statements have not been received by the Company from foreign subsidiary companies and we have relied on the financial statements of the management. Based on our review conducted as above and subject to the possible effects of the matter described above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable accounting standards as specified u/s 133 of the Companies Act, 2013 reads with Rule 7 of the Companies (Account) Rules, 2014 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of regulation 63 of the SEBI (Listing Obligations and disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

B) Indian Subsidiaries:

- 1) PSL Infrastructure & Ports Pvt. Ltd.
 - Total investment in PSL Port & Infrastructure Limited is Rs.28.21 Crores.
 - The company was awarded the construction of Jetty at Kandla Port. Till date the company has incurred construction Expenses of Rs 64.85 Crores.
 - Due to restrictions imposed by CDR package of PSL Ltd, the parent company, could not inject/ contribute funds for the construction of the jetty.
 - The Kandla Port authorities have given notice for the cancellation of the agreement. The matter is in dispute and under Arbitration. At present, project is incomplete.
- 2) PSL Corossion Control Services (P) Ltd.
 - Due to high cost of working, the margins are going down.
 - In our opinion and explanation given to us the Company has given Guarantees for loan taken by its subsidiaries from banks/financial institution the terms and conditions of such guarantees are not prejudicial to the interest of the Company.
- 3) PSL Gas Distribution (P) Ltd.
 - The company was incorporated on 31st December 2010 and has not commenced any business activity.

19. Impairment of Assets:

The Management has not carried out any evaluation of impairment of these assets and no provision for impairment has been recorded, as required by Accounting Standard 28.

20. Due to this, provision for diminution / impairment in the value of its investments in the above subsidiary companies is not considered.



21. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained. However there is no new loan availed by the company during the year.
22. According to the information and explanations given to us & based on the documents & records produced to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures & other securities.
23. The bankers have appointed a firm of Chartered Accountants to check the books of accounts of the Company for the last three years. The audit is in progress. The Company's Management is of the view that the above investigations / proceedings would not result in any additional material provisions / write-offs / adjustments (other than those already provided for / written-off or disclosed) in the financial statements of the Company. As per the Company's Management, any adjustments, if required, in the financial statements of the Company would be made as and when the outcomes of the above matters are concluded.
24. Corporate Social Responsibility
Since average net profits of the Company made during the three immediately preceding financial years is negative, therefore the Company has not earmarked specific funding for Corporate Social Responsibility and sustainable activities as required under the provision of section 135 of the Act.

Other Matters

- (a) In respect of the financial statements of the subsidiaries, we did not carry out the audit. These financial statements have been audited by other auditors whose reports have not been supplied to us as yet for our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports submitted by the management.

Further, in respect of Subsidiary namely, PSL USA INC and PSL North America LLC (step down subsidiary of PSL USA Ltd.) Pipeline System, Financial Results have not been supplied.

Since the financial statements for the financial year ended 31st March, 2016, which were compiled by management of these companies, were not audited, any adjustments to their balance could have consequential effects on the attached consolidated financial statements.

- (b) The accompanying consolidated financial results include total revenue of Rs. 247.72 crores for the year ended 31st March, 2016 in respect of 3 subsidiaries. The management of the company has converted these audited financial statements from accounting principles generally accepted in the respective countries to accounting principles generally accepted in India, for the purpose of preparation of the Company's consolidated financial statements under accounting principles generally accepted in India. We were not engaged to audit, review or apply any procedure to the financial statements of these subsidiaries, we do not express an opinion on the financial statements of these subsidiaries.
- (c) The consolidated financial statements reflect total consolidated loss amounting Rs. 1419.28 crore for the year ended 31st March, 2016.



Report on Other Legal and Regulatory Requirements

1. As required by sub-section 3 of Section 143 of the Act, we report, to the extent applicable, that:
 - (a) Except the matters described in Emphasis Of Matters Para 1 to 10 and Annexure A Para 7 Standalone Auditor's Report, In our opinion, may have an adverse effect on the functioning of the Company, aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (b) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (c) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
 - (d) The consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditors of its subsidiary companies incorporated in India, none of the Directors of the Group companies incorporated in India is disqualified as on 31 March 2016 from being appointed as a Director of that company in terms of sub-section 2 of Section 164 of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer Note 7 to the Annexure-A to the PSL Standalone Auditor's Report;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and subsidiary companies incorporated in India.



Reasons for Unfavourable Report

Due to non-implementation of CDR package, the financial position of the company has suffered a setback. The production has fallen resulting in heavy losses. Due to financial crunch and non-availability of funds, there are some delays in depositing the government dues. There are defaults in repayment of bank loans. The debtors have stopped payment of their dues. The creditors have started filing legal suits for their recovery and winding up proceedings. The net worth has eroded. The BIFR application is pending. We have reported the matters in the Emphasis of matters in para 1 to 10 of our report of even date.

For **SURESH C MATHUR & CO.,**
Chartered Accountants
(Firm Registration No:000891N)


(**SURESH C. MATHUR**)
(PARTNER)
Membership number: 1276
New Delhi
24 May 2016

