

**Petron Engineering Construction Limited**

NS/LEGAL/2014-15/BSE/2014

November 7, 2014

The BSE Ltd.,
Corporate Relationship Department
25th Floor, P.J. Towers
Dalal Street, Fort,
MUMBAI 400 001.

Kind Attn : Ms. Shilpa Pachori - Relationship Manager.

Dear Madam,

Sub: Unaudited Financial Results for the Quarter and Half Year Ended 30th September, 2014 and Limited Review Report

We are sending herewith the Unaudited Financial Results for the quarter and half year ended 30th September, 2014, alongwith Limited Review Report dated 7th November, 2014 for the Quarter Ended 30th September, 2014 by M/s. S. R. B. C. & Co. LLP, Chartered Accountants, Mumbai, Auditors of the Company, pursuant to Clause 41 of the Listing Agreement.

Kindly take the aforesaid Unaudited Financial Results and Limited Review Report on your records.

Thanking you,

Yours faithfully,
For **PETRON ENGINEERING CONSTRUCTION LIMITED,**

NARESH SHAH
Sr. V.P. (LEGAL) & COMPANY SECRETARY

NS.rr

✓Cc: National Stock Exchange of India Ltd.

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 ISO 9001 : 2008, ISO 14001 : 2004, OHSAS 18001 : 2007

Petron Engineering Construction Limited

Regd. Office: 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: 145202MH1976PLC019135

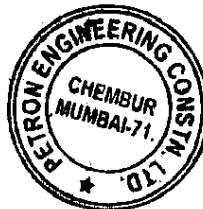
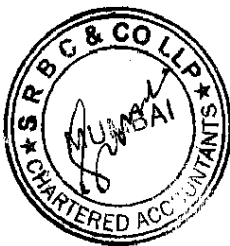
STATEMENT OF UNAUDITED RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30th SEPTEMBER, 2014

Rupees in Lacs

Particulars	Quarter Ended			Half Year Ended		Year Ended
	30th September 2014 (Unaudited)	30th June 2014 (Unaudited)	30th September 2013 (Unaudited)	30th September 2014 (Unaudited)	30th September 2013 (Unaudited)	31st March 2014 (Audited)
1 Income from Operations						
(a) Net Sales/Income from Operations (net of service tax, sales tax & excise duty)	10,229	5,991	9,065	16,220	19,798	37,587
(b) Other Operating Income	10,229	5,991	9,065	16,220	19,798	37,587
Total Income Operations (Net)						
2 Expenditure						
(a) Cost of Materials Consumed	3,881	1,884	2,116	5,765	5,741	10,522
(b) Changes in Project inventories	127	(132)	(0)	(5)	10	25
(c) Sub-contracting expenses	2,420	2,104	1,906	4,524	3,841	7,852
(d) Employees Benefits Expense	2,111	1,959	2,413	4,070	4,872	8,941
(e) Depreciation and Amortisation Expense	245	273	425	518	848	1,659
(f) Other expenditure	1,328	1,038	1,724	2,366	3,521	6,324
Total	10,112	7,126	8,584	17,238	18,833	35,323
3 Profit/(Loss) from Operations before Other income, Finance cost and Exceptional items	117	(1,135)	481	(1,018)	965	2,264
4 Other Income	75	50	126	125	224	355
5 Profit/(Loss) from ordinary activities before Finance Cost and Exceptional items	192	(1,085)	607	(893)	1,189	2,619
6 Finance Cost	752	693	577	1,445	1,098	2,436
7 Profit/(Loss) from ordinary activities after Finance costs but before Exceptional items	(560)	(1,778)	30	(2,338)	91	183
8 Exceptional items	(560)	(1,778)	30	(2,338)	91	183
9 Net Profit / (Loss) from ordinary activities before tax	4	(39)	9	(35)	29	(196)
10 Tax Expenses	(564)	(1,739)	21	(2,303)	62	379
11 Net Profit/ (Loss) from ordinary activities after tax	(564)	(1,739)	21	(2,303)	62	379
12 Extraordinary items (net of taxes Rs.Nil)	(564)	(1,739)	754	754	754	754
13 Net Profit/ (Loss) for the period	754	754	-	-	-	14,824
14 Paid-up equity share capital (Face Value: Rs.10/- per equity share)	-	-	-	-	-	-
15 Reserve excluding Revaluation Reserves as per balance sheet of previous year	(7.48)	(23.06)	0.27	(30.55)	0.82	5.03
16 Earnings per Share (EPS) (of Rs 10/- each) (not annualised)	(7.48)	(23.06)	0.27	(30.55)	0.82	5.03
(a) Basic and diluted EPS before Extraordinary items						
(b) Basic and diluted EPS after Extraordinary items						
(A) PARTICULARS OF SHAREHOLDING						
1 Public shareholding	2,075,197	2,075,197	2,075,197	2,075,197	2,075,197	2,075,197
- Number of Shares	27.53%	27.53%	27.53%	27.53%	27.53%	27.53%
- Percentage of shareholding						
2 Promoters & Promoter Group Shareholding						
(a) Pledge / Encumbered	Nil	Nil	Nil	Nil	Nil	Nil
- No of Shares						
- % of Shares (as a % of the total shareholding of promoter & promoter group)	Nil	Nil	Nil	Nil	Nil	Nil
- % of Shares (as a % of the total share capital of the Company)						
(b) Non encumbered	5,463,203	5,463,203	5,463,203	5,463,203	5,463,203	5,463,203
- No of Shares						
- % of Shares (as a % of the total shareholding of promoter & promoter group)	100%	100%	100%	100%	100%	100%
- % of Shares (as a % of the total share capital of the Company)	72.47%	72.47%	72.47%	72.47%	72.47%	72.47%

Three months ended 30th September 2014

Particulars	
(B) INVESTOR COMPLAINTS	Nil
Pending at the beginning of the Quarter	Nil
Received during the Quarter	Nil
Disposed of During the Quarter	Nil
Remaining unresolved at the end of Quarter	Nil



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Statement of Assets and Liabilities

Rupees in Lacs

Particulars	As at 30th September 2014 (Unaudited)	As at 31st March 2014 (Audited)
A EQUITY AND LIABILITIES		
1 Shareholders' funds	754	754
(a) Share Capital	13,022	15,382
(b) Reserves and surplus	13,776	16,136
Sub-total- Shareholders' funds		
2 Non-current liabilities	2,133	2,757
(a) Long-term borrowings	-	65
(b) Deferred tax liabilities (net)	5,819	4,933
(c) Other long-term liabilities	117	117
(d) Long-term provisions	8,069	7,872
Sub-total- Non-current liabilities		
3 Current liabilities	15,184	11,726
(a) Short-term borrowings	11,528	10,214
(b) Trade Payable	16,335	14,945
(c) Other Current liabilities	297	271
(d) Short term provisions	43,344	37,156
Sub-total Current liabilities		
TOTAL - EQUITY AND LIABILITIES	65,189	61,164
B ASSETS		
1 Non-current assets	7,549	8,097
(a) Fixed assets	0	0
(b) Non-current Investments (Cost Rs. 1,000)	4,014	3,719
(c) Long-term loans and advances	3,047	3,132
(d) Other non-current assets	14,610	14,948
Sub-total- Non-current assets		
2 Current assets	261	116
(a) Inventories	12,767	11,023
(b) Trade receivables	1,168	1,133
(c) Cash and cash equivalents	2,928	1,705
(d) Short-term loans and advances	33,455	32,239
(e) Other current assets	50,579	46,216
Sub-total- Current assets		
TOTAL - ASSETS	65,189	61,164

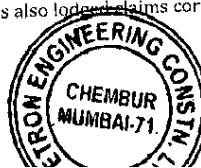
Notes:

- The above financial results have been reviewed by the Audit Committee and then approved by the Board of Directors at their respective meetings held on the 7th November, 2014.
- The Company is primarily engaged in the business of "Engineering, Procurement & Construction" and operates in a single business segment based on the nature of the products and services, the risks and returns etc. Accordingly, these financial results have been prepared for this single segment.
- The company has received Rs.4,930 lacs as support during the quarter ended 30th June,2014 from the parent company/ultimate parent company to augment its working capital base. The ultimate parent company has also given an unconditional support letter to bridge the working capital gap, if any, upto 30th June,2015.
- The previous period / year figures have been regrouped/reclassified to make them comparable with the current period / year figures wherever necessary.
- A Vendor had filed winding-up petition against the Company for non-payment of debt due after having raised demand of Rs.1,277 lacs on the Company to clear its dues.

The Division Bench of Hon'ble High Court of Bombay has passed an Order on June 26, 2014 and directed the Company to pay Rs. 750 lacs (in 10 equal installments) w.e.f. August, 2014. This has been challenged in Supreme Court by filing Special Leave petition, the hearing of which is yet to take place.

However, considering the merits of the case in regular hearing and based on legal opinion obtained by the management, no further liability will accrue on the Company in the books of accounts as on September 30, 2014.

- The Company has revised the estimated revenue, cost and project related provisions during the course of the period on account of prolongation of the contracts' tenure as per the requirement of the clients owing to uncertainty surrounding completion of the projects which were due to reasons beyond the Company's control and which relates to earlier periods. Accordingly, the total of such earlier period adjustments which are debited to the Statement of Profit and Loss and impacts the current quarter's loss before tax by Rs. 1,694 lacs and for the quarter ended June 30, 2014 and for the half year ended September 30, 2014 the impact of such earlier period adjustments is Rs. 1,899 lacs and Rs. 3,593 lacs respectively. The company has also lodged claims corresponding to these costs. These will be accounted as and when settled.



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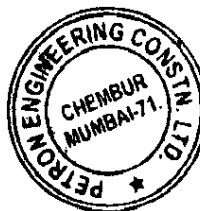
- 7 Pursuant to the Companies Act, 2013 ("the Act"), the management, based on their evaluation has reassessed the useful life of fixed assets. Consequently, the depreciation charge for the quarter ended June 30, 2014 and September 30, 2014 is higher by Rs.45.49 lacs and Rs.46.18 lacs respectively. In accordance with the Act, the carrying value of the fixed assets as at April 1st, 2014 is depreciated over the revised residual life of the fixed assets and where the revised residual life of the fixed asset is nil as at that date, the carrying value of the fixed assets, after retaining the residual value, has been adjusted to the retained earnings. Consequently, the retained earnings has been increased by Rs.86.57 lacs (Net of Deferred Tax Rs.29.43 lacs)

- 8 The Auditors have commented on,

Auditors' Qualification	Company's Response
In respect of certain contracts, as at September 30, 2014, trade receivable, and unbilled revenue of Rs. 2,047 Lacs (net of provisions and mobilization advance of Rs 2,932 Lacs) and Rs. 6,256 Lacs respectively are doubtful of recovery as the said contracts are under suspension or are delayed and the balances receivable from the customers are subject to final confirmation due to pending negotiations. Similarly, the trade payables to vendors in respect of the above mentioned suspended contract as recorded in the books and which aggregate to Rs. 1,702 Lacs are also subject to negotiations and final confirmation. In the absence of such confirmations and pending final outcome of the negotiations, we are unable to comment upon the amounts ultimately receivable/payable in respect of this contract and the consequential impact, if any, on the reported loss for the quarter ended September 30, 2014 and corresponding assets and liabilities as at that date. Our audit report on the financial statements for the years ended March 31, 2013 and March 31, 2014 as well as our review reports for the quarters ended June 30, 2013, September 30, 2013, December 31, 2013 and June 30, 2014 were modified in respect of the above matter.	The Company has received a written communication in May, 2013 from the customer affirming their intent to revive the subject mega project (the largest private investment in the region) - which is nearly 60% complete, which had hit a temporary roadblock because of the cost escalation, natural disaster and financial constraints. As per the communication, the customer is persistently endeavoring to get required equity infusion from current and/or new investors to eventually do a financial closure. Apart from the above letter, the same has also been reaffirmed by the top executives of the customer in discussions. As qualified by the auditors in their report on the realization of trade receivables and unbilled revenue, the management hereby informs that the amount outstanding in the form of trade receivables is duly confirmed by the customer as payable while the unbilled revenues are in the form of unfinished works and inventories, most of which are marketable, if required. The management is confident of its recovery in due course of time. In respect of other contracts also the company is negotiating with the clients and is confident of realisation of those receivables. Further, the accounts payable shall be subject to the reconciliation of the work performed at the said project and can be accurately ascertained after re-negotiation upon restart of the project or otherwise, as the case may be.
We report that the Company has recognized revenue of Rs. 3,811 lacs (during previous years), on account of cost overruns arising due to design changes and delay in completion on certain contracts, which in our opinion, should not have been recognized in the absence of necessary change orders/customer acceptance in respect of the same in accordance with the revenue recognition principles set out in the Accounting Standard-7 Construction contracts. The receivables against the above revenue are outstanding for a considerable period of time. Due to the uncertainty over ultimate collection and recoverability of the said amounts, we are also unable to comment on the amounts ultimately receivable in respect of these contracts including consequential adjustments, if any, that may be required in this regard and consequential impact, if any, on the reported result for the quarter ended September 30, 2014 and corresponding assets as at that date. Our audit report on the financial statements for the year ended March 31, 2014 and our review reports for the quarter ended December 31, 2013 and June 30, 2014 were modified in respect of the above matter. Further, the company has recognized revenues of Rs. 536 lacs in the current quarter, on account of cost overruns arising due to design changes and delay in completion on certain contracts, which in our opinion, should not have been recognized in the absence of necessary change orders/customer acceptance in respect of the same as the same is also not in accordance with the revenue recognition principles set out in the Accounting Standard-7 Construction contracts. Accordingly the revenue for the period would be lower by Rs. 536 lacs, loss would be higher by Rs. 536 lacs and the unbilled revenue balance would have been lower by Rs.536 lacs.	Management is confident of receiving the recognised revenue after completion of pending formalities in due course of time. Therefore, there will not be any impact on reported profit for the quarter and half year ended 30th September, 2014 and on corresponding assets as at that date. There are contractual provisions in some of the contracts for claims against extended stay at pre-determined rates per month as mentioned in the contracts. The Company has lodged claims for the extended stay. The Company is negotiating with the Clients and is confident of realisation of those claims.

Mumbai, 7th November, 2014

For Petron Engineering Construction Limited



Ajay Hans
Ajay Hans
Managing Director

S R B C & CO LLP

Chartered Accountants

5th Floor, Block B 2
Nirlon Knowledge Park
Off Western Express Highway
Goregaon (East), Mumbai-400 063, India
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Limited Review Report

Review Report to
The Board of Directors
Petron Engineering Construction Limited

Introduction

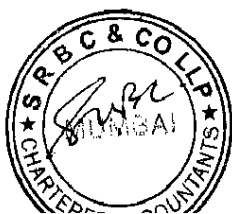
1. We have reviewed the accompanying statement of unaudited financial results of Petron Engineering Construction Limited ('the Company') for the quarter ended September 30, 2014 (the "Statement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors/ committee of Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

Scope of Review

2. We conducted our review 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.

Basis for qualified conclusion

3. In respect of certain contracts, as at September 30, 2014, trade receivables and unbilled revenue of Rs. 2,047 Lacs (net of provisions and mobilization advance of Rs 2,932 Lacs) and Rs. 6,256 Lacs respectively are doubtful of recovery as the said contracts are under suspension or are delayed and the balances receivable from the customers are subject to final confirmation due to pending negotiations. Similarly, the trade payables to vendors in respect of the above mentioned suspended contract as recorded in the books and which aggregate to Rs. 1,702 Lacs are also subject to negotiations and final confirmation. In the absence of such confirmations and pending final outcome of the negotiations, we are unable to comment upon the amounts ultimately receivable/payable in respect of this contract and the consequential impact, if any, on the reported result for the quarter ended September 30, 2014 and corresponding assets and liabilities as at that date. Our audit report on the financial statements for the years ended March 31, 2013 and March 31, 2014 as well as our review reports for the quarters ended June 30, 2013, September 30, 2013, December 31, 2013 and June 30, 2014 were modified in respect of the above matter.
4. We report that the Company has recognized revenue of Rs. 3,811 Lacs (during previous years), on account of cost overruns arising due to design changes and delay in completion on certain contracts, which in our opinion, should not have been recognized in the absence of necessary change orders/customer acceptance in respect of the same in accordance with the revenue recognition principles set out in the Accounting Standard AS 7 Construction contracts. The receivables against the above revenue are outstanding for a considerable period of time. Due to the uncertainty over ultimate collection and recoverability of the said amounts, we are also unable to comment on the amounts ultimately receivable in respect of these contracts including consequential adjustments, if any, that may be required in this regard and consequential impact, if any, on the reported result for the quarter ended September 30, 2014 and corresponding assets as at that date. Our audit report on the financial statements for the year ended March 31, 2014 and our review reports for the quarter ended December 31, 2013 and June 30, 2014



S R B C & CO LLP

Chartered Accountants

Petron Engineering Construction Limited
Limited Review for the quarter ended September 30, 2014

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were modified in respect of the above matter. Further, the company has recognized revenues of Rs. 536 Lacs in the current quarter, on account of cost overruns arising due to design changes and delay in completion on certain contracts, which in our opinion, should not have been recognized in the absence of necessary change orders/customer acceptance in respect of the same as the same is also not in accordance with the revenue recognition principles set out in the Accounting Standard AS 7 Construction contracts. Accordingly the revenue for the period would be lower by Rs. 536 Lacs, loss would be higher by Rs. 536 Lacs and the unbilled revenue balance would have been lower by Rs. 536 Lacs.

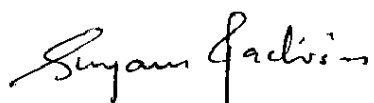
Qualified Conclusion

5. Based on our review conducted as above, except for the effects of the matter stated in para 4 and except for the possible effects of the matters stated in para 3 and para 4 above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", specified under the Companies Act, 1956 (which are deemed to be applicable as per section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014) and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

6. We draw attention to Note No. 5 in quarterly financial results, which describes the uncertainty related to the outcome of the winding up petition filed against the Company by a vendor, more fully described therein. Our conclusion is not qualified in respect of this matter.

For S R B C & CO LLP
ICAI Firm registration number: 324982E
Chartered Accountants



per Shyamsundar Pachisia
Partner
Membership No.: 49237



Place: Mumbai
Date: 7 November 2014