

Petron Engineering Construction Limited

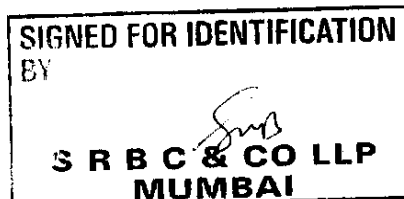
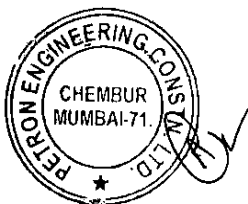
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STATEMENT OF UNAUDITED RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER, 2014*Rupees in Lacs*

Particulars	Quarter Ended			Nine Months Ended		Year Ended
	31st December 2014 (Unaudited)	30th September 2014 (Unaudited)	31st December 2013 (Unaudited)	31st December 2014 (Unaudited)	31st December 2013 (Unaudited)	31st March 2014 (Audited)
1 Income from Operations						
(a) Net Sales/Income from Operations (net of service tax, sales tax & excise duty)	12,744	10,229	8,865	28,964	28,663	37,587
(b) Other Operating Income	-	-	-	-	-	-
Total Income Operations (Net)	12,744	10,229	8,865	28,964	28,663	37,587
2 Expenditure						
(a) Cost of Materials Consumed	4,117	3,881	2,199	9,881	7,940	10,522
(b) Changes in Project inventories	5	127	10	-	20	25
(c) Sub-contracting expenses	3,002	2,420	1,765	7,526	5,606	7,852
(d) Employees Benefits Expense	2,108	2,111	2,131	6,178	7,003	8,941
(e) Depreciation and Amortisation Expense	247	245	423	765	1,272	1,659
(f) Other expenditure	1,333	1,328	1,654	3,699	5,175	6,324
Total	10,812	10,112	8,182	28,050	27,016	35,323
3 Profit/(Loss) from Operations before Other Income, Finance cost and Exceptional items	1,932	117	683	914	1,647	2,264
4 Other Income	199	75	26	324	251	355
Profit/(loss) from ordinary activities before Finance Cost and Exceptional items	2,131	192	709	1,238	1,898	2,619
6 Finance Cost	770	752	661	2,215	1,760	2,436
Profit/(Loss) from ordinary activities after Finance costs but before Exceptional items	1,361	(560)	48	(977)	139	183
8 Exceptional items	-	-	-	-	-	-
Net Profit / (Loss) from ordinary activities before tax	1,361	(560)	48	(977)	139	183
10 Tax Expenses	-	4	15	(35)	45	(196)
Net Profit/ (Loss) from ordinary activities after tax	1,361	(564)	33	(942)	94	379
12 Extraordinary items (net of taxes Rs.Nil)	-	-	-	-	-	-
Net Profit/ (Loss) for the period	1,361	(564)	33	(942)	94	379
14 Paid-up equity share capital (Face Value: Rs.10/- per equity share)	754	754	754	754	754	754
15 Reserve excluding Revaluation Reserves as per balance sheet of previous year	-	-	-	-	-	14,824
16 Earnings per Share (EPS) (of Rs 10/- each) (not annualised)						
(a) Basic and diluted EPS before Extraordinary Items	18.06	(7.48)	0.44	(12.50)	1.25	5.03
(b) Basic and diluted EPS after Extraordinary Items	18.06	(7.48)	0.44	(12.50)	1.25	5.03
(A) PARTICULARS OF SHAREHOLDING						
1 Public shareholding						
- Number of Shares	2,075,197	2,075,197	2,075,197	2,075,197	2,075,197	2,075,197
- Percentage of shareholding	27.53%	27.53%	27.53%	27.53%	27.53%	27.53%
2 Promoters & Promoter Group Shareholding						
(a) Pledge / Encumbered						
- No of Shares	Nil	Nil	Nil	Nil	Nil	Nil
- % 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)	Nil	Nil	Nil	Nil	Nil	Nil
(b) Non encumbered						
- No of Shares	5,463,203	5,463,203	5,463,203	5,463,203	5,463,203	5,463,203
- % 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%

Particulars	Three months ended 31st December 2014
(B) INVESTOR COMPLAINTS	
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



Notes:

- 1 The above financial results have been reviewed by the Audit Committee and then approved by the Board of Directors at their respective meetings held on the 13th February, 2015.
- 2 The Company is primarily engaged in the business of "Engineering, Procurement & Construction" and operates in a single business segment based on the nature of the products and services, the risks and returns etc. Accordingly, these financial results have been prepared for this single segment.
- 3 The ultimate parent company has given an unconditional financial support letter to bridge the working capital gap, if any, upto 30th June, 2015.
- 4 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.

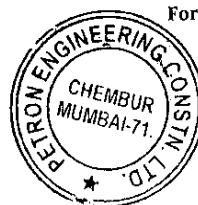
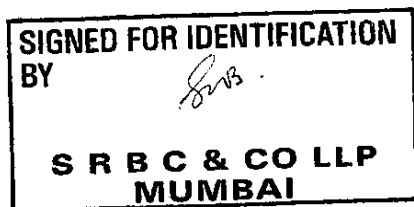
The Division Bench of Hon'ble High Court of Bombay has passed an Order on June 26, 2014 and directed the Company to pay Rs. 750 lacs (in 10 equal monthly installment) w.e.f. August, 2014. Accordingly the payments are being made by the Company.

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 December 31, 2014.

- 5 During the quarter ended 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 relate to earlier periods. Accordingly, the total of such earlier period adjustments which are debited to the Statement of Profit and Loss and impacts the loss before tax for quarter ended September 30, 2014 and profit for the quarter ended December 31, 2014 by Rs. 1694 lacs and Nil respectively and loss for nine months period ended December 31, 2014 by Rs.3,593.29 lacs. The company has also lodged claims corresponding to these costs. These will be accounted as and when settled.
- 6 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 September 30, 2014 and December 31, 2014 and nine months ended December 31, 2014 would have been higher by Rs. 46.18 lacs, Rs. 109.87 lacs and Rs. 201.54 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).
- 7 The previous period / year figures have been regrouped/reclassified to make them comparable with the current period / year figures wherever necessary.
- 8 The Auditors have commented on,

Auditors' Qualification	Company's Response
In respect of certain contracts, as at December 31, 2014, trade receivables and unbilled revenue of Rs. 1,257 Lacs (net of provisions and mobilization advance of Rs. 4,239 Lacs) and Rs. 7,661 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 one of the above mentioned suspended contract as recorded in the books and which aggregate to Rs. 1,473 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 December 31, 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, June 30, 2014 and September 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 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 trade receivables and unbilled revenue 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.3,091 lacs (during earlier periods) on cost overruns arising due to design changes and delay in completion on certain contracts, without change orders/customer acceptance in respect of the same. Due to the uncertainty over ultimate collection and recoverability of the said amounts, we are 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 December 31, 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, June 30, 2014 and September 30, 2014 were modified in respect of the above matter. Further, the company has recognized revenues of Rs. 437 Lacs in the current quarter, on account of cost overruns arising due to design changes, contract interpretation issues 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 quarter, profit for the quarter and unbilled revenue balance as at December 31, 2014 would be lower by Rs. 437 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 period ended 31st December, 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, 13th February, 2015



For Petron Engineering Construction Limited

Ajay Hans
Ajay Hans
Managing Director

S R B C & CO LLP

Chartered Accountants

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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 December 31, 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 December 31, 2014, trade receivables and unbilled revenue of Rs. 1,257 Lacs (net of provisions and mobilization advance of Rs. 4,239 Lacs) and Rs. 7,661 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 one of the above mentioned suspended contract as recorded in the books and which aggregate to Rs. 1,473 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 December 31, 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, June 30, 2014 and September 30, 2014 were modified in respect of the above matter.*
4. *We report that the Company has recognized revenue of Rs. 3,091 lacs (during earlier periods) on cost overruns arising due to design changes and delay in completion on certain contracts, without change orders/customer acceptance in respect of the same. Due to the uncertainty over ultimate collection and recoverability of the said amounts, we are 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 December 31, 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, June 30, 2014 and September 30, 2014 were modified in respect of the above matter. Further, the company has recognized revenues of Rs. 437 Lacs in the current quarter, on account of cost overruns arising due to design changes, contract interpretation issues 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 quarter, profit for the quarter and unbilled revenue balance as at December 31, 2014 would be lower by Rs. 437 Lacs.*

S R B C & CO LLP

Chartered Accountants

Petron Engineering Construction Limited
Limited Review for the quarter ended December 31, 2014

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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 recognised 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. 4 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: 13 February 2015