

**Petron Engineering Construction Limited**

NS/LEGAL/2013-14/BSE

August 14, 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 ended 30th June, 2014

- 1) Further to our letter under Ref. No. NS/LEGAL/2014-15/BSE Dated 6th August, 2014, enclosed please find copy of the Unaudited Financial Results for the Quarter Ended 30th June, 2014, as reviewed by the Audit Committee and approved and taken on record by the Board at its meeting held today i.e. the 14th August, 2014.

We are also simultaneously publishing the results in the following Mumbai Edition News Papers :

- The Financial Express (English News Paper)
- Loksatta (Marathi News Paper)

- 2) Pursuant to Clause 41 of the Listing Agreement, we are sending herewith, Limited Review Report dated 14th August, 2014 for the Quarter ended 30th June, 2014 by M/s. S. R. Batliboi & Co., LLP, Chartered Accountants, Mumbai, Auditors of the Company.

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

Thanking you,

Yours faithfully

For **PETRON ENGG. CONSTN LTD.,**

(NARESH SHAH)

SR. V. P. (LEGAL) & COMPANY SECRETARY

✓ CC: The National Stock Exchange of India Limited
CC: NSDL
Cc: CDSL

Encl: as stated
rr

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

Petron Engineering Construction Limited

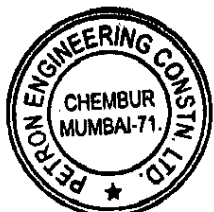
Regd. Office: Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai-400071

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

STATEMENT OF UNAUDITED RESULTS FOR THE QUARTER ENDED 30th JUNE, 2014

Particulars	Quarter Ended			Year Ended
	30th June 2014	30th June 2013	31st March 2014 (Audited) Refer Note 7	31st March 2014 (Audited)
1 Income from Operations				
(a) Net Sales/Income from Operations (net of service tax, sales tax & excise duty)				
(b) Other Operating Income	5,991	10,733	8,924	37,587
Total Income Operations (Net)	5,991	10,733	8,924	37,587
2 Expenditure				
(a) Cost of Materials Consumed	1,884	3,625	2,582	10,522
(b) Changes in Project Inventories	(132)	10	5	25
(c) Sub-contracting expenses	2,104	1,935	2,246	7,852
(d) Employees Benefits Expense	1,959	2,459	1,938	8,941
(e) Depreciation and Amortisation Expense	270	423	387	1,659
(f) Other expenditure	1,038	1,797	1,150	6,324
Total	7,123	10,249	8,308	35,323
3 Profit/(Loss) from Operations before Other Income, Finance cost and Exceptional Items	(1,132)	484	616	2,264
4 Other Income	50	98	104	355
5 Profit/(loss) from ordinary activities before Finance Cost and Exceptional Items	(1,082)	582	720	2,619
6 Finance Cost	693	521	676	2,436
7 Profit/(Loss) from ordinary activities after Finance costs but before Exceptional Items	(1,775)	61	44	183
8 Exceptional Items	-	-	-	-
9 Net Profit / (Loss) from ordinary activities before tax	(1,775)	61	44	183
10 Tax Expenses (deferred tax includes Rs. 13.11 lacs for prior period, P.Y. Rs.Nil)	(39)	20	(241)	(196)
11 Net Profit/ (Loss) from ordinary activities after tax	(1,736)	41	285	379
12 Extraordinary Items (net of taxes Rs.Nil)	-	-	-	-
13 Net Profit/ (Loss) for the period	(1,736)	41	285	379
14 Paid-up equity share capital (Face Value: Rs.10/- per equity share)	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	(23.03)	0.54	3.78	5.03
(b) Basic and diluted EPS after Extraordinary Items	(23.03)	0.54	3.78	5.03
(A) PARTICULARS OF SHAREHOLDING				
1 Public shareholding				
- Number of Shares	2,075,197	2,075,197	2,075,197	2,075,197
- Percentage of shareholding	27.53%	27.53%	27.53%	27.53%
2 Promoters & Promoter Group Shareholding				
(a) Pledge / Encumbered				
- No of Shares	Nil	Nil	Nil	Nil
- % of Shares (as a % of the total shareholding of promoter & promoter group)	Nil	Nil	Nil	Nil
- % of Shares (as a % of the total share capital of the Company)	Nil	Nil	Nil	Nil
(b) Non encumbered				
- No of Shares	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%
- % of Shares (as a % of the total share capital of the Company)	72.47%	72.47%	72.47%	72.47%

Particulars	Three months ended 30th June 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



Signature

SIGNED FOR IDENTIFICATION
BY 
S.R. BATLIBOI & CO. LLP
MUMBAI

Notes:

- 1 The above audited financial results have been reviewed by the Audit Committee and then approved by the Board of Directors at their respective meetings held on the 14th August, 2014.
- 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 During the quarter, the company has revised the depreciation rate on certain fixed assets as per the useful life specified in the Companies Act, 2013 or re-assessed by the Company. Based on the current estimates, carrying amount of Rs. 86.57 lacs in respect of assets whose useful life is already exhausted as on April 1, 2014 (net of deferred tax of Rs. 29.43 lacs thereon), have been adjusted to retained earnings. Had there not been any change in the useful life of assets, depreciation for the quarter would have been higher by Rs. 45.49 lacs.
- 4 The previous period / year figures have been regrouped/reclassified to make them comparable with the current period / year figures wherever necessary.
- 5 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 June 30, 2014.

- 6 The Company is facing liquidity issue as some of the on going contracts have very high back-ended billing and payment terms, release, of which is linked to contracts achieving certain milestones and getting approvals of respective clients.

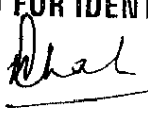
To mitigate the above factor, the Company has received support from the Parent Company for Rs. 4,930 lacs as at June 30, 2014. It is also working to achieve contracted milestones in ongoing projects thereby releasing crucial working capital which the company's management expects to achieve by December 2014. The Ultimate Parent Company has given an unconditional support letter upto June 30, 2015 to bridge the gap of working capital, if any.

- 7 The figures for the quarter ended March 31, 2014 are the balancing figures between audited figures of the full financial year ended March 31, 2014 and the unaudited published year to date figures upto December 31, 2013 being the end of the third quarter of financial year (which were subject to limited review by the statutory auditors).

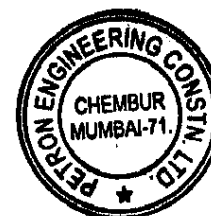
- 8 The Auditors have commented on,

Auditors' Qualification	Company's Response
We report that in respect of a contract, as at June 30, 2014, trade receivables and unbilled revenue of Rs. 1,267 Lacs (net of mobilization advance of Rs. 2,926 Lacs) and Rs. 6,256 Lacs respectively, are doubtful of recovery as the said contract is under suspension for a considerable period of time and the balances receivable from the customer are subject to final confirmation due to pending negotiations. Similarly, the trade payables to vendors in respect of the above mentioned contract as recorded in the books and which aggregate to Rs. 1,780 Lacs are also subject to negotiations and final confirmation. In the absence of final confirmation of balances 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 adjustments, if any, that may be required in this regard and consequential impact on the reported result for the quarter ended June 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 and December 31, 2013 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 - within this year, 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. 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 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 upon 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 June 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 were modified in respect of the above matter.	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 ending 31st March, 2014 / period ending 31st March, 2014 and on corresponding assets as at that date.

Mumbai, 14th August, 2014

SIGNED FOR IDENTIFICATION
BY 
S.R. BATLIBOI & CO. LLP
MUMBAI

For Petron Engineering Construction Limited




Ajay Hans
Managing Director

S.R. BATLIBOI & Co. LLP

Chartered Accountants

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29 Senapati Bapat Marg
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Mumbai-400 028, India
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Limited Review Report

**Review Report to
The Board of Directors
Petron Engineering Construction Limited**

Introduction

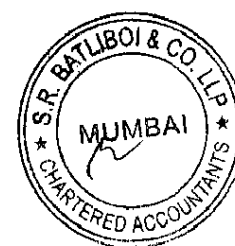
1. We have reviewed the accompanying statement of unaudited financial results of Petron Engineering Construction Limited ('the Company') for the quarter ended June 30, 2014 (the "Statement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which 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. We report that In respect of a contract, as at June 30, 2014, trade receivables and unbilled revenue of Rs. 1,267 Lacs (net of mobilization advance of Rs 2,926 Lacs) and Rs. 6,256 Lacs respectively, are doubtful of recovery as the said contract is under suspension for a considerable period of time and the balances receivable from the customer are subject to final confirmation due to pending negotiations. Similarly, the trade payables to vendors in respect of the above mentioned contract as recorded in the books and which aggregate to Rs. 1,780 Lacs are also subject to negotiations and final confirmation. In the absence of final confirmation of balances 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 adjustments, if any, that may be required in this regard and consequential impact on the reported result for the quarter ended June 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 and December 31, 2013 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 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 upon 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 June 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 were modified in respect of the above matter.



S.R. BATLIBOI & Co. LLP

Chartered Accountants

Qualified Conclusion

5. Based on our review conducted as above, *except for the possible effects of our observations, 3 & 4*, 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. BATLIBOI & CO. LLP

ICAI Firm registration number: 301003E

Chartered Accountants



per Hemal Shah

Partner

Membership No.: 42650

Place: Mumbai

Date: August 14, 2014

