ANNEXURE-I

STATEMENT OF IMPACT OF AUDIT QUALIFICATIONS

1.	S.No.	Particulars	Rs (In Lacs)	
			Audited Figure (As reported before adjusting for qualifications)	Audited Figure (As reported After adjusting for qualifications)*
	1.	Turnover/Total Income	42,873	41,252
	2	Total Expenditure (including tax expenses)	42,436	42,436
	3	Net Profit/(Loss)	437	(1,184)
	4	Earning Per Share (in Rs.)**	5.79	-15.71
	5	Total Assets	62,596	50,141
	6	Total Liabilities	46,018	46,018
	7	Net Worth***	16,578	4,123

*** all adjustments are without tax effect.**

**** Impact of only current year qualification has been given (read with footnote given below).**

***** Opening qualification of Rs.10833 lacs has been adjusted with Net worth.**

2. **Audit Qualifications :**

a. **Detail of Audit Qualifications**

Qualification in the Annexure referred to in 'Basis for Qualified Opinion' paragraph of the Auditors' Report dated 31st May, 2016 to the members of Petron Engineering Construction Limited on the accounts for the year ended 31st March, 2016:-

i. *Note no. 4(a) of the accompanying statement in respect of certain suspended / delayed contracts as of 31st March, 2016, trade receivables of Rs.1,923 lacs (net of mobilization advance of Rs. 2,934 lacs) (as at 31st Dec 2015 and 31st March 2015 Rs. 1,128 lacs and Rs.1,501 lacs net of mobilization advance of Rs.4,211 lacs and Rs.4,240 lacs respectively) And unbilled revenue of Rs.6,256 lacs (as at 31st Dec 2015 and 31st March 2015 Rs. 7,805 lacs and Rs.7,756 lacs respectively) receivables from customers are pending confirmation/ negotiation; trade payables w.r.t. these stated customers aggregated to Rs. 819 lacs (as at 31st Dec 2015 and 31st March 2015 Rs.1,206 lacs and Rs.1,323 lacs respectively) are subject to negotiation/ confirmation, where we are unable to comment on the same and its corresponding impact on profit and assets / liabilities as at that date.*

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		ii.	*Note no. 4(b) of the accompanying statement of financial results , the company has recognised revenue of Rs.1,353 lacs during earlier periods (till 31st Dec 2015 Rs1,353/- lacs)(till 31st March 2015 Rs.2,555/- lacs) on account of cost overruns on certain contracts, pending acceptance / confirmation from customers and our inability to comment on the amounts ultimately receivable in respect of these contracts and its impact on the reported profit for the quarter/ year ended 31st March' 2016 and corresponding assets as on date .This matter was also qualified in the report of the predecessor auditors on the financial statements for the quarter / year ended 31st March' 2015 and in our limited review report for the quarter ended 31st Dec, 2015.*
		iii.	*Note no.4(c) of the accompanying financial results , the Company has recognised revenues of Rs. 1,621 lacs during nine months period ended 31stDec'2015 (till 31st March 2015 Rs.1,301 lacs) , on account of cost overruns on certain contracts, which are not in accordance with the principles set out in the Accounting Standards AS-7 'Construction Contracts '. Accordingly the Revenue and profit is higher by Rs.1,621 lacs for the year ended 31st March 2016 and also balance in retained earnings and unbilled revenue balance as at 31st March 2016 is higher by Rs.2,922 lacs (as at 31st March 2015 by Rs.1,301 lacs) . This matter was also qualified in the report of the predecessor auditors on the financial statements for the quarter/ year ended 31st March 2015 and in our limited review report for the quarter ended 31st Dec, 2015.*
b.	**Type of Audit Qualification**		Qualified Opinion
c.	**Frequency of Qualification**		i) Qualification 3(i)- 4th year of observation ii) Qualification 3(ii) - 3rd year of observation iii) Qualification 3(iii)- 2nd year of observation
d.	**Management Views for audit qualifications where the impact is quantified**	i)	**For qualification 3(i)** The matter mainly relates to a 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. 2015. As qualified by the auditors in their report on the realization of trade receivables and unbilled revenue, the management hereby informs that

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			the amount outstanding in the form of trade receivables is pending negotiations with client and 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, the company is negotiating with the clients and is confident of realization 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.
		ii)	**For qualification 3(ii)** The contracts have provisions for issuance of change orders due to modifications in specifications, scope and methodology of execution of work. During execution of works, some of the specifications have undergone changes for which change order requests have been sent to the respective clients. The company is currently in discussion for getting change orders issued. The management is confident of receiving the recognized revenue after completion of pending formalities in due course of time.
		iii)	**For qualification 3(iii)** There are contractual provisions in some of the contracts for claims against extended stay at pre-determined rates per month as specified in the respective contracts. Accordingly the Company has lodged claims for the extended stay. The Company is negotiating with the Clients and is confident of realization of those claims. Therefore, there will not be any impact on reported profit for the quarter and year ended March 31, 2016 and on corresponding assets as at that date.
e.	**Management Views for audit qualifications where the impact is not quantified**		
	(i)	**Management estimation on the impact of audit qualification**	None
	(ii)	**Auditor's Comment on (i)**	None

Emphasis of Matter: Refer Annexure 'A' (attached)

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III.	To be signed by:	
1	**CEO/Managing Director**	Ajay Hans Managing Director
2	**Chief Financial Officer**	Himanshu Mohapatra Chief Finance Officer
3	**Auditor of the Company**	N.K. Lodha (Partner) M.No.85155 M/s Lodha & Co. Chartered Accountants (FRN: 301051E)
4	**Audit Committee Chairman**	Sanjay Jain Audit Committee Chairman

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PETRON ENGINEERING CONSTRUCTION LIMITED
(YEAR ENDED 31ST MARCH 2016)

ANNEXURE 'A'

Emphasis of Matter

Attention is drawn to:

i) Regarding pending confirmation /reconciliation of balances of certain trade receivable, other liabilities and loan & advances as at 31st March 2016,where the management is confident that there will not be any material impact on confirmation /reconciliation on profit for the year quarter/year.

ii) Based on the information and explanation provided, in our opinion, the company has system of internal financial control over financial reporting in place, however the company needs to further improve in regard to project cost estimation process[read with para (i) above].

Our opinion is not modified in respect of matters stated above.

Management Comments:

On matter referred in (i) above: The Company has a system of balance reconciliation on regular basis. As a practice, the Company sends letters to its vendors and its clients for balance confirmation. Depending upon the response received, the reconciliation is being carried out. On final confirmation / reconciliation of balances as stated there will not be any material impact.

On matter referred in (ii) above: As the system of internal financial control (IFC) over financial reporting is a new reporting requirement, the management is in process of establishing effective implementation with the help of past experience, internal and outside consultants. However, internal controls are exercised departmentally adopting standard procedures in line with the industry. Hence the Company is reasonably confident about fair and complete disclosure.

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