Petron Engineering Construction Limited

PECL/NS/LEGAL/BSE-NSE/UFR/2016 August 10, 2016

To:
The Secretary - The Listing Department
BSE Limited ,
P J Towers 25th Floor,
Dalal Street,
Mumbai 400 001.

To:
The Secretary- Listing Department
National Stock Exchange Limited
Exchange Plaza C-1 Block G
Bandra Kurla Complex, Bandra East,
Mumbai 400 051.

Dear Sir / Madam

Sub: Unaudited Financial Results for the Quarter Ended 30th June, 2016 and Limited Review Report

We are sending herewith the Unaudited Financial Results for the quarter ended 30th June, 2016, alongwith Limited Review Report dated 10th August, 2016, by M/s. Lodha & Co., Chartered Accountants, New Delhi, Auditors of the Company, pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Thanking you,

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

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

Encl: as stated

Nvs.rr

Petron Engineering Construction Limited

Regd. Office: 6th Floor, Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai-400071
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EXTRACT OF UNAUDITED RESULTS FOR THE QUARTER ENDED 30TH JUNE, 2016

Rupees in Lacs

Particulars	Quarter Ended *30th June 2016 (Unaudited)*	Quarter Ended *31st March 2016 (Unaudited)*	Quarter Ended *30th June 2015 (Unaudited)*
Total Income Operations (Net)	8,242	10,222	10,312
Profit/(Loss) from ordinary activities after tax	17	50	115
Profit/(Loss) from ordinary activities after tax (after Extraordinary items)	17	50	115
Equity Share Capital	754	754	754
Earnings per Share (EPS) (of Rs 10/- each) (not annualised)			
(a) Basic and diluted EPS before Extraordinary items	0.22	0.67	1.53
(b) Basic and diluted EPS after Extraordinary items	0.22	0.67	1.53

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 10th August, 2016 and also Statutory Auditors have carried out limited review of the same.

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 previous period / year figures have been regrouped/reclassified to make them comparable with that of current period / year wherever necessary.

4 The Auditors have commented on,

Auditors' Qualification	Company's Response
(a) In respect of certain suspended / delayed contracts as of 30th June 2016, trade receivables of Rs.1,823 lacs (net of provisions and mobilization advance of Rs. 2,934 lacs) (as at 31st March, 2016 and 30th June, 2015 Rs. 1,923 lacs and Rs. 1,425 lacs net of provisions and mobilization advance of Rs. 2,934 lacs and Rs. 4,240 lacs respectively) and unbilled revenue of Rs.6,256 lacs (as at 31st March 2016 and 30th June 2015 Rs. 6,256 lacs and Rs. 7,756 lacs respectively) are doubtful of recovery and the balances receivables from customers are pending confirmation/ negotiation; trade payables w.r.t these stated customers aggregated to Rs.823 lacs (as at 31st Mar 2016 and 30th June 2015 Rs.819 lacs and Rs.1,206 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. This matter was also qualified in our report on the financial statements for the quarter / year ended 31st March 2016 and in our limited review report for the quarter ended 30th June 2015.	The matter mainly relates to a mega project (the largest private investment in the region) – which is nearly 60% complete, which had hit a roadblock because of the cost escalation, natural disaster and financial constraints at the client's end. The company had meetings with the client wherein the client has confirmed that they are in discussions with various prospective investors for financial support to restart the project. Considering the developments, the management is confident that the project will restart in near future. Apart from the above, the same has also been reaffirmed by the top executives of the said customer. As commented by the auditors in their report, on the realization of trade receivables and unbilled revenue of the said project, the management hereby informs that 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 upon restart of the project. In respect of trade receivables and unbilled revenue of other contracts, the company is negotiating with the clients and is confident of realisation of those receivables. In the current year as well as in the previous years, the company was successful in ariving settlements with ~~one~~ clients which has resulted in reduction in unbilled revenue. Further, the accounts payables are 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.
(b) The company has recognised revenue of Rs. 1,353 lacs (till 31st Mar 2016 Rs. 1,353/- lacs) (till 30th June 2015 Rs. 2,426/- 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 ended 30th June, 2016 and corresponding assets as on date. This matter was also qualified in our report on the financial results for the quarter / year ended 31st March 2016 and in our limited review report for the quarter ended 30th June 2015.	The contracts have provisions for issuance of change orders due to modifications in specifications, scope and methodology of execution of work, escalation in rates due to prolongation of the contracts . During execution of works, some of the specifications, scope, methodology of execution have undergone changes for which change order requests have been sent to the respective clients. The management is confident of receiving the recognised revenue after completion of pending formalities in due course of time.
c) The Company has recognised revenues of Rs. 31 lacs during the Quarter ended 30th June 2016 (till 31st March 2016 Rs 2,922 lacs), on account of cost overruns/ claims 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. 31 lacs for the Quarter ended 30th June 2016 and also balance in retained earnings and unbilled revenue balance as at 30th June 2016 is higher by Rs. 2,953 lacs (as at 31st March 2016 by Rs. 2,922 lacs and as at 30th June 2015 by Rs.1,301 lacs) . This matter was also qualified in our report on the financial statements for the quarter / year ended 31st March 2016 and in our limited review report for the quarter ended 30th June 2015.	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. Further, during execution of works, some of the specifications, scope and methodology of execution have undergone changes for which change order requests have been submitted with the respective clients. The Company is negotiating with the Clients and is confident of realisation of those claims.

LODHA & CO. New Delhi Chartered Accountants

PETRON ENGINEERING CONSTN. LTD. CHEMBUR MUMBAI-71.

For Petron Engineering Construction Limited

Ajay Hans
Managing Director
DIN 03068249

Mumbai, 10th August, 2016

LODHA
& CO
Chartered Accountants

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To
The Board of Directors,
Petron Engineering Construction Limited

Limited Review Report for the Quarter ended 30th June 2016

1. We have reviewed the accompanying statement of unaudited financial results (the "Statement") of Petron Engineering Construction Limited (the "Company") for the quarter ended 30th June, 2016. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (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 financial Statements are 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.

3. **Attention is drawn to the following qualifications :**

   i) *Note no. 4(a) of the accompanying unaudited statement of financial results in respect of certain suspended / delayed contracts , as of 30th June 2016, trade receivables of Rs. 1,823 lacs (net of provisions and mobilization advance of Rs. 2,934 lacs) (as at 31st March 2016 & Quarter ended 30th June 2015 Rs. 1,923 lacs and Rs. 1,425 lacs net of provisions and mobilization advance of Rs. 2,934 lacs and Rs. 4,240 lacs respectively) and unbilled revenue of Rs. 6,256 lacs (as at 31st March 2016 & Quarter ended 30th June 2015 Rs. 6,256 lacs and Rs. 7,756 lacs respectively) are doubtful of recovery and the balances receivables from the customers are pending confirmation/ negotiation. Further, the trade payables aggregated to Rs. 823 lacs (as at 31st March 2016 & Quarter ended 30th June 2015 Rs. 819 lacs and Rs. 1,206 lacs respectively) in respect of above mentioned contracts are also subject to final negotiation/ confirmation. We are unable to comment upon the status of amount receivables / payables on the reported profit for the three months period ended on 30th June 2016 and its corresponding impact on assets / liabilities as at that date.*

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This matter was also qualified in our report on the financial results for the quarter/year ended 31st March 2016 and in our limited review report for the quarter ended 30th June 2015.

ii) *Note no. 4(b) of the accompanying statement of unaudited financial results, the company recognised revenue of Rs. 1,353 lacs (till 31st March 2016 Rs. 1,353/- lacs) (till 30th June 2015 Rs. 2,426/- 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 three months period ended 30th June 2016 .*
This matter was also qualified in our report on the financial results for the quarter/year ended 31st March 2016 and in our limited review report for the quarter ended 30th June 2015.

iii) *Note no. 4(c) of the accompanying unaudited financial results, the Company has recognised revenues of Rs. 31 lacs during the three months period ended 30th June 2016 (Till 31st March 2016 Rs. 2,922 lacs), on account of cost overruns / claim 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 for the three months is higher by Rs. 31 lacs for the quarter ended 30th June 2016 and also balance in retained earnings and unbilled revenue balance as at 30th June 2016 is higher by Rs. 2,953 lacs (as at 31st March 2016 by Rs. 2,922 lacs and as at 30th June 2015 by Rs. 1,301 lacs). This matter was also qualified in our report on the financial results for the quarter/year ended 31st March 2016 and in our limited review report for the quarter ended 30th June 2015.*

Our Limited Review report on the results for the quarter ended 30th September 2015 and 31st December 2015 was also modified in respect of the matters reported above (i) to (iii).

4. *Except for the possible effect of the matters stated in paragraph 3 (i) (ii) and (iii)* ***under the heading qualification*** *above* , based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 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.

5. **Emphasis of Matter**

Attention is drawn to:

Regarding pending confirmation /reconciliation of balances of certain trade receivable, other liabilities and loan & advances as at 30th June 2016, where the management is

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confident that there will not be any material impact on confirmation /reconciliation on profit for the quarter ended 30th June 2016.

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

For LODHA & CO.,
Chartered Accountants
Firm Registration No. – 301051E

(GAURAV LODHA)
Partner
M. No. 507462

Place: New Delhi

Date: 10th August 2016