

PSL LIMITED

Regd. Office: Kachigam, Daman, U.T. of Daman & Diu -396210
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Website : www.pslimited.com CIN No.L67120DD1987PLC002395



STATEMENT OF AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED ON 31ST MARCH 2017

(Rs. in Crores)

Sr. No.	PARTICULARS	STANDALONE					CONSOLIDATED	
		3 months ended	Preceding 3 months ended	Corresponding 3 months ended in the previous year	Year to date figures for current period	Year to date figures for the previous year ended	Year to date ended on	Previous year ended on
		31.03.2017	31.12.2016	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Income from operations							
	Net sales/income from operations (net of Excise duty)	5.40	1.29	6.49	13.72	73.34	109.17	247.72
	Other operating income	3.87	1.69	5.70	10.44	32.72	5.80	33.75
	Total income from operations (net)	9.27	2.98	12.19	24.16	106.06	114.97	281.47
2	Expenses							
	(a) Cost of materials consumed	29.64	7.07	5.23	40.86	84.37	52.22	124.56
	(b) Purchases of stock-in-trade	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(c) Changes in inventories of finished goods, work-in-progress & stock in trade	96.72	0.04	1012.96	102.70	1165.13	96.35	1187.78
	(d) Employee benefits expense	5.44	7.00	3.53	19.21	23.63	37.35	40.21
	(e) Depreciation and amortisation expense	43.25	32.41	37.57	140.49	150.28	171.74	186.57
	(f) Other expenses (Any item exceeding 10% of the total expenses relating to continuing operations to be shown separately)	261.53	15.91	6.23	287.92	38.66	379.34	111.18
	Total expenses	436.58	62.43	1,065.52	591.18	1,462.07	737.00	1,650.30
3	Profit/(Loss) from operations before other income, finance costs and exceptional items (1-2)	(427.31)	(59.45)	(1,053.33)	(567.02)	(1,356.01)	(622.03)	(1,368.83)
4	Other income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Profit/(Loss) from ordinary activities before finance costs and exceptional items (3+ 4)	(427.31)	(59.45)	(1053.33)	(567.02)	(1356.01)	(622.03)	(1368.83)
6	Finance costs	-	-	-	-	-	-	54.08
7	Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5 + -6)	(427.31)	(59.45)	(1053.33)	(567.02)	(1356.01)	(622.03)	(1422.91)
8	Exceptional items	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	Profit/(+)/Loss(-) from Ordinary Activities before tax (7+-8)	(427.31)	(59.45)	(1053.33)	(567.02)	(1356.01)	(622.03)	(1422.91)
10	Tax Expense	0.00	0.00	0.00	0.00	0.00	0.23	0.22
11	Net Profit (+)/ Loss (-) from Ordinary Activities after tax (9 + -10)	(427.31)	(59.45)	(1053.33)	(567.02)	(1356.01)	(622.26)	(1423.13)
12	Extraordinary items (net of tax expense)	130.34	0	0	130.34	0	130.34	0
13	Net Profit (+)/ Loss (-) for the period (11+ -12)	(557.65)	(59.45)	(1053.33)	(697.36)	(1356.01)	(752.60)	(1423.13)
14	Share of profit/(loss) of associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15	Minority interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	Net Profit/ (Loss) after taxes. Minority interest and share of Profit /(Loss) of associates (13+ -14+-15)	(557.65)	(59.45)	(1053.33)	(697.36)	(1356.01)	(752.60)	(1423.13)
17	Paid-up equity share capital (Face value of Rs.10/- each)	124.93	124.93	98.94	124.93	98.94	124.93	98.94
18	Reserves excluding Revaluation Reserves (as per balance sheet) of previous accounting year.	-	-	-	(2278.40)	(1620.47)	(2461.03)	(1792.70)
19	Earnings Per Share (before extraordinary items) (of Rs.10/-each not annualised)							
i.	(a) Basic	(44.64)	(4.76)	(106.47)	(55.82)	(137.05)	(60.24)	(143.84)
	(b) Diluted	(44.64)	(4.76)	(106.47)	(55.82)	(137.05)	(60.24)	(143.84)
19	Earnings Per Share (after extraordinary items) (of Rs.10/-each not annualised)							
ii.	(a) Basic	(44.64)	(4.76)	(106.47)	(55.82)	(137.05)	(60.24)	(143.84)
	(b) Diluted	(44.64)	(4.76)	(106.47)	(55.82)	(137.05)	(60.24)	(143.84)

NOTES:

- The above financial results duly audited by the Statutory Auditors of the Company, have been reviewed by the Audit Committee and then approved by the Board of Directors of the Company at their respective meetings held today on 9th May 2017
- The Company's main business is to manufacture steel pipes. Accordingly, the Company does not have more than one segment eligible for reporting in terms of relevant accounting standard issued by the Institute of Chartered Accountants of India.
- Consequent upon repealing of Sick Individual Companies Act recently, the Company's Proceedings filed earlier with BIFR stand abated. Accordingly, in compliance of the necessary provision of recently enacted Insolvency and Bankruptcy code, 2016, the Company would be shortly filing the necessary application to National Company Law Tribunal
- Since various Financial Creditors of the Company having treated outstandings due from the Company to them as NPA and did not provide for Interest due to them as accrued income, the Company has also not provided Interest amounting to Rs. 414.79 Crores in its Books of Accounts during the Year under review.
- A closing Inventory of Rs. 19.52 Crores (valued at realisable value as on 31.03.2017) excludes disputed (currently under Arbitration process) amount of Rs. 17.07 crores as WIP Building of Coimbatore.
- Jindal Tubular India Ltd, which had earlier taken the Company's three Plants at Varsana, Jaipur and Vizag on Operations Maintenance Management Agreement basis has recently handed back the said three plants to the Company on 17.09.2016, 17.11.2016 and 30.11.2016 respectively.

For PSL LIMITED


(Ashok Punj)

Managing Director

Place: Mumbai
Date: 9TH MAY 2017

PSL LIMITED
ANNEXURE - I X

Statement of Assets and Liabilities for Companies (Other than Banks)

(Rs. in Crores)

Standalone Statement of Assets and Liabilities		Standalone	
Particulars		As at (Current half year end/year end) (dd/mm/yyyy) 31-Mar-17	As at (Previous Period end) (dd/mm/yyyy) 31-Mar-16
A	EQUITY AND LIABILITIES		
1	Shareholder's funds		
	(a) Share Capital	124.93	98.93
	(b) Reserves and Surplus	(2,278.40)	(1,620.48)
	(C) Money received against share warrants		
	SUB-TOTAL - Shareholder's funds	(2,153.47)	(1,521.55)
2	Share application money pending allotment	NIL	65.31
Standalone/ Consolidated Statement of Assets and Liabilities		As at (Current half year end/year end) (dd/mm/yyyy)	As at (Previous Year end) (dd/mm/yyyy)
Particulars			
3	Minority Interest		
4	Non-current liabilities		
	(a) Long-term borrowings	3,173.75	3,179.90
	(b) Deferred tax liabilities (net)	NIL	NIL
	(c) Other Long-term liabilities	243.58	263.55
	(d) Long- terms provisions	13.29	13.38
	Sub- total - Non- Current Liabilities	3,430.62	3,456.83
5	Current Liabilities		
	(a) Short-term borrowings	354.95	354.95
	(b) Trade payables	25.12	25.12
	(C) Other Current Liabilities	480.48	468.42
	(d) Short-terms provisions	NIL	NIL
	Sub- total- Current Liabilities	860.55	848.49
	TOTAL -EQUITY AND LIABILITIES	2,137.70	2,849.08
B	ASSETS		
1	Non-current assets		
	(a) Fixed Assets	1,438.42	1,574.23
	(b) Goodwill on consolidation	NIL	NIL
	(c) Non-current Investments	174.26	304.61
	(d) Deferred tax assets (net)	6.04	6.04
	(e) Long-term loans and advances	436.23	438.67
	(f) Other non-current assets	NIL	NIL
	Sub-total- Non-current assets	2,054.95	2,323.55
2	Current Assets		
	(a) Current Investments	NIL	NIL
	(b) Inventories	19.52	156.37
	(c) Trade receivables	9.63	287.23
	(d) Cash and cash equivalents	20.90	23.53
	(e) Short-terms loans and advances	32.70	58.40
	(f) Other current assets	NIL	NIL
	Sub-total - Current Assets	82.75	525.53
	TOTAL- ASSETS	2,137.70	2,849.08

Ashok Kumar

PSL LIMITED (CONSOLIDATED)

ANNEXURE - I X

Statement of Assets and Liabilities for Companies (Other than Banks)

(Rs. in Crores)

	Standalone Statement of Assets and Liabilities	Consolidated	
		As at (Current half year end/year end) (dd/mm/yyyy) 31/03/2017	As at (Previous Period end) (dd/mm/yyyy) 31/03/2016
	Particulars		
A	EQUITY AND LIABILITIES		
1	Shareholder's funds		
	(a) Share Capital	124.93	98.93
	(b) Reserves and Surplus	(2,461.02)	(1,792.70)
	(C) Money received against share warrants		
	SUB-TOTAL - Shareholder's funds	(2,336.09)	(1,693.77)
2	Share application money pending allotment	NIL	65.31

	Standalone/ Consolidated Statement of Assets and Liabilities	As at (Current half year end/year end) (dd/mm/yyyy)	As at (Previous Year end) (dd/mm/yyyy)
	Particulars		
3	Minority Interest		
4	Non-current liabilities		
	(a) Long-term borrowings	3,422.74	3,434.47
	(b) Deferred tax liabilities (net)	NIL	NIL
	(c) Other Long-term liabilities	292.27	263.55
	(d) Long- terms provisions	13.29	13.38
	Sub- total - Non- Current Liabilities	3,728.30	3,711.40
5	Current Liabilities		
	(a) Short-term borrowings	549.75	552.52
	(b) Trade payables	25.12	72.34
	(C) Other Current Liabilities	426.71	404.97
	(d) Short-terms provisions	NIL	8.13
	Sub- total- Current Liabilities	1,001.58	1,037.96
	TOTAL -EQUITY AND LIABILITIES	2,393.79	3,120.90
B	ASSETS		
1	Non-current assets		
	(a) Fixed Assets	1,716.09	1,891.00
	(b) Goodwill on consolidation	NIL	NIL
	(c) Non-current Investments	2.99	133.33
	(d) Deferred tax assets (net)	6.07	6.06
	(e) Long-term loans and advances	437.27	442.10
	(f) Other non-current assets	NIL	NIL
	Sub-total- Non-current assets	2,162.42	2,472.49
2	Current Assets		
	(a) Current Investments	0.29	0.29
	(b) Inventories	53.98	182.02
	(c) Trade receivables	59.59	320.43
	(d) Cash and cash equivalents	33.98	40.87
	(e) Short-terms loans and advances	83.53	104.80
	(f) Other current assets	NIL	NIL
	Sub-total - Current Assets	231.37	648.41
	TOTAL- ASSETS	2,393.79	3,120.90

Ashekh

The Members,
PSL Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of PSL Limited ('the Company'), which comprises of the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss Account and the Cash Flow Statement for the year ended on the said date, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation & presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial reporting control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provision of the Act and Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion and to the best of the information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India.

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2017.
- (ii) in the case of the Statement of Profit and Loss, of the **Loss** of the Company for the year ended on that date and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matter

We draw attention to:

1. **Increase of Paid Up Capital:**

In compliance of one of the essential conditions of package of Restructuring of Company's Debts approved for the Company by CDR Empowered Group on 23rd September, 2013 the company in its Board Meeting held on 24th May, 2016 allotted 25999232 equity shares of the face value of Rs.10/- per share to the seven Promoter Group Entities and one lender of the Company at a premium of Rs.16/- per share in accordance with a SEBI formula prescribed for this purpose. Such allotment of additional equity resulted into enhancement of paid up capital of the Company from its earlier level of Rs.9893.53 Lacs to Rs.12493.45 Lacs.

2. **Long Term Borrowings: Note No. 4** of Balance Sheet and Schedules.

Default In Payment to Banks

Based on our audit procedure and as per the information and explanation given to us, the company has defaulted in repayment of loans and interest to the banks and financial institutions as on 31st March 2017.

- 2.1 Due to continuous financial stress the Company had sought a restructuring program from the lenders under the CDR guidelines issued by the Reserve Bank of India. The Company filed an application before CDR Cell on 6th March, 2013 (Cut-off date is 1st January, 2013) along with flash report. After considering the proposal, the final restructuring package was approved by CDR empowered group on 23rd August, 2013 which was duly communicated to the Company by the CDR cell vide its letter of Approval dated 23rd September, 2013. However CDR Cell vide their letter No. 414/2016-17 dated December 29, 2016 has informed that Company's CDR Mechanism stands exited on account of failure of CDR approved package.
3. Due to non-implementation CDR package, there is a Cash and Capital Crunch and the Company is under stress due to reduction in turnover, slow-down in economic environment, increase in the cost of production, as well as due to idle labour, lack of sufficient orders and reduced net realization in comparison to the increase cost of sales.
4. As some of the conditions of the CDR package could not be implemented in letter and spirit, various banks which had advanced its facilities to the company have chosen to treat their outstanding dues to the company as Non Performing Assets (NPA). The CDR cell has exited the company from the CDR mechanism on 28th December 2016, since some of the conditions as stipulated by them in the restructuring package were not satisfied.



5. It is noticed that the business of the Company is at stand still and not much production activity is carried out except negligible production has been carried out in Vizag, Varsana induction Bend Division and Chennai factories. Hence the turnover is also very low.
6. The financial statements being prepared on a going concern basis, notwithstanding the fact that the Company's net worth is eroded. A reference has been made to the Board of Industrial and Financial Restructuring (BIFR). These events cast significant doubt on the ability of the Company to continue as a going concern. The appropriateness of the said basis is inter-alia dependent on the Company's ability to infuse requisite funds for meeting its obligations (including statutory liabilities and those in respect of contracts entered into for purchase of goods and assets), rescheduling of debt/other liabilities and resuming normal operations.
7. As a consequence to acute financial stress being faced by the Company in recent years, the Company's net worth has been eroded due to accumulated losses. Keeping in view the current status of company's operations it is likely that the accumulated losses is further enhanced creating a further adverse impact on the net worth. Although, as a result of erosion of said net worth the company had made reference to BIFR under the provisions of Sick Industrial Companies Act, however, consequent upon recent development of coming into force of a new legislation namely Insolvency and Bankruptcy Code the said reference was abated. Company is now in the process of soon filing the necessary application to National Company Law Tribunal in accordance with the new provisions brought on the statute book by way of the aforesaid Insolvency and Bankruptcy Code, 2016.
8. The company has not carried out detailed assessment of the useful life of Company's assets and hence depreciation has not been adjusted accordingly as per the notification to Schedule II of the Companies Act, 2013. We are unable to comment on the impact on statement of Profit & Loss Account.
9. The company has reported a Net Loss of Rs.697.38 Crores for the year ended 31st March, 2017 against last year net loss of Rs. 1355.98 Crores.
10. Since most of the banks which had extended financial facilities to the company have already treated the outstandings from the company as "Non Performing Assets", they as a usual practice have discontinued making provisions of interest on such loss as accrued income in their books. In order to achieve the desired congruency on this issue the Company has also not provided for any interest amounting to Rs.414.79 Crores on such outstanding facilities for the year ended on 31st March, 2017 due to various banks. Had the said interest been provided in the books in the normal course, the present losses of Rs.697.38 Crores would have risen to Rs. 1112.17 Crores.
11. Sometime back Kandla Port Trust had cancelled the lease of different plots at Kandla leased by them to the company due to non-payment of their heavy invoices for bills for compensation and had also taken physical possession of the land. However, on the company approaching Gujarat High Court and Hon'ble High Court having granted stay of Kandla Port Trust orders the Company has not provided for any liability that may arise on this account.
12. **Inventory:**
 - a) The closing inventory as on 31st March, 2017 is Rs. 19.52 Crores (valued at realizable value) excludes disputed WIP Building of Coimbatore Rs.17.07 which is in arbitration stage.
 - b) The Company has done physical inventories at the end of the year 31st March 2017 in presence of Chartered engineer checked at various sites and they have certified the realizable value as on 31/3/2017 on physical / saleable ground.



13. **Operations Maintenance and Management Agreement with Jindal Tubular (India) Limited.**

- a) As per the Operations, Maintenance and Management Agreement with Jindal Tubular (India) Limited, they had taken over operations of the following three units of the company mentioned underneath :-

PSL VIZAG	15.06.2015
JAIPUR	16.07.2015
VARSAHA	03.08.2015

- b) Now JTIL has returned back all Plants on OMMA to Company on following dates:-

PSL VIZAG	30.11.2016
JAIPUR	17.11.2016
VARSAHA	17.09.2016

- c) It will not be out of place to mention that Jindal Tubular India Limited has shifted from Varsana, a part of Plant & Machinery to their unit, Ambapura, Madhya Pradesh for their manufacturing purpose. This is contrary to the Agreement.
- d) The Excise Department has issued following notices to the company directing to show cause as to why the Cenvat credit taken on the capital goods and machineries removed from the factory premises of notices under the provisions of Rule 3(5A)(a), Rule 2 and Rule 4(5)(a)(ii) of Cenvat Credit Rules, 2004, should not be demanded and recovered under Section 11A with interest u/s 11AA and penalty u/s 11AC of the Central Excise Act, 1944 read with Rule 14 of the Cenvat Credit Rules, 2004.

Sl. No.	Show Cause Notice	Amount (Rs.)
1.	Varsana 1	71,70,823/-
2.	Varsana 2 Coating	4,86,28,617/-
3.	Varsana 2 Pipe Mill	5,52,20,906/-
	Total Rs.	11,10,20,346/-

The Company has submitted that the allegations made in the show cause notices are not correct in law as well on facts. The matter is pending before the Excise department of Sr. No. 1 & 3 and for Sr. No. 2 Department has given Show Cause Notice for Rs. 4,86,28,617/-, as well as 100% penalty and interest, company has already submitted the appeal to Excise department against the above.

- e) Jindal Tubular (India) Limited has submitted the provisional Balance Sheet and Profit & Loss Account for the period ended 31st March, 2017 and shown a loss of Rs. 9.39 Crores. Besides this they have claimed Non Legacy & legacy payment from PSL amounting to Rs. 4.37 Crores. However the PSL Statements are showing outstanding of Rs. 2.85 Crores including Rs. 1.52 Crores on account of Legacy dues. The Company has not accepted their claim and the accounts are under reconciliations.

It appears that due to "Net Revenue" being a loss, PSL will not be entitled for any revenues.

- f) The Company has created pari passu charge with respect to immovable property at Jaipur in favour of JSW and CDR lenders by way of mortgage by deposit of title deeds in favour of IDBI Trusteeship Services Limited.



- g) **Lay off the Company's undertaking at Village Varsana, Taluka Anjar, Village Nani Chirai, Taluka Bhachau, Gandhidham, District Kutch & Closure of PSL Jaipur Unit**
Lay-off in terms of Section 2(kkk) of "The Industrial Disputes Act, 1947" at Company's undertaking at Village Varsana, Taluka Anjar, Village Nani Chirai, Taluka Bhachau, Gandhidham District Kutch has been undertaken. The Company has also done closure of Jaipur facilities due to lack of orders & financial facilities / crises of the fund.

14. **Assignment of entire Financial Assistance granted by ICICI Bank to the Company to "Edelweiss Assets Reconstructions Co. Ltd."**

- a) M/s. Edelweiss Assets Reconstruction Co. Ltd. has informed that pursuant to an Assignment Agreement executed by ICICI Bank, State Bank of India, Axis Bank Ltd. and Yes Bank Ltd., in favour of Edelweiss Assets Reconstructions Co. Ltd. on various dates, the banks have assigned all its rights, title and interest in financial assistances granted by all three banks to PSL Limited in favour of M/s. Edelweiss Asset Reconstruction Co. Ltd. Pursuant to this, M/s. Edelweiss Asset Reconstruction Co. Ltd., is now the biggest secured lender of the company.
- b) M/s. Assets Care & Reconstruction Enterprise Ltd., has informed that pursuant to an Assignment Agreement executed by DBS Bank Ltd., in their favour on 29th March 2017, DBS Bank Ltd., has assigned all its rights, title and interest in financial assistances granted by them to PSL Limited in favour of M/s. Assets Care & Reconstruction Enterprise Ltd.
- c) **Conversion of Portion of Debt:**
Since it was provided for in the restructuring package by the CDR Cell on 23rd August, 2013 for a portion of debt of each lender would be converted into company's equity, almost all the secured creditors had come forward with a request to that effect to the company and the company allotted the desired number of equity shares at a price of Rs.26/- per share in accordance with SEBI formula for the purpose in the last financial year, however, since a portion of the debt of Edelweiss Assets Reconstructions Company Ltd. was converted into equity alongwith other creditors and made a request to the company in the current financial year. Accordingly a total of 876926 equity shares were allotted by the company to the said creditors in the Board Meeting held on 24th May, 2016 during the Financial Year in question. With the said additional allotment the total number of shares 4,65,15,367 allotted to different lenders amounting to Rs.120,94,00,100/- (Rounded Off).
- d) **Contribution by Different Entities of Promoters Group:**
Since one of the important condition of restructuring scheme was that the different entities of promoter group were also to contribute to the equity capital of the Company seven different promoter group entities including six associate companies made a total contribution of Rs.65.318 Crores for which 25122306 equity shares at a price of Rs.26/- each were required to be allotted to the said seven [promoter group entities].

15. **Lender Banks' Balance Confirmation as on 31st March 2017:**

We have been informed by the officials of the company that although the company has requested its various bankers to issue their confirmation letters confirming the balances with respect to various Bank Accounts/Bank Guarantee/Letter of Credit/Corporate Guarantee given by company for its subsidiaries company as on 31st March, 2017 but the same have not yet been issued. Pending balance confirmation, book balances as on 31st March, 2017 have been taken in the accounts of the Company.

16. The financial performance had deteriorated substantially in last 12 months. The manufacturing cost has gone up. There is weakness in demand. The Company continue to deal with a range of



uncertainties. The interest payments exceeded its operating income. The Company is not able to service its debts.

17. **EOW case on the Complaint - filed by Aditya Birla Finance Limited (ABFL):**

As on date, approximately Rs. 106.01 million (Rs.106013284.37) is lying in FD account with ICICI (FD Account No. 039313005070). This is on account of receipt from various legacy orders like ISPRL, MT Educare, I&T, etc. executed post CDR implementation and receipt of Vizag insurance claim amount. Due to EOW order, the Company is unable to use it which otherwise could be used for its operating expenses, insurance payments and / or for distribution to lenders in case of surplus. It may be noted that although ABFL has become transaction specific member of CDR, however it has not acceded to CDR restructuring package.

18. **Sundry Debtors:** Note No. of Balance Sheet and Schedules

- i) The Company has Sundry Debtors of Rs. 9.63 Crores as on 31st March, 2017.

Less than Six Months	Rs.0.94 Crores
More than Six Months	Rs.0.50 Crores
Doubtful Debts	Rs.8.19 Crores

- ii) The Company has not produced confirmation of balances from sundry debtors confirming the amount outstanding as on 31st March 2017. In the absence of adequate evidence and information made available to us supporting the recoverability of this amount, we are further unable to comment on the financial impact of this matter on the profit / loss for the year ended 31st March 2017.

- iii) The Arbitration proceeding between PSL Limited and Gail India Limited is pending before the Sole Arbitrator.

- iv) The Company is in the process of filing Arbitration petition/Obligations for the dispute against SPML Infra Limited for recovery of Rs.98,80,383/- together with interest against the supply of Saw Pipes.

19. **Sundry Creditors & Loans & Advances:**

In the absence of pending confirmation of balances from Trade Payables, Other Loans & Advances as on 31.03.2017, provision for any adverse variation in the balances is not quantified.

20. **Due to Micro & Small Suppliers:**

This information is not provided by the Company.

21. There is an existence of adequate internal financial controls and its operational effectiveness in the Company.

22. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 189 of the Companies Act, 2013 have so been entered.

23. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 189 of the Companies Act, 2013 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.



24. Investment in Subsidiaries

A) Foreign Subsidiaries:

i) PSL FZE (Sharjah) (Step down Subsidiary) Pipeline Systems Mauritius

- a) The Company had invested Rs. 141.63 Crores in a wholly owned subsidiary namely Pipeline Systems Mauritius. Due to cumulative losses in the subsidiary the value of investment is eroded.

The Company has not provided for the diminution in the value of investment as per Accounting Standard (AS) 13 issued by institute of Chartered Accountants of India.

PSL Limited has also not provided for amounts due from PSL FZE being doubtful of recovery on account of losses incurred by PSL FZE.

- b) The share certificate of PSL FZE, Sharjah held by PSL Ltd. indirectly through the above said Company, amounting to 100% of the Equity Share Capital of the Company have been pledged in favour of National Bank of Oman S.A.O.G. acting as Security Agent of ICICI Bank Limited, Bahrain.
- c) During the year PSL FZE has incurred loss of AED 30,274 Mio. The interest on the loans of Standard Chartered Bank and ICICI Bank, Baharin has not been provided. Based on the audit procedure and the information obtained, we have observed some of the loans were rolled over / rescheduled by the bank. Also in some cases company was not able to make the payment on due date of installment due to the banks. The bank balance confirmations were not available.
- d) PSL FZE has executed a project received from SWCC. Bank of Baroda has given guarantee in favour of State Bank of India, Bahrain to issue performance guarantee in favour of the client to the extent of USD 4.5 million. This is contingent liability of PSL FZE as on 31-3-2017.
- e) A creditor namely Petromac, Abudhabi-UAE has filed a suit for his dues of USD 22,58,175. The matter is sub-judice.
- ii) PSL has given Corporate Guarantee covering facilities sanctioned by lender bankers for working capital outstanding of 111.82 Million AED against Plant & Machinery, assignment of receivable and inventory as the security and the subordination of unsecured loans advances by PSL Ltd. and assets on pari passu basis with one of the banker.
- iii) Term Loan 121.61 AED
The Term Loan due to ICICI Bank, Bahrain is secured by charge on the fixed asset of PSL FZE and Corporate Guarantee issued by PSL Limited.
- iv) Bank Guarantee given by Banks 1,65,70,815 AED



- v) **PSL USA INC (USA)**
PSL NA LLC (USA) (Step down Subsidiary)
The Company had invested Rs. 130.34 Crores in a wholly owned subsidiary namely PSL USA Inc. Due to cumulative losses in the step down subsidiary the value of investment is eroded.
- vi) Due to continuous losses suffered by the company's step down subsidiary namely PSL North America LLC, it was directly affecting the financial position of PSL/USA/Inc. (the holding Company of PSL North America LLC). The Company voluntary petitioned for relief under chapter XI of the Title 11 of United States code were filed in United States Bankruptcy court for the district of Delaware. All the assets of PSL North America LLC were put to sale/sold to a company for US 100 Million, and no liabilities (related with non fund base facilities like LC, BG, etc) is pending of PSL India in USA. The company has written off Rs. 130.34 Crores invested in USA.
- vii) The audited financial statements have not been received by the Company from foreign subsidiary companies and we have relied on the financial statements of the management. Based on our review conducted as above and subject to the possible effects of the matter described above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable accounting standards as specified u/s 133 of the Companies Act, 2013 reads with Rule 7 of the Companies (Account) Rules, 2014 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of regulation 63 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.

B) Indian Subsidiaries:

1) PSL Infrastructure & Ports Pvt. Ltd.

- Total investment in PSL Port & Infrastructure Limited is Rs. 28.21 Crores.
- The company was awarded the construction of Jetty at Kandla Port. Till date the company has incurred construction Expenses of Rs.65.11 Crores.
- Due to restrictions imposed by CDR package of PSL Ltd, the parent company, could not inject/ contribute funds for the construction of the jetty.
- The Kandla Port authorities have given notice for the cancellation of the agreement. The matter is in dispute and under Arbitration. At present, project is incomplete.

2) PSL Corossion Control Services Ltd.

The total Revenue for the year stood at Rs. 68.92 Crores against Rs.72.49 Crores. The Net Profit is Rs.79.64 Lacs. In our opinion and explanation given to us, the Guarantees given by the holding Company for Loan taken by its subsidiaries from banks / financial institution and the terms and conditions of such guarantees are not prejudicial to the interests of the Company.



3) PSL Gas Distribution (P) Ltd.

The company was incorporated on 31st December 2010 and has not commenced any business activity.

25. Impairment of Assets:

The Management has not carried out evaluation of impairment of assets and no provision for impairment has been recorded, as required by Accounting Standard 28.

26. Due to this, provision for diminution / impairment in the value of its investments in the above subsidiary companies is not provided.

27. According to the information and explanations given to us & based on the documents & records produced to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures & other securities.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we report that:

- a) Except the matters described in Emphasis of Matter Paragraphs 1 to 13 and Annexure A Para Nos.7(a) in our opinion, may have an adverse effect on the functioning of the Company, aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- b) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- c) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- d) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- e) On the basis of written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2017 from being appointed as director in terms of Section 164(2) of the Act;
- f) With respect to the adequacy of the internal financial controls over financial reporting of Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) the Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note Nos. 2 to 12 and Annexure to the financial statements;

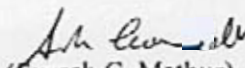


- ii) the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses.
- iii) there have been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- iv) the Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and are in accordance with the books of accounts maintained by the Company.

For Suresh C. Mathur & Co.,
Chartered Accountants,
(Firm Regn. No. 000891N)



Place: New Delhi
Dated: 9th May, 2017


(Suresh C. Mathur)
PARTNER
M. No. 1276

ANNEXURE - A TO THE AUDITORS'S REPORT

Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our Report of even date on the financial statements for the year ended on 31st March 2017 of PSL Limited

- 1.a) The Company has maintained Assets Register. It is to be updated. All the factory units have kept details of their fixed assets at their level.
- 1.b) During the year, physical verification was done by the management of all the factory units of the Company. As the Asset Register is not updated, the full particulars including total quantitative details could not be ascertained. Pending completion of reconciliations which has not been completed discrepancies if any cannot be ascertainable. Pending updating of records and reconciliation books balances as at 31-3-2017 have been adopted.
- 1.c) In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
- 1.d) The title deeds of the immovable properties are held in the name of the Company.
2. Subject to our remark in Item No. 1 in "Emphasis of Matter" the physical verification of inventory has been conducted at reasonable intervals by the management; and the procedures of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business. The stock is maintained on Excel Sheets. On line package is not installed and not integrated with books of accounts. The Company is maintaining proper records of inventory and any material discrepancies noticed on physical verification have been properly dealt with in the books of account.
3. The Company has not granted loans, secured/unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act.
4. The Company has complied in respect of loan, investments, guarantees and securities as required under provision of sections 185 and 186 of the Companies Act, 2013.
5. The Company has not accepted any deposits from the public within the meaning of Section 73 to 76 of the Act and the rules framed there under. Therefore, the provisions of Section 73 and 74 of the Act and any other relevant provisions of the Companies Act, 2013 and the rules framed there under with regard to deposits accepted from the public are not applicable to the Company.
6. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government of India, regarding the maintenance of cost records under sub-section (1) of Section 148 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate or complete. The cost audit is completed up to the year ended 31st March, 2014. The Cost Audit Report is mandatory u/s 148(1) of the Companies Act 2013.
- 7.a) According to the records of the Company, the Company is regular in depositing undisputed Statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Excise, valued added tax, Cess and any other statutory dues with the appropriate authorities, however there is some delay in depositing Govt. dues due to financial difficulties. According to the information and explanations given to us, no undisputed amounts



payable in respect of Income Tax, Sales Tax, Customs Duty, Service Tax, Excise Duty and Cess were outstanding, at the financial reporting period ending on 31st March, 2017 for a period of more than six months from the date they became payable.

- 7.b) As on 31st March, 2017 according to the records of the Company the following are the particulars of disputed dues on account of Excise duty, Customs/DGFT, Service Tax, Sales Tax and Civil Cases have not been deposited.

Sr. No.	Amount under Dispute (Rs. In Lacs)	Facts of the Case	Period which the amount relates	Forum where the dispute is pending
EXCISE DUTY				
1.	3828	Demand of Duty on exempted orders	2006	O-I-O No. 26/BVR/Commissioner/09 dt. 24-2-2009 passed and confirmed the demand
2.	1467	Duty on Fusion Bonded Epoxy Coating	2008	CESTAT, Mumbai
3.	8	Duty on Fusion Bonded Epoxy Coating	2010	Commissioner (Appeals), Chennai
4.	3	Demand of differential Excise Duty	2011	CESTAT, Chennai
5.	10	Relating to interest on incorrect Cenvat Credit	2010	CESTAT, Bangalore
6.	6.78	Demand of interest & penalty for wrong availment of Cenvat Credit	2010	CESTAT, Mumbai
7.	9	Goods cleared without payment of Excise Duty	2012	Addl. Commissioner of Central Excise, Jaipur
8.	31	Wrong availment of Cenvat of GTA (Inward Freight)	2011	Order Awaited
9.	9	Cenvat credit availed on capital goods	2012	Transferred back to Tribunal Ahmedabad
10.	54	Demand of Central Excise Duty	2012	Commissioner of Central Excise, Ahmedabad
11.	0.32	Demand of Central Excise Duty	2013	Dy. Commissioner, Central Excise, Vizag
12.	181	Short paid Excise Duty on Transportation	2013	Commissioner of Central Excise, Vizag
13.	202.79	None Payment of Excise Duty	2013	Commissioner, Rajkot
14.	56.61	Short Reversal of Cenvat Credit	2013	CESTAT, Ahmedabad
15.	29.85	Recovery of Refund erroneously paid to us by Ex. Deptt	2014	Asstt. Commissioner Central Excise, Gandhidham
16.	1.13	Demand of Excise Duty, interest and penalty	2015	Asstt. Commissioner, Jaipur
17.	75.85	Wrong availment of Cenvat Credit	2016	Commissioner Central Ex., Gandhidham
18.	75.85	Wrong utilization of Cenvat Credit	2016	Commissioner Central Ex. Gandhidham
19.	71.71	Non reversal of Cenvat Credit on Capital goods & machinery	2016	Reply submitted, hearing attended on 23-11-2016 awaiting order – Commissioner Central Excise Kutch
20.	552.21	Non reversal of Cenvat Credit on capital goods and machinery	2016	Reply submitted, hearing attended on 23-11-2016 awaiting order – Commissioner Central Excise Kutch
21.	486	Non reversal of Cenvat Credit on capital goods and machinery	2016	Reply submitted, hearing attended, order awaited – Commissioner Central Excise Kutch
CUSTOMS / DGFT				
1.	871.13	Wrong availment of customs duty –HDPE	2012	CESTAT, Ahmedabad
SERVICE TAX				
1.	45	Tax on construction of Mall	2008	CESTAT, Chennai
2.	2		2009	Asst. Commissioner (Appeals), Service-tax, Vizag
3.	15		2009	Asstt. Commissioner, Service Tax, Vizag
4.	2	Demand of Service Tax BAS	2010	CESTAT, Mumbai
5.	6	Service Tax on ECB Loan	2011	Addl. Commissioner, Service Tax, Mumbai
6.	6	Cenvat credit availed on input services not covered	2012	Add. Commissioner of C. Ex., Vizag-! Commissionerate
7.	20.9	Wrong availment of Cenvat Credit	2012	CESTAT, Ahmedabad
8.	30.45	Cenvat credit availed on service tax paid on	2013	CESTAT, Ahmedabad



		agency commission		
9.	123.42	Short payment of Service-tax	2016	Commissioner of Central Excise, Gandhidham
10.	11	Interest not paid on belated payment of service-tax	2016	Commissioner of Central Excise, Puchcherry
SALES TAX				
1.	3	Appeal u/s 83 of Rajasthan VAT Act – Appeal No. 2208/13/JPR dt. 23.7.2014		Rajasthan Tax Board – Ajmer – Dept. filed the appeal eg. Order passed in favour of PSL
2.	23	Sales tax on Freight – Appeal No. 139/2016 dt. 13-1-2016	2009-10	Rajasthan Tax Board – Ajmer
3.	0.81	Sales tax on Freight – Appeal No. 140/2016 dt. 13-1-2016	2010-11	Rajasthan Tax Board – Ajmer
4.	120	Sales tax on Freight – Appeal No. 141/2016 dt. 13-1-2016	2010-11	Rajasthan Tax Board – Ajmer
5.	35	Sales tax on Freight – Appeal No. 142/2016 dt. 13-1-2016	2011-12	Rajasthan Tax Board – Ajmer
6.	11	Sales tax on Freight – Appeal No. 143/2016 dt. 13-1-2016	2012-13	Rajasthan Tax Board – Ajmer
7.	1	Sales tax on Freight – Appeal No. 144/2016 dt. 13-1-2016	2013-14	Rajasthan Tax Board – Ajmer
8.	0.01	Sales-tax on Freight	2014-15	Rajasthan Tax Board – Ajmer
9.	144.01	Sales in Course of Import	2002-03	Hearing under progress in Appellate Tribunal
10.	460.68	Levy of tax @ 12.5% on pipes instead of 4%	2003-04	AP High Court
11.	308.76	Levy of tax @ 12.5% on pipes instead of 4%	2004-05	AP High Court
12.	125.01	Work Contract	2008-09	Appeal filed before Tribunal
13.	178	ST Exemption	2000-01	Appeal in High Court Ahmedabad
14.	10	Interest & Penalty	2000-01	Appeal in High Court Ahmedabad
15.	844	8% cst Re Assessment & Bombay High Sales	2005-06	Appeal filed – Rajkot
16.	41	WCT/Form – C Addl. Int/Penalty	2007-08	Appeal Filed – Rajkot – Stay Obtained
17.	1499	WCT/Form – C Addl. Int/Penalty	2008-09	Appeal Filed – Rajkot – Stay Obtained
18.	35	Export Sales (Bombay High) treated as Interstate sales	2010-11	Commissioner – Rajkot
19.	66	Interest on delayed payment of VAT/CST for the year 2012-13 as per Assessment Order	2012-13	Appeal under progress at Commissioner-Rajkot
20.	156	Sales to Siemens Ltd under SEZ, disallowed and Export Sales (Bombay High) treated as Interstate Sale	2011-12	Commissioner- Rajkot Stay Obtained
Show Case Notice				
1.	105	Payment of Service Tax	2005-06	High Court - Mumbai
Civil Cases				
1.	2.64	Harjivandas Hghibhai Patel, Varsana	2016	Small Cause Court – Ahmedabad
2.	3.50	Ravi Sales & Services, Jaipur	2016	Addl. Civil June - Kalol
3.	25.10	Deversh Engineers, Jaipur		
4.	3.34	Sigil Industrial Gases Ltd., Jaipur		

7.c) **DGFT:**

The Company has taken 5 Advance Licences and one Annual Advance Licence from DGFT. The Company has already done the export obligation and submitted the relevant papers to DGFT. However, the above Licences are not closed and the matter is pending with DGFT. The Company has shown contingent liability of Rs. 253.22 Crores.

8. **Legal Matters:**

- Initially five complaints were filed by two banks Syndicate Bank and Kotak Mahindra Bank Ltd. under the relevant provisions of Negotiable Instruments Act but after the order of Addl. Sessions Court of Bombay, one complaint has been scrapped with respect to some of the Directors and matters are now pending for disposal.
- Five Petitions have been filed before the High Court of Gujarat at Ahmedabad challenging compensation Bill raised by Kandla Port Trust (KPT) in respect of five plots of land of PCD-I unit located in East of NHNo. 08A, Kandla Road, Gandhidham and two petitions w.r.t. two plots of land of PCD-II in Plot No. 5&6 in Block D, Sector 12, Gandhidham.



Stay has been granted in favour of Company with regard to 5 of the 7 plots. Interim orders earlier passed by the court restraining KPT from implement in the compensation bills continue to operate. The matters are still sub-judice.

- c) Termination of concession agreement executed by Kandla Port Trust in respect of PSL Infrastructure and Ports Private Limited. The matter is pending before arbitration Tribunal.
- d) On the complaint of one of the creditors of the Company namely Aditya Birla Finance Limited, a FIR has been registered by EOW, Delhi accusing the Company, Managing Director, Whole Time Directors and an Official.
- e) **The Economic Offence Wing of Crime Branch of Delhi Police on complaint of Aditya Birla Finance Limited (ABFL) – lender of the Company**
The action taken by EOW, Delhi Police consequent to which some of the Company's Bank Accounts at various locations were frozen. The Court of ACMM on 1/7/2016 had allowed the defreezing of five bank accounts which can now be operated by the company. However, the money frozen earlier shall remain frozen and cannot be utilized by the company till investigation is complete and / or till further orders in this regard. However, recently Edelweiss Assets Reconstructions Co. Ltd. (EARC) which has acquired the debts of three lenders of the company has filed an application before the court of ACMM with a prayer that the amount of Rs.11.68 Crores FD lying to the credit of three frozen Bank accounts be allowed to be appropriated by all the CDR Lenders on pro-rata basis. The proceedings are in progress.
- f) **Filing of commercial suit by Bhimji Velji Sorathia Construction (P) Ltd. against Company's subsidiary PSL Infrastructure and ports (P) Ltd.**
The aforesaid company had earlier filed a suit for recovery of Rs.8,70,13,191/- plus interest against the above mentioned subsidiary of the Company. However, after the commercial Courts Act, 2015 came into force retrospective w.e.f. 23rd October, 2015 the said suit has been transferred to the commercial court at Rajkot. The subsidiary Company has engaged a lawyer and is defending the case
- g) **Filing of commercial suit by Paresh Constructions & Foundation (P) Ltd.**
The aforesaid company had earlier filed a suit for recovery of Rs.6,52,59,744/- plus interest against company's wholly owned subsidiary namely (PSL Infrastructure & Ports Pvt. Ltd.) However, after the commercial Courts Act, 2015 came into force retrospective w.e.f. 23rd October, 2015, the said suit has been transferred to the commercial court at Rajkot. The subsidiary company has engaged a lawyer and is defending the case.
- h) **Winding up Petition filed by Jotun India (P) Ltd.**
Jotun India (P) Ltd., a supplier of Company had on 10-03-2015 filed a company petition No. 434 of 2015 for winding up of the Company under Section 433(e) & (f) read with Section 434 and 439 of Companies Act, 1956 before the Bombay High Court.
- i) Another supplier of company had on 10-3-2015 filed a company petition No. 434 of 2015 against the Company under Section 433(e) and (f) read with Section 434 and 439 of Companies Act, 1956 before the Bombay High Court. The matter is pending.
- j) **Action taken by the Kotak Mahindra Bank Limited under the provisions of SARFAESI Act, 2002**
The Bank has initiated action under SARFAESI Act, 2002 U/s 14 of the said Act praying possession of property at Mouje, Nanicherai, Distt. Kutch, which property had been earlier mortgaged in favour of Kotak Mahindra Bank to secure the repayment of certain loan



amounts. The company had filed Special Leave Application before Gujarat High Court challenging the action of the Bank. The Court after hearing the parties passed an order on 8th September, 2016 quashing the order dated 5th March, 2016 of District Magistrate, Kutch, Gujarat and directed the District Magistrate to proceed afresh after giving the company an opportunity of being heard. The District Magistrate has now issued fresh notice to the company for its objections. The matter is being defended by the company.

The Company has initiated a suitable legal action against the order of the District Magistrate and Executive Magistrate in connection of handing over of physical possession of the land at Varsana, Kutch in favour of Kotak Mahindra Bank.

- k) **Indian Bank, Nariman Point, Mumbai**
Issued Notice to the Company and Directors to pay Rs.64,57,90,389/- and Bank Guarantee Rs.3,21,90,190/- due to them and threatened to initiate legal proceedings. However no legal action has been initiated by the said Bank.
- l) **Federal Bank**
The Federal Bank has given a show cause notice in pursuance of the proceedings for declaring the Company as Willful defaulter. This is objected by the Company as unwarranted and non-tenable. The matter is under dispute.
- m) **Standard Chartered Bank**
Given Notice u/s 433 and 434 of the Companies Act to pay outstanding dues and to initiate winding up proceedings against the Company. However no action has been taken by the said Bank.
- n) **Writ Petition filed by Swamy Vivekanand Navyuk Mandal against the Company in Rajasthan High Court at Jaipur**
Civil Writ Petition No. 13780 of 2011 filed by the above mentioned petitioner against the state of Rajasthan and the Company challenging the allotment of land by the Rajasthan Government to the Company, came up for hearing before the court on 5th December, 2016 when the petitioner's counsel made a request to the court for permission to withdraw and said petition. The Court allowed his request and permitted to withdraw the petition. The petition now stands dismissed as withdrawn.
- o) **Filing of Criminal Miscellaneous Petition by the Company in Delhi High Court, challenging the order passed by Additional Sessions Judge on 22-7-2015**
The Company has challenged the Criminal Miscellaneous Petition being Cr. M.C. No. 5072 of 2015 in the Delhi High Court challenging the order dated 22-7-2015 of AS) dismissing our Revision Petition. The matter is pending.
- p) M/s. Harjivandas Hathi Patel, Partnership concern has filed a Suit No. 4460 of 2016 against the company small causes at Ahmedabad against their dues. The matter is sub-judice.
9. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of audited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regul. 33 of SEBI (LODR) Regs, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.
10. The Company has defaulted in repayment of loan and borrowings to financial institution, bank and Govt. The lenders balance confirmations were not available.



11. The Company has not raised money by way of initial public offer (including debt instruments) and term loans were applied for the purposes for which those are raised.
12. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
13. The Company is not a Nidhi Company and Nidhi rules 2015 is not applicable.
14. The Company has disclosed all transaction with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 were applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
15. The Company has not entered into any non-cash transactions with directors or persons connected with him.
16. The Company is not required to be registered u/s 45-IA of the Reserve Bank of India Act, 1934. This is not applicable to the Company.

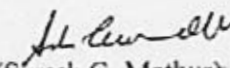
Reasons for Unfavourable Report

1. As some of the conditions of the CDR package could not be implemented in letter and spirit, various banks which had advanced its facilities to the company have chosen to treat their outstanding dues to the company as Non Performing Assets (NPA). The CDR cell as delisted the company from the CDR on 28th December 2016, since some of the conditions as stipulated by them were not satisfied.
2. The production has fallen resulting in heavy losses. Due to financial crunch and non availability of funds, there are some delays in depositing the government dues. There are defaults in repayment of bank loans. The debtors have stopped payment of their dues. The creditors have started filing legal suits for their recovery and winding up proceedings. The net worth has eroded.

Place: New Delhi
Dated: 9th May, 2017



For Suresh C. Mathur & Co.
Chartered Accountants,
(Firm Regn. No. 000891N)


(Suresh C. Mathur)
PARTNER
M. No. 1276

Annexure - B to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of PSL Limited ("the Company") as of 31st March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable



assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: New Delhi
Dated: 9th May, 2017



For Suresh C. Mathur & Co.
Chartered Accountants,
(Firm Regn. No. 000891N)

(Suresh C. Mathur)
PARTNER
M. No. 1276

The Members
PSL Limited

Report on the Consolidated Financial Statements:

We have audited the accompanying consolidated financial statements of PSL Limited ("the Holding Company") and its subsidiaries (collectively referred to as "the Company" or "the Group"), comprising of the consolidated balance sheet as at 31st March 2017, the consolidated statement of profit and loss, the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

1. The audited financial results of PSL USA INC and PSL North America LLC (step down subsidiary of PSL USA INC) have not been received.
2. The unaudited financial results of Pipeline Systems Limited (Holding Company of PSL FZE) and PSL FZE (step down subsidiary of Pipeline System Ltd.) have been included in the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements:

The Holding Company's Board of Directors is responsible for the preparation of the consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013 (hereinafter referred to as "the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014. The Board of Directors of the Company are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility:

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Companies Act, 2013. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers



internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Company, as at 31st March 2017, and their consolidated loss and their consolidated cash flows for the year ended on that date.

Emphasis of Matter:

We draw attention to:

1. **Long Term Borrowings**

Default In Payment to Banks

Based on our audit procedure and as per the information and explanation given to us, the company has defaulted in repayment of loans and interest to the banks and financial institutions as on 31st March 2017.

- 1.1 Due to continuous financial stress the Company had sought a restructuring program from the lenders under the CDR guidelines issued by the Reserve Bank of India. The Company filed an application before CDR Cell on 6th March, 2013 (Cut-off date is 1st January, 2013) along with flash report. After considering the proposal, the final restructuring package was approved by CDR empowered group on 23rd August, 2013 which was duly communicated to the Company by the CDR cell vide its letter of Approval dated 23rd September, 2013. However CDR Cell vide their letter No. 414/2016-17 dated December 29, 2016 has informed that Company's CDR Mechanism stands exited on account of failure of CDR approved package.
2. Due to non-implementation CDR package, there is a Cash and Capital Crunch and the Company is under stress due to reduction in turnover, slow-down in economic environment, increase in the cost of production, as well as due to idle labour, lack of sufficient orders and reduced net realization in comparison to the increase cost of sales.
3. As some of the conditions of the CDR package could not be implemented in letter and spirit, various banks which had advanced its facilities to the company have chosen to treat their outstanding dues to the company as Non Performing Assets (NPA). The CDR cell has exited the company from the CDR mechanism on 28th December 2016, since some of the conditions as stipulated by them in the restructuring package were not satisfied.



4. It is noticed that the business of the Company is at stand still and not much production activity is carried out except negligible production has been carried out in Vizag, Varsana induction Bend Division and Chennai factories. Hence the turnover is also very low.
5. The financial statements being prepared on a going concern basis, notwithstanding the fact that the Company's net worth is eroded. A reference has been made to the Board of Industrial and Financial Restructuring (BIFR). These events cast significant doubt on the ability of the Company to continue as a going concern. The appropriateness of the said basis is inter-alia dependent on the Company's ability to infuse requisite funds for meeting its obligations (including statutory liabilities and those in respect of contracts entered into for purchase of goods and assets), rescheduling of debt/other liabilities and resuming normal operations.
6. As a consequence to acute financial stress being faced by the Company in recent years, the Company's networth has been eroded due to accumulated losses. Keeping in view the current status of company's operations it is likely that the accumulated losses is further enhanced creating a further adverse impact on the networth. Although, as a result of erosion of said net worth the company had made reference to BIFR under the provisions of Sick Industrial Companies Act, however, consequent upon recent development of coming into force of a new legislation namely Insolvency and Bankruptcy Code the said reference was abated. Company is now in the process of soon filing the necessary application to National Company Law Tribunal in accordance with the new provisions brought on the statute book by way of the aforesaid Insolvency and Bankruptcy Code, 2016.
7. The company has not carried out detailed assessment of the useful life of Company's assets and hence depreciation has not been adjusted accordingly as per the notification to Schedule II of the Companies Act, 2013. We are unable to comment on the impact on statement of Profit & Loss Account.
8. Since most of the banks which had extended financial facilities to the company have already treated the outstandings from the company as "Non Performing Assets", they as a usual practice have discontinued making provisions of interest on such loss as accrued income in their books. In order to achieve the desired congruency on this issue the Company has also not provided for any interest amounting to Rs.414.79 Crores on such outstanding facilities for the year ended on 31st March, 2017 due to various banks. Had the said interest been provided in the books in the normal course, the present losses of Rs697.38 Crores would have risen to Rs.1112.17 Crores of the standalone financial statements.
9. The Company has shown consolidated Loss of Rs.752.60 Crores during the year. This does not include the interest of Rs.414.79 Crores of the standalone financial statements and the amount of interest of PSL FZE on loans of Standard Chartered Bank and ICICI Bank, Baharain.
10. Sometime back Kandla Port Trust had cancelled the lease of different plots at Kandla leased by them to the company due to non-payment of their heavy invoices for bills for compensation and had also taken physical possession of the land. However, on the company approaching Gujarat High Court and Hon'ble High Court having granted stay of Kandla Port Trust orders the Company has not provided for any liability that may arise on this account.



11. Operations Maintenance & Management Agreement with Jindal Tubular (India) Limited

- a) As per the Operations, Maintenance and Management Agreement with Jindal Tubular (India) Limited, they had taken over operations of the following three units of the company mentioned underneath :-

PSL VIZAG	15.06.2015
JAIPUR	16.07.2015
VARANA	03.08.2015

- b) Now JTIL has returned back all Plants on OMMA to Company on following dates:-

PSL VIZAG	30.11.2016
JAIPUR	17.11.2016
VARANA	17.09.2016

- c) It will not be out of place to mention that Jindal Tubular India Limited has shifted from Varsana, a part of Plant & Machinery to their unit, Ambapura, Madhya Pradesh for their manufacturing purpose. This is contrary to the Agreement.
- d) The Excise Department has issued following notices to the company directing to show cause as to why the Cenvat credit taken on the capital goods and machineries removed from the factory premises of notices under the provisions of Rule 3(5A)(a), Rule 2 and Rule 4(5)(a)(ii) of Cenvat Credit Rules, 2004, should not be demanded and recovered under Section 11A with interest u/s 11AA and penalty u/s 11AC of the Central Excise Act, 1944 read with Rule 14 of the Cenvat Credit Rules, 2004.

Sl. No.	Show Cause Notice	Amount (Rs.)
1.	Varsana 1	71,70,823/-
2.	Varsana 2 Coating	4,86,28,617/-
3.	Varsana 2 Pipe Mill	5,52,20,906/-
	Total Rs.	11,10,20,346/-

The Company has submitted that the allegations made in the show cause notices are not correct in law as well on facts. The matter is pending before the Excise department of Sr. No. 1 & 3 and for Sr. No. 2 Department has given Show Cause Notice for Rs. 4,86,28,617/-, as well as 100% penalty and interest, company has already submitted the appeal to Excise department against the above.

- e) Jindal Tubular (India) Limited has submitted the provisional Balance Sheet and Profit & Loss Account for the period ended 31st March, 2017 and shown a loss of Rs. 9.39 Crores. Besides this they have claimed Non Legacy & legacy payment from PSL amounting to Rs. 4.37 Crores. However the PSL Statements are showing outstanding of Rs. 2.85 Crores including Rs. 1.52 Crores on account of Legacy dues. The Company has not accepted their claim and the accounts are under reconciliations.

It appears that due to "Net Revenue" being a loss, PSL will not be entitled for any revenues.



- f) The Company has created pari passu charge with respect to immovable property at Jaipur in favour of JSW and CDR lenders by way of mortgage by deposit of title deeds in favour of IDBI Trusteeship Services Limited.
- g) Lay off the Company's undertaking at Village Varsana, Taluka Anjar, Village Nani Chirai, Taluka Bhachau, Gandhidham, District Kutch & Closure of PSL Jaipur Unit
Lay-off in terms of Section 2(kkk) of "The Industrial Disputes Act, 1947" at Company's undertaking at Village Varsana, Taluka Anjar, Village Nani Chirai, Taluka Bhachau, Gandhidham District Kutch has been undertaken. The Company has also done closure of Jaipur facilities due to lack of orders & financial facilities / crises of the fund.
12. Assignment of entire Financial Assistance granted by ICICI Bank to the Company to "Edelweiss Assets Reconstructions Co. Ltd."
- a) M/s. Edelweiss Assets Reconstruction Co. Ltd. has informed that pursuant to an Assignment Agreement executed by ICICI Bank, State Bank of India, Axis Bank Ltd. and Yes Bank Ltd., in favour of Edelweiss Assets Reconstructions Co. Ltd. on various dates, the banks have assigned all its rights, title and interest in financial assistances granted by all three banks to PSL Limited in favour of M/s. Edelweiss Asset Reconstruction Co. Ltd. Pursuant to this, M/s. Edelweiss Asset Reconstruction Co. Ltd., is now the biggest secured lender of the company.
- b) M/s. Assets Care & Reconstruction Enterprise Ltd., has informed that pursuant to an Assignment Agreement executed by DBS Bank Ltd., in their favour on 29th March 2017, DBS Bank Ltd., has assigned all its rights, title and interest in financial assistances granted by them to PSL Limited in favour of M/s. Assets Care & Reconstruction Enterprise Ltd.
- c) Conversion of Portion of Debt
Since it was provided for in the restructuring package by the CDR Cell on 23rd August, 2013 for a portion of debt of each lender would be converted into company's equity, almost all the secured creditors had come forward with a request to that effect to the company and the company allotted the desired number of equity shares at a price of Rs.26/- per share in accordance with SEBI formula for the purpose in the last financial year, however, since a portion of the debt of Edelweiss Assets Reconstructions Company Ltd. was converted into equity alongwith other creditors and made a request to the company in the current financial year. Accordingly a total of 876926 equity shares were allotted by the company to the said creditors in the Board Meeting held on 24th May, 2016 during the Financial Year in question. With the said additional allotment the total number of shares 4,65,15,367 allotted to different lenders amounting to Rs.120,94,00,100/- (Rounded Off).
- d) Contribution by Different Entities of Promoters Group
Since one of the important condition of restructuring scheme was that the different entities of promoter group were also to contribute to the equity capital of the Company seven different promoter group entities including six associate companies made a total contribution of Rs.65.318 Crores for which 25122306 equity shares at a price of Rs.26/- each were required to be allotted to the said seven [promoter group entities].



13. **Lender Banks' Balance Confirmation as on 31st March 2017**
We have been informed by the officials of the company that although the company has requested its various bankers to issue their confirmation letters confirming the balances with respect to various Bank Accounts/Bank Guarantee/Letter of Credit/Corporate Guarantee given by company for its subsidiaries company as on 31st March, 2017 but the same have not yet been issued. Pending balance confirmation, book balances as on 31st March, 2017 have been taken in the accounts of the Company.
14. The financial performance had deteriorated substantially in last 12 months. The manufacturing cost has gone up. There is weakness in demand. The Company continue to deal with a range of uncertainties. The interest payments exceeded its operating income. The Company is not able to service its debts.
15. **EOW case on the Complaint - filed by Aditya Birla Finance Limited (ABFL)**
As on date, approximately Rs. 106.01 million (Rs.106013284.37) is lying in FD account with ICICI (FD Account No. 039313005070). This is on account of receipt from various legacy orders like ISPRL, MT Educare, L&T, etc. executed post CDR implementation and receipt of Vizag insurance claim amount. Due to EOW order, the Company is unable to use it which otherwise could be used for its operating expenses, insurance payments and / or for distribution to lenders in case of surplus. It may be noted that although ABFL has become transaction specific member of CDR, however it has not acceded to CDR restructuring package.
16. **Sundry Creditors & Loans & Advances**
In the absence of pending confirmation of balances from Trade Payables, Other Loans & Advances as on 31.03.2017, provision for any adverse variation in the balances is not quantified.
17. **Due to Micro & Small Suppliers**
This information is not provided by the Company.
18. There is an existence of adequate internal financial controls and its operational effectiveness in the Company.
19. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 189 of the Companies Act, 2013 have so been entered.
20. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 189 of the Companies Act, 2013 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.



21. Investment in Subsidiaries:

A) Foreign Subsidiaries:

i) PSL FZE (Sharjah) (Step down Subsidiary) Pipeline Systems Mauritius

- a) The Company had invested Rs. 141.63 Crores in a wholly owned subsidiary namely Pipeline Systems Mauritius. Due to cumulative losses in the subsidiary the value of investment is eroded.

The Company has not provided for the diminution in the value of investment as per Accounting Standard (AS) 13 issued by institute of Chartered Accountants of India.

PSL Limited has also not provided for amounts due from PSL FZE being doubtful of recovery on account of losses incurred by PSL FZE.

- b) The share certificate of PSL FZE, Sharjah held by PSL Ltd. indirectly through the above said Company, amounting to 100% of the Equity Share Capital of the Company have been pledged in favour of National Bank of Oman S.A.O.G. acting as Security Agent of ICICI Bank Limited, Bahrain.
- c) During the year PSL FZE has incurred loss of AED 30,274 Mio. The interest on the loans of Standard Chartered Bank and ICICI Bank, Bahrain has not been provided. Based on the audit procedure and the information obtained, we have observed some of the loans were rolled over / rescheduled by the bank. Also in some cases company was not able to make the payment on due date of installment due to the banks. The bank balance confirmations were not available.
- d) PSL FZE has executed a project received from SWCC. Bank of Baroda has given guarantee in favour of State Bank of India, Bahrain to issue performance guarantee in favour of the client to the extent of USD 4.5 million. This is contingent liability of PSL FZE as on 31-3-2017.
- e) A creditor namely Petromac, Abudhabi-UAE has filed a suit for his dues of USD 22,58,175. The matter is sub-judice.
- ii) PSL has given Corporate Guarantee covering facilities sanctioned by lender bankers for working capital outstanding of 111.82 Million AED against Plant & Machinery, assignment of receivable and inventory as the security and the subordination of unsecured loans advances by PSL Ltd. and assets on pari passu basis with one of the banker.
- iii) Term Loan 121.61 AED
The Term Loan due to ICICI Bank, Bahrain is secured by charge on the fixed asset of PSL FZE and Corporate Guarantee issued by PSL Limited.



- iv) Bank Guarantee given by Banks 1,65,70,815 AED
- v) PSL USA INC (USA)
PSL NA LLC (USA) (Step down Subsidiary)
The Company had invested Rs. 130.34 Crores in a wholly owned subsidiary namely PSL USA Inc. Due to cumulative losses in the step down subsidiary the value of investment is eroded.
- vi) Due to continuous losses suffered by the company's step down subsidiary namely PSL North America LLC, it was directly affecting the financial position of PSL/USA/Inc. (the holding Company of PSL North America LLC). The Company voluntary petitioned for relief under chapter XI of the Title 11 of United States code were filed in United States Bankruptcy court for the district of Delaware. All the assets of PSL North America LLC were put to sale/sold to a company for US 100 Million, and no liabilities (related with non fund base facilities like LC, BG, etc) is pending of PSL India in USA. The company has written off Rs. 130.34 Crores invested in USA.
- vii) The audited financial statements have not been received by the Company from foreign subsidiary companies and we have relied on the financial statements of the management. Based on our review conducted as above and subject to the possible effects of the matter described above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with applicable accounting standards as specified u/s 133 of the Companies Act, 2013 reads with Rule 7 of the Companies (Account) Rules, 2014 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of regulation 63 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.

B) Indian Subsidiaries:

1) PSL Infrastructure & Ports Pvt. Ltd.

- Total investment in PSL Port & Infrastructure Limited is Rs. 28.21 Crores.
- The company was awarded the construction of Jetty at Kandla Port. Till date the company has incurred construction Expenses of Rs.65.11 Crores.
- Due to restrictions imposed by CDR package of PSL Ltd, the parent company, could not inject/ contribute funds for the construction of the jetty.
- The Kandla Port authorities have given notice for the cancellation of the agreement. The matter is in dispute and under Arbitration. At present, project is incomplete.



2) PSL Corrosion Control Services Ltd.

The total Revenue for the year stood at Rs. 68.92 Crores against Rs.72.49 Crores. The Net Profit is Rs.79.64 lacs. In our opinion and explanation given to us, the Guarantees given by the holding Company for Loan taken by its subsidiaries from banks / financial institution and the terms and conditions of such guarantees are not prejudicial to the interests of the Company.

3) PSL Gas Distribution (P) Ltd.

The company was incorporated on 31st December 2010 and has not commenced any business activity.

22. Impairment of Assets:

The Management has not carried out evaluation of impairment of assets and no provision for impairment has been recorded, as required by Accounting Standard 28.

23. Due to this, provision for diminution / impairment in the value of its investments in the above subsidiary companies is not provided.

24. According to the information and explanations given to us & based on the documents & records produced to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures & other securities.

Report on Other Legal & Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.

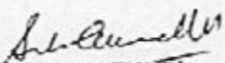
2. As required by section 143(3) of the Act, we report that:

- a) Except the matters described in Emphasis of Matter Paragraphs 1 to 13 and Annexure A Para Nos.7(a) in our opinion, may have an adverse effect on the functioning of the Company, aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- b) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- c) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- d) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- e) On the basis of written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2017 from being appointed as director in terms of Section 164(2) of the Act;



- f) With respect to the adequacy of the internal financial controls over financial reporting of Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) the Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note Nos. 2 to 12 and Annexure to the financial statements;
 - ii) the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses.
 - iii) there have been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv) the Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and are in accordance with the books of accounts maintained by the Company.

for SURESH C MATHUR & CO.,
Chartered Accountants
(Firm Registration No:000891N)


(SURESH C. MATHUR)
(PARTNER)
Membership number: 1276



Place: New Delhi
Dated:

9/5/2017

Annexure - A to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31st March 2017, we have audited the internal financial controls over financial reporting of PSL Limited ("the Holding Company") and its subsidiary companies which are companies incorporated in India as well as outside India, as of that date.

Management's Responsibility for Internal Financial Controls

The Respective Board of Directors of the Holding Company and its subsidiary companies, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.


Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary companies, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

for SURESH C MATHUR & CO.,
Chartered Accountants
(Firm Registration No:000891N)


(SURESH C. MATHUR)
(PARTNER)
Membership number: 1276






New Delhi New Delhi

Dated:

9/5/2017

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS (for audit report with modified opinion)
submitted along with Annual Audited Financial Results - STANDALONE**

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2017

I.	S. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Amt in Cr.)	Adjusted Figures (audited figures after adjusting for qualifications) (Amt in Cr.)		
	1.	Turnover / Total income	24.16 -	24.16		
	2.	Total Expenditure	721.53	721.53		
	3.	Net Profit/(Loss)	(697.37)	(697.37)		
	4.	Earnings Per Share	(55.83)	(55.83)		
	5.	Total Assets	2137.71	2137.71		
	6.	Total Liabilities	4291.17	4291.17		
	7.	Net Worth	(2153.46)	(2153.46)		
	8.	Any other financial item(s) (as felt appropriate by the management)	NA	NA		
II. Audit Qualification (each audit qualification separately):						
a.	Details of Audit Qualification		As per Annexure 1			
b.	Type of Audit Qualification		Disclaimer of Opinion			
c.	Frequency of qualification		Repetitive (Since year ended 30 th Sept, 2013)			
d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views		As per Annexure 2			
e.	For Audit Qualification(s) where the impact is not quantified by the auditor:-					
	i.	Management's estimation on the impact of audit qualification				
	ii.	If management is unable to estimate the impact, reasons for the same				
	iii.	Auditors' Comments on (i) or (ii) above				
III. Signatories:						
<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 30%;"> <p>For Suresh C. Mathur & Co. Chartered Accountants FRN: 000891N</p> <p> (S. C. Mathur) Partner M.No. 1276</p> </div> <div style="width: 30%; text-align: center;"> <p> (Ashok Punj) Managing Director</p> </div> <div style="width: 30%; text-align: center;"> <p> (Harsh Pataria) Audit Committee Chairman</p> </div> </div>						
Place:						
Date:						

Annexure 2

Interest

Auditors View:

Since most of the banks which had extended financial facilities to the company have already treated the outstandings from the company as "Non Performing Assets", they as a usual practice have discontinued making provisions of interest on such loss as accrued income in their books. In order to achieve the desired congruency on this issue the Company has also not provided for any interest amounting to Rs.414.79 Crores on such outstanding facilities for the year ended on 31st March, 2017 due to various banks. Had the said interest been provided in the books in the normal course, the present losses of Rs.697.38 Crores would have risen to Rs. 1112.17 Crores.

Management View:

This amount is the interest on outstanding amounts due from company to its lending banks. Since said banks are not providing for the said interest in their book, to achieve the congruency company has also chosen not to provide the said interest.

Inventory:

Auditors View:

The Closing inventory as on 31st March, 2017 is Rs.19.52 Crores (valued at realizable value) excludes disputed WIP Building of Coimbatore Rs.17.07 which is in arbitration stage.

Management View

The management having taken a realistic view as decided that the inventory is to be taken at its realizable value. Accordingly the service of Chartered Engineer were availed for the purpose at different plant location of the company.


Auditors View

Sundry Debtors: Note No. of Balance Sheet and Schedules

- i) The Company has Sundry Debtors of Rs. 9.63 Crores as on 31st March, 2017.




Less than Six Months	Rs.0.94 Crores
More than Six Months	Rs.0.50 Crores
Doubtful Debts	Rs.8.19 Crores

- ii) The Company has not produced confirmation of balances from sundry debtors confirming the amount outstanding as on 31st March 2017. In the absence of adequate evidence and information made available to us supporting the recoverability of th this amount, we are further unable to comment on the financial impact of this matter on the profit / loss for the year ended 31st March 2017.
- iii) The Arbitration proceeding between PSL Limited and Gail India Limited is pending before the Sole Arbitrator.
- iv) The Company is in the process of filing Arbitration petition/Obligations for the dispute against SPML Infra Limited for recovery of Rs.98,80,383/- together with interest against the supply of Saw Pipes.

Management View

The company has already circulated letters to Debtors for confirmation the balance as well as release the outstanding balances at the end of year 31/3/2017, but still company has not received any reposnse from debtors, so company has shown the balance receivable from debtors has per the accounting standards in following format.

Less than Six Months	Rs.0.94 Crores
More than Six Months	Rs.0.50 Crores
Doubtful Debts	Rs.8.19 Crores

Signatories:		
For Suresh C. Mathur & Co. Chartered Accountants FRN: 000891N  (S. C. Mathur) Partner M.No. 1276	 (Ashok Punj) Managing Director	 (Harsh Pataria) Audit Committee Chairman
Place: MUMBAI		
Date: 09/05/2017		

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS (for audit report with modified opinion)
submitted along with Annual Audited Financial Results - CONSOLIDATED**

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2017


I.	S. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Amt in Cr.)	Adjusted Figures (audited figures after adjusting for qualifications) (Amt in Cr.)
	1.	Turnover / Total income	114.97	114.97
	2.	Total Expenditure	867.32	867.32
	3.	Net Profit/(Loss)	(752.35)	(752.35)
	4.	Earnings Per Share	(60.23)	(60.23)
	5.	Total Assets	2393.89	2393.89
	6.	Total Liabilities	4729.89	4729.89
	7.	Net Worth	(2336.00)	(2336.00)
	8.	Any other financial item(s) (as felt appropriate by the management)	NA	NA


II. Audit Qualification (each audit qualification separately):


a.	Details of Audit Qualification	As per Annexure 1
b.	Type of Audit Qualification	Disclaimer of Opinion
c.	Frequency of qualification	Repetitive (Since year ended 30 th Sept. 2013)
d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views	As per Annexure 2
e.	For Audit Qualification(s) where the impact is not quantified by the auditor:-	
	i. Management's estimation on the impact of audit qualification	
	ii. If management is unable to estimate the impact, reasons for the same	
	iii. Auditors' Comments on (i) or (ii) above	

III. Signatories:

For Suresh C. Mathur & Co.
Chartered Accountants
FRN: 000891N


(S. C. Mathur)
Partner
M.No. 1276


(Ashok Punj)
Managing Director


(Harsh Pataria)
Audit Committee Chairman

Place: MUMBAI

Date: 09/05/2017

Annexure 2

Interest

Auditors View:

Since most of the banks which had extended financial facilities to the company have already treated the outstandings from the company as "Non Performing Assets", they as a usual practice have discontinued making provisions of interest on such loss as accrued income in their books. In order to achieve the desired congruency on this issue the Company has also not provided for any interest amounting to Rs.414.79 Crores on such outstanding facilities for the year ended on 31st March, 2017 due to various banks. Had the said interest been provided in the books in the normal course, the present losses of Rs.697.38 Crores would have risen to Rs. 1112.17 Crores.

Management View:

This amount is the interest on outstanding amounts due from company to its lending banks. Since said banks are not providing for the said interest in their book, to achieve the congruency company has also chosen not to provide the said interest.

Signatories:

For Suresh C. Mathur & Co.
Chartered Accountants
FRN: 000891N



(S. C. Mathur)
Partner
M.No. 1276



(Ashok Punj)
Managing Director



(Harsh Pataria)
Audit Committee Chairman

Place: MUMBAI

Date: 09/05/2017