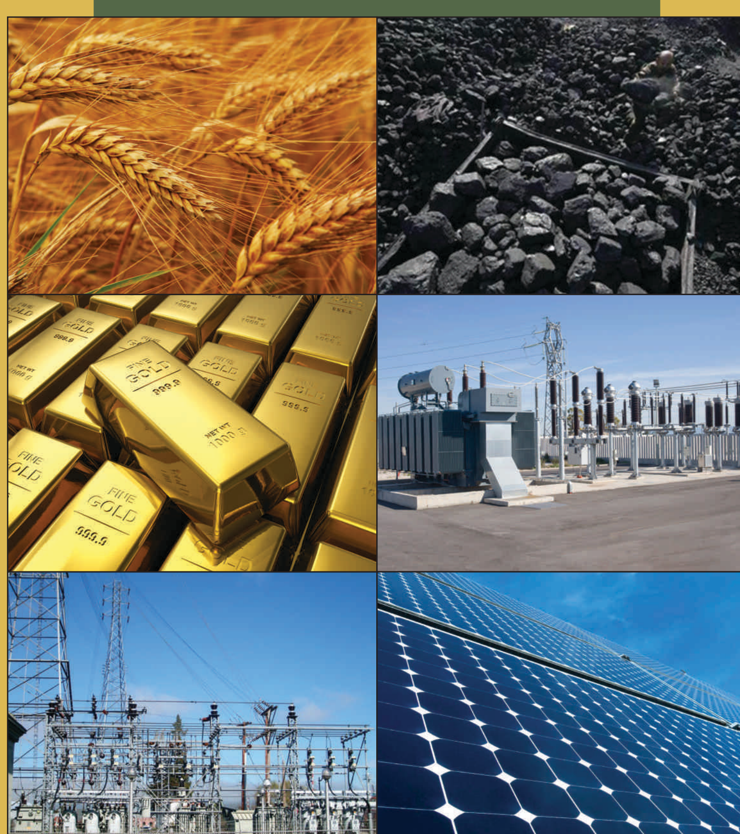
PEC LIMITED

47th ANNUAL REPORT 2017-2018



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PEC

Company Profile

Board of Directors

Chairman-cum-Managing Director
Shri M. Nagaraj

Whole-Time Directors
Shri J. Ravi Shanker
(upto 03-07-2018)
Shri Anupam Misra

Directors (Additional Charge)
Shri J. Ravi Shanker
(from 08-08-2018)

Part-Time Directors
(Government Nominee)
Ms. Rupa Dutta
Dr. Shobhit Jain

Part-Time Directors
(Independent)
Shri Udesinh Baria
(upto 04-12-2017)

Company Secretary
Shri Pardeep Kumar

Auditors
M/s JK Sarawgi & Company
Chartered Accountants, New Delhi

PEC LIMITED

Annual Report 2017-2018

Bankers

Axis Bank
ICICI Bank Ltd.
IDBI Bank
Indian Overseas Bank
IndusInd Bank
Punjab National Bank
State Bank of India
Syndicate Bank
United Bank of India
Vijaya Bank

Vision

Being a leading and reliable international trading company adding sustainable value to stakeholders.

Mission

- Provide integrated trade solutions to customers to ensure sustainable profits.
- Focus on being the leading merchant exporter of engineering goods and projects.
- To be among top three trading companies across segments, including Industrial Raw Materials and Commodities.
- Serve as an effective and accountable instrument of public policy and be socially responsible.

Board of Directors

M. Nagaraj
CMD

J. Ravi Shanker
Director
(upto 03-07-2018)

Anupam Misra
Director

Rupa Dutta
Nominee Director

Dr. Shobhit Jain
Nominee Director

Udesinh Baria
Independent Director
(upto 04-12-2017)

J. Ravi Shanker
Director
(Additional Charge)
(from 08-08-2018)

Key Personnel

Garima Bhagat
IRS, CVO
(from 28-04-2017)

Sanjay Bhoosreddy
IAS, CVO
(upto 24-04-2017)

Ravi Kumar
Executive Director
(upto 26-09-2018)

Rajiv Chaturvedi
CGM

P.K. Jain
CGM
(from 14-05-2018)

R.R. Sinha
CGM

Manish Kumar Bainiwal
CGM
(from 23-05-2017)

Chairman's Statement

Dear Stakeholders,

I am happy to share that your company delivered a resilient performance during the financial year 2017-18. PEC has completed its 47th year of presence in the international trade business. Amidst continued challenging business environment, initiatives taken in the recent past have resulted in significant progress in enhancing revenue and productivity, reinforcing our leadership in trading sector, and strengthening non-trading business areas.

The financial year 2017-18 witnessed a lot of uncertainties. The market movement during the year was in contrast to the previous years. The Indian economy grew at 6.7% during the fiscal. This was possible as a result of the Government of India's continuous positive policy initiatives, sustainable low rate of interest, moderating inflation, Make in India and other innovative steps.

Your company revived its journey on the sustainable growth path, as it recorded a turnover of Rs. 4470.91 crore during the year 2017-18, a growth of 4.66 % over the previous year's turnover of Rs. 4271.51 crore.

All though PEC has reported loss during the year due to the heavy interest burden on account of outstanding from Govt. and Private sector, it has successfully trimmed its finance cost by 17.86%, which is the major factor contributing towards its losses.

PEC successfully exported approx. 90,000 MTs of Rice worth Rs. 250 Cr to the Bangladesh Govt. We executed import of 1.54 Lakh MTs approx. of Pulses worth Rs. 240 Cr. approx. during the fiscal. We have already exported a total quantity of 282 MTs approx. of Red Sanders worth Rs. 90 Cr. PEC has recorded Bullion business of Rs 1,120 Cr. in the Financial Year 2017-18. Further, constant efforts are being made to improve the operational efficiencies through various "Policy and Restructuring" activities.

Though our main objective is trading, I firmly believe that PEC has, over the years, proven its capability to contribute effectively to larger national goals and priorities.

Here, on behalf of the Board of Directors of your company, I would like to thank the Government of India, especially our administrative Ministry- the Ministry of Commerce and Industry, for its constant support and encouragement. A lot of what we have achieved would have been difficult without the policy support and facilitating approach of the Government.

The inspiration, guidance and support I drew all through this period from other distinguished Members on the Board merits special mention. I express my sincere thanks to all of them.

Finally, I would like to place on record our appreciation and sincere thanks to "Team PEC", for its contribution in our march forward.

I thank you heartily for your continued support.

Thank you,

Jai Hind !

Sd/-

(M. Nagaraj)
Chairman-Cum-Managing Director

Directors' Report

To

The Members
PEC Limited ("The Company")

Your Directors have pleasure in presenting their 47th Annual Report on the working of the Corporation together with the audited Financial Statements for the year ended 31st March, 2018 together with the Auditor's Report and Comments on the Accounts by the Comptroller & Auditor General (C&AG) of India.

Financial Summary and Highlights

The performance of the Company during the year 2017-18 vis-à-vis the previous year is summarized as below:-

(₹ Crore)

Particulars	As at 31st March 2018	As at 31st March 2017
Turnover		
Export	327.61	63.27
Import	3849.10	3980.11
Domestic	269.67	209.86
Sales of Service	5.54	0.83
Total	**4451.92**	**4254.07**
Financials		
Profit before Tax	(-) 56.96	(-) 92.84
Profit After Tax	(-) 56.96	(-) 92.84
Net Worth	(-) 1133.91	(-) 1079.97

Company Affairs

Over the years, the business profile of the Company has changed and Company now engages with Industrial Raw Materials, Agro Commodities, Bullion, Engineering & Manufactured Goods and Solar and Domestic Projects constituting major part of its turnover.

Your Company has reported net turnover of **₹ 4451.92 Crore** for the current year as compared to **₹ 4254.07 Crore** in the previous year. The Net Loss for the year under reviews amounted to **₹ 56.96 Crore** in the current year as compared to **₹ 92.84 Crore** in the previous year.

Exports

Your company achieved an Export turnover of ₹ 327.61 Crore. Export which includes Red Sanders amounting to ₹ 53.35 Crore, Rice ₹ 254.45 Crore, and Engineering and manufactured goods exports such as Cables, Conductors, and Hardware equipment amounting to ₹ 18.87 Crore, etc.

Imports

Your Company achieved an import turnover of ₹ 3849.10 Crore during the year. Wheat, Yellow Peas, Pulses (Toor), Manganese Ore, Silver, Gold, Steel Coils, Industrial chemicals, Coal were the major items of import during the year.

Domestic Sales

Your Company achieved domestic sales of Agro Commodities, Industrial Raw Material, Engineering & Manufactured Goods amounting to ₹ 269.67 Crore during the year under review.

Dividend

Due to non-availability of profit for the year, the Directors have not recommended any dividend during the year under review.

Transfer to/from Reserves

Keeping in view the current financial position of the Company, The Board of Directors has not transferred any amount to the General Reserve.

Capital Advance

Your company has given Capital Advance amounting to ₹ 45.35 Crore to NBCC Limited for office space and an amount of ₹ 8.38 Crore is yet to be paid as capital commitment in this regard.

Change in the Nature of Business

There are no material changes in the nature of business of the company during the year under review.

Material Changes and Commitments

There are no material changes and commitments affecting the financial position of the company that occurred between the end of the financial year to which this financial statements relate and the date of the report.

Significant and Material Orders Passed by the Regulators or Courts or Tribunals Impacting the Going Concern Status and Company's Operations in Future

There are no order passed by the regulators/courts which would impact the going concern status of the company and its future operations during the year under review.

Code of Conduct

The Board has enunciated a Code of Conduct for the Directors and Senior Management Personnel of the Corporation, which has been circulated to all concerned and has also been hosted on the website of the Corporation. The Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct as required under the Corporate Governance guidelines.

Subsidiary Company

Tea Trading Corporation of India Ltd., a wholly-owned subsidiary of your Company, continues to be under winding up process by the Official Liquidator appointed by the Hon'ble High Court of Calcutta. Since Tea Trading Corporation of India Limited is under winding up process, we have not considered this in the preparation of Consolidated Financial Statements for the Financial Year 2017-18.

Deposits

The Company has not accepted any public deposits during the financial year under review within the meaning of chapter V of Companies Act, 2013. Therefore, the requirement of Chapter V of the Companies Act, 2013 is not applicable.

Energy Conservation, Technology Absorption

The Company is engaged in trading activities thus the information required on conservation of energy, technology absorption as stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule, 8(3) of The Companies (Accounts) Rules, 2014, is NIL.

Foreign Exchange, Earning and Outgo

The foreign exchange and earnings and outgo of your company during the year under review have been as under:

(₹ in Crore)

Earnings		Outgo	
Exports	313.53	Imports	2744.15
		Others	12.29
Total	**313.53**	**Total**	**2756.44**

Declaration by an Independent Director

Shri Udesinh Baria, Former Law Minister of Gujarat, appointed as an Independent Director by the Ministry of Commerce & Industry and was on Board till 04.12.2017. He has submitted his certificate of independence to meet the criteria of independence as required under section 149(6) of the Companies Act, 2013.

Meetings of the Board

Five meetings of Board of Directors had been convened during the financial year under review complying with the requirement of Section 173 of the Companies Act 2013 and Secretarial Standard -1 issued by Ministry of Corporate Affairs.

Disclosure of Composition of Audit Committee

The Audit Committee consists of following members:

Sr. No.	Name of the Members	Position
1.	Shri Udesinh Baria (up to 04.12.2017)	Chairman
2.	Shri J. Ravi Shanker	Member
3.	Shri Anupam Misra	Member

The audit committee consists of Independent Director as its Chairman. Presently the position of Independent Director is vacant, so the Audit Committee has also been dissolved till appointment of Independent Director on the Board.

Vigil Mechanism and Whistle Blower Policy

The Company promotes ethical behavior in all its business activities/practices and has put in place a mechanism for reporting illegal/unethicals behavior, improper activities/practices or any other wrongful conduct in the Company. The Company has a Vigil Mechanism and Whistle-blower policy under which the employees and other Directors are free to report violations of applicable laws and regulations and the Code of Conduct. Policies can be accessible on the web site of the company i.e. http://www.peclimited.com

Particulars of Loans, Guarantees or Investments under Section 186

During the financial year under review, the Company has not provided/given any loans, guarantees and has not made any investments covered under the provisions of section 186 of the Companies Act, 2013.

Particulars of Contracts or Arrangements with Related Parties

All transactions entered by the Company with Related Parties were in the Ordinary Course of Business and at Arm's Length basis. During the financial year ended 31st March, 2018, the Company has not entered into any contracts/arrangements/transactions with related parties which could be considered material as referred to in sub section (1) section 188 of the Companies Act, 2013.

Risk Management Policy

The Company has Risk Management Policy to mitigate financial risk, legal risk, operational/systems/ management risk, strategic risk, fiduciary risk, credit risk, liquidity risk, reputational risk, environmental risk, competition risk, fraud risk, technological risk etc. inherent in nature.

Statement for Adequacy of Internal Financial Controls

The Company has put in place policies and procedures, practices, and organizational structures, which are designed to provide reasonable assurance that business objective will be achieved and that undesired events will be prevented, or detected and corrected. The Company is also having a well-defined Delegation of Powers (DOP), which lays down the financial powers available to various levels of Company's executives. The DOP helps facilitate faster and prudent commercial decision-making by executives at various levels.

The Company has appointed M/s S K Patodiya as its Internal Audit for the F.Y. 2017-18, which conducted internal audit of Company and suggested various preventive and corrective steps. The audit observations are periodically reviewed by the Audit Committee and the Board of Directors and necessary directions are issued wherever required. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

Rajbhasha

PEC continued its efforts to promote use of Hindi in official work. Employees were encouraged to work in Hindi through training programs, workshops and improved incentive schemes. A fortnight-long program was organized in PEC to mark Hindi Pakhwada from 05.09.2017 to 20.09.2017 and employees participated in Hindi Pakhwada.

Vigilance

With a view to create greater awareness among the employees on the ill-effects of corruption and the need for eradication of the same, various initiatives were taken. Vigilance Awareness Week was observed from 30th October, 2017 to 4th November, 2017 in Corporate as well as Branch Offices. Vigilance Division also maintained constant liaison with various agencies viz. CVC, CBI & MOC&I etc. for ensuring preventive vigilance and providing details/inputs to regulatory agencies as per statutory requirements.

Management Discussion and Analysis Report

Detailed Management Discussion and Analysis Report forming part of the Annual Report of the Company are placed as Annexure-1.

Corporate Governance

Your Company firmly believes that Corporate Governance is very essential for the stakeholders' value creation. Thus, pursuant to Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises (DPE), Government of India, a Report on Corporate Governance for the year 2017-18 forming part of this report is placed at Annexure-2. PEC is fully committed to promoting & strengthening the principles of sound corporate governance norms by adhering to the highest standards of transparency, trust and integrity, performance orientation, responsibility and accountability, social responsiveness, ethical business practices and commitment to the organization as a self-discipline code for sustainable enrichment of value for suppliers, customers, Directors, employees and the community in general. A separate report on Corporate Governance, forming part of the Annual Report of the Company is placed as Annexure-2. M/s Sandeep Singh, Practicing Company Secretaries has examined and certified the compliance of Corporate Governance. The Certificate forms part of this report and is placed as Annexure-2.

Corporate Social Responsibility

Pursuant to the provisions of Section 135 of the Companies Act, 2013 the Company has a Corporate Social Responsibility Committee. The CSR Policy adopted by the Board of Directors is available on the Company's website www.peclimited.com. As per the Companies (Corporate Social Responsibility Policy) Rules, 2014, Annual Report on Corporate Social Responsibility Activities is annexed herewith as Annexure-3.

Particulars of Employees

PEC being a wholly-owned Government Company, the terms and conditions of appointment and remuneration of its whole time Functional Directors are determined by the Government through the Ministry of Commerce and Industry, of being the administrative ministry of the Company. The Non-Executive Part-Time Directors (Government Nominees) do not draw any remuneration or sitting fee. The Non-Executive Part-Time Non-Official (Independent Directors) is paid a sitting fee for each Board/Committee meeting attended at an approved fee by the Board.

The eligibility criterion for appointment of Independent Directors is laid down by the Department of Public Enterprises of the Government of India. Declaration of Independence in the prescribed format has been obtained from them every year to confirm that they continue to qualify as Independent Director.

Key Managerial Personnel

PEC has appointed its CMD, all functional Directors and Company Secretary as Key Management Personnel pursuant to Section 203 of the Companies Act, 2013.

Directors' Responsibility Statement

To the best of our knowledge and belief and according to the information and explanations obtained by us, your Directors make the following statements in terms of Section 134(5) of the Companies Act, 2013:

a) in the preparation of the annual financial statements for the year ended March 31, 2018, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.

b) for the financial year ended March 31, 2018, such accounting policies as mentioned in the Notes to the financial statements have been applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company and of the Profit and Loss of the Company for the year ended March 31, 2018.

c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) the annual financial statements have been prepared on a going concern basis.

e) that proper internal financial controls were followed by the Company and that such internal financial controls are adequate and were operating effectively.

f) that proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

Extract of Annual Return

As required under section 134(3) (a) of the Companies Act, 2013, an extract of the Annual Return pursuant to Section 92(3) of the Act is annexed to this report as Annexure-4.

Anti-Sexual Harassment Policy

The Company has laid down a Policy of Prevention / prohibition and Redressal of Sexual Harassment of Women in PEC in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been set up to redress complaints received in this regard. All employees (permanent, contractual, temporary, trainees) are covered under this policy. One complaint has been received during the year 2017-18.

Statutory Auditors

M/s J.K. Sarawgi & Company, Chartered Accountants were appointed as Statutory Auditors of the company for the financial year 2017-18 by the C&AG. Their Report, along with replies of the Management is attached herewith and forms part of the Annual report.

Comments of C&AG

The comments of C&AG under Section 143(6) of the Companies Act, 2013 on the accounts of the Company for the year 2017-18, their Report, along with replies of the Management is attached and forms part of the Annual Report.

Acknowledgements

The Board appreciates and places on record the contribution made by the employees during the year under review and support received from the Ministry of Commerce & Industry, and the various stakeholders like bankers, investors, customers and statutory authorities for their valuable guidance and support.

For & on behalf of
the Board of Directors of PEC Ltd.

Sd/-
(M. Nagaraj)
Chairman-cum-Managing Director

Management Discussion & Analysis Report

World Economy in 2017-18

The global economy grew at 3.7 percent during 2017-18 which marked an upward trend from the earlier projections made by the International Monetary Fund.

The global crisis had produced a wide-ranging impact across the globe which included economic slowdown in world economy. However, the latest numbers from WTO now point towards rising prospects for global business. The estimate for growth in world merchandise trade volumes in 2017 was raised to 3.6 percent as opposed to 2.4 percent previously estimated. Asia and North America have shown strong growth rate where import demand is recovering. Trade growth should moderate to 3.2 percent in 2018, within a range from 1.4 percent to 4.4 percent, as global GDP growth remains stable. Recovery could be undermined by downside risks, including trade policy measures and monetary tightening. India is projected to grow at the rate of 7.4 percent in 2018 thus becoming the fastest growing economy in the world. The global economic activity continues to firm up as per recent reports. Growth is projected to rise over this year and next in emerging market and developing economies, supported by improved external factors - a benign global financial environment and a recovery in advanced economies. Growth in China and other countries of Asia also remains strong. In advanced economies, the notable 2017 growth pickup is broad based, with stronger activity in the United States and Canada, the Euro area, and Japan.

Indian Economy in 2017-18

The Indian economy has started recovery and is in the position of the fastest growing economy. India's Gross Domestic Product (GDP) grew by 7.7 percent in the fourth quarter of fiscal year 2017-18. This rise in the GDP growth during January to March, 2018 enabled India to surpass China's GDP growth rate of 6.8 percent during the same period.

The overall GDP growth in the Indian economy during the financial year that ended on March 31, 2018, stood at 6.7 percent, according to the government data. The Indian economy had posted the GDP growth of 7.1 percent for the previous financial year.

The Gross Value Added growth, which takes out impact of indirect taxes and subsidies on the economy, stood at 7.6 percent during the March quarter, taking the same for the financial year 2017-18 to 6.5 percent. Also, the growth rate for December quarter of FY18 has been revised to 7 percent to 7.2 percent, as was declared in February.

Fiscal deficit for the financial year settled to 3.52 percent of the total GDP of India against the target of 3.2 percent of the GDP.

All core sectors achieved significant growth during Q4 of FY18, in comparison to the quarter before. Agriculture, manufacturing, and construction sectors grew at 4.5 percent, 9.1 percent and 11.5 percent, respectively, during the March quarter. The financing, real estate and insurance segment registered a growth of 5 percent.

This strong growth rate creates room for the Reserve Bank of India to consider a rate hike. Investment in India through FDI continued to be at a reasonable pace.

Impact of Demonetarization & GST in Indian Economy

Indian economy showed the GDP growth in the last quarter of Financial Year 2017-18 after demonetization. This marks recovery in the Indian economy after mitigating the ill effects of demonetization and a introduction of Goods and Services Tax regime.

Goods and Services Tax (GST) has changed the picture of the Indian economy. There has been a fifty percent increase in the number of indirect taxpayers. There has also been a large increase in voluntary registrations, especially by small enterprises.

PEC's Performance

The company achieved a turnover of ₹ 4470.91 Crore during the year under review as against ₹ 4271.51 Crore in the previous year.

Segmentwise Performance:

Export:

PEC achieved an export turnover of ₹ 327.61 Crore. The major product segments of exports during the year were Rice, Red Sanders and Engineering equipment & manufactured goods.

Engineering Equipments and Projects: PEC has continued its efforts to maintain and develop existing markets for export of engineering equipment and projects. These efforts have resulted in getting repeat orders as well as new contracts won against stiff international competition. With timely execution of contracts and perfect liaison with valuable clients/ buyers, PEC has been able to maintain the existing markets and get orders from these markets for supply of Cables, Conductors and Line Accessories etc. PEC has also made efforts to penetrate new markets.

Imports:

Import accounted for 86% of total turnover of PEC for the year 2017-18. Driven by volumes in Coal, Silver, Gold and Yellow Peas, import during the year aggregated to ₹ 3849.10 Crore. The areas exhibiting notable performance are:

Industrial Raw Material: Imports of industrial raw material were valued at ₹ 2374.40 Crore. Major industrial raw materials imported were coal/coke, steel, and chemicals & pharmaceuticals.

Bullion: During the year, Bullion contributed a turnover of ₹ 1120.43 Crore approx. accounting for 29% of total PEC's import turnover.

Coal & Coke: The business turnover of coal/coke valued at ₹ 2005.25 Crore emerged as the largest item of import constituting over 52% of total imports.

Chemicals & Pharmaceuticals: During the year, chemicals imported include Ethylene Vinyl Acetate etc.

Strengths and Weakness

PEC stands on a strong foundation of professional and experienced human resources, a consistent track record of business growth over four decades and world-class customer service in trade. PEC's mission is to trade in a manner to create an image of quality, reliability and ethical values in order to foster long term relationship with customers and business associates by:

- Export of engineering equipment and projects especially from small and medium enterprises.
- Export and import of bulk items viz. Agro Commodities, Industrial Raw Materials and Bullion, etc. and develop new products and new markets.

These have contributed towards building a strong foothold in international trade. Government ownership, good rapport with major national & international banks, qualified & experienced human resource, sound rating and quick decision-making are some of the strengths that support PEC's success.

However, limited assets' base and share capital, leads to risk of high exposure in relation to net worth. A scam in a big Indian nationalised bank affected the credit market and inturn credit facilities granted by Banks to PEC, and with withdrawal of these credit facilities the business of PEC has come to a standstill. Since PEC is a trading company, withdrawal of these facilities resulted the closure of the window of business opportunities. In Financial Year 2018-19 there has been no business from Q-2. However, efforts for recovery through legal resources are being continued. Consequently, it brings demoralization in staff and high attrition rate. Administrative Ministry has asked for cost cutting and introduction of VRS/VSS to continue with skeletal staff to carry on recovery process with an objective to reduce current outstanding with Banks.

Opportunities and Threats

Global economic indicators are expected to improve as prospects improve in advanced economies. Despite a strengthening external demand, uncertainty continues due to domestic fragilities. The global economic climate continues to be uncertain. The possible opportunity for survival is fee based business model which does not require the credit facilities from Banks but for this retention of manpower is a major concern. Banks will also have to allow payments to be effected to associates in case payments are received upon conclusion of projects or transaction.

For India, economic activity is expected to improve modestly, driven by global economic revival which may lead to better opportunities for international trade. In future once some meaningful recoveries are done and some fee based business are acquired, with the support of Banks and Government of India with respect to credit facilities and permission by Administrative Ministry to allow to increase the manpower, survival of PEC is sure.

Risks and Concerns

Volatility in prices, especially when prices decline, higher level of inventory and sluggish demand result in pressure on trading margin as sale prices decrease but are based on higher input cost. This affects PEC also as business may order fresh stocks after longer intervals.

The major concerns remain falling industrial production and continued depreciation of the Rupee against the US Dollar. The rising inflation further puts interest rates in vicious cycles. With negative net worth it is also very challenging to expand our presence in a variety of areas.

Internal Control Systems

The Corporation has well-established internal control systems for orderly and efficient conduct of its business commensurate with its operations. Policies are well documented and detailed manuals are in place on almost all aspects of the business. The internal processes are continuously reviewed, strengthened, and revision of policies and guidelines are carried out from time to time to align with the changing business needs. The company has appointed an independent Chartered Accountant firm for Internal Audit for the Financial Year 2017-18. The Statutory Auditors, during the process of financial audit, review the efficacy of internal financial controls. Significant observations, corrective actions and good practices suggested by the Statutory and Internal Auditors are reviewed by the management and the Audit Committee for appropriate implementation in order to further strengthen the controls on various business processes. The Audit Committee reviews the recommendations and observations of the Internal Audit Department on a regular basis.

Human Resource

PEC believes in strengthening the organization through employee's development. PEC's work force is 106 which include 95 Managers and 11 Staff as on 31st March, 2018.

The Presidential Directives on reservation ensure adequate representation of persons belonging to SC, ST and OBC and employment of physically challenged persons is being followed. All statutory provisions were complied with in the recruitment & promotion process.

Industrial relations remained cordial throughout the year.

Corporate Social Responsibility

PEC recognizes the essence of Corporate Social Responsibility & Sustainable Development. Significant efforts have been put in for identification of relevant projects that would make a positive and lasting impact on society, in line with the DPE guidelines. During the year, no amount was spent on various CSR activities in community welfare initiatives. A detailed Annual Report on CSR is enclosed herewith as Annexure-3 to the Directors' Report.

Way Forward

PEC continues to strive in its efforts to capture new opportunities in international as well as domestic trade to sustain its performance. PEC also looks forward optimistically to achieve higher targets in future.

Cautionary Statement

Statements in the Management's Discussion & Analysis describing the Company's objectives, expectations or anticipations may be forward-looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from the expectations. Critical factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of products, input availability and prices, changes in Government regulations / tax laws, economic developments within the country and factors such as litigation and industrial relations.

Last Ten Years

₹ in Crore

Year	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Sales	**10274.78**	**11025.94**	**9969.94**	**11041.33**	**11649.01**	**9780.37**	**6186.76**	**3746.59**	**4254.07**	**4451.92**
Exports	1261.78	1254.91	1136.25	1036.92	3029.12	2556.03	601.22	122.70	64.10	327.61
Domestic	492.72	889.46	926.89	1798.36	1659.38	1543.49	613.29	191.59	209.86	275.21
Imports	8520.28	8881.57	7906.80	8206.05	6960.51	5680.85	4972.25	3432.30	3980.11	3849.100
Income	**149.73**	**145.55**	**146.40**	**159.72**	**159.63**	**43.02**	**(137.61)**	**(1110.84)**	**(61.59)**	**(26.09)**
Expenditure	**37.45**	**42.59**	**39.84**	**41.19**	**46.56**	**41.04**	**42.18**	**31.18**	**30.51**	**30.87**
Establishment	24.97	20.08	26.69	28.48	27.46	24.73	29.54	21.65	21.77	22.25
Administration	12.48	22.51	13.15	12.71	19.10	16.31	12.64	9.53	8.74	8.62
Prior Period Adjustment	0.02	(0.07)	0.00	0.00	0.00	0.00	0.01	0.11	(0.03)	0.00
Profit before Tax	**112.26**	**102.89**	**106.56**	**118.53**	**113.07**	**1.98**	**(179.79)**	**(1142.02)**	**(92.10)**	**(56.96)**
Tax	40.09	35.18	35.64	38.98	16.12	1.27	28.75	0.00	0.00	0.00
Profit After Tax	72.17	67.71	70.92	79.55	96.95	0.71	(208.54)	(1142.02)	(92.10)	(56.96)
Capital Employed	**180.74**	**460.03**	**479.51**	**347.63**	**586.13**	**1568.51**	**1453.10**	**(45.21)**	**(251.42)**	**(189.56)**
Shareholder's Funds	180.69	232.03	285.51	347.63	362.04	362.75	154.21	(987.81)	(1079.91)	(1,133.91)
Loan Funds	0.05	228.00	194.00	0.00	224.09	1205.76	1298.89	942.60	828.49	944.35

Report on Corporate Governance

Company's Philosophy on Corporate Governance

The Company ensures transparency and integrity to follow the best corporate governance practices, develop best policies/guidelines at every level of the organization and society at large in order to build an environment of trust and confidence among all the constituents. The Company considers itself as a Trustee of its stakeholders and acknowledges its responsibility towards them, for creation and safeguarding the stakeholder's wealth and interests. All policies/procedures are framed conforming to legal and to ethical responsibilities.

PEC Ltd. recognizes that good Corporate Governance is a continuous exercise and reiterates its commitment to pursue the highest standards of Corporate Governance in the overall interest of all its stakeholders.

The Company is committed to meet the expectations of stakeholders as a responsible corporate citizen. The Code of Conduct contains the fundamental principles and rules concerning ethical business conduct.

Company has laid down policies such as Code of Conduct for Board Members and Senior Management Personnel, Whistle Blower Policy, Policy on preservation of documents; the policies are displayed on the website of the Company www.peclimited.com. The Company adheres to good corporate practices and constantly strives to improve the same.

Board of Directors

As on date the Board comprises of CMD Shri M. Nagaraj, one Whole Time Directors and three Part-Time Directors consisting one Director having Additional Charge and Two Government Nominee Directors. The names of Directors on the Board as on date along with their qualification, dates of appointment and categories under which they were appointed, are as under:-

Sr. No.	Name of Director	Qualification	Date of appointment	Category
1.	Shri M. Nagaraj	CMA, CS, CAIIB and MBA (Finance)	01.09.2016	Chairman-cum-Managing Director
2.	Shri Anupam Misra	B.Tech. (Hons) IIT, Kharagpur and PGDM (IIM Lucknow)	20.09.2016	Functional Director
3.	Ms. Rupa Dutta	Indian Economic Services	20.11.2015	Non-Executive Part-Time Government Director (Ministry of Commerce & Industry)
4.	Dr. Shobhit Jain	MBBS, Indian Revenue Services	20.02.2017	Non-Executive Part-Time Government Director (Ministry of Commerce & Industry)
5.	Shri J. Ravi Shanker	B.Tech. IIT, Delhi	08.08.2018	Director (Additional Charge)

The composition of the Board of Directors, attendance in Board Meetings, Annual General Meeting and other Directorship held during the year 2017-18 are as :-

Sl. No.	Name & Designation of Directors	No. of Board meetings attended	Attendance at last Annual General Meeting	Directorship held in other Public Limited Companies
WHOLE-TIME DIRECTORS				
1.	Shri. M. Nagaraj, CMD	5/5	Yes	NIL
2.	Shri J. Ravi Shanker, Director	5/5	Yes	1. MMTC Limited, 2. MMTC-PAMP India Private Limited, 3. Free Trade Warehousing Limited,

				4. MMTC Transnation PTE Limited.
3.	Shri. Anupam Misra, Director	5/5	Yes	NIL
PART-TIME DIRECTORS – (Govt. Nominees)				
4.	Smt. Rupa Dutta	5/5	Yes	NIL
5.	Dr. Shobhit Jain	5/5	Yes	STCL
6.	Shri Udesinh Baria (upto 04.12.2017)	3/3	Yes	NIL

CHANGES IN DIRECTORSHIP

Following are the changes in the Board of Directors of your Company since 1st April, 2017:-

- Shri Udesinh Baria has resigned as Independent Director w.e.f. 04.12.2017 on the Board of PEC Limited.

BOARD MEETINGS AND PROCEDURES

BOARD MEETINGS

Five (5) Board meetings were held during the year and the maximum time gap between two (2) meetings did not exceed four (4) months. The details of the Board meetings are as under: -

Sl. No.	Board Meeting No.	Date	Board Strength	No. of Directors present
1	301st	03.05.2017	6	6
2	302nd	29.06.2017	6	6
3	303rd	22.09.2017	6	6
4	304th	29.11.2017	5	5
5	305th	26.02.2018	5	5

BOARD PROCEDURES

The meetings of the Board of Directors are normally held at the Company's Registered Office in New Delhi and are scheduled well in advance. The Board meets regularly at least once in a quarter.

Detailed agenda papers are circulated in advance amongst the members for facilitating meaningful, informed and focused discussions at the meetings.

The minutes of the meetings of the Board of Directors/Committee of Management are maintained as per the applicable laws.

DEBTORS MONITORING & RECOVERY COMMITTEE AND ATTENDANCE

Board has constituted Debtors Monitoring and Recovery Committee (DMRC). As on 31.03.2018 DMRC of the Company comprises of Shri M. Nagaraj as Chairman of the Committee, Shri J. Ravi Shanker, Shri Anupam Misra and Shri Udesinh Baria as Members of the Committee. Shri Pardeep Kumar, Company Secretary of the Company is the Secretary of the DMRC. The DMRC met 3 times, on 03.05.2017, 05.12.2017 and 05.02.2018 during the FY 2017-18. The details of the attendance of the Members at the DMRC meetings are furnished below:-

Sr. No.	Name of the Directors	No. of meetings Attended / Total no. of meetings held during his tenure
1.	Shri M. Nagaraj	3/3
2.	Shri J. Ravi Shanker	3/3
3.	Shri Anupam Misra	3/3
4.	Shri Udesinh Baria	1/1

AUDIT COMMITTEE - COMPOSITION AND ATTENDANCE

The Audit Committee of the Company is dissolved as the post of Independent Director is vacant up on the resignation by Shri Udesinh Baria, Independent Director.

The Audit Committee has discharged such roles as envisaged under the provisions of Section 177 of the Companies Act, 2013. The Audit Committee met two times, on 29.06.2017 and 22.09.2017 during the FY 2017-18. The details of the attendance of the Members at the Audit Committee meetings are furnished below:-

Sr. No.	Name of the Directors	No. of meetings Attended / Total no. of meetings held during his tenure
1.	Shri Udesinh Baria	2/2
2.	Shri J. Ravi Shanker	2/2
3.	Shri Anupam Misra	2/2

RISK MANAGEMENT

The Company is having a Board approved Risk Management Policy to take care of various risks associated with the business.

REMUNERATION COMMITTEE– COMPOSITION AND ATTENDANCE

The Remuneration Committee of the Company has been re-constituted on 26.02.2018 during the FY 2017-18. No meeting of the Remuneration Committee was held during the Financial Year 2017-18. The details of the Members of the Remuneration Committee are furnished below:-

1.	Smt. Rupa Dutta	Chairperson
2.	Dr. Shobhit Jain	Member
3.	Shri J. Ravi Shanker	Member
4.	Shri Anupam Misra	Member

COMMITTEE OF BOARD ON CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT :

A Committee on CSR & SD of the Company has been re-constituted on 26.02.2018 for monitoring the Company's CSR & SD Activities during the FY 2017-18.

1.	Shri M. Nagaraj	Chairperson
2.	Dr. Shobhit Jain	Member
3.	Shri Anupam Misra	Member

No meeting of the Corporate Social Responsibility and Sustainable Development Committee was held during the Financial Year 2017-18.

COMMITTEE OF MANAGEMENT

To facilitate expeditious consideration and arriving at decisions with focused attention on the affairs of the company, the Board has constituted the Committee of Management (CoM) with CMD as its Chairman, Functional Director(s), and Senior most General Manager (Finance) as Members and Company Secretary as Secretary to the Committee, with distinct role, accountability and authority.

During the Financial Year 2017-18 CoM met 20 times. The details of the CoM meetings are as under: -

Sl. No.	CoM Meeting No.	Date	CoM Strength	No. of Members present
1	20 (2017/11)	07th April, 2017	4	4
2	21 (2017/11)	24th April, 2017	4	4
3	22 (2017/11)	16th May, 2017	4	4
4	23 (2017/11)	19th May, 2017	4	4
5	24 (2017/11)	24th May, 2017	4	4
6	25 (2017/11)	29th May, 2017	4	4
7	26 (2017/11)	29th June, 2017	4	4
8	27 (2017/11)	20th July, 2017	4	4
9	28 (2017/11)	01st August, 2017	4	4
10	29 (2017/11)	05th September, 2017	4	4
11	30 (2017/11)	12th September, 2017	4	4
12	31 (2017/11)	26th September, 2017	4	4
13	32 (2017/11)	30th October, 2017	4	4
14	33 (2017/11)	15th December, 2017	4	4
15	34 (2018/1)	08th January, 2018	4	4
16	35 (2018/2)	25th January, 2018	4	4
17	36 (2018/3)	09th February, 2018	4	4
18	37 (2018/4)	19th February, 2018	4	4
19	38 (2018/5)	26th February, 2018	4	4
20	39 (2018/6)	23rd March, 2018	4	4

DIRECTORS' REMUNERATION

The Company, being a Government Company terms and conditions of appointment and remuneration of its Whole-Time Functional Directors are fixed by the Government through the Ministry of Commerce & Industry. The Non-Executive Part Time Directors (Government Nominees) except Independent Directors do not draw any remuneration or sitting fee.

The details of remuneration paid for the year 2017-18 to Directors are as under:-

Sl. No.	Name of Directors	Salary & benefits (₹ Crore)	No. of shares of PEC held as on 31/03/2018
FUNCTIONAL DIRECTORS			
1.	Shri M. Nagaraj, CMD	0.35	Nil
2.	Shri J. Ravi Shanker, Director	0.36	Nil
3.	Shri Anupam Misra, Director	0.42	Nil
PART-TIME DIRECTORS (Govt. nominees)			
4.	Ms. Rupa Dutta	-	1
5.	Dr. Shobhit Jain	-	1
6.	Shri Udesinh Baria	0.00	Nil

GENERAL BODY MEETING

The details of General Body Meetings held during the last three years are as under:-

Nature of Meeting	Financial year	Date of meeting	Venue
Annual General Meeting	2016-17	22.09.2017	Hansalaya-15, Barakhamba Road, New Delhi
Annual General Meeting	2015-16	01.11.2016	Udyog Bhawan, New Delhi
Annual General Meeting	2014-15	01.10.2015	Hansalaya-15, Barakhamba Road, New Delhi

DISCLOSURE

DISCLOSURE ON MATERIALITY OF SIGNIFICANT RELATED PARTY TRANSACTION

During the year, there were no transactions of material nature with the Directors or the Management or the subsidiary or relatives that had potential conflict with the interest of the Company.

Shareholders' Information

1. The 47th Annual General Meeting is scheduled for 29-11-2018 at Udyog Bhawan, Ministry of Commerce & Industry, New Delhi – 110 011.
2. The Company's financial year is from 1st April to 31st March.
3. Dividend payment

The details of dividend paid during the last 3 years are as under:-

Year	Rate (%)	Amount (₹ Crore)	Date of payment
2016-17	Nil	Nil	NA
2015-16	Nil	Nil	NA
2014-15	Nil	Nil	NA

WHISTLE BLOWER POLICY

The Company has adopted a Whistle Blower Policy and has established the necessary mechanism for employees to report to the management concerns about unethical behavior or actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy.

RISK MANAGEMENT

The Board of Directors approved the Risk Management Policy to take care of various risks associated with the business undertaken by your Company.

PARTICULARS OF LOANS, GURANTEES OR INVESTMENTS u/s 186

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in Note 4, 5, 7, 13 and 37 respectively of the note forming part of the Financial Statements.

SHAREHOLDING PATTERN

The entire paid up equity capital of ₹ 60 crore divided into 60 lakh shares of ₹ 100 each is held by the President of India.

COMPLIANCE ON CORPORATE GOVERNANCE

The Company complies with the requirements of the guidelines on Corporate Governance for CPSEs 2010 issued by DPE.

M/s Sandeep Singh, Practicing Company Secretaries has examined and certified the compliance of Corporate Governance, the Certificate form is attached herewith and forms part of the Annual Report.

CS

SANDEEP SINGH

Company Secretary in Practice
Office: C-4/5, Lower Ground Floor,
Safdarjung Development Area, New Delhi- 110016
Mobile: 9650674338
E-mail: sandeepcs28@gmail.com

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members,
PEC Limited

I have examined the compliances of the conditions of Corporate Governance by **PEC Limited ("The Company")** for the year ended at **31st March, 2018** as stipulated in the guidelines on the Corporate Governance for Central Public Sector Enterprises.

The Compliances of the Guidelines on Corporate Governance is the responsibility of the Company's Management. My examination was limited to a review of the procedure and implementations thereof, adopted by the Company for ensuring the compliances of the guidelines on Corporate Governance. It is neither an audit nor an expression of an opinion on the Financial Statements of the Company.

In my opinion and to best of my information and according to the information and according to the examination given to me, I certified that the Company has complied with guidelines on the Corporate Governance for Central Public Sector Enterprises except that:

1. *Appointment Independent Director(s) are not in conformity with the DPE Guidelines. Consequently, the requisite Committee(s) requiring Independent Director(s) is/are not formed.*

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR SANDEEP SINGH
COMPANY SECRETARY IN PRACTICE

SANDEEP SINGH
C. P. No. 15228
Company Secretary In Pratice

PLACE: NEW DELHI
DATE: 30/08/2018

(SANDEEP SINGH)
PROPRIETOR
C.P. NO.: 15228
MEM. NO.: A25187

Annual Report on Corporate Social Responsibility Activities (2017-18)

1. Overview of Policy and Projects

With the promulgation of the new Companies Act 2013 and its mandatory provision under Section 135, PEC Ltd. has adopted a CSR and sustainability Policy on the lines of Companies (CSR) Rules, 2014 issued by Ministry of Corporate Affairs and latest CSR and Sustainability Rules issued by DPE in this regard on 21st October, 2014.

The main thrust area for CSR and Sustainability Projects for PEC Ltd., as specified in Schedule VII of the Companies Act 2013, and amendments thereof, are as follows:

- Environment Conservation & Green Energy
- Heritage Culture & Sports
- Healthcare
- Education of Underprivileged & Disabled
- Swachh Bharat Abhiyan
- Vocational Training
- Drinking Water & Water Conservation

Vision Statement: PEC Limited, through its CSR initiatives, will continue to enhance value creation in the society to actively engage in social, economic, environmental and cultural development of the communities, especially meeting the priority needs of socially/economically backward, marginalized & vulnerable communities and making them self reliant.

The aim of the Corporate Social Responsibility and Sustainability Policy (CSR and Sustainability Policy) is to ensure that the Corporation becomes a socially responsible corporate entity committed to improving the quality of life of the society at large.

In view of losses, no fresh allocation of CSR fund was made for FY 2017-18. However, funds are to be spent for final evaluation/impact assessment of the projects completed in FY 2016-17. There is a provision of carried forward funds from previous years amounting to Rs. 25,42,041/-.

Web links:

Web-link of the company at which CSR policy is placed at -http://www.peclimited.com/CSR.html

2. The composition of CSR committee

1. Shri M. Nagaraj, CMD – Chairman
2. Sh. Anupam Misra, Director – Member
3. Dr. Shobhit Jain – Member

3. Average net profit of the company for the last three financial years

FY	Net Profit (PBT) in Rs. Crores
2014-15	(179.79)*
2015-16	(1142.02)*
2016-17	(92.84)*
TOTAL	(1414.65)*
AVG. PROFIT	(471.55)*

4. **Prescribed CSR expenditure (2% of the amount as in item 3 above)**

   2% of (471.55)* = Rs. (9.431)*crores

   Note:* depicts figures in negative and shows loss incurred to PEC

5. **Details of CSR spent during the financial year**

   (a) Total amount to be spent for the financial year

   Provision for FY 2017-18 – Nil

   In view of losses and non incurring of profits, no fresh allocation of the CSR fund was made for FY 2017-18. Carried forward funds from previous years amounting to Rs. 25,42,041/- are available.

   Amount Spent in financial year: Nil

6. **In case the company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the reasons for not spending the amount in its board report**

   Not applicable as per Item 3.

7. **A responsibility statement of the CSR Committee**

   It is hereby confirmed that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and policy of the Company.

For & on behalf of the Board of Directors of PEC Ltd.

Sd/-
(M. Nagaraj)
Chairman-cum-Managing Director

Annexure to Report on CSR Activities F.Y. 2017-18

1	2	3	4	5	6	7	8	9
Sl. No.	CSR Projects	Activity Identified	Sector In which project is covered	Projects 1. Local area or 2. Specify state or district of project	Amount outlay project or program wise (₹)	Amount spent on projects 1. Direct expenditure 2. Overheads (₹)	Cumulative expenditure upto reporting period (₹)	Amount spent: Direct or Through Implementing Agency (IA)
Amount Allocated from the Carried Forward of Previous Years for the Activities during 2017-18*								
1	–	–	–	–	₹ 25,42,041/-	–	–	–
***Carried forward funds amounting to Rs. 25,42,041/-.** **The Board Level CSR Committee decided that no fresh allocation of the CSR fund shall be made for FY 2017-18.**								

Form No. MGT 9
Extract of Annual Return

As on financial year ended on 31.03.2018

(Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company (Management & Administration) Rules, 2014)

I REGISTRATION & OTHER DETAILS:

i	CIN	U74899DL1971GOI005600
ii	Registration Date	21/04/1971
iii	Name of the Company	PEC Limited
iv	Category of the Company	Company Limited by Shares/Union Government Company
v	Address of the Registered office & contact details	
	Address :	"Hansalaya" 15 - Barakhamba Road, New Delhi -110 001
	Town/City :	New Delhi
	State :	Delhi
	Country Name :	India
vi	Whether listed company	No
vii	Name and Address of Registrar & Transfer Agents (RTA)	
	Name of RTA:	NA
	Address :	NA
	Town / City :	NA
	State :	NA
	Pin Code:	NA
	Telephone :	NA
	Fax Number :	NA
	Email Address :	NA

II. PRINCIPAL BUSINESS ACTIVITY OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1.	Coal	99651251	45%
2.	Bullion (Gold / Silver)	99611925	25%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

No. of Companies for which information is being filled : 1

S. No.	Name of the Company	Address of the Company	CIN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1	M/s Tea Trading Corporation of India Limited.	7 Wood St. Kolkata WB 700016	U51226WB1971PLC028174	Subsidiary	100%	Section 2(87)(ii)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

IV (A) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1. Indian									
a) Individual/ HUF	-	-	-	0%	-	-	-	0%	0%
b) Central Govt	-	60,00,000	60,00,000	100%	-	60,00,000	60,00,000	100%	0%
c) State Govt(s)	-	-	-	0%	-	-	-	0%	0%
d) Bodies Corp.	-	-	-	0%	-	-	-	0%	0%
e) Banks / FI	-	-	-	0%	-	-	-	0%	0%
f) Any other	-	-	-	0%	-	-	-	0%	0%
2. Foreign									
a) NRI - Individual/	-	-	-	0%	-	-	-	0%	0%
b) Other - Individual/	-	-	-	0%	-	-	-	0%	0%
c) Bodies Corp.	-	-	-	0%	-	-	-	-	0%
d) Banks / FI	-	-	-	0%	-	-	-	0%	0%
e) Any Others	-	-	-	0%	-	-	-	0%	0%
Total shareholding of Promoter (A)	**-**	**60,00,000**	**60,00,000**	**100%**	**-**	**60,00,000**	**60,00,000**	**100%**	**0%**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	0%	-	-	-	0%	0%
b) Banks / FI	-	-	-	0%	-	-	-	0%	0%
c) Central Govt	-	-	-	0%	-	-	-	0%	0%
d) State Govt(s)	-	-	-	0%	-	-	-	0%	0%
e) Venture Capital Funds	-	-	-	0%	-	-	-	0%	0%
f) Insurance Companies	-	-	-	0%	-	-	-	0%	0%
g) FIIs	-	-	-	0%	-	-	-	0%	0%
h) Foreign Venture Capital Funds	-	-	-	0%	-	-	-	0%	0%
i) Others (specify)	-	-	-	0%	-	-	-	0%	0%
Sub-total (B)(1):-	**-**	**-**	**-**	**0%**	**-**	**-**	**-**	**0%**	**0%**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	-	-	-	0%	-	-	-	0%	0%
ii) Overseas	-	-	-	0%	-	-	-	0%	0%
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh	-	-	-	0%	-	-	-	0%	0%
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	-	-	-	0%	-	-	-	0%	0%
c) Others (specify)	-	-	-	0%	-	-	-	0%	0%
Sub-total (B)(2):-	**-**	**-**	**-**	**0%**	**-**	**-**	**-**	**0%**	**0%**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**-**	**-**	**-**	**0%**	**-**	**-**	**-**	**0%**	**0%**
C. Shares held by Custodian for GDRs & ADRs	**-**	**-**	**-**	**0%**	**-**	**-**	**-**	**0%**	**0%**
Grand Total (A+B+C)	**-**	**60,00,000**	**60,00,000**	**100%**	**-**	**60,00,000**	**60,00,000**	**100%**	**0%**

IV (B) Shareholding of Promoters

S. N	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total Shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total Shares	share-holding during the year
1	President of India	59,99,998	100%	0%	59,99,998	100%	0%	0%
2.	Dr. Shobhit Jain*	01	0%	0%	01	0%	0%	0%
3.	Ms. Rupa Dutta*	01	0%	0%	01	0%	0%	0%
	TOTAL	**60,00,000**	**100%**	**0%**	**60,00,000**	**100%**	**0%**	**0%**

* These shares are held by Directors in their official capacity. They have no beneficial interest in these shares as beneficial interest lies with the President of India.

IV (C) Change in Promoters' Shareholding (please specify, if there is no change)

S.N. 1 – The President of India			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total shares of the Company
At the beginning of the year			**60,00,000**	**100%**	**60,00,000**	**100%**
Changes During the Year						
Increase	**Date**	**Reason for Increase**				
	NA	Allotment	-	0%	-	0%
	NA	Bonus	-	0%	-	0%
	NA	Sweat	-	0%	-	0%
	NA	Other	-	0%	-	0%
Decrease	**Date**	**Reason for Decrease**				
	NA	Transfer	-	0%	-	0%
	NA	Other	-	0%	-	0%
At the End of the year			**60,00,000**	**100%**	**60,00,000**	**100%**

IV (D) Shareholding Pattern of top ten Shareholders:
(Other than Directors, Promoters and Holders of GDRs and ADRs): NA

Name of the Shareholder			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
At the beginning of the year			**-**	**0%**	**-**	**0%**
Changes During the Year						
Increase	**Date**	**Reason for Increase**				
	NA	Allotment	-	0%	-	0%
	NA	Bonus	-	0%	-	0%
	NA	Sweat	-	0%	-	0%
	NA	Other	-	0%	-	0%
Decrease	**Date**	**Reason for Decrease**				
	NA	Transfer	-	0%	-	0%
	NA	Other	-	0%	-	0%
At the End of the year (or on the date of separation, if separated during the year)			**-**	**0%**	**-**	**0%**

IV(E) Shareholding of Directors and Key Managerial Personnel:

Name: Dr. Shobhit Jain Designation: Nominee Director (Nominee of President of India)			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
At the beginning of the year			**01**	**0%**	**01**	**0%**
Changes During the Year						
Increase	**Date**	**Reason for Increase**				
	NA	Allotment	-	0%	-	0%
	NA	Bonus	-	0%	-	0%
	NA	Sweat	-	0%	-	0%
	NA	Other	-	0%	-	0%
Decrease	**Date**	**Reason for Decrease**				
		Transfer	-	0%	-	0%
	NA	Other	-	0%	-	0%
At the End of the year			**01**	**0%**	**01**	**0%**

Name: Ms. Rupa Dutta Designation: Nominee Director (Nominee of President of India)			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
At the beginning of the year			**01**	**0%**	**01**	**0%**
Changes During the Year						
Increase	**Date**	**Reason for Increase**				
	NA	Allotment	-	0%	-	0%
	NA	Bonus	-	0%	-	0%
	NA	Sweat	-	0%	-	0%
	NA	Other	-	0%	-	0%
Decrease	**Date**	**Reason for Decrease**				
	NA	Transfer	-	0%	-	0%
	NA	Other	-	0%	-	0%
At the End of the year			**01**	**0%**	**01**	**0%**

V. INDEBTEDNESS - Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	**8,28,54,92,467.55**	**-**	**-**	**8,28,54,92,467.55**
i) Principal Amount	8,28,49,17,124.55	-	-	8,28,49,17,124.55
ii) Interest due but not paid	5,75,343.00	-	-	5,75,343.00
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**8,28,54,92,467.55**	**-**	**-**	**8,28,54,92,467.55**
Change in Indebtedness during the financial year				
* Addition	26,97,60,87,233.17	-	-	26,97,60,87,233.17
Reduction	25,81,75,04,246.00	-	-	25,81,75,04,246.00
Net Change	**1,15,85,82,987.17**	**-**	**-**	**1,15,85,82,987.17**

Indebtedness at the end of the financial year				
i) Principal Amount	9,44,35,00,111.72	-	-	9,44,35,00,111.72
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	68,46,359.59	-	-	68,46,359.59
Total (i+ii+iii)	**9,45,03,46,471.31**	**-**	**-**	**9,45,03,46,471.31**

Note: * Working capital loans availed in the form of Short term loans, Overdraft & cash credits.

VI. DETAILS OF REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

VI (A) Remuneration of Directors and Key Managerial Personnel

Sl. no.	Particulars of Remuneration	Shri M. Nagaraj (CMD)	Shri J. Ravi Shanker (Director)	Shri Anupam Misra (Director)	Total Amount
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	23,01,542	32,42,207	36,13,624	91,57,373
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4,82,929	-	1,47,740	6,30,669
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option				
3	Sweat Equity				
4	Commission				
	- as % of profit				
	- others, specify				
5	Others, please specify	7,58,208	4,00,619	4,12,175	15,71,002
	Total VI(A)	**35,42,679**	**36,42,826**	**41,73,539**	**1,13,59,044**

VI (B) Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors	Total Amount
1	Independent Directors	**Shri Udesinh Baria**	
	Fee for attending board committee meetings	36,000	36,000
	Commission	-	-
	Others, please specify	-	-
	Total (1)	36,000	36,000
2	Other Non-Executive Directors		
	Fee for attending board committee meetings	-	-
	Commission	-	-
	Others, please specify	-	-
	Total (2)	-	-
	Total VI (B)=(1+2)	36,000	36,000
	Total Managerial Remuneration	-	-
	Overall Ceiling as per the Act		

VI (C)Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl. no.	Particulars of Remuneration	Name of the KMP Shri Pardeep Kumar Company Secretary	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	11,00,763	11,00,763
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	23,116	23,116
	(c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission	-	-
	- as % of profit	-	-
	- others, specify…	-	-
5	Others, please specify	2,18,103	2,18,103
	Total	**13,41,982**	**13,41,982**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ Court]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	NA	NA	NA	NA	NA
Punishment	NA	NA	NA	NA	NA
Compounding	186	During the F.Y. 2014-15 Company has advanced to its various associates which exceeded the limit set u/s 183(3) and 186(2) of Companies Act, 2013.	25,000	Regional Director	No
B. DIRECTORS					
Penalty	NA	NA	NA	NA	NA
Punishment	NA	NA	NA	NA	NA
Compounding	NA	NA	NA	NA	NA
C. OTHER OFFICERS IN DEFAULT					
Penalty	NA	NA	NA	NA	NA
Punishment	NA	NA	NA	NA	NA
Compounding	NA	NA	NA	NA	NA

For & on behalf of the Board of Directors

Sd/-
(M. Nagaraj)
Chairman-cum-Managing Director

PEC Limited
Balance Sheet
As at 31 March, 2018

₹ in Crore

	Particulars	Note No.	As at 31 March 2018	As at 31 March 2017	As at 1st April 2016
A	**ASSETS**				
1	Non-Current Assets				
	(a) Property, Plant & Equipment	2	0.21	0.36	0.44
	(b) Other Intangible Assets	3	-	0.05	0.09
	(c) Intangible Assets under development				
	(d) Investment property	4	-	-	-
	(e) Financial Assets				
	(i) Investments	5			-
	(ii) Trade Receivables	6	-	1.05	1.05
	(iii) Loans	7	1.51	1.75	1.52
	(iv) Other Financial Assets	8	0.05	0.01	-
	(f) Deferred Tax Assets (Net)		-	-	-
	(g) Non-Current Assets (others)	9	45.54	45.87	40.54
	Total Non-Current Assets (A)		**47.31**	**49.09**	**43.64**
2	**Current Assets**				
	(a) Inventories	10	223.64	230.83	265.06
	(b) Financial Assets				
	(i) Investments		-	-	-
	(ii) Trade Receivables	11	894.52	966.28	1,548.05
	(iii) Cash & Cash Equivalents	12	22.62	25.61	22.56
	(iv) Loans	13	0.65	0.19	19.81
	(v) Other Financial Assets	14	2.20	1.67	7.77
	(c) Current Tax Assets (Net)	15	18.37	10.71	9.32
	(d) Others Current Assets	16	0.78	11.69	4.68
	Total Current Assets (B)		**1,162.78**	**1,246.98**	**1,877.25**
	Total Assets (A + B)		**1,210.09**	**1,296.07**	**1,920.89**
B	**EQUITY AND LIABILITIES**				
1	**Equity**				
	(a) Equity Share Capital	17	60.00	60.00	60.00
	(b) Other Equity	18	(1,193.91)	(1,139.97)	(1,047.78)
	Equity Attributable to Equity Shareholders of the Company		**(1,133.91)**	**(1,079.97)**	**(987.78)**
	Non Controlling Interest		-	-	-
	Total Equity (A)		**(1,133.91)**	**(1,079.97)**	**(987.78)**
	Liabilities				
2	**Non-Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowing		-	-	-
	(ii) Trade payables		-	-	-
	(iii) Other Financial Liabilities		-	0.02	-
	(b) Provisions	19	16.25	20.29	20.15
	(c) Other Non-Current Liabilities				
	(d) Deferred tax Liabilities (Net)				
	Total Non-Current Liabilities (B)		**16.25**	**20.31**	**20.15**
3	**Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowing	20	944.35	828.49	942.60
	(ii) Trade Payables		1,059.06	1,257.21	1,650.94
	(iii) Other Financial Liabilities	21	49.76	43.99	44.39
	(b) Provisions	22	4.98	2.33	3.17
	(c) Other Current Liabilities	23	268.51	220.50	245.92
	(d) Current Tax Liabilities (Net)	24	1.09	3.21	1.50
	Total Current Liabilities (C)		**2,327.75**	**2,355.73**	**2,888.53**
	Total Equity and Liabilities (A + B + C)		**1,210.09**	**1,296.07**	**1,920.89**
	Notes to Accounts	1 to 61			

The Significant Accounting Policies and Notes are integral part of these financial statements.
In terms of our Report of even date

For JK Sarawgi & Company
Chartered Accountants
Firm Registration No. 006836C

For and on behalf of the Board of PEC Limited

Sd/-
(L.S.Khandelwal)
Partner
Membership No. 009878

Sd/-
(M. Nagaraj)
Chairman-cum-Managing Director
DIN: 05184848

Sd/-
(Anupam Misra)
Director
DIN: 07637439

Sd/-
(P. K. Ojha)
General Manager (Finance)

Sd/-
(Pardeep Kumar)
Company Secretary
Membership No. 36128

Place: New Delhi
Date: 19.09.2018

PEC Limited

Statement of Profit and Loss

for the year ended 31 March, 2018

₹ in Crore

	Particulars	Note No.	For the year ended 31 March, 2018	For the year ended 31 March, 2017 (Restated)
1	Revenue from Operations	25	4,470.91	4,271.51
	Less: Excise duty		-	-
	Revenue from operations (net)		4,470.91	4,271.51
2	Other Income	26	9.57	2.81
3	**Total Income (1 + 2)**		4,480.48	**4,274.32**
4	**Expenses**			
	(a) Cost of materials consumed			
	(i) Purchases of Stock-in-trade	27 A	4,282.82	4,053.51
	(ii) Changes in Inventories of Stock-in-trade	27 B	7.19	35.20
	(b) Employee Benefits Expense	28	22.25	22.00
	(c) Finance Costs	29	73.18	89.10
	(d) Depreciation and Amortization Expense		0.24	0.28
	(e) Other Expenses	30	161.97	169.62
	Total Expenses [4(a) to 4(e)]		**4,547.65**	**4,369.71**
5	**Profit / (Loss) before exceptional and tax (3-4)**		**(67.17)**	**(95.39)**
6	Exceptional items (net)	31	(10.21)	(2.55)
7	**Profit / (Loss) Before Tax (5-6)**		(56.96)	**(92.84)**
8	Tax Expense:		-	-
9	**Profit / (Loss) from continuing operations**		(56.96)	(92.84)
10	Profit / (Loss) from Discontinuing operations		-	-
11	Tax Expenses of discontinuing operations		-	-
12	**Profit / (Loss) from Discontinuing operations (after Tax) (09-11)**		(56.96)	(92.84)
13	**Profit / (Loss) for the Period**		(56.96)	(92.84)
14	**Other Comprehensive Income**			
	A (i) Items that will not be reclassified to profit & loss	32	3.02	0.65
	(ii) Income tax relating to Items that will not be reclassified to profit & loss		-	-
	B (i) Items that will be reclassified to profit & loss		-	-
	(ii) Income tax relating to Items that will be reclassified to profit & loss		-	-
15	**Total Other Comprehensive Income**		3.02	0.65
16	**Total Comprehensive Income for the year (13 + 14) (Comprising profit & loss and other comprehensive income)**		(53.94)	(92.19)
	Profit Attributable to:			
	Owners of the company		(53.94)	(92.19)
	Non Controlling Interest		-	-
			(53.94)	(92.19)
	Other Comprehensive Income Attributable to:			
	Owners of the company		-	-
	Non Controlling Interest		-	-
			-	-
	Total Profit and Comprehensive Income Attributable to:			
	Owners of the company		(53.94)	(92.19)
	Non Controlling Interest		-	-
			(53.94)	(92.19)
17	**Earnings per Equity Share of ₹ 100 each (Continuing Operation):**			
	Basic (in ₹)		(89.90)	(153.65)
	Diluted (in ₹)		(89.90)	(153.65)
	Notes to Accounts	1 to 61		

The Significant Accounting Policies and Notes are integral part of these financial statements.
In terms of our Report of even date

For JK Sarawgi & Company
Chartered Accountants
Firm Registration No. 006836C

For and on behalf of the Board of PEC Limited

Sd/-
(L.S.Khandelwal)
Partner
Membership No. 009878

Sd/-
(M. Nagaraj)
Chairman-cum-Managing Director
DIN: 05184848

Sd/-
(Anupam Misra)
Director
DIN: 07637439

Sd/-
(P. K. Ojha)
General Manager (Finance)

Sd/-
(Pardeep Kumar)
Company Secretary
Membership No. 36128

Place: New Delhi
Date: 19.09.2018

PEC Limited
Cash Flow Statement
for the year ended 31 March, 2018

₹ in Crore

Particulars	**For the year ended 31 March, 2018**	**For the year ended 31 March, 2017**
Cash flow from operating activities		
Net profit before tax	(53.94)	(92.19)
Adjustment for		
(Profit)/Loss on sale of fixed Assets	-	(0.01)
Interest paid (Finance Cost)	73.18	89.10
Rental Income	(0.10)	(0.07)
Depreciation	0.24	0.28
Foreign Exchange (Gain)/Loss	2.23	(5.05)
Interest Income	(2.24)	(0.15)
Provisions no longer required written back	(10.53)	(17.87)
Liability no longer required written back	(6.24)	(1.88)
Provision for Doubtful Debts	0.32	15.31
Capital in Advance	-	5.34
Operating profit before working capital changes	**2.92**	**(7.19)**
(Increase)/Decrease in Trade Receivable	69.23	572.69
(Increase)/Decrease in Inventories	7.19	34.23
Increase/(Decrease) in Other Non-Current Provision	(4.04)	0.15
Increase/Decrease in Trade payable	(181.38)	(393.73)
Increase/(Decrease) in Other Financial Liabilities	5.75	(0.41)
Increase/Decrease in Other Liabilities	45.89	(3.95)
Increase/(Decrease) in Other Provision	2.65	(0.84)
(Increase)/Decrease in Financial Assets	0.24	25.48
(Increase)/Decrease in Other Asset	(2.48)	(13.91)
Cash generated from operations	(54.03)	212.51
Income tax (paid)/received (net)	6.06	(0.98)
Net cash flow from operating activities (A)	**(47.96)**	**211.53**
Cash flow from Investing activities:		
Purchase of Fixed Assets	(0.04)	(0.19)
Proceeds from sale of Fixed Assets	-	0.03
Rental Income	0.10	0.07
Interest received	2.24	0.15
Capital in Advance	-	(5.34)
Net cash from investing activities (B)	**2.30**	**(5.28)**
Cash flow from financing activities		
Borrowings/(Repayments) of loans and credits	115.86	(114.11)
Interest paid	(73.18)	(89.10)
Net cash from financial activities (C)	**42.68**	**(203.21)**
Net increase/(decrease) in cash & cash equivalents (A) + (B) + (C)	**(2.99)**	**3.04**
Cash & cash equivalents at beginning of the period	25.61	22.56
Cash & cash equivalents at end of the period	22.62	25.61

In accordance with Indirect Method set out in Indian Accounting Standard- 7 issued by the Institute of Chartered Accountants of India

Notes:
1. Figures in brackets represents outflow.
2. Previous year figures have recasted/restated wherever necessary.
3. Balance with bank includes ₹ 0.04 Crore lying in National Commercial Bank, Albeida, which is not repatriable and has been excluded from cash and cash equivalents.

In terms of our Report of even date
For JK Sarawgi & Company
Chartered Accountants
Firm Registration No. 006836C

For and on behalf of the Board of PEC Limited

Sd/-
(L.S.Khandelwal)
Partner
Membership No. 009878

Sd/-
(M. Nagaraj)
Chairman-cum-Managing Director
DIN: 05184848

Sd/-
(Anupam Misra)
Director
DIN: 07637439

Sd/-
(P. K. Ojha)
General Manager (Finance)

Sd/-
(Pardeep Kumar)
Company Secretary
Membership No. 36128

Place: New Delhi
Date: 19.09.2018

PEC Limited
Statement of Changes in Equity
for the year ended on 31st March 2018

A. Equity Share Capital (₹ in Crore)

Particulars	Amount
Balance as at 01.04.2016	**60.00**
Add: Share issued during the year 01.04.2016 - 31.03.2017	-
Balance as at 31.03.2017	**60.00**
Balance as at 01.04.2017	**60.00**
Add: Share issued during the year 01.04.2017 - 31.03.2018	-
Balance as at 31.03.2018	**60.00**

B. Other Equity (₹ in Crore)

Particulars	Share application money pending allotment	General Reserve	Trading Risk Reserve	Retained Earnings Profit after tax	Total Amount
Balance as at 31.03.2016	**-**	**-**	**-**	**(1,047.81)**	**(1,047.81)**
Changes in accounting policy or prior period error				**0.03**	**0.03**
Balance as at 01.04.2016 (Restated)	**-**	**-**	**-**	**(1,047.78)**	**(1,047.78)**
Total comprehensive income for the year				**(92.19)**	**(92.19)**
Dividend paid during the year 2016-17					**-**
Transfer to other reserve					**-**
Balance as at 31.03.2017 (Restated)	**-**	**-**	**-**	**(1,139.97)**	**(1,139.97)**
Balance as at 01.04.2017	**-**	**-**	**-**	**(1,139.97)**	**(1,139.97)**
Total comprehensive income for the year				**(53.94)**	**(53.94)**
Dividend paid during the year 2017-18					**-**
Transfer to other reserve	**-**	**-**	**-**	**-**	**-**
Balance as at 31.03.2018	**-**	**-**	**-**	**(1,193.91)**	**(1,193.91)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

Note 1: Accounting policies

1. General information

The Company is incorporated and domiciled in India and a public sector undertaking under the administrative control of Ministry of Commerce & Industry, Government of India. The registered office of the Company is situated at "Hansalaya", 15, Barakhamba Road, New Delhi. The company also has branch offices at various places across India.

The principal activities of the Company are trading of agricultural, industrial, Gold/Bullion and engineering products etc.

The Company's trade activities spans across various countries.

2. First time adoption of Indian Accounting Standards (Ind-AS)

All companies (listed or unlisted) having net worth of ₹ 250 Crores or more but less ₹ 500 Crores are required to adopt Ind AS in second phase of its implementation. Accordingly, the company has adopted Ind-AS, in accordance with Notification dated February 16, 2015 issued by Ministry of Corporate Affairs, Government of India, with effect from April 01, 2017 with a transition date on April 01, 2016.

PEC Limited is a Company registered under the Companies Act, 1956 as Private Limited Company and now the same is governed by the provisions of the Companies Act, 2013 and rules made there under.

The financial Statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian accounting Standards) Rules, 2015.

For all periods up to and including the year ended 31st March 2017, the Company prepared its financial statements in accordance with Accounting Standards (AS) notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and in accordance with companies (Accounting Standards), rules 2006 (erstwhile – Indian GAAP). These financial statements for the year ended 31st Mach 2018 are the first financial statements of the Company prepared in accordance with Ind AS.

The financial statements have been prepared on historical cost basis, except for certain financial assets and liabilities measured at fair value (refer accounting policy on financial instruments.

3. Significant Accounting Policies

3.1 Statement of Compliance and basis of preparation of Financial Statements

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind-AS) as notified by Ministry of Corporate Affairs, Government of India vide Notification dated February 16, 2015. Accounting policies have been applied consistently to all periods presented in these financial statements. The Financial Statements are prepared under historical cost convention from the books of accounts maintained under accrual basis except for certain financial instruments which are measured at fair value and in accordance with the Indian Accounting Standards prescribed under the Companies Act, 2013

3.2 Functional and presentation currency

All amounts included in the financial statements are reported in crore of Indian rupees (Rupees in crore) which is the functional currency of the Company except number of equity shares and per share data and when otherwise indicated.

3.3 Use of estimates and judgment

The preparation of financial statements requires judgements, estimates and assumptions to be made that affect the reported amount of assets and liabilities, disclosure of contingent liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized

3.4 Subsequent Cost

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the Statement of Profit and Loss.

4. **Revenue Recognition**

a. **Trading Income**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, it is probable that economic benefits associated with the transaction will flow to the entity, the associated costs incurred or to be incurred in respect of the transaction can be measured reliably and there is no continuing management involvement with the goods. The point of transfer of risks and rewards depends upon the terms of the contract of sale with individual customers.

b. **Export Incentives**

Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty of its realization.

c. **Purchases and Sales**

Purchases and Sales are accounted for by the Company on the following basis:

i. Purchases and Sales are recognized on the performance of contracts/ agreements wholly or partly by the Company. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates.

ii. In respect of back to back/tripartite/joint execution/third party arrangements/Letter of Credit assigned to Associates, Purchases and Sales, Custom duty and other expenses are booked on the basis of document furnished by the Business Associate as adjusted for the fixed trade margin accruing to the Company.

iii. Sales include transactions under third party arrangements.

iv. In case of dealings on behalf of the Government (including consignments under Government's Gifts/Grant Scheme), Purchases and Sales and incidental expenses or income thereof are accounted for under respective heads of accounts. Surplus or deficit to Government account, after adjusting service margin accrued to the Company is adjusted in trade income or cost of sales respectively.

v. Sales (including exports) are entered on the basis of date of Bill of Lading/Airways Bill/Railway Receipts/ Lorry Receipts in preference of date of invoice. Sales of Bullion/on CAD are accounted on the basis of documents against payment basis.

vi. Purchase of Gold/silver/bullion on consignment basis from international suppliers during the year for domestic sale is accounted for after fixing of precious metal and receiving invoice from the supplier.

d. **Expenses**

i. Trade Expenses include expenses incurred by Associates on behalf of the Company and/or by the Company as per Agreement with the respective Associates are accounted for on the basis of statements furnished by them/recovered from them.

ii. Interest payable if any, on advances and progressive payments received from Associates & Suppliers are accounted for on accrual basis.

e. **High Sea Sales**

Sale during the course of import by transfer of documents of title i.e. high seas sale is booked upon transfer of documents of title to the goods in favour of buyer before the goods cross the custom frontiers of India.

f. **Other Operating Revenue**

The income relating to the core activities of the company which are not included in revenue from sales / services for e.g. dispatch earned, subsidy, claims against losses on trade transactions, interest on credit sales and trade related advances (other than on overdue) etc., which are derived based on the terms of related trade agreements with business associates or schemes on related trade, are accounted for under 'Other Operating Revenue'.

i. **Claims**

Claims are recognized in the Statement of Profit & Loss on accrual basis including receivables from Govt. towards subsidy, cash incentives, reimbursement of losses etc, when it is not unreasonable to expect ultimate collection. Claims recognized but subsequently becoming doubtful are provided for through Statement of Profit and Loss. Insurance claims are accounted upon on cash basis from the insurance company.

ii. Service Income

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

a) The amount of revenue can be measured reliably;

b) It is probable that the economic benefits associated with the transaction will flow to company;

c) The stage of completion of the transaction can be measured reliably;

d) Costs incurred for the transaction and to complete the transaction can be measured reliably.

iii. Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate through the expected life of the financial asset to the gross carrying amount of a financial asset.

iv. Revenue Recognition on Actual Realization

Revenue is recognized on accrual basis except in the following items which are accounted for on actual realization since realisability of such items is uncertain, in accordance with the provisions of Ind AS-18:

a) liquidated damages from suppliers /Contractors, Tax credit, refund of custom duty on account of survey shortage, and refund of income-tax/service tax / sales tax /VAT and interest thereon etc.

b) Interest on overdue recoverable, if any, where realisability is uncertain.

c) Liquidated damages on suppliers/ underwriters.

d) Miscellaneous income on account of damages or compensation recovered from the suppliers/buyers in respect of washed out contracts for imports or exports.

e) Realisable Value on account of sale of residuals.

f) Decreed/Contested dues by associates and interest thereon, if any.

5. Property, Plant and Equipments

All Property, Plant and Equipments (PPE) are stated at carrying value in accordance with previous GAAP, which is used as deemed cost on the date of transition to Ind AS using the exemption granted under Ind AS 101. The cost of an item of property, plant and equipment is recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The cost of an item of PPE is the cash price equivalent at the recognition date. The cost of an item of PPE comprises:

i. Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

ii. Costs directly attributable to bringing the PPE to the present location and condition necessary for it to be capable of operating in the manner intended by management.

iii. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the company incurs either when the PPE is acquired or as a consequence of having used the PPE during a particular period for purposes other than to produce inventories during that period. The company has chosen the cost model of recognition and this model is applied to an entire class of PPE. After recognition as an asset, an item of PPE is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

6. Intangible Assets

All Intangible Assets are stated at carrying cost in accordance with previous GAAP, which is used as deemed cost on the date of transition to Ind AS using the exemption granted under Ind AS 101. Identifiable intangible assets are recognized when the company controls the asset; it is probable that future economic benefits expected with the respective assets will flow to the company for more than one economic period; and the cost of the asset can be measured reliably.

At initial recognition, intangible assets are recognized at cost. Intangible assets are amortized on straight line basis over estimated useful lives from the date on which they are available for use. Software are amortized over its useful life subject to a maximum period of 3 years or over the license period as applicable.

7. **Non-Current Assets Held for Sale**

The company classifies a non-current asset (or disposal Company of assets) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The non-current asset (or disposal Company) classified as held for sale is measured at the lower of its carrying amount and the fair value less costs to sell.

8. **Depreciation**

Depreciation is provided on straight line method as per the useful lives on the basis of technical evaluation with regard to the total working life and salvage value. Depreciation on all such items have been provided from the date they are 'Available for Use' till the date of sale / disposal and includes amortization of intangible assets and lease hold assets.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Certain items like calculators, wall clock, kitchen utensils etc. whose useful life is very limited are directly charged to revenue in the year of purchase. Salvage value of assets are taken as under:-

Assets Descriptions	Salvage Value (Rs.)
Mobile	20
Air Conditioners	500
Computer	500
Furniture	50
Electrical Appliances	50
Any other less than Rs. 5000/-	1

On the basis of technical evaluation with regard to the total working life and salvage value, fixed assets are being depreciated on straight Line Method at the following useful lives as mentioned below:-

Assets Descriptions	In Years
Building Flats	20
Furniture and Fixings	5
Office Equipments	3
Air Conditioners	5
Data Processing Equipments - Computers and Severs etc	3
Vehicles	5
Audio Visual Equipment	3

Asset costing ₹ 5,000 or below is depreciation @100% in the year of purchase leaving token value of 1/- each without considering the working life of the asset, so as to ascertain the existence of the assets in the financial records.

Amortization of Intangible Assets Software 3 years or License period whichever is earlier as applicable.

9. **Borrowing Costs**

The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as a part of the cost of the asset. The Company recognises other borrowing costs as an expense in the period in which it incurs them. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

10. **Foreign currency translation**

Transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency monetary items (except overdue recoverable where reliasibility is uncertain) are converted using the closing rate as defined in the Ind AS-21.

Non-monetary items are reported using the exchange rate at the date of the transaction. The exchange difference gain/loss is recognized in the Statement of Profit and Loss. Liability in foreign currency relating to acquisition of fixed assets is converted using the closing rate. The difference in exchange is recognized in the Statement of Profit and Loss.

11. Inventory :-

Inventories are stated at the lower of cost or net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The method of determination of cost and valuation is as under:

i. Stocks held by the Company are physically verified/certified by Surveyors and by the management.

ii. Stock in Trade held on Non Government Account is valued at Lower of Cost or Net Realizable Value. Cost includes cost of procurement and all direct and indirect costs incurred to bring the stocks to the condition as at the time of valuation. Cost is determined as per specific identification method in respect of items handled on back to back arrangement with business associates.

iii. Stock in Trade held on Government Account under PDS or otherwise is valued at Cost on weighted average method which includes Purchase Cost, Other Expenses and Financing Cost which are attributable to such Stock.

12. Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

13. Contingent Liabilities / Assets

Contingent liabilities :-

Contingent liabilities are not recognized but disclosed in Notes to the Accounts when the company has possible obligation due to past events and existence of the obligation depends upon occurrence or non-occurrence of future events not wholly within the control of the company. Contingent liabilities are assessed continuously to determine whether outflow of economic resources have become probable. If the outflow becomes probable then relative provision is recognized in the financial statements. Where an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. The entity recognizes a provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can be made Contingent Liabilities are disclosed in the General Notes forming part of the accounts

Contingent Assets:-

Contingent Assets are not recognized in the financial statements. Such contingent assets are assessed continuously and are disclosed in Notes when the inflow of economic benefits becomes probable. If it's virtually certain that inflow of economic benefits will arise then such assets and the relative income will be recognized in the financial statements.

14. Leases

Company as a Lessee

Finance leases

Finance leases, which effectively transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments under such leases are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating leases

Assets acquired on leases where a significant portion of risk and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental are charged to statement of profit and loss on straight-line basis except where scheduled increase in rent compensate the lessor for expected inflationary costs.

Company as a Lessor

Finance leases

Leases which effectively transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item are classified and accounted for as finance lease. Lease rental receipts are apportioned between the finance income and capital repayment based on the implicit rate of return. Contingent rents are recognized as revenue in the period in which they are earned.

Operating leases

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The respective leased assets are included in the balance sheet based on their nature. Rental income is recognized on straight-line basis over the lease term except where scheduled increase in rent compensates the Company with expected inflationary costs.

15. Employee benefits

i. Short term employee benefits are recognized as an expense at their undiscounted amount in the accounting period in which the employee has rendered services.

ii. Provision for gratuity, Leave encashment/availment, employee`s family benefit scheme is made on the basis of actuarial valuation using the projected unit credit method.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets for Gratuity (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to Statement of Profit or Loss.

iii. Liability towards post-retirement medical benefits is provided based on actuarial valuation and has been provided in respect of present and retired employees.

iv. Employees benefit under defined contribution plan comprising provident fund has been recognized based on undiscounted obligation of the company to contribute to the plan. The same is paid to a fund administered through a separate trust based on disbursement of salary.

v. Payment of Ex-gratia and Notice pay on Voluntary Retirement Scheme/ Voluntary Separation Scheme / Retrenchment compensation are charged to revenue in the year incurred.

vi. Superannuation plan, a defined contribution scheme is administered by Life Insurance Corporation of India (LIC). The Company makes contributions based on a specified percentage of each eligible employee's salary. Short-term employee benefit obligations are measured on an undiscounted basis and are recorded as expense as the related service is provided. A liability is recognized for the amount expected to be paid under PLI / PRP Scheme, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

16. Taxation Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year . Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income/statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax for the year Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

17. Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. All of the Company's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties. After initial recognition, the company measures investment property at cost. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. Investment properties to be depreciated in accordance to the class of asset that it belongs and the life of the asset shall be as conceived for the same class of asset at the Company.

18. Impairment of Non-Financial Assets

The Company reviews the carrying amount of its assets on each Balance Sheet date for the purpose of ascertaining impairment indicators if any, by considering assets of entire one Plant as Cash Generating Unit (CGU). If any such indication exists, the assets' recoverable amount is estimated, as higher of the Net Selling Price and the Value in Use. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Profit and Loss.

19. De-recognition of financial assets

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, The Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

20. Earnings per share

Basic earnings per equity is computed by dividing the net profit / loss attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit / loss attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any shares splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

21. Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate line of business that has been disposed off or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

22. **Financial instruments**

(i) **Non-derivative financial instruments**

Non-derivative financial instruments consist of:

- financial assets, which include cash and cash equivalents, trade receivables, unbilled revenues, finance lease receivables, employee and other advances, investments in equity and debt securities and eligible current and noncurrent assets;
- Financial liabilities, which include long and short-term loans and borrowings, bank overdrafts, trade payables, eligible current and non-current liabilities. Non derivative financial instruments are recognized initially at fair value including any directly attributable transaction costs. Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognized only when the Company has not retained control over the financial asset. Subsequent to initial recognition, non -derivative financial instruments are measured as described below:

a) **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, at banks and demand deposits with banks. In the statement of financial position, bank overdrafts are presented under borrowings within current liabilities.

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade receivables, unbilled revenues and other assets.

The company estimates the un-collectability of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

(c) **Trade and other payables**

Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method. For these financial instruments, the carrying amounts approximate fair value due to the short term maturity of these instruments.

(ii) **Foreign currency Fluctuations**

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities, net investment in foreign operations and forecasted cash flows denominated in foreign currency.

The Company limits the effect of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into derivative financial instruments where the counterparty is primarily a bank.

Derivatives are recognized and measured at fair value. Attributable transaction costs are recognized in statement of income as cost. Subsequent to initial recognition, derivative financial instruments are measured as described below:

(a) Cash flow hedges Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized in other comprehensive income and held in cash flow hedging reserve, net of taxes, a component of equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of income and reported within foreign exchange gains/ (losses), net within results from operating activities. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the statement of income upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, such cumulative balance is immediately recognized in the statement of income.

(b) Others Changes in fair value of foreign currency derivative instruments neither designated as cash flow hedges nor hedges of net investment in foreign operations are recognized in the statement of income and reported within foreign exchange gains/ (losses), net within results from operating activities.

Changes in fair value and gains/ (losses) on settlement of foreign currency derivative instruments relating to borrowings, which have not been designated as hedges are recorded in finance expense.

23. Segment Information

The Chairman cum Managing Director (CMD) of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS-108, "Operating Segments." The CMD of the Company evaluates the segments based on their revenue growth and operating income.

The Company has identified its Operating Segments as Export, Import and Domestic.

The Assets and liabilities used in the Company's business that are not identified to any of the operating segments are shown as unallocable assets/liabilities. Management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

24. Prior Period Errors

Errors of material amount relating to prior period(s) are disclosed by a note with nature of prior period errors, amount of correction of each such prior period presented retrospectively, to the extent practicable along with change in basic and diluted earnings per share. However, where retrospective restatement is not practicable for a particular period then the circumstances that lead to the existence of that condition and the description of how and from where the error is corrected are disclosed in Notes to Accounts.

Taking into account the nature of activities of the company, prior period errors are considered material if the items of income / expenditure collectively (net) exceed 0.5% of sales turnover of the company.

25. Significant Judgements, Assumptions and Estimations in applying Accounting Policies

25.1 Classification of Leases

The Company enters into leasing arrangements for various assets. The classification of the leasing arrangement as a finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialized nature of the leased asset.

25.2 Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits.

25.3 Inventories

The Company estimates the cost of inventories taking into account the most reliable evidence,

Management also estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

25.4 Defined Benefit Obligation (DBO)

Employee benefit obligations are measured on the basis of actuarial assumptions which include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, medical cost trends, anticipation of future salary increases and the inflation rate. The Company considers that the assumptions used to measure its obligations are appropriate. However, any changes in these assumptions may have a material impact on the resulting calculations.

25.5 Fair Value Measurements

The Company applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with the market participants to price the instrument. The Company's assumptions are based on observable data as far as possible, otherwise on the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

25.6 Provisions and Contingencies

The assessments undertaken in recognising provisions and contingencies have been made in accordance with Indian Accounting Standards (Ind AS) 37, 'Provisions, Contingent Liabilities and Contingent Assets'. The evaluation of the likelihood of the contingent events is applied best judgement by management regarding the probability of exposure to potential loss.

25.7 Useful lives of depreciable/ amortisable assets (tangible and intangible)

Management reviews its estimate of the useful lives of depreciable/ amortizable assets at each reporting date, based on the expected utility of the assets.Uncertainties in these estimates relate to actual normal wear and tear that may change the utility of plant and equipment.

26. Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound financial instruments

The component parts of compound financial instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound financial instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other component of equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies or is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other income/other expenses' line item.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in profit or loss. The remaining amount of change in the fair value of liability is always recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are reflected immediately in retained earnings and are not subsequently reclassified to profit or loss.

Gains or losses on financial guarantee contracts and loan commitments issued by the Company that are designated by the Company as at fair value through profit or loss are recognised in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Company entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with impairment requirements of Ind AS 109; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 18.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in other income/other expenses as the case may be.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

De-recognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

27. New or revised accounting Standards and Interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 April 2017 and which the Company has not early adopted:

28. IND AS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 01.04.2018)

This is the converged standard on revenue recognition. It replaces IND AS 11 Construction contracts, IND AS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IND AS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

IND AS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently assessing the effects of applying IND AS 115 on the Company's financial statements and plans to adopt the standard on the required effective date.

Notes forming part of the Financial Statement as at 31st March 2018

Note: 2 Property Plant and Equipment

(₹ In Crore)

Particular	Building	Computer	Furniture and fixture	Office Equipment	Vehicle	Total
Year ended 31st March 2016						
Gross carrying amount						
Deemed cost as 1st April 2016	0.20	2.23	1.18	2.20	0.40	6.21
Addition		0.06	0.01	0.07	0.01	0.15
Deletion		(0.09)	(0.01)	(0.02)		(0.12)
Gross carrying amount as at 31st March 2016	0.20	2.20	1.18	2.25	0.41	6.24
Accumulated Depreciation						
Accumulated Depreciation as at 1st April 2015	0.18	2.04	1.13	2.02	0.25	5.62
Depreciation Charged during the year		0.11	0.02	0.11	0.06	0.30
Deletion during the year		(0.09)	(0.01)	(0.02)		(0.12)
Closing Accumulated Depreciation as on 31st March 2016	0.18	2.06	1.14	2.11	0.31	5.80
Net Carrying Amount As at 31st March 2016	0.02	0.14	0.04	0.14	0.10	0.44
Year ended 31st March 2017						
Gross carrying amount as on 1st April 2017	0.20	2.20	1.18	2.25	0.41	6.24
Addition		0.06	0.03	0.10		0.19
Deletion		(0.13)	(0.02)	(0.21)		(0.36)
Gross carrying amount as at 31st March 2017	0.20	2.13	1.19	2.14	0.41	6.07
Accumulated Depreciation						
Accumulated Depreciation as at 1st April 2016	0.19	2.06	1.14	2.11	0.31	5.62
Depreciation Charged during the year		0.08	0.02	0.10	0.05	0.25
Deletion during the year		(0.13)	(0.02)	(0.19)		(0.34)
Closing Accumulated Depreciation as on 31st March 2017	0.19	2.01	1.14	2.02	0.36	5.53
Net Carrying Amount As at 31st March 2017	0.01	0.12	0.05	0.12	0.05	0.36
Year ended 31st March 2018						
Gross carrying amount	0.20	2.13	1.19	2.14	0.41	6.07
Deemed cost as 1st April 2017	0.20	2.13	1.19	2.14	0.41	6.07
Addition		0.02		0.02		0.04
Deletion		0.02		(0.02)		-
Gross carrying amount as at 31st March 2017	0.20	2.17	1.19	2.14	0.41	6.11
Accumulated Depreciation						
Accumulated Depreciation as at 1st April 2017	0.19	2.01	1.14	2.02	0.36	5.72
Depreciation Charged during the year		0.05	0.02	0.07	0.05	0.19
Deletion during the year		(0.02)		0.01		(0.01)
Closing Accumulated	0.19	2.04	1.16	2.10	0.41	5.90
Net Carrying Amount As at 31st March 2018	0.01	0.13	0.03	0.04	-	0.21

Note 3.1 Company has adopted to continue with carrying value of its Property, Plant & Equipment as recognised in the financial statement as at the date of transition to Ind AS measured as per previous GAAP.

Note: 3 Intangible Asset

(₹ in Crore)

Particular	Data processing Software	Total
Year ended 31st March 2016		
Gross carrying amount		
Deemed cost as 1st April 2015		
Addition	0.10	0.10
Deletion		
Gross carrying amount as at 31st March 2016	0.10	0.10
Accumulated Depreciation		
Accumulated Depreciation as at 1st April 2015		
Depreciation Charged during the year	0.01	0.01
Deletion during the year		
Closing Accumulated Depreciation as on 31st March 2016	0.01	0.01
Net Carrying Amount As at 31st March 2016	**0.09**	**0.09**
Year ended 31st March 2017		
Gross carrying amount		
Deemed cost as 1st April 2016	0.10	0.10
Addition		
Deletion		-
Gross carrying amount as at 31st March 2016	0.10	0.10
Accumulated Depreciation		-
Accumulated Depreciation as at 1st April 2016	0.01	0.01
Depreciation Charged during the year	0.04	0.04
Deletion during the year		-
Closing Accumulated Depreciation as on 31st March 2016	0.05	0.05
Net Carrying Amount As at 31st March 2017	**0.05**	**0.05**
Year ended 31st March 2018		
Gross carrying amount	0.10	0.10
Deemed cost as 1st April 2017	0.10	0.10
Addition		
Deletion		
Gross carrying amount as at 31st March 2017	0.10	0.10
Accumulated Depreciation		
Accumulated Depreciation as at 1st April 2017	0.05	0.05
Depreciation Charged during the year	0.05	0.05
Deletion during the year		
Closing Accumulated Depreciation as on 31st March 2018	0.10	0.10
Net Carrying Amount As at 31st March 2018*	**-**	**-**
Total	**2015-16**	**0.09**
	2016-17	**0.05**
	2017-18	**-**

*WDV of intangible assets as on 31.03.2018 is ₹ 1500/-

Note: 4 Investment Property

(₹ In crores)

Particulars	Total
Deemed cost as at April 1, 2016	0.15
Additions	-
Disposal/Adjustments	-
Gross carrying value as at March 1, 2017	0.15
Accumulated Depreciation as at April 1, 2016	0.15
Additions	-
Disposal/Adjustments	-
Accumulated Depreciation as at March 31, 2017	0.15
Net Carrying value as at March 31, 2017	-
Gross carrying value as at April 1, 2017	0.15
Additions	-
Disposal/Adjustments	-
Gross carrying value as at March 31, 2018	0.15
Accumulated Depreciation as at April 1, 2017	0.15
Additions	-
Disposal/Adjustments	-
Accumulated Depreciation as at March 31, 2018	0.15
Net Carrying value as at March 31, 2018	-

Note: 5 Financial Asset -Investment

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
Non Trade Investments (At cost, Unquoted)):			
(a) Neelam Gulzar Cooperative Housing Society Ltd., Mumbai (15 Ordinary Shares of ₹ 50/- each fully paid up)	-	-	-
Total (a)		-	-
(b) Investment in equity instruments			
(i) "Tea Trading Corporation of India Limited - Subsidiary Company (11,14,193 Equity Shares of ₹ 100 each fully paid up)"	-	-	-
(ii) Indian Bullion Market Association Limited (4,00,000 Equity Shares of ₹ 10 each fully paid up)	-	-	-
Less: - Provision for diminution of investment	-	-	-
Total (b)	-	-	-
Total (a) + (b)	**-**	**-**	**-**

Note: -a) Investment in Neelam Gulzar Cooperative Housing Society Ltd., Mumbai is valued at ₹ 750 (Previous Year ₹ 750)

b) (i) Investment in Tea Trading Corporation of India Ltd. is valued at ₹ 1 (Previous Year ₹ 1)

NOTE 6: Financial Assets - Trade Receivables

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a) Long-term trade receivables (including Trade receivables on deferred credit terms)			
Secured, considered good	-	-	-
Unsecured			
i) considered good	-	-	-
ii) Doubtful trade receivables	455.79	461.04	570.83
iii) Claims	120.76	120.76	-
Total	576.55	581.80	570.83
Less: Provision for doubtful trade:			
I) Receivables	(455.79)	(459.99)	(569.78)
ii) Claims	(120.76)	(120.76)	-
Total	**-**	**1.05**	**1.05**

NOTE 7: Financial Asset- Loans

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a) Loans and advances to employees *			
Secured, considered good	0.27	0.33	0.25
Interest Accrued on Advances to Employees but not due	0.13	0.14	0.14
Unsecured, considered good	0.55	0.61	0.67
Interest Accrued on Advances to Employees but not due	0.04	0.48	0.46
(I)	**0.99**	**1.56**	**1.52**
(b) Loans and advances to associates/suppliers			
Secured, considered good	-	-	-
Unsecured, considered good	-	-	-
Doubtful	620.67	623.85	634.48
	620.67	623.85	634.48
Less: Provision for doubtful advances	(620.15)	(623.66)	(634.48)
(II)	**0.52**	**0.19**	**-**
Total (I) + (II)	**1.51**	**1.75**	**1.52**

*** Long-term loans and advances to employees include amounts due from unsecured:**

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
Directors/Officers	0.04	0.04	0.05
Interest Accrued but not due on advances to Officers	0.03	0.03	0.02
Total	**0.07**	**0.07**	**0.07**

NOTE 8: Financial Assets - Other Financial Assets

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
Advances			
Secured, considered good	-	-	-
Unsecured, considered good	0.05	0.01	
Total	0.05	0.01	-
Less: Provision for doubtful advances	-	-	-
Total	0.05	**0.01**	-

NOTE 9: Non-Current Asset (Others)

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a) Security Deposit			
Secured	-	-	-
Unsecured	0.16	0.52	0.53
(b) Capital Advance (Leasehold Property)*	45.35	45.35	40.01
(c) Prepaid Expenses (Ind AS)	0.03	-	-
Total	**45.54**	**45.87**	**40.54**

* Capital Advance given to NBCC.

NOTE 10: Inventories

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(As certified by the Management)			
(a) Stock-in-trade including with handling agents	45.74	75.95	175.23
(b) Goods-in-transit	177.90	154.88	89.83
Total	**223.64**	**230.83**	**265.06**

NOTE 11: Financial Assets-Trade Receivable

₹ in Crore

Particulars		As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a)	**Trade receivables outstanding for a period exceeding six months from the date they were due for payment**			
	Secured, considered good			
	(i) Debtors	-	11.82	53.99
	(Secured against ILC, Stock, Bank Guarantee & Margin Money)			
	Unsecured, considered good			
	(i) Debtors	71.96	47.12	40.90
	(ii) Claims Recoverable	345.63	345.63	703.36
		417.59	404.57	798.25
	Less: Provision for doubtful trade receivables	-	-	(1.56)
	(i)	**417.59**	**404.57**	**796.69**
(b)	**Other Trade receivables**			
	Secured, considered good			
	(i) Debtors	364.10	537.30	731.14
	(Secured against ILC, Stock, Bank Guarantee & Margin Money)			
	Unsecured, considered good	**-**	**-**	**-**
	(i) Debtors	112.83	24.41	20.22
	(ii)	**476.93**	**561.71**	**751.36**
	Total (i) + (ii)	**894.52**	**966.28**	**1,548.05**

NOTE 12: Financial Assets - Cash and Cash Equivalents

₹ in Crore

Particulars		As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a)	**Cash & Cash Equivalents**			
	(i) Cash in Hand	-	-	-
	(ii) Cheques, Drafts in hand	-	-	-
	Balances with Banks			
	(i) In Current/Cash Credit accounts	22.66	25.41	20.36
	(ii) In deposits account- having maturity within 3 months	-	0.24	-
	Total	22.66	25.65	20.36
	Provision for blocked funds in foreign bank*	(0.04)	(0.04)	(0.04)
	Total (a)	**22.62**	**25.61**	**20.32**
(b)	**Other Bank Balances**			
	(i) In deposit accounts			
	Maturing within 12 months	-	-	2.24
	Maturing after 12 months	-	-	-
	Total (b)	**-**	**-**	**2.24**
	Total (a) + (b)	**22.62**	**25.61**	**22.56**

*Provision made for Balance with National Commercial Bank, Albeida, Libya as it is non repartiable.

NOTE 13 : Financial Asset-Loans

₹ in Crore

Particulars		As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a)	**Loans and advances to employees***			
	Secured, considered good	0.06	0.08	0.08
	Interest Accrued on Advances to Employees but not due	0.02	-	0.01
	Unsecured, considered good	0.07	0.11	0.12
	Interest Accrued on Advances to Employees but not due	0.46	-	0.03
	Others	0.04		
	(I)	**0.65**	**0.19**	**0.24**

(b) **Loans and Advances to Suppliers**			
Secured, considered good	-	-	19.57
Unsecured, considered good	-	-	-
(II)		**-**	**19.57**
Total (I + II)	**0.65**	**0.19**	**19.81**

***Short-term loans and advances to employees include amounts due from:** ₹ in Crore

Particulars	**As at 31st March 2018**	**As at 31st March 2017**	**As at 1st April 2016**
Directors / Officer	-	-	-
Interest Accrued but not due	-	-	-
Total	**-**	**-**	**-**

Notes: 14 Other Financial Asset

₹ in Crore

Particulars	**As at 31st March 2018**	**As at 31st March 2017**	**As at 1st April 2016**
(a) **Advances**			
Secured, considered good	-	-	-
Unsecured, considered good	-	-	0.11
Doubtful	-	-	-
Less: Provision for doubtful deposits	-	-	-
Total (I)	**-**	**-**	**0.11**
(b) **Loans and Advances to Suppliers**			
Secured, Considered Good	-	-	3.24
Unsecured, Considered Good	-	-	2.28
Total (II)	**-**	**-**	**5.51**
(c) **Others**			
Interest Accrued on Advances to Employees but not Due	-	0.03	-
Interest Accrued on Bank Deposits	-	-	0.03
Interest on Trade receivable	2.20	1.64	2.12
Total (III)	**2.20**	**1.67**	**2.15**
Grand Total (I + II + III)	**2.20**	**1.67**	**7.77**

NOTE 15 : Current Tax Assets (Net)

₹ in Crore

Particulars	**As at 31st March 2018**	**As at 31st March 2017**	**As at 1st April 2016**
Advance Income Tax (Net of Provision of tax)	4.70	9.72	8.74
Service Tax credit (CENVAT) receivable	-	-	0.01
Sales Tax deposit under protest	0.25	-	0.05
Service Tax deposit under protest	0.57	0.57	0.52
Custom duty receivable	-	0.42	-
GST Credit receivable	12.85	-	-

NOTE 16: Other Current Assets

₹ in Crore

Particulars	**As at 31st March 2018**	**As at 31st March 2017**	**As at 1st April 2016**
Security Deposits			
(i) Security Deposits	0.11	0.12	0.16
(ii) Other Deposits	0.03	0.03	0.01
Others			
(i) Others	-	0.11	0.81
Prepaid Expenses	0.16	7.06	2.56

Loans and Advances to suppliers			
Unsecured, Considered Good	-	0.92	-
Due from Gratuity trust	0.00	1.23	1.14
Due from CPF Trust	0.47	2.21	-
Others	0.01	0.01	-
Total	**0.78**	**11.69**	**4.68**

NOTE 17: Equity Share Capital

₹ in Crore

Particulars		As at 31st March 2018		As at 31st March 2017		As at 1st April 2016	
		Number of shares	₹ in Crore	Number of shares	₹ in Crore	Number of shares	₹ in Crore
(a)	Authorised Share Capital	60,00,000	60.00	60,00,000	60.00	60,00,000	60.00
	600000 Equity shares of ₹ 100 each	60,00,000	60.00	60,00,000	60.00	60,00,000	60.00
(b)	Issued/subscribed and paid up share capital	60,00,000	60.00	60,00,000	60.00	60,00,000	60.00
	600000 Equity shares of ₹ 100 each	60,00,000	60.00	60,00,000	60.00	60,00,000	60.00
(c)	Subscribed and fully paid up						
	Equity shares of ₹ 100 each	60,00,000	60.00	60,00,000	60.00	60,00,000	60.00
	Total	**60,00,000**	**60.00**	**60,00,000**	**60.00**	**60,00,000**	**60.00**

Equity Shares issued and subscribed do not enjoy any differential rights. The company has a single class of equity shares. Accordingly, all equity shares rank equally with regards to dividend and share in the company's residual assets.

Reconciliation of no. of Shares:

Class of Share Capital	Opening as at 01.04.2017	Issued during the year by way of Bonus Share	Bought back during the year	Closing as at 31.03.2018
Equity Share of ₹ 100 each	60,00,000	-	-	60,00,000
Previous Year	**60,00,000**	**-**	**-**	**60,00,000**

Details of Shareholders holding more than 5% shares	As at 31 March 2018		As at 31 March 2017	
Name	No. of Shares held	% of Shares held	No. of Shares held	% of Shares held
Government of India	60,00,000	100%	60,00,000	100%

NOTE 18: Other Equity

₹ in Crore

Particulars		As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a)	**Special Purpose Trading Risk Reserve**			
	As per last accounts	-	-	25.00
	Add: Addition during the year	-	-	-
	Less: Transferred to Appropriation during the year	-	-	(25.00)
	Closing balance	**-**	**-**	**-**
(b)	**General Reserve**			
	As per last accounts	-	-	69.21
	Add: Addition during the year	-	-	-
	Less: Transferred to Surplus/(Deficit) in Statement of Profit & Loss	-	-	(69.21)
	Closing balance	**-**	**-**	**-**
(c)	**Surplus in Statement of Profit & Loss**			
	Opening Balance	(1,139.97)	(1,047.78)	-
	Current Year Profit/(Loss) after tax	(53.94)	(92.19)	(1,142.02)
	Appropriations:			
	Prior period adjustments	-	-	**0.03**
	Transfer from Special Purpose Trading Risk Reserve	-	-	25.00
	Transfer from General Reserve	-	-	69.21
	Closing Balance	**(1,193.91)**	**(1,139.97)**	**(1,047.78)**
	Total (a) + (b) + (c)	**(1,193.91)**	**(1,139.97)**	**(1,047.78)**

NOTE 19: Long-Term Provisions

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
Provision for Employees benefits (Refer Note no. 45)			
Earned Leave	2.42	3.10	3.35
Half Pay Leave	0.01	0.05	0.24
Post Retirement Medical Benefits	13.82	17.14	16.56
Total	**16.25**	**20.29**	**20.15**

NOTE 20: Financial Liabilities- Borrowings

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
From Banks			
a) Secured (against hypothecation of inventories, trade receivables and other current assets present and future)	944.35	828.49	942.60
Total	**944.35**	**828.49**	**942.60**

The loans have not been guaranteed by any of the directors.
The loans have been taken from Banks under Cash Credit/Overdraft/Working Capital Demand Loans and Others and are repayable within one year.
The company has not defaulted in repayment of loan and interest thereon during the year.

NOTE 21: Other Financial Liabilities

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a) Interest accrued but not due on Trade Payables	2.21	2.00	2.18
(b) Interest accrued but not due on borrowings	0.68	0.06	-
(c) Payable for expenses	3.63	2.58	2.65
(d) Other Liabilities	43.24	39.35	39.56
Total	**49.76**	**43.99**	**44.39**

NOTE 22: Short-term Provisions

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(a) Provision for employee benefits:			
(i) Provision for post-employment medical benefits (Refer Note No. 45)	3.96	0.86	0.80
(b) Provisions for Employees Benefits			
(i) Provision for Leave Encashment	0.77	1.22	1.88
(c) Others			
(i) Provision for Corporate Social Responsibility & Sustainable Development	0.25	0.25	0.49
Total	**4.98**	**2.33**	**3.17**

NOTE 23: Other Current Liabilities

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
(i) Contribution to Pension fund	-	-	0.24
(ii) Advance from associate	-	1.33	-
(iii) Other Liabilities	-	-	-
(iv) Provident Fund	0.17	0.19	0.35
(v) Trade / security deposits received	6.82	22.19	9.52
(vi) Margin Money from Customers	254.66	130.64	130.04
(vii) Payable to Associates	6.71	65.99	105.77
(viii) Pension arrear	0.15	0.15	-
	268.51	**220.50**	**245.92**

NOTE 24: Current Tax Liabilities (Net)

₹ in Crore

Particulars		As at 31st March 2018	As at 31st March 2017	As at 1st April 2016
Statutory Remittances				
i)	Sales Tax/VAT/WCT/GST	0.18	1.20	0.02
ii)	TDS/Withholding Tax	0.91	2.01	1.48
	Total	**1.09**	**3.21**	**1.50**

NOTE 25: Revenue From Operations

₹ in Crore

Particulars		As at 31st March 2018	As at 31st March 2017
(a)	Sale of products [Refer Clause (i) below]	4,451.92	4,254.07
(b)	"Other operating revenues [Refer Clause (ii) below]"	18.99	17.44
	Total	**4470.91**	**4271.51**

Particulars		As at 31st March 2018	As at 31st March 2017
Clause (i)	**Traded goods**		
	Sales against Imports	3849.10	3,980.11
	Domestic Sales	269.67	209.86
	Export Sales	327.61	63.27
	Sale of services	5.54	0.83
	Total - Sale of products	**4451.92**	**4,254.07**
Clause (ii)	**Other operating revenues**		
	Interest Income (Trade)	10.39	12.89
	Misc Income	7.74	1.73
	Commission	0.84	2.82
	Other	0.02	-
	Total - Other operating revenues	**18.99**	**17.44**

NOTE 26: Other Income

₹ in Crore

Particulars		As at 31st March 2018	As at 31st March 2017
(a)	Interest income [Refer Clause (i) below]	2.24	0.15
(b)	Other non-operating income [Refer Clause (ii) below]	7.33	2.66
	Total	**9.57**	**2.81**
(i)	Interest income:		
	- from Banks on deposits	0.48	0.04
	- from Others	1.76	0.11
	Total - Interest income	**2.24**	**0.15**
(ii)	Miscellaneous income	0.99	0.19
	Bank charged recovered	-	
	Commission	-	-
	Rental Income	0.10	0.07
	Reversal of Liability/ Credit Balances Written Back	6.24	2.40
	Total - Other non-operating income	**7.33**	**2.66**

NOTE 27 A: Purchases

₹ in Crore

Particulars		As at 31st March 2018	As at 31st March 2017
a)	Import Purchases	3,759.43	3,783.97
b)	Domestic Purchases	196.17	207.57
c)	Purchases for Export	322.23	61.17
d)	Services Purchases	4.99	0.80
	Total	**4,282.82**	**4,053.51**

NOTE 27 B: Changes In Inventories of Stock-in-Trade

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017
Inventories at the end of the year:		
Stock-in-trade	223.64	230.83
Inventories at the beginning of the year:	-	-
Stock-in-trade	230.83	266.03
Net (Increase) / Decrease	**7.19**	**35.20**

NOTE 28: Employee Benefits Expenses

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017
(a) Employees Benefits Expense		
Salaries and Allowances	12.58	14.31
Leave Encashment	1.34	1.98
Employer's Contribution towards Pension Fund	0.81	0.92
Provident Fund & Family contribution	1.11	1.25
Welfare Expenses		
- Medical Expenses	1.84	2.12
- Others	0.40	0.33
Gratuity	3.09	0.44
Total (a)	**21.17**	**21.35**
(b) Remuneration to Directors		
Salaries and Allowances	0.74	0.51
Leave Encashment	0.21	0.06
Employer's Contribution towards Pension Fund	0.05	0.03
Provident Fund & Family contribution	0.07	0.05
Welfare Expenses		
- Others & Medical Expenses	0.01	-
Total (b)	**1.08**	**0.65**
Grand Total (a) + (b)	**22.25**	**22.00**

NOTE 29: Finance Costs

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017
(a) Interest expense on:		
Borrowings from Banks	73.18	89.10
Total	**73.18**	**89.10**

NOTE 30: Other Expenses

₹ in Crore

Particulars	As at 31st March 2018	As at 31st March 2017
ADMINISTRATIVE EXPENSES		
Advertisement & Publicity	0.03	0.14
Books & Periodicals	0.02	0.02
Conveyance & Car Hire	0.18	0.16
Electricity	0.31	0.31
Entertainment	0.05	0.17
Insurance (Non Trade)	0.01	0.01
Lease Rental IT Services	0.43	0.45
Legal Expenses	0.55	0.15
Miscellaneous Expenses	0.59	0.24
Office Maintenance	0.36	0.39
Postage & Courier Charges	0.06	0.08
Printing & Stationery	0.12	0.19
Professional/Consultancy Charges	0.37	1.28
Rate & Taxes	0.00	0.01
Rent	2.50	2.54
Repairs & Renewals (Others)	0.04	0.17

Selection, Training & Seminar	0.07	0.07
Security Charges	1.53	1.16
Subscription & Membership Fees	0.15	0.18
Telephone & Fax	0.25	0.31
Travelling Expenses (Foreign)	0.20	0.07
Travelling Expenses (Inland)	0.64	0.50
Vehicle Running & Maintenance	0.06	0.04
Interest (Others)	0.00	0.00
Brokerage	0.00	0.01
Seeting fee	0.01	0.01
(I)	**8.53**	**8.66**
TRADE EXPENSES		
Bank Charges	0.24	0.14
Clearing & Handling Charges	2.43	6.06
Commission	0.23	0.51
Custom Duty	110.22	127.54
Difference in exchange	2.23	(5.05)
Freight	4.01	(0.00)
Insurance (Trade)	0.09	0.34
L/c & Negotiation Charges	3.69	0.26
Other Trade Expenses	1.83	5.52
Interest Expense on Trade	28.38	25.54
(ii)	**153.35**	**160.86**
PAYMENT TO AUDITORS		
- Statutory Audit Fee	0.06	0.07
- Tax Audit Fee	0.03	0.03
(iii)	**0.09**	**0.10**
Total (i) + (ii) + (iii)	**161.97**	**169.62**

NOTE 31: Exceptional Items (net)

₹ in Crore

Particulars	**As at 31st March 2018**	**As at 31st March 2017**
Provision for Doubtful Debts/Advances	0.32	15.31
Profit/(Loss) on disposal of Fixed Assets	-	0.01
Provisions written back on recovery	(10.53)	(17.87)
Total	**(10.21)**	**(2.55)**

Note : 32 Component of Other Comprehensive Income(OCI)

₹ in Crore

Particulars	**As at 31st March 2018**	**As at 31st March 2017**
Re-measurement of Defined Benefit Plans		
- Leave Encashment	0.63	0.46
- Post-Retirement medical benefit	0.86	(0.12)
- Gratuity	1.53	0.31
Total	**3.02**	**0.65**

Note: 33 Reconciliation between previous GAAP to Ind AS

₹ in Crore

i) Reconciliation of Statement of Equity as on Previously Reported IGAAP and Ind-AS as at 1st April 2016

	Particulars	Notes to transition to IND-AS	Previous GAAP	Adjustments	As at 1st April 2016
A	**ASSETS**				
1	**Non-Current Assets**				
	(a) Property, Plant & Equipment		0.44	0.00	0.44
	(d) Other Intangible Assets		0.09	-	0.09
	(e) Intangible Assets under development		-	-	-
	(f) Investment property		-	-	-
	(g) Financial Assets		-	-	-
	(i) Investments		-	-	-
	(ii) Trade Receivables		-	1.05	1.05
	(iii) Loans		42.06	(40.54)	1.52
	(iv) Other Financial Assets		-	-	-
	(h) Deferred Tax Assets (Net)		-	-	
	(i) Other Non-Current Assets (LT)		1.05	39.49	40.54
	Total Non-Current Assets (A)		**43.64**	**(0.00)**	**43.64**
2	**Current Assets**				
	(a) Inventories		265.06	(0.00)	265.06
	(b) Financial Assets				
	(i) Investments				
	(ii) Trade Receivables		1,548.05	-	1,548.05
	(iii) Cash & Cash Equivalents		22.53	0.03	22.56
	(iv) Loans		38.62	(18.81)	19.81
	(v) Other Financial Assets		-	7.77	7.77
	(c) Current Tax Assets (Net)		-	9.32	9.32
	(d) Other Current Assets (ST)		2.96	1.72	4.68
	Total Current Assets (B)		**1,877.22**	**0.03**	**1,877.25**
	Total Assets (A+B)		**1,920.86**	**0.03**	**1,920.89**
B	**EQUITY AND LIABILITIES**				
1	**Equity**				
	(a) Equity Share Capital		60.00	-	60.00
	(b) Other Equity		(1,047.81)	0.03	(1,047.78)
	(c) Money received against share warrants				
	Equity Attributable to Equity Shareholders of the Company		(987.81)	0.03	(987.78)
	Share application money pending allotment		**-**	**-**	**-**
	Non Controlling Interest		-	-	-
	Total Equity (A)		**(987.81)**	**0.03**	**(987.78)**
	Liabilities				
2	**Non-Current Liabilities**		**-**	**-**	**-**
	(a) Financial Liabilities		-	-	-
	(i) Borrowing		-	-	-
	(ii) Trade payables		-	-	-
	(iii) Other Financial Liabilities		-	-	-
	(b) Provisions		20.15	-0.00	20.15
	(c) Other Non-Current Liabilities		-	-	-
	(d) Deferred tax Liabilities (Net)		-	-	-
	Total Non-Current Liabilities (B)		**20.15**	**-0.00**	**20.15**
3	**Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowing		942.60	-	942.60
	(ii) Trade Payables		1,650.94	-	1,650.94
	(iii) Other Financial Liabilities		-	44.39	44.39
	(b) Provisions		3.17	0.00	3.17
	(c) Other Current Liabilities		291.81	(45.89)	245.92
	(d) Current Tax Liabilities (Net)		-	1.50	1.50
	Total Current Liabilities (C)		**2,888.52**	**0.01**	**2,888.53**
	Total Equity and Liabilities (A+B+C)		**1,920.86**	**0.03**	**1,920.89**

Note 33 Reconciliation between previous GAAP to Ind AS

₹ in Crore

ii) Reconciliation of Statement of Equity as on Previously Reported IGAAP and Ind-AS as at 31 March 2017

	Particulars	Notes to transition to IND-AS	Previous GAAP	Adjustments	As at 31st March 2017
A	**ASSETS**				
1	**Non-Current Assets**				
	(a) Property, Plant & Equipment		0.36	-	0.36
	(d) Other Intangible Assets		0.05	-	0.05
	(e) Intangible Assets under development		-	-	-
	(f) Investment property		-	-	-
	(g) Financial Assets		-	-	-
	(i) Investments		-	-	-
	(ii) Trade Receivables		-	1.05	1.05
	(iii) Loans		47.63	(45.88)	1.75
	(iv) Other Financial Assets		-	0.01	0.01
	(h) Deferred Tax Assets (Net)		-	-	-
	(i) Other Non-Current Assets (LT)		1.05	44.81	45.86
	Total Non-Current Assets (A)		**49.09**	**(0.00)**	**49.09**
2	**Current Assets**				
	(a) Inventories		230.84	(0.01)	230.83
	(b) Financial Assets				
	(i) Investments			-	--
	(ii) Trade Receivables		966.28	-	966.28
	(iii) Cash & Cash Equivalents		25.61	0.00	25.61
	(iv) Loans		22.50	(22.31)	0.19
	(v) Other Financial Assets		-	1.67	1.67
	(c) Current Tax Assets (Net)		-	10.71	10.71
	(d) Other Current Assets (ST)		1.75	9.94	11.69
	Total Current Assets (B)		**1,246.98**	0.01	**1,246.98**
	Total Assets (A+B)		**1,296.07**	0.01	**1,296.07**
B	**EQUITY AND LIABILITIES**				
1	**Equity**				
	(a) Equity Share Capital		60.00	-	60.00
	(b) Other Equity		(1,139.91)	(0.06)	(1,139.97)
	(c) Money received against share warrants				-
	Equity Attributable to Equity Shareholders of the Company		(1,079.91)	(0.06)	(1,079.97)
	Share application money pending allotment				
	Non Controlling Interest				
	Total Equity (A)		(1,079.91)	(0.06)	(1,079.97)
	Liabilities				
2	**Non-Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowing				
	(ii) Trade payables				
	(iii) Other Financial Liabilities		-	0.02	0.02
	(b) Provisions		20.29	0.00	20.29
	(c) Other Non-Current Liabilities		0.02	(0.02)	-
	(d) Deferred tax Liabilities (Net)		-	-	-
	Total Non-Current Liabilities (B)		**20.31**	0.00	20.31
3	**Current Liabilities**				
	(a) Financial Liabilities				
	(i) Borrowing		828.49	-	828.49
	(ii) Trade Payables		1,257.21	-	1,257.21
	(iii) Other Financial Liabilities		-	43.99	43.99
	(b) Provisions		2.33	0.00	2.33
	(c) Other Current Liabilities		267.64	(47.14)	220.50
	(d) Current Tax Liabilities (Net)		-	3.21	3.21
	Total Current Liabilities (C)		**2,355.67**	0.06	2,355.73
	Total Equity and Liabilities (A+B+C)		**1,296.07**	**-**	**1,296.07**

Note 33

₹ in Crore

iii) Reconciliation of Total comprehensive Income for the year ended March 31, 2017

Particulars		Notes to transition to IND-AS	Previous GAAP	Adjustments	As at 31st March 2017 (Restated)
1	Revenue from Operations		4,268.69	2.81	4,271.51
	Less: Excise duty		-	-	
	Revenue from operations (net)		4,268.69	2.81	4,271.51
2	Other Income		6.09	-3.28	2.81
3	**Total Income (1 + 2)**		**4,274.78**	**-3.28**	**4,274.32**
4	Expenses				
	(a) Cost of materials consumed				
	(i) Purchases of Stock-in-trade		4,053.51	(0.00)	4,053.51
	(ii) Changes in Inventories of Stock-in-trade		35.20	(0.00)	35.20
	(c) Employee Benefits Expense		21.77	0.23	22.00
	(d) Finance Costs		89.10	-	89.10
	(e) Depreciation and Amortization Expense		0.28	0.00	0.28
	(g) Other Expenses		169.60	0.02	169.62
	Total Expenses [4(a) to 4(g)]		**4,369.46**	**0.25**	**4,369.71**
5	**Profit / (Loss) before exceptional and tax (3-4)**		(94.68)	(0.71)	(95.39)
6	Exceptional items (net)		(2.58)	0.03	(2.55)
7	**Profit / (Loss) Before Tax (5-6)**		(92.10)	(0.68)	(92.84)
8	Tax Expense:				
9	**Profit / (Loss) from continuing operations**		(92.10)	(0.74)	(92.84)
10	Profit / (Loss) from discontinuing operations		-	-	-
11	Tax Expenses of discontinuing operations		-	-	-
12	**Profit / (Loss) from discontinuing operations (after Tax) (10-11)**		-	-	-
13	**Profit / (Loss) for the Period**		(92.10)	(0.74)	(92.84)
14	**Other Comprehensive Income**				
A	(i) Items that will not be reclassified to profit & loss		-	0.65	0.65
	(ii) Income tax relating to Items that will not be reclassified to profit & loss				
B	(i) Items that will be reclassified to profit & loss				
	(ii) Income tax relating to Items that will be reclassified to profit & loss				
	Total Other Comprehensive Income		-	0.65	0.65
15	**Total Comprehensive Income for the year (13 + 14) (Comprising profit & loss and other comprehensive income)**		(92.10)	(0.09)	(92.19)

Note 33

₹ in Crore

iv) Reconciliation of Total comprehensive Income for the year ended 31st March 2017

Particular	Year Ended 31st March 2017
Profit after tax as per previous GAAP	(92.10)
Adjustments	
Prior period Adjustment	(0.09)
Profit after tax as per Ind-AS	(92.84)
Other Comprehensive Income	0.65
Total Comprehensive Income	**(92.19)**

Note: 33

₹ in Crore

v) Impact of IND-AS on the Cash Flow For the year ended 31st March 2017

Particular	Indian (GAAP)	Adjustment	Ind AS
Net Cash Flow From Operation Activity	206.23	(5.30)	211.53
Net Cash Flow From Investing Activity	0.06	5.34	(5.28)
Net Cash Flow From Financing Activity	(203.21)	-	(203.21)
Total	**3.08**	**0.04**	**3.04**

Note: 34 Fair Value Measurement

₹ in Crore

(i) Carrying Value of Financial Instruments by categories are as follow:

Particulars	As at 31st March 2018			As at 31st March 2017			As at 1st APR 2016		
	FVTPL	FVTOCI	Amorti--sed Cost	FVTPL	FVTOCI	Amorti--sed Cost	FVTPL	FVTOCI	Amorti--sed Cost
Financial Asset									
Cash and Cash Equivalent			22.62			25.61			22.56
Trade Receivable			894.52			967.33			1,549.10
Loans			2.16			1.95			21.33
Other Financial Asset			2.25			1.68			7.77
Total Financial Asset			**921.56**			**996.57**			**1,600.77**
Financial Liabilities									
Borrowings			944.35			828.49			942.60
Trade Payable			1,059.06			1,257.21			1,650.94
Other financial Liabilities			49.76			44.01			44.39
Total Financial Liabilities			**2,053.17**			**2,129.71**			**2,637.93**

(i) Carrying Value of Cash and Cash equivalent, other bank Balance, security deposits, are considered to be same as their fair value, due to short term nature.

(ii) For financial asset and Liabilities that are measured at Fair value, the carrying amount are equal to the Fair Value

Note: 35 Fair Value Hierarchy

Level-1 Quoted prices (unadjusted) in active markets for identical asset or liabilities

Level-2 Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e as prices) or indirectly (derived from prices)

Level-3 Inputs for the assets or liabilities that are not based on observable market data(unobservable inputs)

The following table presents the fair value measurement hierarchy of financial asset and liabilities measured at amortised cost:-

Fair Value Hierarchy as on 31.03.2018

₹ in Crore

Particular	Date of Valuation	Level 1	Level 2	Level 3	Total
Financial Assets					
Financial Assets at Amortised Cost					
(i) Loans to employee	31st March 2018	-	-	1.51	1.51
Total				**1.51**	**1.51**

Fair Value Hierarchy as on 31.03.2017

Particular	Date of Valuation	Level 1	Level 2	Level 3	Total
Financial Assets					
Financial Assets at Amortised Cost					
(i) Loans to employee	31st March 2017	-	-	1.75	1.75
Total				**1.75**	**1.75**

Fair Value Hierarchy as on 01.04.2016

Particular	Date of Valuation	Level 1	Level 2	Level 3	Total
Financial Assets					
Financial Assets at Amortised Cost					
(i) Loans to employee	1st April 2016	-	-	1.52	1.52
Total				**1.52**	**1.52**

Note: 36 Prior Period Items

₹ in Crore

Particulars	2017	Amount
In Current/Cash Credit accounts		0.03
	Total (i)	**0.03**
Particular	**2018**	
NMCE Margin deposit		0.00
Other Liabilities		0.04
Tax audit fee payable		0.02
	Total (ii)	**0.06**
	Total (i+ii)	**0.09**
This amount adjusted in Opening Balance of Asset & Liabilities in FY 2016-17 for taking effect of Prior Period Errors in Financial Year 2017-18		

37A. Contingent liabilities:

(₹ in Crore)

Sl. No.	Particulars	As at 31.3.2018	As at 31.3.2017
A	(i) Guarantees issued by banks on behalf of the Company	03.29	10.05
	(ii) Letters of Credits opened with banks (As certified by banks & management)	154.33	154.88
	(iii) Bill Discounting under Local L/Cs	253.49	376.30
B	Claims against the Company due to legal cases not acknowledged as Debts (excluding legal cases where amounts are unascertainable)	34.38	252.45
C	Demands in respect of Statutory Liabilities against which the Company or the concerned Department has preferred an Appeal*	58.36	70.21
	Total	**503.85**	**863.89**

* "Of the aforesaid amount, ₹ 9.25 Crore (Previous Year ₹ 9.25 Crore) is recoverable from one of our associate, if, the case is decided against the Company."

37B. Capital Commitments:

Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances) ₹ 8.38 Crore (Previous Year ₹ 8.38 Crore).

38. Claims Recoverable included under Trade Receivables **(Note No. 11 of the Financial Statements)** include the following:

(₹ in Crore)

Sl. No.	Particulars	As at 31.3.2018	As at 31.3.2017
A	Loss on Import and Sale of Edible Oils in Domestic Market on Government Account which which is to be compensated by way of Subsidy from the Government under Old Scheme, subsidies of varied amounts at different point of time were announced by the Central Government but separate accounts have not been maintained for the same.	113.95	113.95
B	Subsidy Recoverable from Government on account of Import and Sale of Edible Oils in Domestic Market under new scheme.	-	-
C	Loss on Import and Sale of Pulses in Domestic Market on Government Account which is to be compensated by way of Subsidy from the Government. The company has maintained consolidated accounts for the below mentioned schemes:		
	i) Under 15% scheme	231.52	231.52
	ii) Under PDS scheme	0.16	0.16
	Total	**345.63**	**345.63**

D	The company had imported pulses on the directives of the Government of India during the years 2007-08 to 2010-11. The Government has allowed reimbursement of losses up to 15% of landed cost. Amount due from the Government of India as at the year-end is ₹ 231.52 Crore (Previous Year ₹ 231.52 Crore). The is on account of claim lodged during the financial years 2007-08 to 2013-14 on actual loss and is under active consideration by the Government of India.
E	Claim for Subsidy claimed from Government of India on account of pulses under 15% scheme for financial year 2007-2008 amounting to ₹ 26.08 Crore has been filed with the Government of India only in July 2014. Amount due as per books of account is ₹ 4.39 Crore. The Company has not accounted for differential amount in the books of accounts on a prudent basis, the same will be accounted for on realisation.

39. Balances in Associate Accounts/Claims Receivable/ Other Current Liabilities/Loans & Advances (Assets) are subject to reconciliation/confirmation and consequential adjustments that may arise on such reconciliation.

40. Sundry Debtors as at the year-end include ₹ 523.80 Crore (Previous Year ₹ 625.13 Crore) which matches with equivalent amount of Sundry Creditors and shall be paid after realization from Sundry Debtors.

41. In the absence of any information from Associates/Suppliers, amount due to Micro, Small and Medium Enterprises cannot be ascertained in terms of Section 22 of the "Micro, Small & Medium Enterprises Development Act, 2006".

42. Related Party Transactions:

The related parties as per provisions of Indian Accounting Standard -24, "Related Party Disclosures", issued by The Institute of Chartered Accountants of India, are disclosed below:-

(a) Names of related parties and description of relationship:

Key Management Personnel

Full-Time Director		
I.	Shri M. Nagaraj	Chairman –cum-Managing Director
II.	Shri J. Ravi Shanker	Director
III.	Shri Anupam Misra	Director

Part Time Director		
I.	Smt. Rupa Dutta	Part Time Director
II.	Shri Udesinh Baria	Independent Director (upto 04.12.2017)
III.	Dr. Shobhit Jain	Part Time Director

Key Management Personnel		
I.	Shri Pardeep Kumar	Company Secretary

(b) Remuneration to the aforesaid full time Directors was paid by the Company as per rules of the Company. Such remuneration and all other payments/benefits paid/accrued to the Key Management Personnel and their relatives are detailed as under: (₹ In Crore)

S. No.	Particulars	Year ended 2017-18	Year ended 2016-17
1.	Directors' Remuneration	0.95	0.57
2.	Provident Fund & Family Contribution	0.07	0.05
3.	Other Perquisites and Benefits	0.01	0.00
4.	Rent & Electricity	0.05	0.03
5.	Others	0.05	0.03
	Total	**1.13**	**0.68**

However, no salary has been paid to Part Time Directors during the year. (₹ in Crore)

S. No.	Particulars	Year ended 2017-18	Year ended 2016-17
1.	Key Management Personnel (Company Secretary)	0.11	0.10
2.	Provident Fund & Family Contribution	0.01	0.01
3.	Other Perquisites and Benefits	-	-
4.	Rent & Electricity	-	-
5.	Others	0.01	0.01
	Total	**0.13**	**0.12**

(c) M/s Tea Trading Corporation of India Limited (TTCIL) is a wholly owned subsidiary of the Company, which was demerged by the Ministry of Commerce & Industry from M/s State Trading Corporation (STC) by its order dated 28th March 2003. TTCIL was already under liquidation, when it was made a subsidiary of PEC and no statement of asset & liabilities etc. were provided to the company upon its demerger from STC. The Company has no control over its subsidiary i.e. TTCIL, therefore, it is unable to present consolidated financial statements under section 129 (3) of Companies Act, 2013.

43. Earnings Per Share (EPS):

S. No.	Particulars	Year ended 2017-18	Year ended 2016-17
A.	Profit/(loss) for the year, attributable to the owners of the company (₹ in Crore)	(53.94)	(92.19)
B.	Adjusted Weighted average number of Equity Shares outstanding during the period (No. of shares)	60,00,000	60,00,000
C.	Basic and Diluted EPS (A/B) (₹)	(89.90)	(153.65)
D.	Profit/(loss) for the year, attributable to the owners of the company (₹ in Crore)	(53.94)	(92.19)
E.	Adjusted Weighted average number of Equity Shares outstanding during the period (No. of shares)	60,00,000	60,00,000
F.	Basic and Diluted EPS (D/E) (₹)	(89.90)	(153.65)

44. Deferred Tax:

In compliance with Indian Accounting Standard- 12, issued by The Institute of Chartered Accountants of India, the Company has carried forward losses as at the year-end which results in Deferred Tax Assets (net). The company has not accounted for Deferred tax assets (net) on a prudent basis, as it does not has virtual certainty of generating future taxable income to offset the same.

45. Employee Benefits:

As per Indian Accounting Standard – 19 "Employee benefits", the disclosures as defined in the Indian Accounting Standard are given below:

Defined Contribution Plans

Contribution to Defined Contribution Plans, recognized as expense for the year is as under: (₹ in Crore)

Particulars	Year ended 2017-18	Year ended 2016-17
Employer's Contribution to Provident and Pension Fund	1.18	1.31
Employer's Contribution to PEC Defined Contribution Superannuation Fund	0.86	0.96

The Company's Provident Fund is exempted under section 17 of Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The obligation of the company is to make fixed contribution and to ensure a minimum rate of return to the members as specified by the Government. Overall Interest earning and cumulative surplus is more than the statutory interest payment requirement.

Defined Benefit Plan

A. Gratuity

The employees' gratuity fund scheme is as per Gratuity Act managed by the Trust under a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The liability for gratuity is recognized in the books as per actuarial valuation.

B. Post-Retirement Medical Facility (PRMF)

The company has Post-retirement Medical Facility (PRMF) under which retired employee and their spouses are provided medical facilities in the empanelled hospitals. They can also avail treatment as Out-Patient subject to a ceiling fixed by the company. Post retirement medical benefits are recognized in the books as per actuarial valuation.

C. Leave

The Company provides Earned leave (EL) and Half Pay Leave (HPL) benefit to the employees of the Company which accrue annually at 30 days and 20 days respectively. The maximum ceiling for encashment of leave at the time of superannuation/cessation from service other than on disciplinary ground shall be limited to 300 days (EL & HPL combined). EL is en-cashable while in service leaving a minimum balance of 15 days twice a year. The scheme is unfunded and liability for the same is recognized on the basis of Actuarial Valuation.

D. Pension

The Company has defined contribution pension plan for its existing employees in pursuance to the guidelines issued by the Department of Public Enterprises. In this regard PEC Employees Defined Contribution Superannuation Pension Trust has been formed. Under the scheme the employer's contribution is 9% of basic plus VDA of eligible employees and the funds of the trust are managed by LIC. An employee has to be member of trust for a minimum period of 15 years to avail the benefit of this scheme. In case the employee leaves the company before completion of 15 years only employee contribution along with interest is payable to him. However, this condition does not apply to the employees who join the other CPSE having the same Pension Scheme.

i) The summarized position of various Defined Benefits recognized in Statement of Profit &Loss, OCI and Balance Sheet:

(₹ in Crore)

Particulars		Gratuity (Funded)	Leave (Non-funded)	Post-Retirement Medical Benefits (Non-funded)
Defined Benefit Obligation	C.Y.	5.99	3.21	17.78
	P.Y.	5.26	4.38	18.00
Fair Value of Plan Assets	C.Y.	4.26	0.00	0.00
	P.Y.	5.09	0.00	0.00
Funded Status (Surplus/Deficiet)	C.Y.	-1.73	-3.21	-17.78
	P.Y.	-0.17	-4.38	-18.00
Net Defined Benefit Assets/(Liabilities)	C.Y.	-1.73	-3.21	-17.78
	P.Y.	-0.17	-4.38	-18.00

ii) Movement in Defined Benefit Obligation:

(₹ in Crore)

Particulars		Gratuity (Funded)	Leave (Non-funded)	Post Retirement Medical Benefits (Non-funded)
Defined Benefit Obligation - Beginning of the year	C.Y.	5.26	4.38	18.00
	P.Y.	6.33	5.46	17.36
Past Service Cost	C.Y.	2.63	0.00	0.00
	P.Y.	0.00	0.00	0.00
Current Service Cost	C.Y.	0.45	0.75	0.00
	P.Y.	0.59	1.07	0.00
Interest Cost	C.Y.	0.34	0.26	1.29
	P.Y.	0.43	0.35	1.34
Benefits Paid	C.Y.	-1.34	-1.56	-0.65
	P.Y.	-1.91	-2.04	-0.83
Re-measurement - Acturial Loss/(Gain)	C.Y.	-1.34	-0.63	-0.86
	P.Y.	-0.17	-0.46	0.12
Defined Benefit Obligation - End of the year	C.Y.	5.99	3.21	17.78
	P.Y.	5.26	4.38	18.00

iii) Movement in Plan Assets:

(₹ in Crore)

Particulars		Gratuity (Funded)
Fair Value of plan Assets - Beginning of the year	C.Y.	5.09
	P.Y.	6.43
Interest Income	C.Y.	0.32
	P.Y.	0.43
Employees Contribution	C.Y.	0.00
	P.Y.	0.00
Benefits Paid	C.Y.	-1.34
	P.Y.	-1.91
Re-measurement - Acturial (Loss)/Gain	C.Y.	0.19
	P.Y.	0.14

Re-measurement - Return on Plan Assets greater/ (less) than discount rate	C.Y.	0.00
	P.Y.	0.00
Fair Value of plan Assets - End of the year	C.Y.	4.26
	P.Y.	5.09

iv) Amount recognized in Statement of Profit and Loss. (₹ in Crore)

Particulars		Gratuity	Leave	Post Retirement Medical Benefits
		(Funded)	(Non-funded)	(Non-funded)
Past Service Cost	C.Y.	2.63	0.00	0.00
	P.Y.	0.00	0.00	0.00
Current Service Cost	C.Y.	0.45	0.75	0.00
	P.Y.	0.59	1.07	0.00
Service Cost {A}	C.Y.	3.08	0.75	0.00
	P.Y.	0.59	1.07	0.00
Net Interest on Net Defined Benefit Liability/ (Asset) {B}	C.Y.	0.01	0.26	1.29
	P.Y.	-0.01	0.35	1.34
Acturial (Gain)/Loss on Obligation {C}	C.Y.	0.00	0.00	0.00
	P.Y.	0.00	0.00	0.00
Cost recognised in P&L {A+B+C}	C.Y.	3.09	1.02	1.29
	P.Y.	0.58	1.43	1.34

v) Amount recognized in OCI: (₹ in Crore)

Particulars		Gratuity	Leave	Post Retirement Medical Benefits
		(Funded)	(Non-funded)	(Non-funded)
Acturial (Gain)/Loss due to DBO Experience	C.Y.	-0.89	-0.18	-0.46
	P.Y.	-0.36	-0.53	-1.04
Acturial (Gain)/Loss arising during the period	C.Y.	-0.45	-0.46	-0.40
	P.Y.	0.19	0.06	1.16
Return on Plan Assets greater/(less) than discount rate	C.Y.	0.19	0.00	0.00
	P.Y.	0.14	0.00	0.00
Acturial (Gain)/Loss recognised in OCI	C.Y.	-1.53	-0.63	-0.86
	P.Y.	-0.31	-0.46	0.12

vi) Sensitivity Analysis: (₹ in Crore)

Assumption	Change in Assumption	Gratuity	Leave	Post Retirement Medical Benefits
		(Funded)	(Non-funded)	(Non-funded)
Discount Rate	%	7.70%	7.70%	7.50%
	%	7.35%	7.35%	7.30%
Salary Growth Rate	%	8.00%	8.00%	-
	%	10.00%	10.00%	-

vii) **Actuarial Assumption.** (₹ in Crore)

Particulars		**Gratuity**	**Leave**	**Post Retirement Medical Benefits**
		(Funded/ Non-funded)	**(Non-funded)**	**(Non-funded)**
Method Used		**Projected Unit Credit (PUC) Method**	**Projected Unit Credit (PUC) Method**	**Projected Unit Credit (PUC) Method**
Discount Rate	C.Y.	7.70%	7.70%	7.50%
	P.Y.	7.35%	7.35%	7.30%
Rate of Salary Increase	C.Y.	8.00%	8.00%	-
	P.Y.	10.00%	10.00%	-
Mortality Rate	C.Y.	7.00%	7.00%	-
	P.Y.	5.00%	5.00%	-

viii) **Expected Benefit Payments:** (₹ in Crore)

Year of Payment	**Gratuity**
	(Funded)
Year Ended March, 2019	1.21
Year Ended March, 2020	3.11
Year Ended March, 2021	3.11
Year Ended March, 2022	3.11
Year Ended March, 2023	3.11
April 2024 onwards	2.14

ix) Category of Investment in Plan Assets.

Category of Investment	**% of Fair Value of Plan Asset**	
	2017-18	**2016-17**
GOI Securities	23.23	26.27
Public Sector Securities	67.11	63.68
State Government Securities	8.60	9.07
Special Deposits	1.00	0.93
Others (including bank balances)	0.06	0.06

46. Trade Payables amounting to ₹ 1059.06 Crore (Previous Year ₹ 1,257.21 Crore) includes Buyer's Credit obtained from Banks amounting to ₹ 438.00 Crore (Previous Year ₹ 727.97 Crore)

47. Foreign Exchange Exposure as on 31.03.2018 and 31.03.2017.

Receivables

	Hedged					**Unhedged**			
	2017-18		**2016-17**			**2017-18**		**2016-17**	
	Foreign Currency	**Equivalent (₹)**	**Foreign Currency**	**Equivalent (₹)**		**Foreign Currency**	**Equivalent (₹)**	**Foreign Currency**	**Equivalent (₹)**
US$	-	-	-	-	US$	1.61	103.94	0.13	8.08
Pound (£)	-	-	-	-	Pound (£)	-	-	-	-
Bangladesh Taka (৳)	-	-	-	-	Bangladesh Taka (৳)	-	-	-	-
Libyan Dinar (LYD)	-	-	-	-	Libyan Dinar (LYD)	-	-	-	-
Euro (€)	-	-	-	-	Euro (€)	-	-	-	-

Payables

	Hedged					Unhedged			
	2017-18		2016-17			2017-18		2016-17	
	Foreign Currency	Equivalent (₹)	Foreign Currency	Equivalent (₹)		Foreign Currency	Equivalent (₹)	Foreign Currency	Equivalent (₹)
US$	-	-	5.69	384.50	US$	7.33	478.75	7.53	494.00
Pound (£)	-	-	-	-	Pound (£)	0.06	4.79	-	0.06
Bangladesh Taka (৳)	-	-	-	-	Bangladesh Taka (৳)	-	-	-	-
Libyan Dinar (LYD)	-	-	-	-	Libyan Dinar (LYD)	-	-	-	-
Euro (€)	-	-	-	-	Euro (€)	-	-	-	-

	2017-18					2016-17			
	Receivables		Payables			Receivables		Payables	
	Hedge	Unhedged	Hedge	Unhedged		Hedge	Unhedged	Hedge	Unhedged
*Own Exposure	-	-	-	2.50		-	-	134.37	2.75
*On behalf of Associate	-	103.94	-	481.04		-	8.08	250.12	491.31

48. The information of Foreign Currency Income and Expenditure is as under:- (₹ in Crore)

Particulars	Year ended 2017-18	Year ended 2016-17
Expenditure in Foreign Currency		
CIF/FOB value of Imported Materials	2744.15	3783.97
Foreign Tours	0.21	0.07
Other Expenses	12.08	8.33
Total	**2756.44**	**3792.37**
Earnings in Foreign Currency		
FOB value of Exports	313.53	58.28
Total	**313.53**	**58.28**

49. In terms of Indian Accounting Standard 108 – Segment Reporting issued by the Institute of Chartered Accountants of India, the Company has identified business segments as primary reporting segment, which are Import, Export and Domestic. The Secondary Segments are identified based on geographical location, as in India and Abroad. Details are placed at Annexure "A".

50. As required by the Indian Accounting Standard 39 - Impairment of Assets notified by the Institute of Chartered Accountants of India, the company has carried out an assessment of impairment of assets and confirm that there has been no impairment loss during the year.

51. Compliance of the Companies (Indian Accounting Standard) Rules as amended from time to time has been made. The Company has large number of transactions and diversified activities, which may have put operational constraints in strictly following the said rules. Deviation if any, has been stated in the accounting policies of the Company.

52. Deposits with Banks includes ₹ Nill Crore (Previous Year ₹ 0.24 Crore) which are lien marked in favor of Banks for issuing Bank Guarantees to various Krishi Upaj Mandis and other authorities.

53. Present value of obligation in respect of Post Retirement Medical Benefit (PRMB) and half pay and earned leaves amounts to ₹ 20.98 Crore (Previous Year ₹ 21.15 Crore) as at 31.03.2017 as per Actuarial Valuation and accordingly liability has been created in terms of Ind AS-19. The company has neither earmarked its investment nor has created any corpus for this purpose.

54. The Company had to obtain prior approval from its shareholders for loans and advances made to suppliers/associates exceeding threshold limit stated u/s 186 of Companies Act, 2013. The Company has obtained shareholders' approval in its Annual General Meeting and has applied for compounding.

55. Reconciliation of provisions in terms of Indian Accounting Standard - 37 is as under:- (₹ in Crore)

Particulars of Provision	Opening Balance as on 01.04.2017	Addition during the year	Adjustment during the year	Closing Balance as on 31.03.2018
Provision of Taxation*	189.08	-	112.93	76.15
Corporate Social Responsibility & Sustainable Development	0.25	-	-	0.25
Leave Encashment	4.38	-	1.17	3.21
Provision for Post Retirement Medical Benefit	18.00	0.43	0.65	17.78

* In view of net taxable loss, no tax provision for the current year has been made.

56. In respect of GR-1 forms outstanding beyond due date in 1 cases is on account of foreign buyer going into liquidation. The Company has filed application with the Authorized Dealer for extension of time/waiver/write off. Pending decision on the application, the liability, if any, that may arise is unascertainable.

57. The company has charged depreciation based on technical evaluation instead of depreciation as stated in Part C of schedule II of the companies Act, 2013.This has resulted in excess depreciation charged in statement of profit and loss account.

58. Amount in ₹ 17.99 crore is shown as interest cost (Trade) under other expenses and Interest income (Trade) being recovered/recoverable from associates.

59. Previous year figures have been reclassified/recasted/regrouped and rounded off suitably to make them comparable with figures of the current year.

60. Financial risk management, objectives and policies

The company's activities expose it to the following financial risks:

- Market Risk
- Credit Risk and
- Liquidity Risk.

The company has not arranged funds that have any interest rate risk.

a) Market risk

(i) Foreign Exchange Risk

The company has import and export transactions and hence has foreign exchange risk primarily with respect to the US$. The company has not arranged funds through long term borrowings. The short term foreign currency loans (buyer's credit) availed from banks are fixed interest rate borrowings. As a result, the company does not have any interest rate risk. The company uses foreign exchange forward contracts to hedge its exposure in foreign currency risk. The company has no exposure in respect of foreign currency receivable/payable since loss/gain is to the account of the Associate supplier/customer except on provision towards litigation settlement where matter is still under dispute. Also the company has taken forward exchange contracts in respect of payables at the risk and cost of the associate.

The following tables show the summary of quantitative data about the company's exposure to foreign currency risk from financial instruments expressed in ₹:

(₹ in crore as at March 31, 2018)

Particulars	US Dollars (in Equiv INR)	Other Currencies (in Equiv INR)	Total
Cash & cash equivalents	-	-	-
Trade Receivable	103.94	-	103.94
Demurrage / Despatch Receivable	-	-	-
Other Receivable	-	-	-
Total Receivable in foreign currency	103.94	-	103.94
Foreign Currency Loan payable	-	-	-
Interest on foreign currency loan payable	-	-	-
Trade Payables	478.75	-	478.75
Freight Demurrage / Despatch Payable	-	-	-
Provision towards Litigation Settlement	-	-	-
Others	-	-	-
Total Payable in Foreign Currency	478.75	-	478.75

(₹ in crore as at March 31, 2017)

Particulars	US Dollars (in Equiv INR)	Other Currencies (in Equiv INR)	Total
Cash & cash equivalents	-	-	-
Trade Receivable	8.08	-	8.08
Demurrage / Despatch Receivable	-	-	-
Other Receivable	-	-	-
Total Receivable in foreign currency	8.08	-	8.08
Foreign Currency Loan payable	-	-	-
Interest on foreign currency loan payable	-	-	-
Trade Payables	878.50	0.06	878.56
Freight Demurrage / Despatch Payable	-	-	-
Provision towards Litigation Settlement	-	-	-
Others	-	-	-
Total Payable in Foreign Currency	**878.50**	**0.06**	**878.56**

(₹ in crore as at April 1, 2016)

Particulars	US Dollars (in Equiv INR)	Other Currencies (in Equiv INR)	Total
Cash & cash equivalents	-	-	-
Trade Receivable	13.88	-	13.88
Demurrage / Despatch Receivable	-	-	-
Other Receivable	-	-	-
Total Receivable in foreign currency	13.88	-	13.88
Foreign Currency Loan payable	-	-	-
Interest on foreign currency loan payable	-	-	-
Trade Payables	1397.05	0.06	1397.11
Freight Demurrage / Despatch Payable	-	-	-
Provision towards Litigation Settlement	-	-	-
Others	-	-	-
Total Payable in Foreign Currency	**1397.05**	**0.06**	**1397.11**

Sensitivity:

As of March 31, 2018 and March 31, 2017, every 1% increase or decrease of the respective foreign currencies compared to our functional currency would impact our profit before tax by approximately ₹ 4.79 crore and ₹ 8.79 crore, respectively.

a) Price Risk

The company's exposure to equity securities price risk is Nil. Hence, it has no impact on profit or loss.

b) Credit Risk

Credit risk refers to the risk of default on its obligation by a counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables. Accordingly, credit risk from trade receivables has been separately evaluated from all other financial assets in the following paragraphs.

Trade Receivables

The company's has outstanding trade receivables are mostly secured through letter of credit/BG except subsidy/claim recoverable from Government of India.

Impairment on trade receivables is recognized based on expected credit loss in accordance with provisions of Ind AS 109. The company's historical experience for customers, present economic condition and present performance of the customers, future outlook for the industry etc are taken into account for the purposes of expected credit loss.

Credit Risk Exposure

An analysis of age of trade receivables at each reporting date is summarized as follows:

(₹ in crore as at March 31, 2018)

Particulars	Gross Amount	Impairment	Carrying Value
Not past due	413.61	-	413.61
Past due less than 30 days	36.45	-	36.45
Past due more than 30 days but not more than 60 days	68.72	-	68.72
Past due more than 60 days but not more than 90 days	2.70	-	2.70
Past due more than 90 days but not more than 120 days	2.74	-	2.74
Past due more than 120 days	946.84	576.55	370.29
Total	**1471.06**	**576.55**	**894.52**

(₹ in crore as at March 31, 2017)

Particulars	Gross Amount	Impairment	Carrying Value
Not past due	596.09	-	596.09
Past due less than 30 days	4.53	-	4.53
Past due more than 30 days but not more than 60 days	2.35	-	2.35
Past due more than 60 days but not more than 90 days	-	-	-
Past due more than 90 days but not more than 120 days	-	-	-
Past due more than 120 days	944.07	580.75	363.31
Total	**1547.03**	**580.75**	**966.28**

(₹ in crore as at April 1, 2016)

Particulars	Gross Amount	Impairment	Carrying Value
Not past due	816.55	-	816.55
Past due less than 30 days	11.24	-	11.24
Past due more than 30 days but not more than 60 days	10.41	-	10.41
Past due more than 60 days but not more than 90 days	-	-	-
Past due more than 90 days but not more than 120 days	-	-	-
Past due more than 120 days	1281.19	571.34	710.90
Total	**2119.39**	**571.34**	**1548.05**

Trade receivables are impaired when recoverability is considered doubtful based on the recovery analysis performed by the company for individual trade receivables.

Other financial assets

Credit risk relating to cash and cash equivalents is considered negligible because our counterparties are banks. We consider the credit quality of term deposits with scheduled banks which are subject to the regulatory oversight of the Reserve Bank of India to be good, and we review these banking relationships on an ongoing basis. Credit risk related to employee loans are considered negligible since major loans like house building loans, vehicle loans etc are secured against the property for which loan is granted to the employees. The other employee loans are covered under personal guarantee of concerned employees along with surety bonds of other serving employees. There are no impairment provisions as at each reporting date against these financial assets. We consider all the above financial assets as at the reporting dates to be of good credit quality.

c) Liquidity Risk

Our liquidity needs are monitored on the basis of monthly and yearly projections. The company's principal sources of liquidity are cash and cash equivalents, cash generated from operations and availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

Due to the dynamic nature of underlying businesses, the company maintains flexibility in funding by maintaining availability under committed credit lines.

Short term liquidity requirements consists mainly of sundry creditors, expense payable, employee dues arising during the normal course of business as of each reporting date. The company maintains sufficient balance in cash and cash equivalents to meet short term liquidity requirements.

The company assesses long term liquidity requirements on a periodical basis and manages them through internal accruals and committed credit lines.

The table below provides details regarding the contractual maturities of non-derivative financial liabilities. The table has been drawn up based on the undisclosed cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both principal & interest cash flows.

(₹ in crore as at March 31, 2018)

Particulars	Less than 6 months	6 months to 1 year	1-3 years	3-5 years	More than 5 years	Total
Trade Payables	989.05	10.36	9.73	16.30	33.63	1059.06
Short term borrowings	944.35	-	-	-	-	944.35
Other Financial Liabilities	49.76	-	-	-	-	49.76
Total	**1983.16**	**10.36**	**9.73**	**16.30**	**33.63**	**2053.17**

(₹ in crore as at March 31, 2017)

Particulars	Less than 6 months	6 months to 1 year	1-3 years	3-5 years	More than 5 years	Total
Trade Payables	1031.84	15.54	10.20	178.91	20.72	1257.21
Short term borrowings	828.49	-	-	-	-	828.49
Other Financial Liabilities	43.99	-	-	-	-	43.99
Total	**1904.32**	**15.54**	**10.20**	**178.91**	**20.72**	**2129.69**

(₹ in crore as at April 1, 2016)

Particulars	Less than 6 months	6 months to 1 year	1-3 years	3-5 years	More than 5 years	Total
Trade Payables	1425.66	19.72	171.78	24.33	9.45	1650.94
Short term borrowings	942.60	-	-	-	-	942.60
Other Financial Liabilities	44.39	-	-	-	-	44.39
Total	**2412.65**	**19.72**	**171.78**	**24.33**	**9.45**	**2637.93**

61. Assets given on operating leases:

Future minimum lease rentals receivable asper the lease agreements:

Particulars	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
Not later than 1 year	1103388	1057478	0
Later than 1 year and not later than 5 years	373728	1477116	0
Later than 5 years	0	0	0

Clause 4: The lease may be extended for a further period of two years at mutually agreeable terms and conditions.

Clause 10: The lessee shall not sublet, assign or otherwise part with the possession of the said demised premises in part or whole. In any manner whatsoever without obtaining prior written permission of the lessor. The rights of lessee are absolutely non-transferable.

62. Note 1 to 61 forms an integral part of the Financial Statements for the year ended 31 March, 2018. In terms of our report of even date.

For JK Sarawgi & Company
Chartered Accountants
Firm Registration No. 006836C

For and on behalf of the Board of PEC Limited

Sd/-
(L.S.Khandelwal)
Partner
Membership No. 009878

Sd/-
(M. Nagaraj)
Chairman-cum-Managing Director
DIN: 05184848

Sd/-
(Anupam Misra)
Director
DIN: 07637439

Sd/-
(P. K. Ojha)
General Manager (Finance)

Sd/-
(Pardeep Kumar)
Company Secretary
Membership No. 36128

Place: New Delhi
Date: 19.09.2018

Segment Report for the Year Ended 31st March, 2018

In accordance with Accounting Standard 17 issued by the The Institute of Chartered Accountants of India

Annexure "A"

The Company has three primary business segments i.e. Export, Import and Domestic

(₹ in Crores)

Particulars	Export		Import		Domestic		Unallocated		Consolidated	
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017
Revenue from Operations										
Sales										
(India)		3.02	3,849.10	1,366.69	275.22	210.54		-	4,124.32	1,580.25
(Abroad)	327.61	60.40	-	2,613.42	-	-	-	-	327.61	2,673.82
Total Revenue	**327.61**	**63.42**	**3,849.10**	**3,980.11**	**275.22**	**210.54**	**-**	**-**	**4,451.93**	**4,254.07**
Segment Results	**1.46**	**1.74**	**38.76**	**29.13**	**5.73**	**(1.17)**	**(37.10)**	**(30.47)**	**8.85**	**(0.76)**
Other Operating Revenue										
(India)	0.78	0.00	14.25	11.53	1.15	3.09	2.81	-	18.99	14.63
(Abroad)										
Other Income	0.47	0.02		3.04	4.70	2.74	4.40	0.28	9.57	6.09
Interest Expense	(0.47)	-	(27.02)	(24.84)	(0.89)	(0.69)	(73.18)	(89.10)	(101.56)	(114.64)
Profit From Ordinary Activities	**2.24**	**1.77**	**25.99**	**18.87**	**10.69**	**3.97**	**(103.07)**	**(119.29)**	**(64.15)**	**(94.68)**
Exceptional Items	-	7.75	-	1.55	7.60	(7.94)	2.61	1.14	10.21	2.49
Tax Expense	-	-	-	-	-	-			-	-
Net Profit	**2.24**	**9.52**	**25.99**	**20.41**	**18.29**	**(3.97)**	**(100.46)**	**(118.15)**	**(53.94)**	**(92.19)**
Other Information										
Segment Assets	102.56	9.16	901.45	1,128.46	107.38	71.21	51.39		1,162.78	1,208.83
Unallocated Corporate Assets					-	47.31	87.23	47.31	87.23	
Total Assets	**102.56**	**9.16**	**901.45**	**1,128.46**	**107.38**	**71.21**	**98.70**	**87.23**	**1,210.09**	**1,296.07**
Segment Liability	124.64	72.24	882.84	1,350.78	153.75	107.19	43.87		1,205.10	1,530.21
Unallocated Corporate Liabilities						4.99	(234.14)	4.99	(234.14)	
Total Liabilities	**124.64**	**72.24**	**882.84**	**1,350.78**	**153.75**	**107.19**	**48.86**	**(234.14)**	**1,210.09**	**1,296.07**

Composition of Sale for 2017-18

Export

(₹ in Crores)

Particulars	Sales
Agro Commodities	
Red Sanders	53.35
Tetryl (E)	0.94
Rice (E)	254.45
Total	**308.74**
Engineering & Mfg. Goods	
Cable	14.85
Sub Station Equipment	0.07
Biosafety Cabinet : Class I	0.12
Blood Culture Machine	0.20
Coagulation Analyzer	0.06
Differential Scanning Calorimeters	0.15
Homogenizer Similar To Ommi Mixer	0.03
Line Filtration System	0.41
Membrane and Filter Integrity Tester	0.13
Universal Motor Derive, Torque Robust	0.02
120 mm2 Cable Lug	0.01
16 mm2 X 95 mm2/ Tap 16-95 mm2 Piercing Connector	0.31
240 mm2 Cable Lug	0.01
2 Bolted Clamp Aluminium	0.01
35mm2 X 150 Piercing Connector	0.20
Guy Insulator	0.01
Guy Plate	0.03
Guy Rod	0.09
Hoist Grip	0.05
Preform/Guy Grip for 70mm2	0.01
3CX25+50+16Sq mm ABC (Bundled Conductor Ai)	1.71
Concentric Cables, 1 x 25mm2	0.14
Total	**18.87**
Grand Total	**327.61**

Import

(₹ in Crores)

Particulars	Sales
Industrial Raw Material	
Manganese Ore (I)	8.36
Coal	2,005.25
Steel Coils	219.45
Manganese Ore	86.10
Forged Tongue	6.71
Zinc	19.42
Aluminium	1.81
Zu-1-60 Rails, Steel Grade 880	2.59
Chemical (I)	1.84
Ethylene Vinyl Acetate Copolymer	7.63

Zinc	9.50
Aluminium	1.48
Red Lentils (I)	4.25
Total	**2,374.40**
Agro Commodities	
Sunflower Extraction Meal (I)	40.01
Toor (I)	2.93
Wheat (I)	77.24
Yellow Peas (I)	234.08
Total	**354.27**
Bullion	
Gold Bars (Kgs)	837.23
Silver Bars (Kgs)	229.83
Silver Grains (Kgs)	53.37
Total	**1,120.43**
Grand Total	**3,849.10**
*** Closing Stock is after considering normal loss / gain**	

Domestic

(₹ in Crores)

Particulars	Amount
Industrial Raw Material	
Armour Alloy Steel Plates	0.28
Coal (D)	0.38
Steel Pole	0.08
Coal	95.18
HR Coil	13.17
Iron Ore Lumps	13.11
Pig Iron	8.11
Iron Ore Drclo	14.60
Irone Ore - Baila Rom	2.17
Total	**147.08**
Agro Commodities	
Surge Arrestor	1.33
Total	**1.33**
Engineering & Mfg. Goods	
Array Mounting Structure	0.71
B/P Gypsy	0.86
B/P Morcha (D)	0.44
B/P Observation Post (D)	0.42
B/P Patkas	1.35
Battery	3.36
Bird Spikes	0.08
Bldc Padestal Fan	0.33
Bolt with Nut & Washer	0.01
Bullet Proof Glass	0.05
Bullet Proof Jacket	50.70
Bullet Proof Kit	0.21
Bullet Proof Patka	8.19

Cable Tie	0.00
Cables and Wires	0.06
Copper Cable	0.47
Copper Ring Lugs	0.00
Drilling Bits	0.00
Electrical Apparatus	0.04
Enclosure Box	0.08
Fabrication Work	0.50
Freight & Forwarding Charges	0.00
Gel Compounding Earthing	0.24
Gun Metal Elevation Rod	0.11
Holographic Sight (D)	0.39
Installation & Commissioning Services Solar Project	2.96
Storage and Warehousing Services	0.02
Led Lights/Luminaries	5.89
Lightning Conductor	1.35
MC4 Connector	0.02
Metal Box	0.01
Misc Items (D)	0.02
Pin Type Copper Thimble	0.00
Poles	0.31
Poles 3m Long	0.90
PVC Conduit Bends	0.04
PVC Pipe	0.06
Remote Monitoring System	0.02
Solar Inverter	2.35
Solar Panels	7.13
Solar Power Generating System	31.47
Solar Powered Street Light	0.43
Solar Street Light (Lease Rental)	0.89
SPV Modules	2.36
Wires and Cables	0.18
Sub Station Equipment	0.05
Civil Work Including Material	0.20
Civil Work Including Material (LOT)	0.03
Civil Work Including Material (MT)	0.08
Civil Work Including Material RM	0.04
Civil Work Including Material (SQM)	0.18
Complete Work of Site Assembly, Erection, Testing and Commissioning	0.36
Galvanized Hexagon Bolts, Nuts & Spring Washers etc	0.03
"Insurance Charges from Ex-Works Till Expiry of Defect Liability Period"	0.20
Iron Tube, Piles & Sheets	0.07
Lighting System	0.15
Total	**126.80**
Grand Total	**275.21**

J K Sarawgi & Company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To The Members of PEC Ltd.

1. Report on the Standalone Ind AS Financial Statements

We have audited the accompanying Standalone Ind AS financial statements of PEC Limited ("the Company"), which comprises the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including other comprehensive income), the statement of Cash Flows and Statement of changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Standalone Ind AS 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 and presentation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes 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; 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS 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 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 Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS 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 Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanation provided to us, the aforesaid Ind AS 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 including Ind AS of the financial position of the Company as at 31st March, 2018 and its financial performance including other comprehensive income, its cash flows and the changes in the equity for the year ended on that date

5. Emphasis of Matters

I. We draw attention to Note No 56 to the Standalone Ind AS financial statements in respect of non provision of liability, if any, arises in case of non-extension of time/waiver/write off of GR-1 forms.

II. We draw attention to Note No. 39 to the Standalone Ind AS financial statements in respect of balances under Sundry Payable/ Sundry Receivable/ Claims receivable/ Loans & Advances/ other liabilities, which have not been confirmed and any adjustments due to consequent reconciliation, if any, required is not ascertainable.

III. We draw the attention to Note No 41 to the Standalone Ind AS financial statements, where the Company has not obtained confirmation from its Associates and Suppliers required under Section 22 of 'The Micro, Small and Medium Enterprises Development Act, 2006'. In absence of collection of information, neither the amount outstanding due to micro enterprises and small enterprises, if any, has been stated in the financial statements nor the disclosure required as regards delayed payment of principal and interest and/or non-payment thereof, if any, could be made, which attracts penal provisions apart from payment of interest on delayed payments.

IV. We are unable to express our opinion on adequacy of value added tax receivable / payable, as VAT returns filed by the company with VAT authorities of various States are under reconciliation. Pending reconciliation, consequential adjustment, if any, not ascertainable.

V. We are unable to express our opinion on adequacy of Goods & Services Tax Act (GST) Input/output as GST Returns filed by the company with GST Authorities of various States are under reconciliation. Pending reconciliation consequential adjustments, if any, is not ascertainable.

VI. Various discrepancies with regards to GST observed are as under:-

a) Delayed payment of GST on advance resulted liability of interest thereon not provided for.

b) Delayed payment of GST (RCM) resulted liability of interest thereon not provided for.

c) Reversal of GST claim due to non payment to Suppliers within 180 days not considered will result of GST and interest thereon.

d) Liability of GST not considered in some cases; and where considered but not paid.

e) CGST/SGST paid instead of IGST and will result in demand of IGST in respective States apart from necessary corrections / adjustments on account of Mismatch of GSTR-1 & GSTR-3B.

f) GST not adjusted/paid properly in GST Returns will result in non availability of due credit to respective parties.

g) Mismatch of GSTR-1 & GSTR-3B of various Branches (States)

h) No documentation of address in VAT/GST Registration of various Branches (States)

i) ITC appearing in books not yet claimed fully.

VII. We draw attention to Note No 53 to the standalone Ind AS financial statements in respect of provision made for employee benefits in respect of post-retirement medical benefits (PRMB) and earned/half pay leaves. The present value of obligation as per actuarial valuation report in respect of the aforesaid employee benefits as at 31st March 2018 is Rs. 20.98 crores. The company has neither earmarked any investment nor has created any corpus for this purpose.

VIII. Required number of Independent Director was not appointed in the Board of the Company as per provisions of Section 149 (1) of the Companies Act, 2013 during the year.

IX. Under invoicing of rent from the tenant of PEC's premises located at Delhi to the tune of Rs.40000/- (incremental rent @ Rs.5000/- per month from Aug17 to Mar 18) .This has resulted decreased rental income and decrease of current asset. This has also resulted of short recovery of GST of Rs.7200/-and non payment to the Government.

X. During the Statutory Audit for the F.Y 2016-17, interest income of Rs.3,62,986/- appearing in the Bank certificate was noticed. The management at that time represented that the same does not relates to the PEC. However, at the instance of Auditors, PEC has written communication dated 16th June, 2017 to the State Bank of India, but, reply of SBI dated 22.06.2017 was not brought to the notice of Audit Team.

In the year under audit i.e F.Y 2017-18, letter received from the SBI Letter dt.02.06.2011 stating the fact of Rs.28,08,093/- was lying with SBI since the year 2009-10 after payment of Rs.39,54,422/- on 19.05.2011 to PEC was made available. The said amount was kept by SBI in Term deposit and auto renewed again and again .The last renewal was due on 25.03.2019 but communication dt. 08.11.2017 was sent to SBI for its premature encashment.

There was no clarification for, the ignorance of management on 16.06.2017 inspite the communication dt. 25.05.2017 was in possession. Further there was no clarification about the letter dt 02.06.2011 (7Years old) of SBI addressed to PEC enclosed with the letter associate dt.25.05.2017 on the basis of which Rs.46,67,336/- received from SBI was transferred to Associate.

XI. We draw the attention to Note No 46 to the Standalone Ind AS financial statements with regard to Trade payable of Rs.1059.06 crores includes Buyer's credit availed from Banks of Rs 438 crores, which resulted in over statement of Sundry Payable and understatement of Secured loans from Bank by the aforesaid amount.

XII. (a) We draw attention to Note No 38 to the standalone Ind AS financial statements in respect balance of loss amounting to Rs.113.95 crore on import and supply of edible oils in domestic Market in F.Y.2008-09 & 2009-10 and claimed from the Government. The same is appearing as claim receivable from the Government of India for which no confirmation, whatsoever, has been received from the Government earlier or in the year under audit or upto the date of signing the Annual Accounts. Non-writingoff of these claims, resulted in increase of Trade Receivables and decrease in losses of the Company to the extent of this amount.

(b) Further in respect balance of loss of Rs.231.52 crore over and above the reimbursement made by the Government on import of pulses on the directives of the Government of India. The Company has lodged claim with the Ministry of Consumer Affairs, Government of India. Considering the non- availability of any approved budget with the Govt. of India, the provision should have made for the same. In the meeting dt.12.07.2018 under the chairmanship of Hon'ble MOS for Commerce & Industry and Consumer Affairs, claim was made in three parts of Rs.26.08 crores, Rs.113.51 crore and Rs.69.22 crore aggregating to Rs.208.81 crores only against Rs.231.52 crores.

(c) The Company has also made claim of Rs.0.16 crore from Govt. Of India under PDS scheme. There was no correspondence for recovery of claim during the year under audit as well as no confirmation for acceptance of the same from the Govt of India. Non-provision has resulted increase in trade receivable and decrease in losses of the Company to the extent of Rs. 231.68 (Rs.231.52 crore+Rs.0.16 crore).

(d) Similarly claim of subsidy from Govt. of India on account of pulses for F.Y 2007-08 is appearing in Books at Rs.4.39 crore for which claim of Rs.26.08 crore has been filed in July 2014. There is no acceptance/ confirmation of claim from Govt. of India. Non provision has resulted increase in trade receivables and decrease in losses to the extent of Rs.4.39 crore.

XIII. Policy to make assessment of creditworthiness of the Business Associates has not been followed either at the time of deal or thereafter, in some of the cases, which resulted huge provisions in earlier years. During the course of audit, documents pertaining to Business Associates viz ' Lord's Mark Industries Ltd. and Vinergy International P. Ltd were requisitioned and our observations are as under

(a) In case of Lord's Mark, neither any record for assessment of credit worthiness nor supporting documents were available; and

(b) In case of Vinergy, copy of summary of proposal dated 21.03.2016 was made available to be viewed without any basic evidence. The basis of proposal appears to be made on Annual Accounts for 2014-15, Further there is no mention in the summary proposal with regards emcrumbances on Movable / Immovable properties and other liabilities of Vinergy.

XIV. Inventory Pledged with the Company and treated as security is being valued at cost. No assessment of Net Realisable Value (NRV), which may be less than cost and may make the outstanding due from Associates as unsecured to that extent. Further Legal and Security arrangement were also not complied with including registration of Pledge agreements with Registrar of Companies, which has resulted the Stock's ownership claimed by the Bankers under their hypothecation/other arrangements and Management had to consider Pledged inventory at zero value; Secured Receivable treated as unsecured Receivable; and provision was made in the earlier years for the entire outstanding due from certain Associates. Even no register/ record showing productwise, partywise stating value of goods under pledge is being maintained. That is why instead of repeated reminders statement of Pledged goods as on 31.03.2018 could not be made available to be viewed and comment.

XV. A bid was submitted to RECPDCL for supply of material and installation of Solar Home Packs and Solar Street Lights in Arunachal Pradesh along with Business Associate M/s Lord's Mark Industries Pvt. Limited (Lord). On back out by the Associate from the Project, PEC decided to execute the project on its own and at the so called risk and cost of Lords. Orders were placed for the materials-partially within the price range of the tender and partially exceeding the price range of the Tender. Sales Invoice were also raised for those items exceeding the Tender price, for which RECPDCL has denied in writing to pay any excess price beyond the tender rate, which resulted booking of excess sale than agreed. Management expressed its inability to quantify the loss in between the process of the project. Further, Company has out pocketed money on account of statement to vendor and incurring loss of interest thereon.

As regards installation work, RECPDCL vide its letter DT 13-08-2018 requested PEC to handover the material to APEDA for installation of material.

Prior to back out by the Associate (Lord's), certain material was supplied by him and the same is lying credit in his account and shown under the head Trade Payable apart from recovery of Rs.90 Lakhs by invoking the Performance Guarantee against the anticipated losses of the project. This has resulted increase in Trade Payable and decrease in security against losses in the project.

XVI. In case of certain Business Associate, provision was made in earlier years against entire outstanding due from them. In this year, payment has been made by debiting to such Associate accounts as detailed hereunder:-

S. No.	Name of Associates	Amount (Rs.)	Remarks
(i)	Saraf Impex	2035.00	Bank charges for bouncing of Cheques.
(ii)	PBR Impex	863.50	Bank charges for bouncing of Cheques.
(iii)	Pisces Exim	7,63,302.00	Short payment of custom duty (2010-11)
		8,91,432.00	Interest on Short custom duty.
(iv)	Tathagat Exports P.Ltd	1,39,170.00	Insurance Premium on goods pledged with the Company.
(v)	Sri Vasvai Ind. Ltd (Import)	1,68,120.00	Surveyors charges (April/Nov 2017)
(vi)	Oshiya Industries P.Ltd	11,91,336.00	Sales tax demand (F.Y 2012-13)
	Total	**31,56,258.50**	

The provision against the above stated Associates was made in earlier years in case of S. No (i) Rs.13.70 crore ; S.No (ii) Rs.12.26 crore; S.No (iii) Rs.331.89 crore; S.No (iv) Rs.15.57 crore; S.No (v) Rs.6.42 crore; and S.No (vi) Rs.11.10 crore. At the end of year the additional provision has also been made of aforesaid amount of Rs.31,56,258.50 being doubtful . In view of facts of the cases, it was certain that amount Is not recoverable, the same could have been booked in respective heads of expenses. Further in Case S.No (iv), the insurance has been taken inspite of the fact that neither location of the materials is identifiable nor the socalled lease of the land for material exists. Not only this provision of Rs. 6.42 crore has already been made treating the zero value of the material.

XVII. Sales has been booked in earlier years for material sold and the said material was kept as pledge for the want of recoveries from Sri Vasavi Industries Ltd (SVIL). In the year 2015-16, pledged goods treated at zero value, treated the outstanding of Rs. 6,41,71,009/- due from associate as unsecured and doubtful; and created the provision for the same.

The Pledged goods was contracted for sale at Rs.1.95 crores but the buyer has taken part delivery against which Invoice was raised for Rs. 39,23,469/- (3846538+ST 75931). For the purpose, notional purchase from unregistered dealer has been booked equivalent to later Sale proceeds. The buyer claimed that the quality of material has no worth and ask for refund the money paid under the contract. This has resulted inflated Purchases of Rs. 38,46,538 /- & Inflated Sales of Rs. 38,46,538/- .

The other consequence of the above matter is that dues outstanding from Associate SVIL has reduced by Rs.38,46,538/- with the aforesaid notional purchase of coal. The outstanding due from SVIL has reduced from Rs. 6,41,71,008.67/- to Rs.6,03,24,470.67/-. But the provision of Rs.6,41,71,008.67/- made in the F.Y 2015-16 against the then outstanding not reversed with the credit in their account for the above said notional purchase. This has resulted excess provision of Rs.38,46,538/- and increase in losses.

XVIII. During the year Sale of coal was made to M/s Nikhil Coke & Minerals P. Ltd vide Invoice dated 31.05.2017, 30.06.2017 for Rs.38,46,538/- charging Sales tax @ 2% amounting to Rs. 76931.00 being interstate Sale against ' C ' form . 'C ' Form neither received nor expected to be received due to dispute which will result in liability of Sales tax at full rate of 5% amounting to Rs.1,92,327/- and after adjusting deposit of 2 %, the remaining liability comes to Rs.1,15,396/- for which no provision has been made. This has resulted decrease liability of Sales tax amounting to Rs. 1,15,396/- plus interest thereon from the dates of Invoices, and increase in Trade/Security Deposits shown under the head other current liabilities.

Further No TCS was collected of Rs.39235/- on the above sale. However on pointing out, the same has been debited to Associate's Account by showing Statutory Dues and paid on 20.08.2018.

XXIX. There are debit balances due from certain Business Associates against which provisions were made in the F.Y 2015-16 but credit balances lying in their account shows outstanding as on 31.03.2018 as detailed hereunder for which there is no justification.

(Rs. in crores)

Name of Associates	Dr. Balance as on 31.03.2018	Provision made upto 31.03.2018	Credit balance as on 31.3.2018
K S Oils Ltd	59.32	59.32	0.31
Mihijam Vanaspati Ltd	6.84	6.84	0.05
NCS Sugars Ltd	52.37	52.37	0.47
Shree Laxmi Trading Exports	58.36	58.36	0.58
Pisces Exim	332.05	332.05	0.72
Total	**508.94**	**508.94**	**2.13**

This has resulted increase in other current liability and decrease in losses.

XX. There are cases of Short provisioning in F.Y 2015-16 against debit balances due from Associates as under:-

Name of Associates	Amount due	Provision made	Short provision	Related Payable
Impex Trading Pte Ltd	78,05,990	10,55,990	67,50,000	Saraf Impex
Saraf Impex Pefc	1,84,94,424	1,47,18,424	37,76,000	Goyal Enterprises
Total	**2,63,00,414**	**1,57,74,414**	**1,05,26,000**	

From the data short provision appears of ₹ 1,05,26,000/-. Further there is credit balance of ₹ 67,50,000/- in case of Saraf Impex as appearing above. After adjusting of the same amount, due from Saraf Impex comes to ₹ 1,17,44,424/- (₹ 1,84,94,424 - ₹ 67,50,000) i.e excess Provision of ₹ 29,74,000/- (₹ 1,47,18,424 - ₹ 1,17,44,424) against Saraf Impex and Short provision ₹ 67,50,000/- for Impex Trading Pte Ltd. This has resulted increase in Trade receivable by ₹ 67,50,000/- and increase in Trade payable by ₹ 67,50,000; and in Short provision by ₹ 37,76,000/- (₹ 67,50,000 - ₹ 29,74,000) and increase in Trade Receivables.

XXI. Bank has debited PEC on 05.03.2018 by ₹ 33,56,004/-. In the voucher No MAR EA 62 dated 31.03.2018, the account of Associate viz Phoolchand Exports P. Ltd Mumbai was debited by crediting State Bank of India being amount debited towards custom duty by Custom Authorities, Krishnapatnam, alongwith copy of inter department email exchanged on 14.05.2018. But neither facts were stated in the voucher and supporting evidence enclosed with the voucher However, on pursuation, copy of recovery Notice dt. 14.02.2018 issued by J.C. of Customs was made available from which the facts were transpired as under:-

Particulars	Amount (₹)
Short payment of Custom duty	₹ 14,70,412/-
	₹ 18,85,592/-
Total	**₹ 33,56,004/-**

This was based on the order No 01/2015 dt 30.07.2015 which was overlooked. The provision for amounting of Rs. 42,78,84,916/- outstanding due from the said associate was made in the F.Y 2015-16 without considering the amount of Rs.33,56,004/- During the F.Y 2017-18, the said amount has been debited to Associate A/c but no provision has been made for this payment of Rs.33.56 Lakhs. This has resulted increase in trade Receivable and decrease in losses.

Further no provision for liability of interest @ Rs.604/- per day from the date of order (30.07.2015) to the date of payment (05.03.2018) has been made in terms of the order, which comes Rs.5.73 lakhs.

Reference is invited to Emphasis of matter paragraph, wherein clauses i to viii, x, xiv to xvii either has no effect on the financials or the amount whereof is unascertainable. Impact of other clauses will result in

a. Increase in (i) Trade Payable Rs. 438.67 crores (ii) Trade Receivable Rs.350.70 crores (iii) other current liabilities Rs. 0.015 crores (iv) Losses 25.52 crores;

b. Decrease in (i) Trade receivable Rs. 0.76 crores (ii) Current Assets Rs. 0.004 crores (iii) Current Tax Liabilities Rs. 0.015 crores (iv) Losses Rs 350.73 crores;

c. Inflated Purchases and Sales of Rs. 385 crores each; and

d. EPS for the year ended 31.03.2018 would have been effected with the same

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

6. Other Matters

A. The comparative financial information of the Company for the year ended March 31, 2017 and the transition date opening balance sheet as at April 1, 2016 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2017 and March 31, 2016 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended). Financial statement for the financial year ended 31st March 2017 were audited by us and expressed an unmodified opinion vide report dated 29th June 2017, whereas financial statement for the year ended 31st March 2016 which were audited by the predecessor auditor and expressed an unmodified opinion vide report dated 15st Sep. 2016. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us.

B. We did not audit the financial statements of wholly owned subsidiary Company viz Tea trading Corporation of India Ltd which was demerged from State Trading Corporation vide order dated 28.03.2003 of the Ministry of Commerce & Industry and whose financial statements were not available with the management since inception and investment therein has been shown at Rs. One (Refer Note 42 C of Standalone Financial Statements)

In absence of the records of subsidiary, no consolidation of Accounts were made available to conduct the audit under Ind AS.

C. The Company is incurring losses year after year end and Capital has been eroded due to continuous losses; Ministry of Commerce and Industry, Department of Commerce, Govt. of India is considering for closure of the Company and Board of Directors has also considered and record its consent for the same; Further the Bankers (Lenders) have also stopped the operation in the financial facilities being availed by PEC Ltd in the F Y 2018-19.

The Company has prepared the accounts on going concern basis considering the various actions taken by the management under the supervision of the administrative ministry.

7. Report on Other Legal and Regulatory Requirements

(a) 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-1" a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.

(b) As required by Section 143 (3) of the Act, we report that:

i. 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 except stated elsewhere in the report;

ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

iii. The Balance Sheet, the Statement of Profit and Loss, the statement of Cash Flows and Statement of Changes in Equity, referred to in this report are in agreement with the books of account.

iv. Except for the effects arising from the matters described in the Emphasis of matter paragraph, read with notes to the standalone Ind AS financial statements, In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder and Rule 3&4 of the Companies (Indian Accounting Standards rules, 2015)

v. With respect to qualification of directors, it was represented that no director was appointed during the financial year 2017-18 for obtaining representation from them under the provisions of Act. As regards existing directors, no representation was obtained from the Directors as on 31.03.2018 being Government Company, which is exempt from the provisions of section 164(2) of the Act vide notification dated 5th June, 2015 issued by Ministry of Corporate Affairs.

vi. With respect to the adequacy of internal financial controls over financial reporting of the company and operating effectiveness of such controls, refer to our separate Report in "Annexure-2"

vii. As required by C & AG of India through sub-directions, issued under Section 143 (5) of the Company's Act, we give our report in the attached "Annexure-3"

viii. 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.

a) There are pending litigations including matters relating to sales tax, custom duty and excise duty Income tax/sales tax which are disclosed as contingent liability - refer to 37A (c) to the standalone Ind AS financial statements, the impact of the same is unascertainable as the matters are sub-judice.

b) The Company has made provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts.

c) According to the information and explanation given to us, the Company is not required to transfer any amount to Investor Education and Protection Fund in accordance with relevant provisions of the Companies Act, 2013 and rules made thereunder.

Place: New Delhi
Date: 19.09.2018

For J K Sarawgi & Company
Chartered Accountants
FRN: 006836C

Sd/-
(CA L S Khandelwal)
Partner
Membership no.: 009878

Annexure-1 to the Independent Auditors' Report on the Standalone Ind AS Financial Statements of PEC LTD.

(Referred to in Paragraph (a) under the "Other Legal & Regulatory Requirements")

We further report that:

1. **In Respect of its Fixed Assets**

   i. The Company's proper records in respect of its fixed assets showing full particulars including quantitative details and situation of fixed asset as required under the Companies Act, 2013 are in process of updation.

   ii. As informed, Company has a regular programme of preparing data of assets lying at Delhi office based on physical verification, but no such exercise is being done at the Branches. The discrepancies, if any, are not ascertainable in absence of reconciliation of physical verification with the records.

   Further sale proceeds of Fixed assets at Delhi & Ahmedabad to the tune of Rs. 6619/- and Rs. 58355/- has been shown as Misc Income instead of adjustment in Fixed Assets and consequential effect on depreciation. The amount is not certainable in absence of correlation of assets with the Fixed Assets records.

   iii. Title Deeds of immoveable property are held in the name of the Company based on original documents of Delhi & Mumbai and Photocopy of Chennai property (originals reported as misplaced/ not traceable). No information, whatsoever, is available for steps taken for misplace of title deeds including FIR with Police; Publication; intimation to registering authority etc.

2. **In Respect of its Inventory**

   a) As per information and explanation provided by the management, physical verification of inventories owned by the Company is undertaken by the Company through surveyors, from time to time. Verification of goods like coal etc. is not by actual weighment, but by actual receipt and dispatch, without accounting for excess quantity and/or for excess handling losses. Generally, excesses/shortages are identified only after dispatch of entire cargo. Shortages noticed on physical verification are on the account of Associates. In respect of goods in the custody of third parties, certificate is obtained from the custodian of stocks viz. Port Authorities, Warehouse owners, Surveyors, Handling agents, Business Associates etc in some cases.

   b) In our opinion and according to the information and explanation provided to us, procedure of physical verification is not commensurate with the size of the Company and nature of its business, which needs to be improved with regard to implemention of guidelines for physical verification of stock, reporting on quality of stocks by the handling agents, verification of authenticity of stock certificates issued by surveyors and/or handling agents, physical verification of stocks by employees at periodic intervals as stated in the trade guidelines.

   c) As regards goods kept pledged against outstandings due from Associates, neither business practice in general nor trade guidelines of PEC were followed, whether it relates to physical verification by the PEC officials or relates to legal compliances in order to safeguard the interests of the Company. The same is apparent from the facts that secured debtors against pledge of goods became unsecured and huge provisions were made in F.Y. 2015-16 & 2016-17.

   d) The Company is maintaining transaction-wise details of stock owned by the Company based on information received from the custodian of stocks viz. Port Authorities, Warehouse owners, Surveyors, Handling agents, Business Associates etc. But in case of inventory pledged with the Company, no consolidated proper or systematic record has been maintained for the inventory pledged with the Company as security against outstanding dues from Debtors. In this connection, it is noticed that trade guidelines in General or PEC in specific for safeguarding the interests of the Company (PEC) have been overlooked.

3. **Loans given to parties covered under section 189**

   As per information and explanation provided by the management, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3 (iii) of the Order is not applicable to the Company.

4. **Compliance of Provision of Section 185 and 186 of the Companies Act, 2013 in respect of loans, guarantees and securities**

   According to the information and explanations given to us, and as per the records verified by us, the Company has complied the provisions of Section 185 and 186.

5. **Acceptance of Deposits**

   According to the information and explanations given to us, the Company has not accepted deposits as per the directive issued by the Reserve Bank of India and the provision of Section 73 to 76 or any other relevant provision of the Act and the rules framed there under.

6. **Maintenance of Cost Records**

   As explained to us, maintenance of cost records has not been prescribed by the Central Government for the company under Section 148(1) of the Act

7. **Undisputed & Disputed Statutory Dues**

(a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, sales tax, service tax, value added tax, duty of customs, cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, service tax, value added tax, duty of customs, cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable except stated as under:-

S. No.	Nature of Statutory dues	Amount (Rs.)	Remarks
1	Value added Tax (VAT)	Rs. 19360 + Interest	Since paid
2	TDS on deemed Sales	Rs. 52396 + Interest	Since paid
3	TCS on sale of coal	Rs. 39235 + Interest	On sale of coal in May & June, 2017. Since paid
4	Goods & Services Tax (GST)	Rs. 7200 + Interest	On under billing of Rent of Delhi Premises from Aug 17 to March 18 (since paid)
5	Sales tax (non-collection of 'C' form)	Rs. 1,15,396 + Interest	Non collection of 'C' Form on interstate sale. Diff. of sales tax (5%-2%)

(b) According to information and explanations given to us, status of income tax, duty of customs, service tax and sales tax not deposited by the Company on account of disputes is as under:-

Sl. No.	Name of Statute	Nature of dues	Period to which relates	Forum where dispute is pending	Amount (Rs. in crores)	Amount Deposited/ under protest/ adjusted by tax Authorities (in Crores)	Amount not Depo--sited (Rs. in crores)
1	Income Tax Act, 1961	Income Tax	2008-09	CIT (Appeals), Delhi	0.02	NIL	0.02
2	Income Tax Act, 1961	Income Tax	2012-13	CIT (Appeals), Delhi	0.52	-	0.52
3	Customs Act, 1962	Customs Duty (Penalty)	2002-05	Office of Commiss--ioner of Central Excise & Customs, Surat	0.19	-	0.19
4	Customs Act, 1962	Customs Duty	2009-10	Office of Commiss--ioner of Customs, Mumbai	0.07	-	0.07
5	Customs Act, 1962	Customs Duty (Penalty)	2012-13	CESTAT, Ahmedabad	6.25	-	6.25
6	Customs Act, 1962	Customs Duty (Penalty)	2012-13	CESTAT, Ahmedabad	3.00	-	3.00
7	Finance Act, 1994	Service Tax	2006-07 to 2010-11	CESTAT, Delhi	7.53	0.56	6.97
8	Central Sales Tax Act, 1956	Sales Tax (Tax Penalty)	2000-01	Madras High Court	3.48	-	3.48
9	Maharashtra Sales Tax	Sales Tax (Tax & Penalty)	2002-03	Sales Tax Dept. Mumbai	11.36	-	11.36
10	Maharashtra Sales Tax	Sales Tax (Tax & Penalty)	2003-04	Sales Tax Dept. Mumbai	3.75	-	3.75
11	Delhi VAT	VAT (Tax & Penalty)	2013-14	Delhi VAT	22.19	-	22.19
	Total				**58.36**	**0.56**	**57.80**

8. Loans from Banks/Financial Institutions/Government/Debentures

In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks during the year under audit. The Company does not have any loans and borrowings from any financial institutions, government and debenture holders during the year. However, during the F.Y 2018-19, Bankers (Lenders) have restricted the operations to avail financial facilities.

9. Proceeds of Public Issue(including debt instruments)/Term Loans

According to the information and explanations given to us and as per the records verified by us, the Company has not raised any money during the year through initial/further public offer (including debt instruments). Term loans raised by the company during the year have been utilized for the purpose for which they were obtained.

10. Frauds on or by the Company

Management has not informed any instance of fraud on or by the Company or its officers. However, Company has filed four cases in EOW and nine cases in CBI pertaining to defaults in the Financial years 2012-13 to 2015-16 for the outstandings to the tune of Rs. 820.99 crore as on 10.11.2017 in the Books of Accounts.

Further on going through the documents on random basis of some Business Associates in accordance with generally accepted auditing practices in India, we observed as under :-

a) Maa Tarini Industries Ltd & Tathagat Exports P. Ltd

In case of **Maa Tarini Industries Ltd., (MTIL)** partly material has not been verified even by the Surveyor.

In case of **Tathagat Exports P. Ltd., (Allied establishment of MTIL)** even the location is not identifiable.

In both cases, trade guidelines whether General or PEC in Specific were overlooked whether with regards to disposal of goods within the period specified or whether for physical verification of stock by PEC officials or otherwise. Further in case of Tathagat Exports neither the existence of material is verifiable nor the so called Lease deed of the location exists nor the material is insured from April 2018 and onwards.

In both the cases provision was made in the Accounts of the Financial year 2015-16 but no legal proceeding were started by that time.

b) KS Oils Ltd & SL Consumers Products Ltd

In case of KS Oils Ltd (KSOL), imports were made by PEC on behalf of KSOL in the financial year 2012-13, when the KSOL was facing accute financial crises; Lenders of KSOL considered CDR; and three Plants out of 4 Plants were not operating. Further, Initially the goods was kept under Pledge but the same was allowed against PDC and such PDC were replaced from time to time without enquiring the financial status of the Associate and altogether ignoring the interests of PEC

As regards so called collateral security of the Allied establishments, neither any required documents were obtained nor the Compliances were made. Even the Annual reports of the establishments having ownership were not obtained. It indicates that the collateral was not capable for recovery of dues since its inception. No recovery was made till now from the so called mortgaged property. Not only this, on the basis of so called collateral security, financial facilities were also made available to the allied establishments SLCPL but no compliances, whatsoever, were made with regards to collateral under the laws of land including registration with Registrar of Companies. Financial limit being availed by KSOL was transferred to SLCPL and that too for the purchase of material to KSOL.

Suit under NIA (Negotiable Instrument Act) were filed in April 2017 & Jan 2017 in case of KSOL & SLCPL respectively after 4/5 years period while the provision for the same was made treating the same doubtful in the year 2015-16 without any legal/other efforts for recovery of the same.

c) Vinergy International Pvt Ltd

In case of Vinergy International Pvt. Ltd, summary of proposal dated 21.03.2016 was made available for financial facilities based on Annual Accounts for the F.Y 2014-15. Further emcrumbances on the movable/immovable Assets and other liabilities / contingent liability were overlooked which resulted inadequate assessment of credit worthiness.

11. Managerial Remuneration

According to the information and explanations given to us and as per the records verified by us, managerial remuneration has been paid/provided for by the Company during the year under review. Section 197 of the Companies Act, 2013 is not applicable to the Company being Govt. Company vide notification No 372 dated 15.06.2015 published in Gazette of India.

12. Nidhi Companies

The Company is not a Nidhi Company during the year under review and hence, the criteria as stipulated under Nidhi Rules 2014 are not applicable to the Company.

13. Related Party Transactions

As per the information and explanations given during the course of our verification, there was no transaction with the related parties pursuant to Section 188 of the Companies Act.

14. Preferential Issue

During the year, the company has not made any preferential allotment or private placement of equity shares or convertible debentures and hence the requirements of Section 42 of the Act are not applicable.

15. Non-Cash Transactions with Director's etc.

As per the information and explanations provided to us, during the year, the Company has not entered into any non-cash transactions with directors or persons connected with the directors within the purview of section 192 of the Act are not applicable.

16. Provision of 45-IA of the Reserve Bank of India Act,1934

According to the information and explanations given to us and as per the records verified by us, during the year, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934.

For JK Sarawgi & Company
Chartered Accountants
FRN: 006836C

Place: - New Delhi
Date:- 19.09.2018

Sd/-
(LS Khandelwal)
Partner
Membership No.: 009878

Annexure-2 to the Independent Auditors' Report of even date on the Ind AS standalone financial statements of PEC Ltd.

Report on the Internal Financial Controls over financial reporting under Section 143(3)(i) of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of PEC Ltd. (“the Company”) as of March 31, 2018, in conjunction with our audit of the standalone Ind AS 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 (the 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.

Auditor's 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 and the Standards on Auditing, issued by the ICAI deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those standards and the Guidance Note 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 exist, and testing and evaluating the design and operating effectiveness of the internal control based on the assessed risk . The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the Ind AS 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 of 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 Ind AS 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 Ind AS financial statements in accordance with generally accepted 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 Ind AS 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.

Material weakness

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2018:

a. non-obtaining confirmation of balances of Trade receivables and Trade payables and reconciliation thereof;

b. non-physical verification of own stock and pledged stock at regular intervals by employees as per trade guidelines;

c. non-verification of stock certificates issued by surveyors and handling agents;

d. non review of financial health of associates at regular intervals;

e. ex post facto approval by Board and COM in few of the cases;

f. no documented policy for filing of legal cases against debtors, associates for recovery of dues and advances;

g. no documented policy for writing off of debts/advances/claims;

h. no documented policy for rotation of employees;

i. pending reconciliation of vat returns;

j. pending reconciliation of GST Returns;

k. appointment of handling agents and security agencies by the associates;

l. inadequate coverage of internal audit, absence of compliances and non closure of reports;

m. Non maintenance of information under Section-22 of The Micro, Small and Medium Enterprises Development Act, 2006, which attract penal provisions;

n. Non-accounting of TDS by customers made in time;

o. Delayed adjustment of Value Added Tax (VAT) and non-payment of interest thereon;

p. Delayed adjustment of TCS and delayed payment thereof;

q. Non maintenance of Register in form MBP-4 with regards Directors;

r. Non maintenance of Proper Register for stocks kept under Pledge and valuation thereof;

s. Payment expenditure Rs. 10000/- in cash through employees (Arunachal State);

t. Non-compliance prior to making payment of Medical Expenses in few case;

u. Delay in booking of expenditure;

v. Delay in booking Purchase (Arunachal Pradesh);

w. Avoidance of Trade Guidelines by marketing / recovery division; and non-registration of pledge agreement with Registrar of Companies.

x. Pending reconciliation of Income tax provision;

y. Pending updation of Fixed Assets Records;

z. Non accounting treatment of credit balances of Business Associates against their debit balances.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Opinion:

In our opinion, subject to aforesaid areas in which improvement is required, as discussed and agreed by the management, the Company has, in other material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March, 31st 2018, 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
Date: 19.09.2018

For J K Sarawgi & Company
Chartered Accountants
FRN: 006836C

Sd/-
(CA L S Khandelwal)
Partner
Membership no.: 009878

Annexure-3: To the Independent Auditors' Report of even date on the Standalone Ind AS Financial Statements of PEC Ltd.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of PEC Limited for the financial year 2017-18 issued by the Comptroller & Auditor General of India under section 143 (5) of the Companies Act, 2013.

(1)	Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If, not, please state the area of freehold and leasehold land for which title/lease deeds are not available?	According to the information and explanation given to us and based on our verification, the company does not own any freehold and leasehold land. However, title deeds of immoveable property i.e. Residential building at Delhi, Mumbai & Chennai are held in the name of the company. In case of Delhi & Mumbai original Title deeds while in case of Chennai, copy of title deeds was made available to be viewed as the originals have been reported as misplaced and not traceable.
(2)	Whether there are any cases of waiver / write off of debts / loans / interest etc., if yes, the reasons therefor and the amount involved.	Sundry debtors recoverable to the extent of ₹ NIL were written off during the year.
(3)	Whether proper records are maintained for inventories lying with third parties and assets received as gift /grant from the Government or other authorities.	According to the information and explanation given to us, the company has not received any asset as gift from the Government or other authorities. The Company is maintaining transaction-wise details of Stock owned by the Company based on information obtained from the custodian of stocks viz. Port Authorities, Warehouse owners, Surveyors, Handling agents, Business Associates etc. However, no consolidated record is available for the Stocks pledged with the Company as security against outstanding dues from the Business Associates.

Place: New Delhi
Date: 19.09.2018

For J K Sarawgi & Company
Chartered Accountants
FRN: 006836C

Sd/-
(CA L S Khandelwal)
Partner
Membership no.: 009878

Management's Reply to qualifications/observations of Statutory Auditors in their report for the Financial Year 2017-18.

Statutory Auditor's Observations	Management's Reply
1. We draw attention to Note No 56 to the Standalone Ind-AS financial statements in respect of non provision of liability, if any, arises in case of non-extension of time/waiver/write off of GR-1 forms.	The buyer reportedly had gone into the liquidation and PEC could not realize the export proceeds against two vessels. Necessary claims were made with the liquidators in Hong Kong for the said shipments. PEC has so far received only approx. ₹ 62.52 Lakh against the total admitted claim by the liquidator for $3,802,495.08 (INR 23 Crore approx.) for the above two vessels. Approval for waiver already applied through Authorized Dealer from RBI as the liquidation process is already completed and no more foreign Exchange is expected.
2. We draw attention to Note No. 39 to the Standalone Ind-AS financial statements in respect of balances under Sundry Payable/ Sundry Receivable/ Claims receivable/ Loans & Advances/ other liabilities, which have not been confirmed and any adjustments due to consequent reconciliation, if any, required is not ascertainable.	The accounts with the associates are settled on completion of each transaction and difference if any are reconciled. Provision for consequential adjustment of losses is not envisaged.
3. We draw the attention to Note No 41 to the Standalone Ind AS financial statements, where the Company has not obtained confirmation from its Associates and Suppliers required under Section 22 of 'The Micro, Small and Medium Enterprises Development Act, 2006'. In absence of collection of information, neither the amount outstanding due to micro enterprises and small enterprises, if any, has been stated in the financial statements nor the disclosure required as regards delayed payment of principal and interest and/or non-payment thereof, if any, could be made, which attracts penal provisions apart from payment of interest on delayed payments.	Information regarding classification of all associates & suppliers into Micro, Small and Medium Enterprises is not available with us as almost all the suppliers are from Overseas market only. Further, purchases are made for trading purposes and not for own consumption.
4. We are unable to express our opinion on adequacy of value added tax receivable / payable, as VAT returns filed by the company with VAT authorities of various States are under reconciliation. Pending reconciliation, consequential adjustment, if any, not ascertainable.	VAT payable/receivable as at Balance Sheet date is subject to reconciliation with VAT returns filed with the authorities of various states.
5. We are unable to express our opinion on adequacy of Goods & Services Tax Act (GST) Input/output as GST Returns filed by the company with GST Authorities of various States are under reconciliation. Pending reconciliation consequential adjustments, if any, is not ascertainable.	GST payable/receivable as at Balance Sheet date is subject to reconciliation with GST returns filed with the authorities of various states.
6. Various discrepancies with regards to GST observed are as under:- a) Delayed payment of GST on advance resulted liability of interest thereon not provided for. b) Delayed payment of GST (RCM) resulted liability of interest thereon not provided for. c) Reversal of GST claim due to non payment to Suppliers within 180 days not considered will result of GST and interest thereon. d) Liability of GST not considered in some cases; and where considered but not paid.	 a) For clarity in the matter legal opinion has been sought for and suitable action will be taken. b) Interest due has already been paid. c) For clarity in the matter legal opinion has been sought for and suitable action will be taken. d) Issue of GST on assets transferred to employees is under consideration.

Auditor's Observations	Management's Reply
e) CGST/SGST paid instead of IGST and will result in demand of IGST in respective States apart from necessary corrections / adjustments on account of Mismatch of GSTR-1 & GSTR-3B. f) GST not adjusted/paid properly in GST Returns will result in non availability of due credit to respective parties. g) Mismatch of GSTR-1 & GSTR-3B of various Branches (States) h) No documentation of address in VAT/GST Registration of various Branches (States) i) ITC appearing in books not yet claimed fully.	e) This was classification error duly rectified at the time of filing GSTR-1. There is no short payment of Tax, further clarification if asked by GST Authority shall be provided. f) Suitable action has been taken for the transactions which were not reported earlier during FY 2017-18 by reporting the same in GSTR-3B for the month of September 2018. g) Reconciliation is being done. h) Necessary action in this regard is being taken. i) Action will be taken as per the decision taken by the management in this regard
7. We draw attention to Note No 53 to the standalone Ind AS financial statements in respect of provision made for employee benefits in respect of post-retirement medical benefits (PRMB) and earned/half pay leaves. The present value of obligation as per actuarial valuation report in respect of the aforesaid employee benefits as at 31st March 2018 is Rs. 20.98 crores. The company has neither earmarked any investment nor has created any corpus for this purpose.	The company is following the norms adopted by other entities in the industry. Moreover, there is no such statutory requirement of creating corpus towards Post Retirement Medical Benefits.
8. Required number of Independent Director was not appointed in the Board of the Company as per provisions of Section 149 (1) of the Companies Act, 2013 during the year.	PEC, being a 100% Govt. Of India Enterprises, its board of Directors including Independent directors are appointed by Administrative Ministry i.e. Ministry of Commerce and Industry. We have already approached the Ministry of Commerce and Industry for appointment of Independent Director on our Board.
9. Under invoicing of rent from the tenant of PEC's premises located at Delhi to the tune of Rs.40000/- (incremental rent @ Rs.5000/- per month from Aug17 to Mar 18) .This has resulted decreased rental income and decrease of current asset. This has also resulted of short recovery of GST of Rs.7200/- and non-payment to the Government.	Rental income on account of incremental rent has been received during the current year i.e. 2018-19 and consequentially applicable GST has been paid during the Current Financial Year.
10. During the Statutory Audit for the F.Y. 2016-17, interest income of Rs.3,62,986/- appearing in the Bank certificate was noticed. The management at that time represented that the same does not relates to the PEC. However, at the instance of Auditors, PEC has written communication dated 16thJune, 2017 to the State Bank of India, but, reply of SBI dated 22.06.2017 was not brought to the notice of Audit Team. In the year under audit i.e. F.Y 2017-18, letter received from the SBI Letter dt.02.06.2011 stating the fact of Rs.28,08,093/- was lying with SBI since the year 2009-10 after payment of Rs.39,54,422/- on 19.05.2011 to PEC was made available. The said amount was kept by SBI in Term deposit and auto renewed again and again.The last renewal was due on 25.03.2019 but communication dt. 08.11.2017 was sent to SBI for its premature encashment. There was no clarification for, the ignorance of management on 16.06.2017 in spite the communication dt. 25.05.2017 was in possession. Further there was no clarification about the letter dt. 02.06.2011 (7Years old) of SBI addressed to	During the Audit for F/Y 2016-17, the management vide its representation dated 20.06.2017 to Statutory Auditors had already informed that "FDRs/ STD was created against short interest paid on Short Term Deposit created in past against court order on behalf of Associate. The necessary entries shall be passed in current Financial year in the books of accounts upon receipt of information. The Letter dated 02.06.2011 did not contain any information with regard to creation of any fixed deposit and the fact regarding creation of FDR on 19.05.2012 of their own was not bought to the notice of PEC by SBI. Therefore, PEC sought information vide letter dated 16.06.2017 from SBI and on receipt of information vide their letter dated 22.06.2017 wherein details of underlying transactions were provided by SBI. Accordingly, PEC released the amount to the concerned associate.

Auditor's Observations	Management's Reply
PEC enclosed with the letter associate dt.25.05.2017 on the basis of which Rs.46,67,336/- received from SBI was transferred to Associate.	
11. We draw the attention to Note No 46 to the Standalone Ind AS financial statements with regard to Trade payable of Rs.1059.06 Crores includes Buyer's credit availed from Banks of Rs 438 Crores, which resulted in over statement of Sundry Payable and understatement of Secured loans from Bank by the aforesaid amount.	The buyer's credit is availed by the Company in cases where either supplier's credit is not available or is available for a limited period. As per RBI Guidelines, buyers credit can be availed up to 360 days. In such cases Indian Banks guarantee to the foreign bank, undertaking to make the payment at stipulated date which has been duly disclosed in Notes to Accounts.
12.	
(a) We draw attention to Note No 38 to the standalone Ind AS financial statements in respect balance of loss amounting to Rs.113.95 Crores on import and supply of edible oils in domestic Market in F.Y.2008-09 & 2009-10 and claimed from the Government. The same is appearing as claim receivable from the Government of India for which no confirmation, whatsoever, has been received from the Government earlier or in the year under audit or up to the date of signing the Annual Accounts. Non-writing off of these claims resulted in increase of Trade Receivables and decrease in losses of the Company to the extent of this amount.	(a) We have re-submitted a claim to Ministry of Consumer Affairs, Food and Public Distribution. PEC has requested for release of the pending subsidy amount to the tune of Rs. 46.86 crore on account of sale of imported edible oil in the open market, on the ground that the claim for sale to State Governments has not been verified by any agency till date. The balance claim amounting to Rs. 67.09 crore, is also being pursued since these are losses all incurred by PEC on account of imports mandated by the Government.
(b) Further in respect balance of loss of Rs.231.52 crore over and above the reimbursement made by the Government on import of pulses on the directives of the Government of India. The Company has lodged claim with the Ministry of Consumer Affairs, Government of India. Considering the non- availability of any approved budget with the Govt. of India, the provision should have made for the same. In the meeting dt.12.07.2018 under the chairmanship of Hon'ble MOS for Commerce & Industry and Consumer Affairs, claim was made in three parts of Rs.26.08 crores, Rs.113.51 crore and Rs.69.22 crore aggregating to Rs.208.81 crores only against Rs.231.52 crores.	(b) PEC has not relinquish the claim of subsidy. As the matter was getting delayed, the claim of Rs. 208.81 crores was made as the same was within the existing approved policy.
(c) The Company has also made claim of Rs.0.16 crore from Govt. Of India under PDS scheme. There was no correspondence for recovery of claim during the year under audit as well as no confirmation for acceptance of the same from the Government of India. Non-provision has resulted increase in trade receivable and decrease in losses of the Company to the extent of Rs. 231.68 (Rs.231.52 crore+Rs.0.16 crore).	(c) This claim is also being pursued separately.
(d) Similarly claim of subsidy from Govt. of India on account of pulses for F.Y 2007-08 is appearing in Books at Rs.4.39 crore for which claim of Rs.26.08 crore has been filed in July 2014. There is no acceptance/ confirmation of claim from Govt. of India. Non provision has resulted increase in trade receivables and decrease in losses to the extent of Rs.4.39 crore.	(d) The claim has already been filed and the queries raised by Department of Consumer Affairs has already been replied.

Auditor's Observations	Management's Reply
13. Policy to make assessment of creditworthiness of the Business Associates has not been followed either at the time of deal or thereafter, in some of the cases, which resulted huge provisions in earlier years. During the course of audit, documents pertaining to Business Associates viz ' Lord's Mark Industries Pvt. Ltd. and Vinergy International P. Ltd were requisitioned and our observations are as under (a) In case of Lord's Mark, neither any record for assessment of credit worthiness nor supporting documents were available; and (b) In case of Vinergy, copy of summary of proposal dated 21.03.2016 was made available to be viewed without any basic evidence. The basis of proposal appears to be made on Annual Accounts for 2014-15, Further there is no mention in the summary proposal with regards encumbrances on Movable / Immovable properties and other liabilities of Vinergy.	Selection and assessment of credit worthiness of associates is done as per Trade Guidelines based on the Annual report and other documents and exposure limit is decided accordingly. At the time of selection of new associates necessary documents are obtained as per the Trade Guidelines and the same are evaluated. The same was carried out in case of M/s Lord's Mark and M/s Vinergy International Pvt. Ltd. The stock financed by PEC at cost is considered to be the primary security against the liability payable towards our banks. Hence, the stock financed is considered as the movable property/asset of the associate, held by PEC as underlying security.
14. Inventory Pledged with the Company and treated as security is being valued at cost. No assessment of Net Realizable Value (NRV), which may be less than cost and may make the outstanding due from Associates as unsecured to that extent. Further Legal and Security arrangement were also not complied with including registration of Pledge agreements with Registrar of Companies, which has resulted the Stock's ownership claimed by the Bankers under their hypothecation/other arrangements and Management had to consider Pledged inventory at zero value; Secured Receivable treated as unsecured Receivable; and provision was made in the earlier years for the entire outstanding due from certain Associates. Even no register/ record showing product wise, party wise stating value of goods under pledge is being maintained. That is why instead of repeated reminders statement of Pledged goods as on 31.03.2018 could not be made available to be viewed and comment.	The value of pledged stock(s) has been evaluated based on the amount due/liability determined as per agreement with Associate. Since, PEC is dealing in different commodities imported/ purchased at different locations and daily price variation makes determination of value of stocks at NRV only notional. Very few debtors are classified as unsecured due to non-realisability position of pledged stock which the earlier Auditors considered as unrealisable, hence classified as unsecured and accordingly provision was made against them. Proper records for pledged stock are being maintained at branch / Head Office.
15. A bid was submitted to RECPDCL for supply of material and installation of Solar Home Packs and Solar Street Lights in Arunachal Pradesh along with Business Associate M/s Lord's Mark Industries Pvt. Limited (Lord). On back out by the Associate from the Project, PEC decided to execute the project on its own and at the so called risk and cost of Lords. Orders were placed for the materials-partially within the price range of the tender and partially exceeding the price range of the Tender. Sales Invoice were also raised for those items exceeding the Tender price, for which RECPDCL has denied in writing to pay any excess price beyond the tender rate, which resulted booking of excess sale than agreed. Management expressed its inability to quantify the loss in between the process of the project. Further, Company has out pocketed money on account of statement to vendor and incurring loss of interest thereon. As regards installation work, RECPDCL vide its letter dt.13-08-2018 requested PEC to handover the material to APEDA for installation of material. Prior to back out by the Associate (Lord's), certain material was supplied by him and the same islying credit in his account and shown under the head Trade Payable apart from recovery of Rs.90 Lakh by invoking the Performance Guarantee against the anticipated losses of the project. This has resulted increase in Trade Payable and decrease in security against losses in the project.	PEC executed the project on its own after M/s Lords backed out from the project. PBG of M/s Lords was invoked by PEC and no payment against any material has been made to M/s Lords to secure PEC interests. Follow up with RECPDCL for the payments of material procured above contract price is in progress. Part payment from customer is received and the balance is being pursued. Entire material has been handed over to RECPDCL.

Auditor's Observations	Management's Reply
16. In case of certain Business Associate, provision was made in earlier years against entire outstanding due from them. In this year, payment has been made by debiting to such Associate accounts as detailed hereunder:-	(i) & (ii) The associate had provided the said cheques to PEC towards outstanding dues and the bank charges for bouncing of same have been debited to party account as per terms of Associate-ship agreement. (iii) Custom Authorities vide letter dated 25.09.2017 & 25.10.2017 has directed to State Bank of India to remit amount of Rs. 16,54,734/- (including interest) by debiting PEC's Bank account. (iv) To protect PEC's interest, insurance premium was paid on 07.04.2017 as per past practice and subsequently as per stock visit report dated 11.04.2017 location was found to be unidentifiable for TEPL. The lease agreement was valid till Jan 2018 after which associate did not respond to PEC's request for renewal of the lease resulting in expiry of the lease. Accordingly it was decided not to renew the insurance policy. (v) Before deciding on zero value of material in Nov 2017, Surveyor Service was required to be maintained, hence this expenditure was incurred and accordingly Provisioning shall increase by Rs 1,68,120/-. (vi) Amount was paid to the Sales Tax Department as per the Assessment Order and the same was debited to party account as per terms of Associate-ship agreement. Complaint in EOW has already been filed against Supplier and Associate vide supplementary complaint dated 4th January 2018. All the transactions referred for Rs. 31.56 Lacs are expenses incurred against transactions entered on behalf of associates and are recoverable from them as per the terms of the Associate-ship Agreements and were debited to them. Since the recovery of amount was doubtful appropriate provisions have been made and same is charged to Profit & Loss account as per accounting policy and practice.

S. No.	Name of Associates	Amount (Rs.)	Remarks
(i)	Saraf Impex	2035.00	Bank charges for bouncing of Cheques.
(ii)	PBR Impex	863.50	Bank charges for bouncing of Cheques.
(iii)	Pisces Exim	7,63,302.00	Short payment of custom duty (2010-11)
		8,91,432.00	Interest on Short custom duty.
(iv)	Tathagat Exports P. Ltd.	1,39,170.00	Insurance Premium on goods pledged with the Company.
(v)	Sri Vasvai Ind. Ltd. (Import)	1,68,120.00	Surveyors charges (April/Nov 2017)
(vi)	Oshiya Industries P. Ltd.	11,91,336.00	Sales tax demand (F.Y 2012-13)
	Total	**31,56,258.50**	

Auditor's Observations (contd.)	Management's Reply
The provision against the above stated Associates was made in earlier years in case of S. No (i)Rs.13.70 Crores; S.No. (ii) Rs.12.26 Crores; S.No. (iii) Rs.331.89 Crores; S. No (iv) Rs.15.57 Crores; S.No. Rs.6.42 Crores; and S .No (vi) Rs.11.10 Crores. At the end of year the additional provision has also been made of aforesaid amount of Rs.31,56,258.50 being doubtful . In view of facts of the cases, it was certain that amount Is not recoverable; the same could have been booked in respective heads of expenses. Further in Case S.No. (iv), the insurance has been taken in spite of the fact that neither location of the materials is identifiable nor the socalled lease of the land for material exists. Not only has this provision of Rs. 6.42 crore already been made treating the zero value of the material.	
17. Sales have been booked in earlier years for material sold and the said material was kept as pledge for the want of recoveries from Sri Vasavi Industries Ltd (SVIL). In the year 2015-16, pledged goods treated at zero value, treated the outstanding of Rs. 6,41,71,009/- due from associate as unsecured and doubtful; and created the provision for the same. The Pledged goods was contracted for sale at Rs.1.95 Crores but the buyer has taken part delivery against which Invoice was raised for Rs. 39,23,469/- (38,46,538+ST 75,931). For the purpose, notional purchase from unregistered dealer has been booked equivalent to later Sale proceeds. The buyer claimed that the quality of material has no worth and ask for refund the money paid under the contract. This has resulted inflated Purchases of Rs. 38,46,538 /- & Inflated Sales of Rs. 38,46,538/- . The other consequence of the above matter is that dues outstanding from Associate SVIL has reduced by Rs. 38,46,538/- with the aforesaid notional purchase of coal. The outstanding due from SVIL has reduced from Rs. 6,41,71,008.67/- to Rs. 6,03,24,470.67/-. But the provision of Rs. 6,41,71,008.67/- made in the F.Y 2015-16	PEC had filed petition under section -9 of Indian Arbitration Act to secure interest of PEC against available stock. Accordingly Court appointed receiver in the matter for disposal of stocks as available. The underlying transaction has been entered by PEC under the supervision of court appointed receiver. The PEC floated tender on "as is where is" basis, however, the buyer has disputed the sale and asked for refund of Rs. 50 Lakh paid to PEC. PEC has already raised invoices for Rs.38,46,538/-. Provisioning made in FY 2015-16 of Rs. 6,41,71,008.67/- can not be reduced/ changed at this stage.

<table>
<tr><th>Auditor's Observations</th><th>Management's Reply</th></tr>
<tr><td>against the then outstanding not reversed with the credit in their account for the above said notional purchase. This has resulted excess provision of Rs. 38,46,538/- and increase in losses.</td><td></td></tr>
<tr><td>18. During the year Sale of coal was made to M/s Nikhil Coke & Minerals P. Ltd vide Invoice dated 31.05.2017, 30.06.2017 for Rs.38,46,538/- charging Sales tax @ 2% amounting to Rs. 76931.00 being interstate Sale against 'C' form . 'C ' Form neither received nor expected to be received due to dispute which will result in liability of Sales tax at full rate of 5% amounting to Rs.1,92,327/- and after adjusting deposit of 2 %, the remaining liability comes to Rs.1,15,396/- for which no provision has been made. This has resulted decrease liability of Sales tax amounting to Rs. 1,15,396/- plus interest thereon from the dates of Invoices, and increase in Trade/Security Deposits shown under the head other current liabilities.

Further No TCS was collected of Rs.39235/- on the above sale. However on pointing out, the same has been debited to Associate's Account by showing Statutory Dues and paid on 20.08.2018.</td><td>The issue of Form 'C' is being pursued by PEC from the buyer. In case the same is not received before finalization of the assessment, the same will be paid by PEC out of surplus available. Accordingly PEC is fully secured against the liability on account of non-submission of "C" form.</td></tr>
<tr><td>19. There are debit balances due from certain Business Associates against which provisions were made in the F.Y 2015-16 but credit balances lying in their account shows outstanding as on 31.03.2018 as detailed hereunder for which there is no justification.
<table>
<tr><th>Name of Associates</th><th>Dr. Balance as on 31.03.2018</th><th>Provision made upto 31.03.2018</th><th>Credit balance as on 31.3.2018</th></tr>
<tr><td>K S Oils Ltd</td><td>59.32</td><td>59.32</td><td>0.31</td></tr>
<tr><td>Mihijam Vanaspati Ltd</td><td>6.84</td><td>6.84</td><td>0.05</td></tr>
<tr><td>NCS Sugars Ltd</td><td>52.37</td><td>52.37</td><td>0.47</td></tr>
<tr><td>Shree Laxmi Trading Exports</td><td>58.36</td><td>58.36</td><td>0.58</td></tr>
<tr><td>Pisces Exim</td><td>332.05</td><td>332.05</td><td>0.72</td></tr>
<tr><td>Total</td><td>508.94</td><td>508.94</td><td>2.13</td></tr>
</table>
This has resulted increase in other current liability and decrease in losses.</td><td>The debit balance pertains to transactions wherein the associates have defaulted in its payment and PEC is taking legal action for its recovery. The Credit Balance pertains to old transactions which have not been released to the Associate since they have defaulted in subsequent transactions and litigation for the amount defaulted has been initiated by PEC. The same will be adjusted at the time of recovery of defaulted amount by the associate/ outcome of litigation.</td></tr>
<tr><td>20. There are cases of Short provisioning in F.Y. 2015-16 against debit balances due from Associates as under:-
<table>
<tr><th>Name of Associates</th><th>Amount due</th><th>Provision made</th><th>Short provision</th><th>Related Payable</th></tr>
<tr><td>Impex Trading Pte Ltd</td><td>78,05,990</td><td>10,55,990</td><td>67,50,000</td><td>Saraf Impex</td></tr>
<tr><td>Saraf Impex Pefc</td><td>1,84,94,424</td><td>1,47,18,424</td><td>37,76,000</td><td>Goyal Enterprises</td></tr>
<tr><td>Total</td><td>2,63,00,414</td><td>1,57,74,414</td><td>1,05,26,000</td><td></td></tr>
</table>
From the data short provision appears of Rs.1,05,26,000/-. Further there is credit balance of Rs.67,50,000/- in case of SarafImpex as appearing above. After adjusting of the same amount, due from SarafImpex comes to Rs.1,17,44,424/- (1,84,94,424 - 67,50,000) i.e excess Provision of</td><td>PEC has made provision against trade receivable for the net amount after adjusting trade payable of underlying transaction.

These are two independent transactions, where associate (M/s Saraf Impex) is common. Both these transactions were on back to back basis (M/s Impex Trading Pvt. Ltd and M/s Goyal Enterprise were identified by M/s Saraf Impex).

In the First transaction PEC exported Rice on behalf of Saraf Impex to Impex Trading Pvt. Ltd. The sales proceeds to be received from Impex trading were supposed to pass on to M/s Saraf Impex. Since no payment received from M/s Impex Trading no payment was released to Saraf hence provisions were made for the net due in the transaction deal.</td></tr>
</table>

<table>
<tr><th>Auditor's Observations</th><th>Management's Reply</th></tr>
<tr><td>Rs.29,74,000/- (1,47,18,424- 1,17,44,424) against SarafImpex and Short provision Rs.67,50,000/-for Impex Trading Pte Ltd. This has resulted increase in Trade receivable by Rs.67,50,000/- and increase in Trade payable by Rs.67,50,000; and in Short provision by Rs.37,76,000/- (67,50,000-29,74,000) and increase in Trade Receivables.</td><td>In the second case, the fabric purchased by PEC from Goyal Enterprise on the advice of saraf Impex had not been exported. Later on it was found that the quality of the fabric is poor hence provision was made for the initial payment (80%) made to Goyal Enterprise.

Trade Receivable and Trade payable has been stated in books of account at original transaction value and only provision has been created following concept of prudence and matching as per generally accepted accounting principles.</td></tr>
<tr><td>21. Bank has debited PEC on 05.03.2018 by Rs.33,56,004/-. In the voucher No MAR EA 62 dated 31.03.2018, the account of Associate viz. Phulchand Exports P. Ltd Mumbai was debited by crediting State Bank of India being amount debited towards custom duty by Custom Authorities, Krishnapatnam, along with copy of inter department email exchanged on 14.05.2018. But neither facts were stated in the voucher and supporting evidence enclosed with the voucher However, on persuasion, copy of recovery Notice dt. 14.02.2018 issued by J.C. of Customs was made available from which the facts were transpired as under:-

<table><tr><th>Particulars</th><th>Amount (Rs.)</th></tr><tr><td>Short payment of Customs duty</td><td>Rs. 14,70,412/-</td></tr><tr><td></td><td>Rs. 18,85,592/-</td></tr><tr><td>Total</td><td>Rs. 33,56,004/-</td></tr></table>
This was based on the order No 01/2015 dt 30.07.2015 which was overlooked. The provision for amounting of Rs. 42,78,84,916/- outstanding due from the said associate was made in the F.Y 2015-16 without considering the amount of Rs.33,56,004/-During the F.Y 2017-18, the said amount has been debited to Associate A/c but no provision has been made for this payment of Rs.33.56 Lakhs. This has resulted increase in trade Receivable and decrease in losses.

Further no provision for liability of interest @ Rs.604/- per day from the date of order (30.07.2015) to the date of payment (05.03.2018) has been made in terms of the order, which comes to Rs.5.73 lakhs.</td><td>Custom Authorities vide letter dated 14.02.2018 has directed to State Bank of India to debit amount of Rs. 33,56,004/- including interest of Rs. 18,85,592 upto 14.02.2018 and advised the Bank to remit Rs. 33,56,004/- and in addition the interest @604/- per day of the delay is payable till the date of payment (date of payment 05.03.2018). The bank Debited Rs. 33,56,004/- on 05.03.2018 and has not debited the Interest for the period 15.02.2018 till 04.03.2018 which treatment will be made on receipt of information/demand from Bank/Custom Authorities.

The Associate has been asked to pay the amount at the earliest. It is expected that money will come in the current Financial Year. In case of non- recovery of the same, appropriate provision will be made in Current Financial Year.</td></tr>
<tr><td>22. 1. In respect of its Fixed Assets

i. The Company's proper records in respect of its fixed assets showing full particulars including quantitative details and situation of fixed asset as required under the Companies Act, 2013 are in process of updation.

ii. As informed, Company has a regular programme of preparing data of assets lying at Delhi office based on physical verification, but no such exercise is being done at the Branches. The discrepancies, if any, are not ascertainable in absence of reconciliation of physical verification with the records.

Further sale proceeds of Fixed assets at Delhi & Ahmedabad to the tune of Rs. 6,619/- and Rs. 58,355/- has been shown as Misc Income</td><td>i) Fixed Assets register is updated as on date with full particulars of quantity, location.

ii) Recently PEC closed some of its branch offices. In the process, very old fixed assets were sold for which no WDV was ascertainable and were of insignificant value. Hence the same was shown in Misc. Income.

iii) The property documents of Chennai were produced. These documents are Duplicate of original documents and not Photo Copy. These duplicate documents have been issued by the Registering Authority at Chennai on our request. Moreover, both the flats are under the possession of PEC. For compliance, efforts are being made by PEC to take necessary steps as required, however, the Registering Authority at Chennai has already been informed about the same based on which they have issued Duplicate title deeds of two flats owned by PEC at Chennai.</td></tr>
</table>

Auditor's Observations	Management's Reply
instead of adjustment in Fixed Assets and consequential effect on depreciation. The amount is not certainable in absence of correlation of assets with the Fixed Assets records. iii. Title Deeds of immoveable property are held in the name of the Company based on original documents of Delhi & Mumbai and Photocopy of Chennai property (originals reported as misplaced/ not traceable). No information, whatsoever, is available for steps taken for misplace of title deeds including FIR with Police; Publication; intimation to registering authority etc.	
23. a) As per information and explanation provided by the management, physical verification of inventories owned by the Company is undertaken by the Company through surveyors, from time to time. Verification of goods like coal etc. is not by actual weighment, but by actual receipt and dispatch, without accounting for excess quantity and/or for excess handling losses. Generally, excesses/shortages are identified only after dispatch of entire cargo. Shortages noticed on physical verification are on the account of Associates. In respect of goods in the custody of third parties, certificate is obtained from the custodian of stocks viz. Port Authorities, Warehouse owners, Surveyors, Handling agents, Business Associates etc in some cases. b) In our opinion and according to the information and explanation provided to us, procedure of physical verification is not commensurate with the size of the Company and nature of its business, which needs to be improved with regard to implementation of guidelines for physical verification of stock, reporting on quality of stocks by the handling agents, verification of authenticity of stock certificates issued by surveyors and/or handling agents, physical verification of stocks by employees at periodic intervals as stated in the trade guidelines. c) As regards goods kept pledged against outstanding due from Associates, neither business practice in general nor trade guidelines of PEC were followed, whether it relates to physical verification by the PEC officials or relates to legal compliances in order to safeguard the interests of the Company. The same is apparent from the facts that secured debtors against pledge of goods became unsecured and huge provisions were made in F.Y. 2015-16 & 2016-17. d) The Company is maintaining transaction-wise details of stock owned by the Company based on information received from the custodian of stocks viz. Port Authorities, Warehouse owners, Surveyors, Handling agents, Business Associates etc. But in case of inventory pledged with the Company, no consolidated proper or systematic record has been maintained for the inventory pledged with the Company as security against outstanding dues from Debtors. In this connection, it is noticed that trade guidelines in General or PEC in specific for safeguarding the interests of the Company (PEC) have been overlooked.	As per trade guidelines of the company, the division is monitoring its stock on quarterly basis by HO and monthly basis by Branch offices. Since coal being a bulk cargo, as per universal practice physical verification has been carried out by "Volumetric Analysis" where actual weight can be calculated on the basis of length, width and height of the cargo stored. The Division is following the trade guidelines that are in vogue, however any improvement needs to be carried out time to time will be considered as per the guidelines.

Auditor's Observations	Management's Reply
24. Management has not informed any instance of fraud on or by the Company or its officers. However, Company has filed four cases in EOW and nine cases in CBI pertaining to defaults in the Financial years 2012-13 to 2015-16 for the outstanding to the tune of Rs. 820.99 Crores as on 10.11.2017 in the Books of Accounts. Further on going through the documents on random basis of some Business Associates inaccordance with generally accepted auditing practices in India, we observed as under :-	Management has initiated appropriate action and Statutory Auditors were also provided details of all such cases referred to investigating agencies.
a) Maa Tarini Industries Ltd & Tathagat Exports P. Ltd In case of **Maa Tarini Industries Ltd., (MTIL)** partly material has not been verified even by the Surveyor. In case of **Tathagat Exports P. Ltd., (Allied establishment of MTIL)** even the location is not identifiable. In both cases, trade guidelines whether General or PEC in Specific was overlooked whether with regards to disposal of goods within the period specified or whether for physical verification of stock by PEC officials or otherwise. Further in case of Tathagat Exports neither the existence of material is verifiable nor the so called Lease deed of the location exists nor is the material insured from April 2018 and onwards. In both the cases provision was made in the Accounts of the Financial year 2015-16 but no legal proceeding were started by that time.	a) i) For MTIL, partly material approx. 30270 MT was verified above the ground level in Jan 2018 by surveyors as per stock visit report, wherein some material was also under water which wasn't verified. ` ii) Stock location of TEPL were not verifiable as per stock visit report. As the surveyors refused to physically locate the stocks without the assistance of associate. The associate also refused for assistance in stock inspection citing deposition of cheques and initiation of Sec 138 proceedings against it. Company was relying on assurance from the associates who cited turmoil in the markets after Iron Ore ban, However, legal proceedings were started in 2016-17 as soon as it was felt that associates have almost failed to bring any concrete action for re-payment.
b) KS Oils Ltd & SL Consumers Products Ltd In case of **KS Oils Ltd (KSOL),** imports were made by PEC on behalf of KSOL in the financial year2012-13, when the KSOL was facing acute financial crises; Lenders of KSOL considered CDR; and Three Plants out of 4 Plants were not operating. Further, Initially the goods was kept under Pledge but the same was allowed against PDC and such PDC were replaced from time to time without enquiring the financial status of the Associate and altogether ignoring the interests of PEC. As regards so called collateral security of the Allied establishments, neither any required documents were obtained nor were the Compliances made. Even the Annual reports of the establishments having ownership were not obtained. It indicates that the collateral was not capable for recovery of dues since its inception. No recovery was made till now from the so called mortgaged property. Not only this, on the basis of so called collateral security, financial facilities were also made available to the allied establishments SLCPL but no compliances, whatsoever, were made with regards to collateral under the laws of land including registration with Registrar of Companies. Financial limit being availed by KSOL was transferred to SLCPL and that too for the purchase of material to KSOL. Suit under NIA (Negotiable Instrument Act) were filed in April 2017 & Jan 2017 in case of KSOL & SLCPL respectively after 4/5 years period while the provision for the same was made treating the same doubtful in the year 2015-16 without any legal/other efforts for recovery of the same.	b) PEC is contemplating Criminal Action by referring it to Investigating agency. In the case of K. S. Oils, one of its creditor has initiated proceeding under IBC and PEC has submitted its claim. In case of SL Consumers Products Limited PEC has initiated the process of IBC proceedings.

Auditor's Observations	Management's Reply
c) Vinergy International Pvt Ltd In case of **Vinergy International Pvt. Ltd,** summary of proposal dated 21.03.2016 was made available for financial facilities based on Annual Accounts for the F.Y 2014-15. Further emcumbances on the movable/immovable Assets and other liabilities / contingent liability were overlooked which resulted inadequate assessment of credit worthiness.	c) At the time of selection of new associates necessary documents are obtained as per the Trade Guidelines and the same are evaluated. The same was carried out in case of M/s Vinergy International Pvt. Ltd. The stock financed by PEC at cost is considered to be the primary security against the liability payable towards our banks. Hence, the stock financed is considered as the movable property/asset of the associate, held by PEC as underlying security.
Material weakness 25. According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2018:	
a. non-obtaining confirmation of balances of Trade receivables and Trade payables and reconciliation thereof;	a) The accounts with the associates are settled on completion of each transaction and difference if any are reconciled.
b. non-physical verification of own stock and pledged stock at regular intervals by employees as per trade guidelines;	b) Physical verification of own and pledged stocks are carried out as per Trade Guidelines for the FY 2017-18
c. non-verification of stock certificates issued by surveyors and handling agents;	c) Stock certificates are issued by Surveyors and is taken care of for The FY 2017-18
d. non review of financial health of associates at regular intervals;	d) Review of financial health of the associates, is done as per Trade Guidelines during the FY 2017-18.
e. ex post facto approval by Board and COM in few of the cases;	e) Depending upon exigencies, ex-post facto approval from COM has been taken in few cases.
f. no documented policy for filing of legal cases against debtors, associates for recovery of dues and advances;	f) Legal cases against debtors are being filed after following due process.
g. no documented policy for writing off of debts/advances/ claims;	g) no such cases during the FY 2017-18.
h. no documented policy for rotation of employees;	h) Employees posted in sensitive area are liable for rotation.
i. pending reconciliation of vat returns;	i&j) VAT and GST returns are subject to reconciliation.
j. pending reconciliation of GST Returns;	
k. appointment of handling agents and security agencies by the associates;	k) Security agency and handling agents are appointed by associates/PEC in mutual consultation and as per associateship agreement.
l. inadequate coverage of internal audit, absence of compliances and non closure of reports;	l) Internal audit is being conducted by Independent firm of Chartered accountants and report is under the process of closure.
m. Non maintenance of information under Section-22 of The Micro, Small and Medium Enterprises Development Act, 2006, which attract penal provisions;	m) almost all suppliers are from Overseas market and hence MSME provisions are not extendable to them.
n. Non-accounting of TDS by customers made in time;	n) TDS is reconciled with Form 26AS.
o. Delayed adjustment of Value Added Tax (VAT) and non-payment of interest thereon;	o) only in few cases and adjustment has been done during current FY.
p. Delayed adjustment of TCS and delayed payment thereof;	p) only in few cases and adjustment has been done during current FY.
q. Non maintenance of Register in form MBP-4 with regards Directors;	q) Questioned register is duly maintained by the company. However during the FY 2017-18, there was no such transaction to be reported in MBP – 4.
r. Non maintenance of Proper Register for stocks kept under Pledge and valuation thereof;	r) Stock register are maintained at Branch level where branch is there or at HO if no Branch is there and is monitored.

Auditor's Observations	Management's Reply
s. Payment expenditure Rs.10000/- in cash through employees (Arunachal State);	s) Cash payment has been done to meet transportation expenses in remote areas and difficult terrain
t. Non-compliance prior to making payment of Medical Expenses in few case;	t) Medical expenses are paid after due approval.
u. Delay in booking of expenditure; v. Delay in booking Purchase (Arunachal Pradesh);	u&v) Expenditures are booked as and when incurred. However expenditure incurred at year end was booked while closing the books of account during the FY2017-18.
w. Avoidance of Trade Guidelines by marketing / recovery division; and non-registration of pledge agreement with Registrar of Companies.	w) During the F.Y. 2017-18 the Trade Guidelines were generally followed.
x. Pending reconciliation of Income tax provision;	x) Some of income tax cases are pending at IT Appeal hence provision is carried. The same will be reconciled after outcome of IT Appeal.
y. Pending updation of Fixed Assets Records;	y) Fixed Assets are updated as and when any assets is purchased.
z. Non accounting treatment of credit balances of Business Associates against their debit balances;	z) Credit and debit balances are pertaining to different business transactions and are transaction specific.
A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.	

Management's Reply to the Comments of Practicing Company Secretary on Corporate Governance

Practicing Company Secretary's Comments	Management's Reply
Appointment Independent Director(s) are not in conformity with the DPE Guidelines. Consequently, the requisite Committee(s) requiring Independent director(s) is / are not formed.	PEC is a Government Company. Hon'ble President of India has the right to nominate any person for the appointment of Independent Director(s) we have already taken up the matter with the Ministry of Commerce & Industry.

Management's Reply to the Comments of Comptroller and Auditor General of India (CAG)

CAG's Comments	Management's Reply
Comment on Profitability: Total Comprehensive Income for the year Rs. (53.94) crore: The above includes an amount of Rs.6.86 crore booked as income on account of reversal of liability during 2017-18. As there is no accounting policy of PEC Limited in this regard. Writing back of unclaimed liability is incorrect. This has resulted in understatement of negative balance of Total Comprehensive Income by Rs. 6.86 crore.	A review was carried out for trade liabilities for which no claim was received from the parties during the last three years. These balances were considered to be written back in the books of account since these balances were lying unclaimed for more than three years, as per accounting prudence.

संख्या / No. PDCA-I/ND/CHQ/29-61/2018-19/899

भारतीय लेखा तथा लेखापरीक्षा विभाग,
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा
एवं पदेन सदस्य, लेखापरीक्षा बोर्ड–1
INDIAN AUDIT & ACCOUNTS DEPARTMENT,
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-1

गोपनीय

दिनाँक/Dated 27/11/2018

सेवा में,

अध्यक्ष एवं प्रबन्ध निदेशक,
पीईसी लिमिटेड, हन्साल्या
15 - बाराखम्बा रोड, नई दिल्ली - 110001

विषय : **31 मार्च 2018 को समाप्त वर्ष हेतु पीईसी लिमिटेड के वार्षिक लेखों पर कम्पनी अधिनियम 2013 की धारा 143(6)(b) के अन्तर्गत भारत के नियत्रंक महालेखा परीक्षक की टिप्पणियाँ**

महोदय,

मैं इस पत्र के साथ 31 मार्च 2018 को समाप्त वर्ष के लिए पीईसी लिमिटेड के वार्षिक लेखों पर कम्पनी अधिनियम 2013 की धारा 143(6)(b) के अन्तर्गत भारत के नियत्रंक महालेखा परीक्षक की टिप्पणियाँ अग्रेषित करती हूँ । इन टिप्पणियों को कम्पनी की वार्षिक रिपोर्ट में प्रकाषित किया जाए और कम्पनी की आमसभा में उसी समय व उसी प्रकार रखा जाए जिस प्रकार वैधानिक लेखा परीक्षकों की लेखा परीक्षा रिपोर्ट रखी जाती है।

संलग्न : टिप्पणियाँ

भवदीया,

प्राची पा.
27/11/XVIII

(प्राची पाण्डेय)
प्रधान निदेशक

तृतीय तल, ए–स्कन्ध, इन्द्रप्रस्थ भवन, इन्द्रप्रस्थ एस्टेट, नई दिल्ली–110002
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e-mail : mabnewdelhi1@cag.gov.in

COMMENT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF PEC LIMITED FOR THE YEAR ENDED 31 MARCH 2018

The preparation of financial statements of **PEC Limited** for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 19 September 2018.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **PEC Limited** for the year ended 31 March 2018 under section 143(6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following matter under section 143 (6)(b) of the act which has come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related audit report.

A. Comment on Profitability

Total Comprehensive Income for the year ₹ (53.94) crore

The above includes an amount of ₹ 6.86 crore booked as income on account of reversal of liability during 2017-18. As there is no accounting policy of PEC Limited in this regard, writing back of unclaimed liability is incorrect. This has resulted in understatement of negative balance of Total Comprehensive Income by ₹ 6.86 crore.

For and on behalf of the
Comptroller and Auditor General of India

Prachi Pandey
27.11.XVIII

Place: New Delhi
Dated: 27 November 2018

(Prachi Pandey)
Principal Director of Commercial Audit
& Ex-officio Member Audit Board-I,
New Delhi.

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Prepared & Published by Pardeep Kumar, Company Secretary

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