

PEC LIMITED



ANNUAL REPORT 2016-2017



Company Profile

Board of Directors

Chairman-cum-Managing Director

Shri M. Nagaraj

(from 01-09-2016)

Shri J. Ravi Shanker

(from 27-05-2016 to 31-08-2016)

Shri Rajani Ranjan Rashmi

(upto 23-05-2016)

Whole-Time Directors

Shri J. Ravi Shanker

Shri Anupam Misra

(from 20-09-2016)

Part-Time Directors

(Government Nominee)

Shri Sameer Kumar

(upto 29-08-2016)

Ms. Mugdha Sinha

(from 29-08-2016 to 29-11-2016)

Shri K.V. Nagi Reddy

(from 29-11-2016 to 20-02-2017)

Shri Shobhit Jain

(from 20-02-2017)

Ms. Rupa Dutta

Part-Time Directors

(Independent)

Shri Udesinh Baria

(from 15-06-2016)

Company Secretary

Shri Pardeep Kumar

Auditors

M/s JK Sarawgi & Company

Chartered Accountants, New Delhi



PEC LIMITED

Annual Report 2016-2017

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 in engineering goods and projects.
- Being among top three trading companies across segments including Industrial Raw Material and Commodities.
- Serve as an effective and accountable instrument of public policy and be socially responsible.

Board of Directors



M. Nagaraj
CMD
(from 01-09-2016)



J. Ravi Shanker
CMD
(from 27-05-2016
to 31-08-2016)



Rajani Ranjan Rashmi
CMD
(upto 23-05-2016)



J. Ravi Shanker
Director



Anupam Misra
Director
(from 20-09-2016)



Sameer Kumar
Nominee Director
(upto 29-08-2016)



Rupa Dutta
Nominee Director



Mugdha Sinha
Nominee Director
(from 29-08-2016
to 29-11-2016)



Udesinh Baria
Independent Director
(from 15-06-2016)



K.V. Nagi Reddy
Nominee Director
(from 29-11-2016
to 20-02-2017)



Shobhit Jain
Nominee Director
(from 20-02-2017)

Key Personnel



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



Sanjay Bhoosreddy
IAS, CVO
(from 20-10-2016 to 24-04-2017)



Smriti Sharan
IPOS, CVO
(upto 18-10-2016)



J. K. Sanyal
Executive Director
(upto 31-03-2017)



Ravi Kumar
Executive Director



Rajiv Chaturvedi
CGM



S.K. Saha
CGM
(upto 31-03-2017)



R.R. Sinha
CGM



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

Chairman's Statement

Dear Stakeholders,

I am privileged to address you once again and apprise you about the achievements of your Company in the financial year 2016-17 which marks the 46th year of PEC's existence.

The Indian economy sustained its growth path, with about 6.5 % GDP growth during the fiscal. This was possible as a result of the Government of India's positive policy initiatives, low rate of interest, moderating inflation, Make in India and other innovative steps. The World economic recovery is on track and pickup in Global growth presents a healthy sign for trading and manufacturing activities across the globe. Meanwhile, India is projected to become the world's fifth largest economy in 2017 and the world's third largest economy by 2023.

Your Company, revived its journey on the growth path, as it recorded a turnover of ₹ 4254 crore during the year 2016-17, a growth of 13.53 % over the previous year's turnover of ₹ 3747 crore after reversing the declined trend of last three years.

Even though PEC has reported loss during the year due to the heavy interest burden on account of outstandings from Govt. and Private sector, it has successfully trimmed its finance cost by 16.25% which is the major factor contributing towards its losses. We have also managed to cut down our operational cost and trade expenses by 8.16% and by 10.12% respectively, by recording an overall improvement in operations.

A Board level committee DMRC (Debt Monitory and Recovery Committee) is meticulously monitoring the recovery process. A Recovery Cell has been formed to recover outstanding debts which will certainly improve the financial condition of the company.

Consistent efforts on the business generation and execution front in F.Y. '17 have yielded meaningful results. The Company is focusing on efficient and strategic marketing for improving sales and realisation.

The turnkey project procured by PEC for construction of Substation for 132 KV power transmission line on India-Nepal Sector was successfully completed and on 24th August 2017, Hon'ble Prime ministers of India and Nepal jointly inaugurated the project.

During 2016-17, PEC successfully imported Maize valued of ₹ 173.39 Crore from Ukraine to cater to poultry and starch industries. We are building a more diversified portfolio capitalizing on emerging opportunities in solar power. PEC successfully completed projects of installation of roof top solar power plants worth ₹ 42.40 Crore which include Rooftop power plant installed at MMTC Ltd, Cantonment Board Roorkee, JNU Delhi, IIFT Delhi and Utter Pradesh Police Department. PEC also exported Red Sanders of ₹ 35.41 Crore to Hong Kong and supplied Cables and Conducting material to Liberia, Ethiopia and Tanzania of ₹ 19.41 Crore during this fiscal.

PEC recognizes the essence of Corporate Social Responsibility commensurate with its operations. During this year PEC has made a significant contribution towards Swachh Bharat Abhiyan, Solar Lighting Project, Free education, Mid-day Meal Program and Health care program from the corpus available for this purpose.

On behalf of Board of Directors of your company, I take this opportunity to acknowledge and appreciate the continuous support of all our bankers & business associates.

I would also like to express my sincere gratitude and acknowledge the assistance, support and guidance extended time to time by the Department of Commerce, Ministry of Commerce & Industry.

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

And, finally, I would like to place on record our appreciation and sincere thanks to the "Team PEC", for their contribution in our march forward.

Thank you,

Jai Hind!

Sd/-

(M. Nagaraj)

Chairman-Cum-Managing Director

Directors' Report

To
The Members
PEC Limited ("The Company")

Your Directors has pleasure in presenting their 46th Annual Report on the working of the Corporation together with the audited Financial Statements for the year ended 31st March, 2017 together with the Auditor's Report and Comments on the Accounts by the Comptroller & Auditor General (C&AG) of India.

Financial Highlights

The performance of the Company during the year 2016-17 vis-à-vis the previous year is summarized as below:-

(₹ Crore)

Particulars	As at 31 March 2017	As at 31 March 2016
Sales Turnover		
Export	64.10	122.70
Import	3980.11	3432.30
Domestic	209.86	191.59
Total	4254.07	3746.59
Profit		
Profit before exceptional, extraordinary items and tax	(-)94.68	(-)107.41
Exceptional Items (net)	(-)2.58	1034.61
Profit Before Tax	(-)92.10	(-)1142.02
Profit After Tax	(-)92.10	(-)1142.02

Company Affairs

Over the years, the business profile of the Company has changed and Company engaged with Industrial Raw Materials, Agro Commodities, Bullion, Engineering & Manufactured Goods and Solar and Domestic Projects constituting major part of its turnover. Some of the key initiatives have been creating a distinctive and sustainable competitive advantage, diversifying into new markets and pushing more products.

Your Company has reported net turnover of ₹ **4254.07 Crore** for the current year as compared to ₹ **3746.59 Crore** in the previous year which is progressive in nature. The Net Loss for the year under reviews amounted to ₹ **92.10 Crore** in the current year as compared to ₹ **1142.02 Crore** in the previous year.

Exports

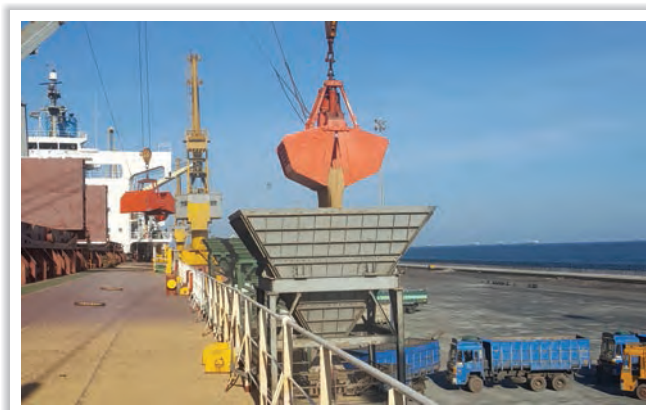
Your Company achieved an Export turnover of ₹ 64.10 Crore. Export which includes Red Sanders amounting to ₹ 35.41 Crore, Iron Ore Pellets amounting to ₹ 3.32 Crore and Engineering and Manufactured Goods exports such as Cables, Conductors, and Hardware equipments amounting to ₹ 24.54 Crore, etc. to Nepal, Tanzania and Kenya.



PEC executed two MEA, GOI Indo-Nepal Project for Construction of 132 kV Sub-Station's bay extension at (i) Kataiya (India) - Kusaha (Nepal) and (ii) Raxaul (India) - Parwanipur (Nepal).

Imports

Your Company achieved an import turnover of ₹ 3980.11 Crore during the year. Wheat, Yellow Peas, Yellow Maize, Pulses (Toor), Manganese Ore, Ammonium Nitrate, Silver, Gold, Steel Coils, Industrial Chemicals, Coal & Bitumen were the major items of import during the year.



Wheat import by PEC

Domestic Sales

Your Company achieved domestic sales of Agro Commodities, Industrial Raw Material, Engineering & Manufactured Goods amounting to ₹ 209.86 Crore during the year under review.



Company's one of the program administrator appointed by MNRE for implementation of solar projects.

Dividend

Due to non-availability of profit for the year, the Directors has 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 orders 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.

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 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 2016-17.

Deposits

The Company has not accepted any public deposits during the financial year under reviewed 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 provided at note no. 37 in notes to accounts.

Declaration by an Independent Director

Bringing an objective view in board deliberation, Shri Udesinh Baria, Former Law Minister of Gujarat, is appointed as an Independent Director by the Ministry of Commerce & Industry vide its letter 14/13/97-FT(ST) dated 15/06/2016. 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

Six meetings of Board of Directors have been convened under 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	Chairman
2.	Shri J. Ravi Shanker	Member
3.	Shri Anupam Misra	Member

The composition of audit committee consists of Independent Director as its Chairman.

Vigil Mechanism and Whistle Blower Policy

The Company promotes ethical behavior in all its business activities/ practice and has put in place a mechanism for reporting illegal/ unethical 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, 2017 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. is inherent in nature. The Company has constituted Risk Management Committee for the very purpose.

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 an Internal Audit Division, which conducts internal audit of Company and suggests 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 to mark Hindi Pakhwada from 05th September, 2016 to 20th September, 2016.

For F.Y. 2015-16 PEC bagged Second Prize for excellent performance in official language by the Ministry of Commerce & Industry.



Chairman-cum-Managing Director of PEC receiving Second Prize for excellent performance in official language for the year 2015-16 from Smt. Rita Teatota, Hon. Secretary of Ministry of Commerce & Industry's

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 31st October, 2016 to 5th November, 2016 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.



Chairman-cum-Managing Director of PEC exchanging the signed MoU 2017-18 with Smt. Rita Teatota, Secretary, Ministry of Commerce and Industry

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. 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 2016-17 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 adherence 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. In

furtherance of its commitment towards Corporate Social Responsibility your Company undertook initiatives during 2016-2017. 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 rate 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, 2017, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- b) for the financial year ended March 31, 2017, 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, 2017.
- 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. No sexual harassment complaints were received during the year 2016-17.

Statutory Auditors

M/s J.K. Sarawgi & Company, Chartered Accountants were appointed as Statutory Auditors of the Company for the financial year 2016-17 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 2016-17, 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 2016

Global growth for 2016 is estimated at 3.1 percent. For 2017 and 2018, growth is projected at 3.4 percent and 3.6 percent respectively. In the global slowdown and lower world demand, India witnessed steady growth in comparison to other developing world economies. The IMF predicts likely growth in economic activities in 2017 and 2018 especially in emerging markets and developing economies.

The global economy remained down with the Chinese economy slowing down and other major constituent economies like Brazil and Russia witnessing contraction. The Advanced Economies, on the other hand, recorded a marginal uptick in growth. The US economy posted a muted growth for the second year in a row due to weak exports and decline in investments. The pace of economic activity improved in the Euro Area, aided by strengthening domestic demand and supportive financial conditions. Growth in China is projected to slow down in 2017, reflecting the ongoing rebalancing of the economy towards a more sustainable and broad-based consumption and services led growth. The outlook for the Advanced Economies point to the absence of any material pick-up in economic activity over the next two years, with GDP growth projected 2.0% in 2017. Within Advanced Economies, growth in the United States is projected to remain subdued around the 2.5% mark over the next two years due to strengthening of the dollar, weak manufacturing activity and decline in energy investments due to lower oil prices. The modest recovery in the Euro Area is likely to continue with low energy prices, moderate fiscal expansion and supportive financial conditions outweighing weakening external demand. Tightening of financial conditions in the United States and Japan, net capital outflows from Emerging Markets, geopolitical tensions and stagnation in Advanced Economies, continued slowdown in growth rates in China and its consequent adverse impact on commodity exporting countries represent some of the key downside risks to global economic recovery.

The Indian economy witnessed another challenging year a wide range of economic indicators suggest tepid performance across consumption, private investments and exports which have contracted significantly against the backdrop of a soft global

demand environment. On the positive side, Inflation remained well within the comfort zone aided by low global crude oil and commodity prices. The implementation of the recommendations of the 7th Pay Commission, 'One Rank One Pension' (OROP) scheme, low inflation and expectations of normal monsoons in the ensuing year represent some of the key factors that are likely to positively influence Private Consumption going forward. While India remains a bright spot among emerging markets and continues to be one of the fastest growing major economies in the world, the rate of economic growth in recent years has remained far below the desired levels and the country's potential.

For Indian exports, the year 2016-17, Green shoots in exports growth have been noticed for quite some months. According to the Projection by IMF for India in its World Economic Outlook (WEO), India's GDP will continue to expand at the fastest pace among major economies. As per UN in its World Economic Situation and Prospect (WESP) report, India's economy is slowly gaining momentum.

INDIAN ECONOMY IN 2016-17

The Economic Survey 2016-17, forecasts a growth rate of 6.75 to 7.5 percent for F.Y. 18, as compared to the expected growth rate of 6.5 percent in F.Y. 17. Over the medium run, the implementation of the Goods and Services Tax (GST), follow-up to demonetization, and enacting other structural reforms should take the economy towards its potential real GDP growth of 8 percent to 10 percent.

The year started on a positive note, with a forecast of a normal monsoon and good initial rainfall. Growth of agriculture and allied sectors has improved in 2016-17, with an increase in production. Growth was however not uniform across India, Business was impacted by poor cash flow rotation.

Indian economy on a macro basis stayed fairly robust. The below par performance of global economy was reflected in a continued slowdown in growth in most emerging and developing economies, driven by weaker capital inflows and a subdued global trade. India, however, was one of the faster growing large economies in the world, with a currency that performed better than most other emerging market currencies. The gradual recovery of the market was

temporarily impacted by adverse liquidity conditions post demonetisation and especially in the December quarter. Overall, this was a year of moderate growth rates.

Impact of Demonetization in Indian economy

In 2016, the Indian Government decided to demonetize the 500 and 1000 rupee notes, the two biggest denomination notes. These notes accounted for 86% of the country's cash supply. Although the GDP growth rate has declined in the short-term, restrictions on cash economy and increase in government revenue are expected to improve the GDP in the long run. Demonetization has lowered down the inflation.

GST

The GST created a common Indian market, improves tax compliance and governance, and boost investment and growth; it is also a bold new experiment in the Governance of India's cooperative federalism, reduces tax burden on producers and fosters growth through more production. The current taxation structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST solves the problem by providing tax credit to the manufacturers. Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. The transparency in the system as the customers will know exactly how much taxes they are being charged. GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.

PEC's PERFORMANCE

The Company achieved a turnover of ₹ 4254.07 Crore during the year under review as against ₹ 3746.59 Crore in the previous year.

SEGMENTWISE PERFORMANCE

EXPORT:

PEC achieved an export turnover of ₹ 64.10 Crore. The major product segments of exports during the year were Red Sanders, 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 such as Nepal, Tanzania and Kenya and getting orders from these markets for supply of Distribution Transformers, Cables, Conductors and Line Accessories etc. PEC has also made efforts to penetrate new markets.

IMPORTS:

Import accounted for 94% of total turnover of PEC for the year 2016-17. Driven by volumes in Coal, Silver, Yellow Maize and Yellow Peas, import during the year aggregated to ₹ 3,980.11 Crore. The areas exhibiting notable performance are:

Industrial Raw Material: Imports of industrial raw material were valued at ₹ 1,916.15 Crore. Major industrial raw materials imported were coal/coke, steel, minerals and chemicals & pharmaceuticals.

Coal & Coke: The business turnover of coal/coke valued at ₹ 1,581.59 Crore emerged as the largest item of import constituting over 40% of total imports.

Bullion: During the year bullion turnover of ₹ 1362.88 Crore approx. accounts to 34% of total PEC's import turnover.

STRENGTHS AND WEAKNESSES

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,
- 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.

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.

For India, economic activity is expected to improve modestly, driven by global economic revival which may lead to better opportunities for international trade.

RISKS AND CONCERNS

Volatility in prices specially when prices decline, higher level of inventory and sluggish demand over a period of 2-3 months results in pressure on trading margin as sale prices decreases 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 continual depreciation in 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 carried out from time to time to align with the changing business needs. The Corporation has an independent Internal Audit Department headed by a Qualified Chartered Accountant who reports to the Chairman directly. The audit assignments are carried out as per the Annual Audit Programme approved by the Chairman and the Audit Committee. Internal

Audit carries out extensive audits throughout the year covering each and every aspect of the business. 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. We remain committed to employee development by investing in training and entry level recruitment. Training has been conducted in both in-house and organized in association with reputed institutions, was in the areas of executive development and business growth. PEC's work force is 131 which include 114 Managers and 17 Staff as on 31st March, 2017.

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, a sum of ₹ 24.41 Lakh 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	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Sales	5671.57	10274.78	11025.94	9969.94	11041.33	11649.01	9780.37	6186.76	3746.59	4254.07
Exports	903.68	1261.78	1254.91	1136.25	1036.92	3029.12	2556.03	601.22	122.70	64.10
Domestic	420.81	492.72	889.46	926.89	1798.36	1659.38	1543.49	613.29	191.59	209.86
Imports	4347.08	8520.28	8881.57	7906.80	8206.05	6960.51	5680.85	4972.25	3432.30	3980.11
Income	90.98	149.73	145.55	146.40	159.72	159.63	43.02	(137.61)	(1110.84)	(61.59)
Expenditure	27.79	37.45	42.59	39.84	41.19	46.56	41.04	42.18	31.18	30.51
Establishment	15.85	24.97	20.08	26.69	28.48	27.46	24.73	29.54	21.65	21.77
Administration	11.94	12.48	22.51	13.15	12.71	19.10	16.31	12.64	9.53	8.74
Prior Period Adjustment	(0.02)	0.02	(0.07)	0.00	0.00	0.00	0.00	0.01	0.11	(0.03)
Profit before Tax	63.17	112.26	102.89	106.56	118.53	113.07	1.98	(179.79)	(1142.02)	(92.10)
Tax	21.79	40.09	35.18	35.64	38.98	16.12	1.27	28.75	0.00	0.00
Profit After Tax	41.38	72.17	67.71	70.92	79.55	96.95	0.71	(208.54)	(1142.02)	(92.10)
Capital Employed	338.37	180.74	460.03	479.51	347.63	586.13	1568.51	1453.10	(45.21)	(251.42)
Shareholder's Funds	126.07	180.69	232.03	285.51	347.63	362.04	362.75	154.21	(987.81)	(1079.91)
Loan Funds	212.30	0.05	228.00	194.00	0.00	224.09	1205.76	1298.89	942.60	828.49

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.

The 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, two Whole Time Directors and three Part-Time Directors including one Independent Director nominated by the President of India. 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 J. Ravi Shanker	B.Tech. IIT, Delhi	05/08/2014	Executive Director
3.	Shri Anupam Misra	B.Tech. (Hons) IIT, Kharagpur PGDM (IIM - Lucknow)	20/09/2016	Executive Director
4.	Ms. Rupa Dutta	Indian Economic Services	20/11/2015	Non-Executive Part-Time Government Director (Ministry of Commerce & Industry)
5.	Shri Shobhit Jain	MBBS, Indian Revenue Services	20/02/2017	Non-Executive Part-Time Government Director (Ministry of Commerce & Industry)
6.	Shri Udesinh Baria	LLB	15/06/2016	Independent Director

The composition of the Board of Directors, attendance in Board Meetings, Annual General Meeting and other Directorship held during the year 2016-17 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 Rajani Ranjan Rashmi (CMD up to 23.05.2016)	0/0	NR	NIL
2.	Shri. J. Ravi Shanker CMD (From 27.05.2016 to 31.08.2016)	1/1	NR	NIL
3.	Shri. M. Nagaraj (CMD w.e.f. 01.09.2016)	5/5	Yes	NIL

4.	J. Ravi Shanker Director	5/5	Yes	NIL
5.	Shri. Anupam Misra (Director w.e.f.20.09.2016)	4/4	Yes	NIL
PART-TIME DIRECTORS (Govt. Nominees)				
6.	Ms. Mugdha Sinha (From 29.08.2016 to 29.11.2016)	2/2	Yes	NIL
7.	Smt. Rupa Dutta	4/6	Yes	NIL
8.	Shri Samir Kumar (w.e.f. 29.08.2016)	0/1	NR	NIL
9.	Shri. K.V. Nagi Reddy (From 29.11.2016 to 20.02.2017)	1/1	NR	NIL
10.	Shri Shobhit Jain (w.e.f. 20.02.2017)	1/1	NR	NIL
11.	Shri Udesinh Baria (w.e.f. 15.06.2016)	6/6	No	NIL

NR- Not Required, since the concerned Director/CMD was not on the Board of PEC as on date of Board Meeting/AGM.

CHANGES IN DIRECTORSHIP

Following are the changes in the Board of Directors of your Company since 1st April, 2016:-

- Shri Rajani Ranjan Rashmi, Additional Secretary, Department of Commerce & Industry relinquished the additional charge of Chairman-cum-Managing Director on 23.05.2016.
- Shri J. Ravi Shanker, Director, PEC has assumed the additional charge of Chairman-cum-Managing Director from 27.05.2016 to 31.08.2016.
- Shri M. Nagaraj has assumed the charge of Chairman-cum-Managing Director w.e.f. 01.09.2016.
- Shri Udesinh Baria has been appointed as Independent Director w.e.f. 15.06.2016 on the Board of PEC Limited.
- Shri Samir Kumar, Additional Economic Advisor, Department of Commerce & Industry relinquished the charge of Director w.e.f. 29.08.2016.
- Ms. Mugdha Sinha, Director, Ministry of Commerce & Industry has joined the Board as Director w.e.f. 29.08.2016 to 29.11.2016.
- Shri Anupam Misra has assumed the charge of Director (Marketing) w.e.f. 20.09.2016.
- Shri K. V. Nagi Reddy, Director, Ministry of Commerce & Industry has joined the Board as Director w.e.f. 29.11.2016 to 20.02.2017.
- Shri Shobhit Jain, Director, Ministry of Commerce & Industry has joined the Board as Director w.e.f. 20.02.2017.

BOARD MEETINGS AND PROCEDURES

BOARD MEETINGS

Six (6) 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.	295 th	12/07/2016	4	3
2.	296 th	15/09/2016	5	4
3.	297 th	28/10/2016	6	6
4.	298 th	08/11/2016	5	5
5.	299 th	16/01/2017	6	6
6.	300 th	22/03/2017	6	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) on 19.10.2016 during F.Y. 2016-17. As on 31.03.2017, 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 2 times, on 28.10.2016 & 08.11.2016 during the F.Y. 2016-17. The details of the attendance of the Members at the DMRC meetings are furnished below:-

Sr. No.	Name of the Directors	Date of appointment as Member	No. of meetings Attended / Total no. of meetings held during his/her tenure
1.	Shri M. Nagaraj	19.10.2016	2/2
2.	Shri J. Ravi Shanker	19.10.2016	2/2
3.	Shri Anupam Misra	19.10.2016	2/2
4.	Shri Udesinh Baria	19.10.2016	2/2

AUDIT COMMITTEE - COMPOSITION AND ATTENDANCE

The Audit Committee of the Company has been constituted on 19.10.2016 the Audit Committee of the Company comprises of 3 Directors. Shri Udesinh Baria, Independent Director was Chairman of the Audit Committee during the F.Y. 2016-17. The constitution of the Audit Committee meets with the requirements of Section 177 of the Companies Act, 2013. Shri Pardeep Kumar, Company Secretary of the Company is the Secretary of the Audit Committee.

The Audit Committee has discharged such roles as envisaged under the provisions of Section 177 of the Companies Act, 2013. The Audit Committee met three times, on 28.10.2016, 16.01.2017 and 22.03.2017 during the F.Y. 2016-17. The details of the attendance of the Members at the Audit Committee meetings are furnished below:-

Sr. No.	Name of the Directors	Date of appointment as Member	No. of meetings Attended / Total no. of meetings held during his/her tenure
1.	Shri Udesinh Baria	19.10.2016	3/3
2.	Shri J. Ravi Shanker	19.10.2016	3/3
3.	Shri Anupam Misra	19.10.2016	3/3

REMUNERATION COMMITTEE- COMPOSITION AND ATTENDANCE

The Remuneration Committee of the Company has been re-constituted on 19.10.2016 during the F.Y. 2016-17. No meeting of the Remuneration Committee was held during the Financial Year 2016-17. The details of the Members of the Remuneration Committee are furnished below:-

1. Smt. Rupa Dutta - Chairman
2. Shri Udesinh Baria - Member
3. Ms. Mugdha Sinha - Member
4. Shri Anupam Misra - Member

No meeting of the Remuneration Committee was held during the Financial Year 2016-17.

COMMITTEE OF BOARD ON CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT :

A Committee on CSR & SD of the Company has been re-constituted on 19.10.2016 for monitoring the Company's CSR & SD Activities during the FY 2016-17.

1. Shri M. Nagaraj - Chairman
2. Shri Udesinh Baria - Member
3. Shri Anupam Misra - Member

Shri M. Nagaraj was the Chairman of Committee on CSR & SD and Shri Udesinh Baria and Shri Anupam Misra were the members for the F.Y. 2016-17. No meeting of the CSR Committee was held during the Financial Year 2016-17.

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 with CMD as its Chairman, Functional Director, and Senior most General Manager (Finance) as Members and Company Secretary as Secretary to the Committee, with distinct role, accountability and authority.

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 2016-17 to Directors are as under:-

Sl. No.	Name of Directors	Salary & benefits (₹ Crore)	No. of shares of PEC held as on 31/03/2017
FUNCTIONAL DIRECTORS			
1.	Shri Rajani Ranjan Rashmi, CMD (upto 23/05/2016)		1
2.	Shri M. Nagaraj, CMD (w.e.f. 01/09/2016)		Nil
3.	Shri J. Ravi Shanker, Director		Nil
4.	Shri Anupam Misra (w.e.f. 20/09/2016)		Nil
PART-TIME DIRECTORS (Govt. nominees)			
5.	Shri Samir Kumar	-	Nil
6.	Ms. Rupa Dutta	-	Nil
7.	Ms. Mugdha Sinha	-	Nil
8.	Shri K. V. Nagi Reddy	-	Nil
9.	Shri Shobhit Jain	-	1
10.	Shri Udesinh Baria	-	Nil

GENERAL BODY MEETING

The General Body Meetings of the Company are held at the Registered Office of the Company – Hansalaya, 15 Barakhamba Road, New Delhi. The details of such meetings held during the last three years are as under:-

Nature of Meeting	Financial year	Date of meeting	Venue
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
Annual General Meeting	2013-14	30.09.2014	Hansalaya-15, Barakhamba Road, New Delhi

DISCLOSURE

DISCLOSURE ON MATERIALLY 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 46th Annual General Meeting is scheduled for 22/09/2017 at 'Hansalaya' 15, Barakhamba Road, New Delhi – 110 001.
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
2015-16	Nil	Nil	NA
2014-15	Nil	Nil	NA
2013-14	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, GUARANTEES 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 No. 9, 10, 15 and 25 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.



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, 2017** 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.

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**

**PLACE: NEW DELHI
DATE: 22/05/2017**



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

Annual Report on Corporate Social Responsibility Activities (2016-17)

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

- 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 funds were allocated towards CSR & Sustainability Development for the F.Y. 2016-17 and the carried forward funds from previous years amounting to ₹ 50 Lakhs (approx) were available, out of which ₹ 24.41 Lakhs have been spent on following projects initiated in F.Y. 2015-16:

- Construction and Maintenance of Toilet Complex in Khajuri Khas,
- Education and Health,
- Rehabilitation of the differently abled through NGO,
- Health/medical welfare for the weaker section through NGOs,
- Skill Development.

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. Sh. Udesinh Baria, Independent Director | - Member |

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

Financial Year	Net Profit (PBT) in ₹ Crores
2013-14	1.98
2014-15	(179.79)*
2015-16	(1142.02)*
Total	(1319.83)*
Avg. Profit	(439.94)*

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

2% of (439.94)* = ₹ (8.79)* 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 F.Y. 2016-17 – Nil

Carried forward amount ₹ 50 Lakhs (approx)

Amount Spent during the financial year: ₹ 24.41 Lakhs.

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 item 3 above.

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. 2016-17

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 F.Y. 2016-17								
1	Solar Lighting Project in Badhoi	Solar LED Street Lights for the weaver community	Solar Energy	Badhoi, UP	₹ 9,96,000	-	-	IA Sharp Developments
Amount Allocated & Spent from the Carried Forward of Previous Years for the Activities initiated during 2015-16								
1	Construction of Toilet Complex at Khajoori Khas	Construction and maintenance of Toilet Complex in Delhi-NCR	Swachh Bharat Abhiyan	Khajoori Khas Flyover, Delhi	₹ 27,38,867	₹ 9,42,337	₹ 28,59,544	IA Sulabh International
2	Helping the Disabled Regain Mobility and Dignity	Rehabilitation of differently -abled directly or through NGOs	Healthcare and Education of Disabled	NCR	₹ 5,00,000	₹ 2,50,000	₹ 5,00,000	IA BMVSS
3	Mid-Day Meal Programme under 15 Point Programme of Planning Commission, Project - Children Adoption Initiative	Supporting the Mid-Day Meal Programme under 15 Point Programme of Planning Commission directly or through NGOs	Education of Under-privileged & Disabled	NCR	₹ 4,99,999	₹ 4,99,999	₹ 4,99,999	IA ISKCON Food Relief Foundation
4	Free Education with Food, Clothing, Study Material and HealthCare	Education of Weaker / Under-privileged Section of Society directly or through NGO	Education of Under-privileged & Disabled	NCR	₹ 4,99,500	₹ 4,99,500	₹ 4,99,500	IA Shirdi Sai Baba Temple Society
5	Project Drishti-Supporting Healthcare through contribution onwards Eye Screening and Cataract Operation Camps	Health / Medical Welfare for Weaker Sections through NGOs	Healthcare	Rajasthan	₹ 2,50,000	₹ 2,50,000	₹ 2,50,000	IA Anugraha Drishtidan
	Total	-	-	-	₹ 54,84,366	₹ 24,41,836	₹ 46,09,043	

Form No. MGT 9 Extract of Annual Return

As on financial year ended on 31.03.2017

(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	37%
2.	Gold	99611925	28%

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 [As on 31-March-2016]				No. of Shares held at the end of the year [As on 31-March-2017]				% 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%	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) FIs	-	-	-	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 shareholding during the year
		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	
1	President of India	59,99,998	100%	0%	59,99,998	100%	0%	0%
2	Sh. R.R. Rashmi*	01	0%	0%	0	0%	0%	0%
3.	Sh. Sameer Kumar*	01	0%	0%	0	0%	0%	0%
4.	Sh. Shobhit Jain*	0	0%	0%	01	0%	0%	0%
5.	Ms. Rupa Dutta*	0	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%
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: R.R. Rashmi Designation: 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%	-	0%
	NA	Other	-	0%	-	0%
At the End of the year			1	0%	0	0%

Name: 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			0	0%	0	0%
Changes During the Year						
Increase	Date	Reason for Increase				
	20/02/2017	Allotment	01	0%	01	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				
i) Principal Amount	9,42,00,30,037	-	-	9,42,00,30,037
ii) Interest due but not paid	54,19,819	-	-	54,19,819
iii) Interest accrued but not due	-	-	-	0
Total (i+ii+iii)	9,42,54,49,856	-	-	9,42,54,49,856
Change in Indebtedness during the financial year				
* Addition	33,82,35,00,000	-	-	33,82,35,00,000
Reduction	-34,96,40,32,732	-	-	-34,96,40,32,732
Net Change	-1,14,05,32,732	-	-	-1,14,05,32,732
Indebtedness at the end of the financial year				
i) Principal Amount	8,28,49,17,124	-	-	8,28,49,17,124
ii) Interest due but not paid	-	-	-	0
iii) Interest accrued but not due	5,75,343	-	-	5,75,343
Total (i+ii+iii)	8,28,54,92,467	-	-	8,28,54,92,467
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	Sh. R.R. Rashmi (CMD) (upto 23/05/2016)	Sh. M. Nagaraj (CMD) (w.e.f. 01/09/2016)	Sh. J. Ravi Shanker (Director) also held additional charge of CMD from 27/05/2016 to 31/08/2016	Sh. Anupam Misra (Director) (w.e.f. 20/09/2016)	Total Amount
1	Gross salary	-	15,62,764	30,34,030	12,37,222	58,34,016
	(a) Salary as per provisions contained in Section 17(1) of the Income-Tax Act, 1961	-	13,05,238	-	11,54,455	24,59,693
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	2,57,526	-	82,767	3,40,293
	(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	-	4,20,983	3,77,943	2,00,259	9,99,185
	Total VI(A)	-	19,83,747	34,11,973	14,37,481	68,33,201

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	85,000	85,000
	Commission	-	-
	Others, please specify	-	-
	Total (1)	85,000	85,000
2	Other Non-Executive Directors		
	Fee for attending board committee meetings	-	-
	Commission	-	-
	Others, please specify	-	-
	Total (2)	-	-
	Total VI (B)=(1+2)	-	-
	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	Total Amount
		Shri Pardeep Kumar Company Secretary	
1	Gross salary	10,41,661	10,41,661
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	10,24,200	10,24,200
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	17,461	17,461
	(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	2,04,966	2,04,966
	Total	12,46,627	12,46,627

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	NA	NA	NA	NA	NA
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, 2017

₹ in Crore

	Particulars	Note No.	As at 31 March, 2017	As at 31 March, 2016
A	EQUITY AND LIABILITIES			
1	Shareholders' Funds			
	(a) Share Capital	2	60.00	60.00
	(b) Reserves and Surplus	3	(1,139.91)	(1,047.81)
			(1,079.91)	(987.81)
2	Non-Current Liabilities			
	(a) Long-term Liabilities	-	0.02	-
	(b) Long-term Provisions	4	20.29	20.15
			20.31	20.15
3	Current Liabilities			
	(a) Short-term Borrowings	5	828.49	942.60
	(b) Trade Payables	-	1,257.21	1,650.94
	(c) Other Current Liabilities	6	267.64	291.81
	(d) Short-term Provisions	7	2.33	3.17
			2,355.67	2,888.52
	Total		1,296.07	1,920.86
B	ASSETS			
1	Non-Current Assets			
	(a) Fixed Assets			
	(i) Tangible Assets	8	0.36	0.44
	(ii) Intangible Assets		0.05	0.09
	(b) Non-Current Investments	9	-	-
	(c) Deferred Tax Assets (Net)	33	-	-
	(d) Long-term Loans and Advances	10	47.63	42.06
	(e) Other Non-Current Assets	11	1.05	1.05
			49.09	43.64
2	Current Assets			
	(a) Current Investments		-	-
	(i) Inventories	12	230.84	265.06
	(ii) Trade Receivables	13	966.28	1,548.05
	(iii) Cash and Cash Equivalents	14	25.61	22.53
	(iv) Short-term Loans and Advances	15	22.50	38.62
	(v) Other Current Assets	16	1.75	2.96
			1,246.98	1,877.22
	Total		1,296.07	1,920.86
	Notes to Accounts	1 to 52		

In terms of our Report of even date

For JK Sarawgi & Company

Chartered Accountants

Firm Registration No. 006836C

Sd/-

(L.S.Khandelwal)

Partner

Membership No. 009878

Sd/-

(M. Nagaraj)

Chairman-cum-Managing Director

DIN: 05184848

Sd/-

(P. K. Ojha)

General Manager (Finance)

Sd/-

(J. Ravi Shanker)

Director

DIN: 06961483

Sd/-

(Pardeep Kumar)

Company Secretary

Membership No. 36128

Place: New Delhi

Date: 29.06.2017

PEC Limited

Statement of Profit and Loss

for the year ended 31 March, 2017

₹ in Crore

Particulars	Note No.	For the year ended 31 March, 2017	For the year ended 31 March, 2016
1 Revenue from Operations	17	4,268.69	3,784.29
Less: Excise duty		-	-
Revenue from operations (net)		4,268.69	3,784.29
2 Other Income	18	6.09	24.44
3 Total Revenue (1+2)		4,274.78	3,808.73
4 Expenses			
(a) Cost of materials consumed		-	-
(i) Purchases of Stock-in-trade	19a	4,053.51	3,622.62
(ii) Changes in Inventories of Stock-in-trade	19b	35.20	(23.26)
(iii) Employee Benefits Expense	20	21.77	21.65
(iv) Finance Costs	21	89.10	106.32
(v) Depreciation and Amortization Expense	8	0.28	0.31
(vi) Other Expenses	22	169.60	188.50
Total Expenses [4(a) to 4(f)]		4,369.46	3,916.14
5 Profit / (Loss) before exceptional, extraordinary items and tax (3-4)		(94.68)	(107.41)
6 Exceptional items (net)	23	2.58	(1,034.61)
7 Profit / (Loss) before extraordinary items and tax (5-6)		(92.10)	(1,142.02)
8 Extraordinary items (net)	24	-	-
9 Profit / (Loss) Before Tax (7-8)		(92.10)	(1,142.02)
10 Tax Expense:			
(a) Current Income Tax		-	-
(b) Deferred Tax		-	-
(c) Wealth Tax		-	-
Profit / (Loss) from continuing operations		(92.10)	(1,142.02)
11 Profit / (Loss) for the Period		(92.10)	(1,142.02)
12 Earnings per Equity Share of ₹ 100 each:			
Basic (in ₹)		(153.50)	(1,903.36)
Diluted (in ₹)		(153.50)	(1,903.36)
Notes to Accounts	1 to 52		

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/-

(J. Ravi Shanker)

Director

DIN: 06961483

Sd/-

(P. K. Ojha)

General Manager (Finance)

Sd/-

(Pardeep Kumar)

Company Secretary

Membership No. 36128

Place: New Delhi

Date: 29.06.2017

PEC Limited

Cash Flow Statement

for the year ended 31 March, 2017

In accordance with Indirect Method set out in Accounting Standard- 3 issued by the Institute of Chartered Accountants of India
₹ in Crore

PARTICULARS	For the year ended 31 March, 2017	For the year ended 31 March, 2016
Cash flow from operating activities		
Net profit before tax	(92.10)	(1,142.02)
Adjustment for		
(Profit)/Loss on sale of fixed Assets	(0.01)	-
Interest paid (Finance Cost)	89.10	106.32
Rental Income	(0.07)	-
Depreciation	0.28	0.31
Foreign Exchange (Gain)/Loss	(5.05)	(1.45)
Interest Income	(0.15)	(0.18)
Provisions no longer required written back	(17.87)	(0.65)
Liability no longer required written back	(1.88)	(23.38)
Bad Debts	-	0.08
Provision for Doubtful Debts	15.31	1,035.11
Operating profit before working capital changes	(12.44)	(25.86)
(Increase)/Decrease in Trade & Other receivables	572.69	52.22
(Increase)/Decrease in Inventories	34.23	(23.26)
Increase/(Decrease) in Trade & Other payable	(398.80)	(156.11)
(Increase)/Decrease in Loans & advances	11.53	633.74
Cash generated from operations	207.21	480.73
Income tax (paid)/received (net)	(0.98)	(0.37)
Net cash flow from operating activities (A)	206.23	480.36
Cash flow from Investing activities:		
Purchase of Fixed Assets	(0.19)	(0.25)
Proceeds from sale of Fixed Assets	0.03	0.01
Rental Income	0.07	-
Investments in Bank deposits	2.24	(1.41)
Interest received	0.15	0.18
Net cash from investing activities (B)	2.30	(1.47)
Cash flow from financing activities		
Borrowings/(Repayments) of loans and credits	(114.11)	(356.29)
Interest paid	(89.10)	(106.32)
Net cash from financial activities (C)	(203.21)	(462.61)
Net increase/(decrease) in cash & cash equivalents (A)+(B)+(C)	5.32	16.28
Cash & cash equivalents at beginning of the period	20.29	4.01
Cash & cash equivalents at end of the period	25.61	20.29

Notes:

1. Figures in brackets represents outflow.
2. Previous year figures have recasted/restated wherever necessary.
3. Balance with bank includes Rs. 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/-

(J. Ravi Shanker)

Director

DIN: 06961483

Sd/-

(P. K. Ojha)

General Manager (Finance)

Sd/-

(Pardeep Kumar)

Company Secretary

Membership No. 36128

Place: New Delhi

Date: 29.06.2017

NOTES TO ACCOUNTS AS AT 31 MARCH, 2017

Note 1. ACCOUNTING POLICIES

a. 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 and engineering products etc.

The Company's trade activities spans across various countries.

b. Basis of accounting

1. The Financial Statements are prepared under the Historical Cost Convention on Accrual Basis of Accounting and is in agreement with the fundamental Accounting Principles of Prudence, Consistency and Materiality.
2. The Financial Statements are reported in Rupees and all values are rounded off to the nearest Rupee Crore unless otherwise stated.
3. The Financial Statements are prepared in accordance with the Generally Accepted Accounting Principles followed in India, Accounting Standards notified under Section 133 of the Companies Act, 2013 and the relevant provisions thereof.

c. Fixed Assets

Fixed Assets are stated at Historical Cost less accumulated depreciation. The cost of a fixed asset comprises of its purchase price and any expense, which is attributable in bringing the said asset to its working condition for its intended use.

d. Depreciation

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:

Assets	In Years
Building – Flats	20
Furniture & Fittings	5
Office Equipments	3
Air Conditioners	5
Data Processing Equipment-Computers etc.	3
Vehicles	5
Audio Visual Equipment	3

Asset costing ₹ 5,000/- or below is depreciated @ 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.

e. Purchases and Sales

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

1. Purchases and Sales are recognized on the performance of contracts/ agreements wholly or partly by the Company.

2. 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.
3. Sales include transactions under third party arrangements.
4. 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.
5. 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.

f. Revenue recognition

A. Income

Revenue is accounted for on accrual basis except:

1. Interest on overdues recoverable, if any, where realization is uncertain.
2. Decreed/Contested dues by associates and interest thereon, if any.
3. Liquidated damages from Suppliers/Contractors, refund of Custom Duty, Income Tax and Sales Tax and interest thereon, if any.
4. Miscellaneous income on account of damages or compensation recovered from the suppliers/buyers in respect of washed out contracts for imports or exports.
5. Realisable Value on account of sale of residuals.

B. Expenses

1. 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.
2. Interest payable if any, on advances and progressive payments received from Associates & Suppliers are accounted for on accrual basis.

g. Export Incentives

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

h. Foreign Currency Transactions

1. Transactions denominated in foreign currencies are recorded at exchange rate prevailing at the time of transaction.
2. All monetary items denominated in foreign currencies at the year-end are translated at year-end rates.
3. Non-monetary items other than fixed assets denominated in foreign currencies are reported on exchange rate at the transaction date. Fixed Assets are reported on exchange rate as at the transaction date as increased/reduced by the exchange difference arising on the corresponding foreign currency liability.
4. Income or expense on account of exchange difference on settlement or translation is recognized in the Statement of Profit & Loss. Premium or Discount on forward exchange contracts is recognized on pro-rata basis with reference to the life of the forward contract except for forward covers taken at the behest of Business Associates.

i. Stock

1. Stocks held by the Company are physically verified/certified by Surveyors and by the management.
2. 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.
3. 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.

j. Net Realisable Value

Net Realisable Value is the estimated price realizable in the ordinary course of business less further costs to be incurred for completing the sale. Estimates of net realizable value are based on the most reliable evidence available at the time of estimation as to the amount the inventories are expected to realize and also take into consideration fluctuations of price or other factors affecting the realizable value including events occurring after balance sheet date to the extent that such events confirm the conditions existing at the balance sheet date.

k. Taxation on Income

1. Tax Expense/Tax Saving is the aggregate of Current Tax and Deferred Tax charged/ credited to the Profit & Loss Appropriation Account.
2. Current Tax is the provision made for Income Tax liability on the profits for the year in accordance with the provisions of the Income Tax Act, 1961.
3. Deferred Tax Liability/Asset resulting from timing differences between the taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date as per the provisions contained in Accounting Standard-22 (AS-22) issued by the Institute of Chartered Accountants of India.
4. Deferred Tax Assets are recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.
5. In case of disputed income tax demand(s), netting of provision(s) for income tax with advance income tax shall be made after order of CIT (Appeals).

l. Employee Benefits

1. Short term employee benefits are recognized as an expense at their undiscounted amount in the accounting period in which the employee has rendered services.
2. 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.
3. Liability for gratuity and leave encashment i.e. earned, half pay and casual leave standing to the credit of employees at the close of the year has been recognized based on actuarial valuation.
4. Liability towards post-retirement medical benefits is provided based on actuarial valuation and has been provided in respect of present and retired employees.

m. Use of Estimates

In preparing Company's financial statements in conformity to Generally Accepted Accounting Practices and policies in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the

reported amounts of revenue & expenses during the reporting period. Actual results however, could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current & future periods.

n. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation are recognized when there is a present obligation as a result of past events and it's probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in notes to accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

o. Cash flow on Operating Activities

Cash Flows relating to funds provided by Business Associates or the Company for execution of trading contracts including utilization of the funds towards fixed deposits with banks for opening letters of credit in favor of suppliers and refund/payment/recovery of interest thereon as per the terms of Contract are treated as part of operating activities.

p. Earnings per share

Earnings per share is calculated as per the provisions of Accounting Standard-20 (AS-20) issued by the Institute of Chartered Accountants of India by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares as on the balance sheet date.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders is divided by the weighted average number of shares outstanding during the period adjusted for the effects of all dilutive potential equity shares.

q. Investments

Long term investments are carried at cost. When there is a decline (other than temporary) in the value of long term investments, the carrying amount is reduced to recognize the decline.

Current investments are carried at lower of cost or fair value.

r. Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value and impairment loss is charged to Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed, if there has been a change in the estimate of recoverable amount.

s. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

t. Prior Period Adjustment

Expenditure/Income relating to previous year(s) is shown in the Accounts under the head "Prior Period Adjustment Account" as per the provisions of AS-5 (Net Profit & Loss for the period, Prior Period Items and Changes in Accounting Policies) issued by the Institute of Chartered Accountants of India.

NOTE 2: SHARE CAPITAL

₹ in Crore

Particulars	As at 31 March, 2017		As at 31 March, 2016	
	Number of shares	₹ in Crore	Number of shares	₹ in Crore
(a) Authorised Equity shares of ₹ 100 each	60,00,000	60.00	60,00,000	60.00
(b) Issued Equity shares of ₹ 100 each	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
Total	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 01.04.2016	Issued during the year by way of Bonus Share	Bought back during the year	Closing as at 31.03.2017
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, 2017		As at 31 March, 2016	
	Name	No. of Shares held	% of Shares held	No. of Shares held
Government of India	60,00,000	100%	60,00,000	100%

NOTE 3: RESERVES AND SURPLUS

₹ in Crore

Particulars	As at 31 March, 2017	As at 31 March, 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	(1,047.81)	-
Current Year Profit/(Loss) after tax	(92.10)	(1,142.02)
Appropriations:		
Transfer from Special Purpose Trading Risk Reserve	-	25.00
Transfer from General Reserve	-	69.21
Closing Balance	(1,139.91)	(1,047.81)
Total (a)+(b)+(c)	(1,139.91)	(1,047.81)

NOTE 4: LONG-TERM PROVISIONS

₹ in Crore

Particulars	As at 31 March, 2017	As at 31 March, 2016
Provision for Employees Benefits (Refer Note no. 34)		
Earned Leave	3.10	3.35
Half Pay Leave	0.05	0.24
Post Retirement Medical Benefits	17.14	16.56
Total	20.29	20.15

NOTE 5: SHORT-TERM BORROWINGS

₹ in Crore

Particulars	As at 31 March, 2017	As at 31 March, 2016
Loans Repayable on Demand From Banks		
a) Secured (against hypothecation of inventories, trade receivables and other current assets present and future)	828.49	942.60
Total	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 6: OTHER CURRENT LIABILITIES

₹ in Crore

Particulars	As at 31 March, 2017	As at 31 March, 2016
(a) Interest accrued but not due on Trade Payables	2.00	2.18
(b) Interest accrued but not due on borrowings	0.06	-
(c) Other payables		
(i) Statutory remittances		
- Sales Tax / VAT / WCT	1.20	0.02
- TDS / Withholding Tax	2.01	1.48
- Provident Fund	0.19	0.35
(ii) Contribution to Pension Fund	-	0.24
(iii) Trade / Security Deposits Received	22.19	9.52
(iv) Margin Money from Customers	130.65	130.04
(v) Payable to Associates	65.99	105.77
(vi) Payable for Expenses	2.60	2.65
(vii) Pension Arrear	0.15	-
(viii) Other Liabilities	39.28	39.56
(ix) Advance from Associates	1.32	-
Total	267.64	291.81

NOTE 7: SHORT-TERM PROVISIONS

₹ in Crore

Particulars	As at 31 March, 2017	As at 31 March, 2016
(a) Provision for Employee Benefits:		
(i) Provision for post-employment medical benefits (Refer Note 34.b)	0.86	-
(b) Provision for Employee Benefits:		
(i) Provision for Leave Encashment	1.22	1.88
(c) Provision for Post Retirement Medical Benefit	-	0.80
(d) Others		
(i) Provision for Corporate Social Responsibility & Sustainable Development	0.25	0.49
Total	2.33	3.17

NOTE 8: FIXED ASSETS

₹ in Crore

A. Tangible Assets / Intangible Assets	Gross block					
	Balance as at 1 April, 2016	Additions	Disposals	Borrowing cost capitalised	Other adjust- ments	Balance as at 31 March, 2017
(a) Buildings Own use	0.35	-	-	-	-	0.35
(b) Furniture and Fixtures Owned	1.19	0.03	0.02	-	-	1.20
(c) Vehicles Owned	0.41	-	-	-	-	0.41
(d) Office equipment Owned	1.81	0.10	0.18	-	-	1.73
(e) Air Conditioner Owned	0.43	-	0.03	-	-	0.40
(f) Data Processing (Computer & Accessories) Owned	2.20	0.06	0.13	-	-	2.13
Intangibles	0.10	-	-	-	-	0.10
Total	6.49	0.19	0.36	-	-	6.32
Previous year	6.36	0.25	0.12	-	-	6.49
A. Tangible Assets / Intangible Assets	Accumulated depreciation and impairment			Net block		
	Balance as at 1 April 2016	Depreciation/ amortisation expense for the year	Eliminated on disposal of assets	Balance Upto 31 March, 2017	Balance as at 31 March, 2017	Balance as at 31 March, 2016
(a) Buildings Own use	0.34	0.00	-	0.34	0.01	0.01
(b) Furniture and Fixtures Owned	1.15	0.02	0.02	1.15	0.04	0.04
(c) Vehicles Owned	0.31	0.05	-	0.36	0.05	0.10
(d) Office equipment Owned	1.72	0.08	0.17	1.63	0.10	0.09
(e) Air Conditioner Owned	0.37	0.02	0.02	0.37	0.04	0.06
(f) Data Processing (Computer & Accessories)						

₹ in Crore

Owned	2.06	0.08	0.13	2.01	0.11	0.14
Intangibles	0.01	0.03	-	0.04	0.06	0.09
Total	5.96	0.28	0.34	5.90	0.41	0.53
Previous year	5.77	0.31	0.12	5.96	0.53	-

NOTE 9: NON-CURRENT INVESTMENTS

₹ in Crore

Particulars	As at 31 March 2017	As at 31 March 2016
Trade Investments (At cost, Unquoted):		
(a) Investment in property 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:- Investment in Neelam Gulzar Cooperative Housing Society Ltd., Mumbai is valued at ₹ 750 (Previous Year ₹ 750)
Investment in Tea Trading Corporation of India Ltd. is valued at ₹ 1 (Previous Year ₹ 1)

NOTE 10: LONG-TERM LOANS AND ADVANCES

₹ in Crore

Particulars	As at 31 March 2017	As at 31 March 2016
(a) Security deposits		
Secured, considered good	-	-
Unsecured, considered good	0.53	0.53
Less: Provision for doubtful deposits	-	-
(I)	0.53	0.53
(b) Loans and advances to employees *		
Secured, considered good	0.33	0.25
Interest Accrued on Advances to Employees but not due	0.14	0.14
Unsecured, considered good	0.61	0.67
Interest Accrued on Advances to Employees but not due	0.48	0.46
(II)	1.56	1.52
(c) Loans and advances to associates/suppliers		
Secured, considered good	-	-
Unsecured, considered good	-	-
Doubtful	623.85	634.48
Less: Provision for doubtful advances	(623.66)	(634.48)
(III)	0.19	-
(d) Capital Advance(Leashold Property)	(IV)	40.01
Total (I)+(II)+(III)+(IV)	47.63	42.06

* Long-term loans and advances to employees include amounts due from unsecured:		
Particulars	As at 31 March 2017	As at 31 March 2016
Directors/Officers	0.04	0.05
Interest Accrued but not due on advances to Officers	0.03	0.02
Total	0.07	0.07

NOTE 11: OTHER NON-CURRENT ASSETS

₹ in Crore

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

NOTE 12: INVENTORIES

₹ in Crore

Particulars	As at 31 March 2017	As at 31 March 2016
(As certified by the Management)		
(a) Stock-in-trade including with handling agents	75.96	175.23
(b) Goods-in-transit	154.88	89.83
Total	230.84	265.06

NOTE 13: TRADE RECEIVABLES

₹ in Crore

Particulars	As at 31 March 2017	As at 31 March 2016
(a) Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good		
(i) Debtors (Secured against ILC, Stock, Bank Guarantee & Margin Money)	11.82	53.99
Unsecured, considered good		
(i) Debtors	47.12	40.90
(ii) Claims Recoverable (Refer Note No. 27)	345.63	703.36
	404.57	798.25
Less: Provision for doubtful trade receivables	-	(1.56)
	(I) 404.57	796.69
(b) Other Trade receivables		
Secured, considered good		
(i) Debtors (Secured against ILC, Stock, Bank Guarantee & Margin Money)	537.30	731.14
Unsecured, considered good		
(i) Debtors	24.41	20.22
	(II) 561.71	751.36
Total (I)+(II)	966.28	1,548.05

NOTE 14: CASH AND CASH EQUIVALENTS

₹ in Crore

Particulars	As at 31 March 2017	As at 31 March 2016
(a) Cash & Cash Equivalents		
(i) Cash on Hand	-	-
(ii) Cheques, Drafts in hand	-	-
Balances with Banks		
(i) In Current/Cash Credit accounts	25.41	20.33
(ii) In deposits account- having maturity within 3 months	0.24	-
Total	25.65	20.33
Provision for blocked funds in foreign bank*	(0.04)	(0.04)
Total (a)	25.61	20.29
(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)	25.61	22.53

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

NOTE 15: SHORT-TERM LOANS AND ADVANCES

₹ in Crore

Particulars	As at 31 March 2017	As at 31 March 2016
(a) Security deposits		
Unsecured, considered good	0.12	0.27
(I)	0.12	0.27
(b) Loans and advances to employees*		
Secured, considered good	0.08	0.08
Interest Accrued on Advances to Employees but not due	-	0.01
Unsecured, considered good	0.11	0.12
Interest Accrued on Advances to Employees but not due	-	0.03
(II)	0.19	0.24
(c) Prepaid expenses	7.06	2.56
(III)	7.06	2.56
(d) Balances with government authorities		
Unsecured, considered good		
(i) Advance Income Tax (Net of Provision of tax - ₹ 189.08, P.Y.- ₹ 189.08)	9.72	8.74
(ii) Service Tax credit (CENVAT) receivable	-	0.01
(iii) Sales Tax deposit under protest	-	0.05
(iv) Service Tax deposit under protest	0.57	0.52
(v) Custom duty receivable	0.42	-
(IV)	10.71	9.32
(e) Others		
Loans and Advances to Suppliers		
Secured, considered good	-	19.57
Unsecured, considered good	0.92	2.28
Others	0.03	-
Due from CPF Trust	2.21	-
Secured, considered good	-	3.23

₹ in Crore

Unsecured, considered good	-	1.15
Interest Accrued on Advances to Employees but not Due	0.03	-
Due from Gratuity Fund Trust	1.23	-
Due from Pension Fund Trust	0.01	-
(V)	4.42	26.23
Total (I+II+III+IV+V)	22.50	38.62
*Short-term loans and advances to employees include amounts due from:		
₹ in Crore		
Particulars	As at 31 March 2017	As at 31 March 2016
Directors / Officer	-	-
Interest Accrued but not due	-	-
Total	-	-

Note 16: OTHER CURRENT ASSETS

₹ in Crore

Particulars	As at 31 March 2017	As at 31 March 2016
(a) Accruals		
(i) Interest accrued on bank deposits	0.00	0.03
(ii) Interest accrued on trade receivables	1.64	2.12
(iii) Others	-	0.81
(b) Others		
(i) Others	0.11	-
Total	1.75	2.96

NOTE 17: REVENUE FROM OPERATIONS

₹ in Crore

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
(a) Sale of products [Refer Clause (i) below]	4,254.07	3,746.59
(b) Other operating revenues [Refer Clause (ii) below]	14.62	37.70
Total	4,268.69	3,784.29
Clause (i) Traded goods		
Sales against Imports	3,980.11	3,432.30
Domestic Sales	209.86	191.59
Export Sales	63.27	122.70
Sale of services	0.83	-
Total - Sale of products	4,254.07	3,746.59
Clause (ii) Other operating revenues		
Interest Income (Trade)	12.89	33.00
Misc. Income	1.73	4.02
Commission	-	0.68
Total - Other operating revenues	14.62	37.70

NOTE 18: OTHER INCOME

₹ in Crore

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
(a) Interest income [Refer Clause (i) below]	0.15	0.18
(b) Other non-operating income [Refer Clause (ii) below]	5.94	24.26
Total	6.09	24.44
(i) Interest income:		
- from Banks on deposits	0.04	0.05
- from Others	0.11	0.13
Total - Interest income	0.15	0.18
(ii) Miscellaneous income	1.17	0.86
Commission	2.82	0.02
Rental Income	0.07	-
Reversal of Liability/ Credit Balances Written Back	1.88	23.38
Total - Other non-operating income	5.94	24.26

NOTE 19. a: PURCHASES OF STOCK-IN-TRADE

₹ in Crore

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
a) Import Purchases	3,783.97	3,407.48
b) Domestic Purchases	207.57	188.28
c) Purchases for Export	61.17	26.86
d) Services Purchases	0.80	-
Total	4,053.51	3,622.62

NOTE 19. b: CHANGES IN INVENTORIES OF STOCK-IN-TRADE

₹ in Crore

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
Inventories at the end of the year:		
Stock-in-trade	230.83	265.06
Inventories at the beginning of the year:		
Stock-in-trade	266.03	241.80
Net (Increase) / Decrease	35.20	(23.26)

NOTE 20: EMPLOYEE BENEFITS EXPENSES

₹ in Crore

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
(a) Employees Benefits Expense		
Salaries and Allowances	14.31	15.81
Leave Encashment	1.98	1.08
Employer's Contribution towards Pension Fund	0.92	1.00
Provident Fund & Family Contribution	1.25	1.44
Welfare Expenses		
- Medical Expenses	2.08	1.60
- Others	0.46	0.55
Gratuity	0.13	(0.10)
Total (a)	21.13	21.38

₹ in Crore

(b) Remuneration to Directors		
Salaries and Allowances	0.51	0.23
Leave Encashment	0.06	-
Employer's Contribution towards Pension Fund	0.03	0.01
Provident Fund & Family Contribution	0.05	0.02
Welfare Expenses		
- Others & Medical Expenses	-	0.01
Total (b)	0.65	0.27
Grand Total (a)+(b)	21.77	21.65

NOTE 21: FINANCE COSTS

₹ in Crore

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
(a) Interest expense on:		
(i) Borrowings from Banks	89.10	106.32
(ii) Interest Exp	-	-
Total	89.10	106.32

NOTE 22: OTHER EXPENSES

₹ in Crore

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
ADMINISTRATIVE EXPENSES		
Advertisement & Publicity	0.14	0.11
Books & Periodicals	0.02	0.02
Conveyance & Car Hire	0.16	0.22
Electricity	0.31	0.36
Entertainment	0.17	0.23
Insurance (Non Trade)	0.01	0.01
Lease Rental IT Services	0.45	0.48
Legal Expenses	0.15	0.90
Miscellaneous Expenses	0.24	0.35
Office Maintenance	0.39	0.84
Postage & Courier Charges	0.08	0.08
Printing & Stationery	0.19	0.20
Professional/Consultancy Charges	1.28	0.54
Rate & Taxes	0.01	0.03
Rent	2.54	2.74
Repairs & Renewals (Others)	0.18	0.23
Selection, Training & Seminar	0.07	0.21
Security Charges	1.16	0.53
Subscription & Membership Fees	0.18	0.17
Telephone & Fax	0.31	0.36
Travelling Expenses (Foreign)	0.07	0.11
Travelling Expenses (Inland)	0.50	0.66
Vehicle Running & Maintenance	0.04	0.04
Interest (Others)	0.01	0.01
(I)	8.66	9.43

₹ in Crore

TRADE EXPENSES		
Bank Charges	0.14	0.05
Clearing & Handling Charges	6.06	10.37
Commission	0.51	0.71
Custom Duty	127.54	94.48
Difference in exchange	(5.05)	(1.45)
Freight	(0.00)	22.12
Insurance (Trade)	0.34	0.05
L/c & Negotiation Charges	0.26	-
Other Trade Expenses	5.52	10.38
Interest Expense on Trade	25.54	42.26
	(II)	
	160.86	178.97
PAYMENT TO AUDITORS		
- Statutory Audit Fee	0.07	0.07
- Tax Audit Fee	0.01	0.03
	(III)	
	0.08	0.10
Total (I)+(II)+(III)	169.60	188.50

NOTE 23: EXCEPTIONAL ITEMS (NET)

₹ in Crore

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
Bad Debts	-	0.08
Bad Debts Recovered	-	(0.04)
Provision for Doubtful Debts/Advances	15.31	1,035.11
Profit/(Loss) on disposal of Fixed Assets	0.01	-
Provisions written back on recovery	(17.87)	(0.65)
Prior Period Adjustments	(0.03)	0.11
Total	(2.58)	1,034.61

NOTE 24: EXTRAORDINARY ITEMS (NET)

₹ in Crore

Particulars	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016
Loss due to earthquake	-	-
Loss due to fire	-	-
Total	-	-

NOTE 25: CONTINGENT LIABILITIES

₹ in Crore

Sl. No.	Particulars	As at 31 March 2017	As at 31 March 2016
A	(i) Guarantees issued by banks on behalf of the Company	10.05	11.52
	(ii) Letters of Credits opened with banks (As certified by banks & management)	154.88	91.14
	(iii) Bill Discounting under Local L/Cs	376.30	419.18

₹ in Crore

B	Claims against the Company due to legal cases not acknowledged as Debts (excluding legal cases where amounts are unascertainable)	252.45	282.97
C	Demands in respect of Statutory Liabilities against which the Company or the concerned Department has preferred an Appeal*	70.21	24.87
	Total	863.89	829.68

* "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."

NOTE 26: 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 ₹ 13.72 Crore).

NOTE 27: Claims Recoverable included under Trade Receivables (**Note no. 13 of the Financial Statements**) include the following:

₹ in Crore

Sl. No.	Particulars	As at 31 March 2017	As at 31 March 2016
A	Loss on Import and Sale of Edible Oils in Domestic Market on Government Account 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.	0.00	271.91
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 ii) Under PDS scheme	231.52 0.16	317.34 0.16
	Total	345.63	703.36
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 ₹ 317.34 Crore). This 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.		

NOTE 28: 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.

NOTE 29: Sundry Debtors as at the year-end include ₹ 625.13 Crore (Previous Year ₹ 501.65 Crore) which matches with equivalent amount of Sundry Creditors and shall be paid after realization from Sundry Debtors.

NOTE 30: 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".

NOTE 31: RELATED PARTY TRANSACTIONS:

The related parties as per provisions of Accounting Standard (AS)-18, "Related Party Disclosures", notified under the Companies (Accounting Standards) Rules, 2006 (as amended) are disclosed below:-

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

Key Management Personnel

Full-Time Director

I.	Shri R.R. Rashmi	Chairman-cum-Managing Director (upto 23/05/2016)
II.	Shri J. Ravi Shanker	Chairman-cum-Managing Director (From 27/05/2016 to 31/08/2016)
III.	Shri M. Nagaraj	Chairman-cum-Managing Director (w.e.f. 01/09/2016)
IV.	Shri J. Ravi Shanker	Director
V.	Shri Anupam Misra	Director (w.e.f. 20/09/2016)

Part Time Director

I.	Shri Samir Kumar	Part Time Director (upto 29.08.2016)
II.	Ms. Rupa Dutta	Part Time Director
III.	Ms. Mugdha Sinha	Part Time Director (from 29.08.2016 to 29.11.2016)
IV.	Shri K. V. Nagi Reddy	Part Time Director (from 29.11.2016 to 20.02.2017)
V.	Shri Udesinh Baria	Independent Director (w.e.f. 15.06.2016)
VI.	Shri Shobhit Jain	Part Time Director (w.e.f. 20.02.2017)

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 2016-17	Year ended 2015-16
1.	Directors' Remuneration	0.57	0.23
2.	Provident Fund & Family Contribution	0.05	0.02
3.	Other Perquisites and Benefits	0.00	0.02
4.	Rent & Electricity	0.03	0.01
5.	Others	0.03	0.01
	Total	0.68	0.29

However, no salary has been paid to Part Time Directors during the year.

(₹ in Crore)

S. No.	Particulars	Year ended 2016-17	Year ended 2015-16
1.	Key Management Personnel (Company Secretary) Remuneration	0.10	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	0.12	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.

NOTE 32: EARNINGS PER SHARE (EPS)

S. No.	Particulars	Year ended 2016-17	Year ended 2015-16
A.	Profit available to Equity Shareholders before considering extraordinary items net of tax effect (₹ in Crore)	(92.10)	(1142.02)
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) (₹)	(153.50)	(1903.36)
D.	Profit available to Equity Shareholders after considering extraordinary items and after tax (₹ in Crore)	(92.10)	(1142.02)
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) (₹)	(153.50)	(1903.36)

NOTE 33: DEFERRED TAX

In compliance with Accounting Standard- 22, 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.

NOTE 34: EMPLOYEE BENEFITS

As per Accounting Standard-15 "Employee Benefits", the disclosures as defined in the Accounting Standard are given below:

Defined Contribution Plans

Contribution to Defined Contribution Plans, recognised as expense for the year is as under:

(₹ in Crore)

Particulars	Year ended 2016-17	Year ended 2015-16
Employer's Contribution to Provident and Pension Fund	1.31	1.46
Employer's Contribution to PEC Defined Contribution Superannuation Fund	0.96	1.01

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 recognises 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 recognised 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 for Earned Leave (EL) benefit and Half Pay Leave (HPL) benefit to the employees of the Company, which accrue annually at 30 days and 20 days, respectively. The liability for EL and HPL is recognised in the books as per actuarial valuation.

I) Reconciliation of opening and closing balances of Defined Benefit Obligation:

₹ in Crore

Particulars	Gratuity (Funded)		Leave Encashment (Unfunded)		Post-Retirement Medical Benefits (Unfunded)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Defined Benefit obligation at beginning of year	6.33	7.19	3.58	4.37	17.36	17.90
Current Service Cost	0.59	0.62	1.03	1.00	-	-
Interest Cost	0.39	0.51	0.19	0.28	1.24	1.38
Actuarial (Gain) / Loss	(0.13)	(0.57)	0.40	(0.43)	0.23	(1.01)
Benefits paid	(1.92)	(1.43)	(2.05)	(1.65)	(0.83)	(0.91)
Defined Benefit obligation at year end	5.26	6.32	3.15	3.57	18.00	17.36

II) Reconciliation of opening and closing balances of fair value of Plan Assets:

₹ in Crore

Particulars	Gratuity (Funded)	
	2016-17	2015-16
Fair value of Plan assets at beginning of year	6.43	7.19
Expected return on plan assets	0.47	0.56
Actuarial Gain / (Loss)	0.11	0.11
Employer contribution	-	-
Benefits paid	(1.92)	(1.43)
Fair value of Plan assets at year end	5.09	6.43
Actual return on Plan assets	0.58	0.67

III) Reconciliation of fair value of assets and obligations:

₹ in Crore

Particulars	Gratuity (Funded) As at 31 March				
	2017	2016	2015	2014	2013
Present value of obligation	5.26	6.33	7.19	8.25	9.20
Fair value of Plan Assets	5.09	6.43	7.19	8.23	9.06
Funded Status	(0.17)	0.10	-	(0.02)	(0.14)
Experience Adjustment					
Experience Adjustment on Planned Asset Gain/(Loss)	0.11	0.11	0.08	0.02	0.03
Experience Adjustment on Planned Liability (Gain)/Loss	(0.13)	(0.57)	(0.35)	(0.67)	(0.03)

₹ in Crore

Particulars	Leave Encashment (Unfunded) As at 31 March				
	2017	2016	2015	2014	2013
Present value of obligation	3.15	3.58	4.37	9.17	9.86
Fair value of Plan Assets	-	-	-	-	-
Funded Status	(3.15)	(3.58)	(4.37)	(9.17)	(9.86)
Experience Adjustment					
Experience Adjustment on Planned Asset Gain/(Loss)	-	-	-	-	-
Experience Adjustment on Planned Liability (Gain)/Loss	0.40	(0.43)	(2.66)	(0.97)	(0.59)

₹ in Crore

Particulars	Post Retirement Medical Benefits (Unfunded)				
	As at 31 March				
	2017	2016	2015	2014	2013
Present value of obligation	18.00	17.36	17.90	14.71	16.43
Fair value of Plan Assets	-	-	-	-	-
Funded Status	(18.00)	(17.36)	(17.90)	(14.71)	(16.43)
Experience Adjustment					
Experience Adjustment on Planned Asset Gain/(Loss)	-	-	-	-	-
Experience Adjustment on Planned Liability (Gain)/Loss	0.23	(1.01)	2.88	(2.57)	1.22

IV) Expenses recognised during the year:

₹ in Crore

Particulars	Gratuity (Funded)		Leave Encashment (Unfunded)		Post-Retirement Medical Benefits (Unfunded)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	Current Service Cost	0.59	0.62	1.03	1.00	-
Interest Cost	0.39	0.51	0.19	0.28	1.24	1.38
Expected return on Plan Assets	(0.47)	(0.56)	-	-	-	-
Actuarial (Gain)/Loss	(0.24)	(0.68)	0.40	(0.43)	0.23	(1.01)
Net Cost	0.27	(0.10)	1.62	0.85	1.46	0.37

V) Investment Details (Gratuity Fund trust):

Particulars	% Invested	
	As at 31 March, 2017	As at 31 March, 2016
	GOI Securities	26.27
Public Sector Securities	63.68	61.28
State Government Securities	9.07	12.01
Special Deposits	0.93	0.79
Others (including bank balances)	0.05	0.18

VI) Actuarial assumptions:

Particulars	Gratuity (Funded)		Leave Encashment (Unfunded)		Post-Retirement Medical Benefits (Unfunded)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	Mortality Table (LIC)	IAL 2006-08 (Ultimate)	IAL 2006-08 (Ultimate)	IAL 2006-08 (Ultimate)	IAL 2006-08 (Ultimate)	LIC 1996 -98A (Ultimate)
Discount rate (per annum)	7.35%	7.95%	7.35%	7.95%	7.30%	7.90%
Expected rate of return on plan assets (per annum)	8.64%	8.61%	-	-	-	-
Rate of escalation in salary (per annum)	10.00%	10.00%	10.00%	10.00%	-	-

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

The above information is certified by the actuary.

The expected rate of return on plan assets is determined considering several applicable factors, mainly the composition of Plan Assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan assets management.

NOTE 35: Trade Payables amounting to ₹ 1257.21 Crore (Previous Year ₹ 1,650.94 Crore) includes Buyer's Credit obtained from Banks amounting to ₹ 727.97 Crore (Previous Year ₹ 1009.25 Crore).

NOTE 36: Foreign Exchange Exposure as on 31.03.2017 and 31.03.2016:

(₹ in Crore)

Receivables									
Hedged					Unhedged				
	2016-17		2015-16			2016-17		2015-16	
	Foreign Currency	Equivalent (₹)	Foreign Currency	Equivalent (₹)		Foreign Currency	Equivalent (₹)	Foreign Currency	Equivalent (₹)
US\$	-	-	-	-	US\$	0.13	8.08	0.21	13.88

Payables									
Hedged					Unhedged				
	2016-17		2015-16			2016-17		2015-16	
	Foreign Currency	Equivalent (₹)	Foreign Currency	Equivalent (₹)		Foreign Currency	Equivalent (₹)	Foreign Currency	Equivalent (₹)
US\$	5.69	384.50	6.01	408.49	US\$	7.53	494.00	14.81	988.56
Pound (£)	-	-	-	-	Pound (£)	0.00	0.06	0.00	0.06

	2016-15				2015-16			
	Receivables		Payables		Receivables		Payables	
	Hedged	Unhedged	Hedged	Unhedged	Hedged	Unhedged	Hedged	Unhedged
*Own Exposure	-	-	134.37	2.75	-	-	-	289.17
*On behalf of Associate	-	8.08	250.12	491.31	-	13.88	408.49	702.66

NOTE 37: The information of Foreign Currency Income and Expenditure is as under:-

(₹ in Crore)

Particulars	Year ended 2016-17	Year ended 2015-16
Expenditure in Foreign Currency		
CIF/FOB value of Imported Materials	3,783.97	3,406.74
Foreign Tours	0.07	0.10
Other Expenses	8.33	9.73
Total	3,792.37	3,416.57
Earnings in Foreign Currency		
FOB value of Exports	58.28	119.93
Total	58.28	119.93

NOTE 38: In terms of Accounting Standard (AS) 17 – 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".

NOTE 39: As required by the Accounting Standard (AS) 28 - 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.

NOTE 40: Compliance of the Companies (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.

NOTE 41: Deposits with Banks includes ₹ 0.24 Crore (Previous Year ₹ 0.22 Crore) which are lien marked in favor of Banks for issuing Bank Guarantees to various Krishi Upaj Mandis and other authorities.

NOTE 42: Present value of obligation in respect of Post Retirement Medical Benefit (PRMB) and half pay and earned leaves amounts to ₹ 21.15 Crore (Previous Year ₹ 20.94 Crore) as at 31.03.2017 as per Actuarial Valuation and accordingly liability has been created in terms of AS-15. The Company has neither earmarked its investment nor has created any corpus for this purpose.

NOTE 43: 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.

NOTE 44: Reconciliation of provisions in terms of AS-29 is as under:-

(₹ in Crore)

Particulars of Provision	Opening Balance as on 01.04.2016	Addition during the year	Adjustment during the year	Closing Balance as on 31.03.2017
Provision of Taxation*	189.08	-	-	189.08
Corporate Social Responsibility & Sustainable Development	0.49	0.00	0.24	0.25
Leave Encashment	5.46	-	1.08	4.38
Provision for Post Retirement Medical Benefit	17.36	1.47	(0.83)	18.00

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

NOTE 45: 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.

NOTE 46: In case of sale of pledged stock of cotton yarn related to Sarita Synthetics & Industries Ltd, purchase value and sale value (exclusive of tax) were shown as ₹ 2.58 crore and ₹ 1.37 crore, respectively. Loss on sale of ₹ 1.21 crore was debited to party account. In case of sale of pledged stock of cotton yarn and cotton fabric related to ER Textiles Ltd, both purchase value and sale value (exclusive of tax) was shown as ₹ 0.75 crore.

NOTE 47: 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.

NOTE 48: Cash Balances

No cash balance on March 31, 2017 as per the Books maintained. We hereby disclosed the detail of Specified Bank Notes (SBN) held and transacted during the period 08.11.2016 to 30.12.2016 as provided in the table below in terms of Schedule III to the Companies Act, 2013:-

₹ in Crore

Particulars	SBNs	Other denomination Notes	Total
Closing Balance in Hand as on 08.11.2016	0.00	0.00	0.00
+ Perminated Receipts	0.00	0.01	0.01
+ Withdrawal from banks	0.00	0.05	0.05
- Perminated Payment	0.00	0.05	0.05
- Amount deposited in Bank	0.00	0.01	0.01
Closing Balance in hand as on 31.12.2016	0.00	0.00	0.00

NOTE 49: Amount in ₹ 7.44 crore is shown as interest cost (Trade) under other expenses and interest income (Trade) being recovered/recoverable from associates.

NOTE 50: Inventory value of imported diamond which was reduced in the year 2015-16 based on the NRV has been disposed of during the year. The excess sale proceeds over the cost has been credited to associate account by debiting to "Revaluation of sale of diamond".

NOTE 51: During the year our supplier inadvertently charged TCS to PEC inspite of PEC is exempt. However TCS has been debited to buyer by crediting the supplier.

NOTE 52: Previous year figures have been reclassified/recasted/regrouped and rounded off suitably to make them comparable with figures of the current year.

NOTE 53: Note 1 to 52 forms an integral part of the Financial Statements for the year ended 31 March, 2017.

In terms of our Report of even date

For JK Sarawgi & Company

Chartered Accountants

Firm Registration No. 006836C

Sd/-

(L.S.Khandelwal)

Partner

Membership No. 009878

Place: New Delhi

Date: 29.06.2017

For and on behalf of the Board of PEC Limited

Sd/-

(M. Nagaraj)

Chairman-cum-Managing Director

DIN: 05184848

Sd/-

(P. K. Ojha)

General Manager (Finance)

Sd/-

(J. Ravi Shanker)

Director

DIN: 06961483

Sd/-

(Pardeep Kumar)

Company Secretary

Membership No. 36128

Segment Report for the Year Ended 31 March, 2017

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	
	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016
Revenue From Operations										
Sales										
(India)	3.02	-	1,366.69	3,432.30	210.54	191.59	-	-	1,580.25	3,623.89
(Abroad)	60.40	122.70	2,613.42	-	-	-	-	-	2,673.82	122.70
Total Revenue	63.42	122.70	3,980.11	3,432.30	210.54	191.59	-	-	4,254.07	3,746.59
Segment Results	1.74	(14.00)	29.13	21.42	(1.17)	2.30	(30.47)	(30.71)	(0.76)	(20.99)
Other Operating Revenue										
(India)	0.00	1.89	11.53	16.60	3.09	19.22	-	-	14.63	37.71
(Abroad)										
Other Income	0.02	14.33	3.04	9.91	2.74	0.02	0.28	0.18	6.09	24.44
Interest Expense	-	(0.25)	(24.84)	(40.00)	(0.69)	(2.00)	(89.10)	(106.32)	(114.64)	(148.57)
Profit From Ordinary Activities	1.77	1.97	18.87	7.92	3.97	19.54	(119.29)	(136.85)	(94.68)	(107.42)
Exceptional Items	7.75	(449.10)	1.55	(301.33)	(7.94)	(283.19)	1.23	(0.99)	2.58	(1,034.61)
Tax Expense	-	-	-	-	-	-	-	-	-	-
Net Profit	9.52	(447.13)	20.41	(293.40)	(3.97)	(263.66)	(118.06)	(137.84)	(92.10)	(1,142.03)
Other Information										
Segment Assets	9.16	18.42	1,128.46	1,720.86	71.21	105.82	-	-	1,208.83	1,845.09
Unallocated Corporate Assets	-	-	-	-	-	-	87.23	75.76	87.23	75.76
Total Assets	9.16	18.42	1,128.46	1,720.86	71.21	105.82	87.23	75.76	1,296.07	1,920.85
Segment Liability	72.24	(411.63)	1,350.78	1,528.62	107.19	(181.90)	-	-	1,530.21	935.09
Unallocated Corporate Liabilities	-	-	-	-	-	-	(234.14)	985.77	(234.14)	985.77
Total Liabilities	72.24	(411.63)	1,350.78	1,528.62	107.19	(181.90)	(234.14)	985.77	1,296.07	1,920.86
Secondary Segments: We have defined India and abroad as Secondary Segments based on geography										

Geographical Segments

Particulars	Outside India		Within India		Total	
	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016
Segment Revenue						
External Sales	2,673.82	122.70	1,580.25	3,623.89	4,254.07	3,746.59
Inter-Segment Sales	-	-	-	-	-	-
Total Revenue	2,673.82	122.70	1,580.25	3,623.89	4,254.07	3,746.59
Segment Assets	8.75	15.90	1,287.32	1,904.96	1,296.07	1,920.86
Segment Liabilities	1101.24	1492.93	194.83	427.93	1,296.07	1,920.86
Capital Expenditure	-	-	5.34	10.92	5.34	10.92

Composition of Sale for 2016-17

EXPORT

(₹ in Crore)

Particulars	Amount
Agro Commodities	
Red Sanders	35.41
Total (A)	35.41
Engineering & Mfg. Goods	
Aluminium Cable & Conductor	19.41
Sub Station	2.87
Line Hardware	2.26
Total (B)	24.54
Industrial Raw Material	
Iron Ore Pellets	3.32
Total (C)	3.32
Total (A+B+C)	63.27

IMPORT

(₹ in Crore)

Particulars	Amount
Agro Commodities	
Pulses (Toor-I)	3.37
Wheat(I)	165.92
Yellow Maize (Non Gmo) (I)	173.39
Yellow Peas	358.39
Total (A)	701.08
Industrial Raw Material	
Ammonium Niterate	22.20
Bitumen (I)	17.78
Manganese Ore (I)	7.69
Pmap	0.10
Ethylene Vinyl Acetate	3.23
Aluminium	0.58

Coal	1,581.59
Steel Scrap	46.20
Steel Coils	189.66
Manganese Ore	28.18
Iron Ore Lumps	0.21
Zinc	13.50
Aluminium	5.24
Total (B)	1,916.15
Bullion	
Gold	1,203.14
Silver	158.32
Diamonds	1.43
Total (C)	1,362.88
Total (A+B+C)	3,980.11

DOMESTIC

(₹ in Crore)

Particulars	Amount
Agro Commodities	
Cotton	2.12
Total (A)	2.12
Industrial Raw Material	
Steel	136.07
Coal	8.79
Iron Ore Lumps	4.91
Steel Scrap	2.03
Pig Iron	6.79
Total (B)	158.59
Engineering & Mfg. Goods	
Sub-Station	2.85
B/P Helmets	0.24
B/P Morcha	0.20
Corner Shot Gun	0.33
E Toilet	0.36
Invertor	0.09
Portable Ladder	0.03
Porta Cabin	0.66
Santry Post	0.02
Solar Powered Street Light	1.75
Solar Power Plant	42.40
Windscreen	0.22
Total (C)	49.16
Total (A+B+C)	209.86

Independent Auditors' Report

To the Members of PEC Limited

Report on the financial statements

We have audited the accompanying financial statements of PEC Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements.

Emphasis of matters

- i. The company has incurred loss of aggregating to ₹ 113.95 crore on import and supply of edible oils under PDS Scheme of Government of India for the financial year 2008-09 and 2009-10 and claimed from the Government. The same is appearing as claims recoverable from the Government of India.

The company has not received any confirmation from the Government for the approval of the aforesaid claim being over & above its entitlement under PDS scheme.

Non-written off of these claims resulted in increase of Trade Receivable and decrease in losses of the Company to the extent above amount (Refer Note No. 27A of the Financial Statement).

- ii. The Company had imported pulses on the Directives of the Government of India during the Financial Years 2007-08 to 2010-11 and incurred losses ₹ 317.34 crores under the scheme, Government allowed reimbursement up to 15% of the landed cost. Company has received ₹ 85.82 crore from the Government during the period April/November 2016 leaving a balance of ₹ 231.52 crore being the amount of loss over and above the 15% of the landed cost, for which claim has been lodged with the Ministry of Consumer Affairs, Government of India. Considering the non-availability of any approved

- budget with the Govt. of India and age of the outstanding claims, provision should be made for the same. Non provision has resulted in increase of Trade receivable and decrease in loss of the Company by the aforesaid amount. (Refer Note no. 27C of The Financial Statements).
- iii. Trade payable of ₹ 1,257.21 crores includes Buyer's credit availed from Banks of ₹ 727.97 crores, which resulted in over statement of Sundry creditors and understatement of Secured loans from Bank by the aforesaid amount (Refer Note no. 35 of The Financial Statements).
 - iv. Non Provision of liability, if any, in case of non-extension of time/waiver /write off of GR-1 forms (Refer Note no. 45 of The Financial Statements).
 - v. Inventory pledged with the company and treated as security has been valued at cost. There was no assessment of NRV, which may be less than cost and may make the outstanding due from Associates as unsecured to some extent. However, the management has made assessment of NRV on estimated basis, which along with margin money makes the outstanding as fully secured barring any unforeseen circumstances.
 - vi. Sales have been booked in earlier years for the goods sold but kept in pledge for the want of recovery of sale proceeds. Such goods have been sold in the current year on account of non-lifting of products due to failure in making payment of sale proceeds by the respective Associates. For the purpose, in one case of fictitious purchase has been passed equivalent to later sale proceeds; and in the another case purchase has been passed equivalent to previous sale proceeds of the transaction showing trading loss between purchase and sale passed during current year. The said loss of ₹ 1.21 Crores has been debited to Associate Account by showing Misc. Income. This has resulted inflated purchases of ₹ 3.33 crore; inflated sales of ₹ 2.12 crore; inflated Misc. Income of ₹ 1.21 crore; and trading loss of ₹ 1.21 crores. Further two different accounting treatments have been followed for similar transactions. (Refer note 46 of the Financial Statements)
 - vii. Reimbursement of expenses i.e. Telephone, Mobile, Medical were paid to employees in cash by withdrawing consolidated amount from Bank, But the adjustments have been made by showing payment through Bank, which does not represent correcting accounting. However, correct accounting has been done in the later part of the year by making the payment through transfer for credit in the account of respective employees.
 - viii. Company has made payment against Security arrangements for the month of April/May 2016 on which TDS ₹ 296 was deducted U/S 194C while for the period June 16/ Mar 17 TDS has been deducted @10% U/S 194J. The result of which excess deduction to the tune of ₹ 61010 (76263-15253) and that too under incorrect provisions of Income Tax Act, 1961. However, Company is in process of getting the adjustment by rectification of TDS Returns.
 - ix. Balances due from Sundry Debtors, Claims Recoverable, Loans and Advances and due to Sundry Creditors, Other Current Liabilities have not been confirmed. Pending confirmation, consequential reconciliation/adjustment, if any, required upon such confirmation are not ascertainable (Refer note no. 28 of the Financial Statements).
 - x. The company provides 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 2017 is ₹ 21.15 crores (Refer note no. 42 of the Financial Statements). The Company has neither earmarked any investment nor has created any corpus for this purpose.
 - xi. 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, cannot be quantified.
 - xii. The Company has not obtained confirmation from its Associates and Suppliers in relation to 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 non-payment thereof, if any, could be made.

Reference is invited to Emphasis of matter paragraph, wherein clauses iv to xii either has no effect on the financials or the amount whereof is unascertainable. Impact of other clauses will result in increase in Secured Loans by ₹ 727.97 crores, decrease in Trade payables by ₹ 727.97 crores, decrease in Trade receivables by ₹ 345.47 crores, and increase in loss by ₹ 345.47 crores, and EPS would have been ₹ (729.28) for the year ended 31st March 2017.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Emphasis of matter paragraph, read with notes to the Financial Statements*, the aforesaid 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 :

- (a) in case of the balance sheet, of the state of affairs of the Company as at 31 March 2017;
- (b) in case of the statement of profit and loss, of the loss of the Company for the year ended on that date; and
- (c) in case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016, ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure "A", a statement on the matters specified in the paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - (a) 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;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books except for clause (d) stated in the Emphasis of matter paragraph;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) *except for the effects arising from the matters described in the Emphasis of matter paragraph, read with notes to the financial statements*, in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) on the basis of the written representations received from the directors appointed during the financial year 2016-17 at the time of appointment and further confirmed by the Company, none of the directors are disqualified as on 31st March 2017 from being appointed as a director in terms of Section 164(2) of the Act;
 - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure "B"; and
 - (g) with respect to the other matters to be included in the Auditors' 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 provided to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its Financial Statements – *Refer to Note 25 to the financial statements*;
 - ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts – *Refer to Note 23 to the financial statements*;
 - iii. There were no amounts, which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - iv. The Company had provided requisite disclosures in its Financial Statements as to holding as well as dealing in Specified Bank notes during the period from 08th November, 2016 to 30th December, 2016 and the same are in accordance with the books of accounts maintained by the Company. – *Refer to Note 48 to the financial statements*.
3. As required by the C&AG of India through sub-directions issued under Section 143(5) of the Act, we give our report in the attached Annexure "C".

New Delhi
29th, June, 2017

For J K Sarawgi & Company
Chartered Accountants
Firm's registration number: 006836C
Sd/-
(L.S.Khandelwal)
Partner
Membership no.: 009878

Annexure "A" to the Auditors' Report

The Annexure referred to in Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31st March, 2017, we report that:

- (I) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties (photo copy of Chennai property) are held in the name of the Company.
- (ii) (a) As per information and explanation provided by the management, physical verification of inventories is undertaken by the Company through surveyors, from time to time. In our opinion, verification of goods like wheat, 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.
- (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 strengthened with regard to issuance of guidelines for physical verification of stock, reporting on quality of stocks by the handling agents, verification of authenticity of stock certificates either by surveyors and/or handling agents, physical verification of stocks by employees at periodic intervals as stated in the trade guidelines.*
- (c) The Company is maintaining transaction-wise stock details based on information received from the custodian of stocks viz. Port Authorities, Warehouse owners, Surveyors, Handling agents, Business Associates etc. *However, in our opinion, separate registers should be maintained by the Company for owned and pledged stock.*
- (iii) 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.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act for transactions, with respect to loans and investments.
- (v) The Company has not accepted any deposits from the public.
- (vi) As informed by the management, the Central Government has not prescribed maintenance of cost records under Section 148(1) of the Act for the Company.
- (vii) (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 and duty of excise except interest on delayed payment of Service Tax.

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 31st March, 2017 for a period of more than six months from the date they became payable.

- (b) According to information and explanations given to us, the following dues of income tax, duty of customs, service tax and sales tax have not been deposited by the Company on account of disputes:

Sl. No.	Name of Statute	Nature of dues	Amount (₹ in crores)	Period to which the amount relates	Forum where dispute is pending
1	Income Tax Act, 1961	Income Tax	0.02	2008-09	CIT (Appeals), Delhi
2	Income Tax Act, 1961	Income Tax	0.27	2009-10	CIT (Appeals), Delhi
3	Income Tax Act, 1961	Income Tax	0.64	2010-11	CIT (Appeals), Delhi
4	Income Tax Act, 1961	Income Tax & Penalty	0.90	2011-12	CIT (Appeals), Delhi
5	Income Tax Act, 1961	Income Tax	0.52	2012-13	CIT (Appeals), Delhi
6	Income Tax Act, 1961	Income Tax	1.34	2013-14	CIT (Appeals), Delhi
7	Income Tax Act, 1961	Income Tax	4.97 *(4.97)	2014-15	ACIT (Asst.) Delhi
8	Income Tax Act, 1961	Income Tax (including Interest)	25.8 *(3.26)	2015-16	ACIT (Asst.) Delhi
9	Customs Act, 1962	Customs Duty (Penalty)	0.19	2002-05	Office of Commissioner of Central Excise & Customs, Surat
10	Customs Act, 1962	Customs Duty	0.07	2009-10	Office of Commissioner of Customs, Mumbai
11	Customs Act, 1962	Customs Duty (Penalty)	6.25	2012-13	CESTAT, Ahmedabad
12	Customs Act, 1962	Customs Duty (Penalty)	3.00	2012-13	CESTAT, Ahmedabad
13	Finance Act, 1994	Service Tax	7.53 *(0.56)	2006-07 to 2010-11	CESTAT, Delhi
14	Finance Act, 1994	Service Tax	0.12 *(.01)	2011-12	CESTAT, Delhi
15	Central Sales Tax Act, 1956	Sales Tax (Tax & Penalty)	3.48	2000-01	Madras High Court
16	Maharashtra Sales Tax	Sales Tax (Tax & Penalty)	11.36	2002-03	Sales Tax Dept. Mumbai
17	Maharashtra Sales Tax	Sales Tax (Tax & Penalty)	3.75	2003-04	Sales Tax Dept. Mumbai
	Total		70.21 *(8.80)		

* Figures in bracket represents amount deposited including under protest

- (viii) 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. The Company does not have any loans and borrowings from any financial institutions, Government and debenture holders during the year.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. The Company has not obtained any term loan during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable to the Company.

- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company or its officers, noticed or reported during the year, nor have we been informed of any such instance by the management.

However, few instances of misappropriation /removal of pledged stock by Associates , were noticed by the management during the year under audit, as stated hereunder:-

Shree Ramakrishna Alloys Limited and Shree Gangadhara Steels Limited had purportedly misappropriated/removed the pledged stocks in connivance with the Surveyor (appointed by PEC on 24x7 basis to monitor the stock lying at the premises of the Associates) and disposed off the same. The sale proceeds of the same were deposited by the Associates in their own Bank Accounts.

The company has filed application under section 7 of Insolvency and Bankruptcy Code against the Business Associates in this regard before National Company Law Tribunal (NCLT).

The Company has made provision of entire dues of ₹ 9.80 crore and ₹ 4.94 crore from Shree Ramakrishna Alloys Limited and Shree Gangadhara Steels Limited, respectively, at the end of the year after recovering the sale proceeds for the remaining quantity of Stock.

- (xi) According to the information and explanations given to us, provisions of Section 197 read with Schedule V to the Act does not apply to the Company. Accordingly, paragraph 3 (xi) of the Order is not applicable to the Company.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records, the Company is in compliance with Section 177 and 188 of the Act, where applicable, for all transactions with the related parties and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable to the Company.
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For J K Sarawgi & Company

Chartered Accountants

Firm's registration number: 006836C

Sd/-

(L.S.Khandelwal)

Partner

Membership no.: 009878

New Delhi
29th, June, 2017

Annexure "B" to the Auditors' Report

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

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

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31st, 2017:

- *non-obtaining confirmation of balances of Trade receivables and Trade payables and reconciliation thereof,*
- *non-physical verification of own stock and pledged stock at regular intervals by employees,*
- *non-verification of stock certificates issued by surveyors and handling agents,*
- *review of financial health of associates at regular intervals in few instances,*
- *ex post facto approval by Board and COM in few of the cases,*
- *no documented policy for filing of legal cases against debtors, associates for recovery of dues and advances,*
- *no documented policy for writing off of debts/advances/claims,*
- *no documented policy for rotation of employees,*
- *pending reconciliation of VAT returns,*
- *appointment of handling agents and security agencies by the associates,*
- *inadequate coverage and frequency of internal audit,*
- *Non-accounting of TDS by customers made in time,*
- *Delayed adjustment of Services Tax and non-payment of interest thereon in few cases,*
- *Non-compliance prior to making payment of Medical Expenses in few case.*

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.

In our opinion, except for the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal controls over financial reporting were operating effectively as of March 31st, 2017, based on Financial controls over financial reporting 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31st, 2017 financial statements of the Company, and these material weaknesses does not affect our opinion on the financial statements of the Company.

New Delhi
29th, June, 2017

For J K Sarawgi & Company
Chartered Accountants
Firm's registration number: 006836C
Sd/-
(L.S.Khandelwal)
Partner
Membership no.: 009878

Annexure "C" to the Auditors' Report

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 2016-17 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 immovable property i.e. Residential building at Delhi, Mumbai & Chennai are held in the name of the Company. In case of Delhi original Title deeds while in case of Mumbai & Chennai, photocopy of title deeds were made available to be viewed.
(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 stock details based on information obtained from the custodian of stocks viz. Port Authorities, Warehouse owners, Surveyors, Handling agents, Business Associates etc. <i>However, in our opinion, separate registers should be maintained by the Company for owned and pledged stock.</i>

Management's Reply to Observations of Statutory Auditor in their Report for the F.Y. 2016-17.

Statutory Auditor's Observations	Management's Reply
<p>i. The Company has incurred loss of aggregating to ₹ 113.95 crore on import and supply of edible oils under PDS Scheme of Government of India for the Financial Year 2008-09 and 2009-10 and claimed from the Government. The same is appearing as claims recoverable from the Government of India</p> <p>The Company has not received any confirmation from the Government for the approval of the aforesaid claim being over & above its entitlement under PDS scheme.</p> <p>Non-written off of these claims resulted in increase of Trade Receivable and decrease in losses of the Company to the extent above amount (Refer Note No. 27A of the Financial Statements).</p>	<p>The Central Govt. had declared various schemes of subsidy for import of Edible Oils and for sale from time to time to various State Governments. Due to Global recession in 2008 and steep fall in the prices of Edible Oil in international and domestic market, States Govt. refused to lift the stocks imported by PSUs. The Edible Oil so imported was warehoused under common storage as the import of edible oil was continuous process and PEC disposed the cargo in open market through auction as per instructions of Ministry of Consumer Affairs, Food and Public Distribution. PEC is vigorously following up the matter with Ministry of Consumer Affairs, Food and Public distributions through Ministry of Commerce and Industry as the dues are legitimate.</p>
<p>ii. The Company had imported pulses on the Directives of the Government of India during the Financial Years 2007-08 to 2010-11 and incurred losses ₹ 317.34 crores under the scheme, Government allowed reimbursement up to 15% of the landed cost. Company has received ₹ 85.82 crore from the Government during the period April/November 2016 leaving a balance of ₹ 231.52 crore being the amount of loss over and above the 15% of the landed cost, for which claim has been lodged with the Ministry of Consumer Affairs, Government of India. Considering the non-availability of any approved budget with the Govt. of India and age of the outstanding claims, provision should be made for the same. Non provision has resulted in increase of Trade Receivables and decrease in loss of the Company by the aforesaid amount. (Refer Note No. 27C of the Financial Statements).</p>	<p>PEC is rigorously following up with the Deptt. of Consumer Affairs for considering all our claims. Also, during the current financial year an amount of ₹ 85.82 crore has been received from the Govt. for the balance outstanding amount the matter is has been taken up through Department of Commerce.</p>
<p>iii. Trade Payable of ₹ 1,257.21 crores includes Buyer's Credit availed from Banks of ₹ 727.97 crores, which resulted in over statement of Sundry Creditors and understatement of Secured Loans from Bank by the aforesaid amount (Refer Note No. 35 of the Financial Statements).</p>	<p>The Buyers 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.</p>
<p>v. Non-Provision of liability, if any, in case of non-extension of time/waiver /write off of GR-1 forms (Refer Note No. 45 of the Financial Statements).</p>	<p>The buyer reportedly had gone into liquidation and PEC could not realise the export proceeds against two vessels. Necessary claims were made with the liquidator in Hong Kong for the said shipments. PEC has so far received only approx. ₹ 62.52 lakh against the</p>

Auditor's Observations	Management's Reply
	total admitted claim by the Liquidator for US \$ 3,802,495.08 (₹ 24 crore approx) for the above two vessels. However the Liquidator has recently confirmed to PEC that no further payment shall be released by them against above claim and the buyer is now being wound-up. Hence PEC is now taking up the matter through our banker for waiver/write off the above two outstanding Shipping Bills/GR from RBI.
v. Inventory pledged with the Company and treated as security has been valued at cost. There was no assessment of NRV, which may be less than cost and may make the outstanding due from Associates as unsecured to some extent. However, the management has made assessment of NRV on estimated basis, which along with margin money makes the outstanding as fully secured barring any unforeseen circumstances.	The value of stocks 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 & daily price variation makes determination of value of stocks at NRV only notional.
vi. Sales have been booked in earlier years for the goods sold but kept in pledge for the want of recovery of sale proceeds. Such goods have been sold in the current year on account of non-lifting of products due to failure in making payment of sale proceeds by the respective Associates. For the purpose, in one case of fictitious purchase has been passed equivalent to later sale proceeds; and in the another case purchase has been passed equivalent to previous sale proceeds of the transaction showing trading loss between purchase and sale passed during current year. The said loss of ₹ 1.21 Crores has been debited to Associate Account by showing Misc. Income. This has resulted inflated purchases of ₹ 3.33 crore; inflated sales of ₹ 2.12 crore; inflated Misc. Income of ₹ 1.21 crore; and trading loss of ₹ 1.21 crores. Further two different accounting treatments have been followed for similar transactions. (Refer Note No. 46 of the Financial Statements).	Sale of pledged stock is not a regular activity of the Company. In the present cases, PEC sold the pledged materials in two different states after obtaining opinion from the VAT Consultants of the respective states. Hence accounting treatment towards sale of pledged stock during the year has been effected in the books of accounts based on the opinions obtained from VAT Consultants of respective states.
vii. Reimbursement of expenses i.e. Telephone, Mobile, Medical were paid to employees in cash by withdrawing consolidated amount from Bank, but the adjustments have been made by showing payment through Bank, which does not represent correct accounting. However correct accounting has been done in the later part of the year by making the payment through transfer for credit in the account of respective employees.	This practice has been discontinued since January 2017 and the correct accounting treatment is being followed at present by transferring the amount directly to the employees bank accounts.

Auditor's Observations	Management's Reply
<p>viii. Company has made payment against Security arrangements for the month of April/May 2016 on which TDS ₹ 296 was deducted u/s 194C while for the period June 16/ Mar 17 TDS has been deducted @10% u/s 194J. The result of which excess deduction to the tune of ₹ 61010 (76263-15253) and that too under incorrect provisions of Income Tax Act, 1961. However, Company is in process of getting the adjustment by rectification of TDS Returns.</p>	<p>TDS Returns have been revised on dated 22.06.2017 and revised TDS certificates have been issued to the concerned parties.</p>
<p>ix. Balances due from Sundry Debtors, Claims Recoverable, Loans and Advances and due to Sundry Creditors, Other Current Liabilities have not been confirmed. Pending confirmation, consequential reconciliation/adjustment, if any, required upon such confirmation are not ascertainable (Refer Note No. 28 of the Financial Statements).</p>	<p>While balance confirmation has been obtained from most associates, in some cases confirmation letters have not been received from parties. The accounts with the associates are settled on completion of each transaction and difference, if any, are reconciled.</p> <p>Provision for consequential adjustment of losses is not envisaged.</p>
<p>x. The Company provides 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 2017 is ₹ 21.15 crores (Refer Note No. 42 of the Financial Statements). The Company has neither earmarked any investment nor has created any corpus for this purpose.</p>	<p>The Company is following the norms adopted by other entities in the industry. Moreover there is no such statutory requirement of creating corpus.</p>
<p>xi. 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, cannot be quantified.</p>	<p>VAT payable/receivable as at Balance Sheet date is subject to reconciliation with VAT returns filed with the authorities of various states.</p>
<p>xii. The Company has not obtained confirmation from its Associates and Suppliers in relation to 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 non-payment thereof, if any, could be made.</p>	<p>Information regarding classification of all Associates & Suppliers into Micro, Small and Medium Enterprises is not available with us.</p>

Auditor's Observations	Management's Reply
<p>xiii. Of CARO, 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 strengthened with regard to issuance of guidelines for physical verification of stock, reporting on quality of stocks by the handling agents, verification of authenticity of stock certificates either by surveyors and/or handling agents, physical verification of stocks by employees at periodic intervals as stated in the trade guidelines.</p>	<p>The stock position is maintained on residual balance especially in the bulk cargoes. Quality of cargo is documented based on independent surveyor's report. Remedial measures are taken as and when there is apparent deterioration in cargo.</p> <p>The trade guidelines implemented by the Company covers all aspects of stock monitoring.</p>
<p>xiv. Of CARO, the Company is maintaining transaction-wise stock details based on information received from the custodian of stocks viz. Port Authorities, Warehouse owners, Surveyors, Handling agents, Business Associates etc. However, in our opinion, separate registers should be maintained by the Company for owned and pledged stock.</p>	<p>As information on stock is available at the respective nodal points. i.e branch or concerned marketing division, at head office the objective of maintaining a separate stock register is already met.</p>
<p>xv. Of CARO, however, few instances of misappropriation / removal of pledged stock by Associates, were noticed by the management during the year under audit, as stated hereunder:-</p> <p>Shree Ramakrishna Alloys Limited and Shree Gangadhara Steels Limited had purportedly misappropriated/removed the pledged stocks in connivance with the Surveyor (appointed by PEC on 24x7 bases to monitor the stock lying at the premises of the Associates) and disposed off the same. The sale proceeds of the same were deposited by the Associates in their own Bank Accounts. The Company has filed application under Section 7 of Insolvency and Bankruptcy Code against the Business Associates in this regard before National Company Law Tribunal (NCLT). The Company has made provision of entire dues of ₹ 9.80 crore and ₹ 4.94 crore from Shree Ramakrishna Alloys Limited and Shree Gangadhara Steels Limited respectively at the end of the year after recovering the sale proceeds for the remaining quantity of Stock.</p>	<p>In respect of both the cases, Complaints has been lodged with Economic offence wing & Police department and petitions were filed with The National Company Law Tribunal (NCLT) under Insolvency & Bankruptcy Code.</p>
<p>xvi. Of CARO,</p> <ul style="list-style-type: none"> • non-obtaining confirmation of balances of Trade Receivables and Trade Payables and reconciliation thereof, 	<p>The Company has already formulated and implemented trade guidelines which cover various aspects of control procedures. The guidelines shall be regularly reviewed for systematic improvement.</p>

Auditor's Observations	Management's Reply
<ul style="list-style-type: none"> • non-physical verification of own stock and pledged stock at regular intervals by employees, • non-verification of stock certificates issued by surveyors and handling agents, • review of financial health of associates at regular intervals in few instances, • ex-post-facto approval by Board and COM in few of the cases, • no documented policy for filing of legal cases against debtors, associates for recovery of dues and advances, • no documented policy for writing-off of debts/advances/claims, • no documented policy for rotation of employees, • pending reconciliation of VAT returns, • appointment of handling agents and security agencies by the associates, • inadequate coverage and frequency of internal audit, • non-accounting of TDS by customers made in time. • delayed adjustment of Services Tax and non-payment of interest thereon in few cases. • non-compliance prior to making payment of Medical Expenses in few cases. 	<p>Manpower position is reviewed periodically and the human resources are utilised on optimal basis.</p> <p>Periodic review is conducted by Internal Audit.</p>



गोपनीय

संख्या/No. PDCAI/CMO/29-30/2017-18/534

भारतीय लेखापरीक्षा और लेखा विभाग,
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा
एवं पदेन सदस्य, लेखापरीक्षा बोर्ड-1, नई दिल्ली

INDIAN AUDIT & ACCOUNTS DEPARTMENT,
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-1, New Delhi

दिनांक / Dated 01-09-2017

सेवा में,

अध्यक्ष एवं प्रबन्ध निदेशक,
पी०ई०सी० लिमिटेड,
नई दिल्ली 110 001

विषय: कम्पनी अधिनियम 2013 की धारा 143(6)(b) के अधीन 31 मार्च 2017 को समाप्त वर्ष के लिए पी०ई०सी० लिमिटेड के लेखाओं पर भारत के नियंत्रक महालेखा परीक्षक की टिप्पणियों।

महोदय,

मैं इस पत्र के साथ 31 मार्च 2017 को समाप्त वर्ष के लिए पी०ई०सी० लिमिटेड के वार्षिक लेखों पर कम्पनी अधिनियम 2013 की धारा 143(6)(b) के अन्तर्गत भारत के नियंत्रक महालेखा परीक्षक की 'शून्य टिप्पणियाँ' अग्रेषित करता हूँ। इन शून्य टिप्पणियों को कम्पनी की वार्षिक रिपोर्ट में प्रकाशित किया जाए और कम्पनी की वार्षिक आम सभा में उसी समय व उसी प्रकार रखा जाए जिस प्रकार वैधानिक लेखा परीक्षकों की लेखा परीक्षा रिपोर्ट रखा जाती है।

भवदीय,

संलग्न: उपरोक्त

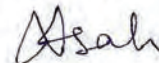
(नीलेश कुमार साह)
प्रधान निदेशक

**COMMENTS 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 2017**

The preparation of financial statements of PEC LIMITED for the year ended 31 March 2017 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 29 June 2017.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6) (a) of the Act of the financial statements of PEC LIMITED for the year ended 31 March 2017. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

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



**(Neelesh Kumar Sah)
Principal Director of Commercial Audit
& Ex-officio Member Audit Board-I,
New Delhi.**

**Place: New Delhi
Dated: 01 September 2017**

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