

# Directors' Report

To,  
The Members  
Pratibha Industries Limited

Your Directors have pleasure in presenting the 22<sup>nd</sup> Annual Report together with the financial statements for the financial year ended 31<sup>st</sup> March, 2017.

## FINANCIAL HIGHLIGHTS

The performance of the Company for the financial year ended 31st March, 2017, is summarized below:

(₹ in crores)

Particulars	Standalone		Consolidated	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Total Revenue	1102.35	2844.39	1730.01	4159.98
Total Expenditure	2025.14	2754.48	2666.60	4079.66
Profit/(loss) before Tax	(922.79)	89.91	(936.58)	80.31
Less: Provision of Taxation	(99.23)	42.79	(99.46)	44.27
Profit/(loss) After Tax	(823.55)	47.12	(837.13)	36.04
Add: Share in Profit/(loss) of Joint Ventures/ Associates (net) & Adjustment for Non-Controlling interest in Subsidiaries	-	-	(2.27)	(9.55)
Net Profit after Tax, Non-Controlling interest and share in Profit/(loss) of Joint Ventures	(823.55)	47.12	(839.40)	26.49
Other Comprehensive Income	0.97	(1.76)	1.04	(1.76)
Total Comprehensive Income	(822.59)	45.37	(838.36)	24.72
Earnings Per Share (in ₹.)				
Basic	(61.69)	4.49	(62.87)	2.45
Diluted	(61.69)	4.49	(62.87)	2.45

## PERFORMANCE REVIEW

During the financial year 2016-17 ('FY2017' or 'year under review'), the Company has achieved a consolidated turnover of ₹.1687.15 Crores as compared to ₹.4,126.35 crores in the financial year 2015-16 ('FY 2016' or 'corresponding previous year'), thereby significant reduction in revenue of approx. 59% at consolidated level. The Company has consolidated loss of ₹.839.40 Crores during FY2017 as against ₹26.49 crores profit in FY2016, mainly due to increase in finance cost and reduction in turnover.

The Company bagged fresh orders to the tune of Rs. 984.54 Crores during the year under review. The Prominent projects bagged were from water segment and construction of Institutional buildings.

The Company has also emerged as the preferred bidder for two major projects in Sri Lanka and Ivory Coast aggregating to US\$ 318 million. The company is hopeful of beginning execution on these projects in the current fiscal subject to support from its Lenders.

As in the case with most of the EPC (Engineering, Procurement and Construction) companies, the high cost of borrowed funds continued to affect the profitability of the Company adversely. During FY2017, the Company incurred ₹.617.12 crores and ₹.466.08 crores as interest and finance charges at consolidated and standalone level respectively. This proved to be major drag-down on the low profit margin business of the Company. Total borrowings of the Company (including short term borrowing and current maturities) at consolidated level as on 31st March, 2017 were ₹ 4700.44 crores vis-à-vis ₹. 4011.47 crores as at 31st March, 2016.

The business of the Company has been discussed in separate section viz. " Management Discussion and Analysis" which forms part of this report.

During the year under review, the Company witnessed considerable mismatch in cash flows due to delays in realizations of receivables and project executions which



in turn created difficulties in meeting the obligations for repayment of loans. The Joint lenders forum constituted by the consortium of banks has invoked the strategic restructuring of Debts (SDR) as per the prevailing circulars issued by the reserve bank of India. The directors are hopeful of suitable debt restructuring in the best interest of the company and in consonance with the risk and return of long term projects being executed by the company.

**DIVIDEND**

In view of losses, your Directors do not recommend any dividend for the F.Y. 2016-17.

**TRANSFER TO GENERAL RESERVE**

The Directors do not propose to transfer any amount to the General Reserve.

**EXTRACT OF ANNUAL RETURN**

Extract of Annual Return of the Company is annexed as Annexure -A to this Report.

**SUBSIDIARIES/ASSOCIATE COMPANIES/JOINT VENTURES**

The names of companies which are subsidiaries, associates and joint ventures of the Company are provided under point III of MGT 9. During the year, no new company has become subsidiary, associate or joint venture Company. Pursuant to the provisions of Section 129 and other applicable provisions of the Companies Act, 2013 ("the Act") read with rules framed thereunder, the Company has prepared consolidated financial statements of the Company and its subsidiaries, associate companies and joint ventures, in accordance with IND AS-27 on Consolidated Financial Statements read with IND AS-31 on interest in Joint Ventures and IND AS-28 on Investments in Joint Ventures, and a separate statement containing the salient features of financial statements of subsidiaries, joint ventures and associates in Form AOC-1 are attached to the said consolidated financial statement forming part of the Annual Report.

The business highlights of subsidiaries have been covered in Management Discussion and Analysis forming part of this Annual Report.

The financial statements of the subsidiary companies and related information are available for inspection by the members at the Registered Office and Corporate Office of your Company during business hours on all working days up to the date of the Annual General Meeting as required under Section 136 of the Act. Any member desirous of obtaining a copy of the said financial statements may write to the Company Secretary at the Registered Office of the Company.

**FIXED DEPOSITS**

The Company has not invited, accepted and renewed fixed deposits from public/members during the year under review.

The Company had accepted public deposits prior to the commencement of the Act. As per Section 74(1)(b) of the Act, the entire amount was to be repaid by 31st March, 2015. Hon'ble Company Law Board has vide its order

dated 19th May, 2015 has allowed the Company to repay the deposit on the respective date of maturity of fixed deposits along with interest due thereon, if any, instead of repayment of entire fixed deposit on or before the 31st March, 2015. Subsequently Ministry of Corporate Affairs also issued a circular No. 09/2015 dated 18th June, 2015, restoring the repayment schedule.

As on 31st March, 2017, fixed deposits outstanding stood at ₹. 20.52 crores and Interest due for payment as on that date was ₹. 3.50 crores.

The Company made payments of matured and claimed deposits to the extent permitted by the liquidity.

**DIRECTORS**

Mr. Ravi Kulkarni, Dy. Managing Director will retire by rotation in the AGM and being eligible offers himself for reappointment. The Board recommends for his reappointment in the next AGM.

**KEY MANAGERIAL PERSONNEL**

During the year under review, Mr. Rajesh Hegde resigned as Company Secretary with effect from the closing hours of 31st March, 2017 for better prospects. Consequently, Ms. Bhavana Shah was appointed as Company Secretary w.e.f. 20th July, 2017.

The Board places on record its appreciation for his valuable contribution during their association with your Company.

**MEETINGS OF THE BOARD**

The details of meetings of Board and its Committees held during FY 2016-17 and other prescribed information are provided in the Corporate Governance Report forming part of this Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 134 (5) of the Act, your Directors hereby affirm that:

- (a) in the preparation of the annual accounts, the applicable IND AS have been followed along with proper explanation relating to material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) the Directors have taken proper and sufficient care for the 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 fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a going concern basis;
- (e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating

effectively; and

- (f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### STATUTORY AUDITORS

M/s. Jayesh Sanghrajka & Co. LLP, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. In terms of third proviso to Section 139 of the Act, the term of appointment of present Statutory Auditors expires and are not eligible for re-appointment in the next AGM for the financial year 2017-18.

The Company Proposes to appoint M/s. Ramanand & Associates, Chartered Accountants, (FRN 117776W) having its office at 6/C, Ground Floor, Ostwal Park, Bldg No.4, CHSL, Near Jesal Park, Jain Temple, Bhayander (East), Thane – 401105, Maharashtra as the Statutory auditor of the company for the F.Y. 2017-18 to F.Y. 2021-22. The proposal for their appointment is included in the notice for Annual General Meeting sent herewith.

The Company has received confirmation from the Auditors M/s. Ramanand & Associates, Chartered Accountants to the effect that their appointment, if made, would be within the prescribed limits under the Act, and also that they are not disqualified for such appointment within the meaning of Section 141 of the Act. The Auditors have also submitted peer review certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India, New Delhi, as per Regulation 33 of the SEBI (LODR) Regulations.

#### AUDITORS' REPORT

The Auditors have made certain qualified observations in their Report.

With regard to observation of Auditors on valuation of Work in Progress (WIP), your Directors are of the view that the full implication of revised valuation of WIP needs to be examined before initiating any corrective action will be taken. The company is executing mega projects in water segment including micro tunneling for sewerage project and urban infrastructure projects. These projects are being monitored on a regular basis by appointment of lenders. The WIP is determined on the basis of completion of work which is regularly determined by lenders. These reports present fair view on WIP at sites. The cost incurred towards WIP is already considered in the operating cost.

The Management is of the opinion that in view of the forensic audit conducted at the instance of consortium of bankers and search operation by the income tax department, the valuation of WIP needs to be reviewed in view of observation in the forensic audit report and also in view of search operations. This can result into restatement of account for period from 01/04/2011 to 31/03/2016.

With regard to observation of auditors on excess remuneration to managerial personnel than limit under

Companies Act, 2013, management is in the process of making an application to the central government for their approval. In case of non receipt of approval, entire amount of remuneration shall be reversed.

With regard to observation of Auditors on Foreign creditors having credit balance aggregating to ₹. 46.55 Crore and advance paid aggregating to ₹. 10.15 Crore, your Directors wish to state that despite the best of efforts, the Company could not get balance confirmation from the foreign creditors before finalisation of financial statements. The management feels no material effect on account of foreign exchange fluctuation and other misc. charges.

With regard to observation of Auditors on Appointment of Woman Director, your Board states that the company is in process of finding the suitable candidate for the post of the Woman Director after the sad demise of Ms. Usha B. Kulkarni.

With regard to Observation of Auditors on non-provisioning of interest on loans of Banks, the company initially provided total interest in the books. However since the banks have reversed the interest, the company also reversed interest in order to maintain parity with bank.

With regard to Observation of Auditors on failure in repayment of dues to the financial institutions and banks during the year under review, the Company witnessed considerable mismatch in cash flows due to delays in realizations of receivables and project executions which in turn created difficulties in meeting the obligations for repayment of loans. The Joint lenders forum constituted by the consortium of banks has invoked the strategic restructuring of Debts (SDR) as per the prevailing circulars issued by the reserve bank of India. The directors are hopeful of suitable debt restructuring in the best interest of the company and in consonance with the risk and return of long term projects being executed by the company.

With regard to qualifications of Auditors mentioned in Annexure B to the Independent Auditor Report i.e. points a to f, management is of the opinion that the company has proper systems for internal financial control and periodic reviews are held by Audit Committee to check the efficacy and relevance of the system. The effectiveness of the internal controls is continuously reviewed by the Audit Committee. The internal control system is supplemented by an extensive programme of internal, external audits and periodic review by the management. Management is also putting efforts to further strengthen the internal control system.

With regard to qualification of Auditors on non updation of location of fixed assets in records, the nature of work of company is such that assets are scattered at various projects and sites and are being updated.

With regard to observation on failure to repay deposit amount and interest thereon within stipulated time, the company is under severe liquidity crunch due to which company could not meet the financial obligations including repayment of FD and interest thereon. The company is in



the process to approach NCLT to seek necessary relief for extension of time for repayment.

With regard to observation regarding irregularities in depositing statutory dues with appropriate authorities and delay in payment of dues, provisions have been made in the accounts. As company is under liquidity problem, company could not pay statutory dues on time. However company is making its best efforts to discharge all statutory liabilities as soon as possible.

The statement on impact of audit qualifications as stipulated in Regulation 33(3)(d) of SEBI (LODR) Regulations is enclosed hereto as Annexure B.

#### **COST AUDITORS**

Pursuant to provisions of Section 148 of the Act, the Board of Directors on the recommendation of the Audit Committee, reappointed M/s. Ketki D. Visariya & Co., Cost Accountant, as Cost Auditor of the Company for the financial year 2017-18 at a remuneration of ₹. 200,000 /- plus applicable taxes and out of pocket expenses. A resolution for ratification by shareholders of said remuneration payable to Cost Auditors is included in the AGM notice.

#### **INTERNAL FINANCIAL CONTROLS**

Proper systems for internal financial control have been put in place and periodic reviews are held by Audit Committee to check the efficacy and relevance of the system. The effectiveness of the internal controls is continuously reviewed by the Audit Committee. The internal control system is supplemented by an extensive programme of internal, external audits and periodic review by the management.

Internal Auditors, M/s. Chokshi & Chokshi LLP, Chartered Accountants, submit their report to Audit Committee on an on-going basis as per pre-decided scope to check the weakness, if any, in the internal control system including the internal financial control. Audit Committee also reviews the site audits conducted by M/s. Samir Lakhani & Associates, Site Auditors of the Company in respect of various on-going projects of the Company.

Main objective of Internal Audit is to provide the Audit Committee an independent, objective and reasonable assurance of the adequacy and effective operation of Company's risk management, internal control and governance processes.

On the basis of its deliberations on the internal control systems and internal audits, the Audit Committee makes recommendations to the Board.

#### **SECRETARIAL AUDIT REPORT**

Pursuant to the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board appointed Mr. Anmol Jha, Company Secretaries in Whole Time Practice to conduct Secretarial Audit of the Company for the financial year 2016-17. The report of the Secretarial Auditor is annexed to this report as Annexure - C.

#### **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION**

#### **AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Your Company does not own any manufacturing facility. The business activities of your Company are not energy intensive. However, your Company is committed to take required measures to reduce energy consumption by the purchase of energy efficient construction equipment, implementation of energy efficient lightings. The specific details as per Rule 8(3) are provided under Annexure – D.

#### **PERSONNEL**

Disclosure with respect to remuneration of Directors and Employees in accordance with the provisions of the section 197 of the companies act, 2013 read with ruled 5(1) & (2) of the companies (Appointment and Remuneration of Managerial Personnel) rules, 2014 is attached to this report as Annexure - E. However there is nothing to report under Rule (5) (2) (i) to (5) (2) (iii) of companies (Appointment and Remuneration of Managerial Personnel) rules, 2014.

#### **CORPORATE SOCIAL RESPONSIBILITY**

The Company is a socially conscious organisation and assigns tremendous value in serving the society at large. We appreciate our position of responsibility for sharing the benefits with those less fortunate in society and their upliftment.

The Board has constituted a CSR Committee which has recommended to the Board a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company. The Corporate Social Responsibility policy has been devised in accordance with Section 135 of Act. The CSR policy of the Company is available on the website of the Company [www.pratibhagroup.com](http://www.pratibhagroup.com). Since company has incurred losses during the year F.Y 2016-17 and due to liquidity crunch, the Company could not spend money on CSR activities. The annual report on CSR activities is set out as Annexure-F to this report.

#### **CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES**

During the financial year 2016-17, your Company has entered into transactions with related parties as defined under Section 2(76) of the Act read with Companies (Specification of Definitions Details) Rules, 2014, in the ordinary course of business and at arm's length basis.

Since all the related party transactions are carried out at arm's length basis in the ordinary course of business, the Company do not have any particulars to report in Form AOC- 2 pursuant to Section 134 (3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: [http://www.pratibhagroup.com/pratibha\\_new/pages/PDFs/PIL\\_RPT.pdf](http://www.pratibhagroup.com/pratibha_new/pages/PDFs/PIL_RPT.pdf).

#### **PARTICULARS OF LOANS, INVESTMENTS, GUARANTEES**



### UNDER SECTION 186

The details of investment made during the year under review (including previous years) are disclosed under Note no.39 of the standalone financial statements of the Company.

The Company is engaged in providing infrastructural facilities and therefore is exempted under sub-section 11 of Section 186 of the Act from the application of provisions of that Section. As such, the requirement to provide the details of a loan, guarantee or security is not applicable to the Company.

### ANNUAL EVALUATION OF BOARD

In terms of provisions of the Act read with Rules issued thereunder and SEBI (LODR) Regulations, the Nomination and Remuneration Committee formulated the criteria for evaluating the Board of Directors, its Committees and individual Directors. On the basis of criteria so approved, the evaluation of the Board of Directors and its committees was carried out on 30th May, 2017 to assess the effectiveness of the Board and its Committees during F. Y. 2016-17. A separate exercise was also carried out to evaluate the performance of individual Directors on various parameters which, inter alia, included understanding of their roles and responsibilities, business of the Company, level of participation and contribution, independence of judgement, safeguarding the overall interest of shareholders and the Company.

### CORPORATE GOVERNANCE

As per the provisions of SEBI (LODR) Regulations, a Corporate Governance Report is included in the Annual Report as Annexure – G.

### PREVENTION OF SEXUAL HARRASSMENT AT WORK PLACE

In line with the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 read with rules made thereunder, your Company has constituted Internal Complaints Committee which is responsible for redressal of complaints related to sexual harassment. During the year under review, there were no complaints pertaining to sexual harassment.

### VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has established a vigil mechanism to facilitate reporting of any instances of fraud, unethical conduct and mismanagement, if any vide Whistle Blower Policy which is in compliance with the provisions of Section 177 (10) of the Act and SEBI (LODR) Regulations.

The policy also provides for adequate safeguards against victimization of persons who use such mechanism and makes provision for direct access to the Chairman of the Audit Committee in all cases. The Whistle Blower Policy of the Company is available on the website of the Company, [http://www.pratibhagroup.com/pratibha\\_new/pages/PDFs/WHISTLE\\_BLOWER\\_POLICY\\_PIL\\_.pdf](http://www.pratibhagroup.com/pratibha_new/pages/PDFs/WHISTLE_BLOWER_POLICY_PIL_.pdf).

### EMPLOYEE RELATIONSHIP

The Company enjoyed very cordial and fruitful relations with the employees during the year under review and your Directors wishes to place on record its sincere appreciation of the efforts put in by the Company's workers, staff and executives for achieving excellent results under demanding circumstances.

### ACKNOWLEDGEMENT

Your Directors take this opportunity to thanks the Banks, Financial Institutions, Central and State Governments, Various Statutory Authorities, Customers, Suppliers, Employees and Business Associates for their continued co-operation and support to the Company. Your Directors appreciate and value the trust reposed and faith shown by every shareholders of the Company.

### For and on behalf of the Board of Directors

**Ajit Kulkarni**  
Chairman & Managing Director

**S.P. Deshpande**  
Whole Time Director

**Date:** 14th August., 2017

**Place:** Mumbai