

34th Annual Report वार्षिक रिपोर्ट 1998 - 99



Engineers India Limited
इंजीनियर्स इंडिया लिमिटेड



Contents

	Page #
1. EIL Through the Years	2-3
2. Company's Aims & Objectives	4
3. Organisational Structure	5
4. Ten Years' Performance at a Glance	6
5. Notice	7-8
6. Director's Report	9-16
7. Particulars of Employees in Terms of Section 217 (2A) of Companies Act, 1956	17-18
8. Auditors' Report	19-20
9. Balance Sheet	21
10. Profit & Loss Account	22
11. Schedules forming part of the Accounts	23-30
12. Notes forming part of the Accounts	31-33
13. Significant Accounting Policies	34-35
14. Cash Flow Statement	36-37
15. Statutory Information Pursuant to Part-IV of Schedule-VI to the Companies Act, 1956	38
16. Statement Pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies	39-41
17. Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Engineers India Limited for the year ended 31st March, 1999 & Replies of the Board of Directors	42-43
18. Review of Accounts of Engineers India Limited for the year ended 31st March, 1999 by the Comptroller and Auditor General of India	44-47
19. Human Resource Accounting	48
20. Annual Report of Certification Engineers International Ltd.	49-63
21. Annual Report of EIL ASIA PACIFIC SDN. BHD. 1997 & 1998	64-78



EIL Through The Years

Engineers India Limited was established in **1965** to provide engineering and related technical services for petroleum refineries, oil and gas pipelines, petrochemical industries, chemical process plants and other industrial projects.

EIL has to its credit over **4000** assignments including **250** major projects worth more than **US\$ 35 billion** in installed cost. The major projects undertaken by the company include **30 Petroleum Refinery** Projects, **6 Petrochemical** Complexes, **200 offshore** platforms, **31 Oil & Gas** processing projects, **25 Mining & Metallurgical** projects, **11 Ports & Terminals**, **8 Fertilizer** projects and **31 Pipeline** projects.

Engineers India has creditably worked abroad in several countries of the West Asia, North Africa, Europe and South East Asia including Algeria, Abu Dhabi, Bahrain, Iran, Iraq, Kuwait, Malaysia, Norway, Qatar, Saudi Arabia, Sri Lanka, UAE and Vietnam.

Diversification into New Areas

In response to the commencement of development of downstream petrochemical industry and offshore oil production in the Bombay High, EIL diversified into petrochemicals, offshore platforms & structures, oil & gas production systems (LPG recovery, sweetening etc.) and fertilizers. It also opened site & inspection offices in India & abroad and made a modest entry into overseas markets.

1971-1980

The Initial Years

The first couple of years after incorporation saw EIL organise itself as an engineering company learning engineering codes and procedures and acquiring commercial orientation. There was very little business in the beginning. Indian petroleum refining industry was at developing stage. The business environment was one of a few public sector clients. EIL developed project execution capability through relatively small assignments. Engineering, procurement and construction management were targetted as EIL's forte.

1965-1970



1991-Today

Changing Business Environment

With the entry of multinational engineering companies into India, EIL concentrated on improvements in design and engineering provided through computerisation, networking, opening of regional offices, ISO-9001 certification for quality, formation of joint venture companies and subsidiaries etc. It has also diversified into LNG and Refinery Residue based power plants.

Building on its vast experience, EIL has secured a few small and medium sized LSTK projects and is gearing up to undertake large turnkey projects which are now becoming the favoured mode of project execution in India.

1981-1990

A period of Consolidation/Growth

The period was marked by Consolidation/growth in the hydrocarbon area and competition from other engineering companies. EIL further diversified into Aluminium and Chemicals and strengthened its services by moving into provision of process design/engineering, technology development and inhouse R&D. It also developed/augmented specialised skills in the area of equipment design as well as process plant services such as operations, materials, safety, environmental engineering and advanced control.

Awards & Recognitions

1999	■	Best Enterprise Award by the Forum of Women in Public Sector
1999	■	NPMP Award for Excellence in Creativity & Innovation.
1998	■	CSIR Technology Prize for developing Soaker Visbreaking Technology
1995	■	ICMA award for energy conservation
1995	■	Golden Peacock quality award
1993	■	National export award
1993	■	Economic Times/Harvard Business School Association of India corporate performance award
1991	■	Company standardisation award by the Institute of Standards Engineers
1989	■	Award of excellence for development of indigenous technology by the Department of Petrochemicals, Government of India
1986	■	Award of Honour for safety in EIL for NALCO smelter project at Angul by National Safety Council
1976	■	ICMA award for process design & engineering

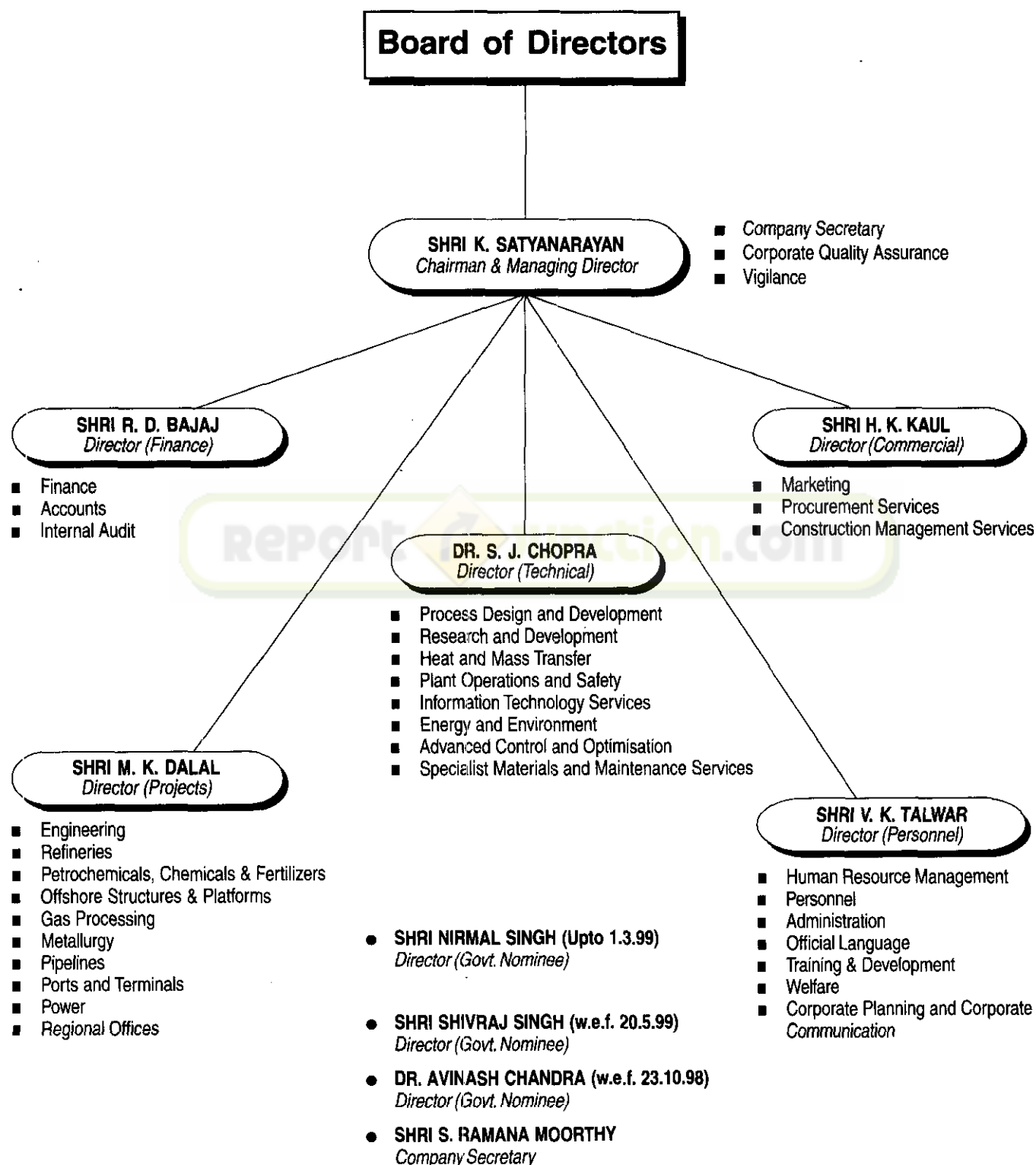


Company's Aims & Objectives

- To provide services of high quality in process design/process engineering, detailed engineering, procurement, construction as well as overall project management in oil refining, oil/gas processing, petrochemicals, fertilizers, chemical process industries, metallurgy and mining, offshore platforms, ports and terminals and other selected sectors of industry.
- To provide engineering and technical consultancy services of high quality in selected areas of technology such as heat & mass transfer equipment design, environmental engineering, energy conservation, safety and risk management, advanced control/optimisation of process industries, system studies and software development.
- To continuously improve the quality of services to clients and meet clients' requirements promptly and economically.
- To maintain a sustained rate of growth in turnover and profitability in domestic and international operations through aggressive marketing strategy.
- To maintain and improve the morale of employees at all levels through a climate of openness, fairness and transparency in operations.
- To foster and accelerate the development of indigenous technologies.
- To promote linkages between R&D organisations, engineering organisations, equipment manufacturers and operating companies in order to modify, adapt and upgrade technologies on a continuous basis.



Organisational Structure



ENGINEERS INDIA LIMITED

Ten Years' Performance at a Glance

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
A. OPERATING STATISTICS	RUPEES IN THOUSANDS									
Turnover*	666629	759939	1045222	1574138	2239573	2349127	2599806	2688328	3112046	3917336
Other Income	75415	59412	125880	166277	197858	238268	314780	337460	413916	699709
Expenditure	582196	636007	829315	1205229	1436203	1546826	1836412	1909654	2383537	2739263
Profit before Tax	159848	183344	341787	535186	1001228	1040569	1078174	1116134	1142425	1877782
Tax	126774	90000	82629	241697	398119	441754	395165	419641	410000	697192
Profit after Tax	33074	93344	259158	293489	603109	598815	683009	720457	732425	1180590
Dividend & Tax on dividend @	2500	2500	10000	20000	20000	36000	45000	59400	82356	311657
Retained Surplus**	30574	90844	249158	273489	583109	562815	638009	661057	650069	868933
B. FINANCIAL POSITION										
Capital Employed***	845102	929451	1173271	1435931	2016377	2566855	3199864	3870857	4609977	5479022
i) Fixed Assets	366468	382739	372576	403708	442996	485144	469262	482519	467319	476786
ii) Net Current Assets	447970	546712	800695	1031560	1118363	1425544	2330435	2952988	2401680	2912074
Shareholders Funds	802546	894451	1145771	1415931	1999040	2561855	3199864	3870857*	4609977	5479022
i) Share Capital	10000	10000	10000	20000	20000	180000	180000	180000	187173	187181
ii) Reserves and surplus @	792546	884451	1135771	1395931	1979040	2381855	3019864	3690921	4422804	5291841
Loans	42556	35000	27500	20000	17337	5000	—	—	—	—
C. RATIOS										
PBT/Turnover	23.98%	24.13%	32.70%	34.00%	44.71%	44.30%	41.47%	41.52%	36.71%	47.93%
PBT/Capital Employed	18.91%	19.73%	29.13%	37.27%	49.65%	40.54%	33.69%	28.83%	24.78%	34.27%
PAT/Net Worth	4.12%	10.44%	22.62%	20.73%	30.17%	23.37%	21.34%	18.66%	15.89%	21.55%
Turnover/Net Worth (No. of times)	0.83	0.85	0.91	1.11	1.12	0.92	0.81	0.70	0.68	0.71
Sundry Debt/Turnover										
(Month's Turnover)	5.64	6.78	7.11	5.60	5.11	5.97	7.28	6.26	4.23	3.76
Turnover to Total Assets	0.41	0.42	0.44	0.47	0.57	0.44	0.43	0.41	0.37	0.35
(No. of times)										

NOTES :

* Turnover includes accretion/decretion to Work-in-Progress.

** Figure of Retained Surplus includes amount Written Back pertaining to Provision for Taxation.

*** Includes Investments.

Fixed Assets include capital Work-in-Progress.

@ Includes Capital Grant of Rs. 2 crores received in 1984-85 for R&D Centre.

@@ From 1996-97 onwards figure includes dividend & additional tax on dividend.

- Profit after Tax for 1996-97 includes Surplus from Petroleum India International relating to previous period (upto 31.3.95) amounting to Rs. 239.64 lakhs.

- Shareholders funds includes Share Application money of Rs. 99.36 lakhs received in 1996-97 made up of Rs. 7.20 lakhs towards share capital and Rs. 92.16 lakhs towards share premium.



Notice

34th ANNUAL GENERAL MEETING

Notice is hereby given that the 34th Annual General Meeting of the Members of Engineers India Limited will be held on Wednesday, the 22nd September, 1999 at 3.30 PM at Air Force Auditorium, Subroto Park, New Delhi - 110010 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account of the Company for the period from 1st April, 1998 to 31st March, 1999 and the Audited Balance Sheet as at 31st March, 1999 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri K. Satyanarayan who retires by rotation and being eligible, seeks re-appointment.
4. To appoint a Director in place of Shri M K Dalal who retires by rotation and being eligible, seeks re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"Resolved that Dr. Avinash Chandra, be and is hereby appointed as Director of the Company."
6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"Resolved that Sh. Shivraj Singh, be and is hereby appointed as Director of the Company."
7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"Resolved that subject to the guidelines issued by the Securities and Exchange Board of India and subject to the conditions and modifications, if any, as may be prescribed and as may be agreed to by the Board of Directors, a sum of Rs.37.44 Crores (Rupees thirty seven crores and forty four lakhs only) out of the amount standing to the credit

of the general reserve of the Company as on 31.3.1999 be capitalized and distributed amongst the shareholders of the existing equity shares of the Company, whose names stand on the Register of Members of the Company as on the record date to be fixed for this purpose and the same be not paid in cash but be applied on behalf of such members as aforesaid in paying off in full at par 3,74,40,000 new equity shares of Rs.10/- each to be allotted and distributed as bonus shares credited as fully paid upto in proportion of two equity shares for every existing one equity share held by them.

"Resolved further that new equity shares to be allotted as bonus shares as aforesaid shall be treated for all purposes pari-passu with the existing equity shares and shall be entitled to pro-rata dividend from the date of allotment to be declared in respect of the year in which the said allotment is made.

8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

"Resolved that the share capital of the Company be and is hereby increased from Rs.50 crores (Rupees fifty crores only) divided into five crores equity shares of Rs.10/- each to Rs.100 Crores (Rupees One hundred crores only) divided into ten crores equity shares of Rs.10/- each".

"Resolved further that the existing clause 5 of the Memorandum of Association and Clause 4 of the Articles of Association be and are hereby amended as follows:

Clause 5 of the Memorandum of Association of the Company be and is hereby amended as follows:

"The share capital of the Company is Rs.100,00,00,000 (Rupees One hundred crores) divided into 10 crores equity shares of Rs.10/- each without preferential, deferred, qualified or special rights, privileges or conditions."

Clause 4 of the Articles of Association of the Company be and is hereby amended as follows:

"The share capital of the Company shall be Rs.100,00,00,000 (Rupees One hundred Crores) divided into 10,00,00,000 equity shares of Rs.10/- each.

By Order of the Board

S. Ramana Moorthy
Company Secretary

Date : 25th August, 1999
Place: New Delhi

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy and the proxy need not be a member of the Company. Proxies, in order to be effective, must be lodged at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. Members/Proxies should bring their attendance slip, duly filled in, to the meeting.
3. An Explanatory Statement, pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Resolutions set out against Item Nos. 5,6,7 & 8 of the Notice is annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 26th August, 1999 to Monday, 30th August, 1999 (both days inclusive).
5. For matters relating to Equity Shares of the Company and registering Change of Address, Members are requested to contact Registrar and Share Transfer Agent of the Company M/s SRG Infotec Ltd., Devraha House, A-256, Okhla Industrial Area, Phase-I, New Delhi - 110 020. Tel.: 6812434/ 2364/2365/1978/1979.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.5 :

Dr. Avinash Chandra, Director General (Hydrocarbons) was appointed by the President of India as Director of the Company w.e.f. 23.10.1998. As per the provisions of the Companies Act, 1956 his appointment needs to be confirmed in the 34th Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Dr. Avinash Chandra, as a Director of the Company.

None of the Directors is interested in the resolution except Dr. Avinash Chandra.

Item No. 6 :

Sh. Shivraj Singh, Joint Secretary (Refinery), Ministry of Petroleum and Natural Gas, Government of India was appointed by the President of India as Director of the Company w.e.f. 20th May, 1999. As per the provisions of the Companies Act, 1956 his appointment needs to be confirmed in the 34th Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Sh. Shivraj Singh, as a Director of the Company.

None of the Directors is interested in the resolution except Sh. Shivraj Singh.

Item No. 7 :

Since there is a wide disparity between the

Paid-up Capital and the General Reserves accumulated by the company during the last so many years, it is felt by the Board that this disparity should be reduced by way of Issue of Bonus Shares to the Members of the Company. As required under Articles 102 (c)(iii)(k)(i) of Articles of Association of the Company, the approval of the President of India for capitalisation of General Reserves and Issue of Bonus Shares to the Shareholders has been received vide Ministry of Petroleum & Natural Gas letter No.S-147/JA(F)/99 dt. 21st June 1999. The Board of Directors have proposed, that a sum of Rs. 37.44 crores (Rupees thirty seven crores and forty four lacs only) be capitalised out of sum standing to the credit of the General Reserves of the Company and that such sum be applied in payment in full for issue of 3,74,40,000 equity shares of Rs. 10 each and that such fully paid shares be allotted as Bonus Shares after it is approved by the Members of the Company as required under Article 116 of the Articles of Association of the Company in the proportion of Two Equity shares for every existing One Equity share held by them in the manner and on the terms and conditions set out in the resolution.

None of the directors is interested in the resolution except to the extent of an ordinary shareholder of the Company.

Item No.8 :

As on date, the Authorised Capital of the Company is Rs. 50 crores. In view of the foregoing Bonus Issue of Equity Shares the

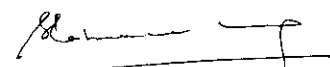
present Authorised Capital shall be insufficient to accommodate the increased Paid up capital. If the Bonus Issue is approved by the shareholders in the ensuing Annual General Meeting the Post Bonus Paid up Capital of the company shall be Rs.56.16 crores. As per the Companies Act, 1956 increase of Authorised Capital needs to be approved by the Shareholders of the Company.

Consequent upon the increase in Authorised Capital the amount of capital mentioned in the Memorandum of Association and Articles of Association needs to be amended. As per the Companies Act, 1956 for amendment of Articles of Association approval of Members through a Special Resolution is required.

Hence, this resolution is to increase the Authorised Capital to Rs. 100 crores and amendment of Memorandum of Association and Articles of Association.

None of the Directors is interested in the resolution.

By Order of the Board



S. Ramana Moorthy
Company Secretary

Date : 25th August, 1999
Place: New Delhi

LISTING AT STOCK EXCHANGES

The Company's Equity Shares are listed on the following three Stock Exchanges in India.

- (1) The Delhi Stock Exchange Association Ltd., West Plaza, Indira Gandhi Stadium, Indraprastha Estate, New Delhi-110 002
- (2) The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001
- (3) National Stock Exchange of India Ltd., Trade World, Senapati Bapat Marg, Lower Parel, Mumbai-400 013

ENGINEERS INDIA LIMITED

Directors' Report

To
The Shareholders
Engineers India Limited

Ladies & Gentlemen,

Your Directors have pleasure in presenting the 34th Annual Report together with Statement of Accounts for the year ended March 31, 1999.

During the year under report, your Company achieved all round corporate growth and made significant technological improvements. Income from services rendered during the year was Rs. 3917 million and Net Profit Rs. 1177 million, in line with the regrouped figures for the previous year (Rs. 3112 million

and Rs. 732 million respectively).

The Company is expected to make an estimated Gross Profit of Rs. 1448 million during the financial year 1999-2000 as per the budget estimates which includes profit on jobs not completed till 31.3.1999 and also new contracts awarded and to be awarded in 1999-2000.

The overall financial performance for the year 1998-99 is highlighted below:

(Rupees in Million)

	1998-99	1997-98
RESULTS OF OPERATIONS:		
Turnover (After adjustment of Work-in-Progress)	3917	3112
Expenditure (including depreciation)	2739	2384
Operating Profit	1178	728
Other Income	699	414
Profit before tax	1877	1142
Tax provision for the year	700	410
Net Profit for the year	1177	732
Adjustment of Previous Year's Tax	(+3)	-
Proposed Dividend	280	75
Tax on Proposed Dividend	31	7
Transfer to General Reserves	869	650
SOURCES AND USES OF FUNDS:		
Authorised Capital	500	500
Issued Capital	188	188
Subscribed Capital	187	187
Paid up Capital	187	187
Reserves and Surplus	5292	4423
	<u>5479</u>	<u>4610</u>
REPRESENTED BY:		
Fixed Assets (Net)	477	467
Investments	2090	1741
Net Current Assets	2912	2402
	<u>5479</u>	<u>4610</u>

DIVIDEND

Your Directors recommended a dividend of Rs. 280 million which works out to 150% of the Paid-up Capital of the Company as on 31st March, 1999 as against 40% declared in the previous year.