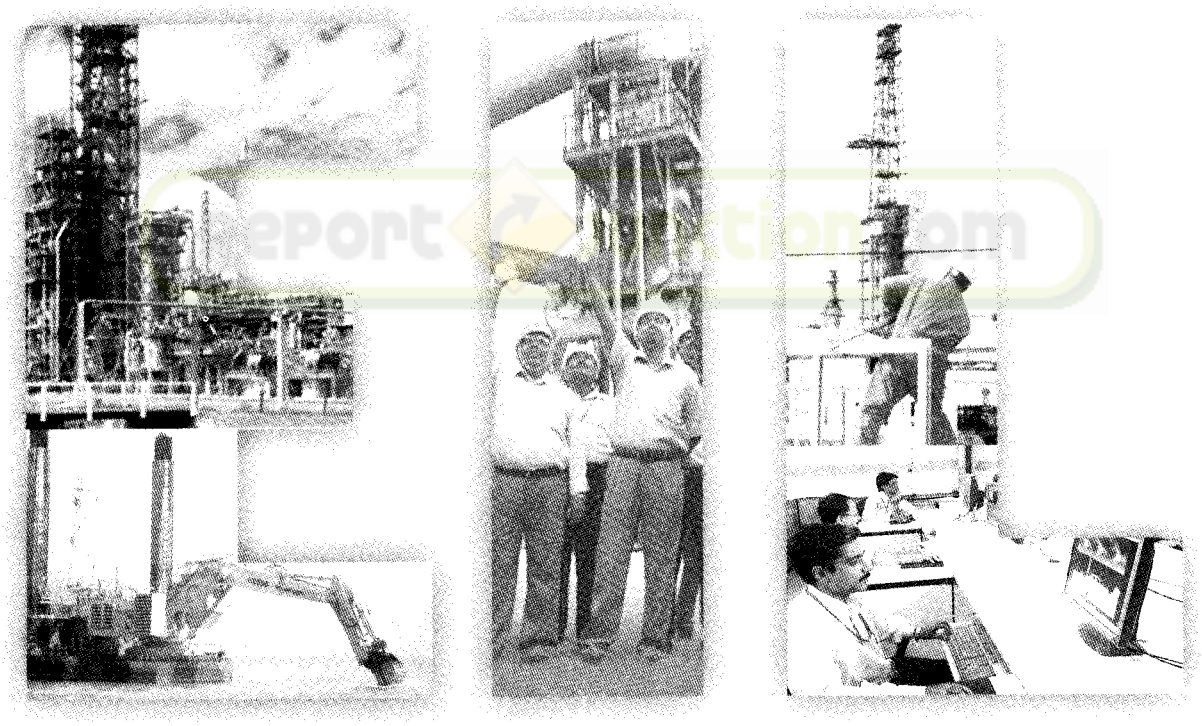
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Engineers India Limited

41st Annual Report 2005 - 2006



इंजीनियर्स इंडिया लिमिटेड

ENGINEERS INDIA LIMITED

Delivering Excellence through People

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OUR VISION

To be a world-class Globally Competitive EPC and Total Solutions Consultancy Organization

OUR CORE VALUES

- Benchmark to learn from superior role models.
- Nurture the essence of Customer Relationship and bonding.
- Foster Innovation with emphasis on value addition.
- Integrity and Trust as fundamental to functioning.
- Thrive upon constant Knowledge updation as a learning organization.
- Passion in pursuit of excellence.
- Quality as a way of life.
- Collaboration in synergy through cross-functional Team efforts.
- Sense of ownership in what we do.

THE MISSION

- To achieve "Total Customer Satisfaction" while delivering innovative, cost effective and value added consulting & EPC services at global level.
- To ensure growth and professional excellence by building intellectual capital and distinctive core competencies.
- To maximize creation of wealth, value and satisfaction for stakeholders.
- To promote and encourage best practices for Health, Safety, Environment and Ethics.
- To achieve prominence in developing, adopting and assimilating state-of-the-art technologies for competitive advantage.
- To foster a culture of participation and innovation for employees' growth and contribution through a climate of fairness and transparency in operation.

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Organizational Structure

Chairman & Managing Director
Mukesh Rohatgi

- Company Secretary
- Corporate Quality Assurance
- Vigilance

Director (Projects)
P. Mukerji

- Engineering
- Engineering Technology and Development
- Construction Management
- Refineries
- Petrochemicals
- Offshore Oil & Gas
- Onshore Oil & Gas
- Metallurgy
- Pipelines
- Ports & Terminals
- Power
- LSTK -Onshore
- LSTK -Offshore
- Project Services
- Overseas Projects
- Overseas Offices
- Regional Offices

Director (Technical)
M. K. Joshi

- Process Design & Development
- Research & Development
- Heat and Mass Transfer
- Plant Operation and Safety
- Information Technology Services
- Environment
- Specialist Materials & Maintenance Services
- Library

Director (Personnel)
P. K. Agarwal

- Corporate Affairs
- Personnel
  - HR Planning & Management
  - HR Welfare & Services
  - HR Training & Development
- Administration
- Estate Management
- Official Language

Director (Commercial)
P. K. Saha

- Marketing
- Procurement Services
- Contracts
- Infrastructure
- Regional Procurement Offices
- Overseas Offices

Director (Finance)
D. S. Chakrabarti

- Financial Management
- Project Finance and Appraisal
- Corporate Accounting & Budgeting
- Employee Related Disbursement & Control
- Receivable Management
- Tax Planning & Management
- Internal Audit

Prabh Das
Director (Govt.Nominee)

Ravi Capoor
Director (Govt. Nominee)

B. M. Bansal
Director

U. N. Bose
Director

R. Soundararajan
Company Secretary

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Ten Years' Performance at a Glance

(Rupees in Lakhs)

PARTICULARS / YEARS	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
A OPERATING STATISTICS										
Turnover*	26883.28	31120.46	39173.36	61567.05	78762.93	53699.44	81826.92	106953.03	91580.11	79048.04
Other Income	3374.60	4139.16	6997.09	7764.78	7129.27	7003.84	4100.96	4759.33	5786.74	6666.63
Expenditure	19096.54	23835.37	27392.63	50011.21	66323.77	49456.19	74812.58	98713.29	80073.64	65551.08
Prior Period Adjustments (Net)	–	–	–	–	–	–	–	–	627.63	185.67
Profit before Tax	11400.98	11424.25	18777.82	19320.62	19568.43	11247.09	11115.30	12999.07	16665.58	19977.92
Tax	4196.41	4100.00	6971.92	6700.47	7182.99	3829.14	5452.49	5407.75	6989.22	8025.57
Fringe Benefit Tax	–	–	–	–	–	–	–	–	–	255.00
Deferred Tax (Assets) / Liability	–	–	–	–	–	(733.20)	(753.65)	(426.78)	(1,587.15)	(2,166.99)
Profit after Tax @@	7204.57	7324.25	11805.90	12620.15	12385.44	2470.88	6416.46	8018.10	11263.51	13864.34
Dividend including Dividend Tax @@@	594.00	823.56	3116.57	4336.80	4146.64	1544.40	2533.96	4117.15	4811.75	5122.57
Retained Surplus	6610.57	6500.69	8689.33	8283.35	8238.80	926.48	3882.50	3900.95	6451.76	8741.77
B FINANCIAL POSITION										
Capital Employed**	38708.57	46099.77	54790.22	63074.56	71313.36	71240.28	75122.78	79023.73	86292.27	95034.04
i) Fixed Assets***	4825.19	4673.19	4767.86	5222.41	5581.02	5045.59	4408.52	4729.79	4148.89	4001.49
ii) Net current Assets	29529.88	24016.80	29120.74	36929.10	46703.28	51210.93	52869.28	56958.71	63394.15	71017.71
Shareholders' Funds	38708.57	46099.77	54790.22	63074.56	71313.36	71240.28	75122.78	79023.73	86292.27	95034.04
i) Share Capital	1800.00	1871.73	1871.81	5615.62	5615.62	5615.62	5615.62	5615.62	5615.62	5615.62
ii) Reserve & Surplus @	36809.21	44228.04	52918.41	57458.94	65697.74	65624.66	69507.16	73408.11	80676.65	89418.42
C RATIOS										
PBT / Turnover	41.52%	36.71%	47.94%	31.38%	24.84%	20.94%	13.58%	12.15%	18.20%	25.27%
PBT / Capital Employed	28.83%	24.78%	34.27%	30.63%	27.44%	15.79%	14.80%	16.45%	19.31%	21.02%
PAT / Net Worth	18.66%	15.89%	21.55%	20.01%	17.37%	3.47%	8.54%	10.15%	13.05%	14.59%
Turnover / Net Worth (number of times)	0.69	0.68	0.71	0.98	1.10	0.75	1.09	1.35	1.06	0.83
Sundry Debts / Turnover (Month's Turnover)	6.26	4.23	3.76	3.13	3.38	4.43	3.15	2.06	4.23	3.40
Turnover to Total Assets (number of times)	0.41	0.37	0.35	0.40	0.61	0.46	0.48	0.82	0.58	0.52

Notes :

* Turnover includes accretion / decretion to Work in Progress.

** Includes Investments.

*** Fixed Assets includes Capital Work -in-progress.

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

@@ Profit after tax for 2001-2002 is after adjustment of provision for dimunition in the value of long term investments of Rs. 56.80 crores.

@@@ Includes excess/short provision of dividend / dividend tax for earlier years.

– 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 include 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.

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NOTICE

NOTICE is hereby given that the 41st Annual General Meeting of the Members of Engineers India Limited will be held on Friday, the September 15, 2006 at 3.00 P. M. at SCOPE Auditorium, CGO Complex, Lodhi Road, New Delhi-110003 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account of the Company for the year ended March 31, 2006 and the Balance Sheet as on that date together with the Reports of Directors and Auditors thereon.
2. To consider declaration of final dividend on Equity Shares.
3. To appoint a Director in place of Shri D. S. Chakrabarti, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri P. Mukerji, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri M.K. Joshi, who retires by rotation and being eligible, offers himself for re-appointment.
6. To fix remuneration of Auditors for the financial year 2006-2007 and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

   "**RESOLVED THAT** the Board of Directors of the Company be and are hereby authorized to fix the remuneration, out of pocket, statutory taxes and other ancillary expenses of Statutory Auditors to be appointed by the Comptroller and Auditor General of India for the financial year 2006-2007.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass, with or without modifications, the following resolution, as on Ordinary Resolution :

   "**RESOLVED THAT** Shri Mukesh Rohatgi, who was appointed as an Additional Director, in the capacity of Chairman & Managing Director, by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956 holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from Shri Rohatgi himself in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."
8. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution :

   "**RESOLVED THAT** Shri Ravi Capoor, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from a member, in writing, proposing the candidature of Shri Ravi Capoor for the office of Director, be and is hereby appointed as a Director of the Company."
9. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution :

   "**RESOLVED THAT** Shri U. N. Bose, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from a member, in writing, proposing the candidature of Shri U. N. Bose for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board

R. Soundararajan
Company Secretary

Place : New Delhi
Date : August 10, 2006

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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. The Explanatory Statement pursuant to the provisions of Section 173 (2) of the Companies Act, 1956 setting out the material facts in respect of business under items nos. 7 to 9 is annexed herewith.
3. Members / proxies should bring their copy of Annual Report and Attendance Slip, duly filled in, to the meeting. Members holding shares in dematerialized form are requested to bring their Client Id and DP Id Numbers for easy identification of attendance at the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 5th September, 2006 to Friday, 15th September, 2006 (both days inclusive) for the purpose of ascertaining the entitlement of dividend.
5. Dividend, if any, approved at the 41st Annual General Meeting of the Company will be paid to those shareholders whose names appear:
   a) As Beneficial Owners as at the end of the business hours on 4th September, 2006 as per the list to be furnished by the Depositories in respect of shares held in Electronic form; and
   b) As Members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Registrar and Share Transfer Agent of the Company on or before 4th September, 2006.
6. Members holding shares in physical form are requested to notify immediately Change of Address, if any, to the Registrar and Share Transfer Agent of the Company at the address : **M/s MAS Services Private Limited, AB-4, Safdarjung Enclave, New Delhi-110029, Phone : 26104142, Fax : 26181081**, quoting their Folio Number, to ensure prompt receipt of communications and other corporate actions. Similarly, members holding shares in Electronic / Demat form are requested to notify any Change of Address and Change of Bank Account to their respective Depository Participant (DP) with whom the Demat account is maintained as the Company is obliged to use only the data provided by NSDL/CDSL.
7. In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to provide their Bank Account Number, Name and Address of the Bank / Branch to the Registrar and Share Transfer Agent of the Company i.e. MAS Services Pvt. Ltd. in respect of shares held in physical mode and to their respective DPs for demat mode to enable them to incorporate the same in the dividend warrant.
8. Shareholders may avail the facility of Electronic Clearing Service (ECS) for receiving direct credit of Dividend to their accounts with the Banks. This will enable expeditious credit of dividend amount and protect from loss, theft and postal delay of dividend warrant.
9. The balance lying in the unpaid dividend account of the Company in respect of dividend declared on 22.09.1999 for the financial year 1998-99 will be transferred to the Investors Education and Protection Fund (IEPF) of the Central Government by 02.11.2006 (tentative date). Members who have not encashed their dividend warrants pertaining to the said year may approach to the Company or its Registrar & Share Transfer Agent for obtaining the payments thereof.
10. All documents referred to in the accompanying notice and explanatory statements are open for inspection at the Registered Office of the Company on all working days between 10.30 A.M. to 12.30 P.M. prior to the Annual General Meeting.
11. Pursuant to the requirements of Corporate Governance, a brief resume of the Directors proposed for appointment / re-appointment is included in the Corporate Governance Report attached to Directors' Report.

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12. Members desirous of obtaining any information / clarification (s) concerning the accounts and operations of the Company or intending to raise any query are requested to forward the same at least 10 days before the date of meeting to Company Secretary at the Registered Office of the Company so that the same may be attended to appropriately.

13. **No Gift shall be distributed in the AGM or afterwards.**

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

ITEM NOS. 7 TO 9

Shri Mukesh Rohatgi, Shri Ravi Capoor and Shri U. N. Bose were appointed as Additional Directors by the Board of Directors of the Company. In terms of Section 260 of the Companies Act, 1956, they shall hold office up to the date of Annual General Meeting of the Company. The Company has received valid notice along with requisite deposits from the respective Directors / members of the Company under Section 257 of the Companies Act, 1956 proposing their candidature for the office of Directors. In view of the background and vast experience, it will be in the interest of the Company that they all continue as Directors of the Company. Brief resume of these Directors has been given in the Corporate Governance Report attached to the Directors' Report. Shri Ravi Capoor and Shri U. N. Bose, the Non-executive Directors have disclosed that they are not holding any shares in the Company.

Your Directors recommend the resolutions for approval of members.

None of the Directors, except the Directors who are proposed to be re-appointed, are interested in the resolutions.

By order of the Board

Place : New Delhi
Date : August 10, 2006

R. Soundararajan
Company Secretary

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Directors' Report

To :
The Shareholders
Engineers India Limited

Ladies & Gentlemen,

Your Directors have great pleasure in presenting the 41st Annual Report together with Audited Accounts of the Company for the year ended March 31, 2006 along with the Auditors' Report and Review of the Accounts by the Comptroller and Auditor General of India.

2005-06 IN RETROSPECT

EIL continued its good performance during the year 2005-06. The salient features are as follows :

- Turnover of the Company was Rs. 79048 lakhs.
- Operating profit was Rs. 13311 lakhs, representing a growth of more than 22% over the previous year.
- Profit Before Tax (PBT) was Rs.19978 lakhs, representing a growth of 19.8% over the previous year.
- Profit After Tax (PAT) was Rs.13864 lakhs, representing a growth of more than 23% over the previous year.

The turnover was lower in comparison to the previous year mainly because of lower revenue from the LSTK business. Growth in operating profit has been achieved through increased productivity and stringent cost management.

Dividend

The Board of Directors of the Company has recommended a final dividend of 50% on the paid up share capital of the Company as on 31st March, 2006, in addition to 30% interim dividend already paid during the year.

With this the total dividend for the year works out to 80% on the paid up share capital with a total sum of Rs.5123 lakhs (including tax on dividend amounting to Rs.630 lakhs). Payment of final dividend is subject to the approval of the shareholders in the Annual General Meeting.

Management Discussion & Analysis

A separate report on Management Discussion and Analysis is annexed to this Report.

Sector-wise details of Company's operation are given below : -

PETROLEUM REFINERIES

The Refining sector continued to play a significant role in our business. During the year, the following major refinery projects were completed :

- DHT, CDU/VDU, OHCU, Sulphur Block and associated Utilities & Offsites for Panipat Refinery Expansion Project of IOCL
- Capacity Expansion cum Modernisation Project, Phase-I at Kochi of KRL
- Reconstruction of FCC Unit at Gujarat Refinery, Vadodara of IOCL

EIL provided consultancy services under EPCM route for the Green Fuel Project of HPCL, Mumbai and the Clean Fuel Project of HPCL, Visakh, both of which are at advanced stages of construction. Also at an advance stage of construction is the MS Quality Upgradation Project of IOCL, Gujarat. During the year, EIL was entrusted with balance engineering and construction services by Essar Oil for their Refinery Project at Vadinar, Gujarat and the project is fast moving towards mechanical completion.

It is gratifying that Clients continue to repose confidence in EIL, and as a result thereof, major new assignments were awarded, viz. a grassroot refinery at Bina being set up by BORL and the second expansion of Panipat Refinery from 12 to 15 MMTPA. Work on both these projects has already commenced. Another important new assignment is the DHT unit of BRPL. What is particularly satisfying in this case is that this will be the first commercial application of the new process technology developed jointly by R&D Divisions of IOCL and EIL.

A large number of Detailed Feasibility Reports and Scoping Studies were carried out during the year. Some of the significant ones were for refineries at Visakh, Mangalore, Bongaigaon and the Greenfield Bhatinda Refinery Project.

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PETROCHEMICALS, CHEMICALS & FERTILIZERS

In Petrochemicals, the PTA Project of Panipat Refinery reached mechanical completion. Work on another prestigious project of Panipat Refinery i.e. Naphtha Cracker Project along with Downstream Units and Utilities & Offsites has completed important milestones. After completion of the preparation of FEED Packages for various units, tendering and evaluation of EPC bids for various packages is now nearing award stage from where the project can take off for physical implementation.

The expansion of UP Petrochemicals Complex of GAIL at Pata has been completed and successfully commissioned in November, 2005. EPCM services for execution of the new HDPE Unit are currently being provided and it is targeted to complete the project by year end. A Feasibility Report for setting up a gas based Petrochemical Complex at Kochi, Kerala has also been completed for GAIL.

PIPELINES

In the field of Pipelines, EIL continued to provide extensive services to its clients. The work on multi product trunk pipelines viz. Mundra-Delhi Pipeline of HPCL (1066 KMs), Mumbai-Manmad-Manglaya Pipeline extension to Delhi of BPCL (776 Kms), Numaligarh-Siliguri Pipeline of OIL (660 Kms) and Pune-Solapur Pipeline of HPCL (343 Kms) were in progress and these projects are now at advanced stages of construction. Besides these major pipeline jobs, work on expansion of pumping facilities of the existing Mumbai-Manmad pipeline of BPCL and a new Marketing Terminal at Siliguri of NRL have also achieved significant milestones. All the multi product pipelines, in hand, are expected to be completed during the next financial year.

During the year under review, EIL secured and has subsequently progressed on two new major jobs. The first one being the 935 Km 24" pipeline for transportation of Crude Oil from Vadinar to Bina Refinery. The second job involves 327 Km, 30" pipeline from Panvel to Dabhol and spurlines for transportation of regassified LNG.

OFFSHORE OIL & GAS

The Offshore Oil & Gas Projects Division continued to provide consultancy services to its esteemed clients. Major assignments for ONGC are the MUT Pipeline Project, SH Reconstruction Project, Vasai East Development, 26 Well Platform Project and various other revamps/modernization projects. Major assignments for GSPC included services during the early phases of the development of the Deen Dayal Offshore Gas Field in the Krishna Godavari basin.

The Division is currently carrying out a System Adequacy Study for ZADCO, Abu Dhabi for enhance production of hydrocarbons in Upper Zakum Fiel

ONSHORE OIL & GAS

Considering LNG an emerging area of the future, your Company had entered the field by taking up assignments for preparation of Feasibility Reports for LNG Terminals. EIL has now progressed to providing consultancy services for execution of LNG Storage and Regassification Terminals. The three jobs under execution are :-

- PMC Services for Expansion of Dahej Terminal of Petronet LNG Ltd.
- Preparation of FEED Package for Grassroot LNG Terminal at Kochi for Petronet LNG Ltd.
- Revival of Dabhol LNG Terminal for Gas Authority of India Ltd.

For initial assignments, services of back-up consultants have been used. After full development of in-house expertise in all areas, future projects, both domestic and overseas are intended to be handled by EIL on its own strength.

EIL provided services to ONGC for preparation of Process Package and Bid Package documentation for Revamp of Facilities at Assam GGS-I & GGS-II at Rudrasagar. Currently, Project Management services are being provided for these projects along with Compressor Plant at Geleki Assam and Mounded Storage Bullets at Duliajan for Oil India.

PORTS & TERMINALS

The Ports and Terminals Division is engaged in the revival of marine facilities of the Dabhol Power plant, Single Point Mooring Terminal for BORL and other smaller projects at different ports.

STRATEGIC STORAGES

On acceptance of the Detailed Project Report prepared by the Company earlier, EIL has now been

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