



Engineering Services



Annual Report
2010-2011




The IL&FS Engineering House
In Hyderabad, Andhra Pradesh

220 KV Transmission Lines for
AP Transco in Kadapa, Andhra Pradesh



Asia's largest metering skid
erected at Jamnagar, Gujarat in record time

Outer Ring Road In
Hyderabad, Andhra Pradesh



Assam19 Road Project, Assam

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Board of Directors

Ravi Parthasarthy
Vimal Kishore Kaushik
Ved Kumar Jain
Anil Kumar Agarwal
Arun K. Saha
Karunakaran Ramchand

Company Secretary

G. Venkateswar Reddy

Auditors

S.R Batliboi & Associates
Chartered Accountants
Oval Office 18, I Labs Centre
Hitech City, Madhapur
Hyderabad - 500 081

Bankers

Andhra Bank
Allahabad Bank
Bank of India
Bank of Maharashtra
ICICI Bank Limited
IDBI Bank Limited
Indian Overseas Bank
Punjab National Bank
State Bank of Hyderabad
State Bank of India
Vijaya Bank

Registrar & Share Transfer Agent

Karvy Computershare Private Limited
No. 17-24, Vittalrao Nagar, Madhapur
Hyderabad - 500 081
Telephone No. 040 - 23420819/24
Fax No. 040-23420814, Email : einwad.ris@karvy.com

Registered Office

6-3-1186/1&2, IL&FS Engineering House
Begumpet, Hyderabad - 500 016
Tel. +91 40 40409333/23408100
Fax No. +91 40 23401107 / 23418501
Web site: www.ilfsengg.com

NOTICE

NOTICE is hereby given that the Twenty-third **Annual General Meeting of the Members of IL&FS Engineering and Construction Company Limited** will be held on Tuesday the 13th day of September 2011 at 10.30 a.m. at KLN Prasad Auditorium, 3rd Floor, The Federation of Andhra Pradesh Chambers of Commerce and Industry, FAPCCI House, 11-6-841, Red Hills, Hyderabad – 500 004 to transact the following business:

ORDINARY BUSINESS :

- (1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011, the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
- (2) To appoint a Director in place of Mr. Arun K Saha, who retires by rotation and, being eligible, offers himself, for re-appointment.
- (3) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s S R Batliboi & Associates, Chartered Accountants, Institute of Chartered Accountants of India, Registration Number 101049W, be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting at a remuneration as may be determined by the Board of Directors of the Company”.

SPECIAL BUSINESS :

- (4) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956 and the order of the Hon'ble Company Law Board dated November 4, 2010, **Mr. Saleh Mohammed Binladin** be and is hereby appointed as a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company.”

- (5) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956 and the order of the Hon'ble Company Law Board dated November 4, 2010, **Mr. Mu'taz Sawwaf** be and is hereby appointed as a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company.”

- (6) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956 and the order of the Hon'ble Company Law Board dated November 4, 2010, **Mr. Akberali Mohamedali Moawalla** be and is

hereby appointed as a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company.”

- (7) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956 and the order of the Hon'ble Company Law Board dated November 4, 2010, **Mr. Ahmad Mohamad Dabbous** be and is hereby appointed as a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company.”

- (8) To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT the consent of the Members be and is hereby accorded to delete Clause No.12 in other objects of Memorandum of Association of the Company”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take necessary steps including filing of various forms etc. with the statutory authorities”

- (9) To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the recommendation of the Board of Directors (hereinafter referred to as the “Board” which term shall include any Committee(s) which the Board may constitute to exercise powers of the Board including the powers conferred by this resolution) and provisions of the Companies Act 1956 and to the provisions of Articles of Association of the Company and subject to the applicable regulations/ guidelines of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and any other appropriate authority, as may be necessary and other statutory approvals, if any, the consent of the members of the Company be and is hereby accorded to the Board to issue and allot 15,00,000 (Fifteen Lakhs only) Cumulative Redeemable Preference Shares (CRPS) of Rs.100/- (Rupees One hundred only) each aggregating to Rs.15,00,00,000/- (Rupees Fifteen Crore only) as Bonus Shares credited as fully paid-up by capitalisation of the Company's Securities Premium Account, as may be considered necessary in proportion to One Bonus CRPS for every 16.67 existing fully paid up OCCRPS to such Members holding fully paid-up OCCRPS as per the Register of OCCRP Shareholders as on June 30, 2011, in such manner and terms and conditions as may be determined by the Board in accordance with applicable statutory provisions, rules and regulations”

“RESOLVED FURTHER THAT where the proportion of the new CRPS be allotted as Bonus Shares is not in the exact proportion of the holding of existing OCCRPS and results in any Member becoming entitled to a fraction of the new Shares to be allotted as Bonus Shares, any fraction 0.5 or above will be rounded off to next number and below 0.5 will be ignored”.

“RESOLVED FURTHER THAT the Bonus CRPS to be issued as fully paid CRPS are subject to the Memorandum and the Articles of Association of the Company”

“RESOLVED FURTHER THAT the Company be and hereby approves June 30, 2011 as the date for the issue of Bonus CRPS”

“RESOLVED FURTHER THAT Board be and is hereby authorized to finalise and arrange for the submission of any documents with any Government and Regulatory Authorities, Institutions or Bodies, as may be required and applicable, and all other related matters, as per applicable laws, regulations or guidelines for the time being applicable, authorise any Director or Directors of the Company or other Officer or Officers of the Company, including any power of attorney holder granted in this regard, to do such acts, deeds and things in connection with and incidental thereto, as the authorized person at his absolute discretion may deem fit and necessary or desirable in connection with the issue and allotment of the Bonus CRPS and to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board, be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may at their sole discretion deem necessary, desirable or expedient to the issue and allotment of CRPS and to resolve and settle any question, difficulty or doubt that may arise in regard to any such issue, offer and allotment of Bonus CRPS, without being required to seek any further consent or approval of the shareholders”

- (10) To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the recommendation of the Board of Directors (hereinafter referred to as the “Board” which term shall include any Committee(s) which the Board may constitute to exercise powers of the Board including the powers conferred by this resolution) and provisions of the Companies Act, 1956 and to the provisions of Articles of Association of the Company and subject to the applicable regulations/ guidelines of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and any other appropriate authority, as may be necessary and other statutory approvals, if any, the consent of the members of the Company be and is hereby accorded to the Board to issue and allot 2,36,280 (Two Lakh Thirty Six Thousand Two

Hundred and Eighty only) Cumulative Redeemable Preference Shares (CRPS) of Rs. 100/- (Rupees One hundred only) each at par aggregating to Rs.2,36,28,000/- (Rupees Two Crore Thirty Six Lakh Twenty Eight Thousand only) as Bonus Shares credited as fully paid-up by capitalisation of the Company’s Securities Premium Account, as may be considered necessary in proportion to one Bonus CRPS for every 24.33 existing fully paid CRP Shares to such Members holding fully paid-up CRPS as per the Register of CRP Shareholders as on June 30, 2011, in such manner, terms and conditions as may be determined by the Board in accordance with applicable statutory provisions, rules and regulations”

“RESOLVED FURTHER THAT where the proportion of the new CRPS to be allotted as Bonus Shares is not in the exact proportion of the holding of existing CRPS and results in any Member becoming entitled to a fraction of the new shares to be allotted as Bonus Shares, any fraction 0.5 or above will be rounded off to next number and below 0.5 will be ignored”

“RESOLVED FURTHER THAT the Bonus Shares to be issued as fully paid shares are subject to the Memorandum and the Articles of Association of the Company”

“RESOLVED FURTHER THAT the Company be and hereby approves June 30, 2011 as the date for the issue of CRPS”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to finalise and arrange for the submission of any documents with any Government and Regulatory Authorities, Institutions or Bodies, as may be required and applicable, decide terms and conditions of the CRPS, and all other related matters, as per applicable laws, regulations or guidelines for the time being applicable, authorise any Director or Directors of the Company or other Officer or Officers of the Company, including any power of attorney holder granted in this regard, to do such acts, deeds and things in connection with and incidental thereto, as the authorized person at his absolute discretion may deem fit and necessary or desirable in connection with the issue and allotment of the CRPS”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board, be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may at their sole discretion deem necessary, desirable or expedient to the issue and allotment of CRPS and to resolve and settle any question, difficulty or doubt that may arise in regard to any such issue, offer and allotment of CRPS, without being required to seek any further consent or approval of the shareholders”

By order of the Board
For IL&FS Engineering and Construction Company Ltd.

Place : Hyderabad
Date : August 8, 2011

G. Venkateswar Reddy
Company Secretary

NOTES:

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. BLANK PROXY FORM IS ATTACHED.
- (2) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business set out above is annexed hereto and forms part of the Notice.
- (3) Details required under Clause 49 of the Listing Agreement with Stock Exchanges in respect of Directors seeking appointment / re-appointment at the Annual General Meeting are incorporated in the Report on Corporate Governance forming part of this Annual Report.
- (4) Members / Proxies are requested to hand over the enclosed Attendance Slip duly filled in, at the entrance for attending the meeting.
- (5) Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.
- (6) Documents referred to in the accompanying Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during office hours between 11 a.m. and 5.00 p.m. on all working days prior to the date of the Annual General Meeting.
- (7) The Register of Members and Share Transfer Books of the Company will remain closed from September 7, 2011 to September 13, 2011 (both days inclusive) for the Annual General Meeting.
- (8) Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Registrars of the company i.e. Karvy Computershare Private Limited, Plot No. 17-24 Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 in respect of their physical share folios, if any.
- (9) Shareholders are requested to bring their copies of Annual Report to the Annual General Meeting.
- (10) Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
- (11) In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

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

Item Nos. 4 to 7:

In order to restore the capital base that was significantly impaired due to the provisioning/write off as a result of disruption in operations, and widen the operations of the Company in the interest of all stakeholders involved, the Company had inducted SBG Projects Investments Limited ("SBG"), Mauritius, a Saudi Binladin Group Company (a Group based in Jeddah, Kingdom of Saudi Arabia with a turnover of about USD 4.36 billion and having around 90,000 employees, including 6,830 professionals) as Strategic Investor, who effected an investment of over Rs. 300 Crores in the Share Capital of the Company. The foregoing was done after obtaining all statutory approvals required i.e., from Shareholders, Securities Exchange Board of India and Stock Exchanges etc.

Pursuant to the Shareholders' Agreement with SBG, SBG had been provided the right to have four directors appointed on the Board. This right has been confirmed by the Hon'ble Company Law Board pursuant to the order dated November 4, 2010.

The proposal to induct four Nominees of SBG as Non-Executive Directors would not in any way tilt the balance of Management control in favour of SBG as the Company would continue to be professionally run by a management team, and would continue to be supervised on a day to day basis by the Directors nominated by IL&FS.

Item No.8:

Reserve Bank of India (RBI) vide its letter No. No.FE.CO.FID.No.17789/10.21.167/2010-2011 dated January 24, 2011, provided its approval for the Open Offer for acquisition of upto 1,54,89,071 equity shares of the Company by SBG Projects Investments Ltd.

While providing the above approval, RBI had laid down a condition that the Company may delete the Clause 12 under the other objects of their Memorandum and Articles of Association by passing a resolution to the effect by the Board of Directors of the Company under advice to RBI.

The Clause No.12 in the other objects of the Memorandum of the Company reads as follows:

"12. To acquire by purchase, grant concession, lease or otherwise any lands, plantations, forests, timber, bamboo forests and woods of all kinds whether standing or otherwise, lumbering rights and privileges over lands situated in India or elsewhere, to raise, cultivate, produce crops, plantations, fruits, vegetables and all types of agricultural produce and to cut, sell, prepare for market and deal in all kinds and products of any such forests, timber & woods and lands & plantations."

In the context of the Foreign Direct Investment by SBG Projects Investments Ltd., RBI had laid the above condition. The Company

had informed RBI that the same will be placed before the Shareholders in the forthcoming Annual General Meeting for their approval.

None of the Directors of your Company are concerned or interested in the said resolution.

Your directors commend the said resolution for your approval.

Item Nos. 9 and 10 :

Your Company was sanctioned with a Corporate Debt Restructuring Scheme during last Financial Year by Banks for various loans. One of the Components of restructured loans was Conversion of Term Loan of Rs.250 Crore and Funded Interest Term Loan of Rs.57.50 Crores into Optionally Convertible Cumulative Redeemable Preference Shares and Cumulative Redeemable Preference Shares respectively. The Master Restructuring Agreement executed with the Lenders states that " From April 01, 2010 till allotment of OCCRPS/CRPS no interest would be payable in cash. The return on the same would be cumulated along with the principal and the OCCRPS would be issued on the outstanding amount as on the date of issuance. The effective date of coupon calculation shall be April 01, 2010". The Company had allotted CRPS on December 06, 2010 and OCCRPS on March 31, 2011. Further, according to Reserve Bank of India's Circular dated May 18, 2011 non-payment of any return on preference shares make these investments into Non-Performing Investments which shall have a severe impact on the ongoing CDR implementation in the Company.

In view of the foregoing, to meet the above requirement, the Board of Directors of the Company have approved the issue of Bonus Preference Shares to the CDR Banks who are Preference Shareholders, as follows:

- (i) 15,00,000 Cumulative Redeemable Preference Shares (CRPS) of Rs.100/- each as Bonus Shares to the existing Optionally Convertible Cumulative Redeemable Preference

Shareholders (OCCRPS) of the Company as on June 30, 2011 (being the record date) in the ratio of 1:16.67 (i.e. One fully paid Bonus CRPS of Rs.100/- each for every 16.67 OCCRPS held); and

- (ii) 2,36,280 Cumulative Redeemable Preference Shares (CRPS) of Rs.100/- each as Bonus Shares to the existing Cumulative Redeemable Preference Shareholders of the Company as on June 30, 2011 (being the record date), in the ratio of 1:24.33 (i.e. One fully paid CRPS of Rs. 100 each for every 24.33 CRPS held).

The above bonus CRPS would carry a coupon rate of 6% per annum payable from the date of allotment till redemption. The bonus CRPS on OCCRPS would be redeemed in five tranches from 2012 to 2016 and the Bonus CRPS on CRPS would be redeemed on March 31, 2015. It is therefore proposed that a sum of Rs. 17,36,28,000/- standing to the credit of Company's Securities Premium Account as may be considered necessary be capitalized and transferred to the share capital account by issue and allotment of above CRPS of Rs. 100/- each as fully paid up by way of bonus CRPS to the preference shareholders of the Company whose names appear in the register of preference shareholders as on June 30, 2011.

The approval of the shareholders is being sought as per the provisions of the Articles of Association of the Company.

Accordingly, the Board recommends the resolution for approval.

None of the directors of your Company is, in any way, concerned or interested in this resolution.

By order of the Board

For IL&FS Engineering and Construction Company Ltd.

Place : Hyderabad
Date : August 8, 2011

G. Venkateswar Reddy
Company Secretary

DIRECTORS' REPORT

The Shareholders

IL&FS Engineering and Construction Company Limited

Your Directors take pleasure in presenting the Twenty-Third Annual Report along with the Audited Accounts for the Financial Year ended March 31, 2011.

FINANCIAL RESULTS:

(Rs. in Crores)

Particulars	2010-11	2009-10
Gross Income	1097.11	1003.96
(Loss) / Profit before Interest, Depreciation, exceptional items and Tax	10.8	(46.46)
Interest and Finance Charges	74.36	150.94
Depreciation	56.96	83.67
(Loss) / Profit before exceptional items, tax and Prior period items	(120.52)	(281.07)
Exceptional items (net)	129.08	39.48
(Loss) / Profit before Tax and Prior period items	8.56	(241.59)
Provision for Taxes	(6.07)	-
Less: Prior Period Expenses (net)	11.72	8.05
(Loss) / Profit after Tax	2.91	(249.64)
Transfer (from)/ to General Reserves	-	-
Paid up Equity Capital	77.37	58.85
Preference Share Capital	307.50	Nil
Share application money pending allotment	Nil	354.27
Reserves and Surplus - Net of Profit & Loss A/c debit balance	197.18	(145.41)
Net worth	582.05	268.04
Earnings per share (In Rupees)		
- Basic	(2.64)	(42.42)
- Diluted	(2.64)	(42.42)

Previous year's figures have been regrouped / rearranged to conform to those of the current year.

DIVIDEND :

Due to the current financial conditions faced by the Company, your Directors express their inability to recommend any dividend to the Shareholders for the year.

OVERVIEW:

During the year under review, the operations of your Company have been largely stabilized. Various new personnel were inducted in the top level management of the Company. The Company could successfully execute Master Restructuring Agreement (MRA) for restructuring of its existing debt, under Corporate Debt Restructuring (CDR) Scheme. Your Company could also successfully complete One Time Settlements with 5 other banks during the year. Your Company was able to induct Saudi Binladin Group (SBG) of Saudi Arabia as a Strategic Partner in the

Shareholders' Consortium. SBG Projects Investments Limited, a part of SBG, has executed a Shareholders' Agreement on June 19, 2010 for investment of 20% in the equity share capital of your Company i.e. Rs. 301.92 crores. The Promoters of your Company, namely Infrastructure Leasing and Financial Services Ltd. (IL&FS) had lent its brand name and the name of your Company had been changed from Maytas Infra Ltd., to IL&FS Engineering and Construction Company Ltd. SBG and IL&FS had completed Open Offer to acquire up to an additional 20% from the market as per SEBI (SAST) Regulations.

The Company has proposed to issue Bonus Preference Shares to existing Preference Shareholders. The Company also proposes to undertake Capital Restructuring Scheme to set off accumulated losses against the Securities Premium Account etc. so that going forward the Company would be able to declare dividend to the Shareholders as and when balance in profit and loss account is available in the Company.

With all these measures, your Company is now confident of undertaking and meeting future obligations.

(1) Induction of SBG :

Your Company had approached the Hon'ble Company Law Board (CLB) for its permission to allow four nominee Directors of SBG Projects Investments Limited (SBG) on the Board of your Company. However, the Management Control of the Company was to remain with IL&FS Group and the IL&FS Group would also continue to hold a minimum of 26% share holding in the Company as per Order dated August 31, 2009 of the Hon'ble CLB. The Hon'ble CLB vide its Order dated November 4, 2010 has approved the appointment of four nominees of SBG on the Board of the Company and further advised, the nominee directors of Central Government, that they shall ensure that the Management Control of the Company rests solely with IL & FS and in case of any apprehension to the contrary they shall approach the CLB forthwith for appropriate directions.

(2) Change of Name of the Company:

Your Company has been renamed as '**IL&FS Engineering and Construction Company Limited**' pursuant to completion of all formalities and process under the provisions of the Companies Act, 1956, and on receipt of Certificate of Incorporation dated January 7, 2011 issued by Registrar of Companies, Andhra Pradesh, Ministry of Corporate Affairs, Government of India. The Company had conducted the process of Postal Ballot pursuant to provisions of Section 192A of the Companies Act, 1956 ("the Act") for passing a Special Resolution under Section 21 of the Act, for change of name of the Company.

(3) Capital :

(a) Increase in Authorised Capital of the Company and alteration of Memorandum

During the year under review, your Company has increased its Authorised Share Capital from Rs. 75,00,00,000/- (Rupees Seventy-Five Crore only) to Rs.500,00,00,000/- (Rupees Five hundred Crore only) at the Extra-Ordinary General Meeting of the Members held on July 19, 2010.

(b) Allotment of Shares to SBG Projects Investments Ltd.