

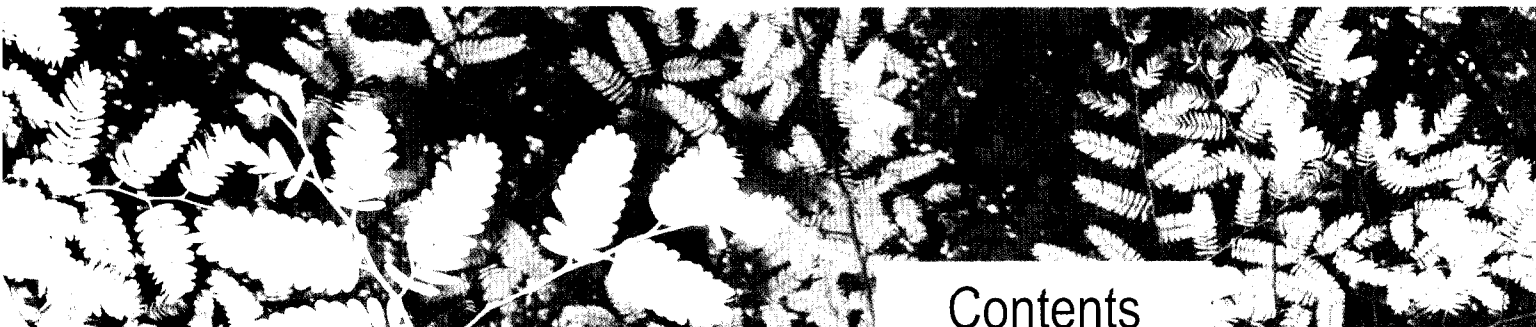


KALPATARU POWER TRANSMISSION LTD.



Annual Report
2005





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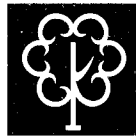
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KALPA-TARU^(SM)

The concept of our Annual Report has been inspired from our name Kalpataru. Synonymous with Kalpavruksha, the mythological tree beneath which every conceivable wish is fulfilled and it is this that governs our functional and philosophical ideologies at Kalpataru

On a philosophical level Kalpavruksha inspires us to dream and imagine. It inspires us to think big. It gives us the confidence to work for our dreams. It lifts our lives out of burdensome existence to living for our dreams. Nothing seems impossible then.

At a practical level, the tree sets an example of how to lead a life of fulfillment. The tree inspires us through its sheer height. It teaches us persistence. The roots strike deep to draw life from the soil, thus encourages us to stay true to our values and ethics and remain rooted in reality. The tree nurtures growth. It sustains life of those who depend on it, be it human being, birds or any other living being. The tree adapts to changing seasons, constantly renewing. The tree grows through seasons, surviving through favorable and unfavorable conditions, evolving continuously.

We, at Kalpataru are inspired by this benevolent tree that embodies all that we believe in and all that we work for.

We invite you to join us in our learning journey....

Board of Directors

Mr. Mofatraj P. Munot

Chairman

Founder and Chief Promoter of Kalpataru Group with over 40 years of experience in the field of Real Estate and Property Development, Civil Contracting & various Industries. Currently Chairman of Kalpataru Construction Overseas Private Limited and President of Maharashtra Chamber of Housing Industry (MCHI).

Mr. Mahendra G. Punatar

Executive Vice Chairman

MS (Structural Engineering) from University of Michigan, USA with over 45 years of experience in transmission line towers.

Mr. K. V. Mani

Managing Director

Bachelor of Engineering and MBA. Has 40 years of experience in Transmission Industry, mainly Construction, Project Management and Overseas Marketing.

Mr. Parag Munot

Promoter Director

MBA, Carnegie Mellon University, USA with 12 years of experience in Real Estate and Property Development. Currently Executive Director of Kalpataru Constructions Group.

Mr. Ajay Munot

Executive Director

Chartered Accountant and Bachelor in General Law with over 10 years of experience in various Industries.

Mr. Imtiaz Kanga

Promoter Director

Chartered Accountant with 25 years of experience in various Industries.

Mr. Sajjanraj Mehta

Independent Director

Chartered Accountant with over 30 years of experience. Is a Consultant in the field of Foreign Exchange, Taxation and Corporate Affairs and Strategy.

Mr. Vimal Bhandari

Independent Director

Chartered Accountant having experience of more than 20 years in Financial Services sector. He was Executive Director of IL&FS Ltd. Presently, he is Country Manager - Aegon India.

Mr J.C.Shah

Independent Director

Ex-Chairman- Gujarat Electricity Board with over 40 years in managing Power utilities.

Executive Management Team

Mr. Dinesh B. Patel

President (Operations)

Mr. Kamal K. Jain

President (Finance & Administration)

Mr. B. K. Satish

President (Engineering & Marketing)

Mr. Gyan Prakash

President (Pipelines)

Company Secretary

Mr Bajrang Ramdharani

Auditors

Mr. Kishan M. Mehta & Co., Ahmedabad

Bankers

Indian Bank

Oriental Bank of Commerce

Union Bank of India

State Bank of India

EXIM Bank

ICICI Bank Ltd.

HDFC Ltd.

Corporate Office

111, Maker Chambers IV, Nariman Point
Mumbai - 400 021. India.

Tel No.: 91 - 22 - 2282 2888 / 2288 4780

Fax No.: 91 - 22 - 2204 1548

Factory & Registered Office

Plot No. 101, Part III,
G.I.D.C. Estate, Sector 28,
Gandhinagar - 382 028, Gujarat, India.
Tel No.: 91 - 79 - 2321 1951 / 2321 1955
Fax No.: 91 - 79 - 2321 1966 / 68 / 71
Email: kptl@kalpatarupower.com

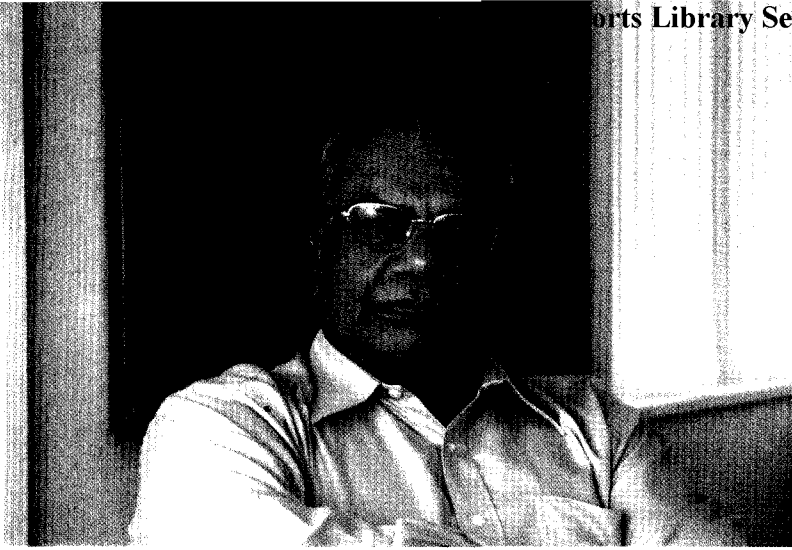
Website

www.kalpatarupower.com

Inspires

We believe in exceeding
our customers and
shareholders' expectations,
delivering our projects on time
with high standard of quality

Soaring skywards
with roots deep
into the earth.
We are thus inspired...



Chairman's Letter

Dear Shareholders,

The year 2004-2005 has been a path breaking year in your company's history. I would like to share with you some of the milestones that we have achieved and our strategy going forward.

Our Transmission Business will strive to maintain its growth momentum, given the increased Government spendings on T&D sector in India and overseas. Our integrated infrastructure covering Design/Engineering, Testing, Fabrication and Construction capabilities coupled together with our strong project management skills has positioned us as a strong player in India, with over 1500+ Kms of 400 / 765 Kv projects under execution. We are further investing in a new 18,000 MTs fabrication plant and further stringing equipments. After successful completion of multiple turnkey projects in the International market, your company is fully pre-qualified to emerge as a dominant EPC player in the business of Transmission Line globally.

Our Real Estate Division has successfully and profitably completed the project "Kalpataru Habitat" at Parel. By the opening up of FDI in Real Estate, the Industry is going to have a lot of new opportunities in the near future and we may also partake in property development business in

Mumbai, where Kalpataru Group has a strong reputation and credibility for over the last 35 years.

The Power generation sector hold enormous potential and with our improving experience in managing small Power Generation plants, we're setting up another 8 MW biomass fired plant at Tonk, Rajasthan.

Creating a robust Infrastructure is vital for sustaining our country's growth rate. Infrastructure is the vehicle for economic development. Realizing this imperative, investment allocations by Central / State Governments are increasing across various sectors - be it Power, T&D networks, Roads, Pipelines etc.

We, at Kalpataru Power, have adapted our strategy and business profile to emerge as a Infrastructure player in this country. In this regard, we are creating new growth platforms and capabilities to drive future revenue growth.

In this year, we have ventured into Rural Electrification to benefit from the APDRP programs of the MoP/ Distribution utilities. We have also set up a specialized team for Oil & Gas pipelines and making capex spending for Pipeline Equipments in the current year to help domestic Oil & Gas companies to lay cross country pipelines.

To attain our objectives and build up specialized teams across new areas of

infrastructure and contracting, we have further acquired a controlling stake (46%) in JMC Projects (India) Ltd., which is one of the leading Civil Contracting company with strong presence in the Factories, Industrial Structures, Buildings, Software Parks and Roads & Bridges. It has a dedicated team of over 850+ people with good execution track record. We will work jointly with their management team to improve its profitability, financial strength, risk taking ability and scale of their operations over the next 2-3 years.

And lastly, the Kalpataru Group has crossed the coveted Rs. 1000 Crore mark in revenues.

As ever we are indebted to our employees, at all levels, and in particular to the team work, hard work and commitment that they give each year to the Company. On behalf of the Board, I would like to thank our people for their continued efforts.

Before I conclude, I would also like to thank our Bankers, vendors, Business partners and Investors like yourselves who have always supported and encouraged us in our humble endeavors.

MOFATRAJ MUNOT
7th May 2005

Our people take
pride in our
work and in our
community.

Striking roots deep and far,
drawing life from life.
This is our way...

Strong Roots



Financial Highlights

- Sales turnover up 57% to Rs. 5.67 Billion (USD 128 Billion).
- The Profit Before Tax (PBT) up 137% to Rs. 434 Billion (USD 10 Million).
- Tangible network of Rs 1.13 Bn (USD 26 Million).
- Total order booking (including expected jobs wherein favorably placed) is in excess of Rs. 11 Billion (USD 250 Million), a record high for the company.
- Third consecutive year of record capacity utilization with production at 49,110 MTs.
- Debt Equity Ratio (including long term and working capital) below 1:1.

Operational Highlights

- Completion of prestigious Rihand Project for PowerGrid Corporation of India Ltd. involving approx 900 Km of 400 KV D/C line completed ahead of contractual schedule.
- Completion of third turnkey overseas project for ZESCO, Zambia for 330 KV S/C 190 Km line within record time of 9 months, ahead of contractual schedule.
- Successful Testing of over 100th Towers at our Testing Station and R & D Centre.
- Also awarded the Rs. 930 Million (USD 21Million) EPC Project for 132 Kv D/C Transmission Lines by Kaharama, Qatar.

Investment Highlights

- The company has acquired 46% stake in JMC Projects (India) Ltd. a leading Rs. 2.4 Billion (USD 55 Million) Civil Contracting company, with expertise in Factories, Buildings / IT- Parks, Roads & Bridges.
- Capex plans for year 05-06 include-
 - a) New Tower Fabrication plant of 18,000 MTs at Gandhinagar taking installed capacity to 72,000 MTs by July 2005.
 - b) Investment in specialized equipments for laying cross country Oil & Gas pipelines.
 - b) Another 7 MW (net) Biomass based power plant at Tonk, Uniara to be commissioned by March 2006.

Director's Report

TO
THE MEMBERS,

Your Directors have pleasure in submitting the 24th ANNUAL REPORT on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS	2004-2005 (Rs. in Million)	2003-2004 (Rs. in Million)
Total Revenue	5680.96	3627.92
Profit before Depreciation	489.55	228.62
Less: Depreciation	54.99	45.24
Profit before Taxation	434.56	183.38
Less: Provision for Taxation	139.04	16.71
Provision for deferred Taxation	8.37	25.41
Net Profit after Taxation	287.15	141.22
Add: Surplus brought forward from previous year	319.48	235.69
Add: Prior year's adjustments	(0.85)	(0.67)
Profit available for appropriation:	605.78	376.24
APPROPRIATIONS		
Transfer to General Reserve	30.00	20.00
Proposed Dividend on Equity Shares	54.31	32.58
Corporate Tax on Proposed Dividend	7.10	4.18
Balance carried to Balance Sheet	514.37	319.48
	605.78	376.24

DIVIDEND

Your Directors are pleased to recommend payment of dividend for the year ended 31st March 2005 @ 50% (Rs.5 per equity share of Rs.10 each).

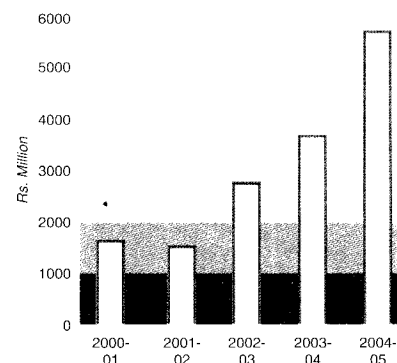
OPERATIONS

During the year, your Company has achieved a record level of turnover of Rs. 5668 Million (USD 130 Million) as against Rs. 3,621 Million in the previous year which shows a healthy growth of 57% for the year. Profit

before tax increased by 138% from Rs.183 million in 2003-2004 to Rs.435 million (USD 10 Million) in 2004-2005 and Profit after tax increased by 104% from Rs.141 million in 2003-2004 to Rs.287 million (USD 6.5 Million) in 2004-2005.



Sales Revenue



TRANSMISSION LINE DIVISION

The Company continuously strives to enhance its infrastructure, capabilities and Project management skills to retain its position as a leading EPC player in the Power Transmission Sector in India and across the world.

The Division has achieved revenue of Rs. 4812 Million (over USD 111 Million) registering a growth of over 50% and contributing to approx 85% of the Company's revenues. The Division hopes to maintain the growth momentum in the current year also.

Your Company has achieved its highest ever production during the year which was at 49110 MTs as against 47,759 MTs in the preceding year. With a production level of 48000+ MTs continuously achieved over the last three years qualifies us as one of the World's largest and reliable manufacturers of towers.

The Company has completed 4 prestigious Power Grid projects of involving approx 900 Km of 400 KV (D/C) Transmission Lines through Rihand, Allahabad, Kanpur, Mainpuri, and Ballabgarh ahead of original schedule. Also we completed our third overseas turnkey project of 330 KV S/C Transmission Line Project for ZESCO, Zambia within record period of 9 months ahead of

contractual schedule. Both these projects demonstrate our unparalleled project management skills.

The total export turnover (including overseas projects and deemed exports) was Rs. 1607 Million (USD 36.5 Million) in 2004-05 as against Rs. 632 Million in 2003-04, out of which physical exports are Rs. 949 Million (USD 22 Million) as against Rs. 420 Million in the previous year.

The Company has been successful in increasing its order book position with ambitious plan of Power Grid to build the National Grid in India. The present order booking, including orders expected shortly is approx Rs. 11 Billion, which surpasses the previous best for the company. After the successful completion of turnkey jobs in Algeria, Turkey and Zambia, the company was awarded another turnkey job of 132 Km for a 132 KV Overhead line worth over USD 21 Million (our share in consortium) by KAHRAMAA, Qatar in consortium with ABB GmbH, Germany. Your company is constantly exploring overseas markets for further jobs viz. Libya, GCC, Ethiopia, Algeria, Tanzania, Philippines etc. The company aims to become a dominant force as an EPC Contractor in the international market.

Looking to the present level of demand in the domestic and

international markets, the present installed capacity of the company for fabrication and galvanization of Transmission Line Towers falls short. To cope up with this demand, the Company is setting up a 100% Export Oriented Unit (EOU) at Gandhinagar at an installed capacity of 18,000 MTs / p.a for Transmission Line Towers at a cost of Rs.120 Million, which is expected to be commissioned in July, 2005.

It is expected that the Transmission line division would continue to perform well, given the healthy order book, cost leadership and operational efficiency of your company.

Rural electrification and distribution

Given the tremendous importance and thrust by the GOI on Rural Electrification your company has been able to secure Rs. 700 Million orders under APDRP program from Power Grid and State Electricity Boards.

INFRASTRUCTURE DIVISION

As conveyed in the last report, the Company has made an entry into Construction / laying of cross country