



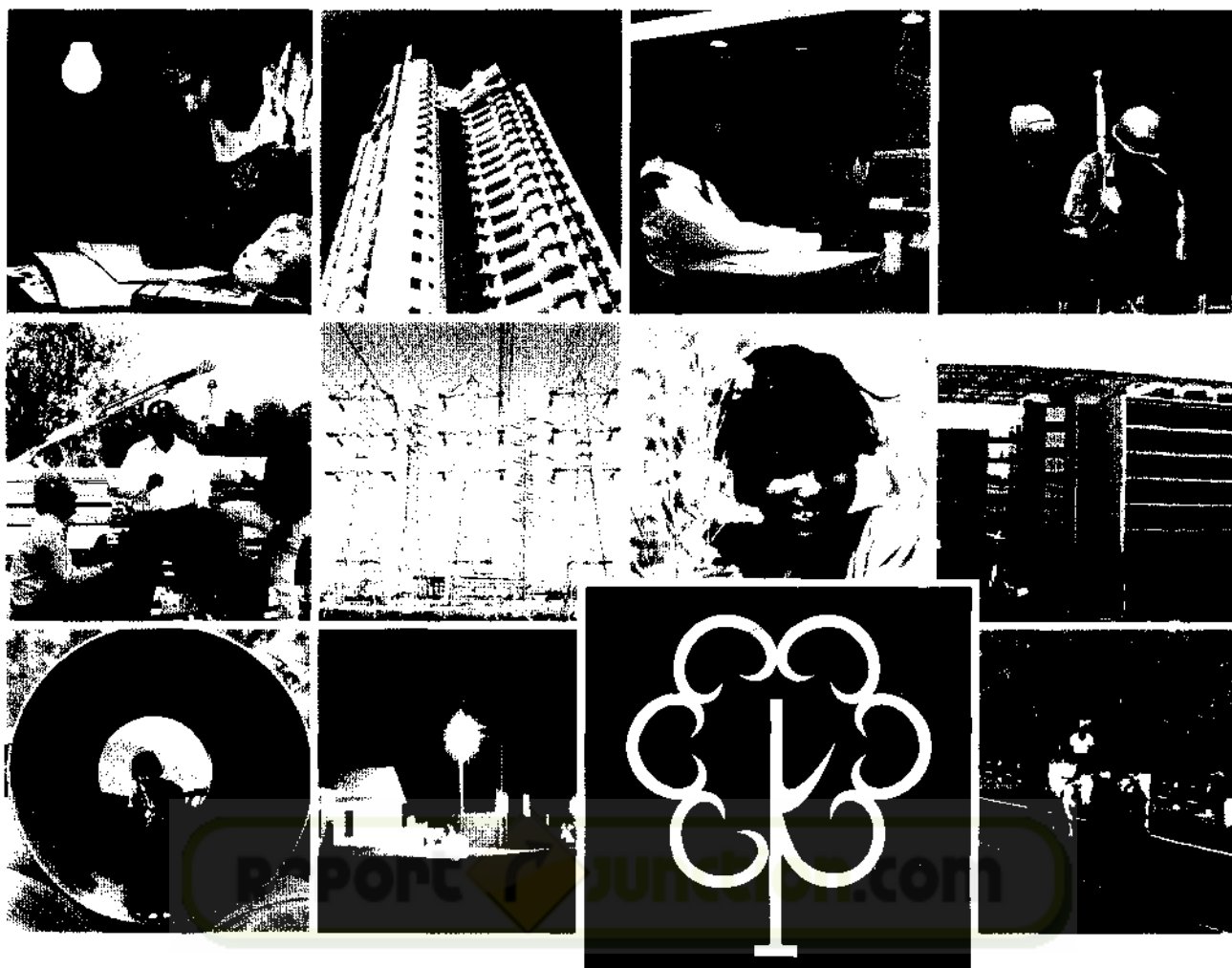
KALPA-TARU

KALPATARU POWER TRANSMISSION LTD.

Report  JUNCTION

Empowering our people

Annual Report 2005 - 06



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KALPATARU POWER TRANSMISSION LTD.



T E A M

At Kalpataru we endeavor to create a world in which everyone's wishes are fulfilled. Just like the mythological tree *Kalpavruksha*. This mission guides all that we do at Kalpataru.

We believe that our people wish to lead lives that are fulfilling. Our people wish to realize their full potential. They wish to contribute towards our company and society through their work that creates value for everyone.

The way to develop people is to empower them through training, trust and transparency in operation. See some confident and happy faces in our report. See how charged they are. You will know why we are so proud of them.

We connect people through shared vision, goals and teams that are energized by the challenges that they take on every day.

All the success, all the wealth, all the prosperity will be just a passing phase if we do not care for our society and environment. Sustainability of everything is our watchword.

We invite you to share with us our efforts, progress, and pride...

Board of Directors

Mr. Mofatraj P. Munot

Chairman

Founder and Chief Promoter of Kalpataru Group with over 41 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

Vice Chairman

MS (Structural Engineering) from University of Michigan, USA with over 46 years of experience in transmission line towers.

Mr. K. V. Mani

Managing Director

Bachelor of Engineering and MBA. Has 41 years of experience in Transmission Industry, mainly Construction, Project Management and Overseas Marketing.

Mr. Parag Munot

Promoter Director

MBA, Carnegie Mellon University, USA, Executive Director with experience of 13 years and responsible for the Group's Real Estate and Property Development business.

Mr. Ajay Munot

Executive Director

Chartered Accountant and Bachelor in General Law with experience of 11 years and responsible for the Group's Infrastructure and Contracting business.

Mr. Imtiaz Kanga

Promoter Director

Chartered Accountant with 26 years of experience in various Industries.

Mr. Sajjanraj Mehta

Independent Director

Chartered Accountant with over 31 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 21 years in Financial Services sector. He was Executive Director of IL&FS Ltd. Presently, he is Country Manager - Aegon India.

Mr. Shitin Desai

Independent Director

He is having experience of more than 25 years in Financial Services Sector. Presently, he is Executive Vice Chairman of DSP Merrill Lynch Ltd.

Executive Management Team

Mr. Dinesh B. Patel

President & CEO
(Domestic Transmission Line Projects)

Mr. Kamal K. Jain

President & CFO

Mr. B. K. Satish

President & CEO (Distribution Projects)

Mr. N. Sai Mohan

President & CEO (Overseas Projects)

Mr. Gyan Prakash

President & CEO (Pipeline Projects)

Company Secretary

Mr. Bajrang Ramdharani

Auditors

M/s. Kishan M. Mehta & Co., Ahmedabad

Legal Advisor

M/s. Singhi & Co., Ahmedabad

Bankers

Indian Bank
Oriental Bank of Commerce
Union Bank of India
State Bank of India
EXIM Bank
ICICI Bank
GE Capital
IDBI Bank

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 4000 / 2321 1951 / 54
Fax No.: 91 - 79 - 2321 1966 / 68 / 71
Email: kptl@kalpatarupower.com

Corporate Office

'KALPATARU SYNERGY'
8th Floor, Opp. Grand Hyatt Hotel
Vakola, Santa Cruz (E)
Mumbai - 400 055, India.
Tel. No. : 91 - 22 - 30645000
Fax No : 91 - 22 - 30643131

Website

www.kalpatarupower.com
www.jmcprojects.com



KALPATARU POWER TRANSMISSION LTD.



Chairman's Letter

Year 2005-2006 proved to be very significant for our Country and our Company as well on many counts.

Our Country is well on its way to achieve a GDP growth rate, in excess of 8%. Investments by both Public Sector and Private Sector in Infrastructure developments such as Roads, Telecommunication, Power, Oil & Gas etc. are continuing at a fast pace. The Government of India has announced plans for setting-up five Mega Projects of 4,000 MW each to take care of supply and demand gaps. FDI investment in Real Estate Business is another well thought-out move to boost Housing Sector. 100% investment by Private sector in construction of interstate Transmission Lines would become a reality very soon. The Rural Electrification programme has been given a strong thrust under the Rajiv Gandhi Gramin Vidhyutikaran Yojana with 10,000 villages electrified by

March, 2006 and 40,000 villages to be electrified by March, 2007.

Now what does all these events around us, mean to us. Thanks to a well thought out strategy of consolidation, growth and diversification in the Infrastructure sector, our company is fast emerging as a major and active player in the Indian and International markets.

Our Transmission Line Business division catering to Domestic market has registered a robust growth in 2005-06 over previous year and it is expected that similar momentum may continue. Our main manufacturing plant has been operating close to 90 percent of the installed capacity for the last 3 years in succession. Our Project teams are executing over 2,000 Kms of 400 KV lines in 10 states of India. With the level

of investments planned by Government of India, Powergrid and State Electricity Boards, I am certain that we would continue our dominant presence in this sector in future as well.

In the International market, where we made our first foray in 2001 by securing contracts in Turkey and Algeria, we could notch up impressive results within a very short span of less than 2 years. We have secured 3 projects in Algeria, one each in Ethiopia, Qatar and Philippines and few Tower export orders valued in excess of USD 140 Million. Now we have emerged as a global player and would continue our focus in Far East, Middle East and African Regions in future. The capacity of our Export Oriented Unit (EOU) set up last year, was upgraded to 30,000 MTs to support our global demand.

Whilst our achievements in Indian and International markets for Transmission Lines are impressive, I am very glad to inform you of our remarkable success in the Distribution Business Sector, which we ventured into last year only, has already secured contracts exceeding Rs. 9 Billion which would see us electrifying over 5,000 villages in Uttar Pradesh, Bihar, West Bengal, Uttranchal, Rajasthan and Maharashtra. We are presently strengthening our project management skills by inducting manpower at all levels to manage this business sector.

The Company has increased its stake to 49.90% in JMC Projects (India) Ltd.(JMC). JMC has earned a profit of Rs. 13 Million in the last accounting year for 6 months period ended March '06. With an order backlog worth Rs. 8 Billion, JMC is poised to achieve substantial growth and expected to perform financially well in the coming years.

You will be happy to know that our first Biomass based Power Plant at Padampur, Rajasthan, is running satisfactorily and similar plant is being set up at Uniara, Rajasthan, is expected to be commissioned by August '06.

The foray into infrastructure has also started yielding results. The segment is presently executing jobs of laying cross country pipeline of over 440 Kms. Given our Group has the requisite core competency and financial strength, the company will selectively pursue opportunities in the Real Estate Sector and Infrastructure BOT Projects.

We, at Kalpataru, strongly believe that the real assets of our company are our team of dedicated and committed employees, united by a common vision, ethos and culture, forming the backbone of our company. We have been continuously focusing on staff welfare on all parameters and I am indeed proud that we have over the years built up an enviable skill-base with the right mind-set and attitude, which, I am sure, would guarantee a future for themselves and our company.

If we are strong on our financial fundamentals, credit goes to our Bankers, Vendors, Business associates and Investors like yourselves without whose support we would not be, where we are, today.

I have no doubt in my mind that our company is on the right track to outperform ourselves, year after year, on all parameters.

MOFATRAJ MUNOT

1st June, 2006



Financial Highlights

	2001-02	2002-03	2003-04	2004-05	2005-06	2005-06
	Rs. in Million				USD In Million	
Production in MTs	26,639	46,977	47,759	49,110	62,452	62,452
Gross Revenue	1,467	2,701	3,620	5,668	8,712	195
Revenue Growth %	-7.7%	84.1%	34%	56.6%	53.7%	53.7%
International Revenue	871	1,021	442	1,143	1,426	32
Total Expenditure	1,277	2,459	3,293	5,078	7,568	170
Operating Profit (PBDIT & other income)	190	242	327	590	1,144	26
Interest	73	100	106	114	161	4
Profit before Depreciation & Tax (PBDT)	121	154	228	489	1,032	23
Depreciation	30	30	45	55	88	2
Profit before Tax (PBT)	91	124	183	434	944	21
Provision for Taxation (Incl. FBT)	17	33	17	139	276	6
Provision for Deferred Taxation	1	1	25	8	3	0
Profit after Tax (PAT)	73	90	141	287	665	15
Equity Share Capital	109	109	109	109	109	2
**Net Worth	735	799	904	1,130	1,672	37
Long Term Borrowings	375	546	530	234	992	22
Short Term Borrowings	484	678	602	871	1,336	30
Total Borrowings	859	1,224	1,132	1,105	2,328	52
Capital Employed (Net Worth+ Long Term Borrowings)	1,110	1,345	1,434	1,364	2,664	60
Debt Equity Ratio (Total)	1.17:1	1.53:1	1.25:1	0.98:1	1.39:1	1.39:1
Debt Equity Ratio (Long Term)	0.51:1	0.68:1	0.59:1	0.21:1	0.59:1	0.59:1
**Book Value Per Equity Share (Rs)	67.63	73.59	83.27	104.00	153.93	3.45
Earning per Equity Share (Rs)	6.76	8.24	13.00	26.44	61.26***	1.37
Equity Dividend %	15%	15%	30%	50%	50%*	50%*
Operating Profit %	12.9%	9%	9%	10.4%	13.1%	13.1%
Profit before Tax %	6.2%	4.6%	5%	7.6%	10.8%	10.8%
Profit after Tax %	5%	3.3%	3.9%	5%	7.6%	7.6%
Return on Networth %	10%	11.3%	15.6%	25.4%	39.8%	39.8%

* Proposed dividend for the year 2005-06 is on enhanced capital after 1:1 Bonus issue in April, 06.

** Excluding Revaluation Reserve

*** Assumed 44.6 Rs. = 1 USD

**** Share capital stands enhanced to Rs. 217 Million. EPS on enhanced capital is Rs. 30.63.

Financial Highlights

- Sales turnover up 54% to Rs. 8.71 Billion (USD 195 Million).
- The Profit Before Tax (PBT) up 117% to Rs. 944 Million (USD 21 Million).
- Networth of Rs 1.68 Billion (USD 38 Million).
- Total order backlog (including expected jobs wherein favorably placed) is in excess of Rs. 20 Billion (USD 450 Million), a record high for the company.
- 1:1 Bonus Issue to reward the shareholders.
- 50% dividend proposed on enhanced Equity Capital after the Bonus Issue.
- Improved operating margins at over 13%.

Operational Highlights

- Achieved record level production of 62,452 MTs.
- New tower Fabrication unit (100%EOU) at Gandhinagar with 30,000 MTs p.a. capacity commissioned during this year to cater to growing export demand.
- Over 2,000 Kms. of 400KV lines under execution in India.
- Secured 5 turnkey International Transmission line jobs in Algeria, Ethiopia & Philippines worth USD 115 Million.
- Working for 2 pipeline projects in excess of 500 Kms (below 18") for BPCL & GAIL.
- Built up strong capabilities in setting up Distribution networks / Rural Electrification. Over 1,000 villages electrified till March, 2006.

Investment Highlights

- The company has raised its stake to 49.9% stake in JMC Projects (India) Ltd. a leading Rs. 2.4 Billion (USD 54 Million) Civil Contracting company, with expertise in Factories, Buildings, Roads & Bridges.
- Planning GDR / Qualified Institutional Placements upto USD 75 Million.
- Capex & Investment plans for year 06-07 include-
 - a) Investment in specialized equipments for laying cross country Oil & Gas pipelines.
 - b) Routine capital expenditure for maintaining growth and additional investments in JMC Projects (India) Ltd.

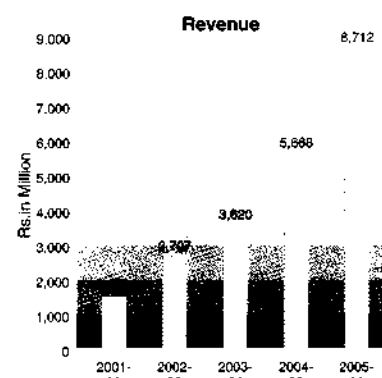


Directors' Report

TO,
THE MEMBERS,

Your Directors have pleasure in presenting the 25th ANNUAL REPORT on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS	2005-2006 (Rs. in Million)	2004-2005 (Rs. in Million)
Total Revenue	8761.06	5680.96
Profit before Depreciation	1031.92	489.55
Less: Depreciation	87.87	54.99
Profit before Taxation	944.05	434.56
Less: Provision for Taxation including Fringe Benefit Tax	275.40	139.04
Provision for deferred Taxation	3.26	8.37
Net Profit after Taxation	665.40	287.15
Add: Surplus brought forward from previous year	514.37	319.48
Add: Prior year's adjustments	(0.91)	(0.85)
Profit available for appropriation:	1178.86	605.78
APPROPRIATIONS		
Transfer to General Reserve	70.00	30.00
Proposed Dividend on Equity Shares	108.62	54.31
Corporate Tax on Proposed Dividend	15.75	7.10
Balance carried to Balance Sheet	984.49	514.37
	1178.86	605.78



DIVIDEND & BONUS SHARES

In the Silver Jubilee year of its incorporation, your Board of Directors have declared and issued the Bonus shares in the ratio of 1:1 by issuance of 10,861,500 Equity Shares of Rs.10 each.

Your Directors are also pleased to recommend payment of dividend for the year ended 31st March 2006 @ 50 % (Rs. 5 per equity share of Rs.10 each) on enhanced Share Capital of Rs. 217.23 Million after issuance of Bonus shares in the ratio of 1:1.

OPERATIONS:

The substantial rise in Power and Infrastructure spending has played key role in Company's robust performance in all the business areas of the Company.

During the year, your Company has achieved a record level of turnover of Rs. 8,712 Million (USD 195 Million) as against Rs. 5,668 Million (USD 128 Million) in the previous year which shows a healthy growth of 54% for the year.

Profit before tax increased by 117% from Rs. 434 Million in 2004-2005 to Rs. 944 Million (USD 21 Million) in 2005-2006 and Profit after tax increased by 132% from Rs. 287 Million in 2004-2005 to Rs. 665 Million (USD 15 Million) in 2005-2006.

TRANSMISSION & DISTRIBUTION DIVISION (T&D)

The Company continuously strives to enhance its infrastructure capabilities and project management skills to retain its position as one of the leading EPC player in the Power T&D Sector in India and across the world.

In the domestic markets, the Company remains one of the largest and most reliable contractors for Power Grid Corporation of India Ltd (PGCIL) with over 2000 Kms of 400 KV lines under execution. PGCIL's increasing capex in pursuit of its objective of setting up the National Grid remains on schedule. During the year the Company has set up a 100% Export Oriented Unit (EOU) for design, fabrication and galvanizing of Transmission line towers and structures thereof at a cost of Rs. 160 Million at a capacity of 30,000 MTs per annum. The Division will cater to higher export demand in the International markets particularly in Sub Saharan African countries and Middle East regions, where the Company is aggressively poised to improve its market share. In the first 7 months of its working, the EOU has produced 9,786 MTs and booked export revenue of Rs. 528 Million.

The EOU plant has been accredited ISO 9001:2000 and ISO 14000: 2004 by Intertek Group Plc, UK having validity upto February, 2009.

The Company has a production capacity of 84,000 MTs per annum and your Company remains one of the largest and cost competitive Tower Manufacturers in the World.

The Company has produced 62,452 MTs as against 49,110 MTs in the preceding year.

The reporting year was also extremely good for International business, especially in Africa and Middle East, where the surging Oil, Gas and Metal prices are increasing government expenditures on their Power networks. After the completion of 3 international turnkey jobs in Algeria, Turkey and Zambia and one under