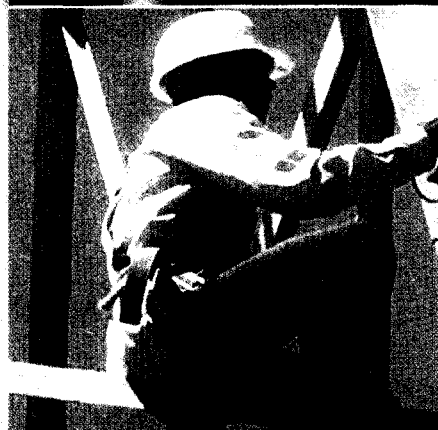
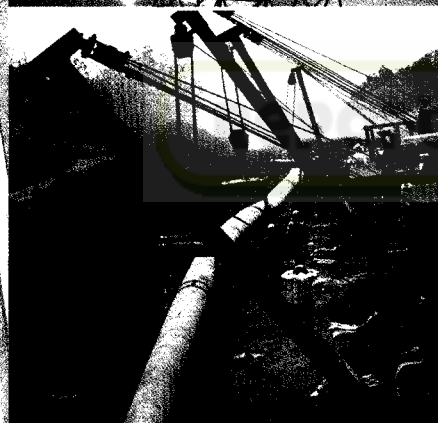
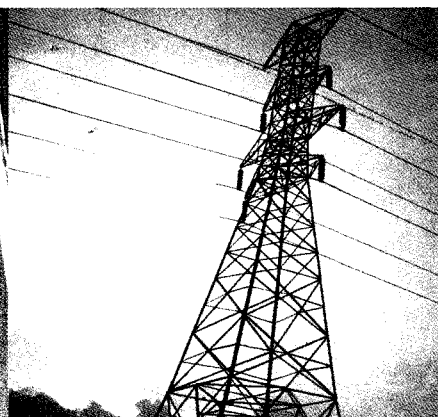




**KALPATARU POWER TRANSMISSION LIMITED**

## Striving for Perfection

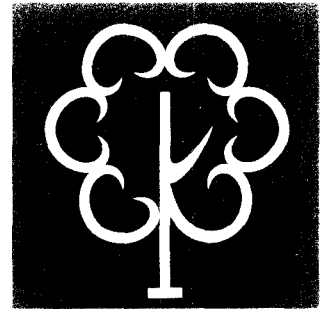
ANNUAL REPORT 2006-07



VISION, LEADERSHIP, INNOVATION  
EXCELLENCE, INTEGRITY, SUSTAINABILITY

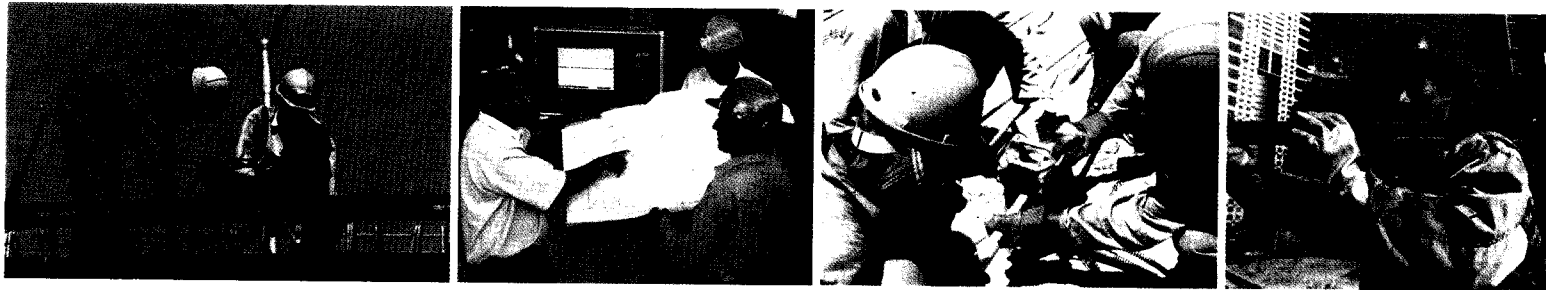
ENERGY

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## *Striving for perfection*

*We strive to move forward, to do better, and to deliver.*

*We challenge ourselves to beat benchmarks, whether of executing projects in difficult terrains or whether of financial performance. When we have no benchmarks to beat, we better ourselves.*

*Already amongst top EPC players in India, we are entering in more and more markets, extending our global reach.*

*We keep perfecting our engineering capabilities so that we deliver timely power transmission projects at optimal costs. We are applying our modern and proven project and resource management skills to massive rural electrification projects thereby empowering and illuminating rural lives. We are playing an important role in urban renewal through quality and timely construction of infrastructure. We keep squeezing project execution time contributing to satisfaction of our customers.*

*Realizing our responsibility towards society, we have been generating power from biomass in rural areas. Also empowering our Parivar through training, trust and shared vision.*

*Our people relish these exciting challenges. We help them in outdoing themselves through our support and care.*

*Not resting on our past laurels, we have dedicated ourselves for bringing a better tomorrow. Find out how....*

**Mr. Mofatraj P. Munot**

**Chairman**

Founder, Promoter and Chairman of Kalpataru Group with over 42 years of experience in the field of Real Estate and Property Development, Civil Contracting & various Industries.

**Mr. Mahendra G. Punatar**

**Vice Chairman**

MS (Structural Engineering) from University of Michigan, USA with over 47 years of experience in transmission line industry.

**Mr. K. V. Mani**

**Managing Director**

Bachelor of Engineering and MBA. Has 42 years of experience in Transmission and Distribution Industry, mainly Construction, Project Management and Overseas Marketing.

**Mr. Parag Munot**

**Promoter Director**

MBA, Carnegie Mellon University, USA with 14 years of experience and responsible for the Groups Real Estate and Property Development Business.

**Mr. Ajay Munot**

**Executive Director**

Chartered Accountant and Bachelor in General Law with over 12 years of experience and responsible for the Groups Infrastructure and Contracting Business.

**Mr. Manish Mohnot**

**Executive Director (from 1.11.2006)**

Chartered Accountant and an ICWA having experience of 12 years of consulting in the field of Oil, Gas, Power and other sectors related to Infrastructure.

**Mr. Imtiaz Kanga**

**Promoter Director**

Chartered Accountant with 27 years of experience in various Industries.

**Mr. Sajjanraj Mehta**

**Independent Director**

Chartered Accountant with over 32 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 22 years in Financial Services sector. Presently, he is Country Manager - Aegon India Pvt. Ltd.

**Mr. Shitin Desai**

**Independent Director**

He is having experience of 26 years in Financial Services Sector. Presently, he is Executive Vice Chairman of DSP Merrill Lynch Ltd.

**Mr. Narayan Seshadri**

**Independent Director (from 29.01.2007)**

Chartered Accountant having experience of 25 years in the field of finance, account, tax and business consulting. Presently running own investment advisory and management services firm.

**Mr. Kamal K. Jain**

President & CFO

**Mr. Dinesh B. Patel**

President & CEO (Domestic -TL Projects)

**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 Ltd.

GE Capital Services India

Industrial Development Bank of India Ltd.

Head Office

'KALPATARU SYNERGY'

8<sup>th</sup> Floor, Opp. Grand hyatt Hotel

Vakola, Santacruz(E)

Mumbai - 400 055, India.

Tel. No.: 91 - 22 - 30645000

Fax No : 91 - 22 - 30643131

**Factory & Registered Office**

Plot No. 101, Part III,

G.I.D.C. Estate,

Sector 28,

Gandhinagar - 382 028, Gujarat, India.

Tel No.: 91 - 79 - 23214000

Fax No.: 91 - 79 - 23211966 / 68 / 71

Email: kptl@kalpatarupower.com

**Website**

www.kalpatarupower.com

www.jmcprojects.com

## KALPATARU POWER TRANSMISSION LIMITED

**Dear Shareholders,**

It gives me immense pleasure to present my views on the macroeconomic scenario for the Indian infrastructure sector, the achievements, challenges and growth strategies of your company.

**Macroeconomic Scenario**

The Indian economy continued its high growth performance and the 11<sup>th</sup> Five Year Plan will continue to emphasize on India's Infrastructure development with a strong focus on public and private investment. The Government plans to add capacity in excess of 60,000 MW by 2012, to meet the objective of "Power for all". This would facilitate expansion of national network and inter regional capacity to transmit power. The MoP would like to attract private participation in transmission line projects through IPTC/ JV route. Under the Bharat Nirmaan program, there is emphasis on the "Rajiv Gandhi Grameen Vidhyutikaran Yojana" (RGGVY) with an objective to electrify all villages and rural households in next 5 years. There is dire need for improving the distribution networks and reducing aggregate technical and commercial losses through private sector participation.

We have seen significant discoveries in the Oil & Gas sector which will enable a lot of opportunities for cross country oil and Gas Pipeline contracts. The draft gas pipeline policy meant to create a common gas market across the country will enable

further growth in this sector. Similarly demand for Civil contracting services such as Housing, Industrial expansions, Roads, Bridges, Irrigation and Water pipelines, etc. continues to grow at fast pace.

**Our Achievements**

Last year, we grew by 80% to reach revenues of Rs 15.67 billion (USD 359 million) and JMC Projects (our 52% owned subsidiary) grew by 76% annualized to reach Rs 5 billion (USD 115 million). Our profitability reached a record high for both companies and consolidated order backlog now stands at Rs 35 billion (USD 800 million). We have a combined workforce of over 2500 people today.

We have radically transformed our organization in the last 5 years from being a transmission line player, to being a well diversified Infrastructure player with a presence straddling across multiple sectors such as Power T & D, Civil Contracting, Oil & Gas Pipelines, Roads & Bridges etc. This journey from a Rs.1.5 billion company in 2001-02 to a consolidated enterprise with turnover of excess of Rs.20 billion has led to our recognition as one of the fastest growing Midcap company of India, with a 5-year compounded average growth rate in excess of 60% p.a. We are strategically poised to benefit from the Government's sustained focus on building India across various sectors and T&D investments across geographies, and hopefully will help us mitigate risks of



competition/pricing pressures in any particular sector or geography.

Our focus on operations and risk management has enabled us to be a leader in the sector with exceptional performance and some of the key strengths include project management capabilities, strong focus on quality management, sharpening cost with reduced delivery cycle. We will continue to build on these areas to achieve operational excellence. We have been able to grow our footprint overseas, across Africa and Middle East and managed to execute these projects within time/cost, despite the increasing complexity of execution in foreign countries and risks associated with fixed price, multi currency contracts. We are reaching out to North American markets for tower supplies.

We have been successful in creating shareholders value through our acquisition of JMC Projects which has achieved a significant turnaround and is on the path of rapid growth. However we still need to improve our learning curve and upgrade our Project Management Skills and there exists possibility to improve margins

We are one of the few Indian infrastructure players having the benefits of financial leverage and our strong financial and cash position gives us tremendous sense of comfort to seize future opportunities.

#### **The Challenges**

We believe that the future will bring a lot of challenges, primarily on competition and margins. Given the opportunity in the power sector, a lot of players have entered the sector, creating additional competition for the existing players. In addition many contracting/ electrical goods firms and new built steel fabricating units are threatening to make inroads in our T & D business, thereby creating margin/ pricing pressures. However we believe that we would continue to deliver margins well above industry average, given our company's cost leadership & focus on operational excellence.

Given the dire shortage of trained manpower, it has become imperative for industry leaders like us to deepen the knowledge of our work force since recruiting and retaining skilled talent is getting increasingly difficult. We will have to use novel methods in our HRD practices, such as our Initiative

on a new Learning Centre, Performance linked pays, creating cultural bonding among all like a Parivar.

#### **The Growth Strategy Ahead**

As we forge ahead, we would definitely focus on sustained growth in our core EPC/ contracting business and continue to enter growth areas like the recent focus of JMC on projects in the Power Plants-civil works and Water Pipeline sectors.

We have recently made our first foray into the warehousing and logistics sector and in the next 5 years ahead hope to build a sizeable presence in few states.

We are also reviewing our portfolio of business to explore opportunities which will help us to enhance long term shareholders value and some of the possible opportunities being discussed include Distribution franchisee (power sector), Logistics, Renewable Energy and BOOT opportunities in the Transmission / Infrastructure sector. There are host of opportunities in Property related sectors such as IT Parks, Integrated Township, SEZ, etc. We would also continue to look for inorganic growth through strategic acquisitions.

We at Kalpataru strongly believe that our People are an integral part of success and play vital role to reach new heights in this challenging and complex business environment. Our people have demonstrated the character to accept challenges and deliver the desired results.

We are grateful for the continuing support from our Bankers, Vendors, Business associates and investors.

At last I would say that success is a continuous journey and many milestones are yet to be achieved. However, we hope to continue to strive to perform better, year after year.

MOFATRAJ P. MUNOT

21<sup>st</sup> May, 2007



KALPATARU POWER TRANSMISSION LIMITED.

## Financial Highlights

	2002-03	2003-04	2004-05	2005-06	2006-07	2006-07
	Rs. in million				USD In million*	
Production in MTs	46,977	47,759	49,110	62,452	78,404	78,404
Gross Revenue	2,701	3,620	5,668	8,712	15,670	359
Sales Growth %	84.1%	34%	56.6%	53.7%	79.9%	79.9%
International Revenue	823	420	949	1,426	4,012	92
Total Expenditure	2,459	3,293	5,078	7,568	13,181	302
Operating Profit (PBDIT & other income)	242	327	590	1,144	2,489	57
Interest	100	106	114	161	280	6
Profit before Depreciation & Tax (PBDT)	154	228	489	1,032	2,335	54
Depreciation	30	45	55	88	168	4
Profit before Tax (PBT)	124	183	434	944	2,167	50
Provision for Taxation (Incl. FBT)	33	17	139	276	553	13
Provision for Deferred Taxation	1	25	8	3	18	-
Profit after Tax (PAT)	90	141	287	665	1,595	37
Equity Share Capital	109	109	109	109	265***	6
**Net Worth	799	904	1,130	1,672	6,418	147
Long Term Borrowings	546	530	234	992	877	20
Short Term Borrowings	678	602	871	1,336	2,490	57
Total Borrowings	1,224	1,132	1,105	2,328	3,367	77
Capital Employed (Net Worth+ Long Term Borrowings)	1,345	1,434	1,364	2,664	7,295	167
Debt Equity Ratio (Total)	1.53:1	1.25:1	0.98:1	1.39:1	0.52:1	0.52:1
Debt Equity Ratio (Long Term)	0.68:1	0.59:1	0.21:1	0.59:1	0.14:1	0.14:1
**Book Value Per Equity Share (Rs)	73.59	83.27	104.00	153.93	242.15	5.56*
Earning per Equity Share (Rs)	8.24	13.00	26.44	30.63	65.32	1.50*
Equity Dividend %	15%	30%	50%	50%	75%	75%
Operating Profit %	9%	9%	10.4%	13.1%	15.9%	15.9%
Profit before Tax %	4.6%	5%	7.6%	10.8%	13.7%	13.7%
Profit after Tax %	3.3%	3.9%	5%	7.6%	10.1%	10.1%
Return on Average Network %	11.7%	16.6%	28.2%	47.5%	39.4%	39.4%

\* 1 USD = Rs.43.59. Figures in this Annual Report in USD (\$) have been converted at this exchange rate only.

\*\* Excluding revaluation reserve.

\*\*\* During the year company has issued bonus shares in the ratio of 1:1 on 24<sup>th</sup> April, 2006. In September, 2006 the company has also issued 4,777,000 Equity Share of Rs. 10 each at a premium of Rs.717 under QIP amounting to Rs. 3.47 billion.

## Performance at a Glance

### Financial Highlights

- Sales turnover up 80% to Rs. 15.67 billion (USD 359 Mn).
- The Profit Before Tax (PBT) up 129% to Rs. 2.16 billion (USD 50 Mn).
- Networth of Rs. 6.4 billion (USD 147 million)
- Total order backlog (including expected jobs wherein favorably placed) is in excess of Rs.23 billion (USD 528 Mn), a record high for the company
- 75 % dividend proposed on Equity Capital.
- Operating margins continue to remain above industry averages.

### Operational Highlights

- Achieved record level production of 78,404 MTs
- Second Bio-mass based 7 MW Power Plant at Uniara, Tonk commissioned during the year.
- Completed over 5,00,000 MTs. Tower supplies and over 8,000 kms of lines.
- Successfully executed multiple 400/765 Kv Transmission projects for Powergrid.
- Increasing international revenues to 25% or over USD 92 Mn with multiple projects in Africa, Qatar and Philippines.
- Completed over 3,000 villages of electrification in last 2 years in over 6 states
- Secured first 11/33 kv distribution project in Kenya and first tower supplies order from North America.
- Successfully completed two pipeline projects in excess of 500 Kms for BPCL & GAIL and on verge of completing 30 inch dia 74 kms. Panvel-Dabhol Gas Pipeline project from GAIL.

### Investment Highlights

- The Company has raised its stake to 52% stake in JMC Projects (India) Ltd. a leading Rs. 5 billion (USD 115 Mn) Civil Contracting company, with expertise in Factories, Buildings, Roads & Bridges, with an order backlog of Rs 12 billion (USD 275 Mn)
- Successfully completed Qualified Institutional Placements issue of Rs 3.47 billion ( USD 75 Mn)
- Capex & Investment plans for year 07-08 include.
  - a) Investment in CNC machines for fabrication plants and construction equipments.
  - b) Routine capital expenditure for maintaining growth and additional investments in JMC Projects (India) Ltd.
  - c) Investment in Warehousing and Logistics business and further new ventures.





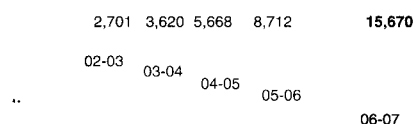
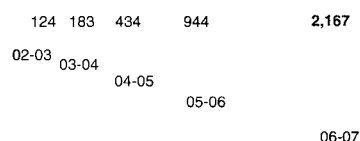
KALPATARU POWER TRANSMISSION LIMITED

## Directors' Report

**TO,  
THE MEMBERS,**

Your Directors have pleasure to present the 26<sup>th</sup> ANNUAL REPORT on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2007.

<b>FINANCIAL RESULTS</b>	<b>2006-2007 (Rs. in million)</b>	<b>2005-2006 (Rs. in million)</b>
Total Revenue	15794.31	8761.06
Profit before Depreciation	2334.10	1031.93
Less: Depreciation	167.64	87.87
Profit before Taxation	2166.52	944.06
Less: Provision for Taxation including Fringe Benefit Tax	553.15	275.40
Less: Provision for deferred Taxation	18.42	3.26
Net Profit after Taxation	1594.95	665.40
Add: Surplus brought forward from previous year	984.49	514.37
Add: Prior year's adjustments	(14.02)	(0.91)
<b>Profit available for appropriation:</b>	<b>2565.42</b>	<b>1178.86</b>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	200.00	70.00
Proposed Dividend on Equity Shares	198.75	108.62
Corporate Tax on Proposed Dividend	33.78	15.75
Balance carried to Balance Sheet	2132.89	984.49
	<b>2565.42</b>	<b>1178.86</b>

**Revenue (Rs. in million)****Profit before Tax (Rs. in million)****DIVIDEND**

Your Directors are also pleased to recommend payment of dividend for the year ended 31<sup>st</sup> March 2007 @ 75 % (Rs.7.50 per equity share of Rs.10 each).

**OPERATIONS**

The overall Indian Industrial outlook and robust Infrastructure spending has contributed in excellent performance in all the business segments of the Company.

During the year, your Company has achieved a record level turnover of Rs.15,670 million (USD 359 million) as against Rs.8,712 million (USD 200 million) in the previous year which shows a healthy growth of 80% for the year.

Profit before tax increased by 129% from Rs.944 million in 2005-2006 to Rs.2,167 million (USD 50 million) in 2006-2007 and Profit after tax increased by 140% from Rs.665 million in 2005-2006 to Rs.1,595 million (USD 37 million) in 2006-2007.

The order backlog (including L1 bids) with the Company is above Rs.23 billion (USD 528 million).

The total export turnover (including overseas projects and deemed exports) was Rs.4,578 million (USD 105 million) or approx 30% of revenues in 2006-07 as against Rs.2,226 million (USD 51 million) in 2005-06.

**TRANSMISSION AND DISTRIBUTION DIVISION**

In line with Company's motto to remain a leading global

EPC player in Transmission & Distribution (T & D), the Company has achieved certain milestones during the reporting year which are evident from the robust all round performance of the Company.

The Company has a production capacity of 84,000 MTs per annum which was utilised 93% to produce 78,404 MTs as against 62,452 MTs in the preceding year.

The 100% Export Oriented Unit (EOU) set up by the Company in 2005, for design, fabrication and galvanizing of Transmission line towers and structures has produced 25,985 MTs as against 9,786 MTs during the first 7 months. EOU has booked export revenue of Rs.1,768 million (USD 40 million) as against Rs.528 million. The unit has optimally utilized its capacity and contributed significantly in top and bottom-line of the Company. Apart from being certified as ISO 9000, this unit has also accredited with ISO 14000 certification from Intertek, UK for environment safety.

The reporting year was also extremely good for International business, particularly in African region where the Company has secured few more jobs in Algeria, Tanzania & Zambia, apart from securing our first rural distribution jobs overseas in Kenya.

Foray into rural electrification projects has also contributed significantly and 15 rural electrification jobs are under execution in the State of Bihar, Maharashtra, Uttar Pradesh, Rajasthan, Uttaranchal and West Bengal. The company's skills in supply chain