

360°

# THE BUSINESS OF CREATION



KALPA-TARU®

POWER TRANSMISSION LIMITED







# C O N T E N T S

Board of Directors	02
360° - The Business of Creation	03
Chairman's Letter	04
Performance at a Glance	06
Key Highlights	07
Directors' Report	08
Annexure To Directors' Report	12
All Round Solutions	14
Management Discussion and Analysis	15
Financial Highlights	25
Corporate Governance	26
Auditors' Report	37
Balance Sheet	40
Profit and Loss Account	41
Schedule to & Forming Part of Accounts	42
Balance Sheet Abstract	62
Cash Flow Statement	63
<b>Consolidated Financial Statements</b>	
Statement Under Section 212 of the Companies Act, 1956 relating to subsidiary companies	64
Auditors' Report	65
Consolidated Balance Sheet	66
Consolidated Profit and Loss Account	67
Consolidated Schedule to & Forming Part of Accounts	68
Consolidated Cash Flow Statement	88

29th Annual Report and Audited Statement of Accounts for the year ended March 31, 2010

# BOARD OF DIRECTORS

## **Mr. Mofatraj P. Munot**, Chairman

Founder, Promoter and Chairman of Kalpataru Group with over 45 years of experience in the field of Real Estate and Property Development, Civil Contracting & various industries.

**Mr. Mahendra G. Punatar**, Independent Director (Structural Engineering) from University of Michigan, USA with over 50 years of experience in transmission line towers.

**Mr. K. V. Mani**, Director  
Bachelor of Engineering and MBA. Has 45 years of experience in Transmission industry, mainly Construction, Project Management and Overseas Marketing.

**Mr. Pankaj Sachdeva**, Managing Director  
B.E (Hons) degree in Electrical Engineering and has over 26 years of Product Marketing and Project Execution experience in Power Systems Sector.

**Mr. Parag Munot**, Promoter Director  
MBA, Carnegie Mellon University, USA with 17 years of experience, is responsible for the group Real Estate and Property Development business. Presently Managing Director of Kalpataru Ltd.

**Mr. Manish Mohnot**, Executive Director  
Chartered Accountant and an ICWA having a rich experience of 15 years in consulting in the field of Oil, Gas, Power and other sectors related to Infrastructure. He is also the Director of JMC Projects (India) Ltd. and Shree Shubham Logistics Ltd.

**Mr. Sajjanraj Mehta**, Independent Director  
Chartered Accountant with over 35 years of experience. A Consultant in the field of Foreign Exchange, Taxation and Corporate Affairs and Strategy.

**Mr. Vimal Bhandari**, Independent Director  
Chartered Accountant with an experience of more than 25 years in Financial Services sector. He was Executive Director of IL&FS Ltd. Presently, he is Country Manager - Aegon India.

**Mr. Narayan Seshadri**, Independent Director  
Chartered Accountant with an experience of 28 years in the field of finance, account, tax and business consulting. Presently, he is the Chairman and CEO of Halcyon Resources and Management Pvt. Ltd.

**Mr. S. P. Talwar**, Independent Director  
Certified Associate of the Indian Institute of Bankers and Member of Indian Council of Arbitration. He is a Law Graduate and Arts honors. He is a hard core Banker and retired as deputy Governor, RBI. He is a Senior Advisor of Yes Bank Ltd.

**Mr. Shitin Desai**, Independent Director (upto 10.05.2010)  
Experience in excess of 28 years in Financial Services sector. He is currently the Executive Vice Chairman of DSP Merrill Lynch Ltd.

## EXECUTIVE MANAGEMENT TEAM

**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)

**Mr. M. A. Baraiya**  
Head - HR

**Company Secretary**  
Mr. Bajrang Ramdharani

**Auditors**  
M/s. Kishan M. Mehta & Co., Ahmedabad  
M/s. Deloitte Haskins & Sells, 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.  
IDBI Bank Ltd.  
Standard Chartered Bank  
BNP Paribas, Abu Dhabi  
Commercial Bank of Kuwait

## 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

## CORPORATE OFFICE

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

## WEBSITE

www.kalpatarupower.com  
www.jmcprojects.com  
www.kalpataru.com  
www.sssl.in



# 360° - THE BUSINESS OF CREATION

It takes a tremendous amount of perseverance, dedication and hard work to find a successful foothold in every sphere of diversification within the infrastructure sector. Over the last 40 years, Kalpataru has excelled at being the leader in infrastructure, simply because of its 360° - the Business of Creation outlook. This very diversification along with a motto to succeed has been the core reason for propelling the group to greater heights.

The exploratory gene, vision, foresight, an unbreakable team and a dynamic view of the industry round off the check list when it comes to having the attributes that make a winning combination. No stone remains unturned in the quest for maintaining and strengthening our leading position.

## EXPERTISE ACCROSS INFRASTRUCTURE VALUE CHAIN

- EPC contracting:
  - › Power transmission and distribution
  - › Oil and Gas Pipeline
  - › Factories and Buildings
  - › Roads and Bridges
  - › Power plant construction
  - › Water Pipeline
- Ownership of assets:
  - › Power Transmission
  - › Road
  - › Logistics and Warehousing

## ORDERS

- Exceeding Rs. 50 billion (\$1billion)
  - Domestic Rs.35 billion
  - Overseas Rs. 15 billion
  - Consolidated Order Book exceeding Rs. 77 billion

## INVESTING FOR FUTURE

- Cumulative last 4 year capex exceeding Rs. 3 billion
- Investment in subsidiaries in past 4 years exceeding Rs. 1.25 billion

## DIVERSIFICATION

- JMC projects
- Shree Shubham Logistics
- Oil and Gas Pipelines
- Annuity/Boot projects
- Real Estate Development

## PRODUCTION CAPACITY

- In excess of 108,000 MTs
  - Main Plant - 78,000 MTs
  - EOU - 30,000 MTs
  - Planned addition of 30,000 MTs

## TECHNOLOGY

- Global solutions for design
- Automated production lines
- Integrated solution (SAP)
- Automated testing stations
- Facility to demonstrate helicopter simulation at tower testing station

## PEOPLE

- Work force exceeding 5,000
- Dedicated training centre

# CHAIRMAN'S LETTER



**D**ear Stakeowners,

I'm once again delighted to address all our stake holders thorough this yearly communiqué whereby I appraise you all on our plans going forward.

The Company reported a spectacular all round performance in the year 2009-10. The revenue of the Company grew by 38% to Rs. 25.96 billion, Net Profit registered a strong growth of over 80% to Rs. 1.70 billion. The consolidated revenue of the Company surpassed Rs. 40 billion mark. We have seen significant improvement in operating margins over the previous year with consolidated EPS of Rs. 67.05.

At heart we have a non - negotiable commitment for consistent growth and value creation, with our continued commitments to world class on time delivery of infrastructure by leveraging our core competence & expertise in design, engineering and project management. Our focus will continue to explore avenues/opportunities for creating value from all our infrastructure spectrum which evolves from our strategy to provide end to end solutions to reinforce our model of 360° - the business of creation.

## POWER – OUR CORE FOCUS AREA OF BUSINESS & GROWTH

Our country is still power deficit despite quantum jump in capacity in past few years. The government's thrust in this sector continues & visible from the developments from new business models such as UMPPs and UMTs to increase private sector engagement. The Country is witnessing huge investment in power generation, transmission and distribution. Power Grid Corporation of India (PGCIL) has recently announced mega investment plans to the tune of Rs 640 billion in the transmission & distribution Sector (T&D) over the next five years. State utilities are also investing in transmission infrastructure, post the SEB unbundling process. The entire focus is

on revamping the transmission infrastructure to reduce transmission losses through technologically innovations like high voltage Ac transmission networks upto 1200 KV and long distance HVDC lines.

On the distribution side, distribution utilities are looking at outsourcing distribution network in cities to reduce distribution losses and improve customer services. Schemes like Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) & Restructured Accelerated Power Development & Reforms Programme (RAPDRP) to electrify rural India & strengthen urban areas, have given ample opportunities for growth. Your company will selectively continue to tap these opportunities to enlarge its presence in distribution segment.

In the international arena, both developed and developing countries present attractive business opportunities as power continues to be key drivers for this sustainable growth and future development. Countries in Africa, Middle East and CIS countries continue to invest in power transmission as it holds key to their economic growth & prosperity. We are also witnessing opportunities in America and Europe for upgradation of transmission lines and creation of additional capacity with smart solution grids. We have incorporated overseas subsidiaries to focus on the available opportunities in the respective countries.

We as a Company are moving towards leadership position in majority of T & D sector with annual Tower Manufacturing capacity of 108,000 MT pa and presence in over 28 countries with on time delivery records in last 2 decades. We are on track to expand our manufacturing capacity by 30,000 MT pa to be operational in a year's time. Our fully equipped design & engineering centre, tower testing station, dedicated export manufacturing facility, time tested safety, quality & environment systems & integrated ERP system are keys for meeting tight delivery schedules for international clients.

## OIL & GAS PIPELINES - A GROWTH PLATFORM

India is the third largest oil consumer in the Asia - Pacific region after China and Japan. Demand for hydrocarbon is increasing at rapid space. India has inadequate pipeline network compared with most of developed countries, which is used for only 30% of petroleum product in country. We expect that over the next few years 10,000 Kms of pipe laying work is expected from public and private sector companies in India with an investment of over Rs. 450 billion.

# CHAIRMAN'S LETTER

We have also created a leadership position in EPC contracting business of Oil & Gas pipeline business by executing over 1800 kms of pipelines during the last 5 years. We have met all challenges be it tough terrain like rocky & hilly areas for our Panvel - Dhabol Project or highest diameter of pipe laying work in India of 48" under Vijaypur - Dadri Project. We have invested above Rs. 1.15 billion to create large base of equipments. We are exploring opportunities in international market for EPC contracting for Oil & Gas space and also expecting to spread our wings to entire value chain of Oil & Gas pipeline business, be it upstream or downstream.

## CIVIL CONTRACTING - A NATION BUILDING EFFORT

Infrastructure is the back bone of growth of the country and thrust on development of the same by Government is going to create long term opportunities in the country. The Government has also aimed to expedite infrastructure through public-private partnership by implementing requisite changes in policy framework like introducing competitive bidding process, setting up regulatory authority, rationalization of customs and excise duties etc. Government is looking for revamping and developing all round infra-structure like Roads, Bridges, Canals, Dams, Water, Railway Terminals, Ports, Airports, SEZs as well as Rural and Urban Infrastructure.

JMC Projects, our subsidiary, in the last five years has achieved significant presence in various segments of infrastructure sectors namely factories and buildings, power plants, roads, bridges etc. Given its current order book and visible opportunities along with a commitment to deliver, we believe that JMC would continue to achieve greater heights in the future.

## PUBLIC - PRIVATE PARTNERSHIP OPPORTUNITIES, CREATING ASSETS FOR SUSTAINABLE REVENUE IN FUTURE

With opening-up of various opportunities under PPP route your company participated in various PPP projects last year and it's a matter of great pride that Kalpataru Power Transmission, JMC projects and Shree Shubham Logistics Ltd. (SSLL) all have bagged one project each under this route, of which details are as follows:

1. The Company in consortium secured a project from Haryana Vidyut Prasaran Nigam (HVPNL) to evacuate power from the upcoming power plant at Jhajjar through 100 Kms, 400 Kv transmission line &

sub-stations.

2. JMC in consortium bagged a project to construct 83 kms of four-lane highway between Rohtak to Bawal, Haryana from NHAI.
3. SSLL has entered into an agreement with Rajasthan State Warehousing Corporation (RSWC) to manage State owned 38 warehouses having capacity of 405,000 Mts across the state.

Some of the other key achievements of the company during the year are highlighted below:

1. Engineering excellence in successful testing 1200 KV transmission tower at our testing station.
2. Optimum utilization of Plant capacity for fabrication of transmission tower.
3. SSLL, now manages more than 590,000 MT of dry and cold storage in the state of Rajasthan and Gujarat
4. The Company's revenue from international operations crossed the Rs. 10 billion mark. This is a phenomenal growth considering that the division is less than six years old.
5. Consolidated order book exceeded Rs. 77 billion.

To support our growth plans, in the month of May, 2010, the Company has successfully raised over Rs. 4.50 billion (USD 101 Million) through QIP issue under SEBI (ICDR) Regulation, 2009. This fund shall be used for capital expenditure, expansion of manufacturing capacity (transmission line towers), long-term investment in PPP, BOT, BOOT and BOOM projects, development of EPC services, further investment in existing divisions and subsidiaries and working capital purposes.

While the trends on business growth in power & energy front are bullish in our country & global market, we are also continuously evaluating the perceived outlook on financial uncertainties in European Union which can globally effect the growth story.

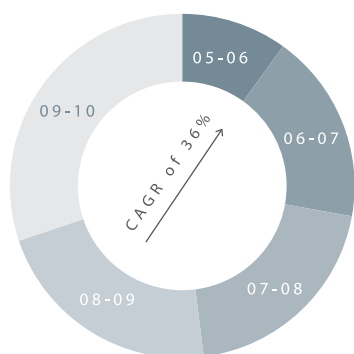
As a global player we strive to meet and exceed expectations of our customers, governments, banks, vendors, employees and investors, benchmarking our performance against best in class industry standards and delivering the best against all odds that is what we call 360° - the Business of Creation.

Thanks to everyone for their unstinted support and faith.

**MOFATRAJ P. MUNOT**  
Chairman

# PERFORMANCE AT A GLANCE

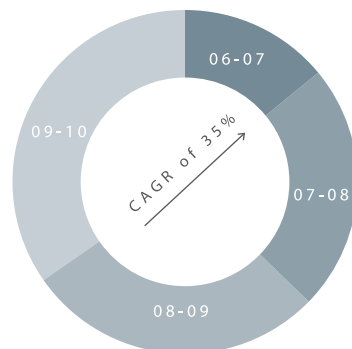
## KPTL



### GROSS REVENUE (Rs. in Billion)

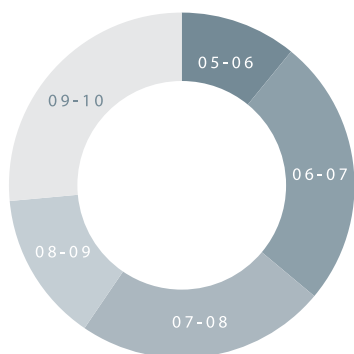
2009 - 2010	26.43
2008 - 2009	19.14
2007 - 2008	17.68
2006 - 2007	15.67
2005 - 2006	8.71

## CONSOLIDATED\*



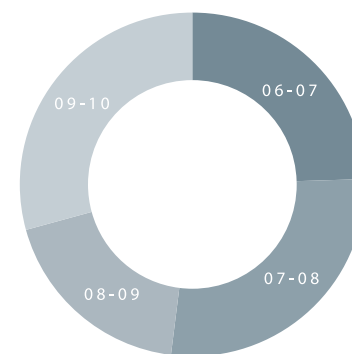
### GROSS REVENUE (Rs. in Billion)

2009 - 2010	40.43
2008 - 2009	32.77
2007 - 2008	27.05
2006 - 2007*	16.40



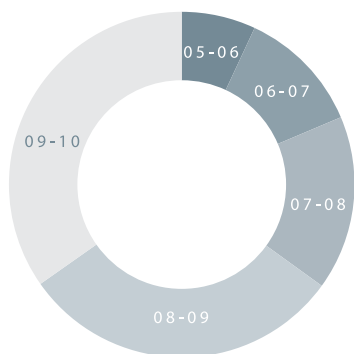
### PBT (Rs. in Billion)

2009 - 2010	2.28
2008 - 2009	1.21
2007 - 2008	2.02
2006 - 2007	2.17
2005 - 2006	0.94



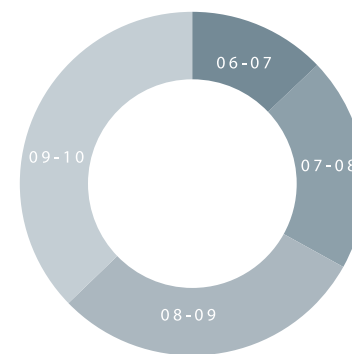
### PBT (Rs. in Billion)

2009 - 2010	2.65
2008 - 2009	1.70
2007 - 2008	2.49
2006 - 2007*	2.22



### ORDER BOOK

2009 - 2010	50.15
2008 - 2009	43.70
2007 - 2008	23.57
2006 - 2007	16.88
2005 - 2006	14.50



### ORDER BOOK

2009 - 2010	76.86
2008 - 2009	65.70
2007 - 2008	44.42
2006 - 2007*	28.50



# KEY HIGHLIGHTS

<b>VISION</b> <b>Eye on the future</b>	<b>EVOLUTION</b> <b>Growing together</b>	<b>NUCLEUS</b> <b>Our team, our crux</b>
<p><b>Asset ownership</b></p> <ul style="list-style-type: none"> <li>• PPP Projects in Infra Space</li> <li>• Warehousing &amp; Logistics Network</li> <li>• Power generation assets</li> <li>• Long term Leasing</li> </ul> <p><b>Expanding breadth</b></p> <ul style="list-style-type: none"> <li>• Railways civil structure &amp; electrification projects</li> <li>• Expand to new countries on continuous basis</li> <li>• Gas gathering stations and city gas distribution work</li> <li>• Focus on higher voltage( 765/ 1200 Kv) projects</li> <li>• Adding 30000 MTs Tower manufacturing capacity to meet increased demand</li> <li>• Plan to expand logistics parks in few more states</li> </ul> <p><b>Increasing depth</b></p> <ul style="list-style-type: none"> <li>• ERP platform to cover entire business operations</li> <li>• Training of resources to built competency</li> <li>• Continue investment in construction equipment and engineering software to support growth</li> <li>• Exploring overseas opportunities in oil &amp; gas pipeline business</li> <li>• Focus on additional clients in India &amp; across the globe</li> <li>• Managing more than 590,000 Mts warehousing space in Rajasthan &amp; Gujarat</li> <li>• Overseas subsidiaries to focus more on international markets</li> </ul>	<p><b>Revenues &amp; Profits</b></p> <ul style="list-style-type: none"> <li>• Consolidated Revenue Rs. 40.43 Billion (USD 896 million)</li> <li>• Consolidated EPS of Rs. 67.05</li> <li>• Standalone Revenues of Rs. 26.43 Billion (USD 585 million)</li> <li>• Standalone EPS of Rs. 64.32</li> </ul> <p><b>Financials</b></p> <ul style="list-style-type: none"> <li>• Raised Rs. 4.50 Billion (USD 101 million) through QIP to support future growth plans</li> <li>• Consolidated Networth at above Rs. 10. Billion (USD 225 million)</li> <li>• Consistent dividend of 75%</li> <li>• Debt/ Equity level at 0.62:1</li> </ul> <p><b>Contracts</b></p> <ul style="list-style-type: none"> <li>• Order Book in excess of Rs. 50 billion</li> <li>• Consolidated order book in excess of Rs. 77 Billion</li> <li>• Large value transmission line contract from MSETCL worth Rs.12 Billion (USD 266 million)</li> <li>• Repeat orders from Algeria, Abu Dhabi &amp; Philippines</li> <li>• First Transmission BOOT project from HVPNL</li> <li>• First Road DBFOT project secured by JMC from NHAI</li> <li>• Several orders from private sector clients in India</li> </ul>	<p><b>Professionalism</b></p> <ul style="list-style-type: none"> <li>• More than 4000 technically qualified people</li> </ul> <p><b>Employee Retention</b></p> <ul style="list-style-type: none"> <li>• Performance linked incentives</li> <li>• Defined career growth plan</li> </ul> <p><b>Team Size</b></p> <ul style="list-style-type: none"> <li>• Exceeding 2000 people in the company</li> <li>• Minimal Employee turnover</li> </ul> <p><b>Training</b></p> <ul style="list-style-type: none"> <li>• Exclusive training centre on over 1,20,000 Sq. ft. of area</li> <li>• Imparted over 50,000 hours of in house training in the last three years</li> <li>• External training for competency building</li> </ul> <p><b>CSR Initiatives</b></p> <ul style="list-style-type: none"> <li>• Fully equipped Kalp Seva Arogya Kendra to provide selfless medical services to the society at Gandhinagar</li> </ul>

# DIRECTORS' REPORT

**T**O,

THE MEMBERS,

Your Directors have the pleasure to present the 29<sup>th</sup> ANNUAL REPORT on the business and operations of your company together with the Audited Statement of Accounts for the year ended March 31, 2010.

## FINANCIAL RESULTS

	2009-2010 (Rs. in billion)	2008-2009 (Rs. in billion)
Total Revenue	26.78	19.45
Profit before Depreciation	2.66	1.48
Less: Depreciation	0.38	0.27
Profit before Taxation	2.28	1.21
Less: Provision for Taxation including Fringe Benefit Tax	0.56	0.23
Less: Provision for deferred Taxation	0.01	0.03
Net Profit after Taxation	1.71	0.95
Add: Surplus brought forward from previous year	3.76	3.19
<b>Profit available for appropriation:</b>	<b>5.47</b>	<b>4.14</b>
<b>APPROPRIATIONS :</b>		
Transfer to General Reserve	0.25	0.12
Transfer to Debenture Redemption Reserve	0.09	0.03
Proposed Dividend on Equity Shares	0.23	0.20
Corporate Tax on Proposed Dividend	0.03	0.03
Balance carried to Balance Sheet	4.87	3.76
	<b>5.47</b>	<b>4.14</b>