

# **MARG Projects and Infrastructure Limited**

**Annual Report 2013 - 14**

**BOARD OF DIRECTORS**

Mr. G Srinivasa Reddy

Mr. M Abdul Hakeem

Mr. Gouri Shanker Mishra

**COMPLIANCE OFFICER**

Mr. G Srinivasa Reddy

**AUDITORS**

M/s. K. Ramkumar & Co

Chartered Accountants

A-1, 7th Floor, Tower III,  
Sakthi Towers, 766, Anna Salai,  
Chennai - 600 002.

**REGISTERED OFFICE**

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E-mail : mpil@marggroup.com

**REGISTRAR AND SHARE TRANSFER AGENT**

M/s GNSA Infotech Limited

STA Department

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**DIRECTORS' REPORT**

To

**The Shareholders,**

Your Directors have pleasure in presenting the 21<sup>st</sup> Annual Report together with the Audited Accounts of your Company for the year ended 31st March 2014.

**Financial Highlights**

The financial results of the Company for the period ended 31st March 2014 is summarized as below:

Description	₹ in lakhs	
	Year Ended 31.03.2014	Year Ended 31.03.2013
Income from Operations	11.12	66.49
Non-operating Income	20.14	46.64
Total Income	31.26	113.13
Expenditure	84.65	34.27
Gross Profit / (Loss) (before depreciation, Finance Costs and tax)	(53.39)	78.86
Finance Costs	-	0.15
Depreciation	43.96	54.13
Profit /(Loss) before Tax	(97.35)	24.58
Provision for Income Tax	1.67	4.17
Profit /(Loss) after Tax	(99.02)	20.41
Brought Forward Profit	1,147.16	1,126.75
Balance Carried to Balance Sheet	1,048.14	1,147.16

**Business Operations Overview and Future Prospects**

The income from operation of the Company has reduced to ₹11.12 lacs from ₹66.49 lacs in the previous year. The general market conditions and high input cost is the main reason for such fall in the turnover. Your Directors envisages in taking up diversified projects. Owing to adverse market conditions, your Company has not taken up any new contract during the period of review. However, the Company has utilised the assets and equipments by giving them on hire. Your Company is willing to execute the engineering, procurement and construction (EPC) and operation and management (O&M) aspects. In near future, MPIL will develop a rich, in-house expertise in both EPC and O&M verticals. This experience helps the Company to manage the entire tolling and maintenance functions during operations phase. Further, the Board is taking up steps to take up more projects in near future.

**Dividend**

Owing to the loss incurred; your Board do not recommend any dividend for the year under review.

**Subsidiary Companies**

Your Company does not have any subsidiary Company.

**Fixed Deposits**

Your Company has not accepted any deposits from the public.

**Directors**

Mr. G Srinivasa Reddy, Director retires at this Annual General Meeting and being eligible offers himself for reappointment.

**Auditors**

M/s K Ramkumar & Co, Chartered Accountants, the Auditors of the Company hold office upto the conclusion of the forthcoming Annual General Meeting and have given their consent for re-appointment. Company has received a certificate under Section 224(1B) of the Companies Act, 1956 and Section 139(1) of the Companies Act, 2013 from the retiring auditors regarding their eligibility for reappointment as the Company's Auditors for the year 2014-15.

**Directors Responsibility Statement**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, the Directors hereby confirm that:

- in the preparation of the Annual Accounts for the Financial Year 2013-14, the applicable Accounting Standards have been followed and that there are no material departures;
- they have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year;
- they have taken proper and sufficient care to the best of their knowledge for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the Annual Accounts on a going concern basis.

**Reply to the Observation of the Auditor made in Auditors' Report**

In respect of the Auditors' observation in para vii of the Annexure to the Auditors' Report with regard to internal audit system, your board explains that the Company due to financial constraints could not appoint an Internal Auditor. However, the management has followed the procedures and methods of Internal Audit and the inspections carried out by the management at regular intervals.

**Particulars of Employees**

None of the employees of the Company were in receipt of remuneration, which in aggregate exceeded the limits fixed under sub-section (2A) of

Section 217 of the Companies Act, 1956 and Rules made thereon under Companies (Particulars of Employees) Rules 1975 for the year 2013-14.

**Industrial Relations**

During the year there was no increase in manpower due to the adverse market condition and slowdown in company's business.

**Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo**

Your company is not an industrial undertaking. Accordingly, particulars with regard to conservation of energy and technology absorption and adaptation required to be given under these heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

There are no Foreign Exchange earnings or outgo during the financial year 2013-14.

**The Management Discussion and Analysis Report**

The Management Discussion and Analysis Report for the year ended under review, as stipulated under Clause 49 of the Listing Agreements is presented in a separate section forming part of the Directors Report.

**Corporate Governance**

Your Directors adhere to the requirements set out by the Securities Exchange Board of India's, Corporate Governance practices and have implemented all the stipulations prescribed. Report on Corporate Governance as per Clause 49 of the Listing Agreement has been provided in a separate section forming part of the Directors Report.

**Acknowledgement**

Your Directors would like to acknowledge and place on record their sincere appreciation to all stakeholders – Clients, Financial Institutions, Banks, Central and State Governments, the Company's valued investors and all other business partners for their continued cooperation and excellent support received during the year.

**For and on behalf of the Board of Directors**

**G. Srinivasa Reddy**  
Director

**M. Abdul Hakeem**  
Director

Place: Chennai  
Date: 30<sup>th</sup> May 2014

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Scenario and Economic Overview**

Infrastructure development in India has been going through a very difficult phase over the last three years. While the Government of India's planning process clearly laid down the requirement for massive development in physical infrastructure to sustain economic growth, this has not translated to on-ground implementation. The slippages have been significant with the nodal agencies and departments responsible for developing the various infrastructure projects. Consequently, players in the construction space, especially those in business of building large infrastructure for the state and central governments, have had to face severe financial, operational and regulatory challenges, such as very tight liquidity conditions, serious stress on cash flows, problems in land acquisition, as well as sundry issues brought up in the ambit of environment and social displacement.

The Indian economy had been suffering from lower growth and various structural weaknesses as it entered 2013-14 and these continued throughout the fiscal year. The slowdown in growth over the last ten quarters has contributed to low business confidence which, in turn, has put a dampener on private sector investment in infrastructure projects. Moreover, the economy has been under serious fiscal pressure.

By the end of 2013-14, there have been some positive signals, although it is probably too early to make a call as to whether the nation is definitely getting back to a higher growth path.

**Financial Performance**

MARG Projects and Infrastructure Limited Company ('MPIL' or 'the Company') is focusing primarily on large scale projects. It has always looked to adopt class operational processes and trying to promote responsibility in infrastructure development. This is a reason for dip in turnover of the Company from Rs.6.65 Crores last year to Rs.1.11Cores in the Current year.

**Opportunity, Risks and Concerns**

India is the world's 19th largest exporter and 10th largest importer. With a trillion rupee investment envisaged for the next Five Year Plan (2012- 17), India's infrastructure investment is bound to grow significantly. To maintain its growth momentum, the provision of adequate infrastructural facilities is critical. Unreliable services or a disruption in infrastructure facilities may restrict output or hinder investments in productive capital. Moreover, infrastructural investment of about USD 1,025 Billion is necessary during the Twelfth Five Year Plan (2012-17) to achieve a share of 9.95% as a proportion of GDP.

Government of India is attempting to improve the country's infrastructure as a top policy priority and recently came out with measures to revive the activities in the road infrastructure sector.

The infrastructure and construction market in India is particularly affected in an atmosphere of lack of complete inertia in new project development and execution. Issues like environment clearances and financial difficulties for large developers have led to very little new opportunities in terms of infrastructure related development.

Raw materials, such as bitumen, stone aggregates, cement and steel, need to be supplied continuously to complete projects. There is also a risk of cost escalation or raw material shortage. The Company is operating in a highly competitive environment. However, during the year, the Company has observed that competition has diminished to larger extent. Hence, we will continue to bid for projects with financial, operational and execution viability. However, the Company believes that the competitive intensity may come back in FY 2015-16. This has led to risks related to order book growth and margins of the Company. MPIL continues to try and offset this risk by diversifying its sector base and client base.

A tough monetary policy adopted by Reserve bank of India (RBI) to tackle inflation. The lack of reforms and drop in growth in India in the last couple of years has led to an increase in its sovereign risk ratings and global capital flows into the country have also dried up. This gradual increase in the cost of servicing debt is a risk affecting the Company. Easing, inflation continues to be at a fairly high level. This results in increase in operating costs for the Company particularly in terms of input material and wage costs to meet this inflationary environment.

**Outlook**

Engineering and Construction is the Company's core business of executing construction work on contract basis. The Company has started the year 2014-15 with a not so healthy Order Book mainly because of lack of orders in the previous years. However, the order book position during this year is expected to be reasonably good particularly in the second half of the FY 2014-15 on account of likely thrust by the new government in the Infrastructure and power Sector. Further, the Company is mainly focusing on sectors in terms of transportation, power, water supply and industrial construction projects. The business has been extended to include complete engineering, procurement and construction (EPC) services.

**Segmentwise / Productwise Performance**

Your Company was operating only in one segment both in terms of business and geographical operations in the year

2013-14. Accordingly, segmental reporting in terms of Accounting Standard 17 is not applicable to the Company.

### **Internal Control System and Adequacy**

The Company has adequate system of internal control in place. This is to ensure that assets are safeguarded and all transactions are authorized, recorded and correctly reported. The internal audit function is empowered to examine the adequacy, relevance and effective control system, compliance with policies, plans and statutory requirements.

### **Material Developments in Human Resources and Industrial Relation**

During the year there was no increase in manpower due to the adverse market condition and slowdown in company's business.

### **Cautionary Statement**

The statements in report of the Board of Directors and the Management Discussion and Analysis Report describe

the Company's outlook, estimates, performance or predictions with a forward perspective considering the applicable business and economic regulations affecting the industry. Actual results could differ from those expressed or implied, since the Company's operations are influenced by many external and internal factors beyond the control of the Management. The Management takes no responsibility for keeping the members updated on changes in these factors stated above apart from those, which may statutorily be required to be reported from time to time.

### **For and on behalf of the Board of Directors**

**G. Srinivasa Reddy**  
Director

**M. Abdul Hakeem**  
Director

Place: Chennai  
Date: 30<sup>th</sup> May 2014



**REPORT ON CORPORATE GOVERNANCE**

**1. Philosophy on Code of Governance**

The Company believes in transparency, empowerment, accountability, motivation and fair business and corporate practices with all its stakeholders. As the Company grows, it continues to focus on raising the standards of corporate governance and adopting best systems and procedures. In India, Corporate Governance standards for listed Companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement with the Stock Exchanges. The Company has complied with all the norms of Corporate Governance as provided by Clause 49 of the Listing Agreement.

**2. Board of Directors**

Board is consisting of THREE directors and all directors are Non-Executive out of them two directors are Independent directors. The Directors on the Board are senior, competent and experienced people from different fields. The composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Board elects the Chairman at every meeting.

The compositions and category of Board of Directors during the year ended 31<sup>st</sup> March 2014 are given below. The details of other directorship have been taken as on 31<sup>st</sup> March 2014.

Sl. No	Name(s) of Director (s)	Executive/ Non-Executive/ Independent	Number of Directorship in other Public Companies*		No. of Committee Chairmanship in other Companies**	
			Member	Chairman	Member	Chairman
1	Mr.G Srinivasa Reddy	NED/NID	NIL	Nil	Nil	Nil
2	Mr.M Abdul Hakeem	NED/ID	1	Nil	Nil	Nil
3	Mr.Gouri Shanker Mishra	NED/ID	1	Nil	Nil	Nil

NED - Non Executive Director; ID – Independent Director; NID – Non Independent Director

\*Other directorship does not include directorship in Private Limited Company which are not Subsidiary of any Public Company, Section 25 Companies and Companies incorporated outside India.

\*\*In accordance with Clause 49 of the Listing Agreement, Membership/Chairmanship of only Audit and Shareholders & Investor Grievance Committee has been considered.

### Directors' Profile:

Brief Resume of all Directors given below

**Mr. G Srinivasa Reddy, Non-Executive Director, (DIN No. : 01356350)** is a B.E. Civil Engineer by qualification. He has over 30 years of experience in the areas of project execution. He has executed grass-root level projects of Nagarjuna Fertilisers & Chemicals Limited Ph-I & II, Oswal Chemicals & Fertilisers, Shahjahanpur unit. He has also worked in oil and gas exploration units of ONGC, BPCL and IOCL.

**Mr. M Abdul Hakeem, Director, (DIN No. : 01628335)** is a Challenger Award Winner banker with more than 33 years of Experience. He is also a CAIIB. He has served in various capacities including management of Portfolio. His last working was with ING Vysya Bank Limited as Assistant Vice President.

**Mr. Gouri Shanker Mishra, Director (DIN No. : 00636244)** is a Fellow Member of Institute of Company Secretaries of India having 12 years of experience in the Secretarial field and legal domain. Along with FCS, he also holds qualification of L.L.B. and MBA.

### Attendance of Directors at Board Meetings and at Annual General Meeting

The attendance record of the Directors at the Board Meetings during the year ended on 31<sup>st</sup> March 2014 and at the last Annual General Meeting (AGM) is as under:

Name(s) of Director(s)	No of Board Meetings held	Board Meetings Attended	Attendance at last AGM
Mr. G Srinivasa Reddy	5	5	Present
Mr. M Abdul Hakeem	5	5	Present
Mr. Gouri Shanker Mishra	5	4	Absent

During the financial year 2013-14, FIVE Board meetings were held on 30<sup>th</sup> May 2013, 14<sup>th</sup> August 2013, 30<sup>th</sup> September 2013, 14<sup>th</sup> November 2013, and 14<sup>th</sup> February 2014. As mandated by Clause 49, none of the Directors are members of more than ten Board level committees nor are they Chairman of more than five committees in which they are members.

### Appointment and Tenure of Independent Directors

As regard to the appointment and tenure of Independent Directors, following is the policy adopted by the Board:

- The Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013.

- The Independent Director will serve a maximum of two terms of five years each.
- In the transaction to the Companies Act, 2013, which is effective from 1<sup>st</sup> April 2014, those Independent Directors who have already served for ten or more years will serve for a maximum period of one term of five years. This is consistent with the provisions of Companies Act, 2013. In effect, the transition will be managed by re-appointing such Independent Directors for a period of one more term that does not exceed five years.
- With the above changes, the Company would not have any upper age limit of retirement of Independent Directors from the Board and their appointment tenure will be governed by the provisions of the Companies Act, 2013 and Listing Agreement.

The Company shall follow the above policy as per the requirement of the Companies Act, 2013 and guidelines of SEBI as amended from time to time.

### Code of Business Conduct

The Board of Directors have laid down the Code of Conduct for all the Board Members and Senior Management Personnel of the Company, which is also uploaded on the website of the company, ([www.margprojects.com](http://www.margprojects.com)). All Board Members have affirmed compliance to the Code of Conduct. A declaration signed by one of the Directors affirming the compliance with the Code of Conduct by the Board of Members of the Company is attached and forms part of this Report.

### 3. Committee of Directors

The Board has constituted three Committees of Directors as per the requirement of the Companies Act, 1956 and Listing Agreement. Following are the committees of the Board:-

1. Audit Committee
2. Stakeholders Relationship Committee (Formerly Shareholders' / Investors' Grievance Committee)
3. Nomination and Remuneration Committee (Formerly Remuneration Committee)

All decisions pertaining to the creation and composition of committees and fixing of terms of service for committee members is taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during the year 2013-14 and related attendance, are provided below;

#### I. Audit Committee

Pursuant to provisions of Section 292A of the Companies Act, 1956, Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has constituted an Audit Committee comprising of three Non-