

Patel

Report  Junction.com

PATEL ENGINEERING COMPANY LIMITED
48TH ANNUAL REPORT
1996-97

FINANCIAL HIGHLIGHTS

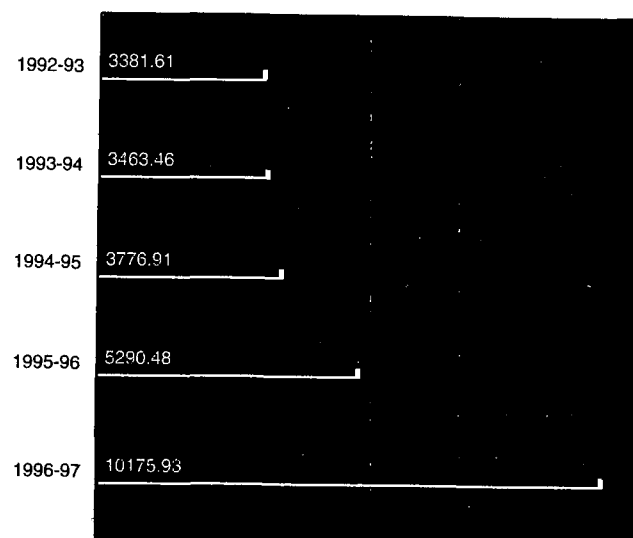
(In lacs where applicable)	1996-97 Rupees	1995-96 Rupees
Operations :		
Gross Revenue	10175.93	5290.47
Income From Operations	552.66	325.20
Net Income	330.15	147.20
Earnings Per Share	21.40	9.56
Return On Shareholders' Funds	25.45 %	20.34 %
Financial Position :		
Working Capital	1196.21	1876.51
Total Debt	4379.40	4237.61
Stockholders' Equity	1297.06	723.65
Book Value per Share	84.14	46.99
Other Data :		
Cash Flows From Operating Activities	552.65	331.20
Capital Expenditures	343.93	530.93
Depreciation And Amortization	240.59	208.19
Face value per share	10.00	10.00
Cash Dividends on Equity Share	8.00	5.00

COVER FRONT :

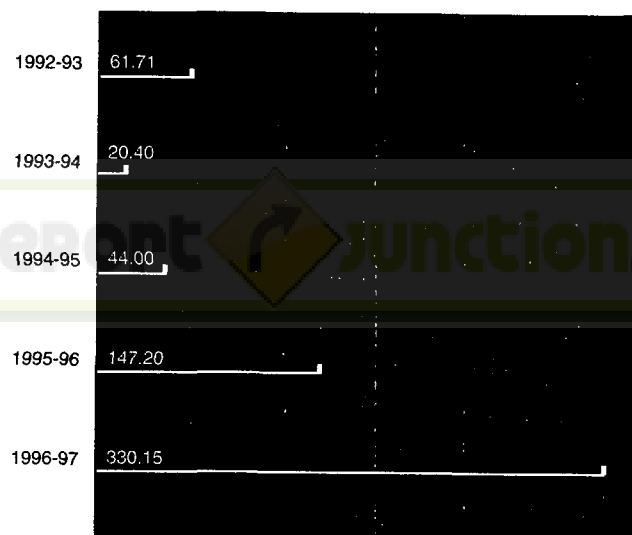
91 M Deep & 21 M diameter shaft at Koyna Hydro Electric Project (Stage IV).

COVER BACK :

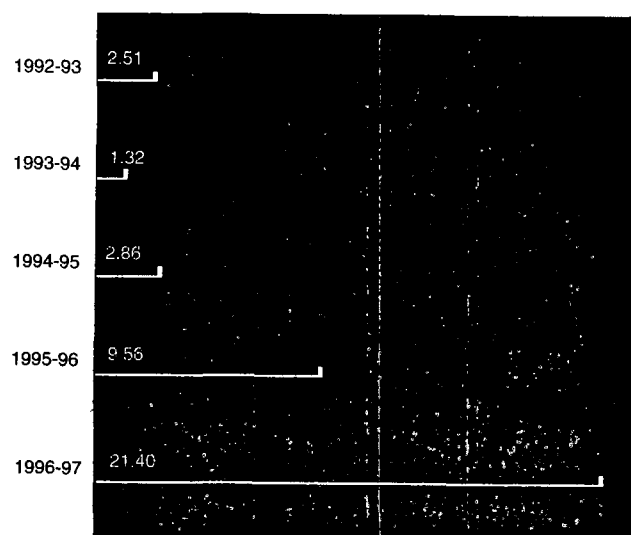
Intake Shaft Concrete Lining in progress at Koyna Hydro Electric Project (Stage IV).



GROSS TURNOVER (Rupees in lacs)



NET INCOME (Rupees in lacs)



EARNINGS PER SHARE

PATEL ENGINEERING COMPANY LIMITED**DIRECTORS' REPORT**

Your Directors are pleased to present their report and audited accounts for the year ended 31st March 1997.

DIVIDEND

40% Interim + 40% final = 80%

WORKS

All Works are progressing well. Order Book, 30% above last year.

TAXATION

I.T. assessment completed upto 31-3-1995.

CAPITAL EXPENDITURE

Rs. 3.43 crores in construction equipment and outlay of Rs. 20 crores is planned during 1997-98.

PUBLIC DEPOSITS

NIL

SUBSIDIARY

Engineering Products Limited, engaged in Plastic Production is progressing well.

PEC Realtors Ltd., area of activities identified.

DIRECTORS

Retiring by rotation and offering themselves for reappointment :

1) Ms. Sonal Patel

2) Mr. Rajat Patel

PARTICULARS OF EMPLOYEES U/S SEC. 217 (2A) OF THE COMPANIES ACT READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975:

Annexed separately

	(Rs. in lacs)
Profit for the year	1179.62
Provision for Tax	222.50
Profit after tax	957.12
Balance brought forward	117.15
Available for appropriation	1074.27
Dividend @ 80%	
(including Dividend Tax Rs. 12.32)	135.52
Transfer to :	
General Reserve	849.30
Balance Carried forward	89.45

CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**a) Conservation of Energy:**

The Company has no manufacturing activities relating to Conservation of energy.

b) Technological absorption:

Senior technical personnel from the Company and Project Authorities also visited M/s. Norconsult International, Norway, for consultation and on the spot study of works & methodology for Under Water Blast being adopted by Norconsult.

FOREIGN EXCHANGE:

Earnings	: Rs. 30.67 lacs
Outgo	: Rs. 78.79 lacs

AUDITORS' REPORT

The Auditors Report read with the notes on Accounts are self-explanatory.

AUDITORS

Shri Mangalbai Vatsaraj one of the senior partners in the firm of our Auditors having long association with your Company has expired in May '97. Company do place on record appreciation for the services and long association with him.

M/s. Vatsaraj & Co. retire and are eligible for reappointment.

On behalf of the Board

Mumbai
Dated : July 15, 1997

PRAVIN PATEL
Chairman

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of PATEL ENGINEERING COMPANY LIMITED as at 31st March, 1997 and also the attached Profit and Loss Account for the year ended on that date which are in agreement with the books of account.

I. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms to Section 227(4A) of the Companies Act, 1956, we report that:

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We have been informed that the fixed assets have been physically verified at reasonable intervals by the management and no material discrepancies have been noticed on such verifications.
- (ii) The fixed assets have not been revalued during the year.
- (iii) The Company is a Construction Company having work sites spread over India as well as overseas and we are informed that physical verification at respective sites have been conducted by the Management at the year end in respect of stock of stores and materials.
- (iv) The physical verification of stock was not conducted in our presence. However, in our opinion and on the basis of information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relating to the size of the Company and the nature of its business.
- (v) We have been informed by the Management that no material discrepancies have been noticed on physical verification of stock as compared to book records, which we are informed have been kept at the respective sites.
- (vi) The stock of inventories and work in progress are taken into account as taken, valued and certified by the management and relied upon by us. However, we are informed that the valuation of stocks has been done properly in accordance with normally accepted accounting principles and on the same basis as in the previous year.
- (vii) The Company has taken and granted unsecured loans without interest to parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and to Companies under the same Management as defined under Section 370 (1B) of the Companies Act, 1956 other terms and conditions of which are not prejudicial to the interests of the Company. The balance at the year end of the said loan is Nil.
- (viii) Rs. 30,00,000 to parties included under advances but in our view, in the nature of loans without interest.

The Company has not taken any steps for recovery of (viii) as mentioned herein above.

- (ix) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, plant and machinery, equipment and other assets, and for the sale of goods.
- (x) The Company has not made transaction of purchase or sale of goods and services in pursuance of contract or arrangements entered in the Register maintained U/s 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
- (xi) As informed to us, the Company did not have any damaged or unserviceable stores during the year.
- (xii) The Company has not accepted deposits from public within the meaning of Term Deposit as defined in Rule 2 (b) of the Companies (Acceptance of Deposits) Rules 1975.

PATEL ENGINEERING COMPANY LIMITED

- (xiii) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap. As explained to us, the Company's operations do not generate any by-products.
- (xiv) Internal audit is conducted by a firm of Chartered Accountants and in our opinion the same is commensurate with the size and nature of Company's business.
- (xv) The Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
- (xvi) The Company is regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities except some delay in few cases. The balance as on 31st March 1997 of Rs. 2.07 lacs is since paid.
- (xvii) As explained to us there were no undisputed amounts payable in respect of Income-tax, wealth tax, sales tax, custom duty and excise duty which were outstanding as on 31.3.1997 for a period of more than 6 months from the date they became payable.
- (xviii) According to the information and explanations given to us no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (xix) The Company is not a sick industrial company within the meaning of Clause (O) of sub-section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985.
- (xx) The Company has -
 - (a) reasonable system of recording receipts, issues and consumption of materials and stores with system of authorization at proper level and control on issues of stores is commensurate with its size and nature of its business.
 - (b) However, in view of the nature of the business of the Company and works it undertakes such as construction of tunnels, power house, buildings etc., the system of reasonable allocation of stores and labour to jobs and a system of internal control for the same does not exist as according to the Company, the same is neither possible nor practicable.

II. Our other observations are as under:

- A. Provisions are not made in respect of the following:
 - i) Bonus, leave encashment and retirement benefits for the year (amount unascertained) (Refer note No. II b).
 - ii) ESIC Demand Rs. 20.40 lacs.
 - iii) Wealth Tax liabilities (amount unascertained).
- B. Provision made for gratuity during the year based on actuarial valuation of earlier years (Refer Note No. II b).
- C. No credit is taken in the Profit & Loss Account in respect of share in profit/loss from Joint Venture M/s. Yarkay Patel (Refer Note No. VII)
- D. In respect of writing off of pipes, sheets & steel structure, Refer Note No. II a.
- E. Consequent to the change in the method of charging depreciation in respect of certain fixed assets from written down value to straight line method resulting in lower charge of depreciation for the year by Rs. 10.81 lacs and increase in Net Block, Profit and Loss Account and Reserves by Rs. 391.96 lacs (Refer Note II c).
- F. In respect of BMC Contract Refer Note No. XII.

All the above have consequential effect on accounts.

- G. Credit in the Profit & Loss Account for the work-in-progress includes Credit taken since received Rs. 447.31 lacs since not received Rs. 427.73 lacs.
- H. Company does not follow the accounting standards for construction contracts as prescribed by the Institute of Chartered Accountants of India.
- I. There has been a delay of few days in depositing the amount of Unpaid Final Dividend (1995-96) in a separate Bank account as required under Sec. 205 A(i) of the Companies Act, 1956 (Refer Note No. IX).

III. Subject to & further to the above:

- 1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 2. In our opinion, proper Books of Accounts as required by Law have been kept by the Company so far as appears from our examination of these Books subject to non-provisions of leave encashment and bonus liability and interest income as per Note No. II (b) and Profit/Loss of Joint Venture as per Note VII as required under accrual system of accounting.
- 3. The Balance Sheet and the Profit and Loss Account dealt with by the report are in agreement with the Books of Accounts; and
- 4. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with Notes in Schedule '13' of Notes on Accounts and forming part thereof, give the information required by the Companies Act, 1956 in the manner so required and also give subject to our observations in II above, a true and fair view:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997.

and

- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For **VATSARAJ & CO.**
Chartered Accountants.

Place : Mumbai
Dated : 15th July, 1997.

B.K. VATSARAJ
Partner.

PATEL ENGINEERING COMPANY LIMITED**BALANCE SHEET AS AT 31ST MARCH, 1997.**

	SCHEDULE	1996-97	1995-96
		Rupees in Lacs	
SOURCES OF FUNDS:			
SHAREHOLDERS' FUNDS			
Share Capital	1	154.30	154.15
Reserves & Surplus	2	1,142.77	569.51
		<u>1,297.07</u>	<u>723.66</u>
LOAN FUNDS			
Secured Loans	3	1,836.35	2,138.80
Unsecured Loans	4	53.66	178.22
TOTAL FUNDS EMPLOYED		<u>3,187.08</u>	<u>3,040.68</u>
APPLICATION OF FUNDS:			
FIXED ASSETS	5		
Gross Block		2,966.90	2,685.43
Less: Depreciation		<u>1,408.13</u>	<u>1,638.93</u>
NET BLOCK		1,558.77	1,046.50
INVESTMENTS	6	432.11	75.68
CURRENT ASSETS, LOANS & ADVANCES	7		
Inventories		1,216.83	1,398.27
Sundry Debtors		697.05	1,596.58
Cash & Bank Balances		1,137.96	247.84
Other Current Assets		0.91	3.27
Loans & Advances		<u>779.23</u>	<u>1,035.52</u>
		3,831.98	4,281.49
LESS: CURRENT LIABILITIES & PROVISIONS	8		
Liabilities		2,568.01	2,366.48
Provisions		<u>67.77</u>	<u>38.50</u>
		2,635.78	2,404.98
NET CURRENT ASSETS		1,196.20	1,876.50
MISCELLANEOUS EXPENDITURE NOT W/OFF			
Preparatory Works Expense		—	42.00
TOTAL APPLICATION OF FUNDS		<u>3,187.08</u>	<u>3,040.68</u>

Notes on Accounts : Schedule 13

As per our attached Report of even date

for **VATSARAJ & CO.**
Chartered Accountants**B.K. VATSARAJ**
Partner

PRAVIN PATEL

Chairman

SILLOO PATEL
RUPEN PATEL
SONAL PATEL

} Directors

Mumbai, Dated 15th July, 1997

Patel

FORTY EIGHTH ANNUAL REPORT 1996-97

PROFIT & LOSS ACCOUNT FOR THE PERIOD 1ST APRIL, 1996 TO 31ST MARCH, 1997

	SCHEDULE	1996-97 Rupees in Lacs	1995-96
INCOME			
Turnover	9	10,002.05	5,194.74
Other Income	10	173.88	71.33
Profit in Joint Venture with Yarkay Patel		—	24.40
		<u>10,175.93</u>	<u>5,290.47</u>
EXPENDITURE			
Site and Administrative Costs	11	9,222.89	4,548.26
Interest & Financial Charges	12	156.15	156.81
Depreciation		240.59	208.19
Bad debts provided for and written off		3.64	52.01
Profit before Taxation		<u>552.66</u>	<u>325.20</u>
Provision for Taxation		<u>222.50</u>	<u>178.00</u>
Profit after Taxation		330.16	147.20
Depreciation of earlier years written back	391.96		—
Less:- Gratuity Provision of earlier years	<u>14.30</u>	<u>377.66</u>	
Profit brought forward	117.15		98.95
Add Transfer from :-			
Investment Allowance (Utilised) Reserve	100.50		
Foreign Project Reserve	<u>148.80</u>	<u>366.45</u>	—
Profit available for appropriation		<u>1,074.27</u>	<u>246.15</u>
Appropriations : -			
Proposed Dividend :- Interim	61.59		38.50
Final	<u>61.61</u>	<u>123.20</u>	38.50
Corporate Dividend Tax		12.32	—
Transfer to General Reserve		849.30	37.00
Transfer to Taxation Reserve		—	15.00
Surplus Carried to Balancesheet		<u><u>89.45</u></u>	<u><u>117.15</u></u>

Notes on Accounts : Schedule 13

As per our attached Report of even date

for **VATSARAJ & CO.**
Chartered Accountants

B.K. VATSARAJ
Partner

PRAVIN PATEL

Chairman

SILLOOPATEL
RUPEN PATEL
SONAL PATEL

Directors

Mumbai, Dated 15th July, 1997

PATEL ENGINEERING COMPANY LIMITED**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1997**

		1996-97	1995-96
		Rupees in Lacs	
SCHEDULE '1'			
SHARE CAPITAL			
Authorised			
15,000,000 Equity Shares of Rs.10/- each		1,500.00	1,500.00
Issued			
1,543,010 Equity Shares of Rs.10/- each		154.30	153.98
Add: Forfeited shares		—	0.17
		154.30	154.15
SCHEDULE '2'			
RESERVES & SURPLUS			
CAPITAL RESERVE			
As per last Balance Sheet	14.10		14.10
Add: Profit on reissue of forfeited shares	0.97	15.07	
FOREIGN PROJECT RESERVE	148.80		148.80
Less:- Transfer to Profit & Loss A/c	148.80	—	—
INVESTMENT ALLOWANCE (UTILISED) RESERVE	100.50		100.50
Less:- Transfer to Profit & Loss A/c	100.50	—	—
GENERAL RESERVE			
As per last Balance Sheet	126.95		111.96
Add: Transfer from Profit & Loss A/c	849.30	976.25	15.00
RESERVE FOR TAXATION		62.00	62.00
PROFIT & LOSS ACCOUNT			
Surplus as per P & L A/c		89.45	117.15
		1,142.77	569.51
SCHEDULE '3'			
SECURED LOANS			
FROM CONSTITUENTS :			
Against Hypothecation of certain Plant & Machinery etc	725.01		1,076.88
Against Bank Guarantee secured by Hypothecation of Machinery,Stock and Materials,Book Debts etc.	680.75	1,405.76	813.67
FROM BANK :			
Against Hypothecation of Machinery,stocks,spare parts, running bills & construction revenue	141.32		204.38
Against lien of Fixed Deposit Receipt (Includes Interest Rs.3,13,398/-)	273.13		
Against Deferred Payment Guarantee from I D B I	16.14	430.59	43.87
		1,836.35	2,138.80
SCHEDULE '4'			
UNSECURED LOANS			
From Bank		—	94.28
From others		53.66	83.94
		53.66	178.22