

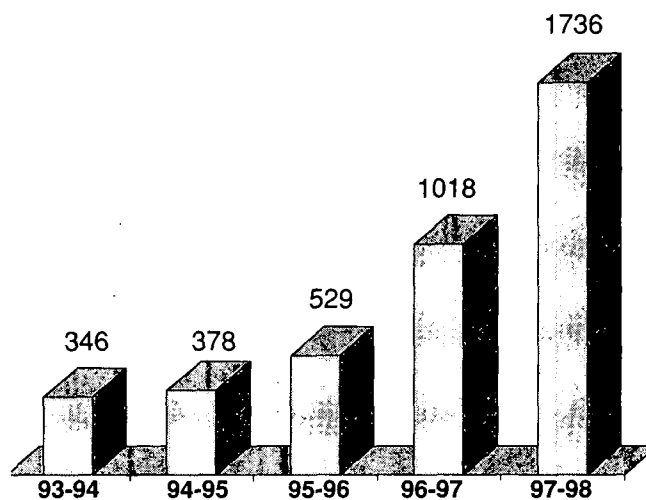
Patel

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PATEL ENGINEERING COMPANY LIMITED

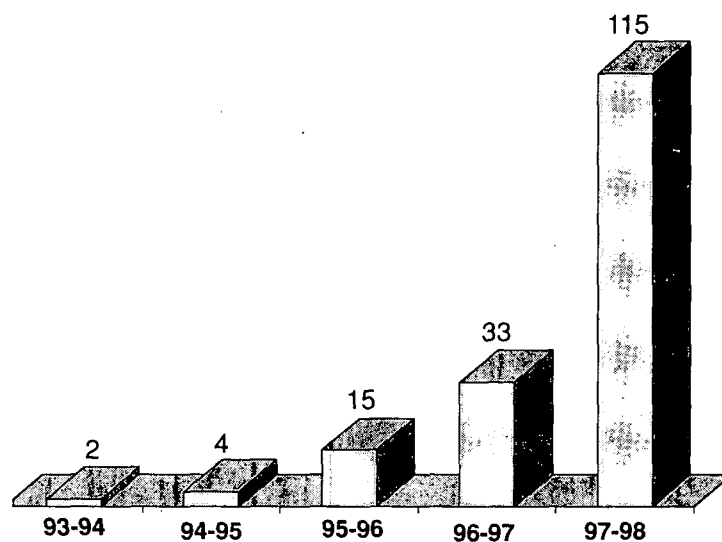
49TH ANNUAL REPORT
1997-98

Construction Turnover (Consolidated)
(Rupees in Million)



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Net Income from Construction (Consolidated)
(Rupees in Million)



COVER FRONT :

Reinforcement 6.5 mts. Dia. Circular Intake Tunnel
at Koyna Hydro Electric Project

Patel**FORTY NINTH ANNUAL REPORT 1997-98****Chairman's Overview**

1997-98 has been an exceptionally successfully year for your company on all fronts; growth through acquisition and improved utilization of existing resources and facilities.

This year, the Group Construction revenues stand at Rs. 1736 Mill. (\$ 44.21 mill.) and profit after tax at Rs. 115 Mill. (\$ 2.93 mill.); a tribute to the excellent performance by the employees and the management.

Your company has acquired majority shares in ASI RCC Inc. USA, a dam construction company, specializing in Roller Compacted Concrete. This acquisition has enhanced your company's capability to undertake global civil engineering contracts.

This year, the board of directors has decided to pay a total dividend of 100% (60% interim + 40% final) after transferring Rs. 50 mill. to the reserves & surplus account.

The orders in hand in India and Abroad remain healthy. Ongoing projects are progressing as per schedule with healthy Industrial and Client relations.

The Companies have further secured new contracts both in India and abroad.

During the year, tender bids in excess of Rs. 4000 mill have been submitted, and are under scrutiny.

The company has been pre-qualified as a consortium partner with DYWIDAG of Germany, SHIMZU of Japan and DRAGADOS of Spain for Purulia Pumped Storage project in West Bengal. Yours is the only Indian Company prequalified for this project.

In addition to the above, your company has entered into joint-ventures with ENERGOPROJECT, Yugoslavia and HUDHUDSHAND Limited, Jordan. Talks are underway for a joint venture with MORRISON KNUDSEN International to bid for projects in Turkey.

Having decided to concentrate on our core competency, the Company has decide to have its subsidiaries, M/s Enpro Products Limited and M/s PEC Realtors Limited as independent entities.

Your company, having evaluated its options, has decided to grow in association with like-minded international companies. In order to support this objective, as well as the existing activities of your company, a representative construction and trade office has been established in Denver, USA.

The continued recession and stoppage of foreign soft loans for infrastructure development, especially in the sectors of power and transportation is a matter of concern for the company and the industry for 1998-99.

The company's Income Tax assessment is complete upto March 31, 1996.

On behalf of the Board of directors and the management, I thank every one who has contributed to the success of your company in 1997-98.

PRAVIN PATEL

Chairman

Mumbai

5th June, 1998

MD	✓		BKC	✓
CS	NA		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		



PATEL ENGINEERING COMPANY LIMITED

Board of Directors :	Shri Pravin Patel	Chairman
	Shri Shamit Majmudar	Director
	Shri Rohit Patel	"
	Ms. Silloo Patel	"
	Ms. Sonal Patel	"
	Shri Dinesh V. Patel	"
	Shri Rajat R. Patel	"
	Shri Rupen Patel	"

Bankers :	Dena Bank
	Union Bank of India
	State Bank of India
	Bank of India
	United Commercial Bank

Auditors :	Messrs. Vatsaraj & Co. Chartered Accountants Mumbai 400 023
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Registered Office :	Patel Estate Swami Vivekanand Road, Jogeshwari (West), Mumbai 400 102.
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NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty Ninth Annual General Meeting of the members of the company will be held on Friday the 24th July 1998 at 4.00 p.m. at the Registered Office of the Company at Patel Estate, S.V. Road, Jogeshwari [W], Mumbai-400 102.

ORDINARY BUSINESS :

- 1 To receive, consider and adopt audited Profit and Loss Account for the year ended on 31.03.1998 and the Audited Balance Sheet as on that date and the Reports of Auditors and Directors thereon.
- 2 To declare Final Dividend.
- 3 To appoint a Director in place of Sri Pravin Patel who retires by rotation and being eligible offers himself for reappointment.
- 4 To appoint a Director in place of Smt. Silloo Patel who retires by rotation and offers herself for reappointment.
- 5 To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

- 6 **To consider and if thought fit, to pass, with or without modification (s), the following resolution as a Special Resolution**

"RESOLVED THAT pursuant to section 81 (1) , 81 (1A), 94 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or enactment thereof and the Memorandum & Articles of Association of the Company and subject, wherever required, to any other approval of Appropriate Authorities, the Board of Directors of the Company (herein after referred to as the "Board"- which term shall be deemed to include any duly authorised committee thereof for the time being exercising the powers conferred on this Resolution) be and is hereby authorised, on behalf of the Company, to issue subject to the provisions of the Companies Act, 1956, SEBI Regulations and such other rules and regulations, issue 7,71,505 Equity Shares of Rs.10/- each out of 1,34,56,990 unissued Equity Shares of the Company upon the following terms and conditions and subject to following rights."

- i 7,71,505 equity shares shall be issued and offered at such premium not exceeding Rs.50/- per share as the authorities concerned may fix.
- ii Further 7,71,505 equity shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank in all respects (including voting rights) *pari passu* with the holders thereof the right to dividend, if any, declared in respect of Company's financial year ended on 31.03.1998 but shall entitle such holders to dividend, if any declared in respect of Company's financial year(s) subsequent to the financial year ended on 31.03.1998 as from the first day of the month following the date or dates of allotment thereof or such other earlier date or dates after the date fixed for payment of application and /or first and final call amount (including premium) on the shares under clauses (iv) and (xi) hereof as the Directors may fix, in proportion to the capital for the time being paid up during such financial year(s) in respect of which the dividend is declared.
- iii Further this 7,71,505 equity shares be issued and offered in the first instant to the holders of the existing equity shares on the Register of Members of the Company, on such date as may be fixed by the Directors in the ratio on such date as nearly as circumstances permit, of **one** equity shares to **two** existing equity shares held by such shareholders respectively.
- iv The offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time, not exceeding 30 days from the date of the offer within which if the offer is not accepted, it will be deemed to have been declined, with liberty to the Directors from time to time to extend the time for acceptance as aforesaid, either generally or in respect of any particular holder or holders.
- v The offer aforesaid include a right exercisable by the shareholder concerned to renounce the shares offered to him in whole or in part in favour of nominee approved by the Directors.
- vi The offer aforesaid does not confer the right to apply for additional shares nor a shareholder who has renounced his right in whole or in part is entitled to an allotment of rights shares.

In the event of oversubscription, the Board at its sole discretion retain such amount of over subscription as may be permitted by the appropriate authority.

PATEL ENGINEERING CO. LTD.

- vii In respect of such further equity shares, Rs. 10/- (Rs. Ten) on capital account plus Rs. 10/- (Rs. Ten) on the premium as may be prescribed and agreed to as aforesaid per each further equity shares shall be payable along with the application of such shares respectively and the balance of Rs. 40/- (Rs. Forty) on account of the premium as may be prescribed and agreed to as aforesaid per each further equity shares shall be payable on the company in two equal installments making the first call at Rs. 20/- which will not be earlier than three months from the date of allotment and the remainder being the 2nd and final call will be as decided by the Board but not earlier than 6 months from the date of allotment.
- viii The Directors be and are hereby authorised and empowered to dispose of and allot any of the aforesaid further equity shares not taken upto by the holders of the existing equity shares entitled thereto or remaining undisposed of to such person or persons, whether shareholders of the Company or not, on such terms and at such price or prices or at the ruling market price or the issue price, whichever is higher, and where the above procedure is not practicable for any reason the Directors have absolute authority/discretion that deem necessary.
- ix The allotment to non-resident shareholders will be subject to the sanction of the Central Government and/or the Reserve Bank of India, as may be required.
- x The certificates in respect of the further equity shares shall be completed and be ready for delivery within 90 days from the last allotment thereof, and that the Directors be and they are hereby empowered to take necessary steps as they may think fit for enlisting the shares with the Bombay Stock Exchange.
- xi For the purpose of giving effect to this resolution, the Directors be and are hereby authorised to prescribe the forms of application and renunciation and other documents in respect of such further equity shares to give such other directions as they may think fit and proper, including directions for settling any question or difficulty that may arise in regard to the issue and allotment of the further equity shares or in connection with any deceased or insolvent shareholder or a shareholder suffering from any disability and to do all acts, deeds, matters and things, as the Directors in their absolute discretion consider necessary, expedient, usual or proper for them to do.

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to section 31 of the Companies Act 1956, the Articles of Association of the Company be and are hereby amended in the manner set out below :

The following new Article be inserted after Article 10 with a marginal note "Shares/Stock buy back."

10A. The Company may from time to time by Special Resolution buy its own shares, debentures and other stocks, if any, for the time being, either from the existing holders of shares/stocks and/or from the open market including the shares issued to the employees, if any, and as and when issued by both in marketable lots and lots smaller than the market lots (i.e. odd lots)

Shares/
Stock Buy-
back

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof and any Ordinance Promulgated in this regard for the time being in force and as may be enacted/ promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (herein after referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back, from the existing holders of shares and/or other securities giving right to subscribe for shares of the Company, on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots) and/or by purchasing the securities issued to the employees pursuant to a scheme of stock option, the shares, or such other securities or securities having voting rights as may hereafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "the Securities"), of the Company, from out of its free reserves and/or out of the securities premium account of the Company and/or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be prescribed by law from time to time; provided that the aggregate of the Securities so bought back shall not exceed such of the respective Securities of the Company, and such amount as may be decided by the Board within the limits, if any, as may be prescribed by the law, from time to time."

Patel**FORTY NINTH ANNUAL REPORT 1997-98**

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper."

Registered Office:
S.V. Road,
Jogeshwari (West),
Mumbai - 400 102.

By Order of the Board
for **PATEL ENGINEERING CO. LTD.**

Dated : 5th June, 1998

RUPEN PATEL
(EXECUTIVE DIRECTOR)

NOTES :

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- b. The proxies in order to be effective must be deposited 48 hours prior to the date of meeting at the Registered Office of the Company.
- c. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 wherever necessary is attached to the notice.
- d. Members are requested to bring their Annual Reports along with them to the Annual General Meeting as extra copies will not be supplied.
- e. The Register of Members and Share Transfer Books will remain closed from **20.07.1998 to 24.07.1998** (both the days inclusive).
- f. The Dividend if declared, at the Annual General Meeting will be paid to those shareholders whose names appear in the Register of Members, as of 24.07.1998.
- g. Members are requested to intimate change in address, if any, at the earliest to the Registered Office of the Company.
- h. No tax will be deducted from the members as per provision to section 115-O of the Income Tax Act, as amended by the Finance Bill of 1997-98.
- j. The unpaid dividend for the year 1994-95 is due for remitting to Government account and therefore members are requested to claim the same with proper identification, failing the amount would be remitted to Government account upon expiry of the period.

THE EXPLANATORY STATEMENT UNDER SECTION 173(2) TO THE COMPANIES ACT 1956.**ITEM NO.6:**

You will be happy to know that the Company has recently acquired the controlling effect of ASI RCC Inc., USA which is one of the subsidiary added to Patel Engineering Co. Ltd. The Company acquired it to utilize their modern technology and techniques available in America to our other projects in execution elsewhere. Further, the Company is negotiating major contract worth hundred of corers and if awarded and implemented the Company's net-worth will go higher and higher. So far the Company's own accruals have been ploughed back for financing new projects. The Company, of late, has tendered for Mega Projects including infrastructure projects. Due to rapid growth and substantial increase in its level of operations, the capital expenditure and long term working capital needs of your Company have increased significantly.

Therefore, the Directors have decided, for augmenting Long Term Working Capital requirement and for other corporate purposes, to recommend the issue of Rights Share and the proceeds of which will be applied largely in financing the programme under way. Also the Directors believe that the proposed Rights Issue will strengthen the equity base for the Company's growing activities.

The Rights will be offered only to the existing shareholders at the ratio set out in the resolution and the only un-subscribed portion of the rights, if any, will be disposed off by the Board at its discretion, however, preferably to the existing shareholders and /or to permanent staff of the company.

PATEL ENGINEERING CO. LTD.

The issue of further shares is subject to the consent and approval of the authorities concerned as may be necessary in the circumstances prevailing at the time of issue. The Memorandum and Articles of Association of the Company provides for such issue and as such any member who wishes to inspect to do so between 10 hours and 12 hours on all working days except Saturdays, Sundays and Public Holidays with prior information.

All the Directors of the Company are concerned and /or interested in this resolution to the extent to which they will have the rights to subscribe to the Rights Issue in proportion to the share holding on such date as the Board may fix.

ITEM NO. 7:

The Government of India in its Budget proposal for 1997-98 have introduced the Companies Bill 1997 to enact amongst other things to buy-back the shares of its own by the Company so that the take-over norms of the management as regulated by the Securities and Exchange Board of India, will be complied with which is a healthy sign for managing a well established company as otherwise the Board feels a good and efficient management may be sullied by the vested persons with ulterior motives. Addition to Articles of Association is purely on abundant caution and in case the bill is passed and enacted as law then only this article would come into force.

All the Directors of the Company either interested or concerned to the extent of the shareholding since they feel not to give room for take-over when the Company is running smoothly, efficiently and profitably.

ITEM NO.8:

The Companies Act, 1956, which is in force, does not contain the provision to buy-back its own share/stock by the Company. The Companies Bill 1997, however, seeks to lay down the operative provisions and to regulate the buy-back of shares is yet to be enacted as law. However, the management feels that the Companies Bill 1997, will sooner or later be enacted as law and therefore, seek members approval to buy-back the Company's shares not exceeding such percentage as the law may permit and the total voting powers relating to the equity either in lumpsum or in installment including odd lots or the shares held by the employees.

The buy-back of such shares as aforesaid would entail in investing of an amount which would be lesser than the market value of the shares and shall be met out of the free reserves and/or out of the premium account and/or out of the proceeds of an issue specifically made for the purpose and/ or from such other sources as may be permitted by law. The shares so bought back shall be dealt with as per the then prevailing law/regulation.

It is the opinion of the Board that in the best interest of the Company, if the shareholders approve, the said resolution permitting such buy-back so that the implementation of the projects both in Overseas and in India are carried out smoothly, when the Companies Bill 1997 has become a law and operative.

All the Directors are either concerned or interested since buy-back of its own share will prevent the Company going to wrong hands.

By Order of the Board
for **PATEL ENGINEERING CO. LTD.**

Place : Mumbai
Date : 5th June, 1998

RUPEN PATEL
(EXECUTIVE DIRECTOR)

STATUTORY STATEMENTS

- During the year under review, company has continued not to accept public deposits.
- Mr. Pravin Patel and Ms. Silloo Patel, Directors of your company retire by rotation and being eligible offer themselves for reappointment.
- Particulars of the employee's under Section 217 (2A) of the Companies Act read with Companies (particulars of employees) Rules 1975 are annexed separately.
- The company does not have any manufacturing activities. Hence, conservation of energy statement does not apply.
- Continuous upgradation of personnel, technical and management skills has been by attending seminars, workshops and project visits both within India and abroad.
- This year your company has earned Rs. 0.03 Mill. in foreign exchange while the expenditure in foreign exchange has been Rs. 8.8 Mill.
- The auditors report read with notes are self explanatory.
- Ms Vatsaraj & Co., auditors of the company retire, and are eligible for reappointment

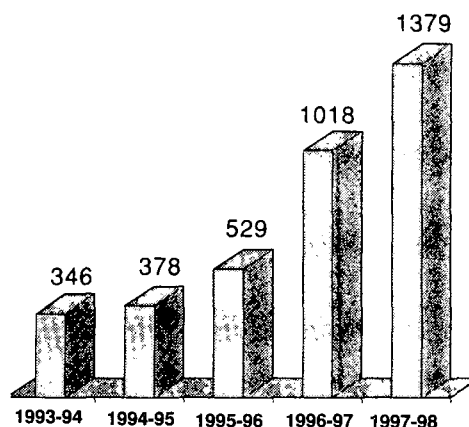
On behalf of the Board

PRAVIN PATEL
Chairman

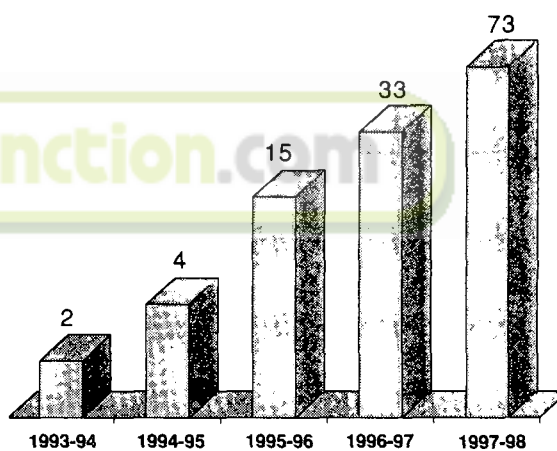
Mumbai

Dated : 5th June, 1998

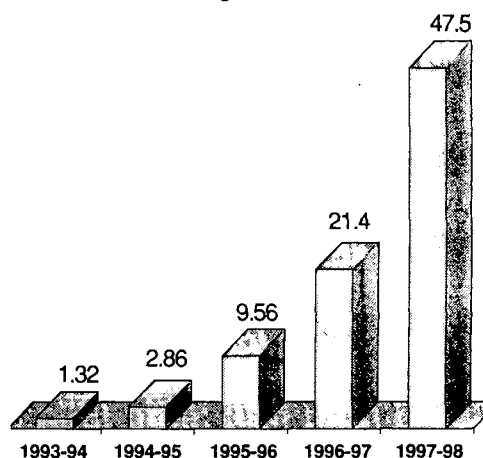
Gross Income (Rupees in Millions)



Net Income (Rupees in Millions)



Earnings Per Share



PATEL ENGINEERING CO. LTD.**AUDITORS' REPORT:****TO THE SHAREHOLDERS**

We have audited the attached Balance Sheet of PATEL ENGINEERING COMPANY LIMITED as at 31st March, 1998 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 all 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.500 thousands to a party 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 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. The terms and conditions of which are not prejudicial to the interest of the company.
- (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.
- (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) Central Government has not prescribed the maintenance of the cost records under section 209 (1)(d) of the Companies Act, 1956.