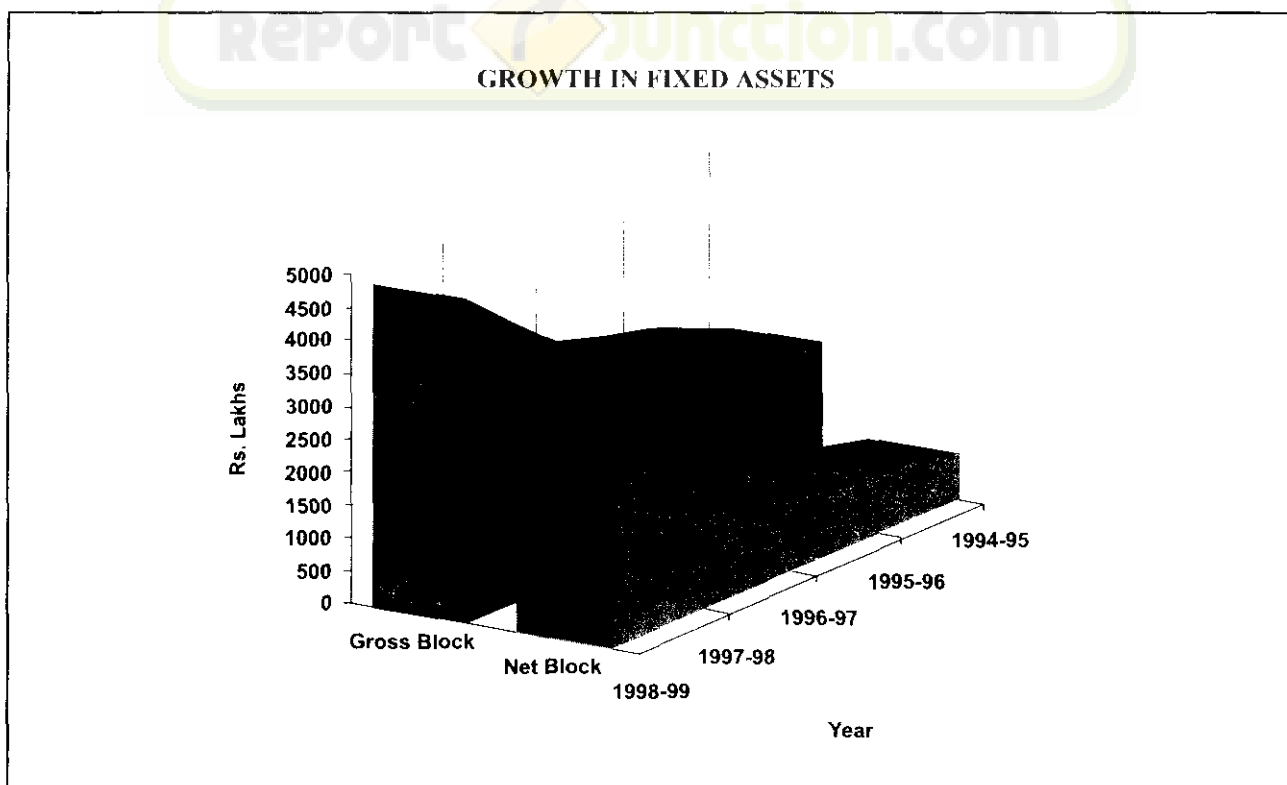
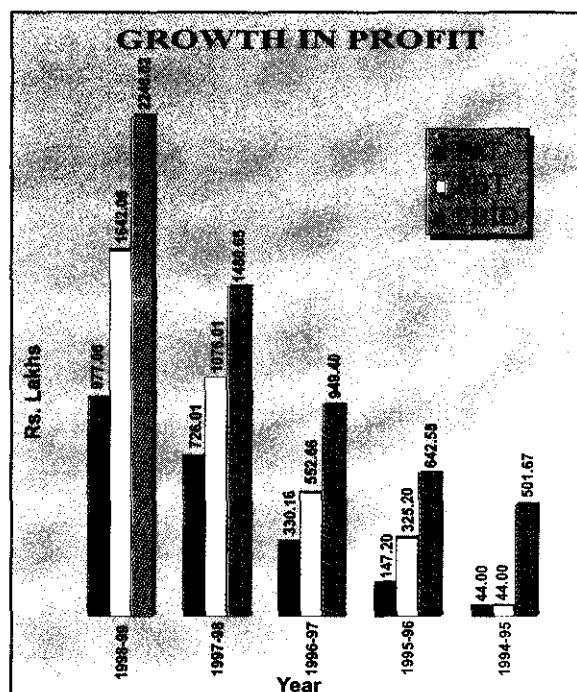
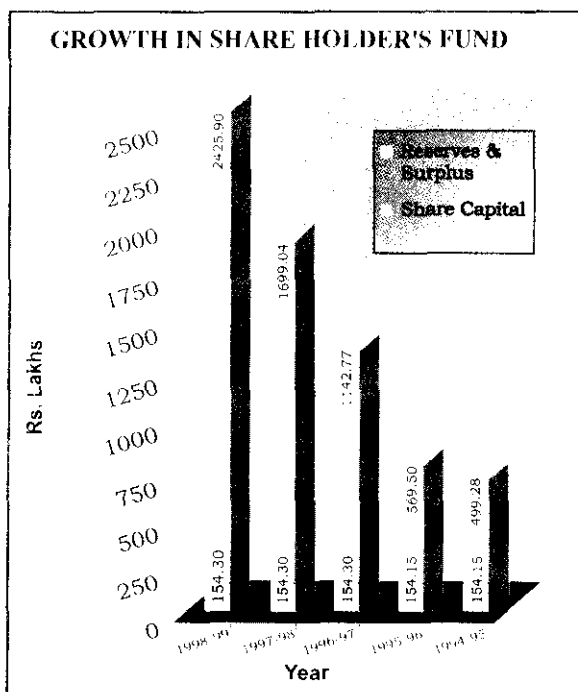


PATEL ENGINEERING

50TH ANNUAL REPORT

MARCH 1999



Cover Photo: Double Lake Tape Blast, 1st in Asia, performed at Koyna Hydro Electric Project (Stage IV) on 13th March, 1999.

Patel**FIFTIETH ANNUAL REPORT 1998-99****Chairman's Overview****Dear Friends,**

Group of five entrepreneurs with a capital base of Rs. 250,000 started the company in 1949 with a vision to provide quality and timely engineered construction contracting to participate for the nation's infrastructure needs. Implicit faith in the people and desire for social improvement is continued and is now the culture, a strong bond amongst the Company personnel.

Your Company today is assigned 4A 3 (best) rating by world renowned DNB with 16 times the market capitalization and is recognized as one of the leading construction company with a global presence.

During these 50 years the Company has carved out a niche in tunnels and underground works for hydroelectric and transport projects. The Company's performance and achievements have been globally recognized.

The Company has successfully carried out the first in Asia underwater lake tap for Koyna IV HEP and has set industry standards for underground works on its Srisaillam pumped storage project.

Synergy with the subsidiary, ASI RCC Inc. USA has enabled the Company to provide complete advanced and high tech turnkey construction capability in hydropower development world over.

The highlights of the consolidated financial results for the year are:

● Revenues	:	US \$	75.22 mn
		Rs.	3,197 mn
● Profit after tax	:	US \$	2.83 mn
		Rs.	120 mn

Your Company Board has declared a total dividend of 100%.

This year the Company also compiled and audited as per Generally Accepted Accounting Principles (U.S., GAAP), as elsewhere in the world for transparency and clarity.

ASI RCC Inc. USA, a subsidiary has performed exceptionally well with renewed energy and guidance. Company's Office in Denver, USA is operating satisfactorily.

Most significant event in this 50th year and in the history of the Company is that the Company had successfully completed Twin Lake Tap at Koyna Stage IV HEP.

The Company has also achieved a breakthrough in highway and road construction projects.

Ongoing projects are progressing as per schedule with healthy client and industrial relations. The order book remains healthy with addition of new contract.

New tender bids worth more than Rs.5,000 mn were submitted. The Company is favorably positioned in few of these. International bids for major project in Thailand is under review. Opportunities in other parts of the world are also being pursued.

Government's emphatic boost to infrastructure development, specially in transport sector provides more opportunities in the coming years. Company's growing global presence also brings in added opportunities.

I record here my appreciation of contribution and support of everyone in and outside the Company.

Mumbai - 400 102
1st September, 1999

PRAVIN PATEL
Chairman

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	"
	Shri Nimish Patel	"

Executive Team :	Shri S. K. Desai	President
	Shri B. S. Reddy	Sr. Vice President
	Shri V. R. Dhedhi	Vice President
	Shri A. D. Pandya	Vice President

Bankers :	Dena Bank (I. F. Branch)
	Union Bank of India
	State Bank of India

Auditors :	Messrs. Vatsaraj & Co.
	Chartered Accountants
	Mumbai - 400 023.

Registered Office :	Patel Estate,
	Swami Vivekanand Road,
	Jogeshwari (W),
	Mumbai 400 102.

STATUTORY STATEMENTS

- During the year under review, company has continued not to accept public deposits.
- Mr. Rohit Patel, Mr. Shamit Majmudar and Mr. Dinesh Patel, Directors of your company retire by rotation and being eligible offer themselves for reappointment.
- Any shareholder interested in obtaining Particulars of the employee's under Section 217 (2A) of the Companies Act read with Companies (particulars of employees) Rules, 1975 may write at the Registered office of the Company.
- 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 in 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.26.34 Mills.
- The Company has no machinery/ process controls which will be affected by Y2K problems. However, the company has initiated risk mitigation measures in other areas by changing and /or modifying the existing software wherever required. The Company has budgeted an amount of Rs. 0.4 Mill towards this objective compliance by October, 1999.
- The auditors report read with notes are self explanatory.
- M/s. Vatsaraj & Co., auditors of the Company retire, and are eligible for reappointment.

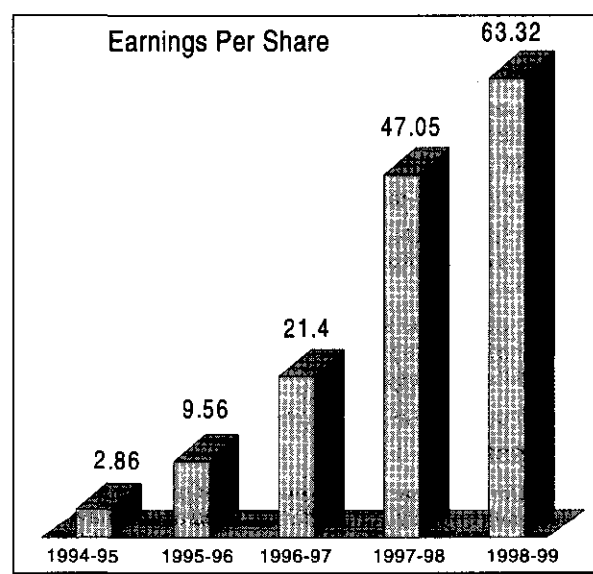
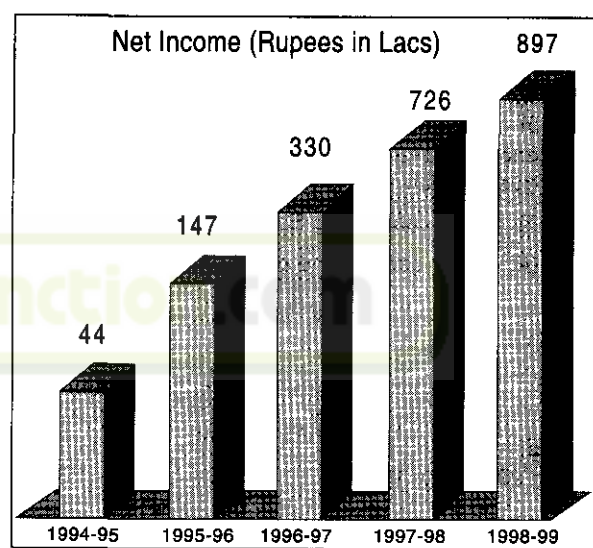
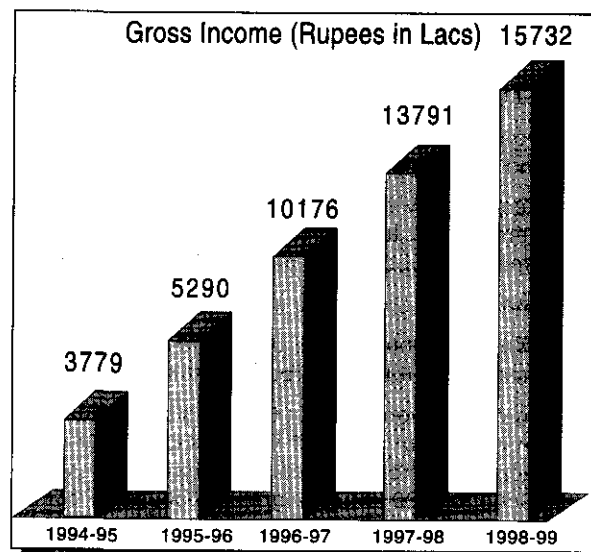
On behalf of the Board

Mumbai

Dated : May 28, 1999

RUPEN PATEL

Director



PATEL ENGINEERING CO. LTD.**AUDITOR'S REPORT****To The Members of Patel Engineering Company Limited**

We have audited the attached Balance Sheet of Patel Engineering Co. Limited as at 31st March, 1999 and the profit and loss account for the year ended on that date, annexed thereto, and report that :-

- 1 As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in the annexure referred to in paragraph (1) above, we state that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of the audit ;
 - (b) In our opinion, subject to Note no. 11 in Schedule 20 regarding no credit taken in the Profit and Loss Account in respect of share of Profit or Loss and Interest from Jointventures and Partnership Firm, as required under accrual system of accounting having consequential effect on the Profit / Loss and Advance, and Note no. 7 in Schedule 20 regarding the accounting of turnover, stores consumption and machinery hire charges in the Profit & Loss Account, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books and the Profit & Loss Account and Balance Sheet comply with the accounting standards (subject to Note No. 11 in Schedule 20) referred to in sub-section 3C of section 211 of the Companies Act, 1956 ;
 - (c) The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of accounts of the Company ;
 - (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Notes in Schedule 20 and subject to our observation in Para 2 (b) above, give a true and fair view ;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 ; and, .
 - (ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date.

for VATSARAJ & COMPANY,
Chartered Accountants

Mumbai
Dated : 28th May, 1999

B.K. VATSARAJ
Proprietor

ANNEXURE TO AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the report of the auditors to the members of Patel Engineering Co. Ltd. on the accounts for the year ended 31st March, 1999, we report that

INTERNAL CONTROLS :

1. 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.
2. In our opinion, in respect of the activities of the company, commensurate with its size and nature of its business, has.
 - (a) A reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of its business. This provides for a reasonable allocation of the material and man-hours consumed to the relative jobs.
 - (b) A reasonable system of authorisation at proper level, with necessary control on the issue of stores and allocation of stores and labour to jobs and the system of internal control is considered commensurate with the size of the Company and nature of its business.
3. In our opinion the company has an adequate internal audit system commensurate with its size and nature of its business.

FIXED ASSETS :

4. 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.
5. The fixed assets have not been revalued during the year.

INVENTORIES :

6. 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.
7. 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.
8. We have been informed by the Management that the discrepancies between the physical and book inventories were not material and these have been properly dealt with in the financial statements.
9. The stock of inventories and work in progress are taken into account as 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.
10. As informed to us, the Company did not have any damaged or unserviceable stores during the year.
11. 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.
12. Central Government has not prescribed the maintenance of the cost records under section 209 (1)(d) of the Companies Act, 1956.

LOANS & ADVANCES:

13. The Company has not taken unsecured loans from parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and Companies under the same Management as defined under Section 370 (1B) of the Companies Act, 1956.
14. The Company has not granted any unsecured loans to parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and Companies under the same Management as defined under Section 370 (1B) of the Companies Act, 1956.
15. Rs.500,000 granted to a party, included under advances, in our view is in the nature of loan without interest. The Company has not taken any steps for recovery of the same.

RELATED PARTIES:

16. The Company has not entered into any transaction of purchase or sale of goods and services in pursuance of contract or arrangement entered in the register u/s. 301 of the Companies Act, 1956 aggregating during the year to Rs. 50,000 or more in respect of each party, except in case of one party for purchase of goods, the terms and conditions of which are not prejudicial to the interest of the Company.

FIXED DEPOSITS:

17. The Company has not accepted deposits from public to which directive issued by the Reserve Bank of India and the provisions of section 58A of the Companies Act, 1956 and the rules framed thereunder apply.

STATUTORY LIABILITY:

18. As explained to us there are no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs and Excise duty except for Wealth Tax Rs. 275,000 which are outstanding as on 31st March, 1999 for a period of more than six months from the date they became payable.
19. The Company is regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.

OTHERS :

20. 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.
21. 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.

for VATSARAJ & COMPANY,
Chartered Accountants

Mumbai
Dated : 28th May, 1999

B.K. VATSARAJ
Proprietor

PATEL ENGINEERING CO. LTD.**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999.**

	SCHEDULE	1998-99 Rupees	1997-98 Rupees
INCOME			
Turnover	1	<u>1,566,970,330</u>	<u>1,368,045,668</u>
EXPENDITURE			
Materials / Construction Expenses	2	1,171,535,977	1,105,272,387
Employee Costs	3	70,082,187	56,142,954
Other Expenses	4	100,750,371	58,564,992
Interest & Financial Charges (Net)	5	22,720,022	12,539,751
Depreciation		37,675,702	27,924,104
Total Expenditure		<u>1,402,764,259</u>	<u>1,260,444,188</u>
Profit before Taxation and Extraordinary Items		164,206,071	107,601,480
Provision for Taxation		<u>66,500,000</u>	<u>35,000,000</u>
Profit after Taxation		97,706,071	72,601,480
Less: Provision of Retirement Benefits (Refer Note # 3)		<u>8,047,118</u>	-
Net Profit for the Year		89,658,953	72,601,480
Balance brought forward from previous year		14,573,038	8,944,669
Profit available for appropriation		<u>104,231,991</u>	<u>81,546,149</u>
Appropriations :-			
Proposed Dividend : Interim		7,715,050	9,258,060
Final		7,715,050	6,172,040
Corporate Dividend Tax		1,543,010	1,543,011
Transfer to Housing Project Reserve		20,000,000	-
Transfer to General Reserve		62,500,000	50,000,000
		<u>99,473,110</u>	<u>66,973,111</u>
Surplus Carried to Balance Sheet		<u>4,758,881</u>	<u>14,573,038</u>

Notes on Accounts : Schedule '20'

As per our attached Report of even date
for **VATSARAJ & Co.**
Chartered Accountants

RUPEN PATEL Director

SILLOO PATEL Director

B. K. VATSARAJ
Proprietor

NIMISH PATEL Director

Mumbai
Dated : 28th May, 1999.

BALANCE SHEET AS AT 31ST MARCH, 1999.

	SCHEDULE	1998-99 Rupees	1997-98 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
Share Capital	6	15,430,100	15,430,100
Reserves & Surplus	7	242,589,970	169,904,127
		258,020,070	185,334,227
LOAN FUNDS			
Secured Loans	8	70,801,216	105,235,959
Unsecured Loans	9	9,267,617	11,216,197
CONTRACTEE ADVANCES	10	97,570,180	131,432,675
TOTAL FUNDS EMPLOYED		435,659,083	433,219,058
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	11	488,795,311	363,429,446
Less : Depreciation		202,031,848	165,193,265
NET BLOCK		286,763,463	198,236,181
INVESTMENTS	12	141,833,675	148,754,735
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	13	22,053,120	82,286,678
Sundry Debtors	14	220,800,426	88,146,430
Cash & Bank Balances	15	56,540,401	137,569,595
Other Current Assets	16	1,118,271	62,523
Loans & Advances	17	78,304,019	67,003,737
Total Current Assets, Loans & Advances		378,816,237	375,068,963
LESS : CURRENT LIABILITIES & PROVISIONS			
Liabilities	18	362,210,156	282,051,577
Provisions	19	9,544,136	6,789,244
Total Current Liabilities & Provisions		371,754,292	288,840,821
NET CURRENT ASSETS		7,061,945	86,228,142
TOTAL APPLICATION OF FUNDS		435,659,083	433,219,058

Notes on Accounts : Schedule '20'

As per our attached Report of even date
for **VATSARAJ & Co.**

Chartered Accountants

RUPEN PATEL

Director

SILLOO PATEL

Director

B. K. VATSARAJ

Proprietor

NIMISH PATEL

Director

Mumbai

Dated : 28th May, 1999.

PATEL ENGINEERING CO. LTD.

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDING 31ST MARCH, 1999**

	1998-99 Rupees	1997-98 Rupees
1. TURNOVER		
CONSTRUCTION		
Construction Receipts	1,575,142,796	1,398,406,142
Add: Increase/(Decrease) in Work in Progress	(32,596,138)	(52,336,852)
	<u>1,542,546,658</u>	<u>1,346,069,290</u>
OTHER INCOME		
Share of Profit in Joint Venture with Sai Valley Resorts Pvt. Ltd. (Unaudited)	225,000	50,000
Share of Profit in Partnership firm - Sky Build Enterprises (Audited)	258,781	22,830
Dividend on Shares	50,217	2,975
Profit on sale of Investment	-	25,000
Lease & Service Charges (T.D.S. Rs. 4186'000, P.Y.Rs. 4082'000)	21,204,941	20,274,142
Excess credit written back	1,581,247	244,792
Miscellaneous Income *	1,103,486	1,204,473
Machinery Hire charges	-	152,166
	<u>24,423,672</u>	<u>21,976,378</u>
Total Turnover	<u>1,566,970,330</u>	<u>1,368,045,668</u>
* Includes Rs. 309'000 towards sale of scrap (P.Y. Rs. 989'000), & Rs. Nil towards difference due to exchange rate fluctuation (P.Y. Rs. 210'000).		
2. MATERIALS / CONSTRUCTION COST		
Stores & Spares Consumed	510,745,574	554,752,316
Piece Workers Wages & Labour Charges	427,443,459	461,314,262
Repairs to Machinery *	44,657,670	34,465,025
Machinery Hire Charges	158,457,800	6,134,869
Power, Electricity, Water Charges	19,184,561	24,994,315
Freight, Octroi, Transport Charges	11,046,913	23,611,600
	<u>1,171,535,977</u>	<u>1,105,272,387</u>
* Exclusive of amounts charged to other revenue account		
3. EMPLOYEE COST		
Salaries, Wages, Gratuity, Bonus etc.	54,009,805	46,823,798
Contribution to Provident Fund and other Fund	3,151,305	2,584,788
Workmen and Staff Welfare Expenses	12,921,077	6,734,368
	<u>70,082,187</u>	<u>56,142,954</u>