

Patel



PATEL ENGINEERING LTD.
52nd ANNUAL REPORT
2000-2001



Power House for Srisaillam Left Bank Hydroelectric Scheme



1.3 km Long Single Line B.G. Tunnel Between Udhampur - Katra Section for Northern Railway

Front Cover : "Y" Junction in Head Race Tunnel of Srisaillam Left Bank Hydroelectric Scheme

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT

Board of Directors
Patel Engineering, Ltd.

We have audited the accompanying consolidated balance sheet of Patel Engineering, Ltd., as of March 31, 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patel Engineering, Ltd., as of March 31, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with United States generally accepted accounting principles.

Bauerle and Company, P.C.
Certified Public Accountants

Ralph G. Hood C.P.A.
Partner

June 29, 2001

PATEL ENGINEERING LTD.

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2001

ASSETS	US \$	US \$	INR	INR
CURRENT ASSETS				
Cash and Cash Equivalents		4,246,216		198,043,514
Certificates of Deposit		5,610		261,650
Accounts Receivable:				
Trade	6,947,046		324,010,225	
Retainage	2,804,179		130,786,909	
Claim	400,000		18,656,000	
Employees	89,718		4,184,448	
Total Accounts Receivable		10,240,943		477,637,582
Inventories		1,108,616		51,705,850
Accrued Interest Receivable		84,517		3,941,873
Notes Receivable		658,233		30,699,987
Certificates of Deposit – Pledged		35,348		1,648,631
Prepaid Expenses		570,668		26,615,956
Contract Advances – Prepaid		1,036,812		48,356,912
Deposits		203,722		9,501,594
Construction in Progress		592,558		27,636,905
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts		4,006,630		186,869,223
Prepaid Income Taxes		1,341,850		62,583,883
Total Current Assets		24,131,723		1,125,503,560
PROPERTY AND EQUIPMENT - AT COST				
Land	973,481		45,403,154	
Buildings and Improvements	2,145,838		100,081,884	
Machinery and Equipment	18,567,651		865,995,243	
Transportation Equipment	4,533,705		211,452,001	
Office Furniture and Equipment	654,202		30,511,982	
	26,874,877		1,253,444,264	
Less: Accumulated Depreciation	11,106,365		518,000,864	
Property and Equipment (Net)		15,768,512		735,443,400
OTHER ASSETS				
Deposits	800,423		37,331,729	
Certificates of Deposit – Pledged	1,128,109		52,615,004	
Construction in Progress	531,464		24,787,481	
Investment in Government Securities	4,738		220,980	
Other Investments	199,105		9,286,257	
Notes Receivable – Related Parties	10,335		482,023	
Contract Advances – Prepaid	430,636		20,084,863	
Prepaid Income Taxes	1,054,248		49,170,127	
Total Other Assets		4,159,058		193,978,464
TOTAL ASSETS		44,059,293		2,054,925,424

The accompanying notes are an integral part of the financial statements

LIABILITIES AND STOCKHOLDERS' EQUITY

	US \$	US \$	INR	INR
CURRENT LIABILITIES				
Accounts Payable – Trade and Retainage	10,054,087		468,922,618	
Notes Payable – Due Within One Year	6,381,792		297,646,779	
Contract Advances – Deferred	2,391,413		111,535,502	
Dividends Payable	684,096		31,906,237	
Dividend Taxes Payable	67,490		3,147,734	
Deposits Held and Payable Within One Year	62,679		2,923,349	
Accrued Wages and Payroll Taxes	422,550		19,707,732	
Accrued Retirement Benefits Payable	35,240		1,643,593	
Other Accrued Liabilities	204,984		9,560,454	
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	500,802		23,357,405	
Total Current Liabilities		20,805,133		970,351,403
LONG-TERM LIABILITIES				
Notes Payable – Due After One Year	4,087,034		190,619,266	
Contract Advances – Deferred	2,178,390		101,600,110	
Deposits Held and Payable After One Year	1,839,499		85,794,233	
Deferred Income Taxes	303,334		14,147,497	
Total Long-Term Liabilities		8,408,257		392,161,106
Total Liabilities		29,213,390		1,362,512,509
STOCKHOLDERS' EQUITY				
Common Stock, \$.13 Par Value; 30,000,000 Shares Authorized; 3,086,020 Shares Issued and Outstanding	363,660		16,961,102	
Retained Earnings – Appropriated	1,903,726		88,789,780	
Retained Earnings – Unappropriated	9,341,370		435,681,497	
Foreign Currency Adjustment (Credit) – Net of Taxes (Credit) of (\$171,790) (INR 8,012,286)	(262,570)		(12,246,264)	
	11,346,186		529,186,115	
Minority Interest in ASI RCC, Inc.	3,499,717		163,226,800	
Total Stockholders' Equity		14,845,903		692,412,915
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		44,059,293		2,054,925,424

PATEL ENGINEERING LTD.

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2001

	US \$	US \$	INR	INR	%
REVENUE FROM CONSTRUCTION		94,266,537		4,396,591,286	100.00%
DIRECT COST OF CONSTRUCTION	82,792,153		3,861,426,016		
UNDER ALLOCATED INDIRECT COST OF CONSTRUCTION	<u>1,466,931</u>		<u>68,417,662</u>		
Total Cost of Construction		<u>84,259,084</u>		<u>3,929,843,678</u>	<u>89.5</u>
GROSS PROFIT		10,007,453		466,747,608	10.6
GENERAL AND ADMINISTRATIVE EXPENSES					
Advertising	21,997		1,025,940		
Bad Debt Expense	24,456		1,140,628		
Bank and Guarantee Fees	204,046		9,516,705		
Consulting and Commissions	167,892		7,830,483		
Depreciation	239,015		11,147,660		
Directors Fees and Commissions	51,538		2,403,732		
Donations	27,343		1,275,278		
Dues and Subscriptions	38,634		1,801,890		
Employee Benefits	198,564		9,261,025		
Freight and Postage	14,956		697,548		
Insurance	284,098		13,250,331		
Interest	530,283		24,732,399		
Legal and Accounting	493,620		23,022,437		
Licenses and Taxes	197,949		9,232,341		
Miscellaneous	61,435		2,865,328		
Office Supplies and Expense	405,876		18,930,057		
Rent	62,197		2,900,868		
Repairs and Maintenance	104,881		4,891,650		
Salaries, Bonuses and Payroll Taxes	1,637,290		76,363,205		
Telephone and Utilities	242,326		11,302,084		
Travel and Lodging	<u>569,617</u>		<u>26,566,937</u>		
Total General and Administrative Expenses		<u>5,578,013</u>		<u>260,158,526</u>	<u>5.9</u>
INCOME FROM OPERATIONS		4,429,440		206,589,082	4.7
OTHER INCOME (EXPENSE)					
Rental Income	670,901		31,290,823		
Interest Income	258,149		12,040,069		
Gain on Sale of Assets and Investments	98,890		4,612,229		
Income from Investments – Equity Method	20,331		948,238		
Miscellaneous Income	395,197		18,431,988		
Unrealized (Loss) on Marketable Securities	(1,849)		(86,237)		
Foreign Currency Exchange (Loss)	<u>(9,625)</u>		<u>(448,910)</u>		
Other Income (Expense) - Net		<u>1,431,994</u>		<u>66,788,200</u>	<u>1.5</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST		5,861,434		273,377,282	6.2
PROVISION FOR INCOME TAXES		<u>928,052</u>		<u>43,284,345</u>	<u>1.0</u>
INCOME BEFORE MINORITY INTEREST		4,933,382		230,092,937	5.2
MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARY		<u>366,090</u>		<u>17,074,438</u>	<u>0.4</u>
NET INCOME		<u><u>4,567,292</u></u>		<u><u>213,018,499</u></u>	<u>4.80%</u>

The accompanying notes are an integral part of the financial statements.