

58th

ANNUAL REPORT
2006-2007

Patel
Since 1949

PATEL ENGINEERING Ltd

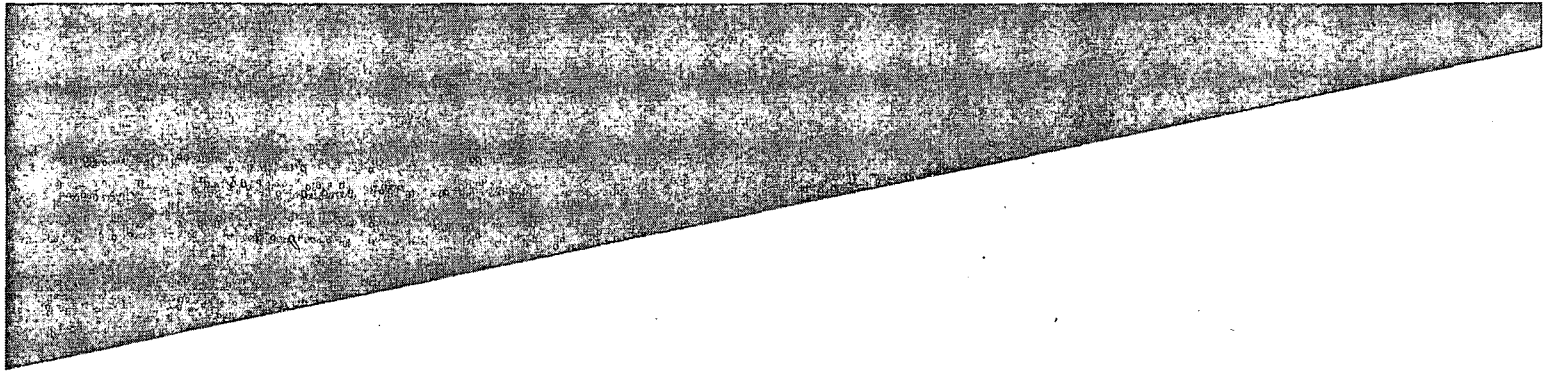
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Patel
WITH REPUTATION



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BOARD OF DIRECTORS

Mr. Pravin Patel	(Chairman)	
Mr. Rupen Patel	(Managing Director)	
Mr. K. Kannan		
Mr. Khizer Ahmed		
Mr. Rohit Patel		
Ms. Silloo Patel	(Whole Time Director)	
Ms. Sonal Patel	(Whole Time Director & COO)	
Mr. Nimish Patel	(Whole Time Director)	
Mr. S.K. Desai	(Whole Time Director)	
Mr. Dinesh Patel		
Mr. Rajat Patel		COMPANY SECRETARY
Mr. Ajay Tuli		Ms. Shobha Shetty

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REGISTERED OFFICE

Patel Estate Road,
Jogeshwari (West)
Mumbai - 400 102
email: headoffice@pateleng.com
website : www.pateleng.com

AUDITORS

M/s. Vatsaraj & Co.
Chartered Accountants
Fort Chambers, "C" Block,
65, Tamarind Lane,
Fort, Mumbai 400 023

BANKERS

ICICI Bank Ltd.	State Bank of Patiala
Dena Bank	Corporation Bank
Bank of India	ABN AMRO Bank Ltd
Canara Bank	ING Vysya Bank Ltd
IDBI Bank Ltd.	Citibank N.A.
Oriental Bank of Commerce	Centurion Bank of Punjab Ltd.
HDFC Bank Ltd	Kotak Mahindra Bank Ltd
State Bank of India	Yes Bank Ltd.
Bank of Baroda	Axis Bank Ltd.
Union Bank of India	Standard Chartered Bank

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400078
Tel.No.: 25963838*Fax.No.: (022) 25946969*email: isrl@intimespectrum.com

DIRECTOR'S REPORT

Fifty Eighth Annual Report 2006-07.

TO THE MEMBERS,

Your Directors are pleased to present their Fifty Eighth Annual Report on the business and operations of the company and the Statements of Accounts for the year ended on 31st March, 2007.

FINANCIAL RESULTS

The performance of the company for the year ended on 31st March, 2007 is summarized as follows:

		(Rs. in crore)
	2006-07	2005-06
Gross Income	1,316.67	1,028.32
Construction Costs	1,021.81	792.06
Administrative & Other Expenses	119.08	98.18
Interest Cost	9.67	26.11
Depreciation	34.90	31.14
Profit before extraordinary income	131.21	80.83
Extraordinary income	0.35	-
Profit before tax	131.56	80.83
Provision for taxation & other adjustments	18.55	7.46
Profit after tax	113.00	73.37
Profit brought forward	81.84	30.80
Adjustments on Consolidation	(7.12)	-
Dividend and tax thereon	8.84	7.69
Transfer to General Reserve	20.00	15.00
Surplus carried to Balance Sheet	158.88	81.48

DIVIDEND

Your Directors had declared an interim dividend @ 130% on 5,96,59,090 equity shares of Re.1/- each i.e. Rs. 1.30 paise per share for the financial year 2006-2007, which was paid to the members of the Company as on the record date (i.e. 22-03-2007) fixed for the purpose. The total cash out-flow on account of interim dividend including dividend tax is Rs.8,84,34,162/-

Your Directors have decided the interim dividend paid, as the final dividend for the financial year 2006-2007.

OPERATIONS

The Gross sale and the other income for the financial year under review were Rs. 1316.67 crore as against Rs. 1028.32 crore for the previous financial year giving an increase of 28.04%. The profit before tax of Rs.131.56 crore and profit after tax of Rs. 113.00 crore for the financial year under review as against Rs. 80.83 crore and Rs. 73.37 crore respectively for the previous financial year, improved by 26.76% and 54.01% respectively.

SUBSIDIARIES

During the year under review your Company incorporated 18 subsidiaries:

Out of these -

Two companies namely Patel KNR Infrastructures Pvt. Ltd and Patel Engineering Infrastructure Pvt. Ltd were incorporated as a Special Purpose Vehicle to carry out Build Operate Transfer (BOT) work of National Highway Authority of India (NHAI). Patel KNR Infrastructures Pvt. Ltd. has already commenced business.

One company namely Prachetas Power Generations Pvt. Ltd. was incorporated to carry out Power Projects in India. Presently the said Company is in the process of identifying such projects.

Two Overseas Subsidiaries viz. Patel Engineering (Mauritius) Ltd and Waterfront Developers Ltd were incorporated in Mauritius.

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Patel Engineering (Mauritius) Ltd was incorporated to carry out civil engineering and construction activities. Waterfront Developers Ltd was incorporated for setting up integrated Township and develop Portlands for Government of Mauritius.

The remaining 13 Companies viz. Phedra Projects Pvt. Ltd, Praval Developers Pvt. Ltd, Arsen Infra Pvt. Ltd, Pandora Infra Pvt. Ltd, Hebe infracon Pvt. Ltd, Hera Realcon Pvt. Ltd, Terminus Realcon Pvt. Ltd, Bellona Estate Developers Pvt. Ltd, Lucina Realtors Pvt. Ltd, Ares Infradevelopers Pvt. Ltd, Patel Realty (India) Pvt. Ltd., Apollo Buildwell Pvt. Ltd., Zeus Land Projects Pvt. Ltd. were incorporated to undertake Real Estate Business by exploring company's more than 500 acres land bank spread across India. These Subsidiaries were created basically to expedite the development of Real Estate activities considering the current demand for Real Estates.

The Company has obtained exemption from Government of India, Ministry of Corporate Affairs vide its letter no. 47/129/2007-CL-III dated 28-02-2007 from attaching the copies of the Balance sheet, Profit and loss account, Report of Board of Directors and the Auditors of subsidiary companies, to this Report pursuant to Section 212 of the Companies Act, 1956. The members of the Company can write to the Company for obtaining the Annual accounts of the subsidiary companies and the copies of annual accounts of all subsidiary companies will be kept for inspection during the business hours at the registered office of the Company in Mumbai.

ACQUISITIONS

During the year under review, Company acquired 51% stake in *Michigan Engineers Pvt. Ltd* (Michigan), a Mumbai based urban Infrastructure Company.

During the year under review, the company has also acquired 96% stake in *Patel Energy Limited* (PEL). Gujarat Power Corporation Limited, Government of Gujarat has entered into MOU with Patel Energy for establishing 1200 MW Imported Coal Based Power Project at Ghogha, Bhavnagar. PEL is in the process of identifying/buying lands for installation of thermal plant as well as in search of coal/ coalmines across the globe for the said project.

On acquisition, Michigan and PEL became subsidiaries of your Company.

FINANCE

Follow-on Public Issue

During the year under review, your Company raised Rs. 425 crores by way of follow on public issue of 96,59,090 Equity shares of Re. 1/- @ a premium of Rs. 439/-. The post issue paid up capital stands at 5,96,59,090 Equity shares of Re. 1/- each.

The issue received an overwhelming response and was oversubscribed by around 29 times.

The shares were allotted on May 19, 2006 and were listed on the Bombay Stock Exchange and National Stock Exchange on May 24, 2006.

FPO funds utilization statement

(Rs. in crore)

Particulars	Envisaged use upto 2008	Actuals as on March 31, 2007
Investment in Capital Expenditure	70.00	37.97
Repayment of Contractee Advances / Debt	80.00	79.28
Investments in infrastructure projects, subsidiaries, acquisitions and joint ventures	150.00	50.60
General Corporate purposes	100.00	81.98
Issue related expenses	25.00	17.60
Total	425.00	267.43

The unutilized funds has been temporarily invested in bank /fixed /security deposits.

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EMPLOYEE STOCK OPTION SCHEME 2007 (ESOP PLAN 2007).

Recognizing the importance of our employees, your directors have proposed introduction of ESOP Plan 2007, that would keep employees continuously motivated and in turn enhance shareholder value. Necessary Resolution has been included in the Notice convincing the ensuing Annual General Meeting of the Company and the Directors recommend the same for your approval.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Accounting Standard AS-21 and AS-27, a Consolidated Financial Statement for the Financial Year ended 31st March 2007 forms part of this Annual Report of the Company.

The Financial statement of Patel Engineering Inc., its subsidiaries and joint venture have not been consolidated as at March 31, 2007, except for reviewed profit/loss. With respect to the Auditor's remark in para no. 5(a) of their report, the management views are expressed in Note No. B1(c) of Notes forming part of consolidated accounts, which is self explanatory.

DIRECTOR

As per the provisions of the Companies Act, 1956 and as per the Articles of Association of the Company Mr. Rohit Patel, Mr. Dinesh V. Patel and Mr. K. Kannan, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Danish Merchant, alternate Director to Ms. Sonal Patel, ceased to exist as such on view of the Original Director coming into the State. The Board has placed on record its appreciation of valuable contribution made to the company by Mr. Danish Merchant.

CORPORATE GOVERNANCE

A separate section titled Report on Corporate Governance including a certificate from the Auditors of the Company, confirming compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement forms part of Annual Report of the Company.

FIXED DEPOSITS

During the year under review, the Company has neither invited nor accepted/renewed any deposit from the public within the meaning of section 58 A & 58 AA of the Companies Act, 1956.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The Company does not have manufacturing activities and therefore the statement thereon is not furnished.

The information on Foreign exchange Earnings and Outgo is as follows :

Foreign Exchange Earned : Rs. 172,664,000/-

Foreign Exchange Used : Rs. 172,844,000/-

PARTICULARS OF EMPLOYEES

Particulars of employee as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 has been given as an annexure to the report.

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AUDITORS

M/s. Vatsaraj & Co. Chartered Accountants of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to consider their reappointment for the Current Financial Year 2007-2008 and authorize the Board of Directors to fix their remuneration. The retiring Auditors have under Section 224 (1B) of the Companies Act, 1956 furnished Certificate of the eligibility for their appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that :-

- i. in the preparation of the accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed and that there are no material departures from the same;
- ii. the Directors have selected such accounting policies 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 as at 31st March, 2007 and of the profit of the Company for the year ended on that date;
- iii. the Directors have taken proper and sufficient care 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;
- iv. the Directors have prepared the accounts for the financial year ended 31st March, 2007 on a "going concern" basis.

ACKNOWLEDGEMENTS

Your Directors would like to express grateful appreciation for the assistance and co-operation received from the Government, Banks, Financial Institutions and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Employees of the Company.

For and on behalf of the Board

Place : Mumbai
August 23, 2007

PravinPatel
Chairman

ANNEXURE I TO DIRECTOR'S REPORT

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INFORMATION AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT

Sr. No.	Name	Designation	Remuneration in Rupees	Qualification in years	Experience	Date of Commencement	Age Yrs)	Last Employment Held
(A) Employed throughout the financial year and in receipt of remuneration aggregating not less than Rs.24,00,000/- for the year.								
1	Mr. RUPEN RPATEL	Managing Director	7,106,000	B.Com., M.B.A.(Fin., USA)	15	26.10.1995	40	-
2	Ms.. SONAL PATEL	Whole Time Director/ Chief Operating Officer	11,587,047	B.Com., M.B.A.(Fin., USA)	19	19.08.1993	42	-
3	MR. NIMISH PATEL	Whole Time Director	5,984,000	B.S. (USA)	12	01.02.1999	36	M/s. Kiwit Construction Co., USA
4	Ms. SILLOO PATEL	Whole Time Director/	6,438,300	B.A.	37	19.10.1992	60	-

(B) Employed for a part of the financial year and in receipt of remuneration aggregating not less than Rs.200,000/- per month

NIL

- NOTES : 1) Remuneration comprises Salary, Allowances, monetary value of perquisites, commission to the Directors and company's contribution to Provident Fund but excludes contribution to Gratuity Fund, Leave Encashment on the basis of actuarial valuation.
- 2) All appointments are contractual and are subject to the rules and regulations of the company in force from time to time.
- 3) Employees named in Sr. No. 1 & 2 above are related to each other.

for Patel Engineering Ltd.

Mumbai,
August 23, 2007

Pravin Patel
Chairman