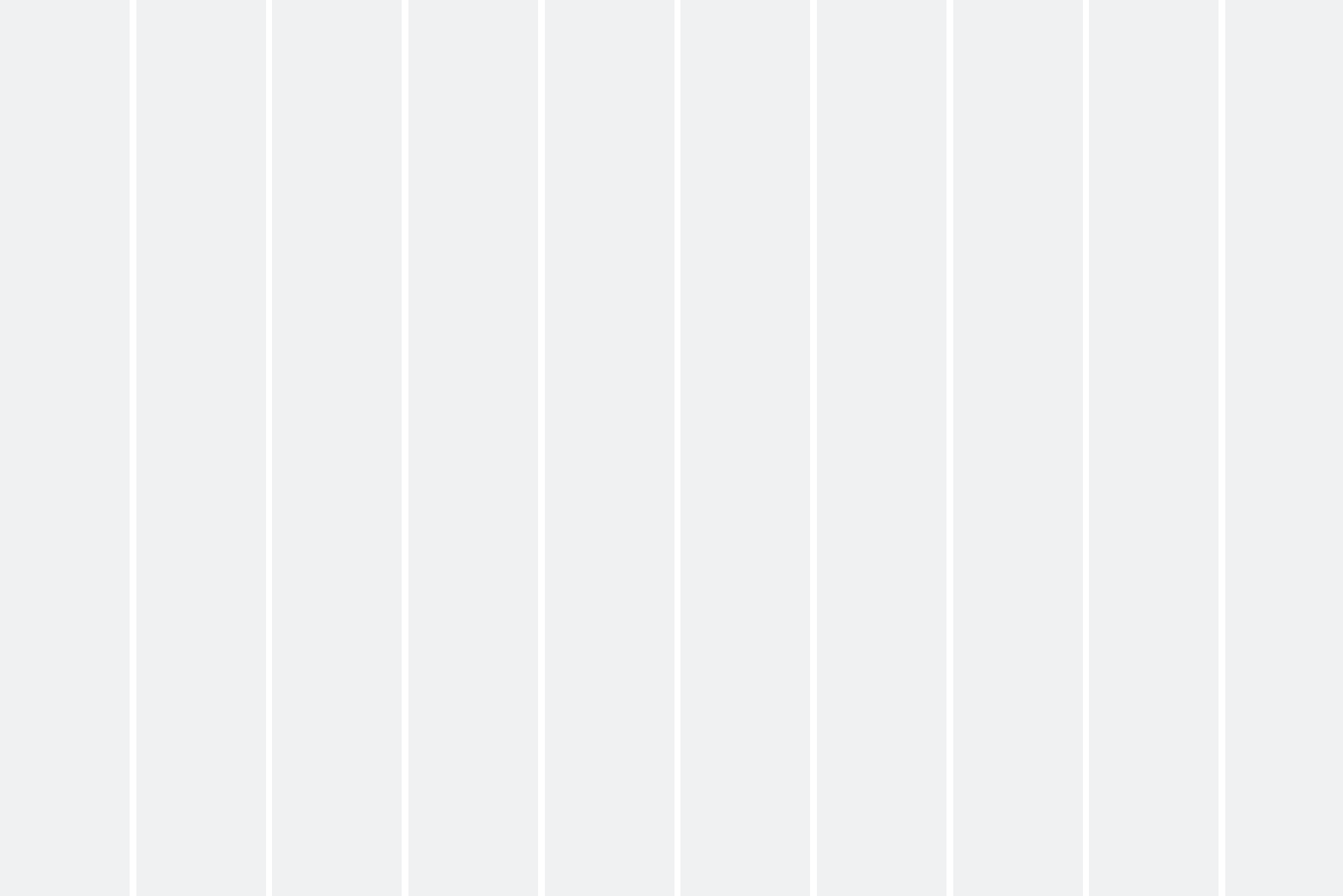




THE DETERMINATION TO DELIVER



Patel Engineering Ltd.
ANNUAL REPORT
2009-2010





CONTENTS

4 MANAGING DIRECTOR'S MESSAGE

10 5 YEARS FINANCIAL HIGHLIGHTS

11 DIRECTOR'S REPORT

26 STATEMENT PURSUANT TO SECTION 212
OF THE COMPANIES ACT, 1956.

29 MANAGEMENT DISCUSSION ANALYSIS

35 CONSOLIDATED FINANCIAL STATEMENTS

57 STANDALONE FINANCIAL STATEMENTS

BOARD OF DIRECTORS

Mr. Pravin Patel, Chairman
Mr. Rupen Patel, Managing Director
Mr. Krishnamoorthy Kannan
Mr. Khizer Ahmed
Mr. Srinivasa Jambunathan
Mr. Priyavadan C. Purohit
Ms. Sonal Patel, Whole Time Director & COO
Ms. Silloo Patel, Whole Time Director & CFO
Mr. Nimish Patel, Whole Time Director
Mr. Ajay Tuli
Mr. Danish Merchant
Mr. Bhasker Mehta

REGISTERED OFFICE

Patel Estate Rd, Jogeshwari (W),
Mumbai - 400 102
E: investors@pateleng.com
W: www.pateleng.com

REGISTRAR & TRANSFER AGENT

Link Intime India Pvt. Ltd.
C-13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (W),
Mumbai - 400 078
T: +91 22 25946970
F: +91 22 25946969
E: rent.helpdesk@linkintime.co.in
W: www.linkintime.com

COMPANY SECRETARY

Ms. Shobha Shetty

AUDITORS

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

AUDIT COMMITTEE

Mr. Krishnamoorthy Kannan (Chairman)
Mr. Pravin Patel
Mr. Khizer Ahmed

SHAREHOLDERS & INVESTORS

GRIEVANCE COMMITTEE

Mr. Krishnamoorthy Kannan (Chairman)
Mr. Khizer Ahmed

REMUNERATION COMMITTEE

Mr. Khizer Ahmed (Chairman)
Mr. Pravin Patel
Mr. Krishnamoorthy Kannan
Mr. Srinivasa Jambunathan

BANKERS

ICICI Bank Ltd.
Bank of India
Dena Bank
Canara Bank
Bank of Baroda
Industrial Development Bank of India Ltd.
Union Bank of India
Corporation Bank
State Bank of Patiala
Axis Bank Ltd.

CORPORATE INFORMATION



Rupen Patel | Managing Director

STANDING ON STRONG PILLARS

Dear Shareholders,

The global economy began to grow again in Q2 2009 but the path to a self-sustaining recovery is yet to shape clearly. India has shown remarkable resilience in recovering from global economic slow down. The GDP growth is expected to reach at 7.2 per cent or even higher. However, there are many challenges to be met before a sense of confidence builds up. Patel understands these challenges and is geared to overcome them.

2010 FINANCIALS

I am happy to share the broad financials for the year 2009 – 2010. You will notice that the figures below demonstrate the company's sustained growth within the industry. I'm confident that in the years to come your company will strive to achieve similar success in all its endeavors.

- Revenue from operations increased 29.72% from Rs. 24,598.45 million to Rs. 31,909.33 million.
- EBDITA (excluding other income) increased by 30.54% from Rs. 3,896.53 million to Rs. 5,086.64 million.
- Profit before tax increased by 28.67% from Rs. 2,370.30 million to Rs. 3,049.90 million.
- Profit after tax increased by 9.80% from Rs. 1,804.78 million to Rs. 1,981.61 million.
- The EPS (fully diluted) increased from Rs. 30.25 to Rs. 30.96.

In this financial year, we have delivered dividend of Rs. 2 per share (200%).

The order book as on March 31, 2010 stands at more than Rs. 100,000 million. The company is confident of receiving contracts issued by the Government and doubling the turnover from its core business over a period of five years. The Company raised Rs. 3443.23 million through qualified Institutional placement (QIP). These funds have been used to reduce company's debt, for working capital, investment in Power business. Upon QIP issue and issue of shares to ESOP Trust, the public holding in the company stands increased to 54.53% from 46.21%.

BUSINESS PROGRESS 2009

The year has witnessed progress in thermal and hydro projects. Further, developments in Real Estate projects and new ventures shall continue to be a key impetus for sustained growth going forward.

In the emerging power segment, the 1050 MW coal based Thermal Power Plant in Tamil Nadu is progressing in full swing and financial closure is expected in 2011. The 90 MW Hydro Power project in Arunachal Pradesh has now been increased to 140 MW, resulting in a capacity enhancement of 55%. The enhancement has necessitated the financial closure to be extended by 2 quarters. Financial closure expected in FY 2011.

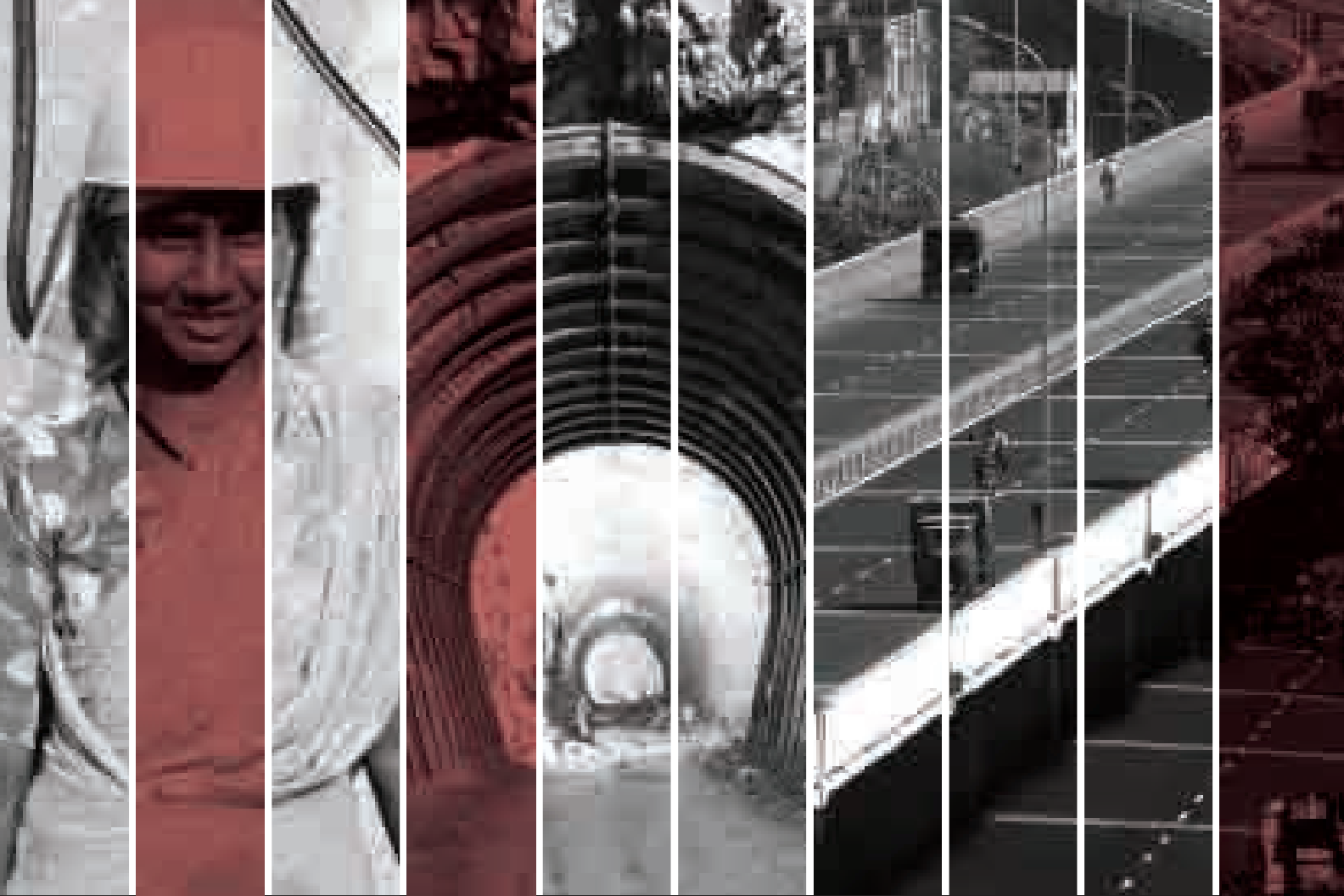
In the Real Estate and Township development, Patel is creating many landmarks at strategic locations across India's metros. Neotown in Bangalore has been approved by Govt. of Karnataka as an integrated Township. The construction is scheduled to be completed by January, 2012 and estimated gross revenue from the first phase is estimated to be about Rs. 2400 million. The project in Jogeshwari, Mumbai is expected to be delivered in a 30 month period. Commencement certificate from Municipal Corporation of Greater Mumbai comprising of 3 towers has already been obtained and excavation has been completed. Our project in Noida has commenced under the name of Pan Oasis and over 75% has already been booked. Extending our footprints outside the Indian shores, we are beginning construction activities in Mauritius.

CSR at Patel

At Patel, corporate social responsibility has always been a priority area and we have contributed to welfare activities through organizations like Patel Engineering Company Charity Trust, Savitribai Phule Shikshan Prasarak Mandal, Cancer Patients Aid Association (CPAA), Blind Welfare Association, Shirol Taluka Apang Punarvasan Va Arthik Sahaya Sanshta and Kunvarji Mulji Kelavani Trust. Through these organizations and institutions the company has helped bring education to many young children and shaped the career of many by offering higher/professional education. Jobs and other opportunities have been created for the blind and physically handicapped. Cancer patients have been helped through our services and awareness drives have been undertaken to discourage practices like tobacco consumption, early marriage, etc that lead to cancer.

As we enter into the 62nd year of our business, we are confident of continuing our progressive journey in our current core areas as well as in the new verticals. At Patel, we are excited about what the future holds for all of us.





WITH PEOPLE AT THE HEART OF PROGRESS

Giving our best. Meeting every commitment.

Through our projects in Engineering, Asset, Realty and Power, we are touching and changing millions of lives. The passion of the people at Patel is behind every progress we make.

Engineering Feats

Across the globe, engineering feats are progressing human life. In the year 1949 Patel Engineering embarked upon its journey of becoming a viable partner in delivering large civil and infrastructure projects. Today, the company has a global presence and has been successfully involved in building 78 dams, 40 hydropower projects, 33 micro tunneling projects and over 175 Kms of tunneling.

Patel pioneered the RCC based construction of Dams in India way back in 2006 with Ghatghar Hydro-Project. This Technology is almost 30% cheaper and 40% faster than the conventional methods of building dams. In RCC Dam construction, cement is replaced up to 70% by Fly Ash which helps in reducing heat of hydration and improves durability. The group has successfully delivered more than 40 RCC dams across the world.

In urban infrastructure, Patel has acquired a leadership position. The company is one among the world's largest micro-tunneling contractor with over 90% market share in India. Micro-tunneling is mechanized tunneling of small diameter tunnels for water supply, drainage systems and sewerage system. Micro tunneling helps avoid digging trenches, disrupting road or rail traffic and therefore is a superior method that saves time and money.

Another partnership for Patel in implementing innovative technology has been for Lake Tapping. This technology was implemented for the first time in Asia by Patel. Lake Tapping is a technique for connecting water conductor system to the Lake. Lake piercing can be done through dry or wet (sub-merged) methods. The sub-merged method does not cause depletion of the lake as the lake rock plug is blasted from the bottom. Patel executed the sub-merged piercing through implementing "Open Method" with control gates on d/s of the shaft. Post the first successful implementation of this technology, Patel has received repeated orders from the clients.

The group has often been awarded by many prestigious bodies in India and abroad. Patel is the proud recipient of the National Award for Maximum Utilization of Fly Ash in Hydro Sector – Ghatghar Hydro Project, 2006. Over the years, the group has also won several International Awards for sensible and sustainable usage of material and processes.



COMMITTED TO ACHIEVING THE BEST

Realty:

Patel has been one of the most profitable construction companies in India and has now forayed into realty space with its wholly owned subsidiary Patel Realty India limited.

The current land bank with Patel is in excess of 1100 acres at strategic locations across India and is estimated to be valued on "an as is where is basis" at Rs. 21000 million.

Some of the prestigious projects already underway are: "NEOTOWN", Bangalore: an integrated project on 100 acres of land Project has been approved by Government of Karnataka as an integrated Township comprising of residential, SEZ,

IT Park, Strip Mall, Villas, Hotel, School and Hospital. All approvals and permission have been obtained and infrastructure like boundary walls, site development, internal roads, sewerage, drainages and landscaping have been completed.

In the first phase of Neotown, we have introduced a new concept of "Smondoville" – smart condos. Launched in mid November, 2009 more than 1000 out of 1123 apartments are sold within 4 months. The construction is scheduled to be completed by January, 2012 and the estimated gross revenue from this phase is estimated to be about Rs. 2400 million.