

ENGINEERING & CONSTRUCTION **POWER** **REAL ESTATE**

CONTENTS

- 1/ Corporate Information
- 2/ Message from the Managing Director
- 5/ Comparative Consolidated Financials

- 6/ Directors' Report
- 13/ Secretarial Audit Report
- 16/ Report on Corporate Governance
- 29/ Information on Subsidiary Companies
- 32/ Management Discussion and Analysis
- 38/ Consolidated Financial Statements
- 65/ Standalone Financial Statements

CORPORATE INFORMATION

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. Silloo Patel, Whole Time Director & CFO
Mr. Nimish Patel, Whole Time Director
Mr. Bhasker Mehta

REGISTERED OFFICE

Patel Estate Rd, Jogeshwari (West),
Mumbai - 400 102.
Email Id: investors@pateleng.com
Website: www.pateleng.com

REGISTRAR & TRANSFER AGENT

Link Intime India Pvt Ltd
C-13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (West),
Mumbai - 400 078.
Tel: +91 22 25946970
Fax: +91 22 85946969
Email Id: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.com

COMPANY SECRETARY

Ms. Shobha Shetty

AUDITORS

M/s. Vatsaraj & Co.
Chartered Accountants
Bharat House,
104, Mumbai Samachar Marg,
Fort, Mumbai - 400 001

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

CONSORTIUM 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

MESSAGE FROM THE MANAGING DIRECTOR



Rupen Patel
Managing Director

Dear Shareholder,

The global economy has just undergone a seismic change. These are testing times for all of us. We need to learn our lessons from this change and strategize our operations accordingly. The first and foremost lesson, in the role of leadership, not just of the managing director of the company but of the entire top management is the importance of being nimble on your feet by accepting, analyzing, and responding to changed circumstances. I firmly believe that you require prudence and conservatism in addition to being resilient and flexible for building a strong foundation for the future. A diversified business portfolio helps in managing risks. More importantly it is about bullet-proofing strategies by testing them under different scenarios. The key is also to never lose focus on the basic things such as costs and efficiency which will help us come out on the right side.

Despite the overwhelming need for infrastructure in the country, the construction industry as a whole has been

witnessing sluggishness (slow order inflows, high & rising interest costs & rise in commodity prices). This last year has been particularly challenging for the Company and the performance has not met either our expectations or targets; the revenue growth has been adversely affected by natural calamities like flash floods, order delays and cancellations due to environmental concerns and current political scenarios.

Asia has become the engine of world growth and despite lingering economic uncertainty and ongoing political uncertainty, the outlook for India remains positive as a major contributing factor offering great opportunities. The rapid changes of the last decade are only a precursor to the much greater growth and prosperity that we can achieve in the coming years and the Company is well placed to benefit from these opportunities. The Company is a key player in India's economic landscape. The company expects to deliver increased revenue and operating profit on the back of high levels of work in hand and improving economic conditions in the country.

2011 FINANCIALS

The figures below indicate the Company's growth in the Industry on consolidation basis:

- Revenue from Operations increased by 8.93% to ₹ 34,759.09 for the financial year ended March 31, 2011 from ₹ 31,909.33 million
- Operating profit (excluding other income) stood at ₹ 4,619.75 million.
- Profit before tax stood at ₹ 1,847.17 million.
- Profit after tax stood at ₹ 1,226.05 million.
- The EPS (fully diluted) stood at ₹ 17.56.
- Net worth of the Company stood at ₹ 14,196.16 million.

BUSINESS PROGRESS 2011

Construction & Engineering

The order book as on March 31, 2011 stands at around 95000 million. We are confident of receiving a fair price of the contracts issued by the Government and doubling our turnover from the core business over a 5 year period.

Power

- The 1050 MW Coal based Thermal Power Plant, Tamilnadu is taking shape. Most of the approvals for imitating the construction process have been received. We expect the financial closure to be completed in FY 12.
- The DPR and land acquisitions of 144 MW Hydro Power project in Arunachal Pradesh have been completed and the Statutory Clearances are in place. The financial closure is expected to be completed and the construction of the project is expected to commence in FY 12.

Transmission

- The Company has forayed into transmission business. The first assignment we received is from the Government of India to establish 765 kv transmission system associated with Krishnapattam

UMPP through tariff based competitive bidding process. The project is being executed jointly with Simplex Infrastructure Ltd and BS Transcomm Ltd through a special purpose vehicle viz Raichur Sholapur Transmission Company Ltd.

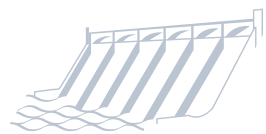
Real Estate

Real Estate like the power business is gaining sharper focus.

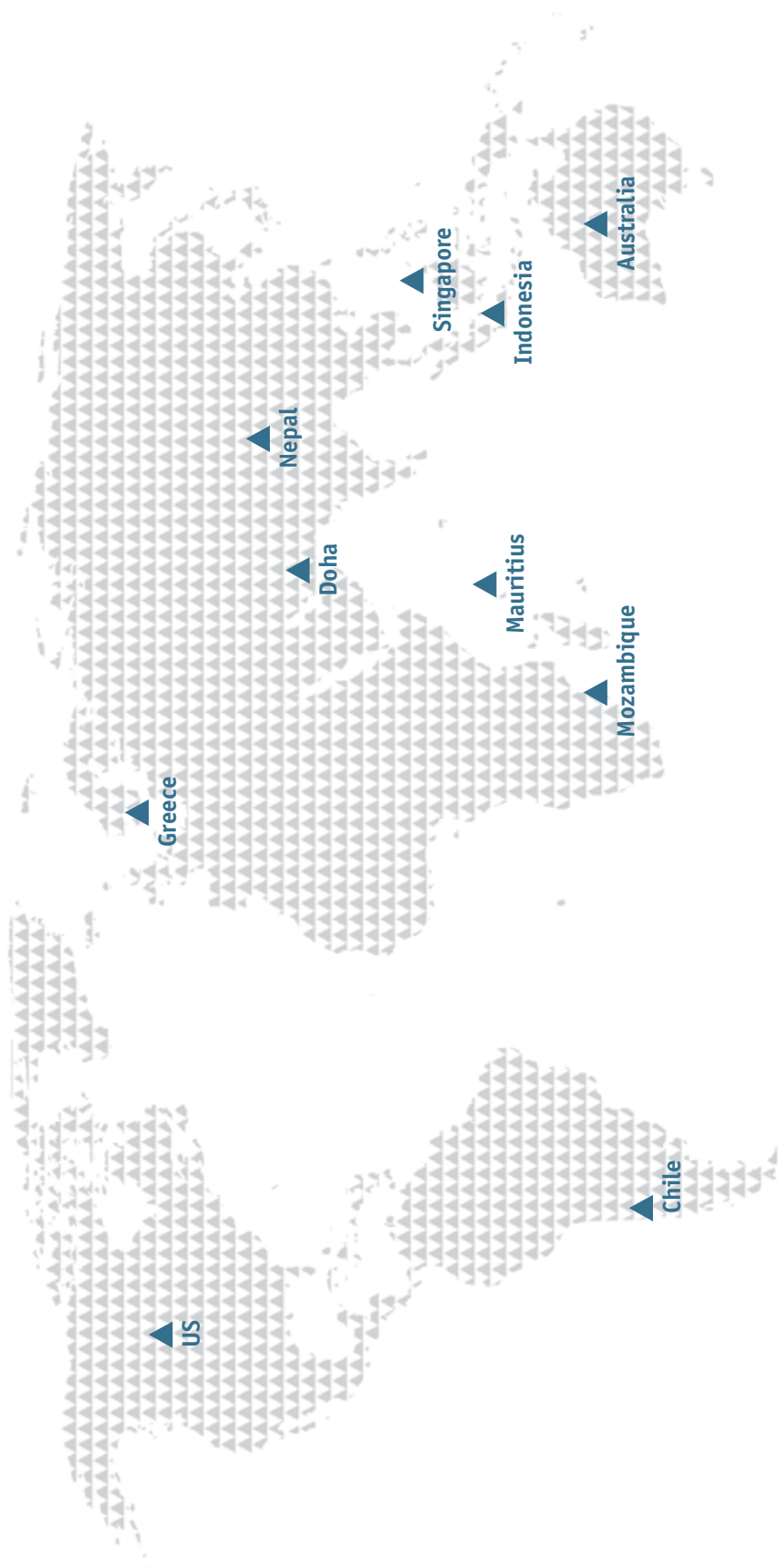
- Neotown's first phase under the brand 'Smondoville' (construction of residential apartments) is scheduled to be completed by January 2012.
- Smondoville 2.0, the next version of Smondoville was launched to provide a customized solution with larger spaces, grand balconies, terraces, and a swimming pool. India's first and largest strip mall over 16 acres under the brand 'Neomall' was launched and is expected to be operation in 2013.
- The commercial project in Jogeshwari, Mumbai is in progress and the estimated time to complete the whole project is 30 months.
- The Mauritius project has commenced and is in line with the implementation program and infrastructure works have started.
- The execution and construction of the Nodia project under the brand Pan Oasis is running in full swing and the subsidiary executing the project has recognized revenues during the year from this project.

In closing, I wish to thank you for the confidence that you have placed with us which fuels our drive to deliver value in the hands of all those who invest and team with us.





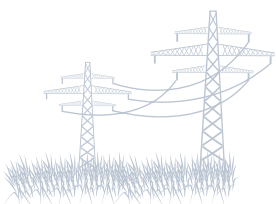
OUR GLOBAL PRESENCE



COMPARATIVE CONSOLIDATED FINANCIALS

(₹ in million)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
A. FINANCIAL POSITION										
Share Capital	69.83	69.83	59.66	59.66	59.66	50.00	48.60	24.30	24.30	24.30
Reserves & Surplus	14,739.93	13,557.69	10,112.63	8,399.33	7,014.48	1,956.99	1,282.36	986.64	698.26	742.13
Shareholders Funds	14,809.76	13,627.52	10,172.29	8,458.99	7,074.14	2,006.99	1,330.96	1,010.94	722.56	766.43
Minority Interest	704.27	615.24	215.77	405.41	74.02	254.36	315.35	314.48	315.37	205.44
Deferred Tax Liability	131.95	114.88	148.36	150.94	118.40	167.54	174.53	145.46	93.89	-
Loan Funds	24,744.88	18,300.18	12,812.62	9,764.01	3,419.72	3,577.75	2,075.65	1,571.77	1,534.66	859.18
Contractee advances	-	-	4,654.30	2,178.00	1,491.85	1,975.71	1,887.49	1,152.97	1,244.29	690.88
Total Funds Employed	40,390.86	32,657.82	28,003.34	20,957.35	12,178.13	7,982.35	5,783.98	4,195.62	3,910.77	2,521.93
Fixed Assets (Net)	8,530.20	7,591.16	5,700.97	6,702.43	2,535.80	2,430.10	2,039.87	1,889.35	1,786.81	1,181.59
Investments	780.35	698.17	504.65	360.81	1,714.02	283.64	322.24	124.98	8.82	10.29
Deferred Income Tax	-	-	-	-	-	14.32	9.68	13.07	15.20	-
Net Current Assets	30,997.87	24,301.52	21,738.32	13,871.26	7,901.26	5,222.04	3,411.17	2,165.58	2,089.31	1,322.80
Miscellaneous Expenditure	82.44	66.97	59.40	22.85	27.05	32.25	1.02	2.64	10.63	7.25
(To the extent not written off or adjusted)										
Total Application of Funds	40,390.86	32,657.82	28,003.34	20,957.35	12,178.13	7,982.35	5,783.98	4,195.62	3,910.77	2,521.93
B. OPERATING RESULTS										
Income from Operations	34,759.09	31,909.33	24,598.45	18,596.43	12,900.12	10,223.34	7,912.01	7,625.97	5,651.24	5,332.38
Other Income	229.75	630.12	144.59	36.87	97.51	59.68	77.13	211.29	113.43	431.94
Total Income	34,988.84	32,539.45	24,743.04	18,633.30	12,997.63	10,283.02	7,989.14	7,837.26	5,764.67	5,764.32
Total Expenditure	33,141.67	29,489.55	22,372.74	16,778.20	11,685.50	9,475.29	7,500.11	7,480.40	5,573.15	5,468.87
Profit before Tax	1,847.17	3,049.90	2,370.30	1,855.10	1,312.13	807.73	489.03	356.86	191.52	295.45
Profit after Tax	1,307.26	2,120.57	1,934.02	1,628.12	1,171.33	741.90	421.23	284.96	144.72	260.49
Minority Interest and other adjustments	81.21	138.96	129.24	109.07	26.62	8.80	5.70	6.32	0.12	12.78
Net Profit	1,226.05	1,981.61	1,804.78	1,519.05	1,130.11	733.10	415.53	278.63	144.60	247.71
C. EQUITY SHARE DATA										
Earning per share (₹)	17.56	30.96	30.25	24.74	18.90	14.80	8.55	57.33	29.75	35.82
Number of Shares	69,827,151	69,827,151	59,659,090	59,659,090	59,659,090	50,000,000	48,604,800	4,860,480	4,860,480	4,860,480
Dividend%	100%	200%	175%	150%	130%	130%	100%	100%	100%	100%



DIRECTORS' REPORT

To

The Members of Patel Engineering Ltd,

The Directors are pleased to present the 62nd Annual Report together with the Audited Accounts for the year ended March 31, 2011.

FINANCIAL HIGHLIGHTS

	(₹ in million)			
	Consolidated		Standalone	
	2010-11	2009-10	2010-11	2009-10
Total Income	34,988.84	32,539.45	25,446.99	24,350.15
Profit before depreciation	2,667.58	4,140.06	1,884.39	2,520.07
Less: Depreciation	820.41	1,090.16	527.76	501.73
Profit before tax	1,847.17	3,049.90	1,356.63	2,018.34
Tax & other adjustments	621.12	1,068.29	334.53	709.80
Profit after tax	1,226.05	1,981.61	1,022.10	1,308.54
Add: Balance in Profit & Loss A/c	3,442.29	3,846.96	2,800.14	3,825.53
Amount available for appropriation	4,668.34	5,828.57	3,822.24	5,134.07
APPROPRIATION:				
a. Interim Dividend	-	140.09	-	140.09
b. Final Dividend	69.83	-	69.83	-
c. Tax on Dividend	11.33	23.73	11.33	23.73
d. General Reserve	175.50	125.50	150.00	100.00
e. Debenture Redemption Reserve	210.00	135.00	210.00	135.00
Balance carried forward	4,201.68	3,892.56	3,381.08	3,250.14

OPERATIONAL HIGHLIGHTS

The turnover of the Company for the year ended March 31, 2011 on consolidated basis stood at ₹ 34,759.09 as against ₹ 31,909.33 million for the previous year ended March 31, 2010, thereby recording a growth of 8.93%. The operating profit for the year is ₹ 4,619.75 million as compared to ₹ 5,085.64 million for the previous year. The Profit after tax is ₹ 1,226.05 million as compared to ₹ 1,981.61 million for the previous year.

On standalone basis, the turnover of the Company stood at ₹ 25,194.31 million for the year ended March 31, 2011 as against ₹ 24,098.92 million for the previous year ended March 31, 2010, thereby recording a growth of 4.55%. The operating profit for the year is ₹ 3,548.89 million as compared to ₹ 3,798.07 million for the

previous year. The Profit after tax is ₹ 1,022.10 million as compared to ₹ 1,308.54 million for the previous year.

Rising Interest rate and increase in borrowing has led to higher interest cost and hence reduction in profit.

Members are requested to refer to "Management Discussion and Analysis" forming part of the Annual Report for further details on operations of the Company.

DIVIDEND

During the year under review, the Directors have recommended a dividend of ₹ 1/- per Equity Shares (100%), aggregating to ₹ 81.1 million (including dividend tax).

The payment of the aforesaid dividend is subject to approval of Members to be obtained at the ensuing

Annual General Meeting and shall be paid to those members whose name appear in the register of members as on the book closure date.

The Register of members and share transfer book will remain closed from October 11, 2011 to October 17, 2011.

PUBLIC DEPOSITS

The Company did not invite or accept deposits from public during the year under review.

FINANCE

During the year, the Company tied up Long terms debt (5 years) by way of issue of Non Convertible Redeemable

Secured Debentures on private placement basis for ₹ 1000 million and ₹ 500 million, carrying an interest rate of 9.55% and 10.75% respectively. The total amount of outstanding Non Convertible Redeemable Secured Debentures as on date is ₹ 5000 million repayable over period of 3 to 5 years.

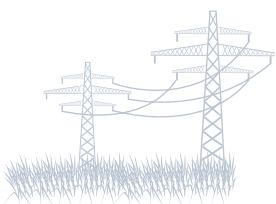
The Company has raised money through bank borrowings (long and short terms) from time to time and the total amount outstanding as on March 31, 2011 is ₹ 18,957.21 million. The borrowings are within the limit of ₹ 50,000 million approved by the Members of the Company vide resolution dated September 29, 2005.

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company has 15 direct subsidiaries and 66 step-down subsidiaries totaling to 81 subsidiaries as on March 31, 2011. The following Companies became subsidiaries during the year 2010- 2011.

No.	Name of Subsidiary	Date of becoming subsidiary	% of holding	Remarks
DIRECT SUBSIDIARIES				
1	Patel Lands Ltd, India	25.08.2010	60%	
STEP DOWN SUBSIDIARIES				
2	Mineral Resources Holding Ltd, UAE	27.07.2010	100%	Incorporated as subsidiary of Patel Param Minerals Pte Ltd, (Patel Engineering Singapore Pte.Ltd (PESPL) holds 60% in Patel Param Minerals Pte Ltd Company holds 100% in PESPL).
3	HCP Inc, USA	01.10.2010	100%	Acquired as a subsidiary of ASI Inc, USA (Company holds 66.46% stake in ASI Inc).
4	Eng & Const Inc, USA	01.10.2010	100%	Acquired as a subsidiary of ASI Inc, USA (Company holds 66.46% stake in ASI Inc).
5	Patel Hydro Power Pvt Ltd, India	29.11.2010	100%	Incorporated as subsidiary of Patel Energy Resources Ltd (Company holds 100% stake in Patel Energy Resources Ltd).
6	Jayshe Gas Power Pvt Ltd, India	24.12.2010	100%	Incorporated as subsidiary of Patel Energy Resources Ltd (Company holds 100% stake in Patel Energy Resources Ltd).
7	Patel Thermal Energy Pvt Ltd, India	18.02.2011	100%	Incorporated as subsidiary of Patel Energy Resources Ltd (Company holds 100% stake in Patel Energy Resources Ltd).

In terms of the General Circular No. 2/2011 dated February 8, 2011 issued by the Central Government under Section 212 of the Companies Act, 1956, the Board of Directors of the Company has accorded their consent for not attaching



DIRECTORS' REPORT

the balance sheet of the subsidiaries with the accounts of the Company. Pursuant to the said circular, a statement containing brief financial details of Subsidiaries is included in this Annual Report. The annual accounts of the subsidiary companies and the related detailed information will be made available to the members of the company on request and also for inspection at the registered office of the Company.

The Consolidated Financial Statements of the Company have been prepared in accordance with the Accounting Standards AS-21, AS-23 and AS-27 of the Institute of Chartered Accountants of India.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. Khizer Ahmed and Mr. Jambunathan, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

Ms. Sonal Patel , Mr. Ajay Tuli and Mr. Danish Merchant resigned from the Board of the Company w.e.f March 16, 2011, March 28, 2011 and September 2, 2011 respectively. The Board wishes to place on record its appreciation for the valuable contribution made by Ms. Sonal Patel, Mr. Ajay Tuli and Mr. Danish Merchant during their tenure as a member of the Board.

EMPLOYEES STOCK OPTION

During the year under review, out of 90,000 Stock Options vested to the eligible employees/Directors of the Company on August 31, 2010, 82,500 options were vested and exercised.

Details of the stock option under ESOP plan 2007 are disclosed in compliance with Clause 12 of the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 & set out in Annexure 'A' of this report.

The Patel Engineering Employees Welfare Trust, ("the Trust") holds and issues stock options to employees on behalf of the Company.

In addition to this, the Trust conducted various programs for the welfare of the employees of the Company viz seminar on cancer awareness, heart ailments, comprehensive free health check up for employees. These programs benefited about 600 employees at various offices/sites. The Trust also provided loans/ grants to employees for purposes such as house repairs, children's higher education, serious ailments. The Trust has also organized social events viz craft and painting competition for the children of employees. The Trust proposes to continue such activities at an enlarged scale. The total amount spent during the year for the welfare of the employees is ₹ 27,50,354.

The present Trustees are in the process of formulating further scheme under ESOP for the benefit of eligible employees of the company and the subsidiaries as well.

AUDITORS

M/s. Vatsaraj & Co. Chartered Accountants, Auditors 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 appointment and authorize the Board of Directors to fix their remuneration. The retiring auditors have, under Section 224(1B) of the Companies Act, 1956, furnished certificates of their eligibility for the appointment.

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

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption is set out in Annexure 'B' of this Report.

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

Foreign Exchange Earned ₹ 601.56 million

Foreign Exchange Used ₹ 138.06 million