

Petron



Petron Engineering Construction Limited

26th REPORT
2002

PETRON ENGINEERING CONSTRUCTION LIMITED

BOARD OF DIRECTORS

| | |
|--------------------------|-------------------------------|
| R S AMBEKAR | <i>CHAIRMAN</i> |
| M K NAIR | <i>MANAGING DIRECTOR</i> |
| P G VAIDHYANATHAN | <i>DIRECTOR (OPERATIONS)</i> |
| A A KRISHNAN | <i>NON-EXECUTIVE DIRECTOR</i> |
| P CHANDRASEKHARAN | <i>NON-EXECUTIVE DIRECTOR</i> |

SENIOR EXECUTIVES

| | |
|---------------------|--|
| K K RANADE | <i>JOINT PRESIDENT (CONSTRUCTION)</i> |
| Y A RANE | <i>JOINT PRESIDENT (CONTRACTS)</i> |
| S K BASU | <i>VICE PRESIDENT (MECHANICAL DIVISION)</i> |
| S MITRA | <i>VICE PRESIDENT (INSULATION DIVISION)</i> |
| R N PANDEY | <i>ASST. VICE PRESIDENT (FINANCE)</i> |
| A C MUZUMDER | <i>SR. GENERAL MANAGER (QUALITY CONTROL)</i> |

COMPANY SECRETARY

NARESH SHAH

AUDITORS

M S SANKARAN & CO.,
CHARTERED ACCOUNTANTS
MUMBAI

BANKERS

STATE BANK OF INDIA
SBI COMMERCIAL & INTERNATIONAL BANK LIMITED
ICICI BANK LIMITED

REGISTERED OFFICE

SWASTIK CHAMBERS, 6TH FLOOR,
SION TROMBAY ROAD,
POST BOX NO. 7206, CHEMBUR,
MUMBAI - 400 071.
 Tel No : 597 3501-6 • Fax No : 597 3509-10
 E-mail : Petronproj@vsnl.com

REGISTRARS & TRANSFER AGENTS

SHAREPRO SERVICES,
SATAM ESTATE, 3RD FLOOR,
ABOVE BANK OF BARODA, CHAKALA,
ANDHERI (E), MUMBAI - 400 099
 Tel No : 821 5168 • Fax No : 837 5646
 E-mail : Sharepro@vsnl.com



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| EVENTY-SIXTH ANNUAL GENERAL MEETING | | |
|--|---|---|
| Day | : | FRIDAY, THE 27TH SEPTEMBER, 2002 |
| Time | : | 3.30 P.M. |
| Place | : | Swastik Chambers 6th Floor, CST Road, Chembur, Mumbai - 400 071. |

PETRON ENGINEERING CONSTRUCTION LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the Twenty-sixth Annual General Meeting of the members of Petron Engineering Construction Limited will be held at the Registered Office of the Company at Swastik Chambers, 6th Floor, Sion Trombay Road, Chembur, Mumbai 400 071 on Friday, the 27th September, 2002 at 3.30 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002 and the Profit and Loss Account for the year ended that date and the Reports of the Directors and the Auditors of the Company.
2. To appoint a Director in place of Mr. R. S. Ambekar who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint M/s. M. S. Sankaran & Co., Chartered Accountants, who are eligible for appointment as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution :

“RESOLVED THAT, MR. A. A. KRISHNAN, who was appointed as an Additional Non-Executive Director by the Board of Directors of the Company, with effect from 31.10.2001, pursuant to Article 111 of the Articles of Association of the Company and who holds office upto the date of the ensuing Annual General Meeting under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

5. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution :

“RESOLVED THAT, MR. P. CHANDRASEKHARAN, who was appointed as an Additional Non-Executive Director by the Board of Directors of the Company, with effect from 31.10.2001, pursuant to Article 111 of the Articles of Association of the Company and who holds office upto the date of the ensuing Annual General Meeting under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

BY ORDER OF THE BOARD

PLACE : MUMBAI
DATED : 13TH JULY, 2002

NARESH SHAH
COMPANY SECRETARY

REGISTERED OFFICE : Swastik Chambers, 6th Floor, Sion Trombay Road, Chembur, Mumbai - 400 071.



NOTES :

- i) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of business under item No. 4 and 5 is annexed hereto.
- ii) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- iii) Proxies, in order to be effective, must be lodged at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting.
- iv) The Register of Beneficial Owners and the Register of Members and Share Transfer Books of the Company will remain closed from **11th September, 2002 to 27th September, 2002 (both days inclusive)**.
- v) Members/Proxies should bring their attendance slips, duly filled in, to the meeting.
- vi) Members are requested to immediately intimate any change in their addresses registered with the Company to the Company's Registrars & Transfer Agents, **M/s. Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099** in respect of their holding in physical form and to their Depository Participants (DPs) in respect of their holding in electronic form.
- vii) Members desiring information on the accounts or operations of the Company are requested to write to the Secretary of the Company at least 10 days before the date of the meeting to enable the management to keep the information readily available at the meeting.
- viii) Members are requested to bring their copies of the Twenty-sixth Annual Report to the meeting.
- ix) Members who are holding shares in dematerialized form are requested to bring their Depository ID Number and Client ID Number for easier identification of the attendance at the Annual General Meeting.
- x) Members who are holding shares in identical order of names in more than one folio, are requested to write to the Company's Registrars and Transfer Agents for consolidation of such folios into one folio.
- xi) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the Financial Year ended 30th September, 1995 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the "Investor Education and Protection Fund" of the Central Government.

Members who have not encashed the dividend warrants so far for the Financial Year ended 30th

September, 1995 or any subsequent Financial Years are requested to make their claim to the Secretary of the Company.

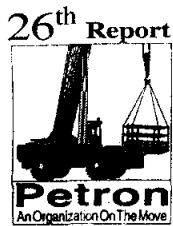
Further, it may be noted that under the amended Companies Act, 1956, once the unclaimed dividend is transferred to the Government, as above, no claim shall lie in respect of such amount.

- xii) In terms of the provisions of Section 109A of the Companies Act, 1956, nomination facility is available to the individual shareholder. The shareholders who are desirous of availing this facility may kindly write to the Registrars & Share Transfer(R&T) Agents, M/s. Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala Andheri (East), Mumbai 400 099 in Form 2B prescribed by the Government which can be obtained from the Company's R&T Agents.
- xiii) (a) The Company, consequent to introduction of Depository System entered into agreements with National Security Depository Limited (NSDL) and Central Depository (India) Limited (CDSL). Members, therefore, now have the option of holding the shares of the Company in electronic form through NSDL or CDSL.
- (b) Effective from 26th June, 2000, trading in shares of the Company is permitted only in dematerialized form. Requests for Dematerialisation and Rematerialisation are to be made only to DP with whom you have opened an account.
- (c) The Company is offering the facility through its R & T Agents simultaneous transfer cum dematerialisation of physical shares. Under this scheme, on completion of process of transfer of physical shares, sent by you to the R & T Agents, they will give the option to the concerned shareholder for getting the said shares dematerialized. In case, the option is accepted by the shareholder and formalities are completed within the prescribed time, the R&T Agents will arrange to confirm the credit against the said physical shares in electronic form.

BY ORDER OF THE BOARD

PLACE : MUMBAI
DATED : 13TH JULY, 2002

NARESH SHAH
COMPANY SECRETARY



ANNEXURE TO NOTICE :

Explanatory Statement Section 173(2) of the Companies Act, 1956.

Item No. 5

Mr. A. A. Krishnan was appointed as an Additional Non-Executive Director with effect from 31st October, 2001 by the Board of Directors of the Company.

In terms of Section 260 of the Companies Act, 1956 and Article 111 of the Articles of Association of the Company, Mr. A. A. Krishnan holds office as a Director upto the date of the ensuing Annual General Meeting of the Company and is eligible for re-appointment as Director.

The Company has received notice under Section 257 of the Companies Act, 1956, alongwith the deposit of Rs. 500/- from a member proposing the candidature of Mr. A. A. Krishnan for the Office of Director.

The Board considers his association as a Director will be beneficial and in the interest of the Company.

The Directors recommend the Ordinary Resolution for your approval.

Except Mr. A. A. Krishnan, none of the other Directors is, in any way concerned or interested in the said resolution.

Item No. 6

Mr. P. Chandrasekharan was appointed as an Additional Non-Executive Director with effect from 31st October, 2001 by the Board of Directors of the Company.

In terms of Section 260 of the Companies Act, 1956 and Article 111 of the Articles of Association of the Company, Mr. P. Chandrasekharan holds office as a Director upto the date of the ensuing Annual General Meeting of the Company and is eligible for re-appointment as Director.

The Company has received notice under Section 257 of the Companies Act, 1956, alongwith the deposit of Rs. 500/- from a member proposing the candidature of Mr. P. Chandrasekharan for the Office of Director.

The Board considers his association as a Director will be beneficial and in the interest of the Company.

The Directors recommend the Ordinary Resolution for your approval.

Except Mr. P. Chandrasekharan, none of the other Directors is, in any way concerned or interested in the said resolution.

BY ORDER OF THE BOARD

**PLACE : MUMBAI
DATED : 13TH JULY, 2002**

**NARESH SHAH
COMPANY SECRETARY**

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors hereby present the Twenty-sixth Annual Report alongwith the Audited Accounts of the Company for the year ended 31st March 2002.

FINANCIAL RESULTS

| | Year Ended 31.03.2002 Rs. | Year Ended 31.03.2001 Rs. |
|--|---------------------------------|---------------------------------|
| Income | <u>1,07,10,94,285</u> | <u>1,29,32,11,946</u> |
| (Loss)/Profit before Extra-Ordinary Item, Depreciation and Taxation | (2,37,07,191) | 12,36,63,633 |
| Less : Extra-Ordinary Item | - | 6,33,15,933 |
| (Loss)/Profit before Depreciation & Taxation | (2,37,07,191) | 6,03,47,700 |
| Add/Less : Depreciation | 5,52,77,228 | 5,41,34,565 |
| (Loss)/Profit before Taxation | (7,89,84,419) | 62,13,135 |
| Less : Provision for Taxation (Current Year) | - | 25,00,000 |
| Net (Loss)/Profit for the year available for Appropriation | (7,89,84,419) | 37,13,135 |
| Add/Less : Provision for tax relating to Earlier years | 55,45,371 | 22,70,267 |
| | (8,45,29,790) | 14,42,868 |
| Add : Provision for Income-tax (Deferred Tax) | 8,70,391 | - |
| | (8,54,00,181) | 14,42,868 |
| Less/Add : Transfer from Surplus Account | 5,79,95,375 | 3,00,00,000 |
| | (2,74,04,806) | 3,14,42,868 |
| Less : Transfer from General Reserve | 3,05,89,806 | - |
| Profit available for appropriation | <u>31,85,000</u> | <u>3,14,42,868</u> |
| 1. Debenture Redemption Reserve | 31,85,000 | 72,00,000 |
| 2. Proposed Dividend | - | 1,13,07,600 |
| 3. Corporate Dividend Tax thereon | - | 11,53,375 |
| 4. Balance carried to Balance Sheet | - | 1,17,81,893 |
| | <u>31,85,000</u> | <u>3,14,42,868</u> |



DIVIDEND

In view of the loss for the year, the Directors do not recommend any Dividend.

REVIEW OF OPERATIONS

During the year under review, your company achieved a turnover of sales and other income of Rs.10710 lakhs. The loss at the operating level before providing for depreciation was Rs. 237 lakhs. After making provision for depreciation of Rs. 553 lacs, the loss for the year comes to Rs. 790 lacs and that after making provision for income-tax for earlier years and deferred tax, the Net loss is Rs. 854 lacs. The downtrend in sales was due to the continued lack of sufficient business opportunities witnessing no significant improvement in the prevailing market situation.

FINANCE

During the year, the Company redeemed on 9.05.2001 Second instalment of Rs. 35/- per debenture on 4,99,500 14% Redeemable Non-convertible Debentures of Rs. 100/- each.

MANAGEMENT DISCUSSION AND ANALYSIS

Construction Division

During this year, the Construction Division successfully completed among other projects, the execution of contracts for the mechanical erection of Maratha Cement Plant of Gujarat Ambuja Cements Limited at Chandrapur, the DAP plant for Gujarat State Fertilizers Co. Limited, Sikka, the Reactor/Regenerator assembly and erection contract for Indian Oil Corporation Limited, Haldia and the successful hydro-test completion of 2 x 250 MW Boilers at Suratgarh and 1 x 500 MW Boiler at Talcher for Bharat Heavy Electricals Limited.

Among the new orders in hand with the Division are :

- Ongoing supply, fabrication and erection of CDU/VDU Heaters, OHCU Heaters and VBU Heater for Petrofac International Limited, New Delhi alongwith Piping and equipment erection for Hydro-Cracker Unit of Chennai Petroleum Corporation Limited at Chennai.
- Mechanical erection of ASPET Plant at Haldia for Lurgi India Company Limited, New Delhi.
- Reactor/Regenerator assembly/erection work for Bharat Heavy Plates & Vessels Limited at Indian Oil Corporation Limited, Guwahati.
- Composite works for Oil Terminal at Manmad for Bharat Petroleum Corporation Limited, Mumbai.
- Equipment installation and Piping work for Clough Engineering, Australia for their Lakshmi Gas Field Project at Hazira.

On the Electrical and Instrumentation front, the orders secured during the year from Madras Cements Limited, Mathodu Plant as well as further orders from Associated Cement Companies Limited for their cement plant at Chandrapur, were successfully completed.

This Division's contract for the Construction Power facility at Indian Oil Corporation Limited's (IOCL)

Paradip Plant is under hold, due to IOCL's decision to temporarily stop work in this plant.

Further orders with this Division are for the Captive Power Plant work at Aditya Cement, Shambhupura and at the ASPET plant at Haldia for Lurgi India Company Limited, New Delhi.

PERFORMANCE – OTHER DIVISIONS :

Rockwool Division

This Division has successfully completed the insulation work for Madras Cement Limited at Alathiyur and refractory work for Maratha Cement Limited at Chandrapur. New orders with the Division include supply and application of refractory for Petrofac International Limited's Sulphur Recovery Plant at Chennai for Chennai Petroleum Corporation Limited, and supply and application of insulation for LG Engineering Construction Corporation Limited, at their project in Indian Oil Corporation Limited, Haldia.

Petron Mechanical Industries Division

This Division successfully completed the fabrication and erection of Chimney and Supporting Structures for Wartsila India Limited, Khopoli, revamping of grabbing crane for Saurashtra Cement Limited, Ranavav and supply of MS Tanks for Haden International (I) Limited, Thane. New orders in hand include fabrication and erection of Chimneys for Wartsila India Limited, at Noida, Sterling Gelatin at Vadodara and Krishna Knit works at Bhilad.

Petrofab Division

This Division successfully completed the supply and fabrication of Heater Modules for LG Engineering Limited, Korea for their project at Indian Oil Corporation Limited's Haldia Refinery. The Division has in hand a prestigious export order for fabrication of reformer structure for Qatar through Uhde India Limited.

Petrotech (EPC) Division

This Division has in hand the work of engineering design and drawings preparation for OHCU Heaters and VBU Heater (Petrofab) for Chennai Petroleum Corporation Limited, Chennai.

Petron Highway Inn Resort

This Resort has been closed due to uneconomical operation with effect from 25th October, 2001.

OUTLOOK

The unexecuted orders in hand at the end of the year stand at Rs.860 Lakhs. Further orders are expected with the proposed expansion of Panipat Refinery of Indian Oil Corporation Limited, setting up of Petrochemical complex and LAB Plant by Indian Oil Corporation Limited at Panipat and Vadodara respectively, the ongoing expansion of the Refinery at Bharat Petroleum Corporation Limited, Mumbai and the proposed expansion at Bharat Aluminium Company Limited (BALCO), Korba and Sterlite Industries (India) Limited, Tuticorin.

In the year under review the company's business came under severe strain for lack of business opportunity as