

Petron

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Petron Engineering Construction Limited

29th REPORT
2005

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>
S SANKARANARAYANAN	<i>NON-EXECUTIVE DIRECTOR</i>
K R SHRIRAM	<i>NON-EXECUTIVE DIRECTOR</i>
RAJASHREE DOKRAS	<i>NON-EXECUTIVE DIRECTOR</i>

SENIOR EXECUTIVES

K K RANADE	<i>EXECUTIVE PRESIDENT (CONSTRUCTION)</i>
Y A RANE	<i>EXECUTIVE PRESIDENT (CONTRACTS)</i>
S K BASU	<i>SR. VICE PRESIDENT (MECHANICAL DIVISION)</i>
S MITRA	<i>SR. VICE PRESIDENT (INSULATION DIVISION)</i>
R N PANDEY	<i>SR. VICE PRESIDENT (FINANCE)</i>
L V RAO	<i>SR. GENERAL MANAGER (ELECTRICAL)</i>

COMPANY SECRETARY

NARESH SHAH

AUDITORS

M S SANKARAN & CO.,
CHARTERED ACCOUNTANTS
MUMBAI

BANKERS

STATE BANK OF INDIA
ICICI BANK LIMITED
INDIAN OVERSEAS BANK LIMITED

REGISTERED OFFICE

SWASTIK CHAMBERS, 6TH FLOOR,
SION TROMBAY ROAD,
POST BOX NO. 7206, CHEMBUR,
MUMBAI - 400 071.

Tel No : 5597 3501-06 • Fax No : 5597 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 : 2821 5168 • Fax No : 2837 5646
E-mail : Sharepro@vsnl.com



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TWENTY NINTH ANNUAL GENERAL MEETING	
Day	: THURSDAY, THE 29TH SEPTEMBER, 2005
Time	: 3.30 P.M.
Place	: Swastik Chambers 6th Floor, Sion Trombay Road, Chembur, Mumbai - 400 071.

PETRON ENGINEERING CONSTRUCTION LIMITED

NOTICE

NOTICE is hereby given that the **Twenty-ninth 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 **Thursday, the 29th September, 2005 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, 2005 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 declare a dividend for the year ended 31st March, 2005.
3. To appoint a Director in place of Mr. P. G. Vaidhyathan, who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. A. A. Krishnan, who retires by rotation and, being eligible, offers himself for re-election.
5. 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.

BY ORDER OF THE BOARD

Place : Mumbai

Dated : 19th August, 2005

Naresh Shah

**ASST. VICE PRESIDENT (LEGAL) &
COMPANY SECRETARY**



NOTES:

- i) 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.
- ii) 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.
- iii) The Register of Beneficial Owners and the Register of Members and Share Transfer Books of the Company will remain closed from **15th September, 2005 to 29th September, 2005 (both days inclusive)**.
- iv) Members/Proxies should bring their attendance slips, duly filled in, to the meeting.
- v) 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 (India) Private Limited, 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.
- vi) Payment of dividend on Equity Shares, if declared, at the aforesaid meeting, will be made subject to the provisions of Section 206A of the Companies Act, 1956, to those Shareholders whose names shall appear on the Company's Register of Members on **Thursday the 29th September, 2005** or to their nominees. In respect of shares in electronic form dividend will be paid to the Beneficial Owners as per the list provided by the Depository Participants on that date.
- 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-ninth 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, 1998 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the "Investors' 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,

1998 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) To avoid instances of fraudulent encashment of warrants, members are requested to intimate the Company's Registrars and Transfer Agents or to your Depository Participants in case of your holding in electronic form, under the signature of the sole / first joint-holder, the following particulars :
- Name of the sole / first joint holder.
 - Name of the Bank, branch & complete address of the bank with code number.
 - Account Type, whether Savings or Current Account.
 - Bank Account Number allotted by the bank.
- xiii) 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 (India) Private Limited, 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.
- xiv) (a) The Company, consequent to introduction of Depository System entered into agreements with National Security Depository Limited (NSDL) and Central Depository Services 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.

BY ORDER OF THE BOARD

Place : Mumbai

Dated : 19th August, 2005

Naresh Shah
ASST. VICE PRESIDENT (LEGAL) &
COMPANY SECRETARY



DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors hereby present the **Twenty-ninth Annual Report** alongwith the Audited Accounts of the Company for the year ended **31st March 2005**.

FINANCIAL RESULTS

	Year Ended 31.03.2005 (Rupees)	Year Ended 31.03.2004 (Rupees)
TOTAL TURNOVER	3,16,05,00,285	1,88,09,60,024
Profit / before Depreciation & Taxation	14,13,08,361	8,51,59,458
Less : Depreciation	4,76,90,058	5,04,50,898
Profit before Taxation	9,36,18,303	3,47,08,560
Less : Provision for Taxation for the year	2,06,76,630	27,00,000
	7,29,41,673	3,20,08,560
Add/Less : Deferred Tax	67,78,290	(1,17,580)
Profit for the Year	7,97,19,963	3,18,90,980
Less : Tax Payment Relating to Earlier Years	41,33,840	*
AMOUNT AVAILABLE FOR APPROPRIATION	7,55,86,123	3,18,90,980
<u>APPROPRIATIONS:</u>		
1. Proposed Dividend for the Year	75,38,400	*
2. Corporate Dividend tax thereon	9,85,176	*
3. General Reserve	1,00,00,000	*
4. Surplus carried over to Balance Sheet	5,70,62,547	3,18,90,980
	7,55,86,123	3,18,90,980

DIVIDEND

Your Directors are pleased to recommend a Dividend of Re. 1/- per Equity Share of Rs. 10/- each for the year ended 31st March, 2005 for declaration by the Shareholders at the Twenty-ninth Annual General Meeting. The Dividend will absorb Rs. 75,38,400/- and Corporate Dividend Tax thereon will be Rs. 9,85,176/-, aggregating to Rs. 85,23,576/-.

REVIEW OF OPERATIONS

During the year under review, your company achieved a turnover of sales and other income of Rs. 31605 Lakhs (Previous Year Rs. 18809 Lakhs) The profit at the operating level before providing for depreciation was Rs. 1413 Lakhs. After making provision for depreciation of Rs. 477 Lakhs, the profit for the year comes to Rs. 936 Lakhs and that after making provision for income-tax for current year amounting to Rs. 207 Lakhs and after adding net Deferred Tax amounting to Rs. 68 Lakhs, the Net Profit is Rs. 797 Lakhs. The sales turnover has improved but due to stiff rise in Material Cost, Labour Cost and the nature of contracts executed, the margins have been very low. However, in the given circumstance the Company has turned out a better performance over the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Construction Division

During this year, the construction division successfully completed among other projects, the execution of contracts for supply of Convection Coil Bundles for heaters at Gas Authority of India Limited, Pata, Mechanical work for the LNG Terminal of Hazira Cryogenic Engineering & Construction Management Pvt. Ltd., C/o Shell Hazira Gas Pvt., Ltd., at Hazira. Mechanical work for Phosphoric Acid Plant and CCR Plant at Sterlite Industries (India) Limited, Tuticorin and the Power Cycle Piping work for Unit IV, at National Thermal Power Corporation Limited's Power Plant at Talcher. The execution of contracts for the heaters at Indian Oil Corporation Limited's Panipat Refinery are also nearing completion. Work is well under way in the export order for the erection of 2 nos. of cement plants and a captive power plant for Obajana Cement plc, in Nigeria and for the erection of 2 nos. of 500 MW boilers for National Thermal Power Corporation Limited, at Kahalgaon.

During the year, this division received many new orders, amongst which are:

- Power Cycle Piping for 2 units at National Thermal Power Corporation Limited, Rihand
- Supply, Fabrication and Erection of Cracker Furnace at Gas Authority of India Limited, Pata
- Erection of heavy lift equipments for PX1, PX2 Plants at Indian Oil Corporation Limited, Panipat Refinery.
- Complete Mechanical Erection work for MSQ Project for Indian Oil Corporation Limited's, Gujarat Refinery, Vadodara
- Fabrication and Erection work for Unit III expansion, at Vasavadata Cement, Sadam.
- Erection of 500 MW Boiler at National Thermal Power Corporation Limited, Sipat.

ELECTRICAL & INSTRUMENTATION DIVISION

This division successfully completed the execution of contracts at Associated Cement Company Limited., Chaibasa, Hindustan Zinc Ltd., Chanderia and Electrical / Instrumentation work at Tamil Nadu Petro Products Ltd., Chennai. Amongst new orders secured by this division are :



- Electrical work for PX2 Unit at Indian Oil Corporation Limited, Panipat.
- Supply and Installation of electricals for Associated Cement Company Limited, Gagal.
- Supply and Installation of electrical and instrumentation work at Vedanta Alumina Refinery at Lanjigarh, Orissa.

PERFORMANCE – OTHER DIVISIONS :

Rockwool Division

This division successfully completed orders for refractory supply / application for reactor for Larsen & Toubro Ltd., Hazira and the export order for refractory work in ALBA, Bahrain, among other projects.

The division has secured new orders among which are :

- Refractory installation work at St. Gobain's Glass Plant, Chennai
- Repeat order from Videocon Narmada Glass Limited for refractory installation
- Repeat order from Reliance Industries Limited for Refractory Installation, external insulation and wrapping & coating work, Jamnagar.
- Shut down maintenance work at Samcor Glass, Kota.

Petron Mechanical Division

This division successfully completed orders for the rodding plant at Bharat Aluminum Company Limited, Korba and the chimney work for Wartsila India Limited.

New orders in hand include :

- Fabrication and Erection of tanks and allied piping work for Wartsila India Limited, at Mettupalayam
- Supply, Fabrication and Erection of Chimneys and supporting structures for Wartsila India Limited, at Vapi.

Petrofab Division

This division completed the orders for supply of Convection Coil Modules for Gas Authority of India Limited, Pata and supply and fabrication of structures for Hazira Cryogenic Engineering & Construction Management Pvt. Ltd., C/o Shell Hazira Gas Pvt., Ltd.'s LNG Plant, at Hazira.

Orders in hand include :

- Supply and Fabrication of skids for Daniel Instruments, Vadodara
- Supply and Fabrication of Windmill components, for Sulzon Energy Limited.

Petrotech Division

This division successfully completed the engineering work for all work of heaters in Panipat. Work in hand includes :

- The balance engineering works for LAB Heater at Bharat Petroleum Corpn. Ltd., Mumbai.
- Packages and supporting structures for the MSQ project for Indian Oil Corporation Limited, Vadodara, through the construction division.

Petron Highway Inn Resort

This division has been renamed as **"PETRON RESORTS"**. The performance of this division has been encouraging.

OUTLOOK

Unexecuted orders at the end of the year stood at Rs. 320 crores. Further orders of approx. Rs. 30 crores has been received till date. In view of the expansion projects in the Oil & Petrochemical Sector, Power Plants and Metallurgical Plants, your Company hopes to receive substantial orders in the near future.

Business prospects in Africa and the Middle East also are very encouraging.

With the continuing improvement in the industrial situation, your Company's performance holds promise. The Company can look forward to better performance in the future.

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

The Company being engaged in undertaking engineering contracts, executed at different sites in the clients' premises, the disclosure of particulars under Section 217(1)(e) of the Companies Act, 1956, in so far as it relates to the conservation of energy and technology absorption is not applicable. Particulars with regard to foreign exchange earnings and outgo is given below :

Total Foreign Exchange used and earned

i) CIF Value of Imports	Rs. 11,62,81,012
ii) Expenditure in Foreign Currency	Rs. 8,00,67,427
iii) Foreign Exchange earned	Rs. 45,61,90,283

DIRECTORS

In accordance with Article 127 of the Articles of Association of the Company, Mr. P. G. Vaidhyanathan and Mr. A. A. Krishnan, retire by rotation and, being eligible, offer themselves for re-appointment.

Mr. P. G. Vaidhyanathan, Director (Operations) retires by rotation and is eligible for reappointment. He is 59 years, qualified B.E. (Mech.) having vast experience of more than 35 years in the construction business. He is working with the Company since its inception in 1976. He was appointed Director on the Board as "Director (Operations)" with effect from 1st January, 1993.

Mr. A. A. Krishnan, Non-Executive Independent Director retires by rotation and is eligible for reappointment. He is 72 years, qualified Engineering Graduate. He is having vast experience in the field of setting up petro-chemical plants. He was appointed as a Non-Executive Director of the Company effective from 31st October, 2001.

AUDITORS AND THEIR REPORT

The retiring Auditors M/s. M.S. Sankaran & Co., Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for re-appointment. Your Directors request you to appoint Auditors for the current Financial Year and fix their remuneration. They have furnished a certificate to the Company to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

With regard to adverse qualification made by the Auditors' in the Annexure to the Report, in Item No. xi, the Directors state as under :