

Petron



Petron Engineering Construction Limited

30th REPORT
2006

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> |
| MADHUKAR AMBEKAR | <i>ALTERNATE DIRECTOR TO RAJASHREE DOKRAS</i> |

SENIOR EXECUTIVES

| | |
|-------------------|---|
| K K RANADE | <i>SENIOR PRESIDENT (CONSTRUCTION)</i> |
| Y A RANE | <i>SENIOR PRESIDENT (CONTRACTS)</i> |
| S MITRA | <i>SR. VICE PRESIDENT (INSULATION DIVISION)</i> |
| R N PANDEY | <i>SR. VICE PRESIDENT (FINANCE) & CHIEF FINANCIAL OFFICER</i> |
| L V RAO | <i>ASST. VICE PRESIDENT (ELECT & INSTRUMENTATION)</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 : 6797 3501-06 • Fax No : 6797 3509-10
E-mail : Petronproj@vsnl.com

REGISTRARS & TRANSFER AGENTS

SHAREPRO SERVICES (INDIA) PVT. LTD.
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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THIRTIETH ANNUAL GENERAL MEETING

Day : FRIDAY, THE 29TH SEPTEMBER, 2006
 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 **Thirtieth** 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 29th September, 2006 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, 2006 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, 2006.
3. To appoint a Director in place of Mr. S. Sankaranarayanan, who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. K. R. Shriram, 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 : 28th August, 2006

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, 2006 to 29th September, 2006 (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 & Share 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 **Friday the 29th September, 2006** 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 Thirtieth 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 Share 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, 1999 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, 1999 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 Depository Participants in case of holding in electronic form, under the signature of the sole / first joint-holder, the following particulars :
 - a. Name of the sole / first joint holder.
 - b. Name of the Bank, branch & complete address of the bank with code number.
 - c. Account Type, whether Savings or Current Account.
 - d. 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.
- xv) (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 Depository Participant with whom you have opened an account.

BY ORDER OF THE BOARD

Place : Mumbai
Dated : 28th August, 2006

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

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

**DIRECTORS' REPORT****TO THE MEMBERS,**

Your Directors hereby present the **Thirtieth Annual Report** alongwith the Audited Accounts of the Company for the year ended **31st March 2006**.

FINANCIAL RESULTS

| | Year Ended 31.03.2006 (Rupees) | Year Ended 31.03.2005 (Rupees) |
|---|--------------------------------------|--------------------------------------|
| TOTAL TURNOVER | 2,62,06,59,636 | 3,15,93,35,677 |
| Profit / before Depreciation & Taxation | 15,34,19,707 | 14,13,08,361 |
| Less : Depreciation | 4,05,17,920 | 4,76,90,058 |
| Profit before Taxation | 11,29,01,787 | 9,36,18,303 |
| Less : Tax Payment Relating to Earlier year | — | 41,33,840 |
| | 11,29,01,787 | 8,94,84,463 |
| Less : Provision for Taxation for the year | 2,59,28,420 | 2,06,76,630 |
| Less : Provision for Fringe Benefit Tax for the year | 15,00,000 | — |
| | 8,54,73,367 | 6,88,07,833 |
| Less/Add : Deferred Tax | 39,55,425 | 67,78,290 |
| AMOUNT AVAILABLE FOR APPROPRIATION | 8,15,17,942 | 7,55,86,123 |
| APPROPRIATIONS: | | |
| 1. Proposed Dividend for the Year | 75,38,400 | 75,38,400 |
| 2. Corporate Dividend tax thereon | 10,57,261 | 9,85,176 |
| 3. General Reserve | 2,05,73,547 | 1,00,00,000 |
| 4. Surplus carried over to Balance Sheet | 5,23,48,734 | 5,70,62,547 |
| | 8,15,17,942 | 7,55,86,123 |

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, 2006 for declaration by the Shareholders at the Thirtieth Annual General Meeting. The Dividend will absorb Rs.75,38,400/- and Corporate Dividend Tax thereon will be Rs. 10,57,261/-, aggregating to Rs. 85,95,661/-.

REVIEW OF OPERATIONS

During the year under review, your Company achieved a turnover of Sales and Other Income of Rs. 26207 Lakhs (Previous Year Rs. 31593 Lakhs). The profit at the operating level before providing for Depreciation was Rs. 1534 Lakhs. After making the provisions for Depreciation of Rs. 405 Lakhs the profit for the year comes to Rs. 1129 Lakhs and that after making provision for Income-tax for current year amounting to Rs. 259 Lakhs and Deferred Tax Provision of Rs. 40 Lakhs and Fringe Benefit Tax Provision of Rs. 15 Lakhs, the Net Profit is Rs. 815 Lakhs. The sales turnover declined, but for execution of nature of contracts, the margins have improved resulting in a better performance over the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Construction Division :

During the year, this division successfully completed among other projects, the Power Cycle Piping at National Thermal Power Corporation Limited, Rihand; supplying, fabrication and erection of Cracking Furnace at Gas Authority of India Limited, Pata; erection of heavy lift equipment for the PX-1 and PX-2 plants at Indian Oil Corporation Limited, Panipat Refinery and the contracts for heaters work in Indian Oil Corporation Limited, Panipat.

Substantial completion of work has been achieved in the erection of two numbers of cement plants and captive power plant for Obajana Cements, in Nigeria.

During this year, this division received new orders among which are, erection of electro static precipitator and critical piping at National Thermal Power Corporation Limited, Sipat, supply and erection of cracking furnace for Haldia Petrochemicals Limited, Haldia and the erection of two numbers of 300 MW boilers for Reliance Energy Limited, Yamunanagar.

Electrical & Instrumentation Division:

This division successfully completed the electrical work for PX-2 unit at Indian Oil Corporation Limited, Panipat and supply & installation of electrical for Associated Cements Company, at Galgal.

Among the new orders secured by this division are :

- electrical and instrumentation work for the cement plant expansion at Vasavadata Cements, Sedam.
- Electrical and instrumentation work including supplies for Vedanta Alumina Refinery, SSE Mineral India Pvt. Ltd. Lanjigarh. Orissa.

PERFORMANCE – OTHER DIVISIONS :

Rockwool Division :

This division successfully completed the work at St. Gobain Glass Plant, Chennai. Videocon Narmada Glass Ltd., and the shutdown maintenance work at Samcor Glass, Kota.



Among new orders secured at the division are mechanical assembly & refractory work at Asahi Float Glass, Roorkee, and refractory application work at Essar Refinery, Vadinar and shutdown maintenance work at Reliance Refinery, Jamnagar.

Petron Mechanical Division :

This division successfully completed the orders for tanks and allied work for Wartsila Limited, Mettupalayam and chimneys and supporting structural work at Wartsila Limited, Vapi.

New orders in hand includes supply of overhead crane components for Sterlite Industries Limited, at Lonavala and supply of various mechanical components for Sterlite Industries Limited, Tuticorin.

Petrofab Division :

This division completed the orders for supply and fabrication of skids for Daniel Instruments, Vadodara and supply and fabrication of windmill components for Sulzon Energy Limited.

Orders in hand includes repeat order for supply and fabrication of windmill components from Sulzon and fabrication of vessels and mechanical components for Inox Limited.

Petrotech Division :

This division successfully completed the engineering work for the LAB Heater work at Bharat Petroleum Corporation Limited, Mumbai and the MSQ project at Indian Oil Corporation Limited, Vadodara Refinery. The work in hand includes the engineering and detailing of the new heater in Haldia Petro Chemicals Limited, Haldia, through construction division.

Petron Resorts :

The performance of this division has shown further improvement.

OUTLOOK

Unexecuted orders in hand at the end of the year stood at Rs. 200 crores. Further orders of approx. Rs. 120 crores, has been received till date. This includes a prestigious order for complete erection of a cement plant in Yemen for National Cements Company, Yemen.

Your company is also in the final stage of negotiation for a contract in Kuwait.

With the starting of the work in Naphtha Cracker Plant, at Indian Oil Corporation Limited, Panipat, the refinery expansion work at Reliance Petroleum Limited, Jamnagar, new power plants and future expected contracts in Nigeria, Yemen and Kuwait, the outlook is very encouraging. Your company can look forward to a continuous improvement in its performance.

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. 8,00,27,550/- |
| ii) Expenditure in Foreign Currency | Rs. 43,23,62,399/- |
| iii) Foreign Exchange earned | Rs. 64,68,63,979/- |

DIRECTORS

In accordance with Article 127 of the Articles of Association of the Company, Mr. S. Sankaranarayanan and Mr. K. R. Shriram, retire by rotation and, being eligible, offer themselves for re-appointment.

Mr. S. Sankaranarayanan, Non-Executive Independent Director retires by rotation and is eligible for re-appointment. He is 60 years, qualified Cost Accountant and Chartered Accountant having vast experience of 35 years in Accounts, Finance and Management Consultancy, Project, Finance, Mergers, Acquisition & Takeovers. He was appointed as a Non-Executive Director on the Board with effect from 11th June, 2004.

Mr. K. R. Shriram, Non-Executive Promoter Director retires by rotation and is eligible for re-appointment. He is 43 years qualified B.Com. L.L.M. (LON). He is an Advocate having experience of 20 years in the legal field. He was appointed as a Non-Executive Director of the Company effective from 11th June, 2004.

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 their Report, referred to in paragraph 1 of the Report, the Directors state as under :

Item 1(b):

The major part of the Fixed Assets of the Company is Plant & Machinery. The same is located at various sites where the Company is executing contracts and shifting of the same takes place intermittently during the year. Physical verification of the same on going basis was difficult and cumbersome. However, the Company has a phased program of verification of all items and the same was covered during the calendar year though not in the Financial Year.

Item No. 7 :

The same is self explanatory. The Company is in the process of strengthening the Internal Audit System so as to extend the coverage to all areas of activities.

Item No. 9(a)(b):

The undisputed statutory dues have remained unpaid partly during the year owing to the paucity of Financial Resources on account of delayed payment of some Bills by the clients. Procurement of Heavy Plant and Machinery on need based urgent basis for contract execution and additions to other Fixed Assets had affected the Cash-Flow projections made by the Company. Efforts are on to clear all the outstanding in an expeditious phased manner and the same shall stand fully paid at the earliest.