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Petron Engineering Construction Limited 35TH ANNUAL REPORT FY 2010-11

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LEVEL NEXT ENGINEERING

Petron Engineering Construction Limited

35TH ANNUAL REPORT FY 2010-11

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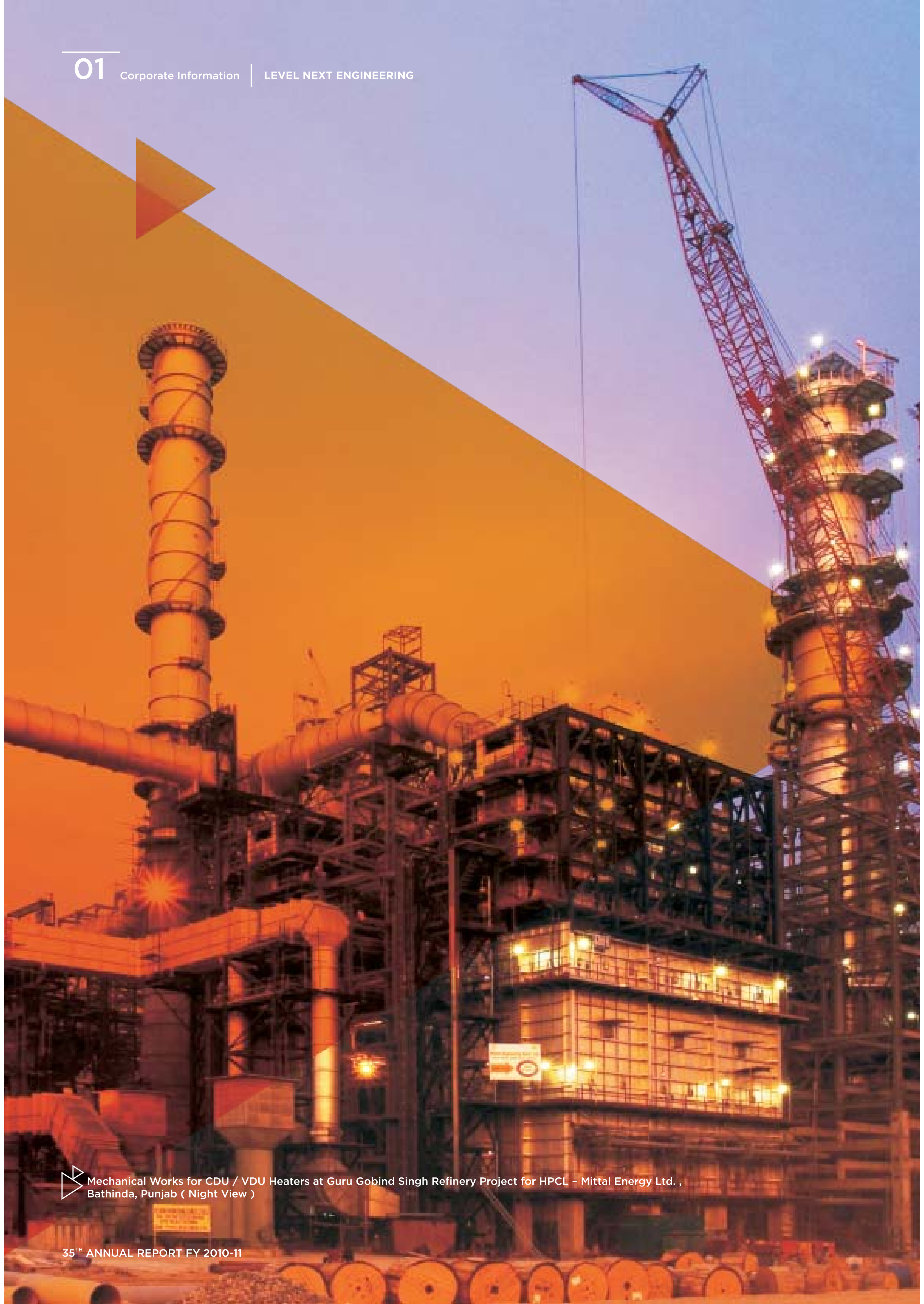

Mechanical Works for CDU / VDU Heaters at Guru Gobind Singh Refinery Project for HPCL - Mittal Energy Ltd., Bathinda, Punjab (Night View)

CORPORATE INFORMATION

BOARD OF DIRECTORS
T. S. Das - Managing Director
Ravi Keswani - Non Executive Director
Dr. S. Rama Iyer - Non Executive Director
R. Sankaran - Non Executive Director

SENIOR MANAGEMENT
R. N. Pandey - Chief Financial Officer
G. K. Roy - Chief Operating Officer
Raman Trehan - Joint President (Procurement)
Harsha R Kamath - Sr. Vice President (Proposals)

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

STATUTORY AUDITORS
Lodha & Company
Chartered Accountants
C-1, Upasana, 1 Haily Road
CP, New Delhi - 110001

INTERNAL AUDITORS
PricewaterhouseCoopers
Bagaria & Company
DMKH & Company

REGISTERED OFFICE
6th Floor, Swastik Chambers
Sion-Trombay Road, Chembur
Mumbai - 400 071
Tel: +91 22 4085 6200
Fax: +91 22 4085 6250

REGISTRAR & SHARE TRANSFER AGENT
Sharepro Service (I) Private Limited
13 AB, Samhita Warehousing Complex
2nd Floor, Sakinaka, Andheri Kurla Road
Andheri (E), Mumbai - 400 072
Tel: +91 22 6772 0300, 6772 0400
Fax: +91 22 2859 1568
Email: sharepro@shareprocservices.com

BANKERS
State Bank Of India
ICICI Bank Limited
IDBI Bank Limited
Indian Overseas Bank
Axis Bank Limited
ING Vysya Bank Limited
Yes Bank Limited

GROWTH
STRATEGY
SUSTAINABILITY
SYNERGY
SERVICE
PEOPLE

MESSAGE FROM THE MANAGING DIRECTOR

> "...Company has leapfrogged traditional routes and has armed itself with forward-looking attitude"

Dear Shareholder,

To embark on a journey of triumph, one requires vision, preparedness and strategy. It is inevitable to combine these three forces in an industry where uncertainty stretches right from the price & extent of work to laws & regulations.

Calling this to mind and leveraging synergies across the KazStroyService (KSS) Group, we are enhancing our financial, managerial and operational skills to ensure a unique yet consistent experience to our valued clients; to forge stronger bonds with our partners & vendors; and to provide the employees ample opportunities to excel. Our efforts will yield much more with the addition of advanced ERP practices that the KSS group plans to employ in the fiscal year 2011-12.

Today the Company has leapfrogged traditional routes and has armed itself with forward-looking attitude and progressive expertise to take on the existing and new markets more vigorously.

Gearing up for the future and to withstand the winds of change, we strive to ensure that in our actions the economic, environmental and social factors are considered. We believe this approach, driven by our principles of value, rigour and involvement, makes us more responsible and informed as a Company.

We are evolving – thanks to our clients, employees, bankers, partners and stakeholders.

Best wishes,

T. S. Das
MANAGING DIRECTOR

Mumbai, 25th May 2011

Mechanical Works for CDU / VDU Heaters at Guru Gobind Singh Refinery Project for HPCL – Mittal Energy Ltd., Bathinda, Punjab (Night View)

DIRECTORS' REPORT

To the Members of,
PETRON ENGINEERING CONSTRUCTION LIMITED

The Directors of Petron Engineering Construction Limited have pleasure in presenting the **Thirty-fifth Annual Report** and the Audited Financial Statements of your Company for the year ended **31st March, 2011**.

A) FINANCIAL RESULTS

During the year under review, though the total revenue has declined to ₹50143 Lacs from ₹53376 Lacs in the previous year (down by 6.06%), the profit has increased to ₹6089 Lacs before interest, depreciation, tax and transfer from revaluation reserve as compared to ₹5165 Lacs in the previous year (increased by 17.89%). The interest has declined to ₹381 Lacs (Previous Year ₹675 Lacs) (Lower by 43.56%) and depreciation has increased to ₹1093 Lacs (previous year ₹903 Lacs) (Higher by 21.04%).

The improvement in the operational efficiency and reduction in interest cost has resulted into higher profit of ₹4615 Lacs as compared to ₹3587 Lacs in the previous year before providing for tax. The Net Profit for the year is higher at ₹3095 Lacs as compared to ₹2388 Lacs in the previous year.

	For the year ended 31st March, 2011 (₹)	For the year ended 31st March, 2010 (₹)
Total turnover (Sales & Other income)	5,014,294,736	5,337,551,115
Profit before interest, depreciation, tax & transfer from revaluation reserve	608,888,959	516,476,770
Interest	38,092,133	67,506,454
Profit before depreciation, tax and transfer from revaluation reserve	570,796,826	448,970,316
Depreciation	109,267,359	90,320,057
Profit/(Loss) before tax	461,529,466	358,650,259
Provision for taxation: Current tax	181,883,760	121,328,108
Deferred tax	(38,738,185)	(1,510,563)
Income-tax for earlier year	8,846,361	-
Profit/(Loss) after tax	309,537,530	238,832,714
Balance in profit & loss account brought forward	480,935,746	283,683,900
Amount available for appropriation	790,473,276	52,25,16,614
Proposed dividend for the year	15,076,800	15,076,800
Corporate dividend tax thereon	2,445,834	2,504,068
General reserve	32,500,000	24,000,000
Surplus carried over to balance sheet	740,450,642	480,935,746
	790,473,276	522,516,614

B) DIVIDEND

Your Directors are pleased to recommend a Dividend of ₹2 (20%) per Equity Share of ₹10 each for the year ended 31st March, 2011 for declaration by the Shareholders at the Thirty-fifth Annual General Meeting. The Dividend will absorb ₹15,076,800 and Corporate Dividend Tax thereon will be ₹2,445,834, aggregating to ₹17,522,634.

C) MANAGEMENT DISCUSSION AND ANALYSIS

1) Industry Trends and Developments

You are aware that infrastructure companies in the last two years took a beating due to the global economic slowdown. Even FY11 did not give good news for the sector with delays in land acquisition, project clearances, high interest rates, swings in currency rates and slower project execution. Despite these in long run the infrastructure industry is going to witness a good growth on back of growing infrastructure activities. The concept of engineering, procurement & construction (EPC) has been gaining importance in India since the last decade as the companies prefer awarding contracts to specialized companies having complete experience of handling such projects. It has got a very good potential considering the size and complexity of projects being set up in India in the industries like oil & gas, power, steel, fertilizers, cement etc. India is set to see a massive infrastructure capex cycle over the next decade as the existing infrastructure fails to support India's population. The infrastructure companies will benefit hugely from this capex cycle.

The infrastructure companies will benefit hugely from this capex cycle.

2) Division Wise Performance

Erection of boiler Proper
(2 x 300MW)
(Phase 1) of Utility Energytech and Engineering Private

Engineering & Construction

During the year, the Division has successfully executed the following contracts:

a) Equipment and piping installation works for DHDT & HGU units at Indian Oil Corporation Limited, Vadodara, Gujarat.

b) Erection of boiler Proper (2 x 300MW) (Phase 1) of Utility Energytech and Engineering Private Limited at Rosa Thermal Power Project, Rosa, Uttar Pradesh.

c) Power plant erection work for 2 x 300MW boilers (Phase 2) for Sichuan Fortune Project Management Co. Limited at Adani Power Limited, Mundra, Gujarat.

d) Mechanical and piping works of HCU/DHT Heaters for Bharat Oman Refinery Limited at Bina, Madhya Pradesh.

e) Composite Mechanical Works for Implementation of Euro-IV Project of Chennai Petroleum Corporation Limited at Chennai.

f) Lump sum turnkey project of CDU/VDU Heaters for HPCL-Mittal Energy Limited at Bathinda, Punjab.

g) Lump sum turnkey project of DHDT Heaters for HPCL-Mittal Energy Limited at Bathinda, Punjab.

h) Lump sum turnkey project of NHT/CCR Heaters for HPCL-Mittal Energy Limited at Bathinda, Punjab.

The work on the following projects substantially progressed during the year:

a) Erection and Associated works of Boiler and Auxiliaries and TG Auxiliaries of Unit No.01 and 03 for 3x660 MW Tiroda Thermal Power Project of Adani Power Maharashtra Limited at Tiroda, Dist. Gondia, Maharashtra

b) Mechanical Fabrication & Erection works for 5000 TPD Ariyalur Line –II of Madras Cements Limited.

c) Erection of Boiler proper for 2x300 MW Rosa Phase -II Thermal Power Project Rosa for Utility Energytech and Engineer's Private Limited.

d) Engineering, Procurement, Construction and Commissioning Assistance (EPCC) of Fired Heaters for VGO-HDT unit of Paradip Refinery Project, Orissa for Indian Oil Corporation Limited.

e) Supply of two Nos. Cooker Feed (DCU) Heater package including Residual Engineering, Thermal Design Revalidation, fabrication and delivery as per the technical specification for Nagarjuna Oil Corporation Limited, Cuddalore.

f) Supply of Hydrotreater reactor Feed Heater (DHU) Heater package including Residual Engineering, Thermal Design Revalidation, shop fabrication and supply as per the technical specification for Nagarjuna Oil Corporation Limited at Cuddalore.

g) Engineering, Procurement, Construction and Commissioning Assistance (EPCC) of AVU Fired Heaters for Paradip Refinery Project at Paradip, Orissa for Indian Oil Corporation Limited.

h) Engineering, Procurement, Construction and Commissioning Assistance (EPCC) of NHT/CCR Fired Heaters for Paradip Refinery Project at Paradip, Orissa for Indian Oil Corporation Limited, Paradip.

I) Construction Contract (V2) for A10/A17 viz. FCC Unit. LPG, Jet Fuel and Gasoline Merox, FGD and Caustic Storage areas in ISBL for Cuddalore Refinery Project at Cuddalore.

j) Erection, testing, Commissioning, trial operations and handing over 2X600 MW boilers at Raghunathpur.

Petron Mechanical Industries

During the year, the Division has successfully executed the following contracts:

a) Erection & Commissioning of 33 Nos. of EOT Cranes and 23 Nos. of Electric Hoists for Vedanta Aluminium Limited, SEZ Unit, Smelter Expansion Project at Jharsuguda, Orissa.

33 Nos. of EOT Cranes

23 Nos. of Electric Hoists

b) Design, Engineering, Manufacturing & Supply of 25 Nos. of Electric Winches of different capacities for Gammon India Limited, Mumbai.

c) Installation & Commissioning for Rodding Shop Project of Vedanta Aluminium Limited, SEZ Unit, Jharsuguda, Orissa.

d) Design, Engineering, Manufacturing Supply & Commissioning of 02 Nos. of 40T Capacity Gantry Cranes for Adani Power Maharashtra Limited for their Power Plant at Tiroda.

e) Manufacturing & Supply of EOT Crane Spares for Vedanta Aluminium Limited, SEZ Unit, Smelter Expansion Project at Jharsuguda, Orissa.

Electrical & Instrumentation

During the year, this Division has successfully executed the following orders:

a) Erection, Testing & Commissioning of Electrical & Instrumentation equipment for Madras Cements Limited, Ariyalur

b) Erection, Calibration, Testing and commissioning for complete C&I Systems for 2x330MW (Unit-3 & 4) at Adani Power Limited, Mundra Thermal Power Project, Mundra

c) Supply of Electrical Equipment Package (Part-I Cabling, Earthing & Lightning Protection, Part - II Electrical Safety Equipment and Part - III Illumination System), for 366 MW Combined Cycle Power Plant - Stage II at Lanco Infratech Limited, Kondapalli IDA, Dist. Krishna, A.P.

d) Supply and Delivery at site with all the accessories for electrical items for 2x300MW Rosa Thermal Power Project, for Utility Energytech and Engineers Pvt. Ltd

e) Electrical Erection work for Rosa Thermal Power Plant for Utility Energytech and Engineers Pvt. Ltd

f) Supply of materials for Balance of Plant (BOP) for 2 x 250MW Parichha Thermal Power Project, Extension-II, Unit 5 & 6 at Parichha, U.P for Reliance Infrastructure Limited

g) Erection, Testing and Commissioning of Electrical system for Balance of Plant (BOP) for 2 x 250 MW Parichha Thermal Power Project, Extension-II, Unit 5 & 6 at Parichha, U.P. for Reliance Infrastructure Limited

h) Electrical works at CPP for Boiler 2 & Boiler -3 at Bharat Oman Refinery Limited at Bina, Madhya Pradesh.

Presently, the following Orders of the Division are under execution:

a) Erection, Testing and Commissioning of Electrical and Lighting equipments & Instrumentation equipment at Ariyalur Line - 2 project of Madras Cements Limited.

b) Contract for Supply of Electrical Equipment , Installation, testing, Commissioning and conducting Guarantee tests for Vindyachal Super Thermal Power Project, Stage IV (2x500) MW for National Thermal Power Corporation Limited.

Rihand Super Thermal Power Project, Stage III **(2x500 MW)** for National Thermal Power Corporation Limited.

c) Contract for Supply of Electrical Equipment, Installation, testing, Commissioning and conducting Guarantee tests for Rihand Super Thermal Power Project, Stage III (2x500 MW) for National Thermal Power Corporation Limited.

d) Supply of electrical equipment package (Part - I - cabling, earthing and lighting protection, Part II - Electrical Equipment and Part III - Illumination system) for 2 X 371 MW combined cycle power plant - Stage III at Lanco Infratech Limited, Kondapalli IDA, Dist Krishna A.P.

e) Erection, testing and commissioning of electrical erection package (Part I - Cabling, Earthing and lighting protection, Part II - Electrical Equipment and Part III - Illumination System) for 2 X 371 MW combined cycle power plant - Stage III at Lanco Infratech Limited,Kondapalli IDA, Dist Krishna A.P.

Rockwool Insulation & Refractory

During the year, the Division has successfully executed the following contracts

Refractory Erection work for New Wadi Expansion Project **14000 TPD** for ACC Limited.

a) Refractory & Insulation Works for 125 MW CFBC Boilers for Larsen & Toubro Limited A/c JSW Energy Ltd.

b) Refractory Erection work for New Wadi Expansion Project 14000 TPD for ACC Limited.

c) Insulation work at HDPE, PP & LLDPR Supermax Expansion Project for Haldia Petrochemicals Limited, Haldia.

d) Application of Insulation Work for 330 MW X 2 for Adani Power Pvt. Ltd., Mundra.

e) Heaters Refractory, Insulation & fireproofing Work (Petron Project) for Bharat Oman Refinery Limited, Bina, Madhya Pradesh.

f) CDU, NHT, CCR, DHDT Heaters Refractory & Insulation Work (Petron Project) for Guru Gobind Singh Refinery of HPCL Mittal Energy Limited at Bathinda, Punjab.

g) Refractory & insulation maintenance Jobs at Reliance Industries Ltd., Jamnagar

h) Refractory & insulation maintenance Jobs at Essar Oil Ltd., Jamnagar

I) Refractory & insulation maintenance Jobs at Essar Power Ltd., Jamnagar

Presently, the following Orders of the Division are under execution:

a) Refractory Application works for Essar Palletizing plant for Essar Steel Orissa Ltd

b) Refractory Job for DCU & VGO Heaters at Essar Oil Limited, Jamnagar for Essar Projects India Ltd.

c) Application of Refractory in 3 Nos. of 60 MT Aluminium melting & holding furnaces for Vedanta Aluminium Ltd., Jharsuguda .

d) Installation of Refractory materials for 10000 TPD Cement Plant at Thumdi, Kutch for ABG Cement Ltd.

e) DHDT/NHT Heater Insulation work for Chennai Petroleum Corporation Limited, Chennai.

f) VGO, AVU, NHT & CCR Heater Refractory & Insulation Work (Petron Project) for Indian Oil Corporation Limited at Paradip, Orissa.

g) DCU & DHU Heater Refractory & Insulation Work (Petron Project) for Nagarjuna Oil Corporation Limited at Cuddalore, Tamil Nadu.

Petrofab Division

Successfully completed the below mentioned projects during 2010-2011

a) Fired heaters for DHDT heaters of MRPL Mangalore for Petrochem Development (I) Pvt. Ltd., Pune.

b) Fabrication Convection Modules (3Nos) and 1 No FG Boiler for Essar, Vadinar through Heurtey Petrochem, Mumbai.

c) Fabrication of Incinerators (3 Nos) for Combustion Systems.

d) Fabrication and Assembly of Piping, Structures, Meter runs, Metering skid, Filtration Skids and Pressure Reduction Skids for Daniel Measurement Solutions (P) Ltd, Vadodara.

Jobs Presently under Execution

a) Fabrication of DCU Heaters (720 MT & Associated Piping) for Nagarjuna Oil Corporation Limited, Cuddalore.

b) Fabrication of DHU Heaters (85 MT & Associated Piping) for Nagarjuna Oil Corporation Limited, Cuddalore.

c) Fabrication of Pressure Vessel (22 MT) for Combustion Systems

d) Reformer Structure (550 MT) for UHDE for Praxair for their Hydrogen plant at Indian Oil Corporation Limited, Paradip, Orissa.

e) Fabrication of CA Ducts (CS & AS) – (100 MT) for UHDE for Praxair for their Hydrogen plant at Indian Oil Corporation Limited, Paradip, Orissa.

f) Fabrication of Heater Structures (390 MT) for Indian Oil Corporation Limited for JNK India Pvt Ltd.,

g) Fabrication of Heaters for OMPL Mangalore (590 MT) for JNK India Pvt Ltd,

h) Fabrication of FG Stack (270 MT) for Larsen & Toubro Limited for Indian Oil Corporation Limited at Paradip ,Orissa.

I) Fabrication and Assembly of Piping, Structures, Meter runs, Metering skid, Filtration Skids and Pressure Reduction Skids for Daniel Measurement Solutions (P) Ltd, Vadodara.

3) ACHIEVEMENTS

a) We are pleased to inform you that your company achieved many feats in safe man-hours without Lost time incidents, major being Indian Oil Corporation Ltd., Gujarat DHDT-HGU project in which record 7.6 Million man-hours were achieved without the lost time incident.

b) Continuation in Certification of ISO 9001:2008 for quality system management during surveillance audit conducted recently.

c) Continuation in OHSAS 18001:2007 for Health and Safety Management system and ISO 14001:2004 for environmental management system.

4) OUTLOOK

booked large orders aggregating to ₹ 874 crores during 2010-11

Your Company had booked large orders aggregating to ₹874 crores during 2010-11 as compared to ₹692 crores achieved during 2009-10. The Company has accumulated orders of about ₹1,200 crores of which EPC orders contributes over 40%. This augurs well for Company's long term strategic business. Thus, order backlog represents increase of 18% over the pending order backlog of ₹1020 crores in the previous year

The major orders received are given below:

Sr No.	Client	Description	Order Value (₹ In Lacs)
1	Indian Oil Corporation Limited, Paradip Refinery	NHT/CCR Fired Heaters	15,540
2	SEPCO, Chattisgarh	Boiler with BOP package	16,104
3	Nagarjuna Oil Corporation Limited' Cuddalore	Vertical construction contract (V2) for FCC, Merox, LPG units etc for refinery	23,274
4	Adani Power Private Limited, Rajasthan	Boiler and turbine auxiliaries	16,435
5	National Thermal Power Corp. Limited, Rihand, MP	Electrical supply & installation	2,939
6	National Thermal Power Corp. Limited, Vindhyachal, UP	Electrical supply & installation	2,923

The outlook is encouraging and your Company can look forward to continuous improvement in its performance in the coming year/s.

The sectors in which Petron Engineering Construction Limited is active is oil & gas, power, cement and metallurgical industries.

Out of these, the power seems to be a promising sector in the year 2011-12. India has achieved the highest ever capacity addition in the power sector at a record 15,795 MW during 2010-11. The number of power plants will increase in the years to come with State Governments such as Gujarat, Maharashtra, Orissa and so on inviting private players to invest in the power sector. Coal based power will

remain the dominant source for energy in India. The next five years should ramp up the markets even with a slew of high end investments and high end IPOs.

According to the Mid-term appraisal by the Planning Commission (2010) the resource crunch in the availability of indigenous coal will be much more intense in the twelfth plan when the projected gap between demand and supply is likely to go up by 200 MT. Hence, acquiring coal mines in other countries has become common practice to de-risk the raw material supply for coal based power plant s which are the dominant source of energy in India.

Since there is no credible answer to the chronic energy shortfall, there would be a thrust in Nuclear energy albeit with increased safety features. Your company is actively considering entering into this segment in near future.

There are major fertilizer projects being implemented in India in next few years. Your company sees this as opportunity to undertake EPC and construction jobs in this reviving sector which witnessed sluggishness for nearly one and half decade.

Another important sector that will continue to witness some growth is the oil and gas sector. With major refinery at such as Paradip being at an advanced stage of construction and other at Bina and Bathinda already in place , there would be lesser activity in this sector in 2011-12. Still some old refineries would implement projects for revamp/modernization with which it is possible to get some good business out of this sector.

The fabrication industry for oil and gas, petrochemicals and fertilizers Industry would witness a good inflow of enquiries. Your company is having a very good manufacturing workshop near Vadodara to take care of this industry.

Cement industry has witnessed a change in the mode of execution of cement plants from conventional equipment wise ordering to executing on EPC basis. Currently the installed cement production capacity in India is 300 MTPA and there is always a good demand for cement and consequently there is a scope for putting up new cement plants.

Beside Indian cement companies who are implementing cement expansion projects, there are a number of foreign companies active in India who is also implementing new cement plant of around 7000 TPD capacity at several places in India including grinding units. Given the rapid pace of infrastructure development in India, cement will continue to be an attractive segment for your company and it is planning to participate with a bigger role in the EPC mode.

5) OPPORTUNITIES

Your Company is into engineering, fabrication, erection, installation of plant, machinery & equipment for a number of business sectors in oil & gas, petrochemicals, power, steel, cement, minerals & metals, chemical & fertilizers etc. This spread both in reach and business sectors substantially derisk your Company from economic volatility.

Oil accounts for 31% of India's total energy consumption and there is unlikely to be any significant scaling down of dependence on these fuels in the next 5-10 years. India is accounting for about 10.8% of Asia Pacific regional oil demand by 2010, while providing 10.2% of supply. Currently, of the six core industries identified in India, the oil & gas sector has propelled the growth of Indian economy most and the Government is looking for more investors in the sector. India is currently world's fifth biggest energy consumer and the need is continuously growing.

The Indian petrochemical capacity growth rate – which has been 3-4% over the past five years – is expected to increase four times and range between 12%-15% in the next 5-7 years. India's petrochemical industry is worth about US$40 billion which is 3% of the GDP. Further the approved proposals for setting up Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) in Andhra Pradesh, South Gujarat & West Bengal is likely to attract over ₹485,000 crores investment over the next few years.

As the Indian economy continues to surge ahead, its power sector has been expanding concurrently to support the growth rate. The demand for power is growing exponentially and the scope for the growth of this sector is immense. India is currently the 5th largest producer in 2010 and recorded a growth of 11.3% as compared to 2009.

With new global acquisitions by Indian steel giants, setting up of new state-of-the-art steel mills, modernisation of existing plants, improving energy efficiency, backward integration into global raw material sources and nearly 222 memorandums of understandings (MoUs) signed between the investors & Governments for planned capacity of around 276 Million Tonnes (MT), India is now on the centre of the global steel map. Consumption of steel in the engineering industries, construction sector, industrial applications, fertlisers and transport sectors has been on the rise.

The Indian Fertilizer Industry is one of the allied sectors of the agricultural sphere. India has emerged as the third largest producer of nitrogenous fertilizers. The adoption of back to back Five Year plans has paved the way for self sufficiency in the production of food grains. The Government of India has been taking steps which inter alia include introduction of National Mineral Policy (NMP) & New Pricing Scheme (NPS) to support the fertilizer sector.

India is the second largest cement producer in the world, with an installed capacity of about 236 Million Tonnes (MT) in FY10. The sector is expected to add an additional capacity of 92.3 MT in FY13. Cement & gypsum products have received cumulative foreign direct investment (FDI) of US$2,315.58 million between April 2000 and January 2011, according to the Department of Industrial Policy and Promotion (DIPP). The Ministry of Road Transport and Highways has planned to invest US$354 billion in road infrastructure by 2012. Housing, infrastructure projects and the nascent trend of concrete roads would continue to accelerate the consumption of cement. Our Finance Minister Mr. Pranab Mukherjee has proposed to earmark US$47 billion for infrastructure development during FY12.

6) RISKS & CHALLENGES

India's construction companies face challenges of operating in an unorganized sector. Unpredictable market conditions, major swings in the materials prices and fluctuations in currency rates have resulted in cut-throat competition and decline in profit margins. Also, as the EPC projects are getting more complex, awarding projects is getting delayed. With the emerging trend of shorter project durations, indeterminate specifications and rising client expectations; an organized coordination is required between the contractors, consultants and the vendors. Some owners even prefer breaking a large project into more manageable and defined pieces to reduce costs. A well-defined EPC contract is the one of the best ways to address the above concerns and to reduce the cost & time overruns in real time. EPC industry is already a multi billion-dollar industry and contractors are finding more innovative ways to mitigate these risks.

7) INTERNAL CONTROLS

Your Company has a proper and adequate system of internal controls to ensure the timely and accurate recording of financial transactions and adherence to applicable accounting standards; optimum utilization & safety of assets; compliance with applicable laws, regulations, listing agreements and management policies; and an effective management information system.

There are well defined and documented procedures, policies and authority guidelines for each function in the Company. Your Company has already engaged three independent firms of Chartered Accountants apart from the in–house internal audit team who conduct audits across all locations, project sites and business units of the Company throughout the year to test check the internal control system.

The Board of directors has an Audit Committee whose Chairman is an independent director. The Committee meets periodically with the management, internal audit team and representatives of the statutory auditors to review your Company's program of internal audits, findings & recommendations made in the auditors' (both internal & statutory) reports and the follow-up & compliance status of its earlier observations.

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

The Company is primarily engaged in undertaking engineering & construction projects, the disclosure of particulars under Section 217(1)(e) of the Act (hereinafter referred to as the Act), 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 are given below:

Total Foreign Exchange used and earned:

i)	Value of Imports on CIF basis	₹185,289,700
ii)	Expenditure in Foreign Currency	₹30,224,906
iii)	Foreign Exchange earned	₹26,056,345