

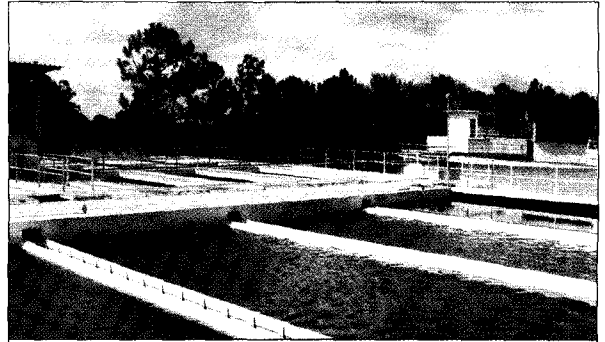


the spirit of
success

AREAS OF OPERATION

WATER ■

water treatment plants
pumping stations
cross country pipelines
overhead reservoirs
distribution system



POWER ■

hydro power
wind power



ELECTRICAL DISTRIBUTION ■

switchyards
rural electrification
transmission & distribution
earthing, lighting & cabling



INFRASTRUCTURE ■

bridges
roads and highways
industrial construction



with **8** offices in India

134 infrastructure projects

across the country, a dedicated **family**

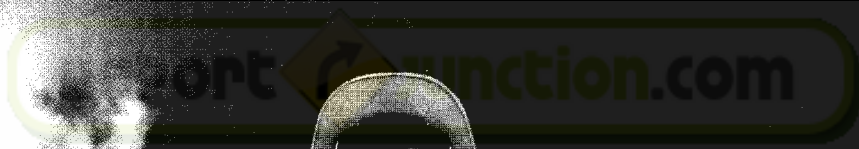
of **850** strong individuals and

a business of Rs. **2500** crores, everybody says

that this is only the tip of an **iceberg**.

At **SPML**, we call this the

spirit of **success !**





Report  Junction.com

“We expect healthy and sustainable growth from the infrastructure sector”

Mr. Anil Sethi, Chairman, reviews the performance for the year and outlines the strategy for the future

Dear Shareholders,

As we look back over the years, our sustained growth has enabled us to emerge as a complete infrastructure solution provider for the nation. The past few years have been a great learning experience at SPML. Driven by the spirit of success, we always had an eye on growth. This is amply reflected in the fact that we have posted a turnover of Rs. 368 crores in 2005-06 as against

Rs. 229 crores in 2004-05, a growth of around 61%. Net income scaled new heights, confirming the profitability of operating activities. Profit recorded is Rs. 21 crores as against Rs. 3.75 crores during the previous year. Taking into account the satisfactory performance of the company, the Board of Directors has declared a dividend of 40% as against 20% in the previous year.

Our Strengths

A time proven reputation for timely and quality execution of projects. Single minded focus on Infrastructure. A wealth of experience across verticals, companies and geographies. Presence across major infrastructure verticals. A large pool of engineers, technical personnel and professionals. World class asset base. Powered with 25 years of corporate

POINTS OF OPTIMISM

The economy continue to grow at almost 8%

Vibrant capital markets and increasing FDI inflows

Rs. 7,121 crores allocated for irrigation and Water Management

The Budgetary proposal for 'Bharat Nirman' has been fixed at Rs. 18,696 crores

Govt. of India have announced Projects worth Rs. 70,98,450 million

Decision to allow 100% FDI in construction

experience, our vision for the future is to create an organization that would enjoy strong accolades at the local, national and international level.

The National scenario

The Indian Economy has continued to register a high growth rate in the current year. There is every reason to believe that 8 - 8.5% GDP growth rate is sustainable so long as the present level of investments in infrastructure continues.

I believe that, today India is standing on the verge of an infrastructure revolution. The Indian Infrastructure industry is riding on a growth wave powered by the large spends on the ongoing Infrastructure programs. The evidence of this growth is visible all over the country. It includes hospitals, urban infrastructure, highways, roads, ports, railways, airports, power systems, telecom, irrigation and agriculture systems.

Construction is the second largest economic activity in the country after agriculture. It employs a total of 32.5 million workers. The size of the construction industry in India is over \$25 billion and it accounts for more than 6% of the GDP. Construction accounts for 40% - 50% of the total investment in the country. This requires an investment of Rs. 4,000 billion every year. The Government's decision to allow 100% FDI in construction has put the spotlight on a sector has been growing rapidly in recent times.

The Budgetary proposal for 2006 - 07 for 'Bharat Nirman' has been fixed at Rs. 18,696 crores, an increase of 54% over previous year, which would be used for face lifting the rural India in terms of development of irrigation, power and roads. On the irrigation and Water Management front, the outlay for 2006 - 07 has been fixed at Rs. 7,121 crores.

As per CMIE, India Inc. and the Government of India have announced Projects worth Rs. 70,98,450 million in the next 5 - 7 years and your Company is well poised to take advantage of this opportunity.

I would like to share the features that evolve around your Company to grow upward. Strategic and robust business plans in newer domains and capitalizing on new value creation opportunities were some of the hallmarks of the year gone by.

Future ahead

With the ongoing implementation of ERP systems, we have added yet another tool and the latest technology in our portfolio.

We look to the future with optimism because the centre of economic growth is shifting to Asia. India's economy, continue to grow at almost 8% is a major factor in realizing our vision. The robustness of the Indian economy is reflected through its vibrant capital markets and its increasing FDI inflows.

Our exploration programme on the Infrastructure development side is going

full throttle and the signs are very encouraging. We believe that we will emerge as a significant player in the Infrastructure and Power sectors.

Our people

As our journey continues, it is crucial that your company invests in physical and intellectual capital by creating 'tomorrow's talent - professionals' equipped to perform at the highest standards in a global setting. To develop world class professionals, the company continues to invest in the learning and development of its young employee base. Not only is it, arming them with the latest information and technology tools, but is creating new mind-sets that pay increasing attention to cross-disciplinary skills, develop a problem-solving attitude and above all build a successful teamwork, where every roadblock inspires them to discover a new idea.

Note of thanks

I have continued to enjoy overwhelming support from the Board of Directors of SPML. I would like to take this opportunity to express my gratitude to the Board, customers, suppliers, bankers, employees and all our shareholders for their unceasing confidence and support.

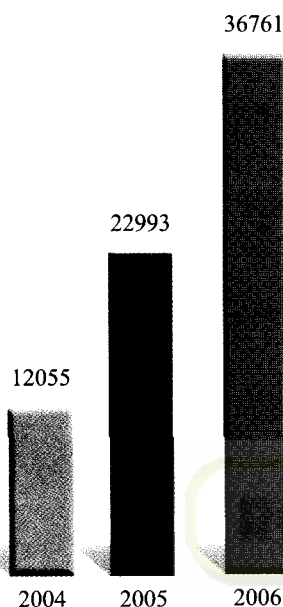
Sincerely,



Anil Sethi
Chairman

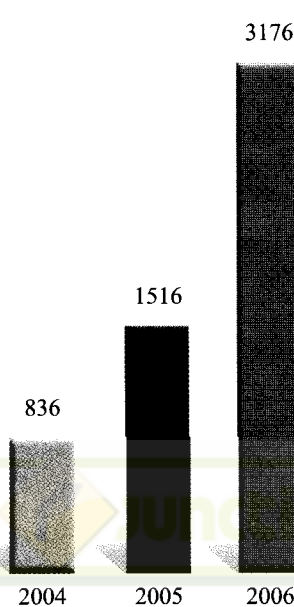
FINANCIAL HIGHLIGHTS

Income from operations
(Rs. in lacs)



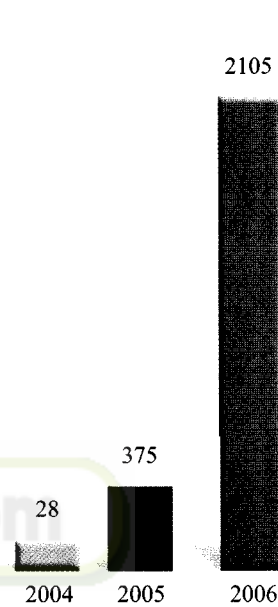
Revenues are up from the previous year. Despite various challenges, a combination of strong organic growth and a forward looking economy enabled the company to record very satisfactory overall development.

Operating Profit
(Rs. in lacs)



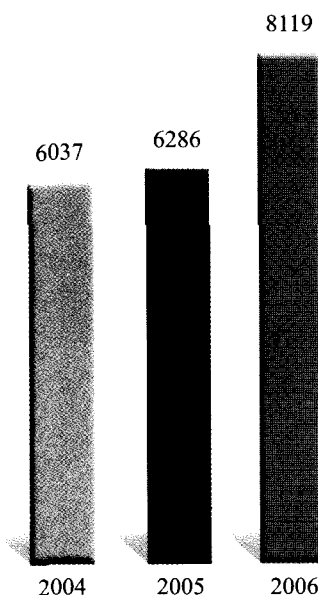
Increased revenues combined with good containment of operating expenses led to substantial increase in operating profits compared with 2005.

Net Profit
(Rs. in lacs)



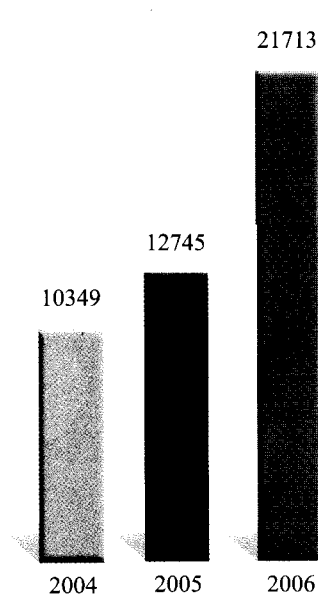
Net income scaled new heights, conforming the profitability of operating activities.

Net worth
(Rs. in lacs)



Sustainable growth in net worth after payment of dividend.

Capital employed
(Rs. in lacs)



Capital employed continued to climb, conforming to increased activities.

CORPORATE INFORMATION

Board of Directors

Anil Kumar Sethi
(Chairman)

Subhash Chand Sethi
(Vice Chairman & Managing Director)

Sushil Kumar Sethi
(Managing Director)

R. L. Gaggar

B. B. Chakraborty

Deepak Sethi

K. Mukhopadhyay

A. Bhattacharjee (w.e.f. 8.11.2005)

Executive Vice President (Finance) and Company Secretary

B. N. Choudhary

Registered office

F-27/2, Okhla Industrial Area, Phase II,
New Delhi - 110 020

Head office

Corporate

22, Camac Street, Block - A,
3rd Floor, Kolkata - 700 017

Engineering

113, Park Street, Poddar Point, South Block,
3rd Floor, Kolkata 700 016

Regional office

- (i) 8/2, Ulsoor Road, Bangalore - 560 042
- (ii) Fancy Bazar, Guwahati 781 001
- (iii) Om Tower, 3rd Floor, Church Road,
M I Road, Jaipur - 302 001
- (iv) Hem Plaza, 305-A, Fraser Road,
Patna - 800 001
- (v) C, Kanha - Nirupam Tower,
62, Malviya Nagar, Bhopal - 462 003

Bankers

- (i) Canara Bank
- (ii) Andhra Bank
- (iii) Bank of Baroda
- (iv) State Bank of Travancore
- (v) State Bank of Hyderabad
- (vi) State Bank of Mysore
- (vii) State Bank of Bikaner & Jaipur
- (viii) Punjab National Bank
- (ix) Oriental Bank of Commerce
- (x) Syndicate Bank
- (xi) Union Bank of India
- (xii) IDBI Bank Ltd.

Auditors

Sunil Kumar Gupta & Co.
Chartered Accountants
B-2, Magnum House - 1
Karampura Commercial Complex,
New Delhi - 110 015

Registrar & Share Transfer Agents

Maheswari Datamatics (P) Ltd.
6, Mangoe Lane, 2nd Floor
Kolkata 700 001.

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors are delighted to present the 25th Annual Report on your company's operations and performance together with the audited financial statements for the year ended 31st March 2006. The last fiscal was an year of excellent all round performance.

Financial Results

(Rs. in Lacs)

Particulars	2006	2005
Gross Operating Revenue & Other Income	36984.20	23163.93
Profit before Tax	2142.60	582.62
Provision for Taxation	167.00	122.00
Fringe Benefit Tax	21.87	-
Provision for Deferred Tax	(190.00)	115.96
Profit after Tax	2143.73	344.66
Add (Less) :-		
Prior Period Adjustments	(39.07)	20.16
Provision of Income Tax for earlier years	0.10	10.39
	2104.76	375.21
Add: Balance brought forward from previous year	2947.19	2750.49
Profit available for Appropriation	5051.95	3125.70
Appropriations :-		
Interim Dividend	-	62.31
Proposed Dividend	249.25	62.31
Tax on distributed profits	34.96	16.29
Transfer to General Reserve	220.00	37.60
Surplus carried to Balance Sheet	4547.74	2947.19
Total	5051.95	3125.70

Operating Results

The Company has been able to capitalize on the sustained growth in the Indian Economy as a whole and Infrastructure Industry in particular. The operations of the Company show a significant improvement both in terms of top line and bottom line over the previous year. The turnover of the Company has increased by Rs. 13768.09 Lakhs during the year, showing an increase of 59.88%. The Profit after tax during the period has gone up by 5.6 times to Rs. 2104.76 Lakhs compared to Rs. 375.21 Lakhs during the preceding year.

Management Discussion and Analysis of Financial condition and Operational Performance of the Company for the year under review, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges in India, is given as a separate statement in the Annual Report.

Dividend

Your Directors have recommended a dividend of 40% (last year, 10% Interim & 10% Final) on 3,11,56,400 Equity Shares of Rs. 2/- each for the financial year ended March 31, 2006. The total dividend, including

tax, amounts to Rs. 284.21 Lakhs as against Rs. 140.91 Lakhs during the previous year.

The dividend payout for the year under review has been formulated in accordance with the Company's policy of striving to pay stable dividend linked to long term performance and growth plans.

Subsidiary Companies

Your Company holds 89.80% of the Equity Capital of each of the following Companies:

- (i) Neogal Power Company (P) Ltd.
- (ii) Awa Power Company (P) Ltd.
- (iii) Luni Power Company (P) Ltd.
- (iv) IQU Power Company (P) Ltd.

Pursuant to Section 212 of the Companies Act, 1956, the audited statement of accounts together with the report of the Board of Directors relating to the Company's subsidiaries and respective Auditor's Report thereon for the year under review are annexed.

Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in associates, your Directors provide the audited Consolidated Financial Statements forming part of the Annual Report and Accounts.

Auditors' Report

With regard to Paragraph 4(f) of the Auditors' Report, we draw the attention of the members to Note Nos. 4 & 5 of Schedule P, forming part of the Balance Sheet, wherein the subject matter of this note has been explained in detail.

Directors

Shri B.B. Chakraborty and Shri Kalidas Mukhopadhyay retire by rotation and being eligible, offer themselves for reappointment at the ensuing annual General Meeting.

Shri Amalendu Bhattacharjee was appointed as additional Director with effect from 08.11.2005. Mr. Bhattacharjee will hold office upto the date of ensuing annual General Meeting. The Company received a notice from a member under Section 257 of the Companies Act, 1956, proposing his candidature as Director.

Auditors

M/s. Sunil Kr. Gupta & Company, Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. In view of the increased business activities of the Company, the Board decides to appoint M/s. S.R. Batliboi & Co., Chartered Accountants as Joint Auditors of the Company. M/s. S.R. Batliboi & Co., Chartered Accountants have expressed their willingness to be appointed as the Joint Auditors and accordingly it is proposed to appoint them as Joint Auditors at the ensuing 25th Annual General Meeting and the proposal has also been placed before you for approval.

The Company has received letters from both of them to the effect that their appointment / reappointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

Particulars of Energy Conservation, etc.

Your Company is not covered by schedule, which requires furnishing of details in Form A & B as per the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1968.

Foreign Exchange Earnings and Outgo

The information is contained in Schedule P, Item Nos. 9 & 10 in Significant Accounting Policies and Notes on Accounts.

Particulars of Employees

There are no employees getting salary in excess of the limits as specified under the provisions of sub-section (2A) of Section 217 throughout or part of the financial year under review.

Quality Management System

The Company has maintained strict Quality Management System in all aspects of EPC Contracts and has ISO 9001 certificate.

Transfer of Unpaid / Unclaimed amounts to IEPF

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends which remained unpaid / unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance.

Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, forms part of the Annual Report.

Certificate from the Auditors of the Company, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report.

Human Resources

Your Directors thankfully acknowledge the commendable efforts made by the Management and the dynamic initiatives taken by the employees of the Company for improving the operations in response to the changing environment.

Directors' Responsibility Statement

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in preparation of the annual accounts, the applicable accounting standards have been duly followed;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a 'going concern' basis.

Acknowledgement

Your Directors wish to express their grateful appreciation for assistance and cooperation received from the Financial Institutions, Banks, Government Authorities / Agencies / Organisations, Customers, Suppliers and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives, staff and Workers of the Company.

The Directors also deeply acknowledge the trust and confidence you have placed in the Company.

On behalf of the Board
Sd/-

Place : Kolkata
Date : 30th June, 2006

Anil Kumar Sethi
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC AND BUSINESS OVERVIEW

The year in the retrospect has been a year of overall progress for the Indian Economy. The country's GDP growth during the fiscal year was an impressive 8.1% over 7% during the last fiscal. The growth is quite significant when compared to the growth achieved by most of the other economies around the world. The level of growth on a higher base reflects the inherent resilience and robustness of the Indian economy.

Plan spending on Infrastructure is expected to be more than double from Rs. 3,95,900 crores in the Ninth Plan to Rs. 8,16,300 crores in the Tenth. Last year alone, the Government is estimated to have spent Rs. 1,34,900 crores on Infrastructure, which is 3.9% of GDP. India may have to spend at least 4.9% if it is to sustain an 8% GDP Growth.

The Company is operating in the field of Water supply, sanitation and solid waste management, Hydro Power and Electrification Projects and is an eminent player in this field. The Company has been able to bag many prestigious projects during the year under review. In roads, highways, hydro power and irrigation sectors, the Company has renewed its drive for becoming a steady player.

RESULTS OF OPERATIONS

Income from Operations

Income from Operations during the year ended 31st March 2006 stood at Rs. 36760.71 Lakhs as compared to Rs. 22992.62 Lakhs during the previous year. The increase of Rs. 13768.09 Lakhs (59.88%) over the previous year have been mainly due to successful implementation of various projects by the Company during the year.

Operating profit

The Operating Profit of the Company has increased by 85.60% to Rs. 2814 Lakhs during the current year as compared to Rs. 1516.20 Lakhs during the preceding year. The operating margin of the Company has increased to 8.54% compared to 6.59% during the last year. The substantial improvement in the profit has been mainly due to the increased operations of the Company and savings in the operational cost during the year.

Profit After Tax

There has been a quantum jump in Profit after Tax during the year. Profit after Tax has increased more than 5 times to Rs. 2104.76 compared to Rs. 375.21 Lakhs during the preceding year. The increase of Rs. 1729.55 Lakhs in Profit after Tax has been mainly due to the better utilization of resources. The Company has also been able to use its financial resources in the most efficient manner resulting in better profit margins during the year.

FINANCIAL CONDITION

Reserves & Surplus

The Reserves & Surplus of the Company has increased to Rs. 7495.24 Lakhs as on 31st March 2006 from Rs. 5674.69 Lakhs at the end of the previous year. The increase has been due to the excellent financial performance of the Company during the year.

Loan Funds

Secured loans as on 31st March 2006 stood at Rs. 5289.79 Lakhs as compared to Rs. 3097.57 Lakhs at the end of previous year, thus making an increase of Rs. 2192.22 Lakhs. The increase has been mainly due to the increased cash credit from Scheduled Banks and loans against hypothecation of vehicles.

Investments

Total investments as on 31st March 2006 stood at Rs. 2427.36 Lakhs as compared to Rs. 1686.57 Lakhs at the end of previous year.

Inventories

Inventories have increased by Rs. 3693.79 Lakhs to Rs. 7461.89 Lakhs as on 31st March 2006 as compared to Rs. 3768.10 Lakhs at the end of previous year signifying the substantial increase in the business operation of the Company.

The inventories are 18.87% of the revenues at the end of financial year representing an Inventory Holding Period of 69 days as compared to 15.10% of the revenues at the end of preceding year representing a Stock Holding Period of 55 days.

Sundry Debtors

Sundry Debtors as on 31st March 2006 stood at Rs. 12453.70 Lakhs (including Debtors over six months of Rs. 2349.16 Lakhs) as compared to Rs. 8070.58 Lakhs (including Debtors over six months of Rs. 1259.25 Lakhs), thereby showing an increase of Rs. 4383.12 Lakhs over the previous year in line with the increased business activities during the year. The outstandings over six months has increased by Rs. 1089.91 Lakhs during the year.

The Debtors are 31.50% of the revenues for the current year representing an Outstanding period of 115 days as compared to 32.35% of the revenues for the previous year representing an Outstanding period of 118 days.

CONTINGENT LIABILITIES

A major part of contingent liabilities of SPML is the performance and advance bank guarantees given by the bankers to the clients under the terms of contract. These are issued on the strength of counter-indemnities of SPML. Keeping in view the track record of SPML in meeting its contractual performance, the chances of contingent liabilities becoming real liabilities are remote. Due to an increased order book, the bank guarantee utilization with Banks has increased from Rs. 12287.78 Lakhs to Rs. 32484.20 Lakhs during the year.

OPPORTUNITIES AND FUTURE OUTLOOK

The Infrastructure Sector has emerged as India's single biggest change – driver over the last few years, raising the quality of life, creating employment and driving GDP growth. The Indian Construction Industry accounts for more than 5% of India's GDP and is the second largest after agriculture, employing nearly 32 million people.

India is investing more than ever before in its infrastructure – water, electrification, roads, ports, power and railways to facilitate its prospective