



TECHNOFAB ENGINEERING

L I M I T E D

India • Kenya • Ethiopia • Ghana • Fiji

An Engineering Procurement and Construction Company



ANNUAL REPORT & ACCOUNTS
2010-2011





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GENERAL INFORMATION

Board of Directors

Mr. Avinash C Gupta
Chairman & Managing Director

Mr. Arjun Gupta
Whole Time Director

Mr. Nakul Gupta
Whole Time Director

Mr. Pawan Chopra
Non Executive and Independent Director

Mr. V S Mathur
Non Executive and Independent Director

Mr. Arun Mitter
Non Executive and Independent Director

Company Secretary & Compliance Officer

Mr. Pankaj Arora

STATUTORY AUDITORS

Rajesh Suresh Jain & Associates (Chartered Accountants)
E-3/38, IInd Floor, Sector-7, Rohini, Delhi-110085

WEBSITE

www.technofabengineering.com

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited, C – 13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West), Mumbai - 400078

INVESTOR SERVICES E-MAIL ID

investors@technofabengineering.com



CHAIRMAN'S MESSAGE

Dear Shareholder,

I would like first of all to welcome all our new members who have become shareholders after our Initial Public Offer last summer. I also wish to take this opportunity to once again express gratitude to the investors for reposing faith in us. Your 40 year young Company continues its journey with the confidence of rewarding all stakeholders.

Your Company's ability to successfully provide EPC Services is founded on long years of experience. Ours is not a glamorous business. It is based on hard work and sweat, perseverance and patience, caution in eschewing undue risks and optimism born out of confidence in our capabilities and unwavering focus.

Over these forty years we have grown slowly and steadily. In the last five years we have built up a significant growth momentum, sustaining which is both our challenge and our goal.

It gives me pleasure to confirm that your company's growth story is intact. Your company has posted impressive results in the Financial Year 2010-11. The gross operating turnover at Rs. 29007.9 lacs, EBIDTA at Rs. 4136.2 lacs and profit after tax at Rs.2602.5 lacs are not only at all time highs but are also substantially higher than the previous year. Our profitability indices compare well with those of peers. Even our earnings per share at Rs 26.98 is at an all time high despite the increase in paid up capital during the year.

OUR STRENGTHS

Over the years, slowly and steadily, your Company has built up multiple strengths which are the key to our recent and our ongoing growth. These include:

Project execution capabilities

Our Company has been in business for the last forty years and has developed strong abilities to minimize overheads, control costs and prevent overruns on project schedules along with strong skills in construction and contract management. This has contributed towards securing multiple orders from several prestigious customers.

Diversified business and capabilities

We believe that the capabilities and skills we have developed enables us to pursue our business in multiple sectors and geographies, This has not only resulted in increased business opportunities but also protects us from a slow down in any particular sector or geography and thereby de risks our business.

Cost competitiveness



We believe our strong in-house engineering and project management team helps us control the entire process. We control costs by optimizing design and engineering, procuring equipment and materials in cost efficient manner, optimizing logistics and maximizing labour efficiency.

Pre-qualification credentials

Pre-qualification is a basic requirement in our industry. Our experience of over forty years with over 125 completed and 45 ongoing projects enables us to meet customers' prequalification requirement either independently or in association with joint-venture partners. The recent IPO has increased our net worth and enables us to meet financial criteria for projects much larger in size than the ones we have traditionally competed for.

Established Marketing Set-up

Our Company's strong marketing strengths evolve from a multi-pronged strategy. Multiple / repeat orders from existing customers and a thorough scanning of all opportunities particularly, projects financed by multilateral financing agencies are the key to our marketing approach. In our newer sectors like electrical distribution and



rural electrification, water and waste water treatment, and in Oil & Gas, we have dedicated personnel for development of business.

This has enabled us to create a strong order book which is well diversified sectorially and geographically.

BUSINESS STRATEGY

Our strategy is to continue to drive profitable growth by pursuing good prospects so that we can be cost competitive and obtain reasonable profit margins with an acceptable level of contractual risk. In particular we are targeting assignments of sizes significantly larger than our past average ticket size. Alongside we are forging tie ups for newer sectors to overcome any pre qualification shortfalls.

OUTLOOK

The current year has started on a good note. Well before the end of the first quarter we had secured fresh business aggregating approximately Rs 15000 lacs of which half is from overseas customers. There is a large volume of outstanding bids. Our ongoing projects are largely progressing well and we are poised to sustain our growth momentum.

At the same time we see increased competition and are alert to the likelihood of a slight dip in business opportunities within the country. We believe our strengths will enable us to cope well with such developments..

We are truly excited about our Company's future and believe strongly in its ability to deliver.

Thank You

Avinash C Gupta

Chairman & Managing Director

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 40th Annual General Meeting of the members of Technofab Engineering Ltd will be held at the **PHD Chamber of Commerce and Industry, August Kranti Marg, New Delhi-16** at **10:30 A.M.** on **Wednesday, the 10th day of August, 2011** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2011, the Balance Sheet as on date and the Reports of the Board of Directors and the Auditors attached thereto.
2. To declare the dividend for the year ended March 31, 2011
3. To appoint a Director in place of Mr. Pawan Chopra, Director who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr V S Mathur, Director who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

1. **INCREASE IN REMUNERATION OF SHRI AVINASH C GUPTA AS THE MANAGING DIRECTOR OF THE COMPANY**

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a special resolution

“Resolved that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time, approval of the members be and is hereby given for alteration in terms and conditions including increase in remuneration of Shri Avinash C. Gupta, Managing Director of the Company with effect from April 1, 2011 as set out below for the remaining term of his tenure:

1. **Basic Salary:** Rs. 4.50 Lacs per month with authority to the Board of Directors (which expression shall include a Committee thereof) to revise the basic salary from time to time taking into account the performance of the Company.
2. **Housing:** Fully furnished residential accommodation, the cost of which shall not exceed 50% of the basic salary per annum or House Rent Allowance in lieu thereof.
3. **Medical Expenses:** Reimbursement of medical expenses incurred in India and abroad (including insurance premium for medical and hospitalization policy, if any) on actual basis for self and family, subject to ceiling of one month's basic salary in a year or three months' basic salary over a period of three years.
4. **Leave Travel Allowance:** For self and family, in accordance with Rules of the Company.
5. **Club Fees:** Membership of two Clubs in India (including admission and membership fee).
6. **Entertainment:** Travelling and all other expenses incurred for the business of the Company shall be reimbursed as per Rules of the Company.

7. **Car & Telephone:** The Company shall provide car with driver and telephone at the residence of the Managing Director for business purposes of the Company.
8. **PF Contribution:** Contribution to Provident Fund shall be as per Rules of the Company and applicable laws.
9. **Gratuity:** Gratuity payable shall be as per Rules of the Company and applicable laws.
10. **Performance Incentive:** Upto 2% of the net profit of the Company P.A.

subject to the condition that the total managerial remuneration during a financial year does not cross the threshold limit of 5% or 10% of the net profits of the Company, as the case may be, as per Section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of no profit or the profits being inadequate in any financial year of the Company during the currency of tenure of his office, he shall be paid such Salary, commission and perquisites not exceeding limits as set out in Schedule XIII to the Companies Act, 1956 unless approved by the Central Government.

The following perquisites however shall not be included in the computation of the ceiling on remuneration:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT he shall be entitled to the re-imbursement of all out of pocket expenses which may be incurred by him for and in the course of business of the Company.

RESOLVED FURTHER THAT so long as Shri Avinash C. Gupta functions as the Managing Director of the Company, he will not be paid any fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do such acts and deeds as may be necessary to give effect to the aforesaid resolution."

2. **REAPPOINTMENT OF SHRI ARJUN GUPTA AS WHOLE TIME DIRECTOR OF THE COMPANY**

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a special resolution

"Resolved that pursuant to the provisions of Sections 198, 269, 309, 311 and 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time, approval of the members be and is hereby given for re-appointment of Shri Arjun Gupta as the Whole Time Director of the Company with effect from April 1, 2011 for a period of 3 years on the following terms & remuneration as set out below:

1. **Basic Salary:** Rs. 2.34 Lacs per month with authority to the Board of Directors (which expression shall include a Committee thereof) to revise the basic salary from time to time taking into account the performance of the Company.
2. **Housing:** Fully furnished residential accommodation, the cost of which shall not exceed 50% of the basic salary per annum or House Rent Allowance in lieu thereof.



3. **Medical Expenses:** Reimbursement of medical expenses incurred in India and abroad (including insurance premium for medical and hospitalization policy, if any) on actual basis for self and family, subject to ceiling of one month's basic salary in a year or three months' basic salary over a period of three years.
4. **Leave Travel Allowance** for self and family, in accordance with Rules of the Company.
5. **Club Fees:** Membership of one Club in India (including admission and membership fee).
6. **Entertainment:** Travelling and all other expenses incurred for the business of the Company shall be reimbursed as per Rules of the Company.
7. **Car & Telephone:** The Company shall provide car with driver and telephone at the residence of the Whole Time Director for business purposes of the Company.
8. **PF Contribution:** Contribution to Provident Fund shall be as per Rules of the Company and applicable laws.
9. **Gratuity:** Gratuity payable shall be as per Rules of the Company and applicable laws.
10. **Performance Incentive:** Upto 1% of the net profit of the Company P.A.

subject to the condition that the total managerial remuneration during a financial year does not cross the threshold limit of 5% or 10% of the net profits of the Company, as the case may be, as per Section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of no profit or the profits being inadequate in any financial year of the Company during the currency of tenure of his office, he shall be paid such Salary, commission and perquisites not exceeding limits as set out in Schedule XIII to the Companies Act, 1956 unless approved by the Central Government.

The following perquisites however shall not be included in the computation of the ceiling on remuneration:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT he shall be entitled to the re-imbursement of all out of pocket expenses which may be incurred by him for and in the course of business of the Company.

RESOLVED FURTHER THAT so long as Shri Arjun Gupta functions as the Whole Time Director of the Company, he will not be paid any fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do such acts and deeds as may be necessary to give effect to the aforesaid resolution."

3. **REAPPOINTMENT OF SHRINAKUL GUPTA AS WHOLE TIME DIRECTOR OF THE COMPANY**

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a special resolution

“Resolved that pursuant to the provisions of Sections 198, 269, 309, 311 and 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time, approval of the members be and is hereby given for the re-appointment of Shri Nakul Gupta as the Whole Time Director of the Company with effect from April 1, 2011 for a period of 3 years on the following terms & remuneration as set out below:

1. **Basic Salary:** Rs. 2.34 Lacs per month with authority to the Board of Directors (which expression shall include a Committee thereof) to revise the basic salary from time to time taking into account the performance of the Company.
2. **Housing:** Fully furnished residential accommodation, the cost of which shall not exceed 50% of the basic salary per annum or House Rent Allowance in lieu thereof.
3. **Medical Expenses:** Reimbursement of medical expenses incurred in India and abroad (including insurance premium for medical and hospitalization policy, if any) on actual basis for self and family, subject to ceiling of one month's basic salary in a year or three months' basic salary over a period of three years.
4. **Leave Travel Allowance :** For self and family, in accordance with Rules of the Company.
5. **Club Fees:** Membership of one Club in India (including admission and membership fee).
6. **Entertainment:** Travelling and all other expenses incurred for the business of the Company shall be reimbursed as per Rules of the Company.
7. **Car & Telephone:** The Company shall provide car with driver and telephone at the residence of the Whole Time Director for business purposes of the Company.
8. **PF Contribution:** Contribution to Provident Fund shall be as per Rules of the Company and applicable laws.
9. **Gratuity:** Gratuity payable shall be as per Rules of the Company and applicable laws.
10. **Performance Incentive:** Upto 1% of the net profit of the Company P.A.
subject to the condition that the total managerial remuneration during a financial year does not cross the threshold limit of 5% or 10% of the net profits of the Company, as the case may be, as per Section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of no profit or the profits being inadequate in any financial year of the Company during the currency of tenure of his office, he shall be paid such Salary, commission and perquisites not exceeding limits as set out in Schedule XIII to the Companies Act, 1956 unless approved by the Central Government.

The following perquisites however shall not be included in the computation of the ceiling on remuneration:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT he shall be entitled to the re-imbursement of all out of pocket expenses which may be incurred by him for and in the course of business of the Company.