

ANNUAL REPORT
& ACCOUNTS
2011-2012



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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

Mrs. Jyoti Singh

★ **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,

It gives me great pleasure to share with you another good years performance. Your Company which is now 41 years young, 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 one years we have grown slowly and steadily. In the last six years we have built up a significant growth momentum, sustaining which continues to be both our challenge and our goal.

Your company has posted impressive results in the Financial Year 2011-12. The gross operating turnover at ` 37733.16 lacs, EBIDTA at ` 5518.8 lacs and profit after tax at ` 3416.72 lacs are all time highs and reflect the fact that our growth story is intact. Overall our compound annual growth rate over the last 5 years works out to be over 45% and is accompanied by excellent profits. Our Earnings per share at ` 32.57 is at an all time high.

Our profitability indices compare well with those of peers. This is a reflection of our intrinsic strengths that have been gradually and painstakingly built up over long years, the success of the strategic initiatives that have been adopted and the dedication of our employees.

OUR STRENGTHS

Last year I had shared with you the multiple strengths that your Company has built up over the years and it is not my intention to repeat them. Instead I would like to dwell upon the underlying business philosophies which have led to the creation of these strengths over long years. These include:

Focus On Cash Flow And Profitability

Focussing on and ensuring a positive cash flow gets our highest priority, and this in turn, we believe, ensures profitability. We believe it is futile to have top line growth unless it is a profitable growth.

Proper Risk Evaluation

No business is without risks and ours has more than its fair share. Since risk is unavoidable we have concentrated on developing our skills and capabilities on evaluating and managing risks. We avoid situations where we see risks that we are unable to evaluate and appropriately cater for.

Customer focus

That the customer is the *raison d etre* for any business is stating the obvious. To us this translates into identifying and securing new customers and thereafter in achieving customer satisfaction through excellence in project management.

Control of costs

We must relentlessly look at improving our abilities for controlling and cutting costs whether direct or overheads.



Keep It Simple

This reflects both my personal philosophy as well as that of the Company.

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

As you will see from the Directors Report, the business environment is no longer optimistic. The evidence of an economic slowdown is clear. The fact that we continue to grow is largely due the various strategic initiatives that we took in recent years. We see testing times ahead and are focused on successfully coping with them. We still have a large number of bids in the pipeline and a fair amount of L 1 positions. Most of our ongoing projects are progressing fairly well but a couple of them continue to wait for financial closure.

We are still fairly optimistic that we will continue to carry forward our growth momentum even if it is at a slower pace than we have been used to in the last few years.

Thank You

Avinash C Gupta

Chairman & Managing Director



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of the members of Technofab Engineering Limited will be held at the **PHD Chamber of Commerce and Industry, August Kranti Marg, New Delhi-16** at 10:30 A.M. on **Monday, the 10th day of September, 2012** to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2012, 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, 2012
3. To appoint a Director in place of Mr. Arjun Gupta, Director who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Arun Mitter, Director who retires by rotation and being eligible offers himself for reappointment.
5. To appoint auditors and fix their remuneration.

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy forms to be valid should be deposited at the registered office of the Company at least 48 hours before the commencement of the meeting.
2. After declaration of the dividend at the Annual General Meeting, the dividend warrants/ pay orders/ demand drafts for the dividend amount are scheduled to be posted from September 11, 2012 onwards to the members, whose names appear on the Register of Members on close of business hours on September 4, 2012.
3. The Register of Members and the Share transfer books of the Company shall remain closed from 5th September, 2012 to 10th September, 2012 (both days inclusive).
4. Members are requested:
 - a. To notify the change of address, if any, to the Company immediately.
 - b. To carry along their copy of the Annual Report at the Annual General Meeting for ready reference.
 - c. To produce at the entrance the enclosed attendance slip duly completed and signed for admission to the meeting place.

By order of the Board
For **Technofab Engineering Limited**

Place : New Delhi
Dated : 01-08-2012

Jyoti Singh
Company Secretary



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Annual Report on the business and operations of your Company along with the audited statement of accounts for the year ended 31st March, 2012.

THE FINANCIAL HIGHLIGHTS ARE SET OUT BELOW

	Year ended March 31, 2012 (` in Million)	Year ended March 31, 2011 (` in Million)
Turnover (from operations incl. export incentives)	3,773.32	2,900.79
Other Income	43.33	13.13
Total Income	3,816.65	2,913.92
Total Expenditure	3,264.77	2,483.61
Profit before Interest, depreciation and Tax (EBIDTA)	551.88	430.31
Less: Interest & finance charge	37.13	33.38
Less: Depreciation	21.15	11.58
Profit before Tax	493.60	385.35
Less: Provision for Tax - current tax	149.00	120.00
Less: Wealth Tax	0.27	0.13
Profit before Deferred Tax	344.33	265.22
Add/(Less): Deferred Tax Credit/(Debit)	(2.27)	(3.22)
Profit after Tax	342.06	262.00
Add/(Less): Income Tax for earlier years	(0.40)	(1.74)
Profit Available for Appropriation	341.66	260.26
Proposed Dividend including Dividend Tax	24.38	18.29
Transfer to General Reserve	150.00	150.00
Profit After Appropriation	167.28	91.97
Balance Brought Forward From Last Year	225.52	133.55
Profit & Loss Account balance	392.80	225.52



REVIEW OF OPERATIONS

Financial Highlights

The financial year 2011-12 has seen your Company build upon the momentum that it had created since 2005-2006. Your company achieved a gross operating turnover of ` 3773.32 Million for the year ended 31st March, 2012 as against ` 2900.78 Million for the previous financial year registering an incremental turnover of ` 832.53 Million and recording a growth rate of 28.7% over the previous year. The EBIDTA at ` 551.88 Million increased by 22% in comparison to the previous year. This rate of gross profit compares well with those of peers in the sector in which your Company operates. The profit after tax in the period under review increased by 31% to ` 341.67 Million as compared to ` 260.25 Million in the previous year.

The net worth of your Company, which has been steadily increasing, stands at over ` 1730 million as on 31st March, 2012.

Sectoral Overview

Your Company's capabilities to undertake turnkey EPC Services has been deployed across diverse sectors. Whereas over 90% of the Company's business traditionally accrued from the Power Sector, in recent years your Company has been successful in diversifying across other sectors. As a result the relative contribution of various sectors has seen a continuous churning. Whereas in the previous year, the Industrial sector had the highest contribution to the turnover (49%) , the thermal power sector has, during the year, regained its position as the highest contributor to your Company's turnover, with the sector contributing around 33% of the total turnover. This was followed by the Industrial and the Oil & Gas Sectors. The Water & Waste Water infrastructure/treatment sector contributed about the same as in the previous year and is expected to significantly increase its contribution during 2012-2013.

Major customers during the year included HINDALCO, Fuel Trade, Ghana, National Thermal Power Corporation, Lanco and Wonji Showa sugar factory in Ethiopia.

Geographical Spread



Your Company has strongly strived to secure and execute business in overseas markets particularly in Africa. During the year your Company continued to execute business secured in Ethiopia, Kenya, Fiji and Ghana. The geographical spread was further increased to cover Malawi, Mozambique and Bangladesh. Around one third of the Company's revenue came from overseas assignments.

Overseas Branch Offices

Your company continued to operate overseas branch offices in Fiji, Ethiopia and Kenya with the permission of RBI to cater to the needs of overseas projects.

Fresh Business Secured

Your company continued to put great emphasis on securing new business from existing as well as new customers and new geographies. As a result of sustained marketing efforts your Company secured new business aggregating over ` 7500 Million, of which a substantial portion was from overseas. The quantum of fresh business secured during the year represents a 65% increase over the previous year. The largest share of orders were received from the Water sector followed by the Thermal Power sector.



At present your Company has outstanding proposals worth over ` 40 billion. Several involve integrated BoP scope (as distinct from smaller individual BoP packages) where individual order sizes are much larger. The single largest outstanding bid is of the order of ` 5 billion.

ECONOMIC AND BUSINESS OUTLOOK

The previous year had seen a return of confidence as the effects of the international financial crisis began to wear out and global recovery commenced. This confidence has proved to be short lived. In the first half of the year itself, clear indications of growth slippages had become evident and, as the year progressed the outlook has turned distinctly gloomy. Not only has there been a continuous downwards trend in India's rate of economic growth, the short and medium term scenario in our country is not at all encouraging. Even though our countries developmental needs in the power, urban development and related infrastructure sectors, which directly concern us, are immense and there is no dearth of viable projects, several factors which are not in the control of project developers have resulted in many of these projects coming to a virtual standstill. The macro scenario is adversely impacted by many factors. The obvious contradiction between the requirements to control inflation on the one hand and loosening of monetary policy to spur resumption of a higher growth trajectory, is just one of the many significant issues that our country faces. The uncertainties on coal mining, increased difficulties in obtaining environmental clearances and land acquisition for power and industrial projects continues to have an adverse effect. Perhaps most importantly, the continuous high fiscal and balance of payments deficits have caused a severe denting of confidence apart from the steady erosion in the value of the rupee. A slowdown in enquiries and longer than normal gestation in converting enquiries to orders and orders to revenue is visible. While the Company's decent order book will hold us in good stead, we cannot but help being concerned on the future. The Company's proven ability to target multiple sectors and geographies will hopefully help it tide over these concerns.

The overseas markets continue to present a reasonably good promise and we have further increased our marketing efforts by going into new countries in Africa and closer home in Bangladesh. We are largely focused on developing countries where the basic demand on infrastructure and urban development remains very strong. To a great extent the projects your Company aims at, are not profit oriented or privately financed, being more likely to be the subject of developmental finance, whether governmental or from multilateral development banks/bodies, hence these are not so strongly impacted by market related issues.

Both domestically and in the overseas markets there are strong signs of increased competition which in turn has the potential of affecting margins.

While we are confident that the strategic initiatives undertaken by the Company will greatly help us cope with the present gloomy scene, your Company believes it will be realistic to prune growth expectations which may now be in the 20-25% range and to be ready to face a slight dip in margins due to pressures of competition in a slowing market.

STRATEGIC INITIATIVES

Being in the Service sector, the Company's success has been founded on Customer satisfaction. Achieving Customer Satisfaction through Excellence in Project Management has been and will continue to remain the cornerstone of your Company's business philosophy. In recent years this has been accompanied by a strong initiative to diversify the market, both in terms of newer sectors and newer geographies. Initiatives aimed at enhancing business and improving our internal environment and processes are an ongoing feature. Briefly these include:

Focus on Improving Efficiency

Since inception the Company has largely adhered to the mantra "keep it simple". Notwithstanding the