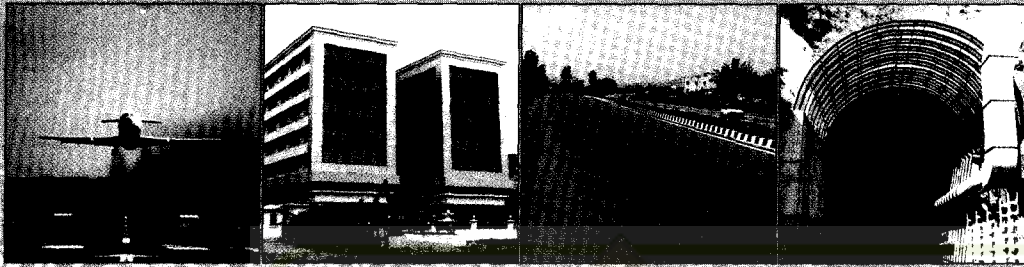


**VALECHA**  
Engineers & Contractors

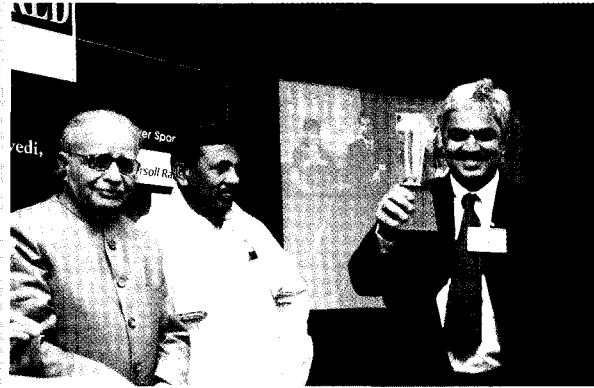


**VALECHA ENGINEERING LIMITED**

**ANNUAL REPORT 2005-2006**



## AWARDS



Being awarded by His Excellency Shri. T. N. Chaturvedi, Governor of Karnataka and Shri. K. H. Muniappa, Minister of State for Shipping, Road and Transport on 30th November 2005 at Taj West End Hotel, Bangalore



**Valecha Engineering Limited**  
ranked one of the  
top 10 Construction  
companies at the  
**Construction World  
Award 2005.**

## Our Mission...

Valecha Engineering Limited is dedicated to provide superior Construction services by consistently improving the quality of our product, to add value for our clients through innovation, foresight, integrity & aggressive performance.

We are dedicated to providing our staff an environment which promotes creative innovation and proactive team work with continued opportunity for personal growth.

Our commitment to this mission will allow Valecha Engineering Limited to create maximum value for all customers, owners, employees and the nation.

**Building asset for the people for the nation.**



## VALECHA ENGINEERING LIMITED

### Board of Directors

V. P. Valecha — *Chairman*  
 J. K. Valecha — *Managing Director*  
 R. H. Valecha — *Whole-time Director*  
 U. H. Valecha — *Whole-time Director*  
 A. B. Gogate — *Whole-time Director*  
 D. H. Valecha — *Whole-time Director*  
 Anil Harish  
 G. Ramachandran  
 I. Syam Prasad Reddy  
 Arvind Thakkar  
 (appointed as additional Non-Executive Director  
 w.e.f. 01/08/06)

### Management Team

J. K. Valecha — *Managing Director*  
 R. H. Valecha — *Whole-time Director*  
 U. H. Valecha — *Whole-time Director*  
 D. H. Valecha — *Whole-time Director*  
 A. B. Gogate — *Whole-time Director*  
 V. D. Sharma — *Senior Vice President (Projects)*  
 S. B. Watve — *Vice President (Projects)*  
 K. S. Shetty — *Vice President (Accounts & Finance)*  
 P. H. Valecha — *Senior Executive*

### Company Secretary

Kavita Valecha Sharma

### Auditors:

M/s. D. M. Jani & Co.  
 Chartered Accountants

### Bankers:

State Bank of India  
 Canara Bank  
 UTI Bank Ltd.

### Solicitors:

M/s. Luthra & Luthra  
 M/s. Kirit Damania & Co.

### Registrars and Transfer Agents:

TSR Darashaw Limited,  
 (formerly known as Tata Share Registry Limited)  
 Army and Navy Building,  
 148, Mahatma Gandhi Road,  
 Fort, Mumbai-400 001.  
 Tel: 56568484 Fax: 56568494

### Registered Office:

"Valecha Chambers", 7th Floor,  
 Plot No. B-6, Andheri New Link Road,  
 Andheri (West), Mumbai-400 053.  
 Tel: 2673 3625, 2673 3238 Fax: 2673 3945  
 E-mail: valeng@bom3.vsnl.net.in  
 website: www.valechaeng.com

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**NOTICE**

Notice is hereby given that the Twenty Ninth Annual General Meeting of the members of VALECHA ENGINEERING LIMITED will be held on Thursday, the 24th August, 2006 at 4.00 p. m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubhash Marg, Mumbai - 400 001, to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, and the Audited Profit & Loss Account for the Financial year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in the place of Mr. Anil Harish who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. G. Ramachandran who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. I. Syam Prasad Reddy who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS:**

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary resolution:

"RESOLVED THAT in supersession of all earlier resolutions, and pursuant to Section 293(1)(d) and other applicable provisions, if any of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution) for borrowing from time to time any sum or sums of money which, together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the maximum amount of monies so borrowed by the Board shall not at any time exceed the limit of Rs. 300.00 Crores (Rupees Three Hundred Crores only).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper desirable or expedient to give effect to this resolution".

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary resolution:

RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties both present and future, and in such manner as the Board may deem fit, in favour of Banks/Financial Institutions, other investing agencies and trustees for the holders of debentures/bonds/other instruments to secure rupee/foreign currency loans and/or the issue of debentures whether partly/fully convertible or non-convertible and/or securities linked to Ordinary shares and/or rupee/foreign currency convertible bonds and/or bonds with share warrants attached (hereinafter collectively referred to as "Loans") provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said loans, shall not, at any time exceed the limit of Rs. 300.00 crores. (Rupees Three Hundred Crores only).

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required."

9. 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 Section 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment(s) thereof), the Memorandum and Articles of Association of the Company and subject to the regulations/guidelines, if any, prescribed by the Reserve Bank of India, the Securities and Exchange Board of India and/or any other relevant authority from time to time to the extent applicable and subject to such consents and such other approvals as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) or as may be prescribed or made, in granting such consents and approvals and which may be agreed to by the Board, the consent of the members be and is hereby accorded to the Board to offer, issue and allot, in the course of domestic and/or international offering(s) in one or more tranches to Foreign Investors, Foreign Institutional Investors, Non-Resident Indians, Corporate Bodies, Trusts, Mutual Funds,



Banks, Insurance Companies, Pension Funds, Individuals and/or Trustees or otherwise, whether shareholders of the Company or not, through a domestic public issue and/or on a private placement basis, such number of equity shares of nominal value of Rs. 10/- each or equity shares underlying securities in the form of Global/American Depository Receipts, Foreign Currency Convertible Bonds and/or Fully/ partially Convertible Bonds/Debentures/Loans and/or Depository Shares/Receipts or any other permitted instruments/ securities to be listed on such Stock Exchanges in India, where the existing equity shares are listed and/or such Stock Exchanges overseas, through a prospectus and/or offer letter and/or offering circular and/or any other document as required such that the total amount raised through the aforesaid instruments/securities should not exceed Indian Rs. 50.00 Crores (Rupees Fifty Crores) with a green shoe option to retain 15% over and above Rs. 50.00 Crores (Rupees Fifty Crores), at such price or prices, in such manner and where necessary in consultation with the Lead Manager and/or Underwriters and/or other Advisors or otherwise, on such terms and conditions as the Board, may, in its absolute discretion decide at the time of such issue.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, issue, offer or allotment of equity shares/other securities as described herein, the Board be and is hereby authorized, on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, entering into arrangements for managing, underwriting, marketing, listing, trading, acting as depository, custodian, registrar, paying and conversion agent, trustee and to issue any offer document(s) and sign all applications, filings, deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts, that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion deem fit;

RESOLVED FURTHER THAT in the case of issue of securities in the international markets as aforesaid, any bank or depository authorized by the Board may upon the issue of equity shares of the Company and the deposit thereof with such bank or depository, issue Global/American Depository Receipts evidencing such securities with such features and attributes as are prevalent in international capital markets for instruments of this nature and providing for the tradability or free transferability thereof as per international practices and regulations and under the forms and practices prevalent in the international markets;

RESOLVED FURTHER THAT the Board be and is hereby authorized to file the requisite registration statements and other documents with the Stock Exchanges in India and abroad for this purpose;

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of its powers herein conferred to a Committee of the Board and/or the Chairman and/or the Managing Director along with the authority to

these entities to further delegate all or any of such powers to any one or more executives of the Company, in order to give effect to the aforesaid resolution."

10. To consider and, if thought fit to pass with or without modification(s), the following resolution as an ordinary resolution :

"RESOLVED THAT Mr. Arvind Thakkar, who was appointed by the Board of Directors as an Additional Director of the Company and who in terms of Section 260 of the Companies Act, 1956, holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable rules, regulations, guidelines and laws (including any statutory modification or re-enactment thereof for the time being in force) and subject to all requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board") the consent of the Company be and is hereby accorded for investments by Foreign Institutional Investors including their sub-accounts (hereinafter referred to as "the FIIs") in the shares or debentures convertible into shares of the Company by purchase or acquisition from the market under the Portfolio Investment Scheme under FEMA, subject to the condition that the total holding of all FIIs put together shall not exceed 49% (forty nine per cent) of the paid up equity share capital or paid up value of the respective series of the convertible debentures of the Company as may be applicable or such other maximum limit under FEMA or Companies Act, 1956, as may be prescribed from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto".

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactments

thereof, for the time being in force, the Articles of Association of the Company be and are hereby amended in the following manner :

- i. After Article 19 (3) of the Articles of Association of the Company, add the following new Article as Article 19 (4) :

“That option or right to call on shares shall not be given to any person except with the prior sanction in general meeting.”

- ii. After Article 26 (b) of the Articles of Association of the Company, add the following new Article as Article 26 (c) :

“That registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other persons indebted to the Company on any account whatsoever”.

- iii. After Article 121(2) of the Articles of Association of the Company, add the following new Article as Article 121(3):

“That there shall be no forfeiture of unclaimed dividends before the claim becomes barred by law”.

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

“RESOLVED THAT pursuant to Section 309 and all other applicable provisions, if any of the Companies Act, 1956 (“the Act”) and subject to all permissions, sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded for the payment of Commission to the Director(s) of the Company who is/are neither in the Whole Time Employment nor Managing Director(s), of an amount equal to 1% of the net profits of the Company for a period of 5 years from the financial year commencing 1st April, 2006.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and/or Remuneration Committee constituted by the Board be and are hereby authorised to take all actions and do all such deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.”

By order of the Board

Mumbai  
19th July, 2006.

**KAVITA VALECHA SHARMA**  
*Company Secretary*

Registered Office:  
“Valecha Chambers”,  
7th Floor, Plot No. B-6,  
Andheri New Link Road,  
Andheri (West),  
Mumbai-400 053.

#### NOTES :

- (A) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

The instrument of proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

- (B) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday the 17th August, 2006 to Thursday 24th August, 2006 (both days inclusive).

- (C) The explanatory statement as required under section 173(2) of the Companies Act, 1956, in relation to the Special Business of the meeting is annexed hereto.

- (D) The dividend declared at the meeting, if any, will be made payable on or after 28th August, 2006, as applicable, in respect of shares held in physical form to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfer lodged with the Company on or before the end of business hours on Wednesday, the 16th August, 2006 and in respect of shares held in the electronic form to those “Deemed Members” whose names appear in the statement of Beneficial Ownership furnished by the National Securities Depository Limited and Central Depository Services (India) Limited as on that date.

- (E) Pursuant to Section 205C of the Companies Act, 1956, the Company will be transferring the Unclaimed dividend for the year 1998-99 to the Investor’s Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrants so far, for the Financial Year ended on 31st March, 1999 or any subsequent financial years are requested to make their claims before 30th September, 2006 addressed to:

The Company Secretary  
Valecha Engineering Limited  
“Valecha Chambers”,  
7th Floor,  
Andheri New Link Road,  
Andheri (West),  
Mumbai-400 053.

It may also be noted that once the unclaimed dividend is transferred to the credit of the said Fund, as above, no claim shall lie in respect thereof.

- (F) Members are requested to notify immediately any change in their address to the Company and details about their Bank Account Number, Name of the Bank, Bank’s Branch name and address to enable the Company to draw dividend warrants payable accordingly. In respect of shares held in electronic form, the instruction regarding change of address should be given directly to the Depository Participants as the Company cannot entertain any such request directly from the shareholders.

- (G) Any member requiring further information on Accounts at the meeting is requested to send queries in writing to the Company's Registered Office so as to reach on or before 16th August, 2006.
- (H) All documents referred to in the above Notice and the accompanying explanatory statements are open for inspection at the Registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of Annual General Meeting.
- (I) As the equity shares of the Company are compulsorily traded in demat form members holding equity shares in physical form are requested to get the shares converted in demat form.

## **ANNEXURE TO THE NOTICE**

### **Explanatory Statement as required under Section 173(2) of the Companies Act, 1956.**

#### **Item No. 7 & 8**

The Board of Directors of the Company cannot except with the consent of the Company in General Meeting, borrow money, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose. Taking into consideration the requirements of additional funds to meet the future capital expenditure and long term working capital needs of the Company, it is expected that the limit, as sanctioned by the shareholders is likely to be exceeded. The consent of the Shareholders is therefore, sought in accordance with the provisions of Section 293(1)(d) of the Companies Act, 1956, to enable the Directors to borrow monies to the extent of Rs. 300.00 Crores (Rupees Three Hundred Crores only). The resolution under Item No. 7 is to obtain the consent of the shareholder's for this purpose.

The proposed borrowings of the Company need to be secured by way of charge/mortgage/hypothecation on the Company's assets in favour of the lenders. As the documents to be executed between the lenders and the Company, may contain the power to takeover the management of the Company in certain events, it is necessary to pass a resolution under Section 293(1)(a) of the Companies Act, 1956, for creation of charges/mortgages/hypothecations for an amount not exceeding the borrowing limit of Rs. 300.00 Crores (Rupees Three Hundred Crores only)..

The Directors recommend the resolution at Item No. 7 & 8 for approval of the shareholders. None of the Directors of the Company is concerned or interested in the passing of this resolution.

#### **Item No. 9**

The Board of Directors of the Company, at its meeting held on 19th July, 2006 has for the purpose of future Expansion plan/programme and for future capital expenditure of the Company, decided to raise funds up to Indian Rs. 50.00 Crores (Rupees Fifty crores) with a green shoe option to retain 15%

over and above Rs. 50.00 Crores, by way of issuing of any securities including Equity Shares/GDRs/ADRs/FCCBs/Warrants/Bonds or any other financial instruments to any category of Investors including Foreign Investors or Institutional Investors by way of Public Issue, Preferential Allotment or any kind of private placement or wholly/partly by way of borrowings/Debts.

The detailed terms and conditions for the offer of securities will be determined in consultation with the advisors, lead managers, underwriters, advocates and such other agencies and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors and all other terms and conditions as may be decided by the Board.

The pricing of the international issue will be free market pricing and may be at a premium or discount to market price in accordance with international practice. Since the pricing of the offering cannot be decided except at a later stage, it is not possible to state the price or the exact number of securities/shares/Depository Receipts to be issued. For reasons aforesaid, an enabling resolution is being passed to give adequate flexibility and discretion to the Board to finalise the terms. The financial securities, FCCBs, Depository Receipts or any other instrument issued pursuant to the international offering may be listed on any of the Overseas Exchange as per the prevailing guidelines for the issue.

The Special Resolution seeks to give the Board, powers to issue Securities/FCCBs/Depository Receipts in such tranche or tranches, at such time or times, at such price or prices and to such person(s) including institutions and/or incorporated bodies and/or individuals or otherwise as the Board may at its absolute discretion deem fit.

Section 81 of the Companies Act, 1956 provides inter alia that the Company in the first instance should offer all Securities convertible into Equity Shares including Foreign Currency Convertible Bonds or other financial instruments to be issued by the Company to the existing Equity Shareholders unless decided otherwise in a General Meeting by a Special Resolution and accordingly consent of the shareholders is being sought pursuant to provisions of the said Section 81(1A) to issue and allot the said securities, to the members or other persons/investors as may be decided by the Board of Directors.

Further, the Listing Agreements executed by the Company with the Stock Exchanges where the shares of the Company are presently listed, provides, inter alia, that the Company in the first instance should offer all shares to be issued by the Company for subscription pro-rata to the equity shareholders unless the shareholders in General Meeting decide otherwise.

Accordingly, the required consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956, Listing Agreement and other applicable provisions.

Your Directors believe that such issue is in the interest of the Company and therefore recommend the passing of the Resolution at Item No. 9 of the Notice as a Special Resolution.



None of the Directors of the Company is, in any way, concerned or interested in this resolution save and except that the Directors may be deemed to be concerned or interested in the resolution to the extent of securities that may be offered to them and/or to the Companies/institutions of which they are Directors and/or Members.

**Item No. 10**

The ongoing thrust of the government to the infrastructure Sector will open-up major growth opportunities for the industry at National and International level. The Directors at their meeting held on 19.07.2006 considered it appropriate and in the best interest of the Company to appoint Mr. Arvind Thakkar as the Additional Director of the Company under Section 260 of the Companies Act, 1956, to hold the office of Director till the conclusion of this Annual General Meeting. The Company has received notice in writing from a member proposing his candidature for the office of Director, under the provisions of Section 257 of the Companies Act. Consent of the Member is required for appointing him as a Non-Executive Independent Director of the Company.

Mr. Arvind Thakkar, 63, a Non-resident Indian, is a Chartered Accountant by profession, has to his credit more than 35 years of experience in finance, acquisitions & mergers, cost and management accounting. Mr. Arvind Thakkar is not a director in any Indian Company.

Keeping in view his enrich expertise and knowledge it will be in the interest of the Company to appoint Mr. Arvind Thakkar as the Director, who if appointed shall be liable to retire by rotation in accordance with the provisions of the Articles of Association of the Company.

Your Directors recommend the resolution for your approval. None of the Directors other than Mr. Arvind Thakkar is in any way concerned or interested in the said resolution in this item.

**Item No. 11**

The Foreign Institutional Investors (FIIs) have assumed a crucial role in the Indian capital market. Also, because of the liquidity of the Company's scrip on the Exchanges, FIIs frequently purchase/trade in the Company's scrip.

In accordance with the Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000 issued by the Reserve Bank of India (RBI) under Foreign Exchange Management Act, 1999 (FEMA) investment in equity shares by FIIs, including their sub-accounts is limited to 24% of a company's paid-up Equity Share Capital. This limit can be increased by a Company by passing a Special Resolution of its shareholders. The approval of the shareholders is thus sought to raise the limit for investment by FIIs from 24% to 49% of the Company's paid-up Equity Share Capital to further improve the free float of the Company's scrip for purchase/trading by FIIs. The Resolution set out in the Notice would enable the FIIs to acquire shares of the Company through authorised dealers within the revised ceiling under the Portfolio Investment Scheme of RBI.

The proposal outlined above is in the interest of the Company and its shareholders and the Board recommends the Resolution for acceptance by the shareholder.

None of the Directors of the Company is concerned or interested in this Resolution.

**Item No. 12**

As per the requirements of Listing Agreement the Articles of Association of the Company is being amended to include provisions relating to right to call on shares, refusal of transfer of shares & forfeiture of unclaimed dividends. Subject to your approval, to bring in line the Articles of Association with the Listing Agreement new Articles are proposed to be added/amended to the existing Articles of Association of the Company as indicated in the resolution.

The copy of the Articles of Association of the Company together with the proposed alterations is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day.

Pursuant to provisions of the Companies Act, 1956, a Company may by Special Resolution alter its Articles of Association. Accordingly, your Directors recommend the resolution as Special Resolution for your approval.

None of the Directors is in any way interested or concerned in the said resolution at this item.

**Item No. 13**

The Chairman and the Non-Executive Directors are required to devote more time and attention, more so with the requirements of the revised Corporate Governance Policies. The Board therefore recognizes the need to suitably remunerate the Director(s) of the Company who are neither in the Whole Time Employment nor Managing Director(s) with such commission upto a ceiling of 1% of the net profits of the Company, every year, or such other limit as may be approved by the Central Government, for a period of 5 years from the financial year commencing 1st April, 2006. The quantum of the said commission will be apportioned amongst the Non Executive Directors commensurate with their respective performance which will be adjudged by the Remuneration Committee of the Board, based on pre-defined qualitative and quantitative parameters.

The Board recommends passing of the Resolution as set out in Item No. 13 of the accompanying Notice.

All the Non-executive Directors of the Company, may be deemed to be concerned or interested in this resolution to the extent of commission that may be payable to them from time to time.

By order of the Board

Mumbai  
19th July, 2006.

**KAVITA VALECHA SHARMA**  
Company Secretary



**DIRECTORS' REPORT**

To The Members,

The Directors present their Twenty Ninth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2006.

	(Rs. in lacs)	
1. Financial Results	2005-2006	2004-2005
Net Sales/Income From Operations	<b>15137.57</b>	14548.80
Other Income	<b>2333.76</b>	443.51
	<b>17471.33</b>	14992.31
Less : Total Expenditure	<b>14031.85</b>	13605.76
Gross Profit Before Interest		
Depreciation and Taxes	<b>3439.48</b>	1386.55
Less : Interest	<b>197.62</b>	229.19
Profit Before Depreciation and Taxes	<b>3241.86</b>	1157.36
Less : Depreciation	<b>287.70</b>	239.79
Profit Before Taxes	<b>2954.16</b>	917.57
Less : Provision For Taxes	<b>220.00</b>	173.00
Deferred Tax Liabilities	<b>49.23</b>	120.66
Fringe Benefit Tax	<b>4.18</b>	—
Profit After Taxes	<b>2680.75</b>	623.91
Paid-Up Equity Share Capital	<b>692.39</b>	450.00
Reserves	<b>10980.16</b>	2726.21
(Excluding Revaluation Reserves)		
E.P.S. With Extraordinary Item		
— Basic	<b>55.06</b>	N.A.
— Diluted	<b>47.19</b>	N.A.
Without Extraordinary Item		
— Basic	<b>14.23</b>	13.86
— Diluted	<b>12.19</b>	N.A.

**2. Dividend :**

The Directors recommend payment of dividend of 30% being Rs. 3.00 per share (Previous Year Rs. 3.00 per share) for the year ended 31st March, 2006 on fully paid Equity Shares, if approved by the members at the Twenty Ninth Annual General Meeting to be held on 24th August, 2006.

**3. Operations :**

During the year under review, the turnover has increased to Rs. 15137.57 lacs from Rs. 14548.80 lacs in 2004-2005 representing an increase of 4.05%. The Profit Before Tax (PBT) has increased by 221.95% from Rs. 917.57 lacs in the previous year to Rs. 2954.16 lacs for the year 2005-2006 which includes a sizeable component of other income. The Profit After Tax (PAT) is Rs. 2680.75 lacs for the year 2005-2006 as compared to PAT of Rs. 623.91 lacs for the previous year representing an increase of 329.67%.

**4. Fixed Deposits :**

The Company has accepted Rs. 204.56 lacs as Fixed Deposits by way of invitation to the public. There were no deposits, which were claimed and remained unpaid by the Company as on 31st March, 2006.

**5. Outlook And Review :**

The construction sector has become the most important driver of the Indian economy and the Indian Industry is coming of age in terms of timely execution of quality and engineering capabilities.

This calls for all the companies being adequately capitalized to carry out large projects without facing liquidity problems and adhering to norms of net worth criteria. Your company has successfully raised resources in the global markets by raising GDRs for US\$ 12.10 million and is now geared to look at projects of larger ticket size. The immediate benefit has been the bagging of the Assam road project which is of Rs. 226 crores and the largest order size bagged till date by your company. The Indian construction sector has come a long way in terms of technological advancement, improved efficiencies and better working conditions as far as employees' welfare and protection is concerned.

Given the Current opportunities for growth present in this sector, your Company has chosen a robust growth strategy to leverage its distinctive competencies and is adding allied areas of construction engineering to its growing repertoire. Your company is also looking in the area of hydel power and wind power projects to help in giving healthier margins and reducing the product dependency risk on a couple of areas of operation.

Your Company is initiating talks with potential clients in the Middle Eastern region, with particular focus on Dubai, to bid for piling contracts in that region. The company hopes that various joint ventures entered into with international partners will allow it to gain a reputation in the international field for the completion of high quality large construction projects.

Your Company sees a great opportunity for increasing utilization of Build Operate and Transfer ("BOT") projects, ports, airports and real estate project. Diversification into these projects through strategic tie ups in the future is hoped to help the company to increase its profitability.

Your Company is also presently among the leading operators to own a large number of hydraulically operated piling rigs which has allowed it to gain experience on the ground engineering segment. The Company is therefore planning to increase its market share in this sector.

Your Company also aims to become a leader in the concrete paving field, having recently successfully completed a contract to extend an expressway project of four lanes for the NHAI. Many such projects are in the pipeline and your company based on its expertise hopes to get more orders in the future in this field of operation.

Your company is also looking at the real estate sector with a view to develop townships or malls and discussions have been initiated in this regard. The efforts may bear results in the coming years as this sector is capital intensive and will need to be backed by adequate resources if we are to make our presence felt in this sector.

Your company has a good order book of Rs. 800 crore and expect to grow at a healthy rate with enhanced margins in the coming year. Given the order execution pattern this order book, barring unforeseen circumstances, has to be executed in the next Twenty four to Thirty months thereby providing sufficient fillip to the top line and bottom line in the coming years.

#### 6. Directors :

In accordance with the requirement of the Companies Act, 1956, Mr. Anil Harish, Mr. G. Ramachandran and Mr. I. Syam Prasad Reddy, Directors of the Company are due for retirement by rotation and are eligible for reappointment.

The information on the particulars of Directors seeking appointment/Re-appointment as required under Clause 49 of the Listing Agreement executed with the Bombay Stock Exchange Limited has been given under Corporate Governance Report.

#### 7. Auditors :

M/s. D. M. Jani & Co., the Auditors of the company will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. They have given their consent to be re-appointed for the current year. Members are requested to consider re-appointing them as Auditors.

The observation made in the Auditors Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

#### 8. Capital :

Your Company has raised 12.10 Million US\$ through GDR issue by issuing 20,00,000 GDRs @ 6.05 US\$ per GDR and the GDRs are listed on Luxembourg Stock Exchange. The Company has also allotted 20,48,900 warrants on preferential basis, @ Rs. 199.55 per warrant out of which 4,23,900 warrants have been fully paid and equity shares allotted. The monies raised have been utilised towards working capital & capex.

#### 9. Subsidiary :

##### **Valecha Infrastructure Limited :**

Valecha Engineering Limited acquired 50,000 shares of Valecha Infrastructure Limited at a Face Value of Rs. 10/- making Valecha Infrastructure Limited as its wholly owned subsidiary in the month of March, 2006.

The operational activities of Valecha Infrastructure Limited have not yet started.

In accordance with Section 212 of the Companies Act, 1956 the audited statement of account along with reports of the Board of Directors and the Auditors are annexed to the Annual Report.

#### 10. Conservation of Energy, Technology Absorption, and Foreign Exchange Earnings and Outgo :

Information pursuant to the Companies (disclosure of particulars in the Report of the Board of Directors) Rules, 1988.

##### **A. Conservation of Energy :**

At all the sites of the Company the consumption of power is regularly monitored and necessary measures are taken to regulate the consumption.

##### **B. Technology Absorption :**

During the year under review, there is no expenditure on Technology Absorption and on Research and Development.

##### **C. Foreign Exchange Earnings & Outgo :**

	(Rs. in lacs)	
	<b>Current Period</b>	<b>Previous Year</b>
Foreign Exchange Outgo	<b>1,080.36</b>	569.33
Foreign Exchange Earned	<b>2,274.45</b>	—