

**WELSPUN**



Dare to Commit

**16<sup>th</sup>**  
**Annual Report**  
**2009-10**

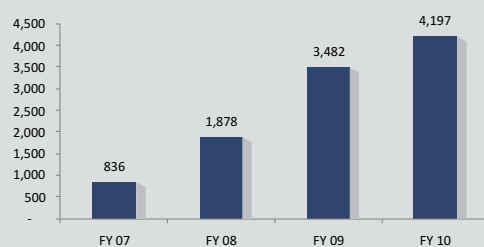
MSK PROJECTS (INDIA) LTD.  
(A **WELSPUN** Group Company)



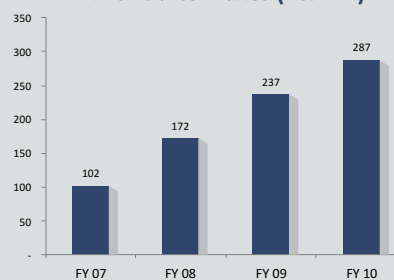
A Step to  
**SUCCESS** ►►

## FINANCIAL HIGHLIGHTS (Standalone)

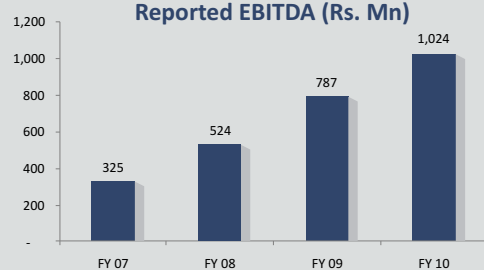
Operating Income (Rs. Mn)



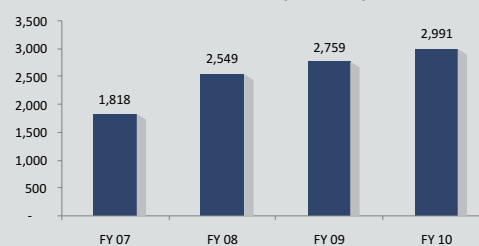
Profit after Taxes (Rs. Mn)



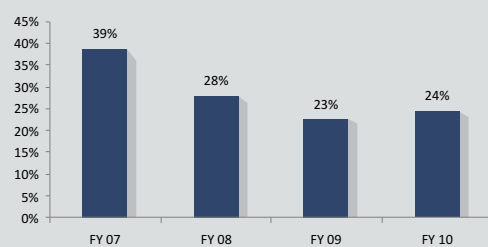
Reported EBITDA (Rs. Mn)



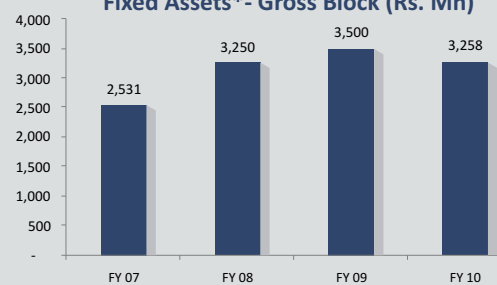
Networth (Rs. Mn)



EBITDA Margins (%)



Fixed Assets\*- Gross Block (Rs. Mn)



\* Includes BOT Assets

# 16<sup>th</sup> Annual Report 2009-10

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### Forward looking statement

In this Annual Report we have disclosed forward-looking information to enable investors comprehend our prospects and take informed investment decisions. We have tried, wherever possible, to identify such statements by using words as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of the future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



## CORPORATE INFORMATION

Board of Directors	
Mr. B. K. Goenka	Mr. Nirmal Gangwal
Mr. Ashok Khurana	Mr. Shailesh Vaidya
Mr. Yogesh Verma	Mr. A. K. Dasgupta

Company Secretary	Audit Committee
Ms. Susheela Maheshwari	Mr. Nirmal Gangwal
	Mr. Shailesh Vaidya
	Mr. A. K. Dasgupta
Statutory Auditor	
Chandrakant & Sevantilal & J.K. Shah & Co.	

Shareholder/Investor Grievance Committee	Remuneration Committee
Mr. Shailesh Vaidya	Mr. Nirmal Gangwal
Mr. B. K. Goenka	Mr. Shailesh Vaidya
Mr. Yogesh Verma	Mr. A. K. Dasgupta

Registered Office	Corporate Office
707-708, Sterling Centre, R. C. Dutt Road, Alkapuri Vadodara 390005 Tel: 0265 - 2344756 & 2359893 Fax: 0265 – 2341642	Welspun House, 7th Floor, Kamla City, Senapati Bapat Marg, Lower Parel, Mumbai 400013 Tel.: 022-66136000 Fax: 022-24908020

Stock Exchanges where the Company's securities are listed	
Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 051	Vadodara Stock Exchange Ltd. 3rd Floor, Fortune Tower, Sayajigunj, Vadodara - 390005.
The National Stock Exchange of India Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051	

Registrar and Transfer Agent	Bankers	
Purva Sharegistry (India) Pvt. Ltd. Unit No. 9, Shivshakti Industrial Estate, J.R Boricha Marg, Opp Kasturba Hospital Lane, Lower Parel (E) Mumbai 400 011	Bank of Baroda	State Bank Of India
	Bank of India	Yes Bank Limited
	Corporation Bank	Dena Bank
	HDFC Bank Limited	Indusind Bank
	IDBI BANK	Oriental Bank Of Commerce
	Kotak Mahindra Bank	State Bank Of Indore
	Punjab National Bank	

## KEY MANAGEMENT TEAM



**B. K. Goenka**  
\*Chairman



**Ashok Khurana**  
\*Director



**Yogesh Verma**  
\*CEO & Executive Director, Welspun Infratech Ltd.



**B. R. Jaju**  
CFO, Welspun Corp Ltd.



**A. K. Chakraborty**  
Chief of Business Operations



**B. L. Biyani**  
President



**Gurpreet Nagpal**  
Sr. VP (HR), Welspun Group





## MESSAGE FROM CHAIRMAN

My dear fellow Stakeholders,

As we bring MSK Projects India Limited into the fold of US\$ 3 billion Welspun Group, I am confident of a strategic positioning that will provide unbeaten quality to our customers in the infrastructure segment. With MSK, we look forward to scripting a growth story that addresses the needs of India's infrastructure and tap the unprecedented potential.

Growth of infrastructure sectors is a critical prerequisite to sustainable growth of the economy. As Welspun's ambitious growth continues, we foresee great potential in the \$500 billion Indian infrastructure sector. With this opportunity in August 2010, Welspun Infratech Ltd. invested 61.12% in MSK Projects (India) Ltd. With MSK's rich experience of three decades working with some of the largest PSU's, this relationship is significant and along with MSK's strong EPC capability and Welspun's special focus on oil and gas pipelines, the growth trajectory looks strong.

With Welspun's rich experience of dealing with large international EPC companies and MSK's business model of EPC projects in roads, industrial construction and PPP (Public Private Partnerships), the company is set to play a larger role in the infrastructure space. We believe that our focus on the EPC business in India will propel our growth, cementing the Company's position in the infrastructure sector.

MSK's successful execution of projects for the past 35 years has taken the company from a partnership firm to a niche player in the construction industry. Adding further value, Welspun shall continue to upgrade systems and processes to cater to this growing sector, meeting the quality and service standards of existing and new clients. An integration of our corporate practices and adoption of relevant industry best practices will fortify the Company's processes.

We would like to highlight Welspun's rich experience to execute larger projects, backed by our strong financial capability. Our long term vision for the Indian infrastructure sector will assist this Company's readiness to meet market requirements, and excel in the industry space.

#### **Financial Scorecard**

For the last financial year FY2010, at a standalone level, MSK Projects delivered revenues of Rs 4,197 mn. The PAT figures registered a growth of 21.33 % in FY10 as compared to FY09. In the corresponding period, EBITDA of Rs. 1,024.27 mn registered a growth of 30.12%. The current year has benefited with a robust growth in Operating Income. The EBITDA margin for the FY10 was 24% of the Operating Income as compared to 23% in FY09.

#### **Human Capital**

Our past achievements are a direct result of the dedication and efforts of our employees, who have shown unflinching commitment and drive towards excellence, leading to this phenomenal growth. We have been able to implement our expansion strategy, owing to the dedicated efforts of this team.

#### **Sustainability & Corporate Social Responsibility**

As a Group, Welspun has earmarked a large sum of money for activities focused on the environment and well-being of the community at large. Our initiatives follow the 3 guiding principles of Education, Empowerment and Environment. We look forward to extend this philosophy to the work culture of MSK.

Finally, I would like to thank the stakeholders for their trust and support to make this strategic partnership a successful one. I believe that our commitment to excellence will be reflected in this union, creating a successful EPC venture.



**B. K. Goenka**  
Chairman



# Drive to Progress







## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 16th Annual Report together with the Audited Financial Statement along with the Report of the Auditors for the year ended on March 31, 2010.

### I. FINANCIAL PERFORMANCE

(Rs. in Lakhs)			
Particulars	FY 2009-10	FY 2008-09	% change
Contract Receipt	38,988.01	31,783.90	22.67
Capital Cost for Owned Projects	64.79	1,241.81	(94.78)
Toll Collection	2,984.90	3037.14	(1.72)
Other Income	362.99	439.47	(17.40)
Change in Work in Progress	418.60	814.40	(48.60)
<b>Total Income</b>	<b>42,819.29</b>	<b>37316.72</b>	<b>14.75</b>
<b>Total Expenditure</b>	<b>38,698.33</b>	<b>34680.26</b>	<b>11.59</b>
<b>Profit Before Tax</b>	<b>4,120.96</b>	<b>2636.46</b>	<b>56.31</b>
Extra Ordinary Items	-	-	-
Prior Period Income	(227.49)	(102.38)	(122.20)
Less : Provision for Tax	1,473.70	369.43	298.91
<b>Profit After Tax</b>	<b>2,874.75</b>	<b>2,369.42</b>	<b>21.33</b>
Proposed Dividend	400.00	228.21	75.28
Tax on Dividend	67.98	38.78	75.30
<b>Balance Carried to Balance Sheet</b>	<b>9,510.60</b>	<b>6,902.84</b>	--
<b>Earning Per Share (Rs.)</b>	<b>12.60</b>	<b>10.38</b>	--
<b>Dividend Per Share (Rs.)</b>	<b>1.00</b>	<b>1.00</b>	--

### II. DIVIDEND

Your Directors recommend dividend @ Re. 1/- per share on equity shares of the Company for the year ended March 31, 2010.

### III. KEY CONTRACTS AND ORDERS

During the year under report, your company excelled in clinching various important contracts, the following are to name a few:

- Civil Work at New Bottling Plant from HPCL.
- Building Work for RIB-1, Dahej by Samsung Engineering Company Limited.
- Construction of township residential building Project at Bhilai PK 2 by NTPC Sail Power Company Pvt Ltd through EPI
- Construction of township residential building Project at Bhilai PK 1 NTPC Sail Power Company Pvt Ltd through EPI
- Civil Works for ETP Bhatinda at Mundra HMPL through Hindustan Door Oliver Ltd
- Civil and Structural work for KRIBHCO Revamp project at Ammonia, Urea and Fertilizer Complex at Hajira

The order book position as on 30th May 2010 exceeds Rs. 550 crore.

### IV. CHANGE IN CONTROL

During the year under review, the Company allotted 17,178,888 equity shares of Rs.10/- each at Rs.123 per share to Welspun Infratech Limited, on preferential allotment basis under chapter VI of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, pursuant to the Share Subscription Agreement dated March 18, 2010.

Besides, Welspun Infratech Limited acquired 5,279,348 equity shares from Promoters of the Company and other Sellers, pursuant to Share Purchase Agreements dated March 18, 2010.

Consequent to the Share Subscription Agreement and the Share Purchase Agreements, Welspun Infratech Limited made an open offer to shareholders of the Company, under which Welspun Infratech Limited acquired 180 shares at Rs.130.50 per shares.

Thus Welspun Infratech Limited, including open market purchase held 61.12% equity share capital of the Company, and acquired control over the Company. Upon acquisition of control over the Company, the Board was reconstituted as under on August 16, 2010:

Sr. No.	Name	Designation
1	Mr. B. K. Goenka	Chairman
2	Mr. Ashok Khurana	Director
3	Mr. Nirmal Gangwal	Director
4	Mr. Yogesh Verma	Director
5	Mr. Shailesh Vaidya	Director
6	Mr. Apurba Kumar Dasgupta	Director

#### V. DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, Mr. Ashok Khurana and Mr. Nirmal Gangwal, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. B. K. Goenka, Mr. Yogesh Verma, Mr. Shailesh Vaidya and Mr. A. K. Dasgupta were appointed as Additional Directors during the year under review and are eligible for re-appointment pursuant to section 257 of the Companies Act, 1956.

The details of Directors seeking appointment or re-appointment as required by clause 49 of the Listing Agreement with the Stock Exchanges are provided in the Annexure to the Notice convening the Annual General Meeting.

Mrs. Dipti Shah resigned from the Board on May 30, 2010 and Mr. Amit Khurana, Mrs. Manju Khurana, Mr. C. Mohanan, Mr. Ashok Gandhi, Mr. Mayur Parikh and Mr. Sanjay Mehta resigned from the Board of Directors of the Company on August 16, 2010.

#### VI. DEPOSITS

During the financial year 2009-10, the Company did not accept any public deposits as per Section 58A of the Companies Act, 1956 and rules made there under.

#### VII. AUDITORS

The Company's Statutory Auditors, M/s Chandrakant & Sevantilal & J. K. Shah & Company, Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment. The Auditors confirmed that, if appointed, their appointment will be within the limits as laid down under section 224(1B) of the Companies Act, 1956.

#### VIII. AUDITORS REPORT

With regards to the qualification on Disclosure of Cash Subsidy amounting to Rs. 82.87 Crore received from Madhya Pradesh Rajyasetu Nirman Nigam Limited against BOT Projects, which is shown under the head 'Reserves and Surplus' instead of deducting the same from the Project Cost, your Directors state that as per the para 10.1 of the Accounting Standard 12 – Accounting for Government Grants (reproduced hereinafter), where the subsidy received is in the nature of promoter's contributions that is to say- without which the concessionaire cannot cover the total cost of the projects, the subsidy received can be shown as Capital Reserve under the head of Reserves and Surplus rather than deducting from the total cost of the Project. Your Directors further state that they perceive that the subsidy received is in the nature of 'Promoter's Contribution' and hence has been disclosed the same as Capital Reserve and not deducted from the total cost of the Project.

Para 10.1 of the Accounting Standard 12 – Accounting for Government Grants, states as under:

'Where the Government Grants are of the nature of Promoters Contribution i.e., they are given with reference to the total Investment in an undertaking or by way of contribution towards its total Capital outlay and no repayment is ordinarily expected in respect thereof, the grants are treated as Capital Reserve which can be neither distributed as dividend nor considered as deferred income.'

#### IX. INTERNAL CONTROL SYSTEMS

The Company has an adequate system of Internal Control to ensure compliance with policies and procedures. Internal Audits are regularly carried out to review the internal control systems. The Internal Audit Reports along with implementation and recommendations contained therein are constantly reviewed by the Audit Committee of the Board.