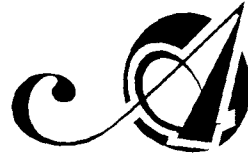


**21st  
Annual Report  
2008-09**



**ARTEFACT  
PROJECTS LTD.**

**Excellence in Infrastructure services**



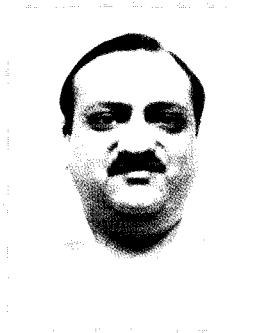


**The Key Management Team Comprises of**

**BOARD OF DIRECTORS**



Managing Director



Whole-time Director



Whole-time Director



Independent Director



Independent Director



Independent Director



**21<sup>ST</sup> ANNUAL REPORT 2008 - 2009**



**ARTEFACT PROJECTS LIMITED**

**BOARD OF DIRECTORS**

Mr. Manoj B. Shah  
Mr. Pankaj B. Shah  
Mr. Mohandas S. Adige  
Mr. Deepak B. Mehta  
Mr. Ashok P. Mehta  
Mr. Girish R. Dhabalia

**JOINT STATUTORY AUDITORS**

M/s Chaturvedi & Shah  
M/s Naresh Patadia & Co.

**BANKERS**

Canara Bank

**REGISTERED OFFICE**

1<sup>st</sup> Floor, Bhiwapurkar Chambers, Opp. Yeshwant Stadium,  
Dhantoli, Nagpur- 440 012 (Maharashtra, India)  
Ph. : +91-712-3018198, 3018260  
Fax : +91-712-2427830  
E-mail : artefactngp@sancharnet.in  
artefactngp@yahoo.com  
shareholders@artefactprojects.com

**REGISTRAR & SHARE TRANSFER AGENTS:**

Link Intime (India) Private Limited  
(formerly known as 'Intime Spectrum Registry Limited')  
C-13, Pannalal Silk Mills Compound  
LBS Road, Bhandup West,  
Mumbai-400 078  
Ph.: 022 - 25963838, Fax : 022 - 25946969

**CORPORATE WEBSITE**

[www.artefactprojects.com](http://www.artefactprojects.com)



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**OVERVIEW OF PAST 5 YEARS OPERATIONS**

5 Years at a Glance

(Rs. Lacs)

| <b>FINANCIAL YEAR</b>   | <b>2004-05</b>     | <b>2005-06</b>         | <b>2006-07</b>       | <b>2007-08</b>       | <b>2008-09</b>       |
|---|--------------------|------------------------|----------------------|----------------------|----------------------|
| <b>PROFIT &amp; LOSS ACCOUNT</b>  |                    |                        |                      |                      |                      |
| <b>REVENUES :</b>   |                    |                        |                      |                      |                      |
| Gross Receipt from operations<br>(Receipts from Infrastructure<br>Project Services) | 807.51<br>(791.42) | 1,408.66<br>(1,408.66) | 2077.37<br>(2077.37) | 2542.90<br>(2542.90) | 2960.55<br>(2960.55) |
| Other Income  | 7.63               | 33.07                  | 20.81                | 26.05                | 23.77                |
| <b>Total Income</b>   | <b>815.14</b>      | <b>1,441.73</b>        | <b>2098.18</b>       | <b>2568.95</b>       | <b>2984.32</b>       |
| <b>EXPENDITURE:</b>   |                    |                        |                      |                      |                      |
| Operating & Administration<br>Expenses  | 723.22             | 1,097.21               | 1592.16              | 1967.26              | 2459.85              |
| <b>OPERATING PROFIT (PBIDT)</b>   | <b>91.92</b>       | <b>344.52</b>          | <b>506.02</b>        | <b>601.69</b>        | <b>524.47</b>        |
| Interest & Financial Charges  | 43.92              | 54.81                  | 99.39                | 102.57               | 119.51               |
| <b>PBDT</b>   | <b>48.00</b>       | <b>289.71</b>          | <b>406.63</b>        | <b>499.12</b>        | <b>404.96</b>        |
| Non Cash Charges  | 9.68               | 135.53                 | 19.90                | 29.32                | 38.59                |
| <b>PBT</b>  | <b>38.32</b>       | <b>154.18</b>          | <b>386.73</b>        | <b>469.80</b>        | <b>366.37</b>        |
| Tax   | 9.52               | 46.54                  | 138.12               | 201.48               | 151.42               |
| <b>PAT for the year</b>   | <b>28.80</b>       | <b>107.64</b>          | <b>248.61</b>        | <b>268.32</b>        | <b>214.95</b>        |
| Dividend per share proposed (Rs.)   | -                  | 0.50                   | 0.75                 | 0.75                 | 0.75                 |

\* Previous year's figures have been regrouped, rearranged and reclassified wherever necessary.


**BALANCE SHEET**
**(Rs. Lacs)**

| <b>FINANCIAL YEAR</b>          | <b>2004-05</b> | <b>2005-06</b> | <b>2006-07</b> | <b>2007-08</b> | <b>2008-09</b> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>COMPANY'S ASSETS</b>        |                |                |                |                |                |
| Net Block- Fixed Assets-Own    | 132.24         | 32.22          | 953.98         | 1401.80        | 2156.95        |
| Net Block- Fixed Assets-Leased | 171.02         | -----          | -----          | -----          | -----          |
| Investments ( Incl. JVs)       | 24.55          | 16.84          | 2.01           | 2.01           | 2.01           |
| Net Current Assets             | 591.62         | 949.54         | 865.70         | 968.24         | 868.47         |
| <b>TOTAL ASSETS</b>            | <b>919.43</b>  | <b>1098.60</b> | <b>1821.69</b> | <b>2372.05</b> | <b>3027.43</b> |

**COMPANY'S DUES**

|                               |        |        |        |         |         |
|-------------------------------|--------|--------|--------|---------|---------|
| Secured Loans                 | 227.47 | 327.87 | 812.60 | 1128.55 | 1615.71 |
| <b>Deferred tax liability</b> | -----  | -----  | -----  | 18.10   | 15.16   |

**COMPANY'S NET WORTH**

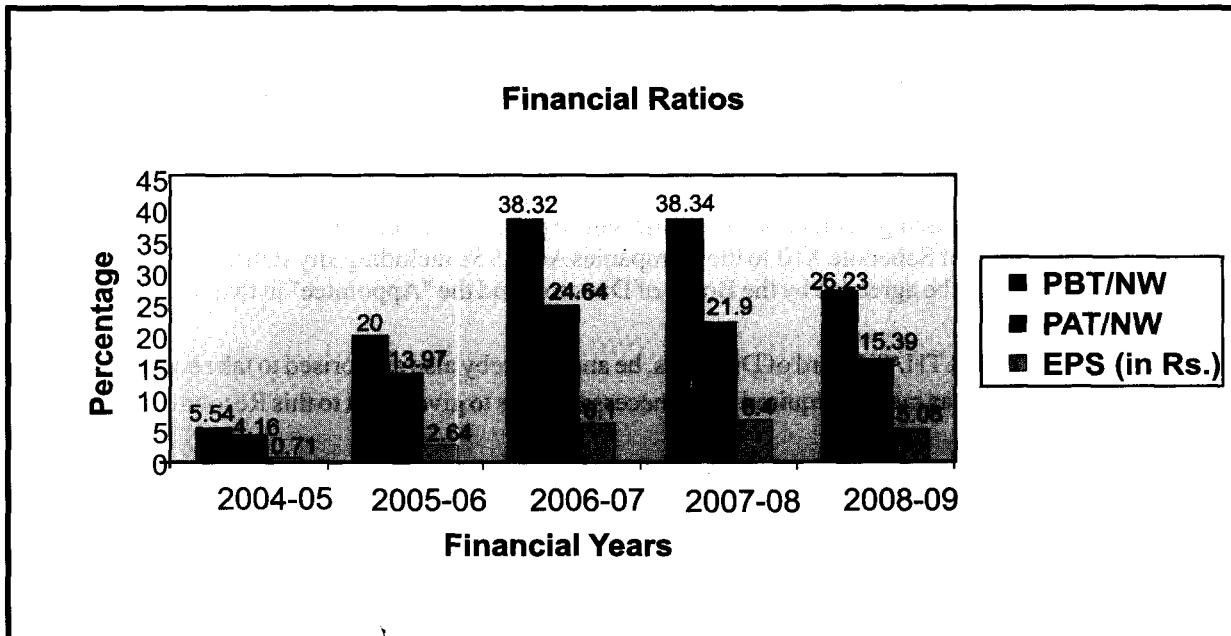
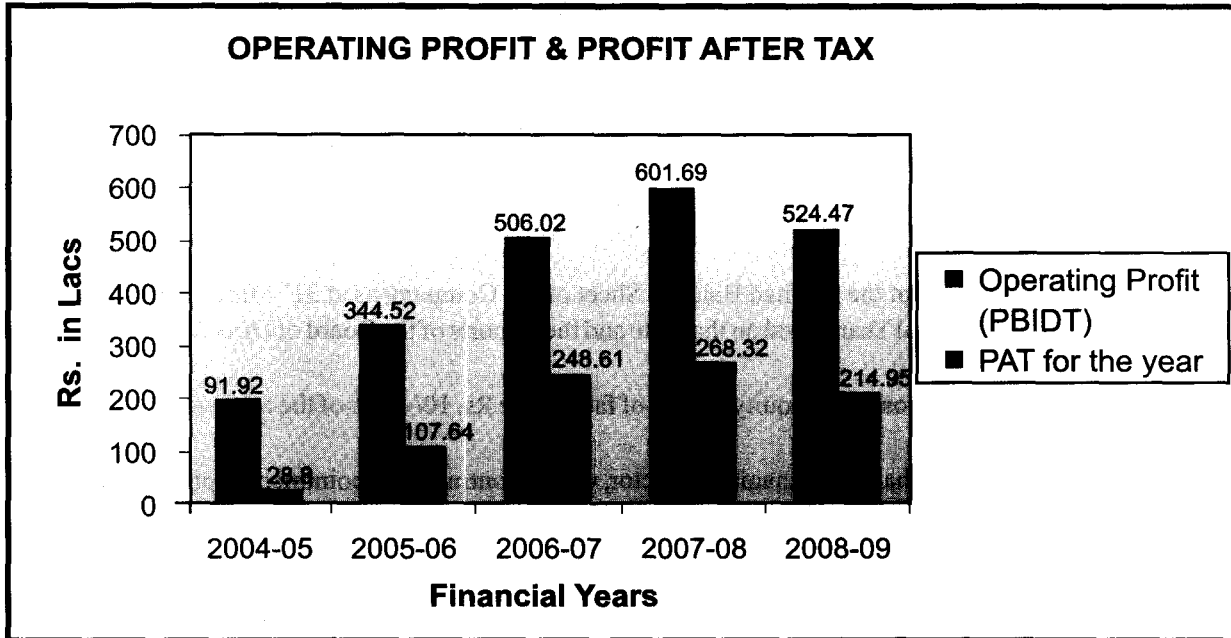
|  |               |               |                |                |                |
|--|---------------|---------------|----------------|----------------|----------------|
| Equity Share Capital                                   | 407.76        | 407.76        | 407.76         | 407.76         | 407.76         |
| Reserves & Surplus                                     | 284.20        | 362.97        | 601.33         | 817.63         | 988.80         |
| Miscellaneous Expenditure<br>(to the extent not w/off) | -----         | -----         | -----          | -----          | -----          |
| <b>TOTAL NET WORTH</b>                                 | <b>691.96</b> | <b>770.73</b> | <b>1009.09</b> | <b>1225.39</b> | <b>1396.56</b> |

|                        |               |                |                |                |                |
|------------------------|---------------|----------------|----------------|----------------|----------------|
| <b>TOTAL LIABILITY</b> | <b>919.43</b> | <b>1098.60</b> | <b>1821.69</b> | <b>2372.04</b> | <b>2984.76</b> |
|------------------------|---------------|----------------|----------------|----------------|----------------|

**FINANCIAL RATIOS**

| <b>Ratios</b>                | <b>2004-2005</b> | <b>2005-2006</b> | <b>2006-2007</b> | <b>2007-2008</b> | <b>2008-2009</b> |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| a) Total Receipts (Rs. Lacs) | 815.14           | 1441.73          | 2098.18          | 2568.95          | 2984.32          |
| Increase (%)                 | 2%               | 77%              | 46%              | 22%              | 16%              |
| b) EBIDTA                    | 12%              | 24%              | 24%              | 23%              | 20%              |
| c) PAT (Rs Crores)           | 0.29             | 1.08             | 2.49             | 2.68             | 2.15             |
| d) EPS (Rs/ share)           | 0.71             | 2.64             | 6.1              | 6.4              | 5.08             |
| e) Debt-Equity Ratio (times) | 0.33             | 0.43             | 0.81             | 0.92             | 1.16             |
| f) Operating Profit /NW      | 13.28%           | 44.70%           | 50.15%           | 49.10%           | 37.55%           |
| g) PBT / NW                  | 5.54%            | 20%              | 38.32%           | 38.34%           | 26.23%           |
| h) PAT/NW                    | 4.16%            | 13.97%           | 24.64%           | 21.90%           | 15.39%           |

\* Previous year's figures have been regrouped, rearranged and reclassified wherever necessary





## NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty First Annual General Meeting of the members of the Company will be held on Tuesday, 29<sup>th</sup> September, 2009 at 11.00 a.m. at the corporate office of the company at - 1<sup>st</sup> Floor, Bhiwapurkar Chambers, Opp. Yeshwant Stadium, Dhantoli, Nagpur - 440012 to transact the following business:

### As Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March 2009, and the Profit and Loss Account for the Financial Year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend as proposed, on Equity Shares of face Value Rs. 10/- each of the company.
3. To re-appoint Mr. Manoj B. Shah, as Managing Director, whose contract of appointment expires on 30<sup>th</sup> October, 2009 and fixing remuneration:

To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Manoj B. Shah, Managing Director, be and is hereby re-appointed as the Managing Director (MD) of the Company for a period of five years with effect from 1<sup>st</sup> day of November, 2009."

"RESOLVED FURTHER in accordance with the provisions of Section 198, 269, 309 read with Schedule XIII to the Companies Act 1956 and all other applicable provisions of the said Act (including any statutory modifications or re-enactment thereof for the time being in force) THAT the consent of the Company, be and is hereby accorded to the terms and conditions including remuneration applicable for a period of 5 years w. e. f. 1<sup>st</sup> day of November, 2009, as are set out in the Agreement to be entered into between the Company and Mr. Manoj B Shah ("the Appointee"), a draft whereof is placed before this Meeting and initialed by the Chairman, for the purpose of identification and which draft is hereby approved with the authority to the Board of Directors to alter and vary the terms and conditions including remuneration of the said Appointment and/or Agreement so as not to exceed the limits specified in part II of Schedule XIII to the Companies Act, 1956 including any statutory modifications or re-enactment thereof as may be agreed to by the Board of Directors and the "Appointee" in that behalf."

"RESOLVED FURTHER THAT Board of Directors, be and is hereby also authorised to take such steps, actions and do things, deeds, matters, as may be required or are necessary so as to give effect to this Resolution".

4. To re-appoint Mr. Pankaj B. Shah, as Whole-time Director, whose contract of appointment expired on 30<sup>th</sup> September, 2008 and fixing remuneration:

To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Pankaj B. Shah, Whole-time Director, be and is hereby re-appointed as the Whole-time Director (WTD) of the Company for a period of five years with effect from 1<sup>st</sup> day of October, 2008."





"RESOLVED FURTHER in accordance with the provisions of Section 198, 269, 309 read with Schedule XIII to the Companies Act, 1956 and all other applicable provisions of the said Act (including any statutory modifications or re-enactment thereof for the time being in force) THAT the consent of the Company, be and is hereby accorded to the terms and conditions including remuneration applicable for a period of 5 years w. e. f. 1<sup>st</sup> day of October, 2008, as are set out in the Agreement to be entered into between the Company and Mr. Pankaj B. Shah ("the Appointee"), a draft whereof is placed before this Meeting and initialed by the Chairman, for the purpose of identification and which draft is hereby approved with the authority to the Board of Directors to alter and vary the terms and conditions including remuneration of the said Appointment and/or Agreement so as not to exceed the limits specified in part II of Schedule XIII to the Companies Act, 1956 including any statutory modifications or re-enactment thereof as may be agreed to by the Board of Directors and the "Appointee" in that behalf."

"RESOLVED FURTHER THAT Board of Directors, be and is hereby also authorised to take such steps, actions and do things, deeds, matters, as may be required or are necessary so as to give effect to this Resolution".

5. To appoint Mr. Deepak B. Mehta, as an Independent Director to fill up the casual vacancy caused due to resignation of Mr. Baljit Kumar Mehta. The present shareholding of Mr. Deepak B. Mehta along with persons acting in concert is 700 shares *i. e.* 0.02% of the Issued and Paid-up Share Capital (in the name of Mr. Baljit Kumar Mehta).
6. To appoint M/s Chaturvedi & Shah, Chartered Accountants and M/s Naresh Patadia & Co., Chartered Accountants, as Joint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and to pass the following resolutions thereof:

“Resolved that M/s Chaturvedi & Shah, Chartered Accountants and M/s Naresh Patadia & Co., Chartered Accountants, be and are hereby re-appointed as the Joint Statutory Auditors of the company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting, on such remuneration as may be determined by the Board of Directors.”

**Date: 30<sup>th</sup> July, 2009**

**By Order of the Board of Directors**

Sd/-

**Manoj B. Shah**

**Managing Director**

**REGISTERED OFFICE:**

1<sup>st</sup> Floor, Bhiwapurkar Chambers

Opp. Yeshwant Stadium

Dhantoli, Nagpur- 440 012

**NOTES:**

1. 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 PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
3. The members are requested to notify any change of address with Pin code number to the registered office of the R&T Agent. In respect of members holding shares in electronic mode, the details as would be furnished by the Depositories as at the close of 14<sup>th</sup> of September, 2009 will be considered by the Company.
4. Register of Members/ Transfer Books of the Company will remain closed from 15<sup>th</sup> September, 2009 to 29<sup>th</sup> September, 2009 (both days inclusive) for the purpose of payment of Dividend
5. All the documents referred to in the Notice are open for inspection by the members of the Company at its Registered Office between 10.00 A.M. to 1.00 P.M. on any working day of the Company, until the date of ensuing Annual General Meeting or any adjournment or adjournments thereof.
6. Information as required by Clause 49 (VIA) of the Listing Agreement : -



### **PROFILE OF MR. MANOJ B. SHAH (MANAGING DIRECTOR)**

Mr. Manoj B. Shah born on 9<sup>th</sup> September, 1961 is a Project Professional having substantial overall Project Management Experience. He has professional qualification and experience of more than 25 years.

He has vast exposure and expertise in Technical & Financial Services for PPP model of Infrastructure Development and has assisted in finalizing the BOT Policy and Institutional Arrangements for the State Toll Policy, Model Concession Agreements for Road BOT Projects.

He has made contribution as Professional Expert to many local and state project and has rendered specialized expertise in the areas of Project Management, Project Structuring, Techno Economic Analysis, Transport and Economic Studies, Resource Mobilization, Capital Market Services, Feasibility Studies, Project Viability Analysis, Bid management, Contract and BOT Projects Documentation Management and Overall Development for Infrastructure Projects.

He leads Artefact as Chairman cum Managing Director since 1994.

He is a Fellow Chartered Accountant and holds Post Graduation degree in Economics & Commerce and additional qualification of Company Secretary (Inter). He is also undertaking Research for Ph.D. in the area of Urban Sector Reforms.

### **PROFILE OF MR. PANKAJ B. SHAH (WHOLE-TIME DIRECTOR)**

Mr. Pankaj B. Shah born on 16<sup>th</sup> October, 1963 is an Engineer and a Technocrat Entrepreneur with flair of Project Management. He has more than 24 years of Professional standing and experience. He has provided specialized engineering service in past to various reputed Public and Private Sector Organizations. His expertise includes Water Supply, Hydraulics, Mechanical Engineering, Valves and Pipe Lines installation, Commissioning and Technical Consultancy. He is very well versed with Business Development and dealing with Government Authorities and PSU's. He has a wide experience in co-ordination and overall Management of Urban Infrastructure Projects, Highway & Roads.

He has also contributed to Projects Services in the field of Engineering, Hydraulics, Mechanical Engineering, Systems Development, Project Monitoring, Business Re-engineering Studies, Techno-economic Feasibility Studies, Project Report - Preparation, Cost Rationalization studies, Project Development, Export Marketing, etc. He has core specialisation in Design, Planning, Organizing, Monitoring and Management of Infrastructure projects.

He is instrumental in the winning of various Global Design Competition awards by Artefact.

### **PROFILE OF MR. DEEPAK MEHTA (INDEPENDENT DIRECTOR)**

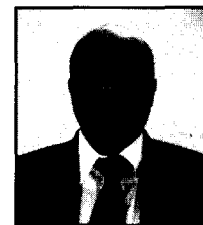
Mr. Deepak B. Mehta born on 5<sup>th</sup> February, 1958 is son of Mr. Baljit Kumar Mehta. He is Master of Science from Delhi University. He joined National Defense Academy, in June, 1991. Mr. Mehta served Indian Army as a Colonel for a period from June, 1998 to November, 2004. During his period in Indian Army, he held important HQ postings and trained budding young officers of the Army as well. He has attended social activities too. He had also served as a Chief Executive of Arneja Heart Institute, Nagpur from December, 2004 to Dec 2008.

He was responsible for HR and Administration functions which he handled efficiently. He was also responsible for Non Invasive Investigations. From December, 2008 he undertook Franchisee of BPCL Petrol Pump at Bazargaon, Nagpur. He has vast skills of effective Administration, HR organisation and operations & maintenance at Project level.

Besides he is a National Golfer and a National Gymnast.



## Letter from Managing Director



Dear Shareholders,

Every year brings challenges, risks and opportunities. Financial year 2008-09 was in the backdrop of a huge global slowdown and tight monetary situations with a very uncertain time frame for recovery of the Global recession, coupled with severe strain on Global Financial and Banking System. These adverse conditions tested the performance of many companies across the world to stay afloat.

Even in these adverse conditions your Company during the year continued to grow and render infrastructure services mainly to Highway Projects. In the year 2008-09 and upto the preparation of the Annual Report, five National Highway projects and one Urban Structure Construction Project attained completion. National Highways Projects involve construction cost of approximately Rs. 31.24 Billion and Road Length of about 642.21 Kms.

Currently there are twenty one ongoing projects including a prestigious project for Design & Project Management for International Terminal Building at Trivandrum Airport. The healthy Order Book position of the company ensured continuous growth in revenues and stability of operations.

It is my great pleasure to highlight the operational and financial performance of your company during the difficult financial year 2008 - 2009.

- o Gross Total income in FY 2008-09 Rs. 2984.32 Lacs, up by 16.17%.
- o Net Profit after tax of the Company of Rs 214.95 Lacs
- o Earnings per share (EPS) stood at Rs 5.08.
- o Dividend of 7.5% proposed i.e. Rs 0.75 per equity share of face value of Rs 10/- each resulting in payout of Rs. 35.78 Lacs.

During the year, your company progressed to complete the committed capital expansion estimated to incur Rs. 250 Million for creation of Global Design Research and Training Center for technology upgradation, and provision for expansion. The said facility is under completion and is expected to be operational shortly as per schedule.

The overall plan outlay in Eleventh Five Year Plan exceeding \$514 Billion for infrastructure in next five years. Your Company expects to undertake its growth plans forward by targeting additional orders during the year regardless of present state of economy being a phase of high interests, tight liquidity, strain on cash flows, increase in overall input costs, slowdown in developed economies, inflation and political uncertainties.



I am confident your Company will continue to be a dominant player in years head. To sustain the momentum of growth of your Company, we realised the need to consolidate the foundation of people, process, and systems.

Your company looks forward to continue its efforts to cater to emerging business growth and client spread. It shall strive and endeavor to enhance its spectrum of services. Your company continues to be committed to enhance all stakeholders' value.

None of these endeavors would have been possible without dedicated contribution of our human resources. People are our prime assets. Artefact's quest for value creation would not have been possible but for the support that my colleagues and I received from all the customers, business associates, shareholders and members of the Board. I am grateful to them for their continued confidence in the management. I firmly believe that with the solid foundation that has been laid and the global market beckoning us, we will continue to create superior value for all our stakeholders.

**With warm Regards,**

**Place : Nagpur  
Date : 30<sup>th</sup> July, 2009**

**Sd/-  
Manoj B. Shah  
Managing Director**



## DIRECTORS' REPORT

**To,  
The Members,**

The Directors have pleasure in presenting the Twenty First Annual Report of the Company together with the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as on that date.

### FINANCIAL RESULTS:

(Rs. Lacs)

| PARTICULARS   | 2007 - 2008*  | 2008 - 2009   |
|---|---------------|---------------|
| Gross Receipts  | 2568.95       | 2984.32       |
| Non Cash Charges  | 29.32         | 38.59         |
| <b>Profit Before Tax</b>  | <b>469.80</b> | <b>366.37</b> |
| Provision for Taxation  | 201.48        | 151.42        |
| <b>Net Profit for the Year</b><br>(Including excess/short tax written back/off) | <b>268.32</b> | <b>214.95</b> |
| Net Profit for Appropriations   | 829.01        | 980.18        |
| <b>Proposed Dividend</b>  | <b>30.58</b>  | <b>30.58</b>  |
| Tax applicable on Proposed Dividend   | 5.20          | 5.20          |

\* Previous year's figures have been regrouped, rearranged and reclassified wherever necessary.

### 2008 - 2009 IN RETROSPECT :

The fiscal year ended March 31, 2009 saw a sustainable growth in receipts. The gross income of the Company rose by 16.63%. This was mainly because of the healthy order Book position at the beginning of the year.

Its MANPOWER COST has increased by 27.78% overall as compared to past year and by 4.17% in terms of percentage of total revenue. Total number of employees stood at 444 as on 31<sup>st</sup> March, 2009. This was primarily because of certain higher costs incurred on project support from Head Quarters and high cost of expatriate inputs.

### CAPITAL EXPENDITURE:

Continuing with the completion of the Global Design Research and Training Centre at Nagpur, Company has incurred total capital expenditure on the above project to the extent of Rs. 765 Lacs during the year which has now taken the cost of above project to Rs. 1987 Lacs. Apart from this the company has invested in the Hardware and Software upgradation to the tune of Rs. 28 Lacs during the year. The company remains committed to its aim at continuous increase in its technological strengths to cater to the ever growing needs.

The debt drawn for the project of Global Design Centre was Rs 888.75 Lacs as on 31<sup>st</sup> March, 2009.

The Company has received a Term Loan sanction of Rs. 1200 Lacs for the Project.

**DIVIDEND:**

The Company's dividend policy is based on the need to balance the twin objectives of appropriately rewarding the shareholders with cash dividend and of retaining capital to meet the Company's investment needs.

After reviewing the profits for the year and need of internal accruals for its capital expenditure, the Board of Directors is pleased to recommend Dividend equal to 7.5% of the Paid up Share Capital of Rs. 407.76 Lacs for the year 2008-09 amounting to more than Rs. 35.78 Lacs (including tax thereon).

**NOTE ON CONTINGENT LIABILITIES:**

The Contingent liabilities of the Company mainly include Bank Guarantees provided under contract/ legal obligation. No cash outflow is expected.

The total Bank Guarantee issued till 31<sup>st</sup> March, 2009 amounted to Rs 995.94 lacs with varying maturity schedule. The Maturity schedule of the Bank Guarantee coincides with contract completion duration concluding entirely by 31<sup>st</sup> March, 2011.

To safeguard your Company's Financial Liability in the case of any remote unlikely possibility of any professional liability, the performance of the company's services is also fully covered by Professional Liability Insurance Policy.

Besides, your Company has outstanding capital commitments of Rs. 127.14 Lacs as on 31<sup>st</sup> March, 2009 towards ongoing capital expenditure, being a part of committed capital expenditure.

**CORPORATE DEVELOPMENTS:**

In an attempt towards business development the company had approached various Companies/ Organizations for its empanelment in Port and other Infrastructure sectors and the company has participated in bids for the tenders. With the new Government at the Center, and an assured stability, Highway development and Infrastructure development is planned to take a quantum jump. Your Company expects a reasonable share of the imminent opportunity.

**DIRECTORS:**

Mr. Manoj B. Shah, whose contract of appointment for the term of five years as Managing Director expires on 31<sup>st</sup> October, 2009 offers himself for re-appointment.

Mr. Pankaj B. Shah, whose contract of appointment as Whole-time director expired on 30<sup>th</sup> September, 2008 offers himself for re-appointment.

Mr. Deepak B. Mehta, to be appointed as an Independent Director to fill up the casual vacancy caused due to resignation of Maj.Gen. (Retd) Baljit Kumar Mehta. The present shareholding of Mr. Deepak B. Mehta along with persons acting in concert is 700 shares *i. e.* 0.02% of the Issued & paid-up Share Capital (in the name of Maj.Gen. (Retd) Baljit Kumar Mehta)



The information required to be furnished under Clause 49 IV (G) of the Listing Agreement is given in the Notice of the ensuing Annual General Meeting enclosed in this Report.

## **RESIGNATION:**

Maj.Gen. (Retd) Baljit Kumar Mehta aged 83 years, Independent Director of the Company, resigned on grounds of health.

## **AUDITORS:**

M/s Chaturvedi & Shah, Chartered Accountants, Joint Statutory Auditor for the company shall hold office till the conclusion of the ensuing Annual General Meeting and is recommended for re-appointment. Company has received letter from them, to the effect that their re-appointment, if made would be within the prescribed limits under section 224 (I-B) of the Companies Act, 1956.

M/s. Naresh Patadia & Co. Chartered Accountants, Joint statutory auditor for the company shall hold office till the conclusion of the ensuing Annual General Meeting and is recommended for re-appointment. Company has received letter from them, to the effect that their reappointment, if made would be within the prescribed limits under section 224 (I-B) of the Companies Act, 1956.

The resolutions for their appointments will be placed before the shareholders in the ensuing Annual General Meeting for their consideration and approval.

## **PERSONNEL:**

The company has not paid any remuneration exceeding the limits under Section 217(2A) of the Companies Act, 1956

## **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Information in accordance with the provisions of Section 217

### **A) Conservation of energy**

Even though the Company's core activity at present is Project Consultancy Services, which is not power intensive, the Company is making every effort to conserve the usage of power.

### **B) Technology Absorption:**

Your company believes that Information Technology is a source of competitive advantage and has therefore continued to invest in the same. Information technology in the area of project management, cost management and resource management has been one of the key thrust. Your company has successfully implemented PRIMAVERA P6 software.

The main activity of your company being design project management and consultancy services, the implementation of PRIMAVERA software has enhanced the expertise of the company in simultaneously managing multiple projects and supporting multi-user access across the entire organization. It has also provided integrated risk management, issue tracking and management of projects by threshold.





Apart from the company has been continuously upgrading its technology viz., up-gradation of exchange server, security firewall implementation, directory structure of file server re-implementation, user security policy implementation, domain server re-implementation, up-gradation of Tally into ERP9, development of new in-house software for EDP inventory Developed, EDP management outsourcing to i-sourceinfosystems Pvt. Ltd. (Pune)

**C) Foreign Exchange Earnings and Outgo:**

The company has not earned any Foreign Exchange during the year. The company has spent an amount of Rs 58,53,146/- (Previous year Rs 19,36,694/-) in Foreign Exchange towards technical knowhow and services, cost of foreign travel and membership & subscriptions.

**DEPOSITS:**

The company has not accepted any deposits within the meaning of Section 58A & 58 AA of the Companies Act, 1956 and / or Rules framed there under.

**ENVIRONMENT PROTECTION:**

Relevant and applicable pollution control systems are operational. Continuous efforts to nurture and preserve the environment are vigorously pursued. Regular training program on safety and environment are conducted to increase awareness and commitment for safety and the environment.

**STATUTORY DISCLOSURES:**

None of the Directors of the Company are disqualified to be appointed as Director under the provisions of section 274 (1) (g) of the Companies Act, 1956. The Directors have made necessary disclosures, as required under the various provisions of the Act and Clause 49 of the Listing Agreement with the Bombay Stock Exchange.

**CORPORATE GOVERNANCE:**

Your Company conforms to norms of Corporate Governance. As a Listed Company, the Company complies with the Listing Agreement with the Bombay Stock Exchange.

A report on Corporate Governance, along with a certificate of compliance from the Auditors is given by way of Annexure, which forms a part of this Report.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with regard to the Directors Responsibility Statement, your Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- (b) they have 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 ended 31<sup>st</sup> March 2009 and of the profit of the Company for that year;



- (c) they have taken proper and sufficient care for the maintenance of adequate accounting 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;
- (d) they have prepared the annual accounts on a going concern basis.

**AUDITORS' REPORT:**

The Service Tax payable mentioned by the Auditors generally represents reimbursement of Service Tax outstanding from the client. {Point No. ix (b)}

**EMPLOYEE RELATIONS:**

Relations with employees across all the offices and units continued to be cordial throughout the year. Your Directors place on record, their sincere appreciation for the significant contribution made by the employees at all levels through their dedication, hard work and commitment.

**WELFARE:**

The Company while giving paramount importance to Welfare, Health and Safety measures makes constant and conscious efforts to improve the welfare of employees and their families.

The Company continues to provide recreational facilities at its Head Quarters and major project site offices such as sports, indoor games, library and reading room, cultural program, etc.

**ACKNOWLEDGEMENT:**

Your Directors acknowledge the support and wise counsel extended to the Company by analysts, bankers, government agencies, shareholders, investors, suppliers and others associated with the Company. Your Directors also acknowledge the trust reposed in the Company by the employees at all levels, who, through their dedication, co-operation, support and proficient working have enabled the Company to achieve all-round growth.

We look forward to having the same support in our mission 'Excellence in Infrastructure services'.

**For and on behalf of the Board of Directors**

sd/-

**Manoj B. Shah**

**Managing Director**

**Place : Nagpur**

**Date : 30<sup>th</sup> July, 2009**



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ◆ INDUSTRY STRUCTURE AND DEVELOPMENTS:

Infrastructure generally refers to the supporting facility responsible for the country's economic and social sector to operate. Infrastructure forms the core of the functioning and facilitates production of goods and services. It is the key determinant of efficiency and effectiveness of commerce, economics and industry. Infrastructure includes Civil Engineering works of large magnitude of diversified nature including Highways, Airports, Ports, Roads and other Civil works etc.

With the Central and State Governments coming up with various road development projects, road construction will remain center stage of infrastructure development in the country. Allocations for National Highway Development Plans, Urban Renewals, etc. have been increased by 23% to 87% in the Union Budget 2009-10. The targets set in the Eleventh Five Year Plan are huge, expanding the scope for your company, which is a good news. The Eleventh Five Year Plan and the Highlight of Economic Survey 2009 are discussed in the Management Discussion and Analysis as a sectorial background in which your Company operates.

### ◆ OUTLOOK:

The Government's focus on implementing infrastructure projects on BOT basis has created great opportunities for private sector. However, it needs to take pre-emptive measures to ensure that the Regulatory and implementation bottlenecks are to be removed for the momentum of growth to be sustained.

The overall outlook of Infrastructure Sector is very positive in the present economic environment. However, the growth will be enhanced by proper policy measures and commitment of financial outlays by the Government, the inflow of foreign investment as well as private capital investment and Bank's lending policies.

### ◆ HIGHLIGHTS OF THE ELEVENTH FIVE YEAR PLAN

#### **(2007-08 TO 2011-12):**

*“The Eleventh Five Year Plan has set an ambitious target of increasing total investment in infrastructure from around 5% of GDP in the base year of the Plan 2006-07 to 9% by the terminal year 2011-2012. The projected total investment requirement is Rs.2, 056,150 crore (\$ 514 billion) for ten infrastructure sectors over the five year period.”*

- Deputy Chairman, Planning Commission

The eleventh five year plan opened new avenues for the Infrastructure Sector. There are high targets and investment requirement. In case of National Highways, the physical target includes six laning and four laning projects with a quantum of about 13,236 Km whereas widening, development and construction with about 29,737 Kms.

In case of Rural Roads, constructing 1,29,707 km of new rural roads, and renewing and upgrading existing 1,77,726 km covering 60,638 rural habitations is projected.



## **PROJECTIONS FOR THE ROADS AND BRIDGES SECTOR:**

The Working Group on Roads for the Eleventh Plan estimated investment of Rs. 2094.93 Billion in National Highways, with the public sector contributing Rs. 1217.58 Billion and the private sector Rs. 877.35 Billion. It estimated a requirement of Rs. 1000.00 Billion on States' roads, including those in the North-East region, with a private sector component of Rs. 320.00 Billion. The Working Group on Rural Roads estimated an investment of Rs. 790.00 Billion. Aggregating, the total investment in roads and bridges was estimated to be Rs. 3884.93 Billion in next Five Years. In the Tenth Plan the anticipated expenditure on roads and bridges is Rs. 1448.92 Billion or US\$ 36.22 billion. The estimates of Working Groups are 2.7 times the realized investment in the Tenth Plan.

## **PROJECTIONS FOR OTHER SECTORS:**

### **PORTS:**

There are plans to develop Ports with capacity addition of 485 Million Metric Tonnes in Major Ports, 345 Million Metric Tonnes in Minor Ports.

The Working Group on Ports for the Eleventh Plan has estimated an investment of Rs. 554.01 Billion in major ports, comprising public investment of Rs. 185.33 Billion and private investment of Rs. 368.68 Billion. Estimation of the investment likely in minor ports was not made.

### **AIRPORTS:**

As per the Airport development plans, modernization and redevelopment of 4 metro and 35 non-metro airports, constructing 3 greenfield airports in North East, constructing 7 other greenfield airports facilities are set as targets.

The Working Group on Civil Aviation for the Eleventh Plan has estimated an investment of Rs. 92.07 Billion by the Airports Authority of India (AAI) and did not provide any estimation on the likely private sector investment.

## **HIGHLIGHTS OF MAJOR INFRASTRUCTURE DEVELOPMENT INITIATIVES :-**

- **Roads under implementation:-**
  - 11,037 KM of National Highway under NHDP completed
  - 98% of GQ completed
  - New approvals:-



| <b>Sr. No.</b> | <b>Particulars</b>   | <b>New Approval (Kms)</b> | <b>Estimated Cost (Rs. Billion)</b> |
|----------------|--|---------------------------|-------------------------------------|
| 1.             | NHDP Ph - III  | 12,109                    | 806.26                              |
| 2.             | 2 Laning with paved shoulders -NHDP Ph - IV  | 5,000                     | 69.50                               |
| 3.             | 6 Laning of NHs Comprising GQ & NHDP Ph - V  | 6,500                     | 412.10                              |
| 4.             | Expressways under NHDP Ph - VI   | 1,000                     | 166.80                              |
| 5.             | Ring roads, grade separated intersection, flyovers, elevated highways, ROBs, underpasses & service Roads | ---                       | 166.80                              |
| 6.             | Sub-projects under North-Eastern States Development  | 1,065                     | 33.78                               |
|                |  | <b>TOTAL</b>              | <b>1655.24</b>                      |

**• Changes in related laws & regulations:-**

- The Carriage by Road Act will replace the Carriers Act 1865, to make system transparent and modern
- Proposal to amend Motor Vehicle Act, 1988 approved
- Rules for accreditation of bus body builders so as to bring uniformity in bus body designs
- Central Govt proposes to assist states through the viability gap funding to improve public transport

**• Airport development planned:-**

- **New Delhi:** Completion of 1<sup>st</sup> phase by March 2010, Cost being Rs. 89.75 Billion.
- **Mumbai:** Completion of 1<sup>st</sup> phase by March 2010, Cost being Rs. 98.02 Billion
- **Kolkata:** Plans for modernization approved, cost Rs. 19.42 Billion
- **Chennai:** Plans for modernization approved, cost Rs. 18.08 Billion
- **Non Metro airports:** up gradation and Modernization of 35 airports, North Eastern region to be taken on priority

**• Urban Infrastructure development planned:-**

- **JNNURM cities:-**
  - Additional Central Assistance of Rs. 44.55 Billion proposed
  - 461 projects sanctioned at an approved cost of Rs. 494.22 Billion for 62 cities
- **Non Mission Cities:-**
  - Additional Central Assistance of Rs. 32.79 Billion for small and medium towns
  - 747 projects sanctioned at an approved cost of Rs. 127.93 Billion

**• Metro Rail System proposed:-**

- **Delhi MRTS Ph II:-** Extension of 121.77 Kms, 6 construction & 7 extension projects, targeted date of completion - October 2010
- **Kolkata Metro:** East West Corridor on DMRC model, length 13.77 Kms approved in June 2008, Date of Completion - October 2014
- **Bangalore Metro:** Double lane, electrified North-South & East-West Corridor approved, scheduled to be completed by - December 2011

Your company foresees a major continuing opportunity from these development initiatives.

**◆ YOUR COMPANY OPERATES IN AN ENVIRONMENT WHERE IT'S MAJOR:****STRENGTHS include:**

- In-depth domain knowledge,
- Track record of successful project completions, and
- Multi-disciplinary in house expertise,

**OPPORTUNITIES include:**

- Focus on Infrastructure Sector development as a key to economic resurrection, besides Opportunities due to large infrastructure projects under implementation by increased private sector participation.
- Existence of good investment climate exists for Infrastructure activity.
- Existence of talent overseas services sector and Talent services outsourcing potential, which can globalize Indian infrastructure services.

**THREATS faced by Artefact include:**

- Availability to employ specialized manpower its global affiliations and global recruitments as well as intensive domestic talent search is very helpful.
- Domestic and International Competition in the industry is a threat, which Artefact tries to address by leveraging its position and plans to enlarge its working base.
- Major threats include Legal and bureaucratic hassles, state and local laws, and other statutory issues having an impact on the pace of development. Usually such aspects have a potential of creating short term cash flow and profitability aberrations.
- Macro Economic factors like Global slow down, steep petroleum price increase, high inflation and high interest rates, increase the risk of infrastructure projects, reduction in FDI, stock market settlements though short term, have an impact on the pace of development.

**SEGMENT WISE PERFORMANCE & OUTCOME:**

The Company is in the business of consultancy in infrastructure development of airports, ports, roads, highways, etc and hence operates in a single Business segment.

**RISKS & CONCERNS:**

- The implementation process and safety is a major risk and concern for any Infrastructure Company.
- The Company has taken measures to provide adequate security, facilities, and also insurance coverage.
- Large and long term funding requirements at efficient interest rates for infrastructure development is a prerequisite. However, the government is committed to provide adequate financial support to the development projects.

Your company is continuously taking up challenges for development for future growth.

**INTERNAL CONTROLS AND THEIR ADEQUACY:**

The Company has a proper and adequate system of internal controls commensurate with the size of the Company and the nature of its business to ensure that all the assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly and adequately. The Company's internal controls are supplemented by internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial information and for maintaining accountability of assets. All financial and audit control systems are also reviewed by the Audit Committee of the Board of Directors of the Company.

**OPERATIONS:**

Your Company during the year continued to render expert infrastructure services. During the Year 2008-09, five National Highway Projects covering more than 642 Kms with construction cost of approx Rs. 31.24 Billion were completed. There are Twenty One Ongoing Projects with construction cost of approx Rs. 55.89 Billion comprising Three Urban Sector Projects and One prestigious project for Design & Project Management for International Terminal Building at Trivandrum Airport.

**HUMAN RESOURCES AND INDUSTRIAL RELATIONS:**

Your Company attaches the highest priority to the quality of intellectual capital at its disposal and believes that knowledge and skill level of its employees are the key to achievement of its corporate mission and compliments its infrastructure focus. The Company has a structured recruitment process; the focus is on recruiting people who have the right mindset for working at Artefact Projects Limited. Supported by structured training programmes and internal growth opportunities, the Company has developed scientific appraisal system laying emphasis on rewarding performers. During the past one year, the Company has focused on Human Resources Development and devoted substantial resources on building a skilled workforce that has an innate capability to counter threats posed by ever changing business environment and to take advantages of opportunities presented to meet the expanding business requirements.

At the end of the Year 2008-09, the break-up of Human Resource was as below:

| <b>Human Resource</b>    | <b>Number</b> |
|--------------------------|---------------|
| <b>Key Professionals</b> | <b>70</b>     |
| <b>Professionals</b>     | <b>196</b>    |
| <b>Support Staff</b>     | <b>178</b>    |
| <b>TOTAL</b>             | <b>444</b>    |

**CAUTIONARY STATEMENT:-**

Management Discussion and Analysis forming part of this Report is in compliance with Corporate Governance Standards incorporated in the listing agreement with the Bombay Stock Exchange and such statements may be "forward-looking" within the meaning of applicable laws and regulations. The Actual results may vary for the company. The Company cannot undertake entire achievement of plans and prospects, since they are subject to macro and other risks of unforeseen circumstances, natural calamities, political or economic instability, normal market risks, and legislations. These risks may have a sizeable impact on the company's operations and over which the company may not have any control.

**Place: Nagpur****Date: 30<sup>th</sup> July, 2009****For Artefact Projects Limited**

sd/-

**Manoj B Shah****Managing Director**





## **CORPORATE GOVERNANCE REPORT**

### **The Company's Corporate Governance Philosophy**

The Company acknowledges its responsibilities to its stakeholders. The company believes that Corporate Governance helps to achieve commitment and goals to enhance stakeholder value by focusing towards all stakeholders. Any good Corporate Governance provides an appropriate framework for the Board, its committees and the executive management to carry out the objectives that are in the interest of the Company and stakeholders. The Company maintains highest level of transparency, accountability and good management practice through the adoption and monitoring of corporate strategies, goals and procedures to comply with its legal and ethical responsibilities. Shareholders interests are utmost and the management is only a trustee of the shareholders capital to carry out the activities in a truthful manner.

The Company is in compliance with the requirement of the revised guidelines on Corporate Governance stipulated under Clause 49 of the listing agreement with the Bombay Stock Exchange. A Code of Conduct is framed and adopted in the pursuits of excellence in Corporate Governance.

### **Artefact's Principles:**

The Company's philosophy on Corporate Governance is based on following principles:

- Responsibility of management to operate the affairs of the company in an effective and ethical manner in order to produce value for stockholders.
- Responsibility to deal with its employees in a fair and equitable manner.
- To produce financial statements that fairly presents the financial condition.
- Have a simple and transparent corporate structure driven solely by business needs.
- Management is the trustee of the shareholders' capital and not the owner.

### **Board of Directors:**

The Board of Directors provides strategic direction and thrust to the operations of the Company. The Directors are professionals and have expertise in their respective functional areas and bring a wide range of skills and experience to the Board.

The Board presently comprises of 6 Directors including 3 Executive Directors and 3 Non-Executive -Independent Directors. Hence, the Company complies with the listing agreement norms for Independent Directors.

### **Board Procedures:**

The Company Secretary prepares the agenda in consultation with the Chairman of the Board of Directors, the Chairman of various Committees and the Managing Director. The agenda for the meetings of the Board and its Committees, together with the appropriate supporting documents, are circulated well in advance of the meetings. The meetings are held at the Registered Office of the company in Nagpur.

The composition of the Board of Directors during the year under review along with the number of directorships and their memberships held in various committees in other companies as on 30<sup>th</sup> June, 2009 are given in the table below:



| Category                                    | Name of Director and Designation             | No. of outside Directorships and Committee Membership / Chairmanship |           |            |              |
|---|--|--|-----------|------------|--------------|
|   |  | Listed   | Unlisted* | Committee  |              |
|   |  |  |           | Membership | Chairmanship |
| <b>Promoter/ Executive Directors</b>        | Mr. Manoj B. Shah<br>Managing Director       | -----  | 5         | -----      | -----        |
|   | Mr. Pankaj B. Shah<br>Whole-time Director    | -----  | 3         | -----      | -----        |
|   | Mr. Mohandas S. Adige<br>Whole-time Director | 3  | 1         | 1          | 1            |
| <b>Independent/ Non-executive Directors</b> | Mr. Ashok P. Mehta                           | -----  | 0         | -----      | -----        |
|   | Maj.Gen. (Retd.)<br>Baljit Kumar Mehta       | -----  | 1         | -----      | -----        |
|   | Mr. Girish R. Dhabalia                       | -----  | -----     | -----      | -----        |

\* Includes Private Companies and Foreign Companies.

#### **Code of Conduct:**

During the year the Board adopted a Code of Conduct for all Board members and senior management of the Company and also posted it on the Company's website. All the Board members and senior management personnel affirmed the compliance with the Code. The declaration of the CEO to this effect is disclosed under CEO & CFO Certification as an Annexure to this Annual Report.

#### **Standards Issued By ICSI:**

The Board of Directors of the Company has reviewed the compliance level in order to ensure compliance with Secretarial Standards issued by the Institute of Company Secretaries of India.

Besides, the Board has constituted various committees i.e. Audit Committee, Remuneration Committee, Borrowing Committee, Management Committee, Ad-hoc Committee and Shareholders/ Investors' Grievances Committee to deal with various specialized issues.



The attendance of the Directors of the Company at the Board meetings and Annual General Meeting are as follows:

- The Board of Directors met Six times during the year on the following 29<sup>th</sup> May, 2008, 26-27<sup>th</sup> June, 2008, 30<sup>th</sup> July, 2008, 29<sup>th</sup> August, 2008, 31<sup>st</sup> October, 2008, 31<sup>st</sup> January, 2009 :
- Annual General Meeting (AGM) held on September 29, 2008

| Director                              | Designation          | Relationship per-se*              | No. of Meetings Attended | Attended Last AGM |
|---------------------------------------|----------------------|-----------------------------------|--------------------------|-------------------|
| Mr. Manoj B. Shah                     | Managing Director    | Brother of Whole-time Director    | 5                        | Yes               |
| Mr. Pankaj B. Shah                    | Whole-time Director  | Brother of Managing Director      | 6                        | Yes               |
| M. Mohandas S. Adige                  | Whole-time Director  | Not related to any other Director | 6                        | Yes               |
| Mr. Ashok P. Mehta                    | Independent Director | Independent                       | 6                        | No                |
| Maj. Gen (Retd)<br>Baljit Kumar Mehta | Independent Director | Independent                       | 5                        | No                |
| Mr. Girish R. Dhabalia                | Independent Director | Independent                       | 5                        | Yes               |

\* As per section 2(41) and section 6 read with Schedule IA of the Companies Act, 1956.

### Information placed before the Board of Directors:

Following informations are presented in Board Meeting so as to facilitate effective decision making:-

- Annual Accounts, Directors' Report, etc.
- Quarterly results of the company.
- Minutes of meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and promotion of Senior Officers to the level of Whole time Director, if any.
- Fatal or serious accidents, dangerous occurrences, etc., if any.
- Operational highlights and substantial non-payment for service of the company, if observed
- Major investments, formation of Subsidiaries and Joint Ventures, Strategic Alliances etc.
- Award of large contracts.
- Disclosure of Interest by Directors about directorship and committee positions occupied by them in other companies.
- Any significant development in Human Resources.
- Compliance Certificate of any regulatory, statutory nature.
- Information relating to major legal disputes.
- Other materially important information.



## **Committees of the Board of Directors:**

The Board has constituted various Committees for smooth and efficient operation of the activities and is responsible for constituting, assigning, co-opting and fixing the terms of reference for the committees in line with the laws of land. The draft minutes of the proceedings of each Committee Meeting duly initialed by the Chairman of the respective Committee Meeting are circulated to the members of that Committee for their comments and thereafter, confirmed by the respective Committee in its next meeting. The Chairman, quorum and the terms of reference of each committee have been approved by the Board.

The Board has established the following Committees:-

- i) Audit Committee
- ii) Remuneration Committee
- iii) Borrowing Committee
- iv) Management Committee
- v) Shareholders / Investors Grievance Committee
- vi) Ad-hoc Committee

## **AUDIT COMMITTEE**

The Company has an Audit Committee constituted in terms of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, which exercises the powers and discharges the functions as stipulated in the said Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The Audit Committee also undertakes and reviews such other matters as may be delegated by the Board from time to time.

The audit committee comprises of Non-Executive Directors and is chaired by Mr. Girish R. Dhabalia. All the Members of Audit Committee are qualified and having insight to interpret and understand the financial statements. Their prime tasks are to review the scope of the external audit, to receive reports from the external and internal auditors, to review the effectiveness of internal control procedures etc.

The key elements of processes used by the Audit Committee to review the effectiveness of the system of Internal Control include-

- Discussion with management on risk areas identified by the auditor in audit process
- Review of internal and external audit plans
- Review of significant issues arising from internal and external audit
- Review of significant group risk reported by the group risk committee

### **A) Scope of Audit Committee:**

1. Discussion with Auditors periodically about internal control systems and the scope of audit including observations of the auditors.
2. (a) Review of the quarterly and annual financial statements before submission to the Board.  
(b) Review and take on record the un-audited quarterly results of the Company before publication.



3. Review compliance of Internal Control Systems.
4. Oversee of the company's financial reporting process and the disclosure of its financial information to ensure that the Financial Statement is correct, sufficient and credible.
5. Noting of appointment and removal of External Auditors. Recommending the fixation of audit fee of External Auditors and also approval for payment for any other services.
6. Reviewing with management the Annual Financial Statements before submission to the Board, focusing primarily on;
  - Any changes in accounting policies and practices, if occurred.
  - Qualifications in audit report, if any
  - Significant adjustments arising out of audit, if any.
  - The going concern assumption.
  - Compliance with Accounting Standards.
  - Compliance with Stock Exchange and legal requirements concerning Financial Statements.
  - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large, if occurred.
7. Reviewing with the management, external and internal auditors, the adequacy of Internal Control Systems.
8. Reviewing with the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with Internal Auditors about any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the Internal Auditors.
11. Discussion with External Auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. Reviewing the Company's policies.
13. To look into the reasons for any major defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
14. Investigation into any matter in relation to the items specified above or referred to it by the Board.

**B) Composition of Audit Committee in compliance with Section 292A of the Companies Act, 1956 (as on March 31, 2009):**

The Audit Committee of the Company has Mr. Girish R. Dhabalia, Non-Executive Independent Director as its Chairman with Mr. Pankaj B. Shah, Whole-time Director, and Maj. Gen. (Retd.) Baljit Kumar Mehta, Non-Executive Independent Director as its members. Quorum for the Audit committee is two non-executive Directors.

**C) Meeting and Attendance:**

The Committee met Four times on 23<sup>rd</sup> June 2008, 25<sup>th</sup> July 2008, 25<sup>th</sup> October 2008, 24<sup>th</sup> January 2009, during the Financial Year 2008-09 and the attendance of members of the Committee were as follows:

| <b>Director</b>                        | <b>No. of Meetings Attended</b> |
|--|---------------------------------|
| Mr. Girish R. Dhabalia                 | 4                               |
| Mr. Pankaj B. Shah                     | 4                               |
| Maj. Gen. (Retd.) Baljit Kumar Mehta , | 4                               |

## **REMUNERATION COMMITTEE**

### **A) Terms of Reference:**

The Remuneration Committee shall determine on behalf of the Board and its shareholders policy of the Company on specific remuneration packages for Executive Directors including pension rights and any compensation payment. The Committee shall also determine the remuneration packages of the Executive Directors.

### **B) Composition, Name of Members and Chairperson:**

Chair person- Mr. Girish R. Dhabalia, other members: Mr. Ashok P. Mehta and Major Gen (Retd.) Baljit kumar Mehta.

### **C) Meetings and Attendance during the Year:**

Meeting of the committee was held during the year 2008-2009 on 20<sup>th</sup> August, 2008 and 25<sup>th</sup> October, 2008.

| <b>Director</b>                        | <b>No. of Meetings Attended</b> |
|--|---------------------------------|
| Mr. Girish R. Dhabalia                 | 2                               |
| Mr. Ashok P. Mehta                     | 2                               |
| Maj. Gen. (Retd.) Baljit Kumar Mehta , | 2                               |

### **D) REMUNERATION POLICY:**

The Remuneration Committee determines the remuneration of Executive Directors based on individual performance, qualifications and experience, Company performance, comparable industry practices, etc.

**E) Details of Remuneration paid to Directors:**

| Director                             | Salary*<br>(Rs.) | Sitting Fees<br>(Rs.) | Commission<br>(Rs.) | No. of Equity<br>Shares held |
|--------------------------------------|------------------|-----------------------|---------------------|------------------------------|
| Mr. Manoj B. Shah                    | 25,11,000        | -----                 | -----               | 518100                       |
| Mr. Pankaj B. Shah                   | 23,91,000        | -----                 | -----               | 565050                       |
| Mr Mohandas S. Adige                 | 3,00,000         | -----                 | -----               | 100                          |
| Maj. Gen. (Retd.) Baljit Kumar Mehta | -----            | -----                 | -----               | 700                          |
| Mr. Ashok P. Mehta                   | -----            | -----                 | -----               | -----                        |
| Mr. Girish R. Dhabalia               | -----            | -----                 | -----               | 1000                         |
| <b>Total</b>                         | <b>52,02,000</b> | -----                 | -----               | <b>1084250</b>               |

\* Salary includes market value of perquisites and reimbursement

**BORROWING COMMITTEE****A) Terms of Reference:**

The Committee was formed to ensure that the borrowings of the Company from Banks, Financial Institutions are borrowed at competitive costs by the Company. It reviews the financial asset and liability framework of the Company, and prepares and updates for the Board's approval financial asset and liability risk management guidelines. It is free to appoint outside counsel.

**B) Composition of the Committee:**

The Borrowing Committee comprises of the following Directors namely:

1. Mr. Manoj B. Shah - Chairman
2. Mr. Mohandas S. Adige - Member
3. Maj. Gen. (Retd.) Baljit Kumar Mehta - Member
4. Mr. Chetan B. Shah - FCA, as the Financial Advisor

**C) Purpose:**

During the year ad-hoc limits availed in favour of the Canara Bank was satisfied. Further additional credit limit of Rs. 2 crores sanctioned from Canara Bank to meet the additional working capital requirements of the company. Term loan limits were enhanced from Rs. 9 crores to Rs. 12 crores. The committee is responsible for borrowing these funds at the best possible rates of interest for the company.

**D) Meeting and Attendance:**

The Committee met Six times on 23<sup>rd</sup> June 2008, 26<sup>th</sup> June 2008, 22<sup>nd</sup> July, 2008, 9<sup>th</sup> August, 2008, 5<sup>th</sup> September, 2008 and 31<sup>st</sup> January, 2009 during the Financial Year 2008-09 and the attendance of members of the Committee were as follows:



| <b>Director</b>                      | <b>No. of Meetings Attended</b> |
|--------------------------------------|---------------------------------|
| Mr. Manoj B. Shah                    | 6                               |
| Mr. Mohandas S. Adige                | 6                               |
| Maj. Gen. (Retd.) Baljit Kumar Mehta | 3                               |
| Mr. Chetan B. Shah                   | 6                               |

## **MANAGEMENT COMMITTEE**

### **A) Terms of Reference:**

The management committee was constituted to ensure guidance in terms of providing strategic direction to the Company and be architect of pursuing growth of the Company. The scope of the management shall be, but not limited to:

- a) Providing feedback to the management on performance in all aspects covering operations, planning, development, and implementation of projects.
- b) To examine the efficiency of the existing systems and procedures laid down and suggest policy changes if any,
- c) To comment on management audit aspects furtherance of corporate goals, image building, decision-making process, tapping new business and organizational goals.
- d) Strategize growth initiatives with the purpose of moving with market requirements
- e) Add in developing a robust management structure to take on future challenges
- f) Put in place a comprehensive risk management strategy.
- g) Advise the Board and discuss diverse issues arising from time to time.

### **B) Composition of the Committee (as on MARCH 31, 2009):**

The Management Committee comprises of each of the following Directors namely:

1. Mr. Manoj B. Shah - Chairman
2. Mr. Pankaj B. Shah - Member
3. Mr. Mohandas S. Adige - Member
4. Mr. Chetan B. Shah - Financial Advisor

### **C) Meeting and Attendance:**

The Committee met on 13<sup>th</sup> February, 2009 during the Financial Year 2008-09 and the attendance of members of the Committee was as follows:

| <b>Director</b>       | <b>No. of Meetings Attended</b> |
|-----------------------|---------------------------------|
| Mr. Manoj B. Shah     | 1                               |
| Mr. Pankaj B. Shah    | 1                               |
| Mr. Mohandas S. Adige | 1                               |
| Mr. Chetan B. Shah    | 1                               |



**SHAREHOLDER/INVESTOR GRIEVANCE COMMITTEE:****A) Terms of Reference:**

The Company has formed an Investors' / Shareholders' Grievance Committee with the following terms of reference:

- Ensure redressal of the shareholder and investors complaint relating to transfer of share, non-receipt of Balance sheet etc;
- Ensure proper controls at Registrar and Share Transfer Agent;
- Review movement in shareholdings profile.

The Committee generally meets to approve the Share Transfers, confirms issue of duplicate shares, sub-division and consolidation, replacement of lost/stolen/ mutilated share certificates, review of dematerialization and rematerialization of shares. The minutes of the Committee are circulated to the Board for their noting.

**B) Composition of the Committee:**

The Committee comprises of the following Directors namely:

1. Mr. Pankaj B. Shah - Chairman
2. Mr. Manoj B. Shah - Member
3. Maj. Gen. (Retd.) Baljit Kumar Mehta - Member
4. Mrs. Pooja Luthra - Practicing Company Secretary & Retainer, also attended the committee meetings.

The Committee met 11 times during the Financial Year 2008-09 and the attendance of members of the Committee was as follows:

| <b>DIRECTOR/MEMBER</b>               | <b>No. of Meetings Attended</b> |
|--------------------------------------|---------------------------------|
| Mr. Pankaj B. Shah                   | 11                              |
| Mr. Manoj B. Shah                    | 11                              |
| Maj. Gen. (Retd.) Baljit Kumar Mehta | 10                              |
| Mrs. Pooja Luthra                    | 11                              |

During the year the company recorded transfer of 2500 shares of the Company.

**C) The Committee Deals in Matters Relating To:**

- a) Transfer and Transmissions of shares
- b) Issue of duplicate Share Certificates
- c) Review of Dematerialized shares
- d) Redressal of Shareholders' grievances
- e) Other matters related to shares.

The Company's secretarial department is now equipped with One Practicing Company Secretary on regular retainer basis, Compliance Officer and Two Whole Time Company Secretaries assisted by two Assistant Company Secretaries.

**D) Grievance Redressal Status:**

The Following are the details in respect of complaints from shareholders:

1. During the year the Company received 45 complaints
2. Complaints not solved to the satisfaction of the Shareholders: NIL

**AD-HOC COMMITTEE**

**A) Terms of Reference:**

To take care of the day-to-day operations and smooth functioning of the Company, the Board of Directors had decided to form an Adhoc Committee. And the committee was formed on 31<sup>st</sup> October, 2008. The main function of the committee will be authorizing the day to day transactions for smooth operations.

**B) Composition of the Committee:**

The Committee comprises of the following Directors namely:

1. Mr. Manoj B. Shah Chairman
2. Mr. Pankaj B. Shah Member
1. Mr. Girish R. Dhabalia Member

**C) Meeting and Attendance:**

The Committee met on 31<sup>st</sup> December, 2008 and 16<sup>th</sup> February, 2009 during the Financial Year 2008-09 and the attendance of members of the Committee was as follows:

| Director               | No. of Meetings Attended |
|------------------------|--------------------------|
| Mr. Manoj B. Shah      | 2                        |
| Mr. Pankaj B. Shah     | 2                        |
| Mr. Girish R. Dhabalia | 2                        |

**RISK MANAGEMENT:**

Risk management is a critical component of Corporate Governance. It is recognized as a key business process within both the private and public sector around the world for planning and decision-making.

Your company has created a separate risk management policy for different departments depending upon the nature of work. The risk management includes internal as well as external risk factors. The company's risk management policy is as below:



1. The company aims to use the best practice in risk management to support and enhance the activities, in all areas of the organization.
2. The company will ensure, to make risk management an integral part of all the decision-making processes.
3. The company will use a structured risk management program to minimize reasonably foreseeable interruption to operations, harm to human resource and damage to the environment and property of the company.
4. The company will identify the risk exposures and take advantage of opportunities as well as minimizing adverse effects.
5. The company will train its people to effectively implement organization wide risk management policy.
6. The company will strive to continually improve and update the risk management practices.

## GENERAL MEETINGS

### EXTRA ORDINARY MEETING:

An Extra Ordinary Meeting of the shareholders of the Company was held on 18<sup>th</sup> February, 2008 to consider the possible proposals for raising funds as part of its long-term fund raising exercise to finance capital expenditure, working capital requirements and business expansion needs if any through Equity Shares, Convertible Debentures or Debentures carrying a right to subscribe to Equity Shares, Syndicate Loans, External Commercial Borrowings, Foreign Currency Convertible Bonds, Preference Shares, Warrants or any other instruments.

But the proposal was not passed as shareholders of the Company suggested Board to reconsider the pricing and appropriate timing of the proposed issue in view of the recent meltdown of the global and Indian equity markets.

### ANNUAL GENERAL MEETING:

Details of Annual General Meetings:

**a) Location and Time of the Annual General Meetings held in the last 3 yrs:**

| <b>Date and Year</b>            | <b>Time</b> | <b>Location</b>   |
|---------------------------------|-------------|---|
| 29 <sup>th</sup> September 2008 | 11.00 A.M.  | 1 <sup>st</sup> Floor, Bhiwapurkar Chambers,<br>Opp Yeshwant Stadium, Dhantoli,<br>Nagpur 440 012 |
| 24 <sup>th</sup> September 2007 | 11.00 A.M.  | Banquet Hall, Hotel Center Point,<br>Central Bazar Road, Ramdaspath,<br>Nagpur - 440 012          |
| 29 <sup>th</sup> September 2006 | 11.00 A.M.  | 1 <sup>st</sup> Floor, Bhiwapurkar Chambers,<br>Opp Yeshwant Stadium, Dhantoli,<br>Nagpur 440 012 |



**b) - Details of special resolutions passed in General Meeting's of the Company in last 3 years:-**

**Extra-ordinary General meeting held on 15<sup>th</sup> May 2006:**

- Increase in authorised capital from 4.5 crores to 10 crores
- Change in object clause of the company due to de-registration of the company as NBFC
- Change in name of company from Artefact Software & Finance limited to Artefact Projects Limited

**Annual General Meeting of the company held on 24<sup>th</sup> September, 2006:**

- Increase in Managerial remuneration of Mr. Manoj B. Shah, Managing Director of the Company from Rs. 80,000 to Rs. 1, 40,000.
- Increase in Managerial remuneration of Mr. Pankaj B. Shah, Whole-time Director of the Company from Rs. 80,000 to Rs. 1, 30,000.
- Appointment of Mr. Mohandas S. Adige as Whole-time Director for a period of 2 years at a remuneration of max. Rs. 10 lacs per annum (subject to terms & conditions of the agreement)

**c) Details of special resolution passed in the year 2007-2008 through postal ballot:-**

During the year 2007 – 2008 the Company has passed a Special Resolution to amend the Main Object Clause of the Memorandum of Association of the Company by inserting 3 new Clauses in place of the existing Clause 1, 2 & 3 and renumbering the existing Clause 1, 2 & 3 after the existing Clause 85 as Clause no 86, 87 & 88 respectively.

Notice dated 27<sup>th</sup> August, 2007 was served to all shareholders for voting through postal ballot as per provisions of section 192A(2) of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

The Company appointed Mr. Manoj Agrawal, Practicing Company Secretary as Scrutinizer to conduct the Postal Ballot in respect of the said Special Resolution. Based on the Report submitted by the Scrutinizer, the result of the Postal Ballot was declared on October 25, 2007 and the Special Resolution was passed by a majority of 54.84%.

Details of voting pattern are given below:

|  |           |
|--|-----------|
| Number of valid Postal Ballot Forms received   | 56        |
| Total votes polled by Postal Ballot            | 22,36,543 |
| % of total paid up Equity Capital              | 54.85%    |
| Votes in favour of the Resolution              | 22,35,843 |
| % of votes in favour to total polled votes     | 99.97 %   |
| Votes against the Resolution                   | 700       |
| Number of invalid Postal Ballot forms received | 5         |

d) No votes proposed to be conducted through postal ballot this year.

**DISCLOSURES:**

- 1) The transactions between the Company and the Management, Directors or their relatives are disclosed in the Annual Accounts. There is no materially significant related party transaction that may have potential conflict with the interest of the Company at large.
- 2) The Company has complied with the requirements of the Bombay Stock Exchange, SEBI and other statutory authorities on all matters relating to capital markets during the last year. No penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or other statutory authorities relating to the above.
- 3) The requirements of SEBI, Secretarial Audit is carried out on a quarterly basis by a Practicing Company Secretary to confirm that the aggregate number of Equity Shares of the Company held in NSDL and CDSL and in physical form tally with the total number of issued/paid-up, listed and admitted capital of the Company.

**CODE ON INSIDER TRADING**

In pursuance of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 the Board has approved the "Code of Conduct for Prevention of Insider Trading". The objective of the Code is to prevent purchase and/or sale of shares of the Company by an insider on the basis of unpublished price sensitive information.

Under this Code, Insiders (Officers and Designated Employees) are prevented to deal in the Company's shares during the closure of Trading Window. To deal in Securities, beyond limits specified permission of Compliance Officer is required. All Directors/Officers/Designated Employees are also required to disclose related information periodically as defined in the Code, which in turn is being forwarded to Stock Exchanges, wherever necessary.

Code of Conduct for Board Members and Senior Management Personnel as per requirement of clause 49 of the Listing Agreement has been adopted by the Company.

**MEANS OF COMMUNICATION TO SHAREHOLDERS:**

Timely Disclosure of Information on business and financial performance of the Company is an integral part of good governance.

Your Company disseminates information about its operations, business, and financial performance to stock exchanges, media, shareholders, analysts, and society at large. The Quarterly/Half yearly results were announced within a period of 30 days of the end of each quarter while the audited results for the year ended March 31, 2009 was announced on 30<sup>th</sup> June, 2009. The particulars of your Company, its business and operations are available on the corporate website [www.artefactprojects.com](http://www.artefactprojects.com)

Regular updates and developments impacting the business and financials together with data on shareholding pattern etc. are also notified to the Bombay Stock Exchange.



## **ADDITIONAL SHAREHOLDERS INFORMATION**

### **1. Unclaimed Dividends:**

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years automatically get transferred to the Investor Education and Protection Fund administered by the Central Government. The Company transfers the unclaimed dividend to the Education and Protection Fund administered by the Central Government, currently the amount of unclaimed dividend is Rs 1, 94,801. The amount does not include any amount, due and outstanding to be credited to Investor Education and Protection Fund.

### **2. National Electronic Clearing Services (NECS) for payment of Dividend**

To avoid the risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment, shareholders are requested to avail of NECS/ECS facility-where dividends are directly credited in electronic form to their respective bank accounts. NECS facilitates centralised processing of all ECS transactions (both debit and credit) for repetitive and bulk payment instructions. This also ensures faster credit of dividend through Nationalised Banks. The NECS/ECS application form can be obtained either from Registrar and Transfer Agent's Office or from the Registered Office of the Company.

Shareholders located in places where NECS/ECS facility is not available may submit their bank details. This will enable the Company to incorporate this information on the dividend warrants and thus prevent fraudulent encashment.

### **3. Shares held in electronic form:**

Shareholders holding shares in electronic form may note that:

- Instructions regarding bank details which they wish to have incorporated on their dividend warrants must be submitted to their depository participants. As per the regulations of NSDL and CDSL, the Company is obliged to print the bank details on the dividend warrants, as furnished by these depositories to the Company.
- Instructions already given by them for shares held in electronic form.
- Instruction regarding change of address, nomination, and power of attorney should be given directly to the depository participants. The Company cannot entertain any such request directly from the shareholders.
- The Company provides NECS/ECS facility for shares held in electronic form and for reasons mentioned earlier, shareholders may wish to avail of this facility.

**GENERAL SHAREHOLDERS INFORMATION**

- a) 21<sup>st</sup> Annual General Meeting**  
Date Tuesday, 29<sup>th</sup> September, 2009  
Time 11.00 a.m.  
Venue 1<sup>st</sup> Floor, Bhiwapurkar Chambers, Opp. Yeshwant Stadium, Dhantoli, Nagpur-440012
- b) Financial Calendar (Tentative)**  
(i) 22<sup>st</sup> Annual General Meeting  
- Last Week of September, 2010  
(ii) 1<sup>st</sup> Quarterly Result- Last week of July-09  
(iii) 2<sup>nd</sup> Quarterly Result- Last week of Oct.09  
(iv) 3<sup>rd</sup> Quarterly Result- Last week of Jan-2010  
(v) 4<sup>th</sup> Quarterly Result-Last week of June-2010
- c) Book Closure Date** From 15<sup>th</sup> day of September 2009 to 29<sup>th</sup> day of September 2009 (both days inclusive)
- d) Payment of Dividend** The Board of Directors of the Company has recommended payment of a final Dividend of 7.5% (Rs. 0.75 per equity share) for the financial year ended March 31<sup>st</sup>, 2009.
- e) Dividend Payment Date** On or after 29<sup>th</sup> September, 2009
- f) Listing on Stock Exchange** Equity Shares are listed on the following Stock Exchange-  
The Bombay Stock Exchange Ltd.  
Phiroze Jeejeebhoy Towers, Dalal Street,  
Mumbai-400 001  
(The Company has paid the Annual Listing Fee to the Stock Exchange)
- g) Stock Code** Equity - BSE 531297  
**ISIN No.** Equity - INE 885B01014
- h) Market Price Data** As per Appendix "A"
- i) Stock performance in Comparison to BSE Sensex** As per Appendix "B"
- j) Registrar and Transfer Agents** Link Intime India Private Limited  
(Formerly Known as 'Intime Spectrum Registry Limited')  
C-13 Pannalal Silk Mills Compound. LBS Road, Bhandup West, Mumbai - 440 0078.
- k) Distribution of shareholding & Shareholding pattern** As per Appendix "C"

**l) Transfer System**

The Company has signed agreement with both NSDL and CDSL. The company has been allotted ISIN code No.INE885B01014 and since then the trading of Company's shares are being done in dematerialized form. The Company has appointed M/s Link Intime India Private Limited (formerly known as 'Intime Spectrum Registry Ltd.') as its Registrar and Transfer Agent (RTA).

**m) Dematerialisation of shares**

3474249 equity shares which 85.20% is of the paid up capital as on March 31, 2009 has been dematerialized.

**n) Plant Location**

The Company has no plants.

**o) Address for the correspondence company**

1<sup>st</sup> Floor, Bhiwapurkar Chambers,  
Opp: Yeshwant Stadium, Dhantoli, Nagpur 440012  
Tel: 0712-3018198, 3018260  
Fax: 0712-2427830  
Email: artefactngp@sancharnet.in  
artefactngp@yahoo.com  
shareholders@artefactprojects.com

**p) Registrar and Transfer Agent**

Link Intime India Private Limited  
(formerly known as Intime Spectrum Registry Limited)  
C-13, Pannalal Silk Mills Compound,  
LBS Road, Bhandup Mumbai-400 078  
Tel: 022-25963838, Fax : 022-25946969



**APPENDIX- A****MARKET PRICE DATA****Scrip Code: 531297, Company: ARTEFACT PR****For the Period: 1<sup>st</sup> April, 2008 to 31<sup>st</sup> March, 2009**

| MONTH          | OPEN PRICE | HIGH PRICE | LOW PRICE | CLOSE PRICE | NO.OF SHARES | NO OF TRADERS | TOTAL TURNOVER (Rs.) | *SPREAD (Rs.) |        |
|----------------|------------|------------|-----------|-------------|--------------|---------------|----------------------|---------------|--------|
|                |            |            |           |             |              |               |                      | H - L         | C - O. |
| April 2008     | 70.95      | 98.95      | 67.05     | 84.35       | 54835        | 639           | 4,624,446.00         | 31.98         | 13.40  |
| May 2008       | 89.75      | 94.95      | 68.15     | 85.95       | 35137        | 726           | 2,958,881.00         | 26.80         | -3.80  |
| June 008       | 94.00      | 94.90      | 62.40     | 64.05       | 31488        | 755           | 2,324,273.00         | 32.50         | -29.95 |
| July 2008      | 69.00      | 80.00      | 64.75     | 64.75       | 33953        | 992           | 2,159,016.00         | 30.50         | -4.25  |
| August 2008    | 65.60      | 80.80      | 74.05     | 74.05       | 37020        | 479           | 2,598,935.00         | 23.80         | 8.45   |
| September 2008 | 65.00      | 87.00      | 68.05     | 68.05       | 37407        | 481           | 2,732,484.00         | 25.80         | 3.05   |
| October 2008   | 61.00      | 70.10      | 25.60     | 25.60       | 105042       | 594           | 4,340,919.00         | 44.50         | -35.40 |
| November 2008  | 24.35      | 28.95      | 24.25     | 24.25       | 75952        | 223           | 1,909,360.00         | 7.90          | -0.10  |
| December 2008  | 23.10      | 32.45      | 32.45     | 32.45       | 12420        | 137           | 329,775.00           | 11.15         | 9.35   |
| January 2009   | 31.10      | 42.55      | 32.00     | 32.00       | 13584        | 179           | 497,156.00           | 12.95         | 0.90   |
| February 2009  | 33.60      | 33.60      | 28.80     | 28.80       | 5224         | 60            | 159,485.00           | 5.50          | -4.80  |
| March 2009     | 27.55      | 29.85      | 26.90     | 26.90       | 38474        | 108           | 1,093,35300          | 4.60          | -0.65  |



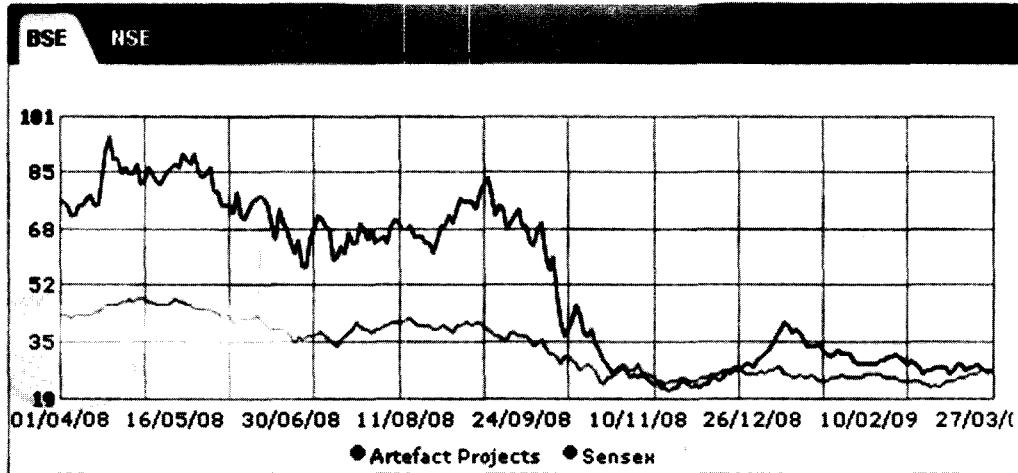
\* Spread

H - L -> High - Low

C - O -> Close - Open

**APPENDIX- B**

**Historic Graphs**



Historic Graph 01-04-2008 to 31-03-2009

|                       |              |
|-----------------------|--------------|
| (For selected period) | <b>BSE</b>   |
| <b>High</b>           | <b>98.95</b> |
| <b>Low</b>            | <b>21.05</b> |

**APPENDIX- C**

**SHAREHOLDING PATTERN AS ON MARCH 31, 2009**

| <b>CATEGORY</b>                 | <b>NO. OF SHARES HELD</b> | <b>% OF SHAREHOLDING</b> |
|---------------------------------|---------------------------|--------------------------|
| <b>PROMOTERS HOLDING</b>        |                           |                          |
| 1. DIRECTORS AND THEIR RELATIVE | 24,64,700                 | 60.49*                   |
| <b>NON-PROMOTERS HOLDING</b>    |                           |                          |
| 2. BODIES CORPORATE             | 1,53,603                  | 3.77                     |
| 3. INDIAN PUBLIC                | 14,10,870                 | 4.60                     |
| 4. NRIs/OCBs                    | 27,066                    | 0.67                     |
| 5. CLEARING MEMBERS             | 19,253                    | 0.47                     |
| <b>TOTAL</b>                    | <b>40,77,600</b>          | <b>100.00</b>            |

\* Shareholding of Directors was inadvertently included in public category and the same has been corrected from first quarter ended 30<sup>th</sup> June, 2009



**CERTIFICATION BY  
CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)**

We CEO (Managing Director) and CFO of Artefact Projects Limited, to the best of our knowledge and belief, certify that :-

1. We have reviewed the Balance Sheet and Profit and Loss Accounts and all its Schedules etc., and confirm that:
  - a. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact or contain statements that might be misleading.
  - b. Based on our knowledge and information, the financial statements, present in all material respects, a true and fair view of, the Company's affairs and are in compliance with the existing Accounting Standards and /or applicable laws and regulations.
2. To the best of our knowledge, belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
3. We are responsible for establishing and maintaining internal control for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company and we have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.
  - c. evaluated the effectiveness of the Company's disclosure, controls and procedures; and
4. We confirm that:
  - a. There are no deficiencies in the design or operation of internal controls, which could materially adversely affect the company's ability to record, process, summarize and report financial data;
  - b. There are no significant changes in internal controls during the year;
  - c. All significant changes in accounting policies during the year have been disclosed in the notes to the financial statements; and
  - d. There are no instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in the company's internal controls system.

**Place : Nagpur**

**Date : 30<sup>th</sup> July, 2009**

**Sd/-**

**Manoj B. Shah**

**CEO & Managing Director**

**Sd/-**

**Chief Financial Officer**



**CERTIFICATION BY**

**MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF THE COMPANY**

I hereby declare that:

The company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of the financial year 2008 - 2009.

**Place : Nagpur**  
**Date : 30<sup>th</sup> July, 2009**

**Sd/-**  
**Manoj B. Shah**  
**Managing Director and CEO**

**CERTIFICATE OF CORPORATE GOVERNANCE****To,****The Members,  
ARTEFACT PROJECTS LIMITED**

We have examined the compliance of conditions of Corporate Governance by ARTEFACT PROJECTS LIMITED, for the year ended on 31<sup>st</sup> March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing agreement.

We state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company.

**For Chaturvedi & Shah**  
*Chartered Accountants*

**Sd/-**  
**R Koria**  
Membership No. - 35629

**For Naresh Patadia & Co.**  
*Chartered Accountants*

**Sd/-**  
**N. H. Patadia**  
Membership No. - 35620

**Place : Nagpur**  
**Date : 30<sup>th</sup> June, 2009**

## AUDITORS' REPORT

**To  
The Members of  
ARTEFACT PROJECTS LIMITED**

1. We have audited the attached Balance Sheet of ARTEFACT PROJECTS LIMITED, as at 31<sup>st</sup> March, 2009 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure here to, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the company.
4. We report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of such books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2009 and taken on records by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:



- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009;
- (ii) in the case of Profit and Loss Account, of the profits of the Company for the year ended on that date;  
and
- (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**Sd/-**  
**For Chaturvedi & Shah**  
*Chartered Accountants*

**Sd/-**  
**For Naresh Patadia & Co.**  
*Chartered Accountants*

**Sd/-**  
**R Koria**  
Membership No. - 35629

**Sd/-**  
**N. H. Patadia**  
Membership No. - 35620

**Place : Nagpur**  
**Date : 30<sup>th</sup> June, 2009**

**ANNEXURE TO AUDITOR'S REPORT****Referred to in paragraph 3 of our report of even date**

- i. In respect of its fixed assets:
  - a. According to the information and explanations given to us, the Company has generally maintained proper records showing full particulars including quantitative details situation of fixed assets.
  - b. As explained to us, the Company has physically verified certain assets, in accordance with a phased program of verification, which in our opinion is reasonable, having regard to the size of the Company.
  - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. The Company is a service Company, primarily rendering project management services. Accordingly, it does not hold any inventories. Therefore, provisions of clause 4 (ii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- iii. According to the information and explanations given to us, the company has not granted or taken any loans, secured or unsecured to or from companies, firms, or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of Services, fixed assets and for the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
  - a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - b. According to the information and explanations given to us, these contracts or arrangements have been made at prices, which are prima facie, reasonable however the Company has not done the similar type of transaction with any other party.
- vi. According to information and explanations given to us, the Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under





are not applicable for the year under audit.

- vii. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- viii. The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of Project Management Consultancy services carried out by the company.
- ix. According to the information and explanations given to us in respect of statutory dues:
  - a. The company has generally been regular in depositing undisputed statutory dues, including Sales tax, Wealth tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year except in few cases. However, in respect of undisputed Provident Fund, Employees' State Insurance, Income Tax and Service Tax, delays have been noticed in depositing such dues with the appropriate authorities.
  - b. According to the information and explanations given to us, undisputed amounts payable in respect of Service Tax amounting to **Rs. 8,963,145/-** were outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable.
  - c. According to the information and explanations given to us, there are no disputed statutory dues, which have not been deposited on account of disputed matters pending before appropriate authorities.
- x. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- xi. Based on our Audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to Banks and Financial Institutions.
- xii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- xiv. During the year, there was no transaction and contracts in respect of trading in shares and other securities by the Company. The old investments are held by the Company in its own name.



- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion and according to the information and explanations given to us, the term loan has been applied for the purpose for which it was raised.
- xvii. On the basis of review of utilization of funds, which is based on overall examination of the Balance Sheet of the Company as at 31<sup>st</sup> March, 2009, related information as made available to us and as represented to us, by the management, we are of the opinion, that funds raised on short term basis have not prima facie been utilized for long term purposes.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures, hence the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx. During the year covered by our report the company has not raised any money by public issue.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the course of our audit.

**Sd/-**  
**For Chaturvedi & Shah**  
*Chartered Accountants*

**Sd/-**  
**For Naresh Patadia & Co.**  
*Chartered Accountants*

**Sd/-**  
**R Koria**  
Membership No. - 35629

**Sd/-**  
**N. H. Patadia**  
Membership No. - 35620

**Place : Nagpur**  
**Date : 30<sup>th</sup> June 2009**

**ARTEFACT PROJECTS LIMITED  
BALANCE SHEET AS AT 31 ST MARCH, 2009**

| PARTICULARS  | Schedule |             | As at<br>31.03.2009<br>Amount in Rs. | As at<br>31.03.2008<br>Amount in Rs. |
|--|----------|-------------|--------------------------------------|--------------------------------------|
| <b>SOURCES OF FUNDS</b>  |          |             |                                      |                                      |
| Shareholders' Funds  |          |             |                                      |                                      |
| Share Capital  | 1        | 40,776,000  | 40,776,000                           |                                      |
| Reserves and Surplus   | 2        | 98,879,925  | 81,763,732                           |                                      |
|  |          |             | 139,655,925                          | 122,539,732                          |
| <b>Loan Funds</b>  |          |             |                                      |                                      |
| Secured Loans  | 3        |             | 161,571,059                          | 112,855,081                          |
| Deferred Tax Liability (Net)<br>(Refer Note No.9 of Schedule 13) |          |             | 1,515,825                            | 1,809,837                            |
| <b>TOTAL</b>   |          |             | <b>302,742,809</b>                   | <b>237,204,650</b>                   |
| <b>APPLICATION OF FUNDS</b>                                      |          |             |                                      |                                      |
| Fixed Assets   | 4        |             |                                      |                                      |
| Gross Block  |          | 35,407,177  | 32,553,548                           |                                      |
| Less: Depreciation   |          | 18,436,506  | 14,577,742                           |                                      |
| Net Block  |          | 16,970,671  | 17,975,806                           |                                      |
| Capital Work-in-progress   |          | 198,724,317 | 122,203,967                          |                                      |
|  |          |             | 215,694,988                          | 140,179,772                          |
| <b>Investments</b>   | 5        |             | 201,000                              | 201,000                              |
| <b>Current Assets, Loans and Advances</b>                        | 6        |             |                                      |                                      |
| Sundry Debtors   |          | 131,604,476 | 129,426,518                          |                                      |
| Cash and Bank Balances   |          | 21,524,359  | 23,700,723                           |                                      |
| Loans and Advances   |          | 57,236,784  | 51,340,955                           |                                      |
|  |          | 210,365,619 | 204,468,195                          |                                      |
| Less : Current Liabilities and Provisions                        | 7        |             |                                      |                                      |
| Liabilities  |          | 103,105,879 | 84,075,584                           |                                      |
| Provisions   |          | 20,412,919  | 23,568,733                           |                                      |
|  |          | 123,518,798 | 107,644,317                          |                                      |
| <b>Net Current Assets</b>  |          |             | <b>86,846,821</b>                    | <b>96,823,878</b>                    |
| <b>TOTAL</b>   |          |             | <b>302,742,809</b>                   | <b>237,204,650</b>                   |
| Notes to Accounts  | 13       |             |                                      |                                      |
| Significant Accounting Policies                                  | 14       |             |                                      |                                      |

As per our Report of even date  
For **CHATURVEDI & SHAH**  
Chartered Accountants

Sd/-  
**R. KORIA**  
Partner

For **NARESH PATADIA & CO.**  
Chartered Accountants

Sd/-  
**NARESH H PATADIA**  
Proprieter

Nagpur, 30<sup>th</sup> June, 2009

For and on behalf of Board of Directors

Sd/-  
**MANOJ SHAH**  
Managing Director

Sd/-  
**PANKAJ SHAH**  
Director

Sd/-  
**JAYSHREE JADHAO**  
Compliance Officer



**ARTEFACT PROJECTS LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009.**

| PARTICULARS  | Schedule | Year ended<br>31.03.2009<br>Amount in Rs. | Year ended<br>31.03.2008<br>Amount in Rs. |
|--|----------|---|---|
| <b>INCOME</b>  |          |   |   |
| Income from Operations   |          | 296,055,291                               | 254,290,293                               |
| Less : Service Tax Recovered   |          | 31,851,115                                | 27,750,182                                |
| Net Income from Operations   |          | 264,204,176                               | 226,540,111                               |
| Other Income   | 8        | 2,376,825                                 | 2,605,191                                 |
| <b>TOTAL</b>   |          | <b>266,581,001</b>                        | <b>229,145,302</b>                        |
| <b>EXPENDITURE</b>   |          |   |   |
| Manpower Cost  | 9        | 136,897,957                               | 107,135,012                               |
| Project Expenses   | 10       | 59,087,887                                | 53,365,168                                |
| Administrative, Selling and Other Expenses   | 11       | 18,148,198                                | 8,476,086                                 |
|  |          | <b>214,134,042</b>                        | <b>168,976,266</b>                        |
| <b>Profit before Interest, Depreciation and Taxation</b>                               |          | <b>52,446,959</b>                         | 60,169,036                                |
| Less : Interest and Financial Charges  | 12       | 11,951,609                                | 10,256,642                                |
| <b>Profit before Depreciation and Taxation</b>   |          | <b>40,495,350</b>                         | 49,912,394                                |
| Less: Depreciation / Amortization  |          | 3,858,764                                 | 2,932,130                                 |
| <b>Profit before Tax</b>   |          | <b>36,636,586</b>                         | 46,980,264                                |
| Provision for - Current Tax  |          | 13,528,900                                | 16,740,350                                |
| - Fringe Benefit Tax   |          | 1,906,800                                 | 1,597,425                                 |
| - Deferred Tax (Credit)  |          | (294,012)                                 | 1,809,837                                 |
| <b>Profit after Tax</b>  |          | <b>21,494,898</b>                         | 26,832,652                                |
| Prior Period Items (Net)   |          | (845,532)                                 | (502,573)                                 |
| Income-tax of earlier years  |          | 44,768                                    | (416,316)                                 |
| Transferred from Capital Reserve   |          | -   | 131,595                                   |
| Transferred from Investment Allowance Reserve  |          | -   | 21,900                                    |
| Balance brought forward  |          | 77,323,732                                | 57,539,551                                |
| Transitional Provision On account of AS-15   |          | -   | (705,136)                                 |
| <b>Amount Available for Appropriations</b>   |          | <b>98,017,866</b>                         | <b>82,901,673</b>                         |
| <b>APPROPRIATIONS</b>  |          |   |   |
| General Reserve  |          | 2,100,000                                 | 2,000,000                                 |
| Proposed Dividend  |          | 3,058,200                                 | 3,058,200                                 |
| Dividend Tax on Proposed Dividend  |          | 519,741                                   | 519,741                                   |
| Balance carried to Balance Sheet   |          | 92,339,925                                | 77,323,732                                |
|  |          | <b>98,017,866</b>                         | <b>82,901,673</b>                         |
| <b>Basic And Diluted Earnings per share of face value of Rs.10/- each<br/>(in Rs.)</b> |          | <b>5.08</b>                               | 6.36                                      |
| (Refer Note No.10 of Schedule 13)  |          |   |   |
| Notes to Accounts  | 13       |   |   |
| Significant Accounting Policies  | 14       |   |   |

As per our Report of even date

**For CHATURVEDI & SHAH**

Chartered Accountants

**Sd/-**

**R. KORIA**

Partner

**For NARESH PATADIA & CO.**

Chartered Accountants

**Sd/-**

**NARESH H PATADIA**

Proprietor

Nagpur, 30<sup>th</sup> June, 2009

For and on behalf of Board of Directors

**Sd/-**

**MANOJ SHAH**

Managing Director

**Sd/-**

**PANKAJ SHAH**

Director

**Sd/-**

**JAYSHREE JADHAO**

Compliance Officer



**ARTEFACT PROJECTS LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009**

**SCHEDULE 1**  
**SHARE CAPITAL**

| <b>PARTICULARS</b>  | <b>As at<br/>31.03.2009</b> | <b>As at<br/>21.03.2008</b> |
|---|-----------------------------|-----------------------------|
| Authorised Share Capital<br>1,00,00,000 Equity Shares of Rs 10/-each    | <b>100,000,000</b>          | 100,000,000                 |
|   | <b>100,000,000</b>          | 100,000,000                 |
| Issued, Subscribed & Paid Up<br>40,77,600 Equity Shares of Rs. 10/-each | <b>40,776,000</b>           | 40,776,000                  |
| <b>TOTAL</b>  | <b>40,776,000</b>           | 40,776,000                  |

**SCHEDULE 2**  
**RESERVES AND SURPLUS**

| <b>PARTICULARS</b>                          | <b>As at<br/>31.03.2009</b> | <b>As at<br/>21.03.2008</b> |
|---|-----------------------------|-----------------------------|
| <b>Capital Reserve</b>                      |                             |                             |
| Balance as per last Balance Sheet           | -                           | 131,595                     |
| Less : Transferred to Profit & Loss Account | -                           | (131,595)                   |
|   | -                           | -                           |
| <b>Share Premium Account</b>                |                             |                             |
| Balance as per last Balance Sheet           | <b>2,440,000</b>            | 2,440,000                   |
| <b>Investment Allowance Reserve</b>         |                             |                             |
| Balance as per last Balance Sheet           | -                           | 21,900                      |
| Less : Transferred to Profit & Loss Account | -                           | (21,900)                    |
|   | -                           | -                           |
| <b>General Reserve</b>                      |                             |                             |
| Balance as per last Balance Sheet           | <b>2,000,000</b>            | 2,000,000                   |
| Less : Transferred to Profit & Loss Account | <b>2,100,000</b>            | --                          |
|   | <b>4,100,000</b>            | 2,000,000                   |
| Profit & Loss Account                       | <b>92,339,925</b>           | 77,323,732                  |
| <b>TOTAL</b>                                | <b>98,879,925</b>           | <b>81,763,732</b>           |

**SCHEDULE 3**  
**SECURED LOANS**

| <b>PARTICULARS</b>                         | <b>As at<br/>31.03.2009</b> | <b>As at<br/>21.03.2008</b> |
|--|-----------------------------|-----------------------------|
| 1. <b>Term Loans</b>                       |                             |                             |
| Rupree Term Loan                           | <b>88,875,226</b>           | 41,357,675                  |
| 2. <b>Vehicle Loans</b>                    | <b>332,657</b>              | 569,418                     |
| 3. <b>Working Capital Loans from Banks</b> |                             |                             |
| Rupree Loans                               | <b>72,363,176</b>           | 70,927,988                  |
| 4. <b>Interest Accrued and Due</b>         | --                          | -                           |
| <b>TOTAL</b>                               | <b>161,571,059</b>          | 112,855,081                 |

**NOTES :**

- A. The Term Loan Referred to in (1) Above is Secured against Mortgage of Building and Hypothecation of other Fixed Assets, Equipments, Hardwares. Softwares. And is also guaranteed by some of the Directors in their personal capacity.
- B. Vehicle Loan from Banks referred to in (2) above are secured by hypothecation of the Specific Vehicle Financed.
- C. Working Capital Loans from Banks referred to Rs. 711.45 lacs referred to in (3) above are secured by the hypothecation of whole of the movable properties including Book Debts and Assets both present and future, and are further secured collaterally by mortgage of immovable properties of the Company and is also guaranteed by some of the Directors in their personal capacity.
- D. Out of Working Capital Loans from Banks Aggregating to Rs. 12.18 Lacs referred to in (3) above are secured by the Pledge of Fixe Deposit with Bank.

**SCHEDULE 4**  
**Fixed Assets**

( Amount In Rs.)

| PARTICULARS  | GROSS             |                |                        |                   | DEPRECIATION      |                  |                        |                   | NET BLOCK         |                   |
|--|-------------------|----------------|------------------------|-------------------|-------------------|------------------|------------------------|-------------------|-------------------|-------------------|
|  | As at 01.04.2008  | Additions      | Deductions Adjustments | As at 31.03.2009  | Up to 31.03.2008  | For the Year     | Deduction/ Adjustments | Up to 31.03.2009  | As at 31.03.2009  | As at 31.03.2008  |
| <b>A. Tangible Assets</b>                              |                   |                |                        |                   |                   |                  |                        |                   |                   |                   |
| Buildings  | 2,969,408         | 0              | 0                      | 2,969,408         | 546,641           | 48,401           | 0                      | 595,042           | 2,374,366         | 2,422,767         |
| Plant & Machinery Electrical Installation & Equipments | 7,256,009         | 1,335,930      | 0                      | 8,591,939         | 2,180,388         | 454,644          | 0                      | 2,635,032         | 5,956,907         | 5,075,620         |
| Furniture & Fixtures                                   | 7,651,310         | 452,209        | 0                      | 8,103,519         | 3,889,786         | 824,941          | 0                      | 4,714,727         | 3,388,792         | 3,761,524         |
| Computers  | 12,660,115        | 701,206        | 0                      | 13,361,321        | 7,633,919         | 2,192,895        | 0                      | 9,826,814         | 3,534,507         | 5,026,196         |
| Vehicle  | 1,508,060         | 0              | 0                      | 1,508,060         | 302,226           | 143,266          | 0                      | 445,492           | 1,062,568         | 1,205,834         |
| <b>B. Intangible Assets</b>                            |                   |                |                        |                   |                   |                  |                        |                   |                   |                   |
| Computer Software *                                    | 508,646           | 364,283        | 0                      | 872,929           | 24,782            | 194,617          | 0                      | 219,399           | 653,530           | 483,864           |
| <b>TOTAL</b>   | <b>32,553,548</b> | <b>2853628</b> | <b>0</b>               | <b>35,407,177</b> | <b>14,577,742</b> | <b>3,858,764</b> | <b>0</b>               | <b>18,436,506</b> | <b>16,970,671</b> | <b>17,975,806</b> |
| Previous Year  | 28,479,381        | 5,252,152      | 1,177,985              | 32,553,548        | 13,107,026        | 2,932,130        | 1,461,414              | 14,577,742        | 17,975,806        | -                 |
| Capital Work in Progress                               |                   |                |                        |                   |                   |                  |                        |                   | 198,724,317       | 122,203,967       |

\* other than Internally generated

Notes :

**1. Capital Work-in-progress includes :**

|   | As at<br>31.03.2009<br>Amount In Rs. | As at<br>31.03.2008<br>Amount In Rs. |
|---|--------------------------------------|--------------------------------------|
| Advances on Capital Account                   | 36,114,927                           | 45,565,110                           |
| Building under Construction                   | 133,437,677                          | 67,657,562                           |
| Pre-operative Expenses (Interest Capitalized) | 21,729,338                           | 8,981,295                            |
| Materials at Site                             | 7,442,375                            | -                                    |
| <b>TOTAL :</b>                                | <b>198,724,317</b>                   | <b>122,203,967</b>                   |



| <b>SCHEDULE 5<br/>INVESTMENTS</b>   |                         |                   |              | <b>(Amount In Rs.)</b>      |                             |
|---|-------------------------|-------------------|--------------|-----------------------------|-----------------------------|
| <b>PARTICULARS</b>  |                         |                   |              | <b>As at<br/>31.03.2009</b> | <b>As at<br/>31.03.2008</b> |
|   | <b>Number of shares</b> |                   | <b>Face</b>  |                             |                             |
|   | <b>31.03.2009</b>       | <b>31.03.2008</b> | <b>value</b> |                             |                             |
|   |                         |                   | <b>Rs.</b>   |                             |                             |
| <b>Long Term (Unquoted)</b>   |                         |                   |              |                             |                             |
| <b>Trade</b>  |                         |                   |              |                             |                             |
| l) <b>In Equity Shares</b>  | 20                      | 20                | 50           | <b>1,000</b>                | 1,000                       |
| Nagpur Nagrik Sahakari Bank Ltd.  |                         |                   |              |                             |                             |
| <b>Other than Trade</b>   |                         |                   |              |                             |                             |
| l) <b>In Equity Shares</b>  | 20000                   | 20000             | 10           | <b>200,000</b>              | 200,000                     |
| Artefact Projects Ziadun Leeng<br>(India) Pvt. Ltd.                         |                         |                   |              |                             |                             |
| <b>TOTAL</b>  |                         |                   |              | <b>201,000</b>              | 201,000                     |
| <b>SCHEDULE 6<br/>CURRENT ASSETS, LOANS AND ADVANCES</b>                    |                         |                   |              | <b>(Amount In Rs.)</b>      |                             |
| <b>PARTICULARS</b>  |                         |                   |              | <b>As at<br/>31.03.2009</b> | <b>As at<br/>31.03.2008</b> |
| <b>A) CURRENT ASSETS</b>  |                         |                   |              |                             |                             |
| i) <b>Sundry Debtors</b>  |                         |                   |              |                             |                             |
| (unsecured, considered good and subject to confirmation)                    |                         |                   |              |                             |                             |
| Due for a period exceeding six months                                       |                         |                   |              | <b>10,971,525</b>           | 20,000,113                  |
| Others  |                         |                   |              | <b>120,632,951</b>          | 109,426,405                 |
|   |                         |                   |              | <b>131,604,476</b>          | 129,426,518                 |
| ii) <b>Cash and Bank Balances</b>   |                         |                   |              |                             |                             |
| Cash On hand  |                         |                   |              | <b>797,253</b>              | 1,016,110                   |
| Balances with Banks: *  |                         |                   |              |                             |                             |
| In Current Accounts   |                         |                   |              | <b>2,257,638</b>            | 5,226,008                   |
| (including Cheques-in-hand)   |                         |                   |              |                             |                             |
| In Fixed Deposit Accounts   |                         |                   |              | <b>18,469,468</b>           | 17,458,605                  |
| (Pledged with bank as Margin money)   |                         |                   |              |                             |                             |
| * (includes Rs. 71219 (Previous year 1,52,375)<br>subject to confirmation.) |                         |                   |              | <b>21,524,359</b>           | 23,700,723                  |
|   |                         |                   |              | <b>153,128,835</b>          | 153,127,240                 |
| <b>B) LOANS AND ADVANCES</b>  |                         |                   |              |                             |                             |
| (unsecured, Considered Good and subject to confirmation)                    |                         |                   |              |                             |                             |
| Advances recoverable in cash or<br>in kind or for value to be received.     |                         |                   |              | <b>22,235,108</b>           | 20,037,657                  |
| Advance Payment of Income-tax (Net)   |                         |                   |              | <b>32,156,753</b>           | 28,884,313                  |
|   |                         |                   |              | <b>2,844,923</b>            | 2,418,984                   |
| Deposits  |                         |                   |              | <b>57,236,784</b>           | 51,340,955                  |
| <b>TOTAL</b>  |                         |                   |              | <b>210,365,619</b>          | <b>204,468,195</b>          |



| <b>SCHEDULE 7</b>  |                             | <b>(Amount In Rs.)</b>      |  |
|--|-----------------------------|-----------------------------|--|
| <b>CURRENT LIABILITIES AND PROVISIONS</b>                |                             |                             |  |
| <b>PARTICULARS</b>                                       | <b>As at<br/>31.03.2009</b> | <b>As at<br/>31.03.2008</b> |  |
| <b>A) CURRENT LIABILITIES</b>                            |                             |                             |  |
| Sundry Creditors - Micro, Small and Medium Enterprises @ | -                           | -                           |  |
| - Others   | 20,165,966                  | 8,420,068                   |  |
| (subject to confirmation)                                |                             |                             |  |
| Advances from Customers                                  | 8,104,407                   | 18,204,327                  |  |
| Unclaimed Dividend #                                     | 274,687                     | 194,801                     |  |
| Other Liabilities  | 74,560,819                  | 56,463,879                  |  |
| Interest Accrued but not due                             | -                           | 792,509                     |  |
|  | <b>103,105,879</b>          | <b>84,075,584</b>           |  |
| <b>B) PROVISIONS</b>                                     |                             |                             |  |
| Provision for Employee Benefits                          | 1,031,078                   | 1,653,017                   |  |
| Provision for Income Tax                                 | 13,528,900                  | 16,740,350                  |  |
| Provision for Fringe Benefit tax                         | 2,275,000                   | 1,597,425                   |  |
| Proposed Dividend  | 3,058,200                   | 3,058,200                   |  |
| Dividend Tax on Proposed Dividend                        | 519,741                     | 519,741                     |  |
|  | <b>20,412,919</b>           | <b>23,568,733</b>           |  |
| <b>TOTAL</b>   | <b>123,518,798</b>          | <b>107,644,317</b>          |  |

@ The Company has not received information from Creditors regarding their status under the Micro, Small and Medium Enterprises Deveolopment Act, 2006 and hence disclosure as required under the Companies Act, 1956 relating to amounts unpaid as on 31 st March. 09 together with Interest paid/payable have not been given.

# Does not include any amount, due and outstanding to be credited to Investor Education and Protection Fund.

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 ST MARCH, 2009**

| <b>SCHEDULE 8</b>   |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
| <b>OTHER INCOME</b>   |                                      |                                      |
| <b>PARTICULARS</b>  | <b>Year<br/>ended<br/>31.03.2009</b> | <b>Year<br/>ended<br/>31.03.2008</b> |
|   | <b>Amount in Rs.</b>                 | <b>Amount in Rs.</b>                 |
| Interest Received<br>(Tax deducted at source Rs. 344653/- (Previous year Rs. 67212/-) | 2,376,725                            | 2,379,687                            |
| Dividend : From Long-term Investments   | 100                                  | 100                                  |
| Balances Written Back (Net)   | -                                    | 211,905                              |
| Insurance Claim Received  | -                                    | 9,500                                |
| Other Miscellaneous Receipts  | -                                    | 4,000                                |
| <b>TOTAL</b>  | <b>2,376,825</b>                     | <b>2,605,191</b>                     |





| <b>SCHEDULE 9<br/>REMUNERATION AND BENEFITS TO EMPLOYEES</b>      |  |  |
|---|--|--|
| <b>PARTICULARS</b>  | <b>Year ended<br/>31.03.2009<br/>Amount in Rs.</b> | <b>Year ended<br/>31.03.2008<br/>Amount in Rs.</b> |
| Salaries, Wages and Allowances                                    | 134,483,893  | 105,024,706  |
| Contribution to P.F. and Other Funds                              | 1,525,740  | 1,383,097  |
| Welfare and Other Amenities                                       | 888,324  | 727,209  |
| <b>TOTAL</b>  | <b>136,897,957</b>                                 | <b>107,135,012</b>                                 |
| <b>SCHEDULE 10<br/>PROJECT EXPENSES</b>                           |  |  |
| <b>PARTICULARS</b>  | <b>Year ended<br/>31.03.2009<br/>Amount in Rs.</b> | <b>Year ended<br/>31.03.2008<br/>Amount in Rs.</b> |
| Travelling & Conveyance   | 24,993,129   | 20,929,474   |
| Payments to Sub Consultants                                       | 13,020,753   | 12,307,122   |
| Site & Survey Expenses  | 6,669,047  | 9,380,546  |
| Power & Electricity   | 1,447,119  | 1,242,606  |
| Rent  | 6,043,971  | 4,445,997  |
| Communication Expenses  | 3,622,876  | 2,681,947  |
| Computer & Software Expenses                                      | 1,183,613  | 1,021,564  |
| Repairs & Maintenance -   |  |  |
| Building  | 31,096   | 12,637   |
| Plant and Machinery   | 607,250  | 451,603  |
| Others  | 423,223  | 358,707  |
| Insurance   | 1,045,810  | 532,965  |
| <b>TOTAL</b>  | <b>59,087,887</b>                                  | <b>53,365,168</b>                                  |
| <b>SCHEDULE 11<br/>ADMINISTRATIVE, SELLING AND OTHER EXPENSES</b> |  |  |
| <b>PARTICULARS</b>  | <b>Year ended<br/>31.03.2009<br/>Amount in Rs.</b> | <b>Year ended<br/>31.03.2008<br/>Amount in Rs.</b> |
| Printing & Stationery   | 2,042,406  | 1,513,943  |
| Legal & Filing Fees   | 171,728  | 205,554  |
| Rates & Taxes   | 135,937  | 103,176  |
| Advertisement & Sales Promotion                                   | 379,038  | 668,716  |
| Tender Expenses   | -  | 57,725   |
| Payment to Auditors   | 545,000  | 445,386  |
| Miscellaneous Expenses  | 1,550,489  | 990,995  |
| Donations   | 17,533   | 536,002  |
| Loss on Sale of Fixed Assets                                      | -  | 24,362   |
| Bad Debts / Advances written off (Net)                            | 13,306,067   | 3,930,227  |
| <b>TOTAL</b>  | <b>18,148,198</b>                                  | <b>8,476,086</b>                                   |
| <b>SCHEDULE 12<br/>INTEREST AND FINANCIAL CHARGES</b>             |  |  |
| <b>PARTICULARS</b>  | <b>Year ended<br/>31.03.2009<br/>Amount in Rs.</b> | <b>Year ended<br/>31.03.2008<br/>Amount in Rs.</b> |
| Interest Paid - Fixed Loans                                       | 48,215   | 186,361  |
| - Others  | 9,811,912  | 7,545,704  |
| Financial Charges   | 2,091,482  | 2,524,577  |
| <b>TOTAL</b>  | <b>11,951,609</b>                                  | <b>10,256,642</b>                                  |


**SCHEDULE - 13  
NOTES TO ACCOUNTS**

|   | 31.03.2009<br>(Amount In Rs.)            | 31.03.2008<br>(Amount In Rs.)            |
|---|--|--|
| <b>1 Contingent Liabilities :</b>   |  |  |
| Guarantees given by the Company's Bankers.<br>(Bank guarantees are provided under contractual/legal obligation. No cash outflow is expected.)   | 99,594,366                               | 116,256,704                              |
| <b>2</b> Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for (net of advances)<br>(Cash flow is expected on execution of such capital contracts on progressive basis)   | 12,714,346                               | 55,527,328                               |
| <b>3</b> In the opinion of the management, Current Assets, Loans and Advances are of the value stated, if realised in the ordinary course of business.  |  |  |
| <b>4</b> i) Derivative Contracts entered into by the Company and outstanding  | NIL                                      | NIL                                      |
| ii) Foreign Currency exposures that are not hedged by derivatives instruments are as under :  |  |  |
| a) Receivable :   | -  | -  |
| b) Payable :  | 5,231,863                                | 719,704                                  |
| <b>5 Employee Benefits<br/>Defined Contribution Plan</b>  | <b>31.03.2009<br/>(Amount In Rs.)</b>    | <b>31.03.2008<br/>(Amount In Rs.)</b>    |
| Employer's Contribution to Provident Fund, ESIC and Other Funds   | 1,525,740                                | 1,383,097                                |
| <b>Defined Benefit Plan</b>   |  |  |
| The employees Gratuity Fund Scheme of the Company is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method. Which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. |  |  |
| <b>i. Reconciliation of Opening and Closing balance of Defined Benefit Obligation.</b>  |  |  |
|   | <b>Gratuity<br/>(Non-Funded)</b>         | <b>Gratuity<br/>(Non-Funded)</b>         |
| Defined Benefit Obligation at the beginning of the year   | 1,653,017                                | 705,136                                  |
| Current Service Cost  | 360,658                                  | 871,290                                  |
| Interest Cost   | 132,241                                  | 58,174                                   |
| Actuarial Losses / (Gain)   | -1,114,838                               | 18,417                                   |
| Amount Recognised in the Balance Sheet  | <u>1,031,078</u>                         | <u>1,653,017</u>                         |
| <b>ii. Expense recognized in Statement of Profit &amp; Loss Account</b>   |  |  |
| Current Service Cost  | 360,658                                  | 871,290                                  |
| Interest on Defined Benefit Obligation  | 132,241                                  | 58,174                                   |
| Net Actuarial Losses / (Gains) Recognised in year   | -1,114,838                               | 18,417                                   |
| Total, included in "Remuneration and benefits to Employees "  | <u>-621,939</u>                          | <u>947,881</u>                           |
| <b>v. Actuarial Assumptions</b>   |  |  |
| Mortality Table (LIC)   | <b>LIC (1994-96)<br/>Published Table</b> | <b>LIC (1994-96)<br/>Published Table</b> |
| Discount rate (per annum)   | 8.00%                                    | 8.25%                                    |
| Expected Rate of escalation in Salary (per annum)   | 6.50%                                    | 7.00%                                    |

**6 Segment Reporting :**

Based on consideration of dominant source and nature of risks and returns, the Company is considered to be engaged only in the business of "Project Consultancy" with all activities revolving around this business and accordingly has only one reportable segment. The geographical location of its main operations and the internal organization / reporting and management structure supports such treatment.

**7 Related Party Disclosures****A. List of related parties :**

(As certified by the Company)

**I. Associate Companies / Joint Ventures**

- a ) Zaidun Leeng Sdn. Bhd.- Artefacts Projects
- b ) Sheladia Associates Inc. - Artefacts Projects- Zaidun Leeng Sdn. Bhd.
- c ) Meinhardt Singapore Pte. Ltd. - Artefact Projects
- d ) Artefact Projects Zaidun Leeng (India) Pvt. Ltd.



Joint Ventures

Associate Company

**II. Key Management Personnel**

- [a] Mr. Manoj B. Shah
- [b] Mr. Pankaj B. Shah
- [c] Mr. Mohandas S.Adige

**III Enterprises in which key managerial personnel and their relatives are able to exercise significant influence with whom transactions have taken place during the year: (Other related parties)**

- a ) Artefacts Projects Sdn. Bhd.
- b ) Artefacts Infrastructure Limited

**B. Transactions with Related Parties :****(Amount In Rs.)**

| Nature of transaction                          | Associates           | Other Related Parties | Key Management Personnel & Relatives | Total                |
|--|----------------------|-----------------------|--------------------------------------|----------------------|
| <b>Investments (as on 31st March 2009)</b>     | <b>2,00,000</b>      | -                     | -                                    | <b>2,00,000</b>      |
|  | <b>(2,00,000)</b>    | -                     | -                                    | <b>(2,00,000)</b>    |
| <b>Fixed Assets</b>                            |                      |                       |                                      |                      |
| Purchase of Fixed Assets                       | -                    | -                     | -                                    | -                    |
|  | <b>(1,112,971)</b>   | -                     | -                                    | <b>(1,112,971)</b>   |
| <b>Sale of Goods &amp; Services</b>            |                      |                       |                                      |                      |
| Project Management Consultancy Fees            | <b>205,589,734</b>   | -                     | -                                    | <b>205,589,734</b>   |
|  | <b>(192,504,855)</b> | <b>( - )</b>          | <b>( - )</b>                         | <b>(192,504,855)</b> |
| <b>Current Liability</b>                       |                      |                       |                                      |                      |
|  | -                    | -                     | -                                    | -                    |
|  | <b>(65,000)</b>      | <b>( - )</b>          | <b>( - )</b>                         | <b>(65,000)</b>      |
| <b>Advances Recoverable in cash or in kind</b> |                      |                       |                                      |                      |
| Opening Balance                                | -                    | <b>1,587,577</b>      | -                                    | <b>1,587,577</b>     |
|  | <b>( - )</b>         | <b>(2,012,577)</b>    | <b>( - )</b>                         | <b>(2,012,577)</b>   |
| Paid during the year                           | -                    | -                     | -                                    | -                    |
|  | <b>( - )</b>         | <b>(485,000)</b>      | <b>( - )</b>                         | <b>(485,000)</b>     |
| Received/adjusted during the year              | -                    | <b>1,587,577</b>      | -                                    | <b>1,587,577</b>     |
|  | -                    | <b>(910,000)</b>      | -                                    | <b>(910,000)</b>     |
| Balance as on 31st March 2009                  | -                    | -                     | -                                    | -                    |
|  | <b>( - )</b>         | <b>(1,587,577)</b>    | <b>( - )</b>                         | <b>(1,587,577)</b>   |
| <b>Sundry Debtors</b>                          |                      |                       |                                      |                      |
| Balance as on 31st March 2009                  | <b>113,356,354</b>   | -                     | -                                    | <b>113,356,354</b>   |
|  | <b>(69,227,267)</b>  | <b>( - )</b>          | <b>( - )</b>                         | <b>(69,227,267)</b>  |
| <b>Expenditure</b>                             |                      |                       |                                      |                      |
| Payment of Salaries / Perquisites              | -                    | -                     | <b>5,821,300</b>                     | <b>5,821,300</b>     |
|  | <b>( - )</b>         | <b>( - )</b>          | <b>(5,906,043)</b>                   | <b>(5,906,043)</b>   |

Note : Figures in brackets represent previous year's amounts.


**C. Details of major transactions with Related Parties :**

|   | 31.03.2009<br>(Amount In Rs.) | 31.03.2008<br>(Amount In Rs.) |
|---|-------------------------------|-------------------------------|
| <b>Investments</b>  |                               |                               |
| Artefact Projects Zaidun Leeng (I) Pvt. Ltd.                          | 2,00,000                      | 2,00,000                      |
| <b>Purchase of Fixed Assets</b>                                       |                               |                               |
| Zaidun Leeng Sdn. Bhd.- Artefacts Projects Limited                    | -                             | 451,513                       |
| Sheladia Associates Inc. - Artefacts Projects- Zaidun Leeng Sdn. Bhd. | -                             | 487,560                       |
| Meinhardt Singapore Pte. Ltd. - Artefact Projects Limited             | -                             | 173,898                       |
| <b>Project Management Consultancy Fees (JV)</b>                       |                               |                               |
| Zaidun Leeng Sdn. Bhd.- Artefacts Projects                            | 170,092,894                   | 121,071,379                   |
| Sheladia Associates Inc. - Artefacts Projects- Zaidun Leeng Sdn. Bhd. | 15,620,649                    | 26,501,177                    |
| Meinhardt Singapore Pte. Ltd. - Artefact Projects                     | 19,876,191                    | 44,932,299                    |
| <b>Current Liability</b>  |                               |                               |
| Artefact Projects Zaidun Leeng (India) Pvt. Ltd.                      | -                             | 65,000                        |
| <b>Advances Recoverable in cash or in kind</b>                        |                               |                               |
| Artefacts Projects Sdn. Bhd.  |                               |                               |
| Opening Balance   | 1,587,577                     | 1,587,577                     |
| Received/adjusted during the year                                     | 1,587,577                     | -                             |
| Balance as on 31st March 2009   | -                             | 1,587,577                     |
| Artefact Projects Zaidun Leeng (India) Pvt. Ltd.                      |                               |                               |
| Opening Balance   | -                             | 425,000                       |
| Paid during the year  | -                             | -                             |
| Received/adjusted during the year                                     | -                             | 425,000                       |
| <b>Sundry Debtors</b>   |                               |                               |
| Zaidun Leeng Sdn. Bhd.- Artefacts Projects                            | 75,011,869                    | 39,360,443                    |
| Sheladia Associates Inc.-Artefacts Projects-Zaidun Leeng Sdn.Bhd.     | 12,848,247                    | 6,615,444                     |
| Meinhardt Singapore Pte. Ltd. - Artefact Projects                     | 25,496,237                    | 23,251,380                    |
| <b>Payment of Salaries / Perquisites</b>                              |                               |                               |
| Mr. Manoj B. Shah   | 2,511,000                     | 2,526,000                     |
| Mr. Pankaj B. Shah  | 2,391,000                     | 2,391,000                     |

**8 Disclosures of Loans and Advances**

|  | i) Loans and advances includes the following amounts due from the Companies in which directors are interested |                             |                             |                             |
|--|---|-----------------------------|-----------------------------|-----------------------------|
|  | Balance due as on   |                             | Maximum balance             |                             |
|  | 31.03.09<br>(Amount In Rs.)   | 31.03.08<br>(Amount In Rs.) | 31.03.09<br>(Amount In Rs.) | 31.03.08<br>(Amount In Rs.) |
| Artefact Projects Zaidun Leeng (I) pvt Ltd | NIL   | Nil                         | 0                           | 425,000                     |
| Artefacts Projects Sdn. Bhd.               | NIL   | 1,587,577                   | 1,587,577                   | 1,587,577                   |
| Artefacts Infrastructure Limited           | NIL   | Nil                         | 0                           | 485,000                     |

**Note: -**

Loans to Employees as per Company's policy are not considered.  
Figures in brackets represent previous year's amounts.



9 The breakup of Deferred Tax Assets and Deferred Tax Liabilities into major components of respective balances is as under :

|                                       | As at<br>31.03.2009<br>(Amount In Rs.) | As at<br>31.03.2008<br>(Amount In Rs.) |
|---------------------------------------|--|--|
| <b>(i) Deferred Tax Liabilities</b>   |  |  |
| Related to Fixed Assets               |  |  |
| Total                                 | <u>2,259,006</u>                       | <u>2,592,633</u>                       |
| <b>(ii) Deferred Tax Assets</b>       |  |  |
| disallowed under Income Tax Act, 1961 | <u>743,180</u>                         | <u>782,795</u>                         |
| Total                                 | <u>743,180</u>                         | <u>782,795</u>                         |
| <b>Net Deferred Tax Liability</b>     | 1,515,825                              | 1,809,837                              |

**10 Basic and Diluted Earning Per Share**

For the purpose of calculation of Basic and Diluted Earning Per Share the following amounts are considered :

|   | Year ended<br>31.03.2009<br>(Amount In Rs.) | Year ended<br>31.03.2008<br>(Amount In Rs.) |
|---|---|---|
| Net Profit after tax  | <u>21,494,898</u>                           | <u>26,832,652</u>                           |
| Less : Expenses for earlier years   | <u>800,764</u>                              | <u>918,889</u>                              |
| <br>Amount available for calculation of<br>Basic EPS and Diluted EPS (A)  | <br><u>20,694,134</u>                       | <br><u>25,913,763</u>                       |
| <br>Weighted average number of equity<br>shares (Nos.) (B)                | <br><u>4,077,600</u>                        | <br><u>4,077,600</u>                        |
| <br>Basic Earnings Per Share of face<br>value of Rs.10/- each             | <br><u>5.08</u>                             | <br><u>6.36</u>                             |
| <br>Diluted Earnings Per Share of face<br>value of Rs.10/- each (A) / (B) | <br><u>5.08</u>                             | <br><u>6.36</u>                             |

**11 Balances with Banks include:**

|  | 31.03.2009<br>(Amount In Rs.) | 31.03.2008<br>(Amount In Rs.) |
|--|-------------------------------|-------------------------------|
| Balances with Scheduled Banks  | 2,244,136                     | 5,195,103                     |
| Balance with Nagpur Nagrik Sahkari Bank Ltd.<br>[Maximum balance outstanding during the year<br>Rs. 4,62,116 ( Previous Year : Rs. 29,72,873)] | 13,503                        | 30,905                        |

**12 Managerial Remuneration :**

|                 | 31.03.2009<br>(Amount In Rs.) | 31.03.2008<br>(Amount In Rs.) |
|-----------------|-------------------------------|-------------------------------|
| a. I. Salaries  | 5,202,000                     | 5,202,000                     |
| ii. Perquisites | 114,000                       | 129,000                       |
| <b>Total</b>    | <u>5,316,000</u>              | <u>5,331,000</u>              |

b. The computation of New Profit for the purpose of Directors Remuneration u/s 349 of the Companies Act, 1956 has not been enumerated since no commission has been paid to the Directors. Fixed managerial remuneration has been paid to the whole-time Directors of the Company as per Schedule XIII of the Companies Act, 1956.

**13 Payment to Auditors :**

|                       | 31.03.2009<br>(Amount In Rs.) | 31.03.2008<br>(Amount In Rs.) |
|-----------------------|-------------------------------|-------------------------------|
| Audit Fees            | 325,000                       | 322,500                       |
| Tax Audit Fees        | 10,000                        | 10,000                        |
| Certification Charges | 210,000                       | 110,000                       |
| <b>Total</b>          | <u>545,000</u>                | <u>442,500</u>                |



14. In accordance with the Accounting Standard (AS-28) on "Impairment of Assets" the Management during the year carried out exercise of identifying the assets that may have been impaired in respect of each cash generating unit in accordance with the Accounting Standard.  
On the basis of this review carried out by the management, there was no impairment loss on Fixed Assets during the year ended 31st March 2009.

**15 Joint Venture Accounting :**

**15.1 Jointly Controlled Operations**

- a The Company has entered in to Joint Ventures (JVs) in respect of certain projects with various bodies corporates. Details of these JVs are as under: -

| Sr. No. | Joint Ventures  | Company's Participating Interest | Other Partners' Participating Interest |
|---------|---|----------------------------------|--|
| 1       | Zaidun Leeng Sdn. Bhd.- Artefacts Projects                            | 60%                              | 40%                                    |
| 2       | Sheladia Associates Inc. - Artefacts Projects- Zaidun Leeng Sdn. Bhd. | 65%                              | 35%                                    |
| 3       | Meinhardt Singapore Pte. Ltd. - Artefact Projects                     | 95%                              | 5%                                     |

- b. As the end of the year, the Company's share in the total value of the assets, liabilities is Rs. 14959922 and income, expenditure and net profit before tax of all these Joint Ventures amounts to Rs. 27188326, Rs. 26297974 and Rs. 890352 respectively. The figures have been incorporated based on the Unaudited accounts received from the respective Joint Venturers.

**15.2 Jointly Controlled Entity**

| Name   | Country of Incorporation | Ownership Interest (%) |            |
|--|--------------------------|------------------------|------------|
|  |                          | 31.03.2009             | 31.03.2008 |
| Artefact Projects Zaidun Leeng (India) Pvt. Ltd. | India                    | 40%                    | 40%        |

- b. As the end of the year, the Company's share in the total value of the assets, liabilities is Rs. 200000 and income, expenditure and net profit before tax of this amounts to Rs. NIL, Rs. NIL and Rs. NIL respectively. The figures have been incorporated based on the Unaudited accounts received from the respective Joint Venturers.

**16 Details of expenditure in Foreign Currency**

|  | Year ended 31.03.2009 | Year ended 31.03.2008 |
|--|-----------------------|-----------------------|
| <b>a Expenditure in Foreign Currency</b> |                       |                       |
| i. Technical Knowhow and Services        | 5,579,567             | 638,729               |
| ii. Travelling                           | 98,107                | 1,297,965             |
| iii. Membership & Subscription           | 175,472               | -                     |

- 17 Previous Year's figures have been reworked/regrouped / rearranged / reclassified wherever necessary to make them. Comparable with those of current year.

**ARTEFACT PROJECTS LIMITED  
CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2009**

|   | 31.03.2009<br>Amount<br>(Rs.) | 31.03.2009<br>Amount<br>(Rs.) |
|---|-------------------------------|-------------------------------|
| <b>A. Cash Flow from Operating Activities</b>                 |                               |                               |
| Net Profit before taxation and extraordinary Item             | 36,636,586                    | 46,980,264                    |
| <b>Adjustment For :</b>                                       |                               |                               |
| Depreciation  | 3,858,764                     | 2,932,130                     |
| Interest Income   | (2,376,725)                   | (2,379,687)                   |
| Interest Expenditure  | 11,951,609                    | 10,256,642                    |
| Dividend  | (100)                         | (100)                         |
| Bad Debts   | 13,306,067                    | 3,930,227                     |
| Loss on sale of Fixed Assets                                  | -                             | -                             |
| Balances Written Back   | 44768                         | 24,362                        |
| Prior Period Items  | (845,532)                     | (1,533,437)                   |
| <b>Operating Profit Before Working Capital Changes</b>        | <b>62,575,437</b>             | <b>59,998,497</b>             |
| Adjusted For  |                               |                               |
| Trade and Other Receivables                                   | (18,080,689)                  | 4,361,772                     |
| Trade Payables  | 19,742,918                    | (17,129,751)                  |
| <b>Cash Generated From Operations</b>                         | <b>64,231,666</b>             | <b>47,230,518</b>             |
| Income Tax Paid   | (16,308,085)                  | (27,915,307)                  |
| <b>Net Cash From Operating Activities (A)</b>                 | <b>47,929,580</b>             | <b>19,315,211</b>             |
| <b>B. Cash Flow from Investing Activities</b>                 |                               |                               |
| Purchase of Fixed Assets and Capital Work in Progress         | (79,373,978)                  | (47,429,897)                  |
| Sale of Fixed Assets  | -                             | 723,074                       |
| Movement in Short Term Loans                                  | (2,490,710)                   | 2,541,107                     |
| Dividend  | 100                           | 100                           |
| Interest Received   | 2,165,569                     | 1,086,807                     |
| <b>Net Cash From Investing Activities (B)</b>                 | <b>(79,699,020)</b>           | <b>(43,078,809)</b>           |
| <b>C. Cash Flow From Financing Activities</b>                 |                               |                               |
| Dividend Paid   | (3,138,087)                   | (2,950,246)                   |
| Dividend Tax Paid   | (519,741)                     | (428,912)                     |
| Proceeds from Long Term Borrowings                            | 44,796,596                    | 16,232,675                    |
| Proceeds from Working Capital Loans                           | 1,435,187                     | 17,065,077                    |
| Repayment of Long Term Borrowings                             | (236,761)                     | (1,425,792)                   |
| Interest Paid   | (12,744,118)                  | (9,474,626)                   |
| <b>Net Cash Used in Financing Activities (C)</b>              | <b>29,593,077</b>             | <b>18,751,176</b>             |
| <b>Net Increase in Cash And Cash Equivalents (A+B+C)</b>      | <b>(2,176,362)</b>            | <b>(5,012,423)</b>            |
| <b>Cash And Cash Equivalents At the Beginning of the Year</b> | <b>23,700,722</b>             | <b>28,713,144</b>             |
| <b>Cash and Cash Equivalents At The End Of The Year</b>       | <b>21,524,359</b>             | <b>23,700,722</b>             |

Note :

1. Bracket indicates cash outflow.
2. The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3.
3. Cash and Cash Equivalents at the end of the year includes deposits with banks aggregating to Rs. 1,84,69,468/- which are ledged against bank guarantees and overdrafts.

As per our Report of even date  
**For CHATURVEDI & SHAH**  
Chartered Accountants  
Sd/  
R. KORIA  
Partner

For **NARESH PATADIA & CO.**  
Chartered Accountants

Sd/-  
**NARESH H PATADIA**  
Proprietor

Nagpur, 30th June, 2009

For and on behalf of Board of Directors

Sd/-  
**MANOJ SHAH**  
Managing Director

Sd/-  
**PANKAJ SHAH**  
Director

Sd/-  
**JAYSHREE JADHAO**  
Compliance Officer



## **II SIGNIFICANT ACCOUNTING POLICIES**

### **1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles, accounting standards issued by the Institute of Chartered Accountants Of India and the provisions of the Companies Act, 1956.

### **2. USE OF ESTIMATES**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

### **3. REVENUE RECOGNITION**

Income from Consultancy and Infrastructure project services are recognised in accordance with the Contract/Agreement entered into. Revenues are recognised when it is earned and no significant uncertainty exists as to its ultimate collection and includes, service tax, wherever applicable.

### **4. FIXED ASSETS**

Fixed Assets are stated at cost less accumulated depreciation, net of Central Value Added Tax. All costs including financing cost till commencement of commercial production are capitalised.

### **5. INTANGIBLE ASSETS**

Intangible Assets are stated at cost less accumulated amortisation. Softwares are amortised over period of three years.

### **6. DEPRECIATION**

Depreciation on fixed assets has been provided on Straight Line Method at the rates in the manner specified in Schedule XIV of the Companies Act 1956. Additions, which form integral part of the fixed assets, are depreciated during the residual useful life of the asset.

### **7. INVESTMENTS**

Long-term investments are carried at cost. Current Investments are carried at the lower of costs and quoted/fair value computed script wise. Provision for diminution in the value of long-term investments is made only if such decline is other than temporary.

### **8. BORROWING COSTS**

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.



**9. EMPLOYEE'S BENEFITS**

- (i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- (ii) Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

**10. FOREIGN CURRENCY TRANSACTION**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary items denominated in foreign currencies at the year-end are restated at year-end rates. Non-Monetary foreign currency items are carried at cost. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account.

**11. TAXATION**

Provision for current tax is made after taking into consideration benefits admissible under the provision of the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is virtual certainty that asset will be realized in future.

**12. ACCOUNTING FOR JOINT VENTURE OPERATIONS**

The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for according to the participating interest of the Company as per the various Joint Venture Agreements on a line by line basis along with similar items in the Company's financial statements.

**13. DERIVATIVE INSTRUMENTS**

In respect of derivative contracts, premium paid, gains / losses on settlement and provision for losses, if any; are recognised in the Profit and Loss Account.

**14. IMPAIRMENT OF ASSETS**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**15. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.



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**ARTEFACT PROJECTS LTD.**

*Registered Office : 1<sup>st</sup> floor, Bhiwapurkar Chambers, Opp. Yeshwant Stadium, Dhantoli, Nagpur 440 012*

**ATTENDANCE SLIP**

(To be handed over at the entrance of the Meeting Venue)

Member's Folio No. : \_\_\_\_\_

Name of the Member attending the Meeting : \_\_\_\_\_

In case of Proxy, Name of Proxy : \_\_\_\_\_

I hereby record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING on 29<sup>th</sup> September, 2009.

Signature of Member / Proxy \*

(To be signed at the time of handing over this slip)

Note : Members/joint Members are requested to bring the attendance slips with them.

\*Strike out whichever is not applicable.

.....TEAR HERE.....

**ARTEFACT PROJECTS LTD.**

*Registered Office : 1<sup>st</sup> floor, Bhiwapurkar Chambers, Opp. Yeshwant Stadium, Dhantoli, Nagpur 440 012*

**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member / members of ARTEFACT PROJECTS LIMITED hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

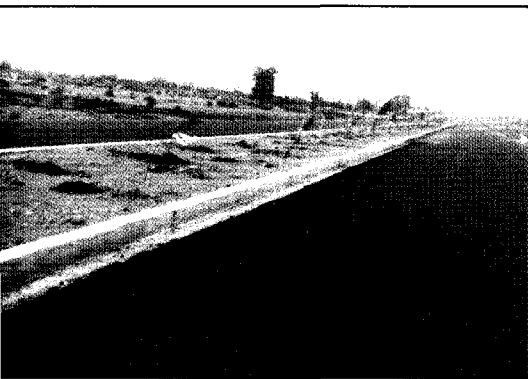
as my/our proxy to attend and vote for me/us and on my/our behalf at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company to be held at Nagpur on Tuesday the 29<sup>th</sup> September, 2009 at 11.00 a.m. or at any adjournment there of.

Signed at this \_\_\_\_\_ day of \_\_\_\_\_, 2009

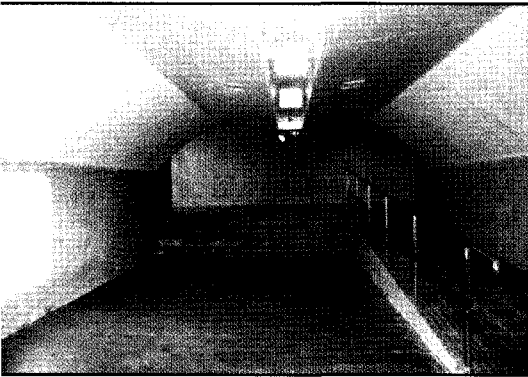
Signed by the said \_\_\_\_\_ of \_\_\_\_\_

NOTE : The proxy in order to be effective should be duly stamped filled, signed and must be deposited at the Corporate Office of the Company not less than 48 hours before the meeting.

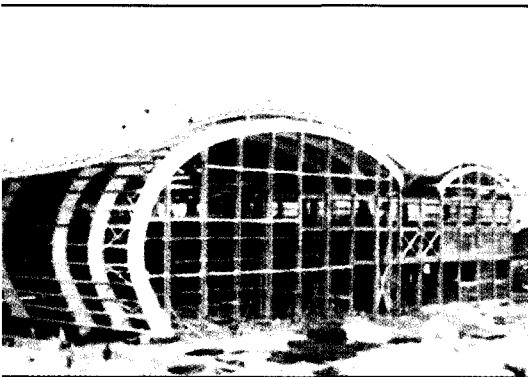
Affix a 1  
Rupee  
Revenue  
Stamp



MP3 - Section at Laknadon To MP-MH Border NH-7



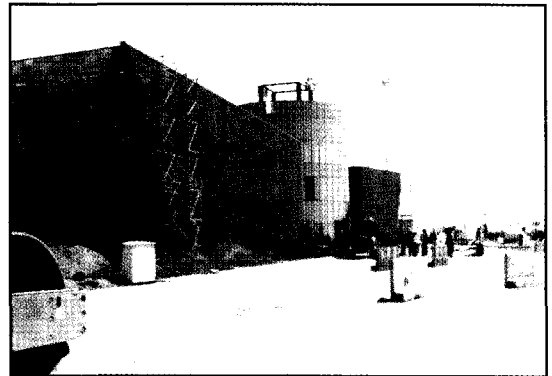
Mahim Subway, Mumbai



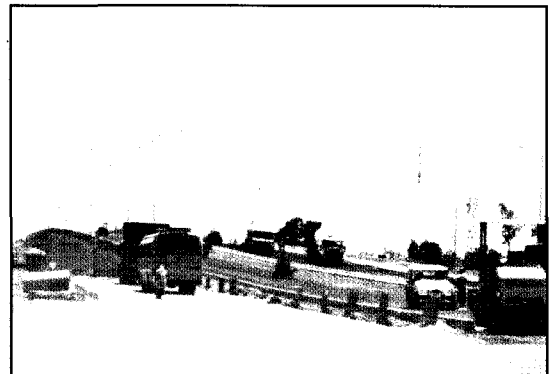
Trivandrum International Airport City Side



Road Over Bridge MMRDA, Mumbai



Vadodara Bharuch Toll Plaza



Vadodara Bharuch Palej Bridge



Nayangaon Bridge



NH-4 Bangalore-Kolar-Mulbagal Section



**ARTEFACT**  
PROJECTS LTD.

Excellence in Infrastructure services



**REGISTERED OFFICE :**  
**1<sup>ST</sup> Floor, Bhiwapurkar Chambers, Opp.Yashwant Stadium,**  
**Dhantoli, Nagpur- 440 012 (Maharashtra, India)**