

Petron Engineering Construction Limited

35TH

ANNUAL REPORT FY 2010-11

LEVEL NEXT ENGINEERING

Petron Engineering Construction Limited 35TH ANNUAL REPORT FY 2010-11

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CORPORATE INFORMATION

BOARD OF DIRECTORS

T. S. Das - Managing Director
 Ravi Keswani - Non Executive Director
 Dr. S. Rama Iyer - Non Executive Director
 R. Sankaran - Non Executive Director

SENIOR MANAGEMENT

R. N. Pandey - Chief Financial Officer
 G. K. Roy - Chief Operating Officer
 Raman Trehan - Joint President (Procurement)
 Harsha R Kamath - Sr. Vice President (Proposals)

SR. VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

Naresh Shah

STATUTORY AUDITORS

Lodha & Company
 Chartered Accountants
 C-1, Upasana, 1 Haily Road
 CP, New Delhi - 110001

INTERNAL AUDITORS

PricewaterhouseCoopers
 Bagaria & Company
 DMKH & Company

REGISTERED OFFICE

6th Floor, Swastik Chambers
 Sion-Trombay Road, Chembur
 Mumbai - 400 071
 Tel: +91 22 4085 6200
 Fax: +91 22 4085 6250

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Service (I) Private Limited
 13 AB, Samhita Warehousing Complex
 2nd Floor, Sakinaka, Andheri Kurla Road
 Andheri (E), Mumbai - 400 072
 Tel: +91 22 6772 0300, 6772 0400
 Fax: +91 22 2859 1568
 Email: sharepro@shareproservices.com

BANKERS

State Bank Of India
 ICICI Bank Limited
 IDBI Bank Limited
 Indian Overseas Bank
 Axis Bank Limited
 ING Vysya Bank Limited
 Yes Bank Limited

GROWTH STRATEGY SUSTAINABILITY SYNERGY SERVICE PEOPLE



MESSAGE FROM THE MANAGING DIRECTOR

Dear Shareholder,

“Company has leapfrogged traditional routes and has armed itself with forward-looking attitude”

To embark on a journey of triumph, one requires vision, preparedness and strategy. It is inevitable to combine these three forces in an industry where uncertainty stretches right from the price & extent of work to laws & regulations.

Calling this to mind and leveraging synergies across the KazStroyService (KSS) Group, we are enhancing our financial, managerial and operational skills to ensure a unique yet consistent experience to our valued clients; to forge stronger bonds with our partners & vendors; and to provide the employees ample opportunities to excel. Our efforts will yield much more with the addition of advanced ERP practices that the KSS group plans to employ in the fiscal year 2011-12.

Today the Company has leapfrogged traditional routes and has armed itself with forward-looking attitude and progressive expertise to take on the existing and new markets more vigorously.

Gearing up for the future and to withstand the winds of change, we strive to ensure that in our actions the economic, environmental and social factors are considered. We believe this approach, driven by our principles of value, rigour and involvement, makes us more responsible and informed as a Company.

We are evolving - thanks to our clients, employees, bankers, partners and stakeholders.

Best wishes,

T. S. Das
MANAGING DIRECTOR

Mumbai, 25th May 2011

DIRECTORS' REPORT

To the Members of, PETRON ENGINEERING CONSTRUCTION LIMITED

The Directors of Petron Engineering Construction Limited have pleasure in presenting the **Thirty-fifth Annual Report** and the Audited Financial Statements of your Company for the year ended **31st March, 2011**.

A) FINANCIAL RESULTS

During the year under review, though the total revenue has declined to ₹50143 Lacs from ₹53376 Lacs in the previous year (down by 6.06%), the profit has increased to ₹6089 Lacs before interest, depreciation, tax and transfer from revaluation reserve as compared to ₹5165 Lacs in the previous year (increased by 17.89%). The interest has declined to ₹381 Lacs (Previous Year ₹675 Lacs) (Lower by 43.56%) and depreciation has increased to ₹1093 Lacs (previous year ₹903 Lacs) (Higher by 21.04%).

The improvement in the operational efficiency and reduction in interest cost has resulted into higher profit of ₹4615 Lacs as compared to ₹3587 Lacs in the previous year before providing for tax. The Net Profit for the year is higher at ₹3095 Lacs as compared to ₹2388 Lacs in the previous year.

	For the year ended : 31st March, 2011 (₹)	For the year ended : 31st March, 2010 (₹)
Total turnover (Sales & Other income)	5,014,294,736	5,337,551,115
Profit before interest, depreciation, tax & transfer from revaluation reserve	608,888,959	516,476,770
Interest	38,092,133	67,506,454
Profit before depreciation, tax and transfer from revaluation reserve	570,796,826	448,970,316
Depreciation	109,267,359	90,320,057
Profit/(Loss) before tax	461,529,466	358,650,259
Provision for taxation: Current tax	181,883,760	121,328,108
Deferred tax	(38,738,185)	(1,510,563)
Income-tax for earlier year	8,846,361	-
Profit/(Loss) after tax	309,537,530	238,832,714
Balance in profit & loss account brought forward	480,935,746	283,683,900
Amount available for appropriation	790,473,276	52,25,16,614
Proposed dividend for the year	15,076,800	15,076,800
Corporate dividend tax thereon	2,445,834	2,504,068
General reserve	32,500,000	24,000,000
Surplus carried over to balance sheet	740,450,642	480,935,746
	790,473,276	522,516,614

B) DIVIDEND

Your Directors are pleased to recommend a Dividend of ₹2 (20%) per Equity Share of ₹10 each for the year ended 31st March, 2011 for declaration by the Shareholders at the Thirty-fifth Annual General Meeting. The Dividend will absorb ₹15,076,800 and Corporate Dividend Tax thereon will be ₹2,445,834, aggregating to ₹17,522,634.

C) MANAGEMENT DISCUSSION AND ANALYSIS

1) Industry Trends and Developments

You are aware that infrastructure companies in the last two years took a beating due to the global economic slowdown. Even FY11 did not give good news for the sector with delays in land acquisition, project clearances, high interest rates, swings in currency rates and slower project execution. Despite these in long run the infrastructure industry is going to witness a good growth on back of growing infrastructure activities. The concept of engineering, procurement & construction (EPC) has been gaining importance in India since the last decade as the companies prefer awarding contracts to specialized companies having complete experience of handling such projects. It has got a very good potential considering the size and complexity of projects being set up in India in the industries like oil & gas, power, steel, fertilizers, cement etc. India is set to see a massive infrastructure capex cycle over the next decade as the existing infrastructure fails to support India's population. The infrastructure companies will benefit hugely from this capex cycle.

The infrastructure companies will benefit hugely from this capex cycle.

2) Division Wise Performance

Engineering & Construction

During the year, the Division has successfully executed the following contracts:

- Equipment and piping installation works for DHDT & HGU units at Indian Oil Corporation Limited, Vadodara, Gujarat.
- Erection of boiler Proper (2 x 300MW) (Phase 1) of Utility Energytech and Engineering Private Limited at Rosa Thermal Power Project, Rosa, Uttar Pradesh.
- Power plant erection work for 2 x 300MW boilers (Phase 2) for Sichuan Fortune Project Management Co. Limited at Adani Power Limited, Mundra, Gujarat.

Erection of boiler Proper
(Phase 1) of Utility Energytech
and Engineering Private
(2 x 300MW)

- Mechanical and piping works of HCU/DHT Heaters for Bharat Oman Refinery Limited at Bina, Madhya Pradesh.

- Composite Mechanical Works for Implementation of Euro-IV Project of Chennai Petroleum Corporation Limited at Chennai.

- Lump sum turnkey project of CDU/VDU Heaters for HPCL-Mittal Energy Limited at Bathinda, Punjab.

- Lump sum turnkey project of DHDT Heaters for HPCL-Mittal Energy Limited at Bathinda, Punjab.

- Lump sum turnkey project of NHT/CCR Heaters for HPCL-Mittal Energy Limited at Bathinda, Punjab.

The work on the following projects substantially progressed during the year:

- Erection and Associated works of Boiler and Auxiliaries and TG Auxiliaries of Unit No.01 and 03 for 3x660 MW Tiroda Thermal Power Project of Adani Power Maharashtra Limited at Tiroda, Dist. Gondia, Maharashtra

- Mechanical Fabrication & Erection works for 5000 TPD Ariyalur Line -II of Madras Cements Limited.

- Erection of Boiler proper for 2x300 MW Rosa Phase -II Thermal Power Project Rosa for Utility Energytech and Engineer's Private Limited.

- Engineering, Procurement, Construction and Commissioning Assistance (EPCC) of Fired Heaters for VGO-HDT unit of Paradip Refinery Project, Orissa for Indian Oil Corporation Limited.

- Supply of two Nos. Cooker Feed (DCU) Heater package including Residual Engineering, Thermal Design Revalidation, fabrication and delivery as per the technical specification for Nagarjuna Oil Corporation Limited, Cuddalore.

- Supply of Hydrotreater reactor Feed Heater (DHU) Heater package including Residual Engineering, Thermal Design Revalidation, shop fabrication and supply as per the technical specification for Nagarjuna Oil Corporation Limited at Cuddalore.

- Engineering, Procurement, Construction and Commissioning Assistance (EPCC) of AVU Fired Heaters for Paradip Refinery Project at Paradip, Orissa for Indian Oil Corporation Limited.

h) Engineering, Procurement, Construction and Commissioning Assistance (EPCC) of NHT/CCR Fired Heaters for Paradip Refinery Project at Paradip, Orissa for Indian Oil Corporation Limited, Paradip.

i) Construction Contract (V2) for A10/A17 viz. FCC Unit, LPG, Jet Fuel and Gasoline Mercox, FGD and Caustic Storage areas in ISBL for Cuddalore Refinery Project at Cuddalore.

j) Erection, testing, Commissioning, trial operations and handing over 2X600 MW boilers at Raghunathpur.

Petron Mechanical Industries

During the year, the Division has successfully executed the following contracts:

a) Erection & Commissioning of 33 Nos. of EOT Cranes and 23 Nos. of Electric Hoists for Vedanta Aluminium Limited, SEZ Unit, Smelter Expansion Project at Jharsuguda, Orissa.

b) Design, Engineering, Manufacturing & Supply of 25 Nos. of Electric Winches of different capacities for Gammon India Limited, Mumbai.

c) Installation & Commissioning for Rodding Shop Project of Vedanta Aluminium Limited, SEZ Unit, Jharsuguda, Orissa.

d) Design, Engineering, Manufacturing Supply & Commissioning of 02 Nos. of 40T Capacity Gantry Cranes for Adani Power Maharashtra Limited for their Power Plant at Tiroda.

e) Manufacturing & Supply of EOT Crane Spares for Vedanta Aluminium Limited, SEZ Unit, Smelter Expansion Project at Jharsuguda, Orissa.

Electrical & Instrumentation

During the year, this Division has successfully executed the following orders:

a) Erection, Testing & Commissioning of Electrical & Instrumentation equipment for Madras Cements Limited, Ariyalur

b) Erection, Calibration, Testing and commissioning for complete C&I Systems for 2x330MW (Unit-3 & 4) at Adani Power Limited, Mundra Thermal Power Project, Mundra

c) Supply of Electrical Equipment Package (Part-I Cabling, Earthing & Lightning Protection, Part - II Electrical Safety Equipment and Part - III Illumination System), for 366 MW Combined Cycle Power Plant - Stage II at Lanco Infratech Limited, Kondapalli IDA, Dist. Krishna, A.P.

33 Nos.
of EOT Cranes

23 Nos.
of Electric Hoists

d) Supply and Delivery at site with all the accessories for electrical items for 2x300MW Rosa Thermal Power Project, for Utility Energytech and Engineers Pvt. Ltd

e) Electrical Erection work for Rosa Thermal Power Plant for Utility Energytech and Engineers Pvt. Ltd

f) Supply of materials for Balance of Plant (BOP) for 2 x 250MW Parichha Thermal Power Project, Extension-II, Unit 5 & 6 at Parichha, U.P for Reliance Infrastructure Limited

g) Erection, Testing and Commissioning of Electrical system for Balance of Plant (BOP) for 2 x 250 MW Parichha Thermal Power Project, Extension-II, Unit 5 & 6 at Parichha, U.P. for Reliance Infrastructure Limited

h) Electrical works at CPP for Boiler 2 & Boiler -3 at Bharat Oman Refinery Limited at Bina, Madhya Pradesh.

Presently, the following Orders of the Division are under execution:

a) Erection, Testing and Commissioning of Electrical and Lighting equipments & Instrumentation equipment at Ariyalur Line - 2 project of Madras Cements Limited.

b) Contract for Supply of Electrical Equipment, Installation, testing, Commissioning and conducting Guarantee tests for Vindhyachal Super Thermal Power Project, Stage IV (2x500) MW for National Thermal Power Corporation Limited.

c) Contract for Supply of Electrical Equipment, Installation, testing, Commissioning and conducting Guarantee tests for Rihand Super Thermal Power Project, Stage III (2x500 MW) for National Thermal Power Corporation Limited.

Rihand Super Thermal
Power Project, Stage III
(2x500 MW)
for National Thermal Power
Corporation Limited.

d) Supply of electrical equipment package (Part - I - cabling, earthing and lighting protection, Part II - Electrical Equipment and Part III - Illumination system) for 2 X 371 MW combined cycle power plant - Stage III at Lanco Infratech Limited, Kondapalli IDA, Dist Krishna A.P.

e) Erection, testing and commissioning of electrical erection package (Part I - Cabling, Earthing and lighting protection, Part II - Electrical Equipment and Part III - Illumination System) for 2 X 371 MW combined cycle power plant - Stage III at Lanco Infratech Limited, Kondapalli IDA, Dist Krishna A.P.

Rockwool Insulation & Refractory

During the year, the Division has successfully executed the following contracts

Refractory Erection work for
New Wadi Expansion Project
140000 TPD
for ACC Limited.

- a) Refractory & Insulation Works for 125 MW CFBC Boilers for Larsen & Toubro Limited A/c JSW Energy Ltd.
- b) Refractory Erection work for New Wadi Expansion Project 14000 TPD for ACC Limited.
- c) Insulation work at HDPE, PP & LLDPR Supermax Expansion Project for Haldia Petrochemicals Limited, Haldia.
- d) Application of Insulation Work for 330 MW X 2 for Adani Power Pvt. Ltd., Mundra.
- e) Heaters Refractory, Insulation & fireproofing Work (Petron Project) for Bharat Oman Refinery Limited, Bina, Madhya Pradesh.
- f) CDU, NHT, CCR, DHDT Heaters Refractory & Insulation Work (Petron Project) for Guru Gobind Singh Refinery of HPCL Mittal Energy Limited at Bathinda, Punjab.
- g) Refractory & insulation maintenance Jobs at Reliance Industries Ltd., Jamnagar
- h) Refractory & insulation maintenance Jobs at Essar Oil Ltd., Jamnagar
- I) Refractory & insulation maintenance Jobs at Essar Power Ltd., Jamnagar

Presently, the following Orders of the Division are under execution:

- a) Refractory Application works for Essar Palletizing plant for Essar Steel Orissa Ltd
- b) Refractory Job for DCU & VGO Heaters at Essar Oil Limited, Jamnagar for Essar Projects India Ltd.
- c) Application of Refractory in 3 Nos. of 60 MT Aluminium melting & holding furnaces for Vedanta Aluminium Ltd., Jharsuguda.
- d) Installation of Refractory materials for 10000 TPD Cement Plant at Thumdi, Kutch for ABG Cement Ltd.
- e) DHDT/NHT Heater Insulation work for Chennai Petroleum Corporation Limited, Chennai.

- f) VGO, AVU, NHT & CCR Heater Refractory & Insulation Work (Petron Project) for Indian Oil Corporation Limited at Paradip, Orissa.

- g) DCU & DHU Heater Refractory & Insulation Work (Petron Project) for Nagarjuna Oil Corporation Limited at Cuddalore, Tamil Nadu.

Petrofab Division

Successfully completed the below mentioned projects during 2010-2011

- a) Fired heaters for DHDT heaters of MRPL Mangalore for Petrochem Development (I) Pvt. Ltd., Pune.
- b) Fabrication Convection Modules (3Nos) and 1 No FG Boiler for Essar, Vadinar through Heurtey Petrochem, Mumbai.
- c) Fabrication of Incinerators (3Nos) for Combustion Systems.
- d) Fabrication and Assembly of Piping, Structures, Meter runs, Metering skid, Filtration Skids and Pressure Reduction Skids for Daniel Measurement Solutions (P) Ltd, Vadodara.

Jobs Presently under Execution

- a) Fabrication of DCU Heaters (720 MT & Associated Piping) for Nagarjuna Oil Corporation Limited, Cuddalore.
- b) Fabrication of DHU Heaters (85 MT & Associated Piping) for Nagarjuna Oil Corporation Limited, Cuddalore.
- c) Fabrication of Pressure Vessel (22 MT) for Combustion Systems
- d) Reformer Structure (550 MT) for UHDE for Praxair for their Hydrogen plant at Indian Oil Corporation Limited, Paradip, Orissa.
- e) Fabrication of CA Ducts (CS & AS) - (100 MT) for UHDE for Praxair for their Hydrogen plant at Indian Oil Corporation Limited, Paradip, Orissa.
- f) Fabrication of Heater Structures (390 MT) for Indian Oil Corporation Limited for JNK India Pvt Ltd.,
- g) Fabrication of Heaters for OMPL Mangalore (590 MT) for JNK India Pvt Ltd,
- h) Fabrication of FG Stack (270 MT) for Larsen & Toubro Limited for Indian Oil Corporation Limited at Paradip, Orissa.
- I) Fabrication and Assembly of Piping, Structures, Meter runs, Metering skid, Filtration Skids and Pressure Reduction Skids for Daniel Measurement Solutions (P) Ltd, Vadodara.

3) ACHIEVEMENTS

- a) We are pleased to inform you that your company achieved many feats in safe man-hours without Lost time incidents, major being Indian Oil Corporation Ltd., Gujarat DHDT-HGU project in which record 7.6 Million man-hours were achieved without the lost time incident.
- b) Continuation in Certification of ISO 9001:2008 for quality system management during surveillance audit conducted recently.
- c) Continuation in OHSAS 18001:2007 for Health and Safety Management system and ISO 14001:2004 for environmental management system.

4) OUTLOOK

Your Company had booked large orders aggregating to ₹874 crores during 2010-11 as compared to ₹692 crores achieved during 2009-10. The Company has accumulated orders of about ₹1,200 crores of which EPC orders contributes over 40%. This augurs well for Company's long term strategic business. Thus, order backlog represents increase of 18% over the pending order backlog of ₹1020 crores in the previous year

booked large orders aggregating to
₹ 874 crores
 during 2010-11

The major orders received are given below:

Sr No.	Client	Description	Order Value (₹ In Lacs)
1	Indian Oil Corporation Limited, Paradip Refinery	NHT/CCR Fired Heaters	15,540
2	SEPCO, Chattisgarh	Boiler with BOP package	16,104
3	Nagarjuna Oil Corporation Limited, Cuddalore	Vertical construction contract (V2) for FCC, Mercox, LPG units etc for refinery	23,274
4	Adani Power Private Limited, Rajasthan	Boiler and turbine auxiliaries	16,435
5	National Thermal Power Corp. Limited, Rihand, MP	Electrical supply & installation	2,939
6	National Thermal Power Corp. Limited, Vindhyachal, UP	Electrical supply & installation	2,923

The outlook is encouraging and your Company can look forward to continuous improvement in its performance in the coming year/s.

The sectors in which Petron Engineering Construction Limited is active is oil & gas, power, cement and metallurgical industries.

Out of these, the power seems to be a promising sector in the year 2011-12. India has achieved the highest ever capacity addition in the power sector at a record 15,795 MW during 2010-11. The number of power plants will increase in the years to come with State Governments such as Gujarat, Maharashtra, Orissa and so on inviting private players to invest in the power sector. Coal based power will

remain the dominant source for energy in India. The next five years should ramp up the markets even with a slew of high end investments and high end IPOs.

According to the Mid-term appraisal by the Planning Commission (2010) the resource crunch in the availability of indigenous coal will be much more intense in the twelfth plan when the projected gap between demand and supply is likely to go up by 200 MT. Hence, acquiring coal mines in other countries has become common practice to de-risk the raw material supply for coal based power plants which are the dominant source of energy in India.

Since there is no credible answer to the chronic energy shortfall, there would be a thrust in Nuclear energy albeit with increased safety features. Your company is actively considering entering into this segment in near future.

There are major fertilizer projects being implemented in India in next few years. Your company sees this as opportunity to undertake EPC and construction jobs in this reviving sector which witnessed sluggishness for nearly one and half decade.

Another important sector that will continue to witness some growth is the oil and gas sector. With major refinery at such as Paradip being at an advanced stage of construction and other at Bina and Bathinda already in place, there would be lesser activity in this sector in 2011-12. Still some old refineries would implement projects for revamp/modernization with which it is possible to get some good business out of this sector.

The fabrication industry for oil and gas, petrochemicals and fertilizers industry would witness a good inflow of enquiries. Your company is having a very good manufacturing workshop near Vadodara to take care of this industry.

Cement industry has witnessed a change in the mode of execution of cement plants from conventional equipment wise ordering to executing on EPC basis. Currently the installed cement production capacity in India is 300 MTPA and there is always a good demand for cement and consequently there is a scope for putting up new cement plants.

Beside Indian cement companies who are implementing cement expansion projects, there are a number of foreign companies active in India who is also implementing new cement plant of around 7000 TPD capacity at several places in India including grinding units. Given the rapid pace of infrastructure development in India, cement will continue to be an attractive segment for your company and it is planning to participate with a bigger role in the EPC mode.

5) OPPORTUNITIES

Your Company is into engineering, fabrication, erection, installation of plant, machinery & equipment for a number of business sectors in oil & gas, petrochemicals, power, steel, cement, minerals & metals, chemical & fertilizers etc. This spread both in reach and business sectors substantially derisk your Company from economic volatility.

Oil accounts for 31% of India's total energy consumption and there is unlikely to be any significant scaling down of dependence on these fuels in the next 5-10 years. India is accounting for about 10.8% of Asia Pacific regional oil demand by 2010, while providing 10.2% of supply. Currently, of the six core industries identified in India, the oil & gas sector has propelled the growth of Indian economy most and the Government is looking for more investors in the sector. India is currently world's fifth biggest energy consumer and the need is continuously growing.

The Indian petrochemical capacity growth rate – which has been 3-4% over the past five years – is expected to increase four times and range between 12%-15% in the next 5-7 years. India's petrochemical industry is worth about US\$40 billion which is 3% of the GDP. Further the approved proposals for setting up Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) in Andhra Pradesh, South Gujarat & West Bengal is likely to attract over ₹485,000 crores investment over the next few years.

As the Indian economy continues to surge ahead, its power sector has been expanding concurrently to support the growth rate. The demand for power is growing exponentially and the scope for the growth of this sector is immense. India is currently the 5th largest producer in 2010 and recorded a growth of 11.3% as compared to 2009.

With new global acquisitions by Indian steel giants, setting up of new state-of-the-art steel mills, modernisation of existing plants, improving energy efficiency, backward integration into global raw material sources and nearly 222 memorandums of understandings (MoUs) signed between the investors & Governments for planned capacity of around 276 Million Tonnes (MT), India is now on the centre of the global steel map. Consumption of steel in the engineering industries, construction sector, industrial applications, fertilisers and transport sectors has been on the rise.

The Indian Fertilizer Industry is one of the allied sectors of the agricultural sphere. India has emerged as the third largest producer of nitrogenous fertilizers. The adoption of back to back Five Year plans has paved the way for self sufficiency in the production of food grains. The Government of India has been taking steps which inter alia include introduction of National Mineral Policy (NMP) & New Pricing Scheme (NPS) to support the fertilizer sector.

India is the second largest cement producer in the world, with an installed capacity of about 236 Million Tonnes (MT) in FY10. The sector is expected to add an additional capacity of 92.3 MT in FY13. Cement & gypsum products have received cumulative foreign direct investment (FDI) of US\$2,315.58 million between April 2000 and January 2011, according to the Department of Industrial Policy and Promotion (DIPP). The Ministry of Road Transport and Highways has planned to invest US\$354 billion in road infrastructure by 2012. Housing, infrastructure projects and the nascent trend of concrete roads would continue to accelerate the consumption of cement. Our Finance Minister Mr. Pranab Mukherjee has proposed to earmark US\$47 billion for infrastructure development during FY12.

6) RISKS & CHALLENGES

India's construction companies face challenges of operating in an unorganized sector. Unpredictable market conditions, major swings in the materials prices and fluctuations in currency rates have resulted in cut-throat competition and decline in profit margins. Also, as the EPC projects are getting more complex, awarding projects is getting delayed. With the emerging trend of shorter project durations, indeterminate specifications and rising client expectations; an organized coordination is required between the contractors, consultants and the vendors. Some owners even prefer breaking a large project into more manageable and defined pieces to reduce costs. A well-defined EPC contract is the one of the best ways to address the above concerns and to reduce the cost & time overruns in real time. EPC industry is already a multi billion-dollar industry and contractors are finding more innovative ways to mitigate these risks.

7) INTERNAL CONTROLS

Your Company has a proper and adequate system of internal controls to ensure the timely and accurate recording of financial transactions and adherence to applicable accounting standards; optimum utilization & safety of assets; compliance with applicable laws, regulations, listing agreements and management policies; and an effective management information system.

There are well defined and documented procedures, policies and authority guidelines for each function in the Company. Your Company has already engaged three independent firms of Chartered Accountants apart from the in-house internal audit team who conduct audits across all locations, project sites and business units of the Company throughout the year to test check the internal control system.

The Board of directors has an Audit Committee whose Chairman is an independent director. The Committee meets periodically with the management, internal audit team and representatives of the statutory auditors to review your Company's program of internal audits, findings & recommendations made in the auditors' (both internal & statutory) reports and the follow-up & compliance status of its earlier observations.

8) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is primarily engaged in undertaking engineering & construction projects, the disclosure of particulars under Section 217(1)(e) of the Act (hereinafter referred to as the Act), in so far as it relates to the conservation of energy and technology absorption is not applicable. Particulars with regard to foreign exchange earnings and outgo are given below:

Total Foreign Exchange used and earned:

i)	Value of Imports on CIF basis	₹185,289,700
ii)	Expenditure in Foreign Currency	₹30,224,906
iii)	Foreign Exchange earned	₹26,056,345

9) RESTRUCTURING AND CHANGE IN CONTROL

Petron Engineering Construction Limited is a subsidiary of Petron Investments Private Limited ("PIPL"). PIPL is owned by Amritha Sharanya Leasing & Investments Pvt. Ltd. ("ASLI"), SRA Finance & Investments Pvt. Ltd. ("SRA") and KazStroyService Hungary Kft. in the ratio 40:40:20.

Fraseli Investments S.a.r.l. ("FI") acquired 33.34% of the issued and fully paid-up 'A' ordinary share capital of KazStroyService Global B.V. ("KSS Global") from KazStroyService Holding B.V. ("KSS Holding") and KazStroyService Infrastructure B.V. ("KSS Infra") pursuant to a share purchase agreement dated March 2, 2011. Consequent to the acquisition, there was a restructuring within the KazStroyService group whereby KSS Global acquired ASLI, SRA, PIPL and KazStroy Engineering (UK) Ltd. KSS Global thereby indirectly acquired the legal ownership of 52.47% of Petron Engineering Construction Limited.

Pursuant to the investment by FI in KSS Global and the restructuring, the following constitute the group of Petron Engineering Construction Limited for purposes of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997:

- KazStroyService Global B.V.
- KazStroyService Infrastructure B.V.
- KazStroyService Holding B.V.
- CIS Drilling Pte Limited
- Steppe Capital Pte Limited
- Fraseli Investments S.a.r.l.
- Mittal Investments S.a.r.l.
- Mr. Arvind Tiku
- Mr. Timur Kulibayev
- KazStroy Engineering (UK) Limited
- KazStroyService Limited
- Amritha Sharanya Leasing and Investments Private Limited

In terms of the requirements of Regulations 10 & 12 of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulation 1997, KSS Global along with persons acting in concert with it has appointed Citigroup Global Markets India Pvt. Ltd., Bakhtawar, 8/12th Floor, Nariman Point, Mumbai 400 021 as its Merchant Banker and made a public announcement on 23rd May, 2011 of an open offer to the public shareholders of Petron Engineering Construction Limited to acquire up to 20% of the paid-up share capital of the company.

10) DIRECTORS

Mr. Arvind Dabar was appointed as an Additional Director on 29th October, 2010. He has resigned from the Board with effect from 17th May, 2011.

Mr. D. K. Khare has resigned with effect from 12th October, 2010.

In terms of Article 127 of the Articles of Association of the Company, **Mr. R. Sankaran**, Director of the Company, retires by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting.

11) AUDITORS

M/s. Lodha & Co., Chartered Accountants, New Delhi – the statutory auditors of the Company – holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a letter from them, to the effect that their appointment, if made, will be in accordance with the limits prescribed under Section 224(1B) of the Act and that, they are not disqualified for such re-appointment within the meaning of Section 226 of the Act.

12) PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules 1975 forms part of this Report. As per provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Shareholders of the Company, excluding the statement of particulars of the employee under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

13) DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- a) that in the preparation of annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- b) that the selected accounting policies were applied consistently and the directors 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 as at March 31, 2011 and of the profit of the Company for the year ended on that date;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act

for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that the annual accounts have been prepared on a going concern basis.

14) TRANSFER OF UNPAID DIVIDEND TO INVESTOR EDUCATION PROTECTION FUND

Pursuant to the provisions of Section 205A(5) of the Act, the declared dividend which remained unpaid or unclaimed for a period of 7 years has been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Act.

15) CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance and Certificate from the Practising Company Secretary thereon are given in the Annexure which forms part of Directors' Report.

16) ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the contribution from employees at all levels in sustaining the Company's performance.

The Company takes this opportunity to offer its sincere thanks to the Company's bankers for their unstinted support and continued confidence in the Company and also places on record its sincere thanks to all clients for their co-operation.

17) CAUTIONARY STATEMENTS

Statements in this report on management discussion and analysis, describing the Company's objectives or outlook, opportunities, expectations and estimates may be forward-looking statements within the meaning of applicable laws or regulations, actual results could, however, differ materially from those expressed or implied.

By order of the Board

T. S. Das
Managing Director

Ravi Keswani
Director

Mumbai, 25th May, 2011



REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has introduced a code of Corporate Governance for implementation by Companies listed on the Stock Exchanges in terms of Clause 49 of the Listing Agreement. Corporate Governance is a set of principles, processes and systems to be followed by the directors, management, and all employees of the Company for enhancement of shareholders' value, keeping in view interests of other stake holders. The integrity, transparency and compliance with laws in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of the Good Corporate Governance.

Your Company has complied in all material respects with the features of Corporate Governance stipulated in the Listing Agreement.

The Directors present the Company's Report on Corporate Governance.



1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company is in service industry providing construction services for the projects in core and infrastructure sector. The Company's philosophy is to provide quality services and endeavour to complete the assignments on time and thereby earn the satisfaction and trust of the clients and to that end the Company motivates the employees and imbibes in them a sense of involvement by decentralizing the decision making and encourages the other contributors like contractors and suppliers to co-operate. The Company believes in good work practices and transparency to enhance the value of the shareholders and other stakeholders.



2. BOARD OF DIRECTORS

The Company's Board of Directors as on 31st March 2011 consists of Five Directors. The Directors include, Managing Director, Two Non-Executive Promoter Director and Two Non-Executive Independent Directors.

Mr. T. S. Das is the Managing Director of the Company.
Mr. R. Sankaran is an Independent Non-Executive Director.
Dr. S. Rama Iyer is an Independent Non-Executive Director.
Mr. Ravi Keswani is a Non-Executive Promoter Director.
Mr. Arvind Dabar, Non-Executive Promoter Director.

Mr. Arvind Dabar has been appointed as an Additional Director with effect from 29.10.2010 has resigned on 17.05.2011

Mr. D. K. De. Chaudhuri, Non-Executive Promoter Director has resigned on 27.04.2010

Mr. D. K. Khare was appointed as Non-Executive Director with effect from 27.04.2010, who has resigned on - 12.10.2010

BRIEF PROFILE OF THE DIRECTORS:

Mr. Thankappan Sadasiva Das is 67 years old qualified B.E. (Mechanical) who is a veteran in the field of engineering and mechanical construction projects. He is having an experience of more than 40 years in various fields e.g., Construction, Project Management and Contracting for Petro-chemical plants, Refineries, Fertilizer Plants, Power Plants and Offshore projects. He has worked in the past for Multinational Companies like Simon Carves India Ltd., Davy Powergas, PT Boma - Bishma Indira, Indonesia and PT Balcke-Durr, Indonesia in various senior positions. He is also on the Board of Petron Investments Private Limited, Amritha Sharaya Leasing & Investments Private Limited and SRA Finance & Investments Private Limited.

Dr S. Rama Iyer is a 72 years old, qualified Chemical Engineer, He has done his M. Tech and Ph.D from the Indian Institute of Technology Bombay. He has been involved with Process Technology, Design Engineering, Project Management and Construction Management of large projects both in India and abroad. He is the recipient of the "Distinguished Alumnus Award" from Indian Institute of Technology Bombay in 1996. He also received "Achiever of the year Award" in 2003, "Business Leader of the year" in 2005 and "Life Time Achievement Award" in 2008 from Chemtech Foundation.

Mr. R. Sankaran is a 65 years old, having a Financial and Business Consulting Career built with credibility competence and core knowledge spanning over 37 years across a wide set of areas in the capital markets, corporate finance, institutional relationships, government & regulatory management, corporate

sector and policy influencing public forums. Currently he serves on a Board of number of listed Companies and also on the Advisory Board of HDFC Real Estate Venture Fund and N. M. Rothschild.

Mr. Ravi Keswani is a 48 years old, qualified Chartered Accountant as well as a Law Graduate. He is having an overall experience of 24 years working with large corporate in Finance & Treasury, Accounts, Taxation, Commercial, Project Costing & Budgeting Control, Corporate Strategy, Merger & Acquisition etc. He was involved in successful completion of IPO in Indian Corporate History; Private Equity Transaction with group of prestigious investors; subsequent fund raising through FCCB's and QIP's setting up strategy and business plan development; acquisition of a large design and construction company in Singapore and UK, Mergers and demergers in the group, both domestic and cross border, hiving off some of the non-core businesses, new ventures and initiatives ; implementation of ERP system and continuous process and control improvements. He is currently employed with KazStroyService Group of Companies since March, 2010 as Group CFO.

Mr. Arvind Dabar is a 53 years old, Corporate Professional having an experience of more than 26 years in diversified areas. His expertise lies in the field of Human Resource Management along with Management Strategy and Public Relation. His experience is backed with an Honours Graduate Degree in Science stream from Pune University along with Post - Graduation in Human Resource Management from an esteemed Tata Institute of Social Science (TISS), Mumbai. He has been associated with leading Corporate like Enron India, Essar Group, Crompton Greaves along with other renowned multinationals. His key responsibilities include handling the entire gamut of Human Resource Management along with Management Strategy and Public Relations.

a) Details of Directors and their Directorships, Committee Membership and Chairmanship as on 31.03.2011

NAME OF DIRECTOR	CATEGORY DESIGNATION	No of outside Directorships / Chairmanships		
		Public Companies	Private Companies	Committee Membership Chairmanship
Mr. T. S. Das (Appointed w.e.f. 14.05.2007)*	Managing Director	-	3	-
Mr. R. Sankaran (Appointed w.e.f. 29.06.2009)	Independent Non-Executive Director	5	4	-
Dr. S. Rama Iyer (Appointed w.e.f. 30.01.2009)	Independent Non-Executive Director	5	1	-
Mr. Ravi Keswani (Appointed w.e.f. 20.03.2010)	Promoter Non-Executive Director	-	-	-
Mr. Arvind Dabar (Appointed w.e.f. 29.10.2010)**	Promoter Non-Executive Director	-	-	-

*Mr. T. S. Das designated as Managing Director w.e.f. 10.01.2008.

** Mr. Arvind Dabar, Non-Executive Promoter Director has resigned on 17.05.2011

b) **The attendance of Directors at Board Meetings and Annual General Meeting held during 01-04-2010 to 31.03.2011:**

There were total 8 Board Meetings held during the Financial Year 2010-11 on following dates : 27.04.2010, 31.05.2010, 06.08.2010, 22.09.2010, 29.10.2010, 28.12.2010, 01.02.2011 and 15.03.2011

The attendance of the Directors were as follows :

DIRECTOR	No. of Board Meeting held during Tenure of Director ship	No. of Board Meeting attended	Attendance at last AGM*
Mr. T. S. Das	8	8	Yes
Mr. D K De Chaudhuri	1	1	NA
Dr. S. Rama Iyer	8	8	Yes
Mr. R. Sankaran	8	7	No
Mr. Ravi Keswani	8	4	No
Mr. D. K. Khare	5	3	No
Mr. Arvind Dabar	3	3	NA

*The Annual General Meeting (AGM) was held on 3rd August, 2010

c) **Shareholding of Directors in the Company as on 31.03.2011.**

DIRECTOR	No. of Equity Shares of ₹10/- each held in the Company single and/or Jointly
Mr. T. S. Das	Nil
Dr. S. Rama Iyer	Nil
Mr. R. Sankaran	Nil
Mr. Ravi Keswani	Nil
Mr. Arvind Dabar	Nil

d) **Information provided to the Board.**

Necessary information as required under the statute and as per the guidelines on Corporate Governance are placed before the Board and reviewed by the Board from time to time.

3. AUDIT COMMITTEE

a) **Terms of Reference:**

- 1) Overseeing the Company's financial reporting process and disclosure of the financial information, to ensure that the financial statement is correct, sufficient and credible.

- 2) Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment of any other services.

- 3) Reviewing with management the quarterly and annual financial statements before submission to the Board, focusing primarily on ;

- a) Any changes in accounting policies and practices.
- b) Major accounting entries based on exercise of judgment by management.
- c) Qualifications in draft audit report.
- d) Significant adjustments arising out of audit.
- e) The going concern assumption.
- f) Compliance with accounting standards.
- g) Compliance with stock exchanges and legal requirements concerning financial statement.
- h) Any related party transactions.

- 4) Reviewing with the management, external and internal auditors the adequacy of internal control systems.

- 5) Reviewing 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.

- 6) Discussion with internal auditors and any significant findings and follow up thereon.

- 7) Reviewing the findings of any internal investigations by the internal auditors into matters where suspected fraud or irregularity or a failure of the internal control systems of a material nature and reporting the matter to the board.

- 8) Discussion with external auditors before audit commences, about nature and scope of audit as well as post audit discussion to ascertain any area of concern.

- 9) Reviewing the Company's financial and risk management policies.

- 10) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non - payment of declared dividends) and creditors.

b) Composition of Audit Committee

The Audit Committee comprised of following members:

- 1) **Mr. R. Sankaran** Chairman (Non-Executive Independent Director)
- 2) **Dr. S. Rama Iyer** Member (Non-Executive Independent Director)
- 3) **Mr. Ravi Keswani** Member (Non-Executive Promoter Director)

Mr. R. Sankaran was appointed as Member w.e.f. 29.06.2009 and as Chairman w.e.f. 20.03.2010
 Dr. S. Rama Iyer was appointed as Member w.e.f. 20.03.2010.
 Mr. D. K. De Chaudhuri was appointed as member on 16.01.2008 and resigned on 27.04.2010.
 Mr. Ravi Keswani was appointed as Member w.e.f. 27.04.2010.

c) Meetings of Audit Committee

The Committee met 5 times during the Year 2010-2011 on 27.04.2010, 31.05.2010, 06.08.2010, 29.10.2010, and 01.02.2011.

The attendance of the members of the Committee were as follows :

Name of Member	Audit Committee Meeting held during Tenure of Members	No. of Meetings Attended
Mr. R. Sankaran	5	5
Mr. D K De Chaudhuri	1	1
Dr. S. Rama Iyer	5	5
Mr. Ravi Keswani	5	2

4. REMUNERATION COMMITTEE

a) Terms of Reference:

To ensure that remuneration packages are competitive keeping in view the prevalent compensation packages, so as to recruit and retain suitable individual(s) as Executive Director(s).

b) Composition of Remuneration Committee

The Remuneration Committee comprised of following Members:

- 1) **Mr. R. Sankaran** Member (Non-Executive Independent Director)
- 2) **Dr. S. Rama Iyer** Member (Non-Executive Independent Director)
- 3) **Mr. D. K. Khare** Member (Non-Executive Promoter Director)
- 4) **Mr. Arvind Dabar** Member (Non-Executive Promoter Director)

Mr. R. Sankaran was appointed as Member w.e.f. 20.03.2010
 Dr. S. Rama Iyer was appointed as Member w.e.f. 20.03.2010.
 Mr. D. K. De Chaudhuri was appointed as Member on 16.01.2008 and resigned on 27.04.2010.
 Mr. D. K. Khare was appointed as member w.e.f. 27.04.2010 and resigned on 12.10.2010
 Mr. Arvind Dabar was appointed as member w.e.f. 01.02.2011 and resigned on 17.05.2011

c) Meetings of the Remuneration Committee

The Committee met 2 times during the year 2010-11 on 6.08.2010 and 28.12.2010. The attendance of the members of the Committee were as follows :

Name of Member	Remuneration Committee Meeting held during Tenure of Members	No. of Meetings Attended
Mr. R. Sankaran	2	2
Dr. S. Rama Iyer	2	2
Mr. D. K. Khare	2	1
Mr. Arvind Dabar	-	-

d) Remuneration Policy

To compensate the Whole-time Director(s) in terms of the Agreement. Remuneration of the Managing Director was revised with effect from 1st April, 2010.

e) Details of Remuneration paid to all Directors I (Managing / Whole-time Directors)

Name of Executive Director	Salary (₹)	Commission (₹)	Perquisites and other benefits (₹)	Retirement benefits (₹)	Total (₹)
Mr. T. S. Das	3600000	NIL	5027303	603360	9230663
	3600000	NIL	5027303	603360	9230663

Presently, the Company does not have a scheme for grant of stock option either to the whole-time Director or Employees.

Sitting Fees and Commission to Non-Executive Directors:

Name of Non-Executive Director	Board Meeting (₹)	Audit Committee (₹)	Shareholders' Grievance Redressal Committee (₹)	Remuneration Committee (₹)	Executive Finance & Admin Committee (₹)	Operations Review Committee (₹)	Total (₹)
Mr. R. Sankaran	105000	50000	20000	20000	NIL	NA	495000
Dr. S. Rama Iyer	120000	50000	15000	20000	NA	30000	535000
	225000	100000	35000	40000	NIL	30000	1030000

5. SHAREHOLDERS' / INVESTORS' GRIEVANCE REDRESSAL COMMITTEE

a) Terms of Reference:

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

To look into the redressing of shareholders' and investors' complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividend, issue of duplicate share certificates etc.

b) Composition of the Shareholders / Investors Grievance Redressal Committee.

The Shareholders/Investors Grievance Redressal Committee is comprised of following Members:

- 1) **Dr. S. Rama Iyer** Member (Non-Executive Independent Director)
- 2) **Mr. R. Sankaran** Member (Non-Executive Independent Director)

Mr. R. Sankaran was appointed as Member w.e.f. 29.06.2009.

Dr. S. Rama Iyer was appointed as Member w.e.f. 27.04.2010.

Mr. D.K. De Chaudhuri was appointed as Member w.e.f. 16.01.2008 and resigned on 27.04.2010.

Mr. D. K. Khare was appointed as Member w.e.f. 27.04.2010 and resigned on 12.10.2011.

The Compliance Officer is Mr. Naresh Shah, Sr. Vice President (Legal) & Company Secretary.

c) Meetings of the Shareholders' / Investors' Grievance Redressal Committee

The Committee met 4 times during the Financial Year 2010-11 on 27.04.2010, 06.08.2010, 29.10.2010 and 01.02.2011. The attendance of the members of the Committee were as follows:

Name of Member	Shareholders / Investors Grievance Redressal Committee Meeting held during Tenure of Members	No. of Meetings Attended
Mr. R. Sankaran	4	4
Mr. D. K. De Chaudhuri	1	1
Dr. S. Rama Iyer	3	3
Mr. D. K. Khare	1	1

d) During the year under review 73 intimations were received from investors and all of them were replied / resolved to the satisfaction of the investors.

No complaints were received from investors during the year.

All requests for dematerialization were duly approved and dealt with by the Company.

No request for transfer and for dematerialization were pending for approval as on March 31, 2011.



6. EXECUTIVE FINANCE & ADMINISTRATION COMMITTEE

a) Terms of Reference:

- 1) Setting and reviewing the Company's financial policies, risk assessment. Reviewing capital structure, working capital and cash flow management and make such reports and recommendations to the Board with respect thereto as it may deem advisable.
- 2) Review banking arrangements and cash management.
- 3) Exercise all powers to borrow moneys Upto ₹20 Crores (otherwise than by issue of debentures), and taking necessary actions connected therewith including refinancing for optimization of borrowing costs as may be approved by the Board from time to time.
- 4) Giving of guarantees/ Corporate Guarantee / Performance Guarantee/ issuing letters of comfort / providing securities within the limits as may be approved by the Board from time to time.
- 5) Carry out any other function as is mandated by the Board from time to time and /or enforced by any statutory notification, amendment or modification as may be applicable.
- 6) Other transactions or financial issues that the Board may desire to have them reviewed by the Finance Committee.
- 7) Delegate authorities from time to time to the Executives / Authorized persons to implement the decisions of the Committee in terms of approval of Board from time to time.
- 8) Regularly review and make recommendations about changes to the charter of the Committee subject to approval by Board from time to time.

b) Composition of the Executive Finance & Administration Committee.

The Executive Finance and Administration Committee was formed on 30th June 2008.

The Executive Finance & Administration Committee is comprised of following Members:

- 1) **Mr. T. S. Das** Member (Executive Director)
- 2) **Mr. R. Sankaran** Member (Non-Executive Independent Director)

Mr. R. Sankaran was appointed as Member w.e.f. 20.03.2010

Mr. D. K. De Chaudhuri was appointed on 30.06.2008 and resigned on 27.04.2010.

c) Meetings of the Executive Finance & Administration Committee

The Committee did not hold any meeting during the Financial Year 2010-2011.

Name of Member	Finance & Administration Committee Meeting held during Tenure of Members	No. of Meetings Attended
Mr. T. S. Das	Nil	Nil
Mr. R. Sankaran	Nil	Nil



7. OPERATIONS REVIEW COMMITTEE

a) Terms of Reference:

- 1) The Committee should consider and review the status of various contracts under execution.
- 2) The Committee should also review the reports relating to Safety status / fatal accidents at company's various sites.

b) Composition of the Operations Review Committee.

The Operations Review Committee was formed on 31st October, 2010 and comprised of following Members:

- 1) **Mr. T. S. Das** Member (Executive Director)
- 2) **Dr. S. Rama Iyer** Member (Non-Executive Independent Director)
- 3) **Mr. Ravi Keswani** Member (Non-Executive Promoter Director)

Mr. D.K. De Chaudhuri was appointed as member on 31.10.2009 and resigned on 27.04.2010.
Mr. D. K. Khare was appointed as Member w.e.f. 27.04.2010 and resigned on 12.10.2010.

Meetings of the Operations Review Committee

The Committee met 3 times during the Financial Year 2010-11 on 14.05.2010, 09.09.2010 and 28.12.2010. The attendance of the members of the Committee were as follows:

Name of Member	Operations Review Committee Meeting held during Tenure of Members	No. of Meetings Attended
Mr. T. S. Das	3	3
Dr. S. Rama Iyer	3	3
Mr. Ravi Keswani	3	1
Mr. D. K. Khare	3	2



8. GENERAL MEETING

Details on Annual General Meeting

Location and time, where Annual General Meeting held in last 3 years:

Location	Date & Year	Time
At : "OASIS", Opp. Tata Institute of Social Science, Deonar, Mumbai 400 088	August 03, 2010	3.30 p.m
At : "OASIS", Opp. Tata Institute of Social Science, Deonar, Mumbai 400 088	September 18, 2009	3.30 p.m
At : "OASIS", Opp. Tata Institute of Social Science, Deonar, Mumbai 400 088	August 29, 2008	2.00 p.m

During the year 2010-11 the Company had issued Notice of Postal Ballot seeking approval of the Shareholders of the Company for followings:

Particulars	Approved by (%)
Increase in borrowing limits from ₹400 crores to ₹800 crores	99.995%
Authority to create charge / mortgage to secure the borrowing limits	99.994%
Increase in Remuneration of Mr. T. S. Das, Managing Director	99.991%

During the year 2010-11 Company did not hold any Extra-Ordinary General Meeting of Shareholders of the Company.



9. OTHER INFORMATION

a) Risk Management Framework :

The company has a mechanism to inform Board Members about the Risk Assessment and Minimization procedure to ensure that the risk is controlled by the Executives.

b) Code of Conduct :

The Company has laid down a Code of Conduct for all Board Members and Senior Management personnel of the Company. The Code of Conduct is available on the website of the Company www.petronengineering.com

The declaration of Managing Director is given below:

To the Shareholders of Petron Engineering Construction Limited
Sub: Compliance with Code of Conduct

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Mumbai, 25th May 2011

T. S. Das
Managing Director



10. DISCLOSURES

1) Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of Company at large.

There is no material transaction with related party which requires separate disclosure, except an award of works contract to Petron Civil Engineering Private Limited, an Associate Company for carrying Civil Construction out of the Order received by the Company from its client which has been approved by Government of India, Ministry of Corporate Affairs, Office of Regional Director, Western Region, Mumbai on 18th August, 2010 under Section 297(1) of the Companies Act, 1956.

2) There is no non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.



11. MEANS OF COMMUNICATION

Half-yearly report sent to each household of shareholders	No
Quarterly Results Which newspapers normally published in	"The Economic Times" & local Marathi News Paper "Maharashtra Times"
Any website, where displayed Whether it also displays official news releases and presentations made to institutional investors/analysts	www.petronengineering.com Yes, it displays official news and presentations on the day they are made / released.
Whether Management Discussion & Analysis is a part of annual report	Yes
Whether Shareholder Information section forms part of annual report	Yes



12. GENERAL SHAREHOLDERS INFORMATION:

a) Annual General Meeting	Thursday, the 7th July, 2011
Day & Date	Thursday, the 7th July, 2011
Time	3:30p.m.
Venue	The Bombay Presidency Golf Club Ltd., Dr. Choithram Gidwani Road, Chembur, Mumbai 400 074.
b) Financial Calendar	: (April 1, 2011– March 31, 2012)
i) 35th Annual General Meeting	7th July, 2011
ii) 1st Quarterly Result	On or before the end of the second week of August 2011 (Unaudited)
iii) 2nd Quarterly Result	On or before the end of the second week of November 2011 (Unaudited)
iv) 3rd Quarterly Result	On or before the end of the second week of February, 2012 (Unaudited)
v) 4th Quarterly Result	On or before the end of the second week of May, 2012 (Unaudited) OR will publish Audited Annual Accounts on or before 31st May, 2012.
c) Book Closure date	27th June, 2011 to 7th July, 2011 (both days inclusive).
d) Dividend payment Date	On or Before 31st July, 2011

e) Listing on Stock Exchanges :

Equity Shares of the Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Ltd.

The listing fees payable to the Stock Exchanges for the Financial Year 2011-12 have already been paid.

f) Custodian Fees to Depositories :

The Company has paid custodian fees for the year 2011-12 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of number of beneficial accounts maintained by them as on March 31, 2011.

g) Stock Code

Equity - BSE - 530381
NSE - Petron Engg. Eq.

h) ISIN No.

Equity - 742A01019

i) Market Price Data and Stock Performance

As per Annexure A

j) Registrar and Transfer Agents

M/s Sharepro Services (India) Pvt. Ltd
Samhita Complex
Gala No-52 to 56, Bldg No.13 A-B
Near Sakinaka Telephone Exchange
Andheri -Kurla Road, Sakinaka
Mumbai- 400 072
Telephone- 022-67720300
022-67720400
Fax No 022-28591568/28508927
E-Mail- sharepro@shareproservices.com

k) Share Transfer System

Share Transfer requests received in physical form is registered within an average period of 15 days. The Board had delegated powers of approving transfers of shares/debentures to the Managing Director and Company Secretary.

The Board/Shareholders' Grievance Redressal Committee approved the request for issue of duplicate Share Certificates etc. and with the assistance of the Sr. Vice President (Legal) & Company Secretary and Compliance Officer, redresses the complaints of the shareholders expeditiously.

Mr. Naresh Shah is the Compliance Officer. During the year no complaints were received from the shareholders. During the year 73 intimations were received from the shareholders and all were replied and received satisfaction of the shareholders.

As on date, none of the requests involving transfer of shares are under process.



Requests for dematerialization received from the share-holders are effected within an average period of 15 days.

- l) **Distribution of Shareholding**
As per Annexure.
- m) **Dematerialization of Shares**
7419164 Equity Shares which constitutes 98.42 % of the paid-up capital as on March 31, 2011 have been dematerialized.
- n) **Outstanding GDR/ADR/ Warrants Or any convertible Instruments Conversion Date and impact on Equity**
Not Applicable
- o) **Divisions & their Location**

Petron Mechanical Division:
Plot No. A-328,
T.T.C. Industrial Area, Mahape,
Thane - Belapur Road, THANE.

Rockwool Insulation Division:
Plot No. A-307,
T.T.C. Industrial Area, Mahape,
Thane - Belapur Road, THANE.

Petrofab Division:
Plot No. 224,
Padra - Jambusar Road,
Dabhasa,
BARODA 391440, GUJARAT.

- p) **Address for Correspondence**
- With the Company:**
Registered Office :
Swastik Chambers, 6th Floor
Sion Trombay Road, Chembur
Mumbai 400 071
Ph: 40856200/400, Fax : 67973509/10
E-Mail: nvshah@petronengineering.com
website: www.petronengineering.com

Shareholders correspondence should be sent to the above address. Shareholders holding any shares in electronic mode should address all their correspondence to their respective Depository Participants (Dps).

With the Registrars:
M/s Sharepro Services (India) Pvt. Ltd
Samhita Complex Gala No-52 to 56, Bldg No.13 A-B, Near Sakinaka Telephone Exchange, Andheri -Kurla Road, Sakinaka, Mumbai-400072
Telephone - 022-67720300 / 022-67720400
Fax No : 022-28591568/28508927
E-Mail - sharepro@shareproservices.com

NON-MANDATORY REQUIREMENTS

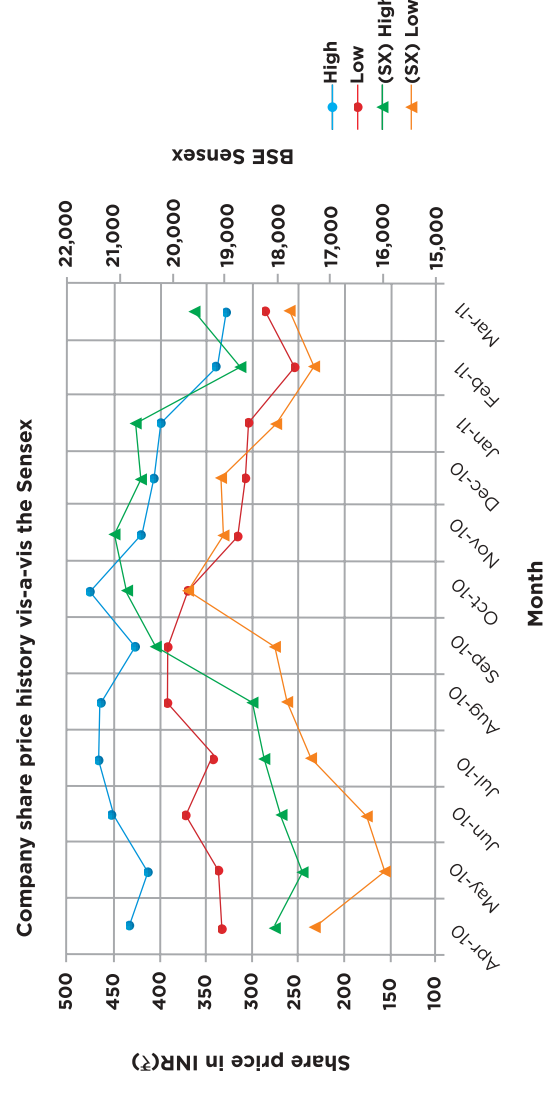
Shareholders' Rights:

RECOMMENDATION: The half yearly declaration of financial performance including summary of the significant events in the last six months should be sent to each household of shareholders.

As the Company's half yearly results are published in English newspapers having wide circulation and in local language newspapers, the same are not sent to each household of shareholders

Stock Exchange Market Price data for the year 2010-2011

MONTH	BSE PECL		BSE SENSEX (SX)		NSE PECL		NSE (INDEX)	
	High	Low	(SX) High	(SX) Low	High	Low	High	Low
Apr-10	430	333	18,048	17,277	428	341	5400	5161
May-10	414	336	17,537	15,960	415	336	5279	4786
Jun-10	453	372	17,920	16,318	454	370	5367	4961
Jul-10	466	342	18238	17,396	500	352	5478	5226
Aug-10	463	392	18,475	17,820	465	395	5550	5349
Sep-10	429	391	20,268	18,027	428	384	6074	5403
Oct-10	475	370	20,855	19,769	475	371	6284	5937
Nov-10	419	316	21,109	18,955	420	340	6339	5690
Dec-10	407	308	20,552	19,075	411	340	6147	5721
Jan-11	400	304	20,665	18,038	400	300	6181	5417
Feb-11	340	253	18,691	17,296	344	255	5599	5178
Mar-11	329	286	19,575	17,792	340	285	5872	5348



Distribution of Shareholders as on 31st March, 2011:

Number of Shares	Shareholders		Shareholding		
	Number	% to total	Number	% to total	
(1)	(2)	(3)	(4)	(5)	(6)
Upto 500	5226	92.74	517662	6.87	
501	1000	3.39	151942	2.01	
1001	2000	1.65	140835	1.87	
2001	3000	0.65	94152	1.25	
3001	4000	0.28	56867	0.75	
4001	5000	0.34	88828	1.18	
5001	10000	0.34	134759	1.79	
10001	above	0.59	6353355	84.28	
		5635	100	7538400	100

CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF
PETRON ENGINEERING CONSTRUCTION LIMITED,

We have examined the compliance of conditions of Corporate Governance by Petron Engineering Construction Limited (Company) for the year ended on March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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 examination and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance.

We further 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 Pradeep Purwar & Associates
Company Secretaries

Pradeep Kumar Purwar
Proprietor
C.P. No.: 5918
Company Secretaries

Mumbai, 25th May, 2011

Categories of Shareholders as on 31st March, 2011:

Category of Shareholders	No. of Shares Held	% of Shareholding
Promoters' Shareholding	3955523	52.47
Directors' and their Relatives	NIL	NIL
Mutual Funds	853444	11.32
Financial Institutions	2617	0.03
Banks	250	0.01
Bodies Corporate	454698	6.03
NRIs / OCBs	40718	0.54
Individuals (Public)	2231150	29.60
	7538400	100

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER TO THE BOARD

We have reviewed the financial statements, and the cash flow statement of Petron Engineering Construction Limited for the year ended March 31, 2011 and that to the best of our knowledge and belief, we state that;

- a) i) these financial statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- ii) these financial statements together present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct as applicable to the Board of Directors and Senior Management.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to be taken for rectifying these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee:
 - i) Significant changes in internal control over financial reporting during the year.
 - ii) Significant changes in accounting policies during the year.
 - iii) Instances of significant fraud of which we have become aware of and which involve management or other employees having a significant role in the Company's internal control system over financial reporting.

However, during the year there were no such changes or instances.

For and on behalf of the Board

T. S. Das
Managing Director

R. N. Pandey
Chief Financial Officer

Mumbai, 17th May, 2011

AUDITORS' REPORT



AUDITORS' REPORT

To the Members of, PETRON ENGINEERING CONSTRUCTION LIMITED

We have audited the attached Balance Sheet of **PETRON ENGINEERING CONSTRUCTION LIMITED**, as at 31st March 2011, the Profit and Loss Account and also the Cash Flow Statement 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.

We conducted our audit in accordance with the 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 the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the Act), we enclose in the Annexure, a Statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - a) 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;

b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

e) As per the information and explanations given to us and written representations received from the directors of the Company, we report that none of the Directors of the Company is disqualified as on 31st March 2011 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

f) Without qualifying our report, we draw attention to note no. B20(c) of schedule 21 regarding pending approval of the Central Government for managerial remuneration paid in earlier years as stated in the said note.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with accounting policies and note no. B8 of schedule 21 regarding inclusion of service tax as part of the revenue as stated in the said note, and read together with other notes to 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

ii) in the case of the Profit and Loss Account, of the profit 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.

For LODHA & CO.,
Chartered Accountants
FRN - 301051E

N.K. Lodha
Partner
Membership No. 85155

New Delhi, 17th May, 2011



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date of **PETRON ENGINEERING CONSTRUCTION LIMITED** for the year ended 31st March 2011)

- i) a) The Company has maintained proper records in respect of fixed assets showing full particulars including quantitative details and situation of fixed assets except in respect of certain fixed asset acquired during the year where the same is in process of updation.
- b) As explained to us, certain fixed assets have been physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which in our opinion is reasonable having regard to the size of the Company and the nature of its Fixed Assets. As explained, reconciliation of the book records and the physical assets has been done and there is no material discrepancy.
- c) As per the records and information and explanations given to us, Fixed Assets disposed off during the year were not substantial.

ii) a) As explained to us, inventories have been physically verified by the Management at reasonable intervals.

b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

c) On the basis of our examination of the records of the Company, we are of the opinion that the Company is maintaining proper records of inventory (read with note no. B9 of schedule 21). The discrepancies noticed on such physical verification of inventory as compared to book records were not material.

iii) a) According to the information and explanation given to us, the company has not granted any loans, secured or unsecured loan to companies, firms or other parties as covered in the register maintained u/s 301 of the Act. Accordingly, the clause 4 (iii) (b) to (d) of the order are not applicable.

b) The Company has not taken secured or unsecured loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Maximum outstanding balance during the year was ₹2,120 Lacs and year end balance was Nil pertains to loans taken in the previous year.

c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which aforesaid loan has been taken are not, prima facie, prejudicial to the interest of the company.

d) The repayment of principal amounts and interest during the year is as per stipulations.

iv) In our opinion and according to the information and explanations given to us, certain items purchased/ sold/ services rendered are of special nature for which, as explained, suitable alternative sources, do not exist for obtaining comparative quotations, taking into consideration the quality, usage and such other factors, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services (read with note no. B7(a) & B9 of schedule 21). Further, on the basis of examinations of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given, we have neither come across nor have been we informed of any instance of major weaknesses in aforesaid internal control systems.

v) a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

b) In our opinion and according to the information and explanations given to us, read with our comment in para (iv) above, transactions made in pursuance of contracts and arrangements entered into the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available.

vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A, 58AA and rules framed there under and the directives issued by Reserve Bank of India and other relevant provision of the Act. We have been informed that no order has been passed by the Company Law Board or National Company Law Tribunal or the Reserve bank of India or any Court or any other Tribunal in this regard.

vii) In our opinion, the Company's internal audit system is commensurate with the size of the company and nature of its business.

viii) To the best of our knowledge and as explained to us, the Central Government has not prescribed the maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956.

ix) a) In our opinion, and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Custom duty, Excise Duty, Cess and other material Statutory dues to the extent applicable with the appropriate authorities. On the basis of audit procedures followed, test checks of the transactions and the representations from the Management there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they became payable as at 31st March.

b) According to the records and information and explanations given to us, there are no dues in respect of Custom Duty and Wealth Tax that have not been deposited with the appropriate authorities on account of any dispute and the dues in respect of Sales Tax, Service Tax, Excise Duty, Income Tax & Cess that have not been deposited with the appropriate authorities on account of dispute and the Forum where the dispute is pending are given below:

Name of Statute	Nature of the dues	Year	Amount (₹)	Forum where dispute is pending
Orissa Sales Tax Act	Sales Tax	2004-05	2,096,675	Deputy Commissioner of Sales Tax (Appeals)
Tamilnadu General Sales Tax Act	Sales Tax	2002-04	2,130,150	High Court (Chennai)
Bombay Sales Tax Act	Sales Tax	2003-04	493,395	Joint Commissioner of Sales Tax (Appeals)
		2006-07	100,000	Asst. Commissioner of Sales Tax
Kolkata Sales Tax Act	Sales Tax	2006-08	3,396,817	Joint Commissioner of Commercial Tax
Uttar Pradesh Sales Tax	Sales Tax	2002-04	3,757,602	Asst. Commissioner of Sales Tax
Central Excise Act	Excise Duty	2001-02	640,954	CESTAT
		2004-05		
Finance Act, 1994	Service Tax	2004-06	7,132,888	Commissioner, Central Excise, Rohtak
		2008-09	622,703	Dy. Commissioner of Central Excise & Service Tax Division, Sitapur
Income Tax Act, 1961	Income Tax	2006-09	765,840,340	Commissioner of Income Tax (Appeals)
The Building and Other Construction Workers Welfare Cess Act, 1996	Worker Welfare Cess	2007-08	3,970,102	Bihar Building & Other Construction Workers Welfare Board
		2007-08	23,475,514	High Court (Madhya Pradesh)

x) The Company does not have accumulated losses as at end of the financial year and has not incurred cash losses during the financial year and in the immediately preceding financial year.

xi) In our opinion, on the basis of audit procedure and on the basis of information and explanation given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.

xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) The Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society. Therefore, the provisions of clause 4 (xiii) of the Order is not applicable to the Company.

xiv) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Order is not applicable to the Company.

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 on the basis of information and explanations given to us, the term loans raised during the year by the Company were applied for the purpose for which the loans were obtained where such end use has been stipulated by the lender.

xvii) According to the information and explanations given to us and on an overall examination of financial statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of usages of funds, we are of the opinion that, prima facie, as at the close of the year, short term funds have not been utilized for long term purposes.

xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under Section 301 of the Act during the year.

xix) Based on the examination of the documents and records made available and information and explanations given to us, the Company has not issued any debentures during the year.

xx) The Company has not raised money through public issue during the year.

xxi) Based on the audit procedures performed and on the basis of information and explanations provided by the management, no material fraud on or by the Company has been noticed or reported during the course of our audit nor we have been informed about any such instance.

For **Lodha & Co**
Chartered Accountants
FRN 301051E

N. K. Lodha
Partner
Membership No. 85155

New Delhi, 17th May, 2011

Financial Statements

BALANCE SHEET

		Schedule : As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
SOURCES OF FUNDS			
Shareholders' funds			
	1	75,384,000	75,384,000
	2	1,201,190,170	910,599,512
		1,276,574,170	985,983,512
Loan funds			
	3	283,287,023	245,560,885
	4	-	253,403,570
		283,287,023	498,964,455
		29,122,505	67,860,690
		1,588,983,698	1,552,808,657
APPLICATION OF FUNDS			
Fixed assets			
	5	1,733,630,172	1,409,059,075
		837,409,028	769,853,836
		896,221,144	639,205,239
		76,595,439	20,802,599
		972,816,583	660,007,838
	6	1,000	1,000
Current assets, loans and advances			
	7	669,520,533	421,665,279
	8	2,332,719,743	1,458,199,555
	9	84,664,866	162,531,547
	10	743,457,945	510,319,601
		3,830,363,087	2,552,715,982
Current liabilities & Provisions			
	11	2,838,749,957	1,449,444,842
	12	375,447,015	210,471,321
		3,214,196,972	1,659,916,163
		616,166,115	892,799,819
		1,588,983,698	1,552,808,657
	21		

Statement of significant accounting policies & notes to financial statements forming part of balance sheet

As per our report of even date

For **Lodha & Co**
Chartered Accountants
FRN 301051E

N. K. Lodha
Partner
Membership No. 85155

New Delhi, 17th May, 2011

For and on behalf of the Board

T. S. Das
Managing Director

R. N. Pandey
Chief Financial Officer

Ravi Keswani
Director

Nareesh Shah
Sr. VP (Legal) &
Company Secretary

Mumbai, 17th May, 2011

PROFIT AND LOSS ACCOUNT

INCOME	Schedule	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Sales and contracts revenue (gross)	13	5,030,163,509	5,342,521,383
Less: Excise duty		39,123,436	22,827,702
Net sales and contracts revenue		4,991,040,073	5,319,693,681
Other income	14	23,254,663	17,857,434
5,014,294,736		5,337,551,115	
EXPENDITURE			
Material consumed and cost of goods sold	15	1,218,279,653	1,386,130,625
Operating expenses	16	2,246,310,580	2,534,826,708
Personnel cost	17	886,917,146	852,219,722
Administration and establishment expenses	18	53,898,398	47,897,290
4,405,405,777		4,821,074,345	
Profit before interest, depreciation, tax and transfer from revaluation reserve		608,888,959	516,476,770
Interest	19	38,092,134	67,506,454
Depreciation	20	109,267,359	90,320,057
Profit/(Loss) before tax		461,529,466	358,650,259
Provision for tax			
Current tax		181,883,760	121,328,108
Deferred tax		(38,738,185)	(1,510,563)
Income-tax for earlier year		8,846,361	-
Profit/(Loss) after tax		309,537,530	238,832,714
Balance in profit & loss account brought forward		480,935,746	283,683,900
Amount available for appropriation		790,473,276	522,516,614
Appropriations			
Proposed dividend		15,076,800	15,076,800
Tax on proposed dividend		2,445,834	2,504,068
Transfer to general reserve		32,500,000	24,000,000
Balance Carried forward		740,450,642	480,935,746
790,473,276		41.06	31.68
Basic earnings per equity share		41.06	31.68
Diluted earnings per equity share		41.06	31.68
Statement of significant accounting policies & notes to financial statements forming part of Profit & Loss Account	21		

As per our report of even date

For **Lodha & Co**
Chartered Accountants
FRN 301051E**N. K. Lodha**
Partner
Membership No. 85155

New Delhi, 17th May, 2011

For and on behalf of the Board

T. S. Das
Managing Director**R. N. Pandey**
Chief Financial Officer

Mumbai, 17th May, 2011

Ravi Keswani
Director**Naresh Shah**
Sr. VP (Legal) &
Company Secretary

STATEMENT OF CASH FLOWS

	for the year ended As at 31.03.2011 (₹)	for the year ended As at 31.03.2010 (₹)
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	461,529,466	358,650,259
Adjustments for		
a) Depreciation	109,267,359	90,320,057
b) Interest	38,092,133	67,506,454
c) Interest income	(4,552,821)	(4,869,036)
d) Provision for doubtful debts	21,503,907	-
e) Provision for wealth tax	12,521	35,633
f) Foreign exchange fluctuation gain (Unrealised)	(214,000)	-
g) Foreign exchange fluctuation loss (Unrealised)	-	8,002,917
h) Assets written off	-	9,040,912
l) Profit on sale of fixed assets	(1,990,740)	(19,014,073)
j) Loss on sale of fixed assets	1,233,093	12,227,752
Operating profit before working capital changes	624,880,918	521,900,875
a) Inventories	(247,855,254)	249,123,785
b) Sundry debtors	(895,810,096)	(519,564,985)
c) Loans and advances	(166,389,431)	(10,232,887)
d) Trade and other payables	1,398,137,916	82,637,473
Cash generated from operations	712,964,053	323,864,261
Taxes paid	(101,343,302)	(111,935,006)
Net cash provided by/(used in) operating activities (A)	611,620,751	211,929,255
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows		
a) Sale of fixed assets	4,141,324	28,647,627
b) Interest received	814,771	4,869,036
Outflows		
a) Acquisition of fixed assets	426,884,020	146,188,911
Net cash provided by/(used in) investing activities (B)	(421,927,925)	(112,672,248)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows		
a) Proceeds from term loan	201,097,521	80,000,000
b) Proceeds from working capital borrowings	75,000,000	-
Outflows		
a) Repayment of working capital borrowings	438,930,984	93,403,913
b) Dividend/Dividend tax paid	17,580,868	398
c) Interest on debenture	-	44,500
d) Redemption of preference share capital	-	24,960
e) Repayment of term loans	54,794,182	19,938,775
f) Interest paid (net)	32,350,994	66,597,758
Net cash provided by/(used in) financing activities (C)	(267,559,507)	(100,010,305)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(77,866,681)	(753,298)
Cash and cash equivalents at the beginning of the year	162,531,547	163,284,845
Cash and cash equivalents at the end of the year (as per Schedule 9)	84,664,866	162,531,547
Net increase/(decrease) in cash and cash equivalents	(77,866,681)	(753,298)

Cash and cash equivalents includes ₹68,981,389 (Previous year ₹54,873,804) of fixed deposits/margin money/cash collateral pledged with banks.

As per our report of even date

For **Lodha & Co**
Chartered Accountants
FRN 301051E**N. K. Lodha**
Partner
Membership No. 85155

New Delhi, 17th May, 2011

For and on behalf of the Board

T. S. Das
Managing Director**R. N. Pandey**
Chief Financial Officer**Ravi Keswani**
Director**Naresh Shah**
Sr. VP (Legal) &
Company Secretary

Mumbai, 17th May, 2011

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 1		
Share capital		
Authorised		
10,000,000 (previous year:10,000,000) equity shares of ₹10 each	100,000,000	100,000,000
Issued, subscribed and paid up[^]		
7,538,400 (previous year:7,538,400) equity shares of ₹10 each fully paid-up	75,384,000	75,384,000
	75,384,000	75,384,000

[^]Of the total equity shares of the Company:

- a) 3,922,327 (previous year: 3,922,327) equity shares are held by Petron Investments Private Limited (the 'Holding Company') - including 27 shares issued to the Holding Company out of fractional entitlement of bonus shares). 14,000 (previous year: 14,000) equity shares were allotted as fully paid-up, pursuant to contract, without payment being received in cash.
- b) 4,704,060 (previous year: 4,704,060) equity shares issued as bonus shares by way of capitalisation of general reserve

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 2		
Reserves and surplus		
Capital reserve		
at the commencement of the year	159,000	-
additions/(deductions) during the year	-	159,000
	159,000	159,000
Debentures forfeiture		
at the commencement of the year	-	35,000
additions/(deductions) during the year	-	(35,000)
	-	-
Revaluation reserve		
at the commencement of the year	61,371,616	62,795,855
additions/(deductions) during the year	(1,424,239)	(1,424,239)
	59,947,377	61,371,616
Securities premium account		
at the commencement of the year	95,109,150	95,109,150
additions/(deductions) during the year	-	-
	95,109,150	95,109,150
General reserve		
at the commencement of the year	273,024,000	249,024,000
additions/(deductions) during the year	32,500,000	24,000,000
	305,524,000	273,024,000
Profit & loss account		
at the commencement of the year	480,935,746	283,683,900
additions/(deductions) during the year	259,514,896	197,251,846
	740,450,643	480,935,746
	1,201,190,170	910,599,512

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 3		
Secured loans*		
From banks		
Term loans**	191,671,001	71,791,655
Working capital facilities	63,241,814	173,769,230
From others		
Term loans	28,374,208	-
	283,287,023	245,560,885

*read with note no. B2 of Schedule 21

**includes interest accrued and due of ₹1,950,215 (previous year: ₹679,655)

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 4		
Unsecured loans***		
Loans and advances		
from holding company	-	15,806,890
from bodies corporate	-	237,596,680
	-	253,403,570

***includes interest accrued and due to Holding Company of ₹NIL (previous year: ₹3,806,890) and bodies corporate ₹NIL (previous year: ₹37,596,680)



SCHEDULE FORMING PART OF THE BALANCE SHEET

Schedule 5		As at 01.04.2010 (₹)		As at 31.03.2011 (₹)		As at 31.03.2010 (₹)	
Fixed Assets							
Revalued fixed assets	93,429,659	-	93,429,659	28,477,635	1,522,903	1,522,903	28,477,635
Office building	147,643,724	-	147,643,724	147,643,724	-	-	147,643,724
Plant & machinery	241,073,383	-	241,073,383	176,121,359	1,522,903	-	177,644,262
Sub total (a)	441,146,766	-	441,146,766	324,242,718	3,045,806	-	327,288,524
Other fixed assets							
Land - freehold	33,356,081	-	33,356,081	-	-	-	33,356,081
Land - leasehold	1,484,545	-	1,484,545	242,875	16,160	-	1,241,670
Buildings & temporary structures	148,578,994	69,404,987	45,375,446	172,608,535	62,265,197	35,784,515	117,123,154
Plant & machinery	880,418,600	282,776,280	861,863	1,162,333,017	493,533,683	61,394,380	303,441
Furniture & fixture	64,737,431	18,901,588	-	83,639,019	15,705,860	9,882,273	25,588,133
Vehicles	39,410,041	8,325	282,774	39,135,592	21,984,862	2,091,367	268,635
Sub total (b)	1,167,985,692	371,091,180	46,520,083	1,733,630,172	769,853,836	110,691,598	43,136,407
Total (a+b)	1,409,059,075	371,091,180	46,520,083	1,733,630,172	769,853,836	110,691,598	43,136,407
Capital work-in-progress	-	-	-	56,042,165	-	-	-
Capital advances	-	-	-	20,553,274	-	-	-
Sub total (c)	-	-	-	76,595,439	-	-	-
Total (a+b+c)	1,409,059,075	371,091,180	46,520,083	1,810,225,611	769,853,836	110,691,598	43,136,407
Previous Year	1,289,985,059	182,091,112	63,017,097	1,409,059,074	710,224,419	91,744,296	32,114,879
	660,007,838	972,816,583	660,007,838	660,007,838	660,007,838	660,007,838	660,007,838

Note: 1) Office building and certain plant & machinery of the Company were revalued on March 31, 1994 based on report of a professional valuer, by crediting the enhancement in value to revaluation reserve.

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 6	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Investments (long-term, unquoted, untraded)		
Government and trust securities		
Seven year National Savings Certificate (1 no.)*	1,000	1,000
	1,000	1,000

*pledged with Central Excise authorities

Schedule 7	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Inventories		
(as valued and certified by the management)		
(at lower of cost or net realisable value)		
Construction materials, stores & spares, loose tools etc.	7,356,221	7,044,670
Finished goods (trading)*	1,674,383	3,363,261
	9,030,604	10,407,931
Work-in-progress, projects		
Due from customers	660,489,929	411,257,348
	669,520,533	421,665,279

* includes stock in transit of ₹1,674,383 (previous year ₹Nil)

Schedule 8	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Sundry debtors (Unsecured, considered good, unless otherwise stated)		
Debts outstanding for a period exceeding six months	239,805,356	182,201,347
Other debts	2,092,914,387	1,275,998,208
	2,332,719,743	1,458,199,555

Sundry debtors include retention money (receivable from customers) aggregating to ₹511,871,024 of which ₹35,769,738 is outstanding more than 6 months (previous year: ₹389,607,441 of which ₹72,286,435 is outstanding more than 6 months)

Schedule 9	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Cash and bank balances		
Cash on hand	5,053,344	14,586,160
Cheques on hand and remittances in-transit	4,000,000	-
Balance with scheduled banks		
Current account	5,860,391	92,405,956
Fixed deposit/margin money/cash collateral*	68,981,389	54,873,804
Current dividend account	407,956	310,963
Balance with other banks		
Current Account**	361,786	354,664
	84,664,866	162,531,547

*pledged with respective banks

**maximum balance outstanding during the year in current accounts

Gulf Bank, Kuwait

361,786

8,886,190

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 10		
Loans & advances (Unsecured/considered good unless otherwise stated)		
Loans to employees	323,000	134,000
Advances recoverable in cash or in kind or for value to be received	243,899,884	125,988,406
Deposits with government departments/agencies	4,187,488	3,916,022
Other deposits	10,894,350	13,028,024
Sales tax/VAT/works contract tax deducted at source	158,319,335	104,430,124
Income tax advance payments	325,833,888	262,823,025
	743,457,945	510,319,601

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 11		
Current liabilities		
Acceptances	33,440,381	16,449,690
Sundry creditors		
Micro, small and medium enterprises*	257,049	537,426
Others	695,513,245	490,588,335
Advances from customers	1,119,226,218	369,451,821
Due to customers	637,909,897	308,362,480
Amount to be deposited in Investor Education & Protection Fund, when due		
Unclaimed dividend	407,966	310,967
Interest accrued but not due on loans	121,869	229,041
Other liabilities	351,873,332	263,515,082
	2,838,749,957	1,449,444,842

*refer note no B11 of Schedule 21

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 12		
Provisions		
Proposed dividends (including dividend tax)	17,522,634	17,580,868
Provision for retirement benefits	22,704,397	13,749,725
Provision for taxation	335,219,984	179,140,728
	375,447,015	210,471,321

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Schedule 13		
Sales & Contracts revenue		
Revenue from construction contracts/projects		
Works bills	4,892,909,545	5,617,592,606
Add: Closing work-in-progress projects (net of due to customers ₹637,909,897 (previous year : ₹308,362,480))	22,580,032	102,894,868
Less: Opening work-in-progress, projects (net of due to customers ₹308,362,480 (previous year : ₹169,587,074))	102,894,868	490,322,697
	4,812,594,709	5,230,164,777
Fabrication charges	152,379,748	84,351,526
Income from hire charges	30,973,078	19,729,543
Income from management/manpower support services	34,215,974	8,275,537
	5,030,163,509	5,342,521,383

	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Schedule 14		
Other income		
Profit on sale of fixed assets (net of loss of ₹1,233,093)	757,647	-
Interest - others	49,968	364,543
Interest on tax refunds	8,743,369	-
Interest income on margin money deposits	4,502,852	4,504,493
Provision no longer required written back	46,674	3,604,960
Miscellaneous receipts	7,154,802	1,830,998
Foreseeable losses written back (net)	-	7,552,440
Foreign exchange fluctuations (net)	1,999,351	-
	23,254,663	17,857,434

	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Schedule 15		
Materials consumed and cost of goods sold		
Opening stock of materials, stores & spares etc.	10,407,931	10,879,293
Add: Purchases during the year	1,218,668,253	1,386,411,531
	1,229,076,184	1,397,290,824
Less: Scrap sales	1,765,927	752,268
	1,227,310,257	1,396,538,556
Less: Closing stock of materials, stores & spares etc.	9,030,604	10,407,931
	1,218,279,653	1,386,130,625

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Schedule 16		
Operating expenses		
Sub contracting expenses	1,155,358,475	1,343,886,877
Hire charges - plant & machinery and others	1,84,775,030	168,983,734
Site operating expenses	12,881,840	10,729,920
Freight, forwarding and clearing charges	39,312,369	55,727,515
Insurance	11,906,387	7,856,716
Power & fuel	20,314,389	33,736,392
Repairs		
Plant & machinery	55,662,006	24,332,303
Others	5,919,130	2,593,869
Technical services	119,338,231	57,700,745
Rates & taxes	5,345,557	5,460,005
Travelling & conveyance	61,289,927	58,675,274
Foreign exchange fluctuations (net)	-	7,013,088
Prior period expenses (net)	2,963,241	7,955,996
Guarantee commission and bank charges	38,839,465	44,855,527
Bad debts/advances written off	3,833,995	94,536,534
Provision for doubtful debts	21,503,907	-
Sales tax/works contract tax	41,797,316	101,257,387
Service tax	364,420,637	378,987,694
Other direct expenses	100,848,678	130,537,132
	2,246,310,580	2,534,826,708

	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Schedule 17		
Personnel cost		
Salaries, wages and bonus etc.	727,698,116	713,748,947
Contribution to provident and other funds	58,773,953	53,462,124
Workmen and staff welfare expenses	100,445,077	85,008,651
	886,917,146	852,219,722

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Schedule 18		
Administration and establishment expenses		
Rent	4,275,574	4,633,360
Rates & taxes	6,769,681	1,305,848
Power & Fuel	4,449,475	3,768,552
Repair to building	594,118	3,049,583
Printing & stationery	9,230,222	7,513,941
Telephone & other communication expenses	8,584,777	8,634,298
Travelling & conveyance	11,165,675	6,803,113
Sitting fees to non-executive independent directors	430,000	590,000
Legal & Professional fees	3,287,635	2,961,893
Loss/(gain) on sale/discard of fixed assets (Previous year net of gain of ₹19,014,074)	-	2,254,590
Miscellaneous expenses	3,698,720	5,746,479
Commission to non-executive independent directors	1,400,000	600,000
Wealth tax	1,2521	35,633
	53,898,398	47,897,290

	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Schedule 19		
Interest		
Interest on term loans	17,148,241	5,027,718
Interest on working capital borrowings	8,965,989	20,911,328
Interest on others	11,977,904	41,567,408
	38,092,134	67,506,454

	Year Ended 31.03.2011 (₹)	Year Ended 31.03.2010 (₹)
Schedule 20		
Depreciation		
Depreciation on gross block	110,691,598	91,744,296
Less: Depreciation on revalued portion of fixed assets	1,424,239	1,424,239
	109,267,359	90,320,057

Schedule 21

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Background & nature of operations

Petron Engineering Construction Limited is a company incorporated on 19th July, 1976 under the Companies Act, 1956 (the 'Act'). The Company is primarily engaged in the business of engineering, procurement and construction of plants for oil refineries, power, cement, petrochemical, fertiliser and other industries.

2. Basis of accounting, use of estimates and preparation of financial statements

The Company maintains its accounts on accrual basis, unless stated otherwise, following the historical cost convention (except for the revaluation of certain fixed assets) in accordance with generally accepted accounting principles in India (the 'GAAP') and comply with the applicable accounting standards (the 'AS').

The preparation of financial statements in conformity with the GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as at the date of the financial statements. Actual results could differ from these estimates. Difference between the actual results and estimates are recognised in the period in which determined.

3. Revenue recognition

- a) Sales and contract revenue include duty, taxes and adjustments towards price variation as per contracts, wherever applicable.
- b) Revenue is recognised based on the nature of activity to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured with reasonable certainty of its recovery.
- c) Revenue from sale of goods is recognised when substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.

- d) Revenue from engineering and construction contracts and project-related activities is recognised in accordance with Accounting Standard (the 'AS') -7 (Revised), Construction Contracts, issued by the Institute of Chartered Accountants of India (the 'ICAI') by adding the aggregate cost and proportionate margin using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred-to-date for work performed to estimated contract cost. Unbilled revenue is carried as project work-in-progress.

As the long-term contract necessarily extends beyond one year, revision of cost and revenue estimated during the course of the contract are reflected in the accounting period in which the facts requiring such revision become known.

- e) The revenue on account of extra claims and the expenditure on account of liquidated damages/cost escalations on construction contracts are accounted for at the time of acceptance/settlement by the customers due to uncertainties attached thereto. Similarly, insurance claims are accounted for on settlement with insurers.

- f) Revenue from service related activities including hire charges are recognised in accordance with the terms of agreements with the customers.

- g) Other items of income are accounted as and when the right to receive arises.

4. Employee benefits

a) Short-term benefits

These are recognised as an expense at the undiscounted amount in the profit and loss account of the period in which the related services are rendered.

b) Defined contribution plans

The Company has defined contribution plans for post employment benefits in the form of superannuation fund for management employees, provident fund for all employees and employees' state insurance (the 'ESI') scheme, as applicable, which are managed by the Life Insurance Corporation of India, Regional Provident Fund Office and the ESI Corporation respectively. These contributions are recognised as expenses of the period when employees have rendered services entitling them to contributions.

c) Defined benefit plans

The Company has defined benefit plans for post-employment benefits in the form of gratuity for all employees which are managed by a separate trust. The provisions for such benefits are accounted as an expense of the period to which it relates based on the basis of actuarial valuation carried out by the independent actuary using the projected unit credit method.

d) Other long-term benefits

Liability for leave encashment is recognised as an expense of the period to which it relates based on the actuarial valuation carried out by the independent actuary using the projected unit credit method. The provision for sick leave, if warranted, is made based on prudent accounting practices.

Actuarial gains/losses in respect of post-employment and other long-term benefits are charged to the profit and loss account.

5. Fixed assets

Fixed assets are stated at cost of acquisition (except for the items of revalued assets which are stated at the values determined by the approved valuers) less accumulated depreciation/amortisation/impairment. The cost of acquisition includes attributable interest and all expenses of bringing the respective fixed assets to working condition for the intended use. Own manufactured fixed assets are capitalised at cost including an appropriate share of overheads.

6. Leases

a) Finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease arrangements where the risks and benefits incidental to ownership and control of the leased item substantially vest with the lessor, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight line basis over the lease term.

b) Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

c) Assets leased out under operating lease are capitalised. Rental income is recognised on accrual basis over the lease term.

d) Initial direct costs relating to assets given on finance leases are charged to profit and loss account.

7. Depreciation & Amortisation

a) Owned assets

Depreciation on owned fixed assets is provided based on Straight Line Method (the 'SLM') in accordance with the rates and manner provided in the Schedule XIV to the Act (except leasehold land which is amortised over the period of lease).

b) Revalued assets

Depreciation is provided as per the SLM on the values and at the rates given by the approved valuers. The difference between depreciation provided based on revalued amount and that on historical cost is transferred from revaluation reserve to profit and loss account.

c) Assets carried at historical cost

For additions to fixed assets prior to 1st June, 1986 – by applying the rates of depreciation prescribed under the Income-tax Act, 1961 and rules made thereunder in force as on the respective dates of additions.

For additions to fixed assets on or after 1st June, 1986 – by applying the rates of depreciation in force on the respective dates of additions as prescribed in Schedule XIV to the Act as per the SLM (except on temporary/construction buildings which are depreciated over the expected life of the project). Depreciation on assets costing ₹5,000 or less is at the rate of 100%.

d) Leased assets

Assets acquired under finance leases are depreciated based on SLM over the lease term. Where there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term, such assets are depreciated at the rates prescribed under Schedule XIV to the Act or at the higher rates adopted by the Company for similar assets.

8. Impairment of assets

a) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

b) After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

c) Impairment loss recognised in an earlier period will be reversed in a later period depending on changes in circumstances to the extent that the

discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

9. Investments

Long-term investments are measured at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

10. Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying fixed asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

11. Inventories

Inventories are valued after providing for obsolescence, as under:

- a) Finished & semi-finished goods, raw materials, components, construction materials, stores, spares and loose tools & tackles at lower of cost or net realisable value.
- b) Cost includes related overheads determined on the first in first out basis.

12. Foreign exchange transactions and translations

- a) The reporting currency of the Company is Indian Rupee. The Company translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities (for e.g. cash, receivables, payables etc.) denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the balance sheet date. Non-monetary items (fixed assets, inventories, investments etc.) which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- b) All exchange differences arising on the settlement/restatement are recognised as income or expenses in the period in which they arise except those arising from investments in non-integral operations.

c) All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself. In translating the financial statements of a non-integral foreign operation for incorporating in financial statements, the Company translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral operations are translated using rates at the date of transactions.

13. Sales tax and excise duty on works contract

Where the Company has contractual right to claim amounts, invoiced as taxes, from the clients, the same are not charged as expenditure and in other case where liability would be on the Company, it is accounted for on accrual basis.

14. Income taxes

Tax expense comprises of current and deferred tax. Current income-tax and fringe benefit tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income-tax Act, 1961, and based on the expected outcome of assessments/appeals.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the period, and quantified using the tax rates and laws enacted or substantively enacted as at the balance sheet date.

Deferred tax assets are recognised and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

15. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted number of equity shares outstanding during the period is adjusted for events of bonus issue, share split, and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares equity outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.



16. Provisions, contingent liabilities and contingent assets

- a) Provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current estimates.
- b) Contingent liabilities are disclosed where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.
- c) Contingent assets are not recognised.

B. NOTES TO THE FINANCIAL STATEMENTS



1. All amounts in the financial statements are presented in Indian Rupees except per share data, earnings per share and as otherwise stated. Figures/information in brackets (except the serial numbers) represent corresponding previous year figures/information in respect of profit & loss items and in respect of balance sheet items as at the balance sheet date of the previous year, unless specified otherwise. Figures for the previous year have been reworked/regrouped/rearranged/reclassified wherever considered necessary to conform to the figures presented in the current year.



2. Secured loans

- a) Working Credit facilities from banks are secured by way of:
 - i) *Pari passu* charge on whole of the current assets including stock of raw materials, stock-in-process, semi-finished & finished goods, consumables, stores, spares, bills receivables, book debts and all other movables both present and future.
- ii. **Collateral securities as follows:**
 - i) *Pari passu* charge on the following assets of the Company:
 - Factory land & building on block no. 222, 223, 224, 218 & 221 admeasuring 31,093 sq. mtrs or thereabouts bearing survey no. 3712, 3713, 3714, village Dabhasa, Taluka Padra, Dist. Baroda, Gujarat.
 - Office block unit no.601, 602, 603, 610, 622, 623 and 624 having total area of 15,688 sq. ft. on 6th floor, Swastik Chambers, Sion Trombay Road, Chembur, Mumbai 400071.
 - Office block unit no.611 to 621 having total built up area of 9,759 sq. ft. on 6th floor, Swastik Chambers, Sion Trombay Road, Chembur, Mumbai 400071.

- Office block unit no.15 & 16 admeasuring 1,160 sq. ft. on Ground Floor, Swastik Chambers, Sion Trombay Road, Chembur, Mumbai 400071
- ii) *Pari passu* charge on the following plant & machinery:
 - Entire heavy plant & machinery and fixtures (excluding cranes)
 - Amhoist Crawler crane model no. 11250 - [serial no. GS 174444]
 - Amhoist Crawler crane model no. 9310 [serial no. GS 184442]
 - Amhoist Crawler crane model no. 11320 [serial no. GS 193442]
 - iii) Corporate guarantee of the holding company - Petron Investments Private Limited

III. Project-specific credit facilities from banks:

- i) Exclusive charge on all current assets specific to the projects including but not limited to raw material, finished goods, work in progress, receivables and the contract receipts from the obligors.
 - ii) Exclusive charge on all monies deposited/credited or caused to be deposited/credited into the project accounts with respective banks.
- b) Term loans
 - I. Term loans from banks of ₹191,671,001 are secured by charge on plant & machinery acquired out of the said loan.
 - II. Term loans from others of ₹28,374,208 are secured by charge on plant & machinery acquired out of the said loan.



3. Fixed Assets

- a) Revaluation of fixed assets

Based on the valuation carried out by approved valuer, certain categories of fixed assets i.e. freehold land, office building at Swastik Chambers and heavy plant & machinery have been revalued as at 31st March, 1994. The consequential incremental value of ₹213,489,876 over the written down value i.e. original cost less depreciation as at 31st March, 1994 has been credited to revaluation reserve under Reserves & Surplus. The balance in revaluation reserve represents the above value as reduced by adjustments for sale of revalued assets and for depreciation element on the incremental value since the date of revaluation.

b) Details of fixed assets

Cost of other buildings include:

- i) Temporary buildings at sites – gross block of ₹119,269,923 and net block of ₹81,407,444 (₹95,240,382 & ₹48,819,977) respectively. These are written off over the expected duration of the respective projects.
- ii) Cost of investments amounting to ₹753 being the cost of shares in Swastik Chambers Owners' Co-operative Society Limited made in connection with the ownership rights of the office.



4. a) Contingent liabilities not provided for (as certified by the management):

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
i) Sales tax matters in appeal	7,707,706	4,948,328
ii) Excise duty matters in appeal	690,954	690,954
iii) Service tax matters in appeal and in respect of pending notices excluding interest etc., the amount of which is unascertainable	10,133,216	12,029,706
iv) Income-tax matters	765,840,340	1,815,791
v) Labour matters and other litigations	4,366,437	4,446,437

- b) The Company has challenged the applicability of labour welfare cess on the gross value of the contracts under the Building and Other Construction Workers Welfare Cess Act, 1996 before the Honorable High Court of Madhya Pradesh – the 'MP'. On the direction of the honorable High Court, Company has filed an appeal to Appellate Authority in Indore. The appeal was subsequently dismissed by the Appellate Authority and being aggrieved by the said order, Company is in the process of filing fresh writ petition before the Honorable High Court of MP. Accordingly provision of ₹23,475,514 (₹22,742,405) has not been made for levy of cess.

c) Others:

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
i) Bank guarantees issued by the banks on behalf of the Company	3,301,004,840	1,930,497,467
ii) Inland/foreign letters of credit issued by the banks on behalf of the Company	281,858,984	38,779,794

The Company does not expect any material liability in respect of above contingent items, the effect of which, if any, will be taken as and when these are settled/assessed.

5. Commitment for capital expenditure is ₹104,199,303 (₹93,600,776).

6. In the opinion of the management, current assets and loans & advances have a realisable value in ordinary course of the business at least equal to the amounts at which they are stated in the Balance Sheet.

7. a) Balances of certain debtors, creditors, loans & advances including those at closed sites and other liabilities are in process of confirmation/reconciliation. The impact of consequential adjustments on the profit and assets/liabilities would not be material in the opinion of the management, on such confirmation/reconciliation/final settlement.

- b) Sundry debtors exceeding six months are net of provisions for doubtful debts of ₹21,503,907 (₹Nil).

8. As per the past practice, service tax has been included in Sales and contracts revenue [gross]. Accordingly, gross revenue includes the said taxes amounting to ₹364,420,637 (₹380,751,097), this has no impact on the profit of the respective years.

9. As per the past practice, material consumption is accounted for opening stock plus purchases less closing physical stock as physically verified by the management.

10. a) There have been major delays and cost overruns on long-term fixed price contracts with Bharat Heavy Electricals Limited – the 'Client' – at Kahalgaon, Bihar – the 'project location' – on account of the Client's failure to provide the front, free issue materials and cranes/equipment. This was further aggravated by the labour unrest at the Client's project location. The Company had represented to the Client for relief and compensation; however the Client unilaterally and arbitrarily rejected the same and called the bonds for advance payments and performance. In earlier year, the Company had, as per the terms of the tender document, asked Client to appoint a Sole Arbitrator to settle various claims which inter alia include compensation of ₹32,550,000 for its assets detained and outstanding payment of ₹21,503,907 and accordingly, the statements of facts & claims were submitted by the Company and Client before the Sole Arbitrator.

- b) The Company had also filed a petition before honorable High Court of Calcutta u/s 9 of the Arbitration & Conciliation Act, 1996 for an interim relief and release of Company's assets – detained by the Client as stated in para (a) above. The honorable High Court of Calcutta appointed a Special Officer vide its order dated 3rd February, 2010 who made an inventory of the equipment, plant & machinery, tools, tackles etc. so detained and the

Company forwarded Special Officer's report to the Arbitrator on 24th May, 2010 to initiate necessary action. During the year the Sole Arbitrator has ordered (vide its order dated 15.03.2011) to release the above stated detained assets.

11. Micro, small and medium enterprises

The management has the process of identifying enterprises which qualify under the Micro, Small and Medium Enterprises Development Act, 2006 and have provided goods and services to the Company. Accordingly, the disclosure in respect of the amount payable to such enterprises as at 31st March, 2011 is made based on the information received from such enterprises:

	2010-11 (₹)	2009-10 (₹)
a) (i) Principal amount remaining unpaid to supplier as on 31st March, 2011	257,049	537,426
(ii) Interest on a(i) above	-	-
b) (i) The amount of principal paid beyond the appointed date	-	-
(ii) The amount of interest paid beyond the appointed date	-	-
c) Amount of interest due and payable on delayed payments	-	-
d) Amount of interest accrued and due as at 31st March, 2010	-	-
e) Amount of further interest remaining due and payable even in succeeding years (in case of entities registered prior to 31st March, 2008)	-	-
f) Total outstanding dues to micro and small enterprises	257,049	537,426

12. In terms of the disclosures required to be made under AS-7 (revised 2002), Construction Contracts, issued by the ICAI, the amounts considered in the financial statements up to the balance sheet date are as follows:

	2010-11 (₹)	2009-10 (₹)
a) Contract revenue recognised during the year	4,608,699,600	5,007,958,745
b) Aggregate amount of cost incurred and recognised profits [less recognised loss]*	6,670,659,444	5,938,089,674
c) Amount of customer advances outstanding*	902,852,627	489,716,481
d) Gross amount due from customers*	660,489,929	411,257,348
e) Gross amount due to customers*	637,909,897	308,362,480
f) Retention money*	234,523,847	148,160,461

*for contracts in progress as at 31st March, 2011

13. Employee benefits

a) Defined contribution plans

The Company has recognised the following amounts in the Profit and Loss account for the year:

	2010-11 (₹)	2009-10 (₹)
a) Contribution to employees' provident fund	33,350,994	32,774,394
b) Contribution to employees' superannuation fund	6,032,506	6,237,345
c) Contribution to employees' state insurance	4,032,786	1,824,924
	43,416,286	40,836,663

b) Defined benefit plans

I. Gratuity: The Company operates gratuity plan which is administered through a gratuity trust for its employees as per the provisions of the Payment of Gratuity Act, 1972 [Amended]. The gratuity plan envisages annual contribution by employer to the trust as per actuarial valuation. The payment of gratuity to the employees are payable as per the Payment of Gratuity Act, 1972 [Amended] at the time of separation of from service or retirement, whichever is earlier, subject to completion of the minimum qualifying service of 5 years. The payment of gratuity to the eligible employees by the trust is guaranteed by the Company. The Guidance issued by the Accounting Standard Board – the 'ASB' – on implementing AS-15, Employee Benefits [Revised 2005] states that employee benefits fund set up by employers which guarantee any shortfall to be made good by the employer is treated as defined benefit plan.

II. Leave encashment: The Company's employees are entitled for privilege leaves which are allowed to be accumulated and encashed as per the Company rules.



III. Gratuity and leave encashment as per actuarial valuation as at 31st March, 2011:

	Gratuity Funded (₹)	Leave Encashment Unfunded (₹)
A Changes in the present value of obligation		
a) Present value of obligation as at 1st April, 2010	44,364,398 (36,919,239)	12,756,448 (9,065,358)
b) Interest cost	3,487,664 (2,953,539)	1,052,407 (725,229)
c) Current service cost	5,908,529 (5,460,398)	3,193,906 (3,520,324)
d) Curtailment cost/[credit]	- (-)	- (-)
e) Settlement cost/[credit]	- (-)	- (-)
f) Less: Benefits paid during the year	4,322,524 (4,634,493)	2,881,398 (1,175,142)
g) Interest guarantee (if relevant)	- (-)	- (-)
h) Actuarial [gain]/[loss]	[1,181,684] (3,665,715)	1,823,949 (620,679)
Present value of obligation as at 31st March, 2011	48,256,383 (44,364,398)	15,945,312 (12,756,448)
B Changes in the fair value of plan assets		
a) Fair value of plan assets as at 1st April, 2010	45,608,464 (29,125,032)	- (-)
b) Add: Expected return on plan assets for the year ended 31.03.2011	3,479,872 (2,542,793)	- (-)
c) Actuarial [gain]/[loss] on plan assets	3,766,925 (2,089,673)	- (-)
d) Employer's contributions	7,500,000 (16,485,459)	- (-)
e) Less: Benefits paid during the year	4,322,524 (4,634,493)	- (-)
Fair value of plan assets as at 31st March, 2011	48,498,887 (45,608,464)	- (-)
C Amount recognised in the balance sheet including a reconciliation of the present value of defined benefit obligation and the fair value of assets		
a) Present value of defined benefit obligation as at 31st March, 2011	48,256,383 (44,364,398)	15,945,312 (12,756,448)
b) Less: Fair value of plan assets as at 31st March, 2011	48,498,887 (45,608,464)	- (-)
Net liability recognised in the balance sheet (as at 31st March, 2011)	-242,504 (-1,244,066)	15,945,312 (12,756,448)

	Gratuity Funded (₹)	Leave Encashment Unfunded (₹)
D Expenses recognised in the profit and loss account		
a) Current service cost	5,908,529 (5,460,398)	3,193,906 (3,520,324)
b) Interest cost	3,487,664 (2,953,539)	1,052,407 (725,229)
c) Less: Expected return on plan assets	3,479,872 (2,542,793)	- (-)
d) Curtailment cost/[credit]	- (-)	- (-)
e) Settlement cost/[credit]	- (-)	- (-)
f) Net actuarial [gain]/[loss]	2,585,241 (1,576,042)	1,823,949 (620,679)
Total expenses recognised in the profit and loss account	8,501,562 (7,447,186)	6,070,262 (4,866,232)
E The composition of plan assets [i.e. percentage of each category of plan assets to total fair value of plan assets as at 31st March, 2011]		
a) Government of India securities	19.25% (12.44%)	N.A. (N.A.)
b) Corporate bonds	52.41% (60.79%)	N.A. (N.A.)
c) Special deposit scheme	3.70% (5.12%)	N.A. (N.A.)
d) Equity shares of listed companies	- (-)	N.A. (N.A.)
e) Property	- (-)	N.A. (N.A.)
f) Insurance managed funds	17.71% (-)	N.A. (N.A.)
g) State government securities	6.92% (21.65%)	N.A. (N.A.)
	100% (100%)	N.A. (N.A.)
F Actuarial assumptions		
a) Retirement age (years)	60 (60)	
b) Discount rate (p.a.)	8.25% (8.00%)	
c) Mortality	LIC (1994-96) ultimate mortality rates	

	Gratuity Funded (₹)	Leave Encashment Unfunded (₹)
d) Employee turnover	1% (1%)	
e) Salary escalation (p.a.)	7% (7%)	
G Notes		

- a) The estimate of future salary increase considered in actuarial valuation takes account of inflation, seniority, promotion, and other relevant factors such as supply and demand in employment market.
- b) The overall expected rate of return on assets is based on the expectation of the average long-term rate of return expected on the investments of the plan/fund during the estimated term of the obligation.

14. Segment reporting

- a) Business segment
The Company operates in only one business segment, i.e. 'Engineering, Procurement & Construction' based on the nature of the services and products, the risks and returns etc.
- b) Geographical segment
In respect of the secondary segment information, the Company has identified its geographical segments as (a) within India; and (b) outside India. The conditions prevailing in India being uniform, no separate geographical disclosure within India is considered necessary. Accordingly, the geographic segment information for the year ended 31st March, 2011 has been disclosed as follows:

	Within India	Outside India	Total
a) Segment revenue	4,991,040,073 (5,271,298,609)	- (48,395,072)	4,991,040,073 (5,319,693,681)
b) Segment assets	4,794,769,797 (3,321,106,390)	8,410,873 (45,075,178)	4,803,180,670 (3,366,181,568)
c) Capital expenditure	371,091,180 (182,091,112)	- (-)	371,091,180 (182,091,112)

15. Related party disclosures

Information regarding related party transactions as per AS-18, Related Party Disclosures, issued by the ICAI is given below:

- a) Related parties and their relationships - as certified by the management



- I. Enterprises having control over the Company
- i) Petron Investments Private Limited - Holding Company

ii) KazStroyService Limited, U.K. - Holding Company of Petron Investments Private Limited[^]

iii) KazStroyService Holdings Limited, British Virgin Island - Holding Company of KazStroyService Limited, U.K.[^]

iv) KazStroyService Infrastructure Limited, British Virgin Island - Holding Company of KazStroyService Holdings Limited[^]
[^]w.e.f. 30th June, 2009 the beneficial ownership of shares of KazStroyService Limited, U.K. is with KazStroy Engineering (UK) Limited

II. Fellow Subsidiaries

i) KazStroy Engineering India Private Limited

ii) Petron Civil Engineering Private Limited

iii) KazStroyService Infrastructure India Private Limited

iv) KazStroyService Management Services Pte Limited

III. Key managerial personnel - the 'KMP'

i) Mr. T S Das - Managing Director*

*Details of remuneration to key management personnel are given in note #20 below.

- b) Transactions between the Company and related parties for the year ended 31st March, 2011

	Holding Company (₹)	Fellow Subsidiaries (₹)
(I) Loan given		
(i) Petron Civil Engineering Private Limited	- (-)	- (20,000,000)
(II) Loan repaid		
(i) Petron Investments Private Limited	12,000,000 (-)	- (-)
(ii) Petron Civil Engineering Private Limited	- (-)	200,000,000 (-)
(III) Advance given		
(i) Petron Civil Engineering Private Limited	- (-)	67,871,295 (10,000)
(IV) Advance received		
(i) KazStroyService Infrastructure India Private Limited	- (-)	3,860,500 (-)

	Holding Company (₹)	Fellow Subsidiaries (₹)
(V) Advances recovered from employees on behalf of		
(i) KazStroyService Infrastructure India Private Limited	- (-)	43,088 (-)
(VI) Interest on Loans taken		
(i) Petron Investments Private Limited	3,92,055 (1,590,000)	- (-)
(ii) Petron Civil Engineering Private Limited	- (-)	6,345,206 (24,000,000)
(VII) Interest on Loans given		
(i) Petron Civil Engineering Private Limited	- (-)	- (210,411)
(VIII) Expenses incurred by the Company on behalf of		
(i) Petron Investments Private Limited	700,224 (1,959,003)	- (-)
(ii) Petron Civil Engineering Private Limited	- (-)	842,958 (-)
(IX) Expenses incurred on behalf of the Company by		
(i) KazStroyService Infrastructure India Private Limited	- (-)	- (21,700)
(ii) Petron Civil Engineering Private Limited	- (-)	376,883 (102,361)
(X) Purchase of fixed assets		
(i) Petron Investments Private Limited	(7,771,000)	- (-)
(XI) Sale of fixed assets		
(i) KazStroyService Infrastructure India Private Limited	- (-)	68,250 (-)
(XII) Expenses/Purchases		
(i) KazStroy Engineering India Private Limited	- (-)	1,654,500 (-)
(ii) Petron Civil Engineering Private Limited	- (-)	260,978,530 (-)
(XIII) Payment of Management Service		
(i) KazStroyService Management Services Pte. Limited	- (-)	5,467,200 (-)
(XIV) Income/Sales		
(i) KazStroyService Infrastructure India Private Limited	- (-)	72,295,825 (-)

c) Disclosure of outstanding balances as at 31st March, 2011:

	Holding Company (₹)	Fellow Subsidiaries (₹)
(I) Loans & advances received [including Interest]		
(i) Petron Investments Private Limited	(15,806,890)	- (-)
(ii) Petron Civil Engineering Private Limited	- (-)	(237,596,680)
(II) Advance received against common expenses		
(i) Petron Civil Engineering Private Limited	- (-)	11,482,434 (15,000,000)
(III) Other receivable- for goods, services & other items		
(i) Petron Civil Engineering Private Limited	- (-)	- (4,123,907)
(ii) KazStroyService Infrastructure India Private Limited	- (-)	12,180,577 (-)
(IV) Other payables - for goods, services & other items		
(i) Petron Investments Private Limited	20,922,058 (21,622,282)	- (-)
(ii) KazStroyService Infrastructure India Private Limited	- (-)	- (21,700)
(iii) Petron Civil Engineering Private Limited	- (-)	87,396,796 (-)
(iv) Petron Engineering Construction Limited Employees' Gratuity Fund	- (-)	- (-)

16. Earnings per share has been computed as under

	2010-11 (₹)	2009-10 (₹)
Profit computation for both basic and diluted earnings per share of ₹10 each		
a) Net profit available for equity shareholders	309,537,530	238,832,714
b) Weighted average number of equity shares for computation of basic & diluted earnings per share	7,538,400	7,538,400
c) Basic earnings per share	41.06	31.68
d) Diluted earnings per share	41.06	31.68

17. Components of deferred tax assets and liabilities

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
a) Deferred tax liability		
Excess of tax depreciation over book depreciation	53,936,091	46,069,893
Others	-	35,495,799
Total deferred tax liability	53,936,091	81,565,692
b) Deferred tax assets		
Provision for doubtful debts, advances, and employee benefits, indirect taxes etc.	24,813,584	13,705,002
Others	-	-
Total deferred tax assets	24,813,584	13,705,002
c) Net deferred tax liability	29,122,505	67,860,690

18. In the opinion of the management there are no indications that the assets of the Company may be impaired as at the balance sheet date.

19. Auditors' remuneration (inclusive of service tax)

	2010-11 (₹)	2009-10 (₹)
a) Audit fees	882,400	716,950
b) Tax audit fee	330,900	220,600
c) Other services	330,900	297,810
d) Expenses reimbursed	276,186	156,350

20. a) Computation of net profit for the purpose of calculating managerial remuneration

	2010-11 (₹)
Profit as per profit & loss account	461,529,466
Add: Remuneration to managing director	9,059,303
Director's commission	1,400,000
Director's sitting fee	430,000
Depreciation	109,267,359
Donation	216,051
Loss on sale/discard of fixed assets	1,233,093
Less: Depreciation	583,135,272
Profit on sale of fixed assets	109,267,359
Profit on sale of fixed assets	1,990,740
Net profit for the purpose of managerial remuneration u/s 349 of the Act	471,877,173

Commission @ 1% to non-executive directors is restricted to ₹1,400,000

b) Managerial remuneration

	2010-11 (₹)	2009-10 (₹)
i) Salaries	8,568,000	6,642,000
ii) Monetary value of perquisites	59,303	67,455
iii) Contribution to provident and superannuation funds	432,000	360,000
	9,059,303	7,069,455

Perquisites include amounts evaluated as per rules of Income-tax Act, 1961 in respect of certain items. As the future liability for gratuity and leave encashment is evaluated on an actuarial basis for the Company as a whole, the separate amounts pertaining to directors is not ascertainable and is therefore not included above.

c) In the year 2008-09, the managerial remuneration of ₹9,800,283 paid to Managing director was in excess of the limit as specified in Sections 198 & 349 [read with Schedule XIII] of the Company's Act, 1956 and accordingly, the Company had made an application to the Central Government for its approval. The Company has sought clarification on the approval granted by the Central Government vide its' letter dated 9th February, 2010, which is still pending.

21. Disclosures pursuant to clause 32 of the listing agreement with stock exchanges: Nil (Nil)

For this purpose, the loans to employees as per the Company's policy, security deposits paid towards premises taken on leave and license basis have not been considered.

22. The determination of revenue as per the percentage completion method and provision of foreseeable loss necessarily involve making estimates/assessments by the management of the future cost as well as probability of realisation and this - being technical in nature - has been relied upon by the auditors.

23. Capital work-in-progress includes machinery in stock, construction/erection material, advances for construction and machinery and also include the following pre-operation expenses pending allocation:

	2010-11 (₹)	2009-10 (₹)
Rates & taxes	-	35,943
Legal & professional fee	-	898,680
Salary, wages and bonus etc.	-	345,121
Power & Fuel	-	25,711
LC opening charges	197,547	-
	197,547	1,305,455
Add: Expenditure upto previous year	1,305,455	-
Less: transferred to fixed assets	-	-
	1,503,002	1,305,455

24. Additional information under part II of Schedule VI to the Act

a) Capacities, production & sales

	2010-11		2009-10	
	Units/ Contracts	Amount (₹)	Units/ Contracts	Amount (₹)
i) Licensed capacity	N.A.	N.A.	N.A.	N.A.
ii) Installed capacity	N.A.	N.A.	N.A.	N.A.
iii) Actual production	N.A.	N.A.	N.A.	N.A.
Engineering & Construction division				
Supply, fabrication, piping, erection and maintenance	61	4,371,943,919	59	5,011,257,483
Manufacturing & Mechanical division [PMI]				
Crane & crane accessories	25	37,335,370	9	81,294,724
Structural fabrication & Erection	5	10,081,535	5	17,369,238
Others	4	125,191	2	29,913,932
Refractory & Insulation division [Rockwool]				
Refractory jobs	29	153,314,924	29	118,334,480
Fabrication division [Petrofab]				
Manufacturing of equipment	45	418,239,134	48	61,523,824

According to the Company, engineering & construction activities are service activities and, therefore, the same are covered under paragraph 3(ii)(c) of part II of Schedule VI to the Act.

b) Raw materials consumption & stock of goods produced

	2010-11	2009-10
	(₹)	(₹)
i) Value of raw materials consumption and spares [*]	*	*
ii) Opening & closing stock of goods produced [quantity] [^]	*	*

[^]There are numerous & different sizes and natures of items which also include spares and consumables. Therefore, it is not feasible to give quantitative information in respect thereof.

^{*}The Company has filed application with Central Government for seeking exemption from disclosure as per Para 3(ii)(a)(1) & (2) of Part II of Schedule VI to the Act and the approval is awaited.

c) Consumption of raw materials, stores, spares and components

	2010-11	2009-10		
	(₹)	(₹)		
i) Indigenously procured	94.45	1,150,700,361	89.04	1,235,091,663
ii) Imported	5.55	67,579,292	10.96	151,981,985

d) Value of imports calculated on CIF basis

	2010-11	2009-10
	(₹)	(₹)
i) Capital goods	117,710,408	5,612,141
ii) Raw materials & Components	67,579,292	151,981,985

e) Remittances in foreign currency: on account of final dividend to non-resident shareholders as follows:

No. of shareholder(s)	1
No. of equity shares	10,130
Amount remitted, net of tax (₹)	20,260
Year to which it pertains	2009-10

f) Earnings and expenditure in foreign currency

	2010-11	2009-10
	(₹)	(₹)
(i) Earnings in foreign currency on overseas contracts	26,056,345	59,363,803
(ii) Expenditure in foreign currency		
a) On overseas contracts	-	12,671,721
b) Others	30,224,906	1,069,415

25. Foreign currency exposure not hedged is ₹8,042,500 - KWD 50,000 (₹7,828,500 - KWD 50,000 & ₹36,885,361 - US\$ 819,128.61).

As per our report of even date

For **Lodha & Co**
Chartered Accountants
FRN 301051E

N. K. Lodha
Partner
Membership No. 85155

New Delhi, 17th May, 2011

For and on behalf of the Board

T. S. Das
Managing Director

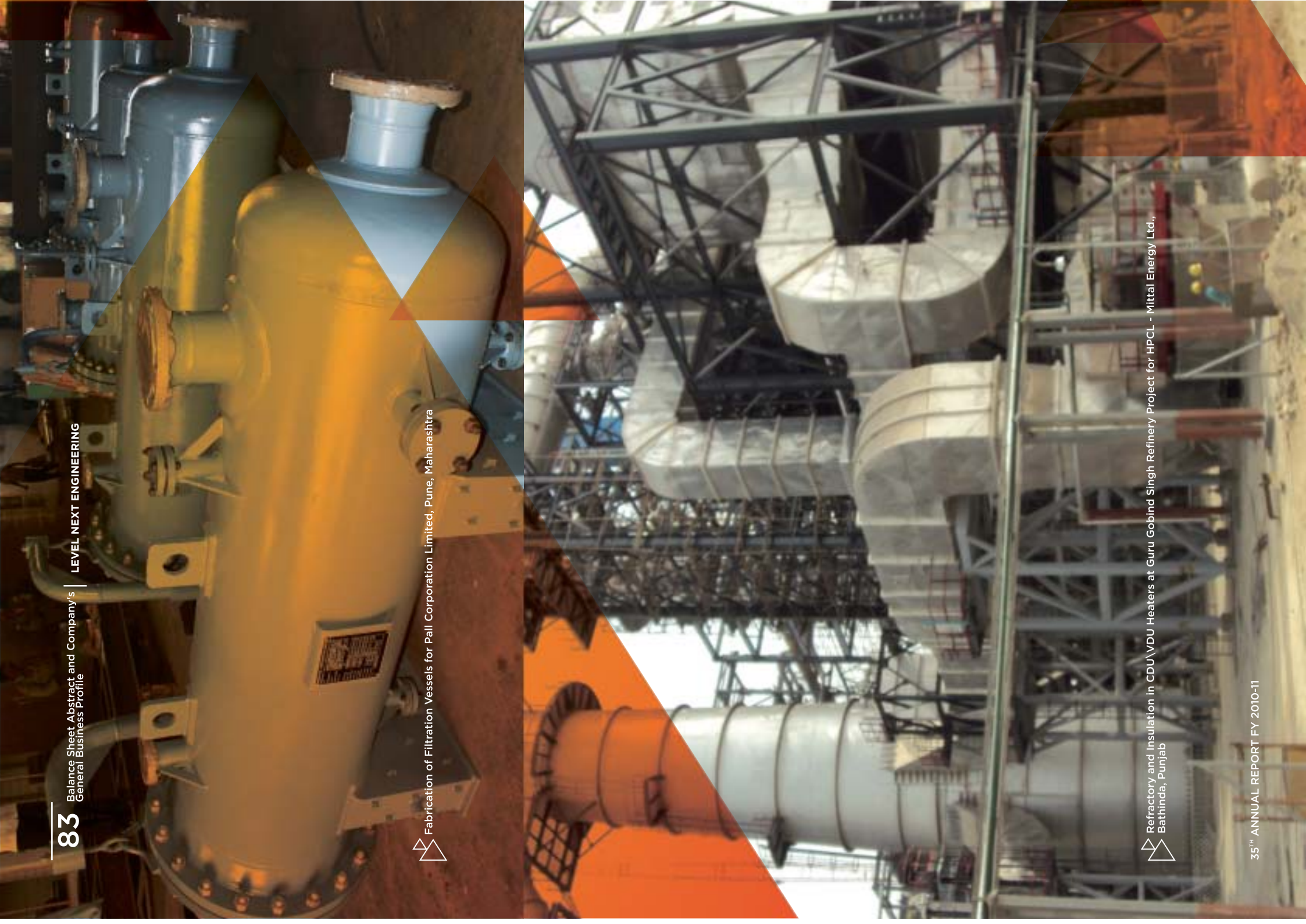
R. N. Pandey
Chief Financial Officer

Mumbai, 17th May, 2011

Ravi Keswani
Director

Naresh Shah
Sr. VP (Legal) &
Company Secretary





Fabrication of Filtration Vessels for Pall Corporation Limited, Pune, Maharashtra

Balance Sheet Abstract and Company's General Business Profile

(Vide notification dated 15.5.95 issued by Ministry of Company Affairs)

(i) Registration Details

Registration No.	: 11 - 19135
State Code No.	: 11
Balance Sheet Date	: 31-03.2011

(ii) Capital Raised during the year (Amount in ₹ '000)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

(iii) Position of Mobilisation and Deployment of funds (Amount in ₹ '000)

Total Liabilities (Net)	1,588,984	Total Assets (Net)	1,588,984
Source of Funds			
Paid up Capital	75,384	Reserves & Surplus	1,201,190
Secured Loans	283,287	Unsecured Loans	-
Deferred Tax Liability	29,123		
Application of Funds			
Net Fixed Assets	972,817	Investments	1
Net Current Assets	616,166	Miscellaneous Expenditure	-
Accumulated Losses	NIL		

(iv) Performance of Company (Amount in ₹ '000)

Turnover (Includes other Income)	5,014,295	Total Expenditure	4,552,765
Profit before Tax	461,529	Profit after Tax	309,538
Earning per Share in ₹	41.06	Dividend Rate	

ii) Generic name of three Principal Products/Services of the Company (As per monetary terms)

Item Code No.	None
---------------	------

Product Description: Mechanical Engineering, Fabrication, Construction and Refractories

For and on behalf of the Board

T. S. Das
Managing Director

R. N. Pandey
Chief Financial Officer


Ravi Keswani
Director

Naresh Shah
Sr. VP (Legal) &
Company Secretary

Mumbai, 17th May, 2011



Refractory and Insulation in CDU\VDU Heaters at Guru Gobind Singh Refinery Project for HPCL - Mittal Energy Ltd., Bathinda, Punjab

 Erection & Associated Works of Boiler & Auxiliaries and TG Auxiliaries for Unit 1 & 3 for 3 X 660 MW, Tiroda Thermal Power Project for Adani Power Maharashtra Ltd., Tiroda, Maharashtra





Petron Engineering Construction Limited

**35TH
ANNUAL
REPORT
FY 2010-11**

LEVEL NEXT ENGINEERING

