

**MINUTES OF THE 64th ANNUAL GENERAL MEETING OF THE MEMBERS OF PATEL ENGINEERING LIMITED HELD ON FRIDAY, SEPTEMBER 27, 2013 AT SHREE SAURASHTRA PATEL SAMAJ, PATEL ESTATE ROAD, JOGESHWARI (WEST), MUMBAI 400102 AT 3.30 P.M.**

**Present:**

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|--|----|
| Members in person:   | 90 |
| Proxies in person :<br>(duly authorized<br>33,45,154 shares) | 13 |

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| Total | <u>103</u> |
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The following Directors were present:

|                      |                      |
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| Mr. Pravin Patel     | Chairman             |
| Mr. Rupen Patel      | Managing Director    |
| Mr. K. Kannan        | Independent Director |
| Mr. Khizer Ahmed     | Independent Director |
| Ms. Silloo Patel     | Executive Director   |
| Mr. S. Jambhunathan  | Independent Director |
| Mr. Sharad Zalawadia | Independent Director |

The Chairman and the Directors occupied the podium at 3.30 pm

**Welcome:**

The Chairman extended a warm welcome to all the members.

The Chairman introduced Mr. Sharad Zalawadia , co-opted Director to the members. He informed the members that Mr. Bhasker Mehta and Mr. Nirmish Patel were unable to attend the meeting.

**Proceedings:**

The Chairman called the meeting to order after ascertaining the quorum and with the consent of the members the Notice convening the 64<sup>th</sup> Annual General Meeting together with Explanatory Statement was taken as read.

The Chairman then announced that all the Statutory Registers were available to the members for inspection throughout the continuation of the meeting.

**Auditor's Report:**

The Company Secretary read the Auditor's Report on the Balance Sheet of the Company as on 31st March 2013 and the Profit & Loss Account for the year ended on that date. The Annexure to the report was taken as read, as suggested by the members.

The Chairman requested the Managing Director to brief the members about the performance of the Company for the concerned period.

The Managing Director referred to the "Message from MD" and "Management Discussion and Analysis "appearing in the Annual Report 2012-13, and highlighted the following points:

- The growth rate in the Industrial sector particularly in the Infrastructure sector has gone down.
- India's GDP growth rate is 5.0% which was 9.3% earlier.
- Improvement in the infrastructure sector is unlikely and he hoped that the position may improve post election.
- In so far as the financials are concerned, the consolidated revenues increased to Rs. 41, 96.62 crores as against Rs. 36, 83.18 crores.

- However the profits were lower due to increase in finance cost from Rs. 333 cores to Rs. 437 cores; additional service tax liability of Rs. 28 crores due to change in service tax laws; additional provision of Rs.10 crores for past assessment completed, mainly due to 80IA amendment to Income Tax Act 1961.

The Chairman then invited the members to speak on the Annual Accounts 2012-13.

Shareholder's queries/views:-

1. **Mr. Dinesh Lakhani**

- Appreciated Company's effort to give prompt detail reply to his queries raised at the last AGM, and thanked the management for the same.
- Appreciated the AGM minutes of last year, stating that they were transparent and proper and covered the entire proceedings in detail, and further commented that very few companies write minutes in such a detailed manner.
- Expressed his displeasure as regards the current year's result observing that the market capitalization of the Company has eroded as compared to last year, and current year's market price stands considerably lower at Rs. 35 as compared to the price in 2006-07 at Rs. 440, and that the FIs have withdrawn from the Company by reducing their holding from 10% in the last year to 2.5%.
- Stated that though the consolidated total income was Rs. 41.96 crores as compared to Rs.36.83 crores last year, the profit after tax has gone down. Wanted to know why Board had not recommended dividend.
- Observed that the total capital employed was Rs. 4700 crores but income that has been generated is comparatively very small.
- Questioned why PAT of Rs. 65 crores is lower than other income of Rs. 81.75 crores.
- Suggested that the Company should not come out with FPO as it will adversely affect the market capital of the Company, and as such the original members will be at a tremendous loss.
- Enquired why this year the Company suffered a loss of Rs.16 crores on foreign currency transactions loss, when such loss was negligible in the previous year.
- Observed that the Company has substantial reserve which is interest free to the Company, and therefore the Board should consider declaring 1:1 bonus and minimize members loss.
- Observed that the Company had invested in the shares of Kingfisher worth Rs. 98.60 lakhs, and questioned why this amount was being written off.
- Observed that the Company has as per the Schedule 22 on page 5 of Annual report- What is the "other expenses" have increased from Rs. 135 crores last year to Rs. 167 crores this year, and asked for reason for the same. He further observed that there were variations in advertisement and selling cost, travelling and conveyance expenses, auditors' remuneration, communication expenses as compared to last year.
- Asked as to what is the procedure of writing off bad debts, and after lapse of how much time debts that are deemed non-recoverable are considered to be bad and are written off. He further asked whether the Company has written off debts of any of its related company.
- In reference to the Note No. 32 on Page no. 60 of Annual report- he questioned as to how the concerned figures can be considered as conclusive as the same are yet to be confirmed by the concerned third parties.
- Sought to know the identity of the companies to which unsecured loans aggregating to Rs. 16.50 crores has been given.
- Remarked that there has been delay in the payment of statutory dues amounting to Rs.8.68 crores, which was outstanding beyond six months, as the expert opinion sought by the Company as regards its liability or otherwise to pay the same was yet pending, and sought explanation in this regard.

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- Observed that the Company has disputed its liability to pay purported liability towards Sales Tax, Wealth Tax, and Service Tax in respect of certain transactions and matters totalling to Rs. 84.03 crore and as such has not paid the same. He enquired whether Company has made any provisions if eventually this liability materializes, and requested for a written reply to his above query.
2. **Mr. Kotwani**
    - Sought reasons for foreign exchange loss of Rs. 16 crores suffered by the Company.
    - Sought information about the performance of the subsidiaries of the Company.
  3. **Mr. Michael Martins**
    - Expressed his satisfaction about the performance of the Company, in light of the current market scenario.
  4. **Dr. Arun Kumar Boppana**
    - Expressed his pleasure about joining of Mr. Sharad Zalawadia as director of the Company. He stated that the Company would benefit from the vast experience of Mr. Sharad Zalawadia generally, and particularly in the field of small segments and Joint Ventures.
  5. **Mr. Shallesh Mahadevia**
    - Congratulated the Company for excellent work under testing conditions.
    - He appreciated the Annual Report stating that he found it Informative.
    - He asked what are the factors that are considered and the system that is followed in assessing the estimated cost for BOI projects.
    - He asked how much time execution of a Hydro electric project roughly takes for.
    - He asked what would be the cost involved for redevelopment of the existing building.
  6. **Mr. Bharat M. Shah**
    - He asked what the plans of the Company are for the next 5 years.
  7. **Mr. Prabhakar Kuvlekar**
    - He appreciated the Annual Report stating that he found it very informative.
    - Appreciated the efforts taken by Employee Trust towards welfare of the employees of the Company.
    - He asked why no dividend was declared.
    - He suggested that the Members be given preference if they wish to purchase units in realty projects of the Company at Jogeshwari in Mumbai.
  8. **Mr. Adi Nalladaru**
    - Asked why the Company has not declared any dividend.
    - Asked if the Company would be exploring business opportunities in wind power / solar power sectors.
    - Asked who were the founders of the Company
  9. **Mr. Rajendra Sethi**
    - Appreciated that he received Annual Report well within time.
    - Asked what is the status of the business of the Company pertaining to construction of Roads, and as per the analysis of the Company when would the situation pertaining to the Infrastructure sector improve.
  10. **Mr. Vinit Kumar Parikh**
    - Suggested that the Company should every year endeavor to hold th AGM before the end of September.
    - Suggested that efforts be made to reduce the cost of preparation of th Annual Report.
    - Asked the reasons for incorporating 87 subsidiaries.

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**11. Mr. Nilesh P. Shah**

- Suggested that efforts should be taken to minimize value of promoters and maximize the value of other members of the Company.
- Suggested that Promoters should increase their stake to retain members confidence in the Company.
- Suggested that Company may foray into business of renewable energy.

**12. Mr. Mehul Ramaiya**

- Sought to know the status as regards the statutory clearances sought and obtained by the Company for its Jogeshwari Realty Development Project, and the estimated time the project would take for completion.
- Observed that in light of the fact of the Government recently having released an amount of Rs.550 crores to NTPC for Loharinagpala Project, if the Company has received any amount.

**13. Mr. Joseph Martins**

Congratulated the management for the performance and requested to include book value in financial summary of the Annual report.

**14. Mr. Mahendra Kumar Agarwal:**

- Asked why the Company has not declared any dividend.

**Managing Director's Reply:**

The Chairman requested the Managing director to reply and clarify the point of views raised by the members.

Mr. Rupen Patel thanked all the members for their support and good wishes, and noted all the suggestions made. He further said that he will clarify all the points raised by the members taking into account all facets of queries. He further mentioned that he has also taken into account the question received from member Mr. Kirit Shah in writing, though he was not attending the meeting.

The reply of Mr. Rupen Patel was as under:

1. The market capitalization of the Company has eroded on account of reduced order flow, delays in receipt of receivables from the clients. This had resulted in high working capital cycle. As a result the Company was constrained to pay interest at a higher rate of interest which in turn reduced the profits. Consequently the holding of Fls was reduced. The same is true for peer group. The market cap of the peers group has also eroded awaiting substantial efforts and policies from the government.
2. As the liquidity position of the infra companies including ours has been poor, to conserve funds, the Board recommended no dividend for the financial year 2012-13.
3. The capital employed is Rs. 5201.88 crores for the year 2012-13. As against this capital employed, the Company has generated Rs. 511.13 crores which includes Rs. 437 crores of interest, Rs.9.23 crores profit from minority and Rs. 65 crores net profit against equity, which is equivalent to 9.8% of the total capital employed.
4. Other income includes interest income of Rs. 58.66 crores from contractors, clients etc. which is in the ordinary course of business.
5. Considering the current market scenario, the Company has no plans to raise any equity in near future.
6. Due to high fluctuation in foreign exchange rate, the Company incurred foreign exchange loss.

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7. Issue of bonus shares may lead to reduction in EPS which may not be a healthy sign for the Company considering the current situation.
8. The Board of Company decided to fully provide for (write off) the amount of Rs. 98 lacs invested in the shares of Kingfisher Airlines considering the value of share price been depleted and not expected to increase in the current market scenario in near future. However it may be noted that Company continues to hold the shares of Kingfisher.
9. The increase in other expenses is in proportion with the increase in revenue.
10. Irrecoverable debts written off – The Management after examination of debts recoverable puts up before the Board / Directors a statement for write off or provision to be made towards the doubtful debts. This being duly supported by statements / facts for the proposal. During the annual audit these provision / write-off are duly verified by the statutory Auditor also. The members may note that the debts written off doesn't not include any related party write off.
11. As regards query with respect to note No.34 on page 60 of the Annual report, the Company has asked for confirmations to corresponding parties. However pending receipt of any such confirmation, appropriate note was incorporated in the notes to financial statement.
12. An unsecured loan of Rs. 16.45 crores was given to Enpro Ltd.
13. With respect to delay of statutory dues of Rs. 8.68 crores outstanding beyond six months pending expert opinion, the members may note that out of the total statutory dues of Rs. 8.67 crores outstanding beyond 6 months, an amount of Rs. 5.93 crores was towards service tax and the balance Rs. 2.74 crores towards sales tax/VAT. Subsequent to the receipt of the expert opinion, service tax of Rs. 3.25 crores was determined payable, which was paid in the months of July/August, 2013. The sales tax/VAT is to be payable.
14. It may be noted that out of Rs. 84.03 crores amount shown under Auditors report as amount not deposited on account of dispute, Rs. 73.3 crores represent interest on liability due to 801A amendment which itself is challenged by the Company and a writ petition has been filed as referred to note no.25 on page 88 of the Annual Report. Remaining disputes are pending at various levels of concerned authorities for which Company has made / will make provisions as and when considered necessary.
15. The members are requested to refer to page no. 26, 27 & 28 of the Annual Report 12-13 with respect to information on Subsidiaries Company. The Company has 87 subsidiaries ( 21 direct subsidiaries and 66 step down subsidiaries). The reasons for having these many subsidiaries are various, many of the subsidiaries were incorporated as SPVs across the globe viz India, Mozambique, Indonesia for developing projects namely thermal /hydro/mining etc; few subsidiaries were incorporated as holding companies of such SPVs. The Company requires large area of land for real estate business which is acquired through various subsidiaries.
16. As on today the Company with experience of thermal and hydro project entered into thermal/hydro project through its subsidiaries. The Company will study cost benefit of entering into solar/wind power.
17. The founders of the Company are Late Mr. Bhagwan Raja Patel, Late Mr. Hirji Thakerji Patel, Late Mr. Arjun Kuvreji Patel (father of Mr. Pravin Patel, Chairman), Late Mr. Haribai Patel and Late Mr. Yashraj Govind Patel.
18. The pricing for BOT projects are worked based on the estimated cost of the project, traffic study etc.

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19. The time take for execution of hydro electric projects is around 4 to 5 years.
20. The Company has taken up few redevelopments of societies in Mumbai on experimental basis. Based upon further study, the Company would like to take up redevelopment to support the main business.
21. Future program for 5 years will include reducing debt, monetize real estate, take profitable projects.
22. Improvement in infrastructure sector is expected after Lok Sabha elections. Road Sector has lot of competition and Company has taken very less projects in roads.
23. Regarding non disclosure of the name of the Companies on page 14 of the Annual Report 2013 under Report on Corporate Governance, it was clarified that the disclosures are in compliance with the listing agreement. However the names of Companies in which directors are interested are placed before the Board at the time of appointment or reappointment of directors.
24. On index page, the page 63 refers to page 63 onwards containing Standalone financial statement.
25. The Company is in the process of obtaining all the necessary clearance for the purpose of construction of residential accommodation at Jogeshwari instead of commercial operation as originally envisaged due to change in market condition. As requested by a shareholder at the meeting, the Company will consider giving preference for allotment of proposed residential subject to availability of accommodation to all members as on date.
26. The Government having released an amount of Rs.550 crores to NTPC for Loharinagpala Project, the Company has not received any amount. However Company has initiated steps for the collection of the amount from NTPC.

The Chairman then moved the resolution No.1 to vote as an ORDINARY resolution which was proposed by Dr. Arun Kumar and seconded by Mr. Bharat Shah.

**Resolution No.1 – Adoption of Accounts.**

**"RESOLVED THAT** the Audited Balance Sheet as at 31<sup>st</sup> March 2013 and the Profit & Loss Account for the year ended as on that date together with the Reports of the Auditors and that of the Directors thereon be and they are hereby approved and adopted."

The Chairman then put the resolution to vote.

All members voted in favour of the resolution except Mr. Dinesh Lakhani. The Chairman declared the resolution carried with requisite majority.

Mr. Pravin Patel entrusted the proceedings in respect of item no. 2 of the Notice to Mr. K. Kannan.

**Resolution No. 2 - Re-appointment of Mr. Pravin Patel**

The following resolution was proposed by Mr. Michel Martins an ORDINARY resolution and seconded by Mr. Kotwani.

**"RESOLVED THAT** Mr. Pravin Patel, a Director who retires at the conclusion of the Annual General Meeting be and is hereby re-appointed as a Director liable to retire by rotation."

Mr. Kannan then put the resolution to vote and on show of hands declared the same to have been carried with requisite majority.

Mr. Pravin Patel resumed the Chair for the next item of the agenda.

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**Resolution No.3: Retirement of Mr. Bhasker Mehta**

The following resolution was proposed by Mr. Shalish Mahadevia as an ORDINARY resolution and seconded by Mr. Rajendra Seth.

"**RESOLVED THAT** Mr. Bhasker Mehta, a Director liable to retire by rotation, who does not seek re-election, is not reappointment."

"**RESOLVED FURTHER THAT** the vacancy, so created on the Board of Directors of the Company, be not filled."

The Chairman then put the resolution to vote and on show of hands declared the same to have been carried with requisite majority.

**Resolution No. 4: Re-appointment of M/s Vatsaraj & Co. Chartered Accountants.**

The following resolution was proposed by Dr. Arun Kumar as an ORDINARY resolution and seconded by Mr. Mahendra Kumar Agarwal.

"**RESOLVED THAT** M/s. Vatsaraj & Co. Chartered Accountants, FRN no. 111327W the retiring Auditors be and they are hereby reappointed as Statutory Auditors of the Company from the conclusion of this meeting until the conclusion of next Annual General Meeting and that the Board of Directors be and they are hereby informed and authorized to fix their remuneration payable and expenses reimbursed on mutual consent."

The Chairman then put the resolution to vote and on show of hands declared the same to have been carried with requisite majority.

Mr. Pravin Patel entrusted the proceedings in respect of item no. 5 of the Notice to Mr. K. Kannan.

**Resolution No. 5: Appointment of Mr. Pravin Patel as a Whole time Director of the Company.**

Mr. Kannan brought to notice of members the ordinary resolution at item no. 2 passed by the members and requested the members to consider appointment of Mr. Pravin Patel as Whole time Director as a Special Resolution.

The following resolution was proposed by Mr. Michel Martin as a SPECIAL resolution and seconded by Mr. Suresh Shenoy.

"**RESOLVED THAT** pursuant to the provisions of Section 269, 309, 198 and other applicable provisions, read with Schedule XIII of the Companies Act, including any statutory modification(s) or re-enactment(s) thereof, Mr.

.1 Patel, director of the Company be and is hereby appointed as a whole-time Director of the Company for a period of three (3) Years with effect from September 27, 2013 on the following terms and conditions:

Salary : Re 1/- per annum

**RESOLVED FURTHER THAT** Mr. Pravin Patel shall be entitled to perquisites, allowances and other benefits as set out in the explanatory statement.

**RESOLVED FURTHER THAT** where in any financial year during his tenure of appointment, the Company incurs a loss or its profits are inadequate, the Company shall pay Mr. Pravin Patel the remuneration by way of salary, perquisites, allowances and other benefits as minimum remuneration, subject to Schedule XIII to the Companies Act, 1956.

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**RESOLVED FURTHERTHAT** the Board of Directors of the Company based on recommendation of remuneration committee be and is hereby authorized to alter or vary the terms of appointment of the appointee including relating to remuneration, as it may at its discretion, deem fit, from time to time provided that the remuneration is within the limit laid down in the Companies Act, 1956 including any statutory modification(s) or re-enactment(s) thereof."

The Chairman then put the resolution to vote and on show of hands declared the same to have been carried unanimously.

Mr. Pravin Patel resumed the Chair for the next item of the Notice.

**Resolution No. 6 : Appointment of Mr. Sharad Zalawadia as a Director of the Company.**

The following resolution was proposed by Mr. Arun Kumar as an ORDINARY resolution and seconded by Mr. Kotwani.

**"RESOLVED THAT** Mr. Sharad Zalawadia who was appointed as an Additional Director and holds office up to the date of this Annual General Meeting of the Company and is eligible for appointment, and in respect of whom the Company has received a notice in writing from a shareholder under the provision of Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a Director to retire by rotation."

The Chairman then put the resolution to vote and on show of hands declared the same to have been carried unanimously.

There being no other business to transact, the meeting concluded with a vote of thanks to the Chair.

Mumbai

Dated:

*Patel*

**CHAIRMAN**

PS: Mr. K. Kannan, Chairman of the Audit Committee, as a matter of good governance, in the presence of few members of the Company and the Company Secretary called Mr. Dinesh Lakhani, one of the members of the Company who had dissented Resolution No.1 with respect to adoption of Annual Accounts at the 64<sup>th</sup> AGM and requested him to explain the specific reason if any, for his dissent as all his queries were duly answered by Mr. Rupen Patel, Managing Director of the Company at the AGM. On this, Mr. Lakhani replied that he has no specific observation as such, however would like the Company to note his dissent to the said resolution.

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