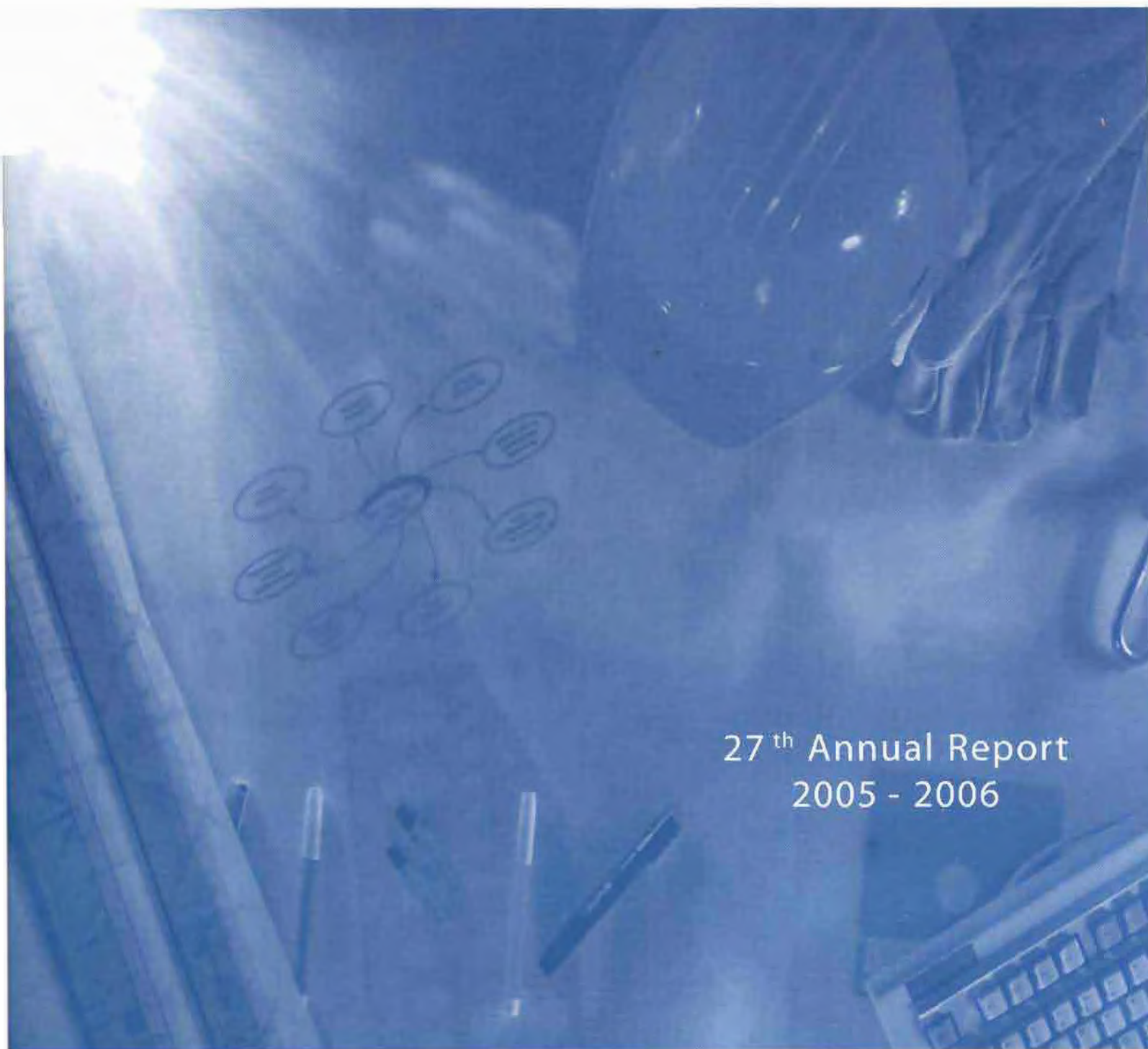




TATA PROJECTS LIMITED

27th Annual Report
2005 - 2006



TATA PROJECTS LIMITED**Board of Directors**

<i>Chairman</i>	F. K. Kavarana
<i>Directors</i>	S. Ramakrishnan Santosh K. Gupta H. H. Malgham A. J. Engineer P. N. Dhume Prasad R. Menon
<i>Managing Director</i>	K. P. Singh
<i>Executive Director</i>	B. Krishna (upto 31.08.05) A. K. Misra (w.e.f 12.09.05)
<i>Company Secretary</i>	V. Sampath (upto 17.05.06)

**Registered Office**

Bombay House,
24, Homi Mody Street, Fort,
Mumbai - 400 001.

**Corporate Office**

'Suryodaya,' 1-10-60/3,
Begumpet,
Hyderabad - 500 016.

**Mumbai Office**

The Metropolitan West Wing,
3rd floor, Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051.

**New Delhi Office**

Kanchenjunga, 4th floor,
18, Barakamba Road,
New Delhi - 110 001.

Bankers

- | | | |
|--|---|--|
| <input type="checkbox"/> State Bank of Hyderabad
<input type="checkbox"/> Abu Dhabi Commercial Bank | <input type="checkbox"/> Canara Bank
<input type="checkbox"/> State Bank of Travancore | <input type="checkbox"/> Indian Overseas Bank
<input type="checkbox"/> Corporation Bank |
|--|---|--|
-

Solicitors

Mulla & Mulla &
Craigie Blunt & Caroe

Auditors

G. N. Joshi Associates,
Chartered Accountants

Internal Auditors

A. F. Ferguson & Co.
Chartered Accountants

TATA PROJECTS LIMITED

Management Team
(Corporate Executive Committee)

K. P. Singh
Managing Director

A. K. Misra
Executive Director

A. K. Sharma
Vice President & Business Head
(Power Generation)

Shailendra Krishan
Vice President & Business Head
(Transmission & Distribution)

S. P. Mukherjee
Vice President & Business Head
(Industrial Infrastructure)

P. V. Varghese
General Manager & Business Head
(Oil, Gas & Hydrocarbons)

G. Sreenivasa Rao
Vice President & Chief Operating Officer
(Quality Services)

H. Venugopal
Vice President (SCM) & COH

K. Krishna Rao
General Manager & Senior Project Director

K. R. Ramamoorthy
General Manager & Principal Head
(Corporate Affairs & Internal Audit)

D. V. Giridhar
General Manager & Senior Project Director

K. Satyanarayana
Executive Surveyor

B. K. Bhattacharya
General Manager & Senior Project Director

A. K. Das Sharma
Head - Supply Chain Management

A. Vidyasagar
Dy. General Manager & Head (Engineering)

K. S. Krishnan
Dy. General Manager & Head
(Accounts)

R. Ravi Sankar
Dy. General Manager & Head
(Human Resources)

TATA PROJECTS LIMITED
Report of the Board of Directors

To the Members

The Directors present the 27th Annual Report and the Audited Statement of Accounts for the year ended 31st March 2006.

Financial Results

The summary of financial results of the Company for the year ended 31st March 2006 is as follows :

	(Rs. in million)	
	2005-2006	2004-2005
Income from Contracts and Services	4,731.04	4,491.31
Other Income	22.04	22.21
Total Income	4,753.08	4,513.52
Operating Expenditure	4,446.00	4,304.20
Profit before Depreciation, Interest and Taxes	307.08	209.32
Interest	20.82	32.66
Depreciation	64.16	29.01
Profit / (Loss) before Tax	222.10	147.65
Provision for Taxes	79.02	7.98
Profit / (Loss) after Tax	143.08	139.67
Balance brought forward from previous year	(102.30)	(241.97)
Amount available for appropriations	40.78	NIL
APPROPRIATIONS		
Proposed Dividend	15.75	-
Tax on Proposed Dividend	2.21	-
General Reserve	14.31	-
Balance carried to Balance Sheet	8.51	(102.30)

Dividend

The performance during the year has enabled the company to write off carry forward losses and the Directors recommend payment of a dividend of Rs. 70/- per share (70%) for the year ended 31st March 2006 (Previous year: Nil), subject to approval of the shareholders.

Operations

The financial year 2005-06 was a landmark in the Company's history with highest ever orders secured (Rs.11,601 million), revenue(Rs.4753 million) and profit(Rs.143 million).

The Company's significant performance during the year was possible due to successful harnessing of the growing opportunities available in the Infrastructure sectors of Power generation, Power transmission & distribution as well as in Industrial infrastructure related to Water treatment and Effluent treatment. The Quality Services group of the company further accelerated its growth by establishing overseas offices, having secured several international contracts.

Backed by a strong order book, your Company expects to cross the important milestone of Rs. 10,000 Million revenue in the forthcoming year on way to realize its vision of becoming Rs. 15,000 Million Company by the year 2010.

To assist in the Company's international efforts, especially in the Middle East, a Joint Venture Company — 'Al-Tawleed Energy & Power Company' — has been registered in Saudi Arabia and became operative during the year.

Outlook:

With large scale investments planned by the Central and the State Governments in the Infrastructure Sector in all the focus areas of your Company's domestic operations, it is expected that the Company will be able to sustain the high level of growth that it has achieved during the past two years.

The Company's current order book position is healthy and the future looks promising for the Company with new projects both in India and overseas. With the continuing commitment and best efforts put in by all, the Company expects to achieve the targets that have been set.

Segment-wise Developments:

Energy Sector

i) Power Generation

The Company in association with BHEL, has successfully synchronized the unit # 3 of 2x210MW of UPRVUNL at Parichha, Uttar Pradesh. This contract, being the highest value / capacity project, is a landmark for future business for the Company. The work at the steam generator installation sites of NTPC's 500 MW Vindhyachal, Sipat and 300 MW Sagardighi Thermal Power Plant as sub-contractor to Dongfang Electric Company, China is in progress. The Company has recently secured from Siemens Limited the Balance of Plant piping order for Torrent Power Generation Limited's 1100 MW Combined Cycle Power Plant near Surat. The Balance of Plant of 2x45 MW Power Plant at Haldia for Hoogly Met Coke & Power Company Limited is also in progress. Following the good performance of the Company in the completion of Hindustan Zinc Limited's 2x77 MW Captive Power Plant in Rajasthan, the Company secured a repeat order for a 3rd unit. The Company has also secured the Balance of Plant for Giral Lignite Limited's 125 MW Unit #2 Thermal Power Plant in Rajasthan.

ii) Transmission & Distribution

The 400kV transmission line works pertaining to Dhauliganga, Tarapur, Vishnuprayag, the 220kV transmission line works for Kerala State Electricity Board for Kundara and the 33kV power cable project for Goa Electricity Board were successfully completed and commissioned during this year.

The 400kV transmission line work of Power Grid Corporation of India Limited for Kishenpur-Thathar-Wagoora is in advance stage of completion along with 400kV Kishenpur Substation Bay Extension works.

A major break through during the year was achieved by securing 66kV GIS Substations contract in Qatar from M/s. United Development Company for its prestigious The Pearl Qatar project. Further, the Company is favorably placed for Power Grid Corporation of India Limited's 765kV Seoni - Bina transmission line project.

The Transmission & Distribution (T&D) business unit has now diversified into Railway projects involving track laying, signaling and overhead electrification works. A gauge conversion project in Tamil Nadu has already been secured and the Company is favorably placed for a similar contract in the North-east.

Effective 1st January 2006 the Company has acquired Tata Power Company Limited's Power System Division. With this acquisition the market share of this business unit in the domestic as well as the international market will increase, and the Company expects to be a major player in this segment.

Considering the heavy investments for the Transmission & Distribution of electricity in the country and with a view to securing increased market share, the Company proposes to establish a 24,000 MT per annum capacity tower manufacturing unit in the State of Chhattisgarh. This will enable reliability of tower supplies for transmission line projects with a view to complete the projects in time and with minimum cost.

The differentiation in execution methodology was continued by using Central Pillar Mechanism in the ongoing 400 kV (Quad) Seoni - Khandwa transmission line project for Power Grid Corporation of India Limited and is being extended to 400 kV D/C Siliguri-Darjeeling of Power Grid Corporation of India Limited.

Others

i) Industrial Infrastructure

The ongoing desalination project for Nuclear Power Corporation of India Limited (NPCIL) at Kudankulam is nearing completion with the Phase-I scheduled for commissioning by July 2006. This project is being implemented for the first time in the country, with prefabricated Water Storage glass coated steel tanks being used in lieu of conventional RCC tanks. This technology reduces the construction time as well as simplifies its maintenance. Besides the main business of setting up sea water desalination plants, this business unit is implementing, on turnkey basis, effluent treatment plants for the 2 x 210 MW Parichha Thermal Power Plant.

During the year, a new initiative was started for undertaking EPC projects in various sectors in association with reputed overseas Companies specialized in their own fields and/or employing new technologies such as Clean Development

Mechanism (CDM) projects, Waste Heat Recovery projects and other environmental & energy efficiency improvement projects.

ii) Oil, Gas and Hydrocarbon

It has been decided to set up a new line of business in Oil & Gas sector in an endeavour to diversify Company's business portfolio.

This unit has already secured orders for setting up propellant casting facilities at Indian Space Research Organization, Sriharikota in Andhra Pradesh and upgradation of condensate recovery unit at Oil and Natural Gas Commission, Gandhar in Gujarat.

Services

i) Quality Services

Quality Services group achieved an all time high turnover of Rs.200 Million with a growth of 53% over previous year. It has secured global contracts from leading companies like GSG / Bechtel, USA, Petrofac, Sharjah and City Cement Co., Saudi Arabia and has extended its operations to several countries. Services are now being provided from Abu-Dhabi, Dubai, Bahrain, Oman, China, Korea, Saudi Arabia and Sharjah.

For domestic operations, three more new offices in India were added to the existing 12 centres with a view to provide competitive services with fast response to the large customer base spread over almost to the whole geography of the country.

ii) Singapore operations

The Company deputed technical staff to carryout the specific assignments for the clients in petro chemical industry in Singapore. The operations have improved substantially during the last quarter resulting in additional orders worth Rs.20 million.

Internal Systems

Internal control systems and their adequacy

The internal controls of the Company are operated through an exhaustive system of internal checks and balances involving cross functional teams. Periodic audits by the internal and statutory auditors and regular meetings of the Audit Committee of the Board of Directors who discuss with the auditors and the management regarding issues raised in the audit reports and all financial matters also reinforce the impact of internal controls in the company. With these ongoing initiatives, there are adequate internal control systems in the company.

Enterprise Resource Planning (ERP)

The Company embarked on introduction of Enterprise Resource Planning system to enhance the productivity of man power, reduction of project execution cycle time and integration of various business processes. The Company envisages

completion of the ERP implementation during forthcoming financial year.

Tata Business Excellence Model (TBEM)

The Company's real journey towards business excellence that really started in the year 2005 has picked up momentum and has favourably impacted all areas of Company's business operations. An application for external assessment 2006 – Cycle 2 of the Tata Business Excellence Model (TBEM) is being made. The fruits of TBEM are being seen in the Company's improved operational and financial performance. The project team further won the Best Team award for innovation (Center Pillar Mechanism for erection of tower) in South Zone and will be participating in the All India finals for all Tata Group Companies.

The Tata Code of Conduct (TCoC) is implemented on a continuous basis and has become a part and parcel of introduction to all the new employees at the time of joining. All the issues concerning the TCoC are being dealt promptly and the outcomes of such issues are being circulated for general information of all employees.

Corporate Social Responsibility

In pursuance of its commitment for improving the quality of life of members of the community (especially the underprivileged), the company undertook a number of projects and activities of local relevance, utilizing the core competencies of its employees.

The Company in association with Dr Reddy's Foundation is imparting hands on technical education in basic welding to the underprivileged and undereducated.

The Company continued to spearhead its volunteer activities such as organizing the Independence day celebrations for the three schools which it supports at Alur, Kukatpally and Kandlakoya. The Company also constructed an Overhead water tank of Capacity of 60,000 litres at Hindustan Zinc Limited's site in the Village of Biliya, Chittorgarh, developed a small road in Balkada Village at Seoni – Khandwa site, improved the facilities for children Primary School at Jhansi, and laid a Village Road at BHEL's Parichha Site.

Blood donation has become a regular activity and employees donated 110 Units of Blood on the occasion of World Blood Donation Day.

The Company and its employees actively participated in the World Environment Day celebrations, and observed National Cancer Day

The Company along with Tata Relief Committee continued its relief operations for the Tsunami affected, at Nagapattinam in Tamil Nadu, by deployment of a Mobile Desalination Plant for providing safe drinking water. This plant is operated by the Company's employees.

Corporate Governance

The Company has been constantly putting its best efforts to adopt good corporate governance over the years. The Audit Committee constituted by the Board, comprising of Mr. H. H. Malgham, Mr. S. Ramakrishnan and Mr. Santosh K Gupta, Directors of the Company, continued to provide valuable advice and guidance in the areas of costing, finance and internal controls. The Business Review Committee, comprises of Mr. F. K. Kavarana, Chairman, Mr. H. H. Malgham and

Mr.A.J.Engineer, Directors of the Company and provides advice and guidance in the areas of business development and execution of major projects. The Remuneration Committee, comprising of Mr.F.K.Kavarana, Chairman, Mr.A.J.Engineer and Mr.Prasad R Menon, Directors, have been providing valuable guidance.

Personnel

The Board acknowledges the significant contributions made by the employees during the year to get the highest ever orders, revenue and profit and believes in their commitment to further improve the performance in all spheres in future.

Statement of Employees Particulars

A statement giving information about employees of the Company pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given in the Annexure to this Report.

Section 217(i) (e) of the Companies Act, 1956

Foreign Exchange Earnings and Outgo

The Company's earnings in foreign exchange for services rendered and supply of goods during the year under review were Rs.461.58 million and the earnings from deemed exports (foreign exchange saved for the nation) were Rs.137.33 million.

The foreign exchange outgo for the Company during the year was Rs.33.60 million.

The Company does not fall under the specified Schedule of Industries and hence, disclosures as required under the Section with respect to conservation of energy are not applicable.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management confirm that –

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures.
- (ii) They have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit, of the Company for that period.
- (iii) They have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) They have prepared the annual accounts on a going concern basis.

Directors

Mr. S. Ramakrishnan, Mr. P. N. Dhume and Mr. Prasad R Menon, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

Mr. B. Krishna, who was appointed as Executive Director of the Company on 1st September 2000, retired from the services of the Company with effect from 31st August 2005. The Board has placed on record its appreciation of the valuable contribution made by Mr. B. Krishna during his tenure as Executive Director.

Mr. A. K. Misra was appointed as an Additional Director by the Board with effect from 12th September 2005. The Board also appointed Mr. A. K. Misra as Executive Director effective from the same date. His appointment and the remuneration payable to him require the approval of the members at the ensuing Annual General Meeting.

Auditors

The Auditors, M/s G.N. Joshi Associates, Chartered Accountants, retire at the next Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from the Auditors to the effect that their appointment, if made, would be within the limits prescribed under section 224 (1B) of the Companies Act, 1956. The members are requested to appoint Auditors for the current year at the Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

Acknowledgement

The Directors wish to place on record their sincere appreciation for the continued support received during the year from the shareholders, customers, suppliers, banks, financial institutions, group companies, business associates, various authorities and the employees of the company.

On behalf of the Board of Directors

F. K. Kavarana

Chairman

Place: Mumbai

Date : 27th June 2006

Auditor's Report To the Members

We report that we have audited the attached Balance Sheet of TATA PROJECTS LIMITED as at March 31, 2006, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date. 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the 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 (Auditors Report) Order, 2003, issued by the Central Government in the terms of sub section (4A) of Sections 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in Annexure referred to in paragraph (1) above :
 - (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 account as required by law have been kept by the Company, so far as it appears from our examination of such books.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow dealt with by this report are in agreement with the books of accounts.
 - (d) In our opinion, the Balance Sheet and Profit and Loss Account complies in all material respects with the accounting standards referred to in Section 211(3C) of the Companies Act 1956.
 - (e) On the basis of written representation received from directors, as on 31st March 2006, and taken on records by the Board of Directors, We report that none of the directors are disqualified, as on 31st March 2006, from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of The Companies Act 1956., and
 - (f) In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with Notes thereon contained in Schedule "16" gives 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 Company as at March 31, 2006;
 - (ii) in the case of the Profit and Loss Account , of the Profit of the Company for the year ended on that date;
and
 - (iii) in the case of Cash Flow Statement , of the cash flows for the year ended on that date.

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

Kaushik. B. Joshi
(Partner)
Membership No. 48889

Mumbai
27th June, 2006

Annexure to the Auditor's Report
(Referred to in Paragraph (1) of our Report of even date)

- i. a) The Company has maintained proper records to show the full particulars including quantitative details and situation of its fixed assets.
b) As informed to us, the fixed assets of the Company have been physically verified by the Management at reasonable intervals during the year and no material discrepancies, as compared with the book records, have been noticed on such verification.
c) There was no substantial disposal of fixed assets during the year.
- ii. As explained to us, the Company had no Inventory during the beginning or at the end of the year and accordingly items specified in clause (ii) of paragraph 4 of the Order are not applicable considering the nature of activities carried out by the Company.
- iii. a) The Company has granted unsecured loan, to a company covered in Register maintained under Sec. 301 of the Companies Act, 1956, amounting to Rs. 500.00 lakhs
b) The rate of interest and other terms and conditions of loans granted by the Company are prima-facie not prejudicial to the interest of the Company.
c) The receipts of principal and interest in respect of above loans granted are regular.
d) There is no over due amount in respect of any loans granted.
e) The Company has not taken any loan from the Parties listed in the Register maintained under Sec.301 of the Companies Act, 1956.Hence sub clause (f) and (g) are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and supply of project equipment and materials and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- v. As per the information and explanations given to us, we are of the opinion that the Company has entered all contracts and particulars that are required to be entered in the register maintained under Sec. 301 of the Companies Act, 1956. Based on the information and explanations given to us, each of the above transactions entered in the Register maintained under Sec. 301 of the Companies Act, 1956, have been at the prices which are reasonable having regard to the prevailing market prices at relevant time.
- vi. The Company has not accepted fixed deposits from the public to which the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 apply.
- vii. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.

- viii. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the Company.
- ix. a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no dues of income tax, sales tax, custom duty, wealth tax, service tax, excise duty and cess on account of any dispute except in the following cases :

Sl. No.	Issuing Authority	Description	Disputed Amount not paid Rs. in lakhs	Present status
1	Sales Tax Officer, Bhubaneswar - A.Y. 1999 - 2000	Disallowed actual expenditure incurred for labour and local purchases. Company preferred an appeal with Appellate Tribunal since the demand raised by STO is not tenable. 50% of the demand paid by the Company.	8.17	Matter is pending with Appellate Tribunal.
2	Asst. Commissioner (Appeals), Bhubaneswar - A.Y. 2000-2001	Disallowed actual expenditure, Company preferred appeal with Appellate Tribunal since the demand raised by Asst. Commissioner is not tenable.	13.53	Matter is pending with Appellate Tribunal.
3	Sales Tax Officer, Bhubaneswar - A.Y. 2001-2002	Assistant Commissioner (Appeals), disallowed actual labour Expenditure and raised Demand order for Rs. 19.40 lakhs. Aggrieved by the order, Company preferred Appeal with Appellate Tribunal and made Application with Additional Commissioner for grant of stay for payment of Rs. 19.40 lakhs. Who advised to make payment of Rs. 8.50 lakhs. Which Company paid.	10.90	Matter pending with Appellate Tribunal
4	Addl. Commissioner (Legal), Andhra Pradesh - A.Y. 1996-1997	Assessment reopened and reassessed by disallowing labour portion. Company preferred appeal with Appellate Tribunal.	5.31	Matter is pending with Appellate Tribunal.
		Total	37.91	

Note: The Company has made adequate provision for the above mentioned liabilities

- x. The Company's Accumulated losses at the end of the financial year are not more than fifty percent of its Networth and Company has not incurred any cash losses in the current year and in the immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or banks.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are 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 bank or financial institutions.
- xvi. The company has applied the term loans for the purpose for which the loan is obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow of the Company, we report no short term funds have been used for long term investment.
- xviii. During the year, Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money through a public issue during the year.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

Kaushik. B. Joshi
Partner
Membership No. 48889

Mumbai
27th June, 2006

Balance Sheet as at 31st March, 2006

	Schedule	March 31, 2006 Rs. in lacs	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs	March 31, 2005 Rs. in lacs
I. Sources of Funds					
1) Shareholders Funds					
a) Capital	1	225.00		225.00	
b) Reserves and Surplus	2	5,804.16	6,029.16	4,552.95	4,777.95
2) Loans Funds					
a) Secured Loans	3	1,872.79		2,877.03	
b) Unsecured Loans	4	-	1,872.79	650.00	3,527.03
3) Deferred tax liability (Refer Note 12 of Schedule 16)					
			70.65		43.82
Total			7,972.60		8,348.80
II. Application of Funds					
1) Fixed Assets					
a) Gross Block	5	7,147.36		3,347.90	
Less: Depreciation		2,115.71		1,495.22	
Net Block			5,031.65		1,852.68
b) Capital Work-in-progress			201.48		188.94
2) Investments					
	6		421.05		414.93
3) Current Assets, Loans and Advances					
a) Sundry Debtors	7	28,271.44		20,586.34	
b) Cash and Bank Balances	8	632.46		1,926.72	
c) Other Current Assets	9	1,611.59		1,599.95	
d) Loans and Advances	10	10,803.05	41,318.54	6,385.19	30,498.20
Less:					
4) Current Liabilities and Provisions					
a) Liabilities	11	35,253.79		22,267.85	
b) Provisions		3,746.33	39,000.11	2,338.10	24,605.95
Net Current Assets			2,318.43		5,892.25
Notes on Accounts	16				
Balance Sheet Abstract	17				
Total			7,972.60		8,348.80

As per our report of even date

For G.N. JOSHI ASSOCIATES
Chartered AccountantsKaushik.B. Joshi
PartnerMumbai
27th June, 2006

For and on behalf of the Board

F.K. Kavarana
ChairmanH.H. Malgham
DirectorK.P. Singh
Managing DirectorMumbai
27th June, 2006

Profit and Loss Account for the year ended 31st March, 2006

	Schedule	Period ended March 31, 2006 Rs. in lacs	Period ended March 31, 2006 Rs. in lacs	Period ended March 31, 2005 Rs. in lacs	Period ended March 31, 2005 Rs. in lacs
I. Income					
a) From Contracts		47,310.45		44,913.08	
b) Others	12	220.40	47,530.85	222.14	45,135.22
II. Expenditure					
a) Project Execution Expenses	13	38,403.87		39,492.76	
b) Employee Cost	14	2,818.15		2,014.23	
c) Interest		208.17		326.55	
d) Establishment and other Expenses	15	2,560.87		1,664.83	
e) Depreciation and Amortisation	5	641.58		290.14	
		44,632.64		43,788.51	
Add/(Less) : Decrease / (Increase) in Work-in-progress (Net)		677.15	45,309.79	(129.83)	43,658.68
III. Profit before Taxes			2,221.06		1,476.54
Provision for					
a) Current Tax (Refer Note 17 of Schedule 16)		678.73		200.23	
b) Deferred Tax		26.83		124.21	
c) Fringe Benefit Tax		84.69	790.25	-	324.44
			1,430.81		1,152.10
Add: Tax adjustments of earlier years			-		244.59
IV. Profit after Taxes			1,430.81		1,396.69
Balance brought forward from previous year			(1,023.04)		(2,419.73)
V.			407.77		(1,023.04)
Amount Available for Appropriations					
a) Proposed Dividend			157.50		-
b) Tax on Dividends			22.10		-
c) General Reserve			143.08		-
Balance Carried to Balance Sheet			85.09		(1,023.04)
Earnings Per Share (Rs.)			635.92		620.75
Notes on Accounts	16				
Balance Sheet Abstract	17				

As per our report of even date

For G.N. JOSHI ASSOCIATES
Chartered AccountantsKaushik.B. Joshi
PartnerMumbai
27th June, 2006

For and on behalf of the Board

F.K. Kavarana
ChairmanH.H. Malgham
DirectorK.P. Singh
Managing DirectorMumbai
27th June, 2006

Cash Flow Statement for the Year ended 31st March 2006

	Year ended March 31, 2006 Rs. in lacs	Year ended March 31, 2006 Rs. in lacs	Year ended March 31, 2005 Rs. in lacs	Year ended March 31, 2005 Rs. in lacs
A. Cash Flow from Operating Activities				
Net profit before Taxation and Extraordinary Items		2,221.06		1,476.54
Adjustments for				
Depreciation	641.58		290.14	
Interest Income	(91.05)		(77.96)	
Dividend Income	(26.87)		(18.00)	
Interest Expenditure	208.17		326.55	
Premium on purchase of investments	0.24		0.24	
Profit from Partnership Firm	(0.03)		(0.02)	
Profit on Sale of Fixed Assets	(1.35)		(0.99)	
		730.69		519.95
Operating profit before Working Capital Changes		2,951.75		1,996.49
Decrease / (Increase) in Current Assets	(10,432.71)		(4,619.85)	
(Decrease) / Increase in Current Liabilities	10,747.35		5,130.58	
		314.66		(510.73)
Cash generated from Operations		3,266.41		2,507.22
Income Tax paid		(507.36)		(409.67)
Income Tax refund		-		158.23
Wealth Tax paid		-		(0.34)
Net Cash from Operating Activities		2,759.05		2,255.44
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(759.90)		(761.94)	
Sale of Fixed Assets	11.64		23.91	
Inter Corporate Deposits placed	(2,500.00)		-	
Refund of Inter Corporate Deposits	1,000.00		-	
Profit from Partnership firm	0.03		0.02	
Investments in Mutual Funds	(2,000.00)		-	
Sale of Mutual Funds	2,000.00		-	
Interest Received	27.37		38.54	
Dividend Income from Units	26.87		18.00	
Net Cash used in Investing Activities		(2,193.99)		(681.47)

	Year ended March 31, 2006 Rs. in lacs	Year ended March 31, 2006 Rs. in lacs	Year ended March 31, 2005 Rs. in lacs	Year ended March 31, 2005 Rs. in lacs
c. Cash Flow from Financing Activities				
Proceeds from Borrowings	-		307.93	
Repayment of Borrowings	(1,654.25)		(1,017.16)	
Interest paid	(205.07)		(321.24)	
Net Cash used in Financing Activities		(1,859.32)		(1,030.47)
Net Increase in Cash and Cash Equivalents during the year		(1,294.26)		543.50
Cash and Cash Equivalents at the beginning of the year		1,926.72		1,383.23
Cash and Cash Equivalents at the end of the year		632.46		1,926.72

As per our report of even date

For G. N. JOSHI ASSOCIATES
Chartered Accountants

Kaushik. B. Joshi
Partner

Mumbai
27th June, 2006

For and on behalf of the Board

F.K. Kavarana
Chairman

H. H. Malgham
Director

K. P. Singh
Managing Director

Mumbai
27th June, 2006

Schedules 1 to 16

Annexed to and forming part of the Balance Sheet as at 31st March 2006
and Profit & Loss Account for the year ended 31st March 2006

	March 31, 2006 Rs. in lacs	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 1				
Capital				
Authorised 300,000 (2004-05 - 300,000) Equity Shares of Rs. 100 each		<u>300.00</u>		<u>300.00</u>
Issued, Subscribed and Paid-up 225,000 (2004-05 - 225,000) Equity Shares of Rs. 100 each		<u>225.00</u>		<u>225.00</u>
Schedule - 2				
Reserves & Surplus				
a) Share Premium		37.50		37.50
b) Foreign Projects Reserve (As per Section 80-HHB of I.T. Act)				
Balance as per last Balance Sheet	755.00		1,395.00	
Less : Transfer to General Reserve	<u>700.00</u>	55.00	<u>640.00</u>	755.00
c) General Reserve I (as per Sec. 205(2A) of the Companies Act, 1956)		792.71		649.63
d) General Reserve II				
Balance as per last Balance Sheet	4,133.86		3,493.86	
Add : Transfer from Foreign project Reserve	<u>700.00</u>	4,833.86	<u>640.00</u>	4,133.86
e) Balance in Profit & Loss Account		85.09		(1,023.04)
		<u>5,804.16</u>		<u>4,552.95</u>

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 3		
Secured Loans		
a) Bank Overdraft (Secured by Hypothecation / Pledge of book debts, Securities & Current Assets)	229.68	-
b) i) Short term Loan from Banks (Secured by Hypothecation / Pledge of book debts, Securities & Current Assets)	-	1,926.17
ii) Short term Advance from Banks (Exclusive charge on book debts and other Current Assets, of Project for which Advance is taken)	850.06	-
c) Other Loans		
(i) from Banks (repayable within one year Rs. 163.62 lacs (2004-05 Rs. 162.49 lacs))	163.62	319.21
(i i) from Others - (repayable within one year Rs. 280.00 lacs (2004-05 Rs. 212.05 lacs)) (Secured by Hypothecation / Pari Passu Pledge of Fixed Assets, in case of HDFC Loan - Secured by equitable Mortgage of House properties of Employees under the HDFC Employees Housing Loan Scheme and in case of Vehicle loans by hypothecation of vehicle in respect of which the loan is taken)	629.43	631.65
	1,872.79	2,877.03
Schedule - 4		
Unsecured Loans		
Short term advance from Banks	-	450.00
Short term advance from Others	-	200.00
	-	650.00

Schedule 5
Fixed Assets

Rupees in Lacs

Sl. No.	Particulars	Gross Block				Depreciation				Net Block	
		As on 01.04.2005	Additions	Deductions	As on 31.03.2006	As on 01.04.2005	For 2005-06	On Deductions	As on 31.03.2006	As on 31.03.2006	As on 31.03.2005
a-I	Tangible Assets :										
1)	Land	322.32	-	-	322.32	-	-	-	-	322.32	322.32
2)	Buildings	34.05	-	-	34.05	9.49	1.23	-	10.72	23.33	24.56
3)	Erection / Construction Machinery	2,160.14	1,222.04	3.60	3,378.58	959.37	303.89	1.92	1,261.34	2,117.24	1,200.77
4)	Furnitures & Fixtures	105.33	58.99	2.65	161.67	81.26	28.01	2.42	106.85	54.82	24.07
5)	Vehicles	270.01	200.84	23.63	447.22	173.17	51.75	16.55	208.37	238.85	96.84
6)	Office Equipment	163.47	66.06	1.74	227.79	91.59	25.82	0.19	117.22	110.57	71.88
7)	Air Conditioning Equipment				-				-	-	
8)	Electrical Equipment				-				-	-	
9)	Computers	226.24	116.58	0.30	342.52	177.00	38.34	0.02	215.32	127.20	49.23
10)	R & D - Capital - Mobile Desalination Plant	40.24	-		40.24	0.99	5.46	-	6.45	33.79	39.25
a-II	Intangible Assets :										
1)	Software	26.10	34.31		60.41	2.35	9.38	-	11.73	48.68	23.76
2)	Goodwill		2,132.56		2,132.56		177.71		177.71	1,954.85	
	Total	3,347.90	3,831.38	31.92	7,147.36	1,495.22	641.59	21.10	2,115.71	5,031.65	1,852.68
	Previous Year	2,580.05	784.76	16.91	3,347.90	1,220.19	290.14	15.11	1,495.22	1,852.68	
8)	Capital Work-in-Progress									201.48	188.94

Note : Addition during the year includes Rs. 911.54 Lacs of assets acquired from Power System Division of Tata Power Company Limited.

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 6		
Investments		
A. Long Term (at Cost)		
a) In Trust Securities (Non trade) (Unquoted)		
(i) 10,00,000 (2005-06 - 1,00,000 Units of US-95) Units of UTI Balance fund { Repurchase Price Rs. 179.60 lacs { Previous year Rs. 152.80 lacs } }	101.15	101.15
(ii) 1,00,000 (2004-05 - 1,00,000) Units of G.I.C Fortune-94 { Repurchase Price Rs. 24.44 lacs (Previous year Rs. 18.72 lacs) }	10.00	10.00
b) In Bonds (Non trade)		
(i) 3 (Previous year - 3) Nos. 6.35% Exim Bond - 2013 Maturity year 2013 of the face value of Rs. 100 lacs each	302.35	302.35
c) In Shares (Trade) (Unquoted)		
(i) 1,200 (Previous year - 1,200) Equity Shares of Virendra Garments Manufacturers Pvt. Ltd.,	1.20	1.20
d) In Partnership Firms Capital (Trade)		
(i) Tata Dilworth Secord Meagher & Associates (Refer Note 15 to Schedule 16)	1.80	1.80
B. Current Investment		
a) In Mutual Funds (Unquoted)		
(i) SBI Magnum Institutional Income Fund (Acquired during the year) (Units : 63,360.0968; Market Value - Rs. 6.36 lacs	6.35	-
	422.86	416.50
Less : Provision for diminution in value of investments (Including Premium amortised Rs. 0.61 lacs (Previous year Rs. 0.37 lacs)) (Refer Note No. 24 of Schedule 16 for Units of Mutual Fund purchased and sold during the year.	1.81	1.57
	421.05	414.93

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 7		
Sundry Debtors - Unsecured		
A. Considered good		
Outstanding for more than 6 months	5,027.28	1,713.41
Other Debts (Refer Note 16 of Schedule 16)	23,244.16	18,872.93
Total (A)	<u>28,271.44</u>	<u>20,586.34</u>
B. Considered Doubtful		
Outstanding for more than 6 months	254.82	187.18
Other Debts	-	-
	<u>254.82</u>	<u>187.18</u>
Less : Provision for Doubtful Debts	254.82	187.18
Total (B)	<u>-</u>	<u>-</u>
Total (A + B)	<u>28,271.44</u>	<u>20,586.34</u>
Schedule - 8		
Cash and Bank Balances		
a) Cash on hand	27.69	16.15
a) Cheques on hand	131.37	-
Balance with Scheduled Banks		
a) On Current Account	396.24	1,535.02
b) On Short Term Deposit	-	200.00
With other Banks on Current Account		
a) Citibank N.A, Singapore (Maximum during the year 2005-06 Rs. 47.23 lacs) (2004-05 Rs. 69.34 lacs)	30.62	37.30
b) Abu Dhabi Commercial Bank, Abu Dhabi (Altaweelah a/c) (Maximum during the year 2005-06 Rs. 25.98 lacs) (2004-05 Rs. 69.73 lacs)	25.98	37.24

Schedule - 8 (Contd...)

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 8 (Contd...)		
c) Nepal SBI Bank Limited, Kathmandu (Maximum during the year 2005-06 Rs. 3.05 lacs) (2004-05 Rs. 21.82 lacs)	2.50	7.08
d) Commercial bank of Qatar (Maximum during the year 2005-06 Rs. 24.17 lacs)	7.70	-
e) Remittance in Transit	10.36	93.93
	632.46	1,926.72

	March 31, 2006 Rs. in lacs	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 9				
Other Current Assets				
a) Work done but not billed		1,100.46		726.34
b) Work-in-Progress				
Opening Work-in-Progress	858.73		728.90	
Add: Work-in-Progress of Power System Division	305.68		-	
Add/(Less) : Increase / Decrease in	(677.15)	487.26	129.83	858.73
Work-in-Progress (Net)				
Closing Work-in-Progress				
c) Accrued Interest		23.87		14.87
		1,611.59		1,599.95

	March 31, 2006 Rs. in lacs	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 10				
Loans and Advances				
Loans and advances recoverable in cash or in kind for value to be received				
a) Secured and considered good		35.68		51.90
b) Unsecured and considered good		9,785.46		5,548.93
c) Advance payment of tax (Net)		904.50		784.36
d) Advance payment of Fringe Benefit tax		77.42		-
		<u>10,803.06</u>		<u>6,385.19</u>
Schedule - 11				
Current Liabilities and Provisions				
Liabilities				
a) Advance from customers		7,140.83		6,645.13
b) Acceptances		695.69		277.20
c) Sundry Creditors				
ii) Due to Small Scale Industries (Refer Note 21 of Schedule 16)	123.69		141.95	
iii) Others	<u>17,389.78</u>	17,513.47	<u>15,016.61</u>	15,158.56
d) Advance Billing		113.64		86.38
e) Other Liabilities		9,790.17		100.58
		<u>35,253.80</u>		<u>22,267.85</u>
Provisions				
a) Provision for Contract expenses (Refer Note 11 of Schedule 16)		2,338.27		1,659.11
b) Leave Encashment		192.86		120.61
c) Provision for Taxation (Net)		934.60		558.38
d) Provision for Fringe Benefit Tax		84.68		-
e) Provision for Proposed Dividend		157.50		-
f) Provision for Income Tax on Dividend		22.10		-
g) Others		16.32		-
		<u>3,746.33</u>		<u>2,338.10</u>

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 12		
Income		
Others		
a) Interest from		
i) Banks	4.50	7.24
ii) Others (Tax deducted at source Rs. 5.33 lacs, 2004-05 Rs. 8.04 lacs)	86.56	70.72
b) Dividends (includes Rs. 8.87 lacs from current investments)	26.87	18.00
c) Miscellaneous Income	40.89	112.92
d) Hire Charges	60.20	-
e) Difference in exchange rate (Net)	-	12.25
f) Profit on sale of Fixed Assets	1.35	0.99
g) Profit from Partnership firm	0.03	0.02
	<u>220.40</u>	<u>222.14</u>
Schedule - 13		
Project Execution expenses		
a) Cost of Supplies / Erection and Civil works	37,385.61	38,768.46
b) Engineering Fees	12.25	20.52
c) Works Contract Tax / Service tax / Sales tax	460.97	348.38
d) Insurance Premium	294.01	193.82
e) Bank Guarantee and Letter of credit charges	220.35	130.67
f) Overseas Living Allowance	30.68	30.91
	<u>38,403.87</u>	<u>39,492.76</u>
Schedule - 14		
Employee Cost		
a) Salaries	2,298.26	1,582.47
b) Contribution to Provident Fund / Pension fund	114.57	82.09
c) Gratuity	89.05	84.95
d) Superannuation	121.95	94.56
e) Staff Welfare	194.32	170.16
	<u>2,818.15</u>	<u>2,014.23</u>

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
Schedule - 15		
Establishment and Other Expenses		
a) Rent	244.80	147.14
b) Repairs & Maintenance (Refer Note 10 of Schedule 16)	147.06	102.48
c) Rates and Taxes	17.00	10.15
d) Motor Vehicle Expenses	310.87	255.35
e) Travelling Expenses	671.81	285.22
f) Professional and Legal Charges	293.03	225.90
g) Postage, Telephone, Telegram & Telex	134.23	101.50
h) Printing and Stationery	80.62	55.98
i) Electricity & Water Charges	51.38	30.41
j) Books, Periodicals and Subscriptions	11.23	11.33
k) Advertisement Expenses	15.77	4.56
l) Bank Charges	59.04	40.42
m) Freight Charges	30.63	23.57
n) Staff Recruitment / Training Expenses	73.86	28.98
o) Remuneration to Non-wholetime Directors (including sitting fees)	20.50	3.20
p) Donations	1.15	11.86
q) Community Development	7.89	9.46
r) Auditor's Remuneration	5.02	5.40
s) Entertainment Expenses	9.50	8.96
t) Business Development Expenditure	29.92	36.00
u) Amortisation of Premium / Provision for diminution in the value of investments	0.24	0.24
v) Difference in Exchange Rate	74.80	-
w) General Expenses	66.12	12.18
x) Provision for doubtful Debts (Net of reversal of Provision for doubtful debts of Rs. 7.10 lacs (Previous year Rs. 458.34 lacs)	67.64	(282.25)
y) Bad debts	7.10	458.34
z) Brand Equity Contribution	129.66	78.45
	2,560.87	1,664.83

Schedule -16**Notes on Accounts****1. Significant Accounting Policies****(a) Basis of preparation**

The financial statements are prepared under the historical cost convention, on an accrual basis, in conformity with the accounting principles, generally accepted in India and in accordance with accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

(b) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include accounting for contract costs expected to be incurred to complete the projects, provisions for doubtful debts, obligations under employee retirement benefit plans, income taxes, post contract warranties and the useful lives of fixed and intangible assets. Actual results could differ from those estimates.

(c) Fixed Assets

Fixed Assets are shown at cost less depreciation. The cost comprises purchase price and other attributable expenses incurred up to acquisition and installation.

(d) Depreciation on Fixed Assets

Depreciation has been provided for on the written down value method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except following assets which have been depreciated on Straight Line Method (SLM) as per the useful life of assets estimated by the management.

	Assets	Rate of depreciation for SLM
1	Scaffolding Materials	20%
2	Wire Ropes and Slings	50%
3	Computer including Software	25%
4	Motor Cars under car policy for executives	22.5%
5	All the assets costing less than Rs.10,000/- each are fully depreciated in the year of purchase.	-
6	Goodwill	Amortised over 36 months

(e) Investments**i) Long Term Investments**

Investments are valued at cost of acquisition inclusive of other attributable expenses. Provision is made to recognise the diminution, other than temporary, in the value of investments.

Premium paid on investments acquired to hold till maturity is amortised over the holding period and the same is included in the provision for diminution in the value of investments.

ii) Current investments valued at Market value or net realizable value whichever is less.

(f) Revenue recognition

(i) **Income from Contracts**

Revenue from execution of contracts is recognised on Percentage Completion method. The stage of completion is determined on the basis of actual work executed during the period.

No profit is recognised till a minimum of 10% progress is achieved on the contract. Cost incurred and invoices raised in respect of such contracts are carried in Balance Sheet as work in progress & Advance Billing respectively.

When it is probable at any stage of the contract, that the total cost will exceed the total contract revenue, the expected loss is recognised immediately.

(ii) Revenue from Inspection activity is recognised on time and material basis.

(iii) Revenue in respect of Extra works and other works not covered by written agreement is recognised on approval by client.

(iv) Interest income and income from investments are accounted for on accrual basis.

(g) Work-in-progress

Work-in-progress, represents expenses incurred not forming part of the work executed till Balance Sheet date and startup expenses incurred on the project till income is recognised in accordance with the revenue recognition policy followed by the Company, is valued at cost.

(h) Work done but not billed

Work done but not billed represents value of work executed, billed subsequent to the Balance Sheet date, the same is valued at contract price.

(i) Foreign Currency Transactions

(i) The Company translates all foreign currency transactions at transaction rates. Monetary assets and liabilities relate to foreign currency transactions remaining unsettled at the end of the year are restated at year-end rates. Forward exchange contracts are accounted for by amortising the difference between the forward rate and the exchange rate on the date of the transaction over the life of the contract.

(ii) Financial Statements of Foreign operations, which are integral operations, are translated using the same principle as stated above except following items which are translated as below :

	Nature of the account	Policy
1	Opening and Closing Work-in-Progress	Rate at the commencement and close of the year respectively.
2	Fixed Assets and Depreciation	Rate used for the translation of the respective Fixed Assets.

(j) Retirement benefits

(i) Contribution to the Provident and Superannuation Funds which are based on defined contribution plans expensed as incurred.

(ii) The Gratuity Liability, which is a defined benefit plan, is expensed as per the advice of Life Insurance Corporation with whom the fund is maintained.

(iii) Provision for encashment of unavailed leave and Provision to retired Managing Directors is made on the basis of actuarial valuation as on the Balance Sheet date.

(k) Income Tax

Income taxes are computed using the tax effect accounting method in accordance with the Accounting Standard-AS-22 "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred Income taxes reflect the impact of current year timing difference between taxable income and Accounting income for the year and the reversal of timing difference of earlier years.

Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liabilities settled, based on the tax rates (and tax laws) that have been enacted or substantively to set off against the deferred taxes (Refer Note 12)

(l) Borrowing Costs

Borrowing costs have been charged to Profit and Loss Account during the year.

(m) Impairment of Assets

At each balance sheet date the Company assesses the realisable value of all the assets. If there is any indication of fall in the realisable value over carrying cost of the assets, impairment in value of the assets is recognised.

2. Brackish Water Reverse Osmosis (BWRO)

The Company has developed technology for purifying the water by Defluoridation process known as Brackish Water Reverse Osmosis Plant. During the year, the Company has sold 5 units (Previous year 2 units) of BWRO Plants for Rs. 22.00 lacs (Previous year Rs. 7.13 lacs) the same is included in income from contracts. The cost of material consumed is included in cost of erection. Units under production are shown as work in progress. The opening and closing stock of finished goods of BWRO plants are nil.

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
3) a) Bank Guarantees issued by the Company to its clients/suppliers (these are generally backed by Bank Guarantees obtained by the Company from its suppliers/sub-contractors)	43,315.94	23,251.46
b) Corporate Guarantees issued to clients under various contracts	3,317.83	2,146.09
c) Estimated amount of contract to be executed on capital account and not provided for (Net of Advance)	-	2.34
d) Forward Contracts Outstanding (in US\$)	1.83	44.16
(Equivalent approximate in Rs.)	81.03	1,962.61
Unamortized Income	0.36	36.44
4) Value of Imports on CIF basis	4,011.82	-
Capital Goods (including acquired at foreign branches)	25.46	74.37
5) Expenditure in Foreign currency (Other than Imports)	336.03	204.35

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
6) i) Earnings in Foreign Exchange		
a) Erection and Engineering services & Quality Services	4,615.84	2,765.90
b) Interest	0.06	0.20
c) Miscellaneous Income	-	0.39
ii) Foreign Exchange saved by way of Deemed Export Earnings	1,373.31	959.03
7) Break-up of Contract Income		
a) Income from supply of Project Equipment and Materials	28,191.69	25,122.47
b) Income from Erection, Engineering and Quality Services	19,118.76	19,790.62
	<u>47,310.45</u>	<u>44,913.08</u>
8) The Company's business activity of execution of projects involves procurement and supply of materials along with the rendering of services. The materials procured by the Company are directly delivered to the project sites and charged off in the year of purchase and included under the head "Engineering Services / Supplies & Erection and Construction Expenses". The materials specified are specific for each project and numerous in quantity. Hence, in the view of the Company, it is not possible to give quantitative details of the materials.		
9) a) Computation of Commission to Directors		
Profit / (Loss) before tax as per Profit and Loss Account	2,221.06	1,476.54
Add : Depreciation	641.58	290.14
Provision for doubtful debts (Net)	67.64	(282.25)
Directors Sitting fee	- 5.00	3.20
Managerial remuneration	97.47	42.69
	(A)	
	3,032.75	1,530.32
Less : Depreciation as per Sec. 350 of the Companies Act, 1956	620.03	249.28
Brought forward loss of the year 04-05	858.76	2,139.80
	(B)	
	1,478.79	2,389.08
Net Profit / (Loss) for the year under Section 198(1) of the Companies Act, 1956	(A-B) 1,553.96	(858.76)
Commission payable to Wholetime Directors	42.00	NIL
Commission to Non-Wholetime Directors	15.50	NIL
The remuneration paid during the year to wholetime Directors including commission amounting to Rs. 81.97 lacs (2004-05 Rs. 42.69 lacs) includes the estimated money value of benefit of Rs. 4.11 lacs (2004-05 Rs. 3.91 lacs)		

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
b) Auditor's Remuneration includes		
Audit Fees	2.48	2.48
Tax Audit Fees	0.83	0.83
Other matters	1.45	1.98
Out of Pocket expenses	0.26	0.10
	<u>5.02</u>	<u>5.40</u>
10) Repairs and Maintenance includes		
a) Repairs & Maintenance (Erection & Construction Equipment)	54.40	44.31
b) Repairs & Maintenance (others)	92.66	58.17
	<u>147.06</u>	<u>102.48</u>
11) Provision for Contract expenses		
Carrying amount at the beginning of the period	1,659.11	578.33
Additional provision during the period	2,338.27	1,659.11
Amount used during the period	1,659.11	578.33
Carrying amount at the end of the period	2,338.27	1,659.11

Provision for contract expenses represents cost to be incurred in future for completing the contracts, the same are determined based on the percentage of work completed till balance sheet date applied to total cost of the project as per the control budget for each Project. The same will be reversed as and when costs are incurred during execution of the project.

12. The major components of deferred tax assets and liabilities as at 31st March, 2006 are as follows :

Deferred Tax Assets / Liabilities

	Balance as on 01.04.2005 Rs. in lacs	During the Year Rs. in lacs	Balance as on 31.03.2006 Rs. in lacs
Provision for Doubtful debts	(65.90)	(19.87)	(85.77)
Provision for Leave Encashment & Pension	(44.71)	(25.70)	(70.41)
Total	<u>(110.61)</u>	<u>(45.57)</u>	<u>(156.18)</u>
Depreciation	154.43	72.40	226.83
Total	<u>154.43</u>	<u>72.40</u>	<u>226.83</u>
Total Deferred tax Asset / (Liabilities)	(43.82)	(26.83)	(70.65)

13) Related Party Transactions

The Company has entered into related party transactions with a major shareholder and key management personnel. Details of such transactions are given below:

Name of the related party	Nature of relation	Nature of transaction	Rs. in lacs	
			2005-06	2004-05
**Tata Power Company Limited	Major shareholder	Contract services	2,171.59	2,197.03
		Expenses	487.04	119.53
		Receivables, Loans and advances	2,862.50	1,275.02
		Payable, Advance against services	10,948.13	590.40
Tata Dilworth, Secord Meagher & Associates (TDSMA)	Associate concern	Profit from partnership firm	0.03	0.02
Mr. K.P.Singh, Managing Director	Key Management personnel	Managerial remuneration	26.11	19.54
Mr. B. Krishna, Executive Director (upto 31.08.05)	Key Management personnel	Managerial remuneration	11.35	16.15
Mr. A. K. Misra, Executive Director (from 12.09.05)	Key Management personnel	Managerial remuneration	9.51	-

** Details of Income and Expenditure of Tata Power Company Limited excludes transactions of Power Systems Division after 01.01.2006.

14) Segment Information

The Company is executing Engineering, Procurement and Construction (EPC) contracts in various infrastructure fields, such as Energy Sector which comprises of Power Generation, Transmission, Distribution and related ancillary services, Telecommunications, Civil construction and other allied engineering services. The projects are executed both in India and Abroad. Considering the Core activities of the Company as above, Primary Segment is Business segment and Secondary segment is Geographical segments.

Accordingly the Primary Segment of the Company are:

1. Energy Sector
2. Services
3. Others

and Secondary Segment of the Company are:

1. Domestic
2. Overseas

Reporting for Business Sector is on the following basis:

Revenue relating to individual segment is recorded in accordance with Accounting Policies followed by the Company. All the expenditure, which are directly attributable to a project, are charged to the project and included in the respective segment to which the project related. The costs which cannot be reasonably attributable to any project and are in the nature of general administrative overheads are shown as Unallocable Expenses.

Fixed Assets employed in specific project are allocated to the segment to which the project relates. The depreciation on the corresponding Assets is charged to respective segments.

The borrowings & corresponding interest expenses relating to specific projects are shown under the segment to which the project relates.

Reporting for the Geographical segment is based on the Geographical location where project is executed and Geographical location of assets.

Rs. in Lacs

A. PRIMARY SEGMENT		Energy Sector		Services		Others		Consolidated Total	
		Mar-06	Mar-05	Mar-06	Mar-05	Mar-06	Mar-05	Mar-06	Mar-05
1	Segment Revenue								
	External Sales	40,126.08	42,626.78	2,108.04	1,496.27	5,076.32	790.03	47,310.45	44,913.08
	Expenses	37,129.00		1,284.25	762.35	4,971.94		43,385.19	762.35
2	Segment Result	2,997.08	2,051.53	823.79	733.92	104.38	(94.58)	3,925.25	2,690.87
3	Unallocated Corporate Expenses							1,716.43	1,109.91
4	Interest Expense							208.17	326.56
5	Operating Profits (2-3-4)							2,000.65	1,254.40
6	Interest / Dividend Income							116.34	95.95
7	Other Income							104.05	126.19
8	Net Profit / (Loss) Before Tax (5+6+7)							2,221.06	1,476.54
9	Provision for Taxation							678.73	200.23
10	Provision for Deferred tax written back							26.83	124.21
11	Fringe benefit tax Short / excess provision							84.69	(244.59)
12	Net Profit / (Loss) after Tax (8-9-10+11)							1,430.81	1,396.69
OTHER INFORMATION									
	Segment Assets	38,852.14	28,757.27	1,171.08	780.43	2,489.95	1,132.49	42,513.17	30,670.19
	Unallocated Corporate Assets							4,459.55	3,319.17
	Total Assets							46,972.72	33,989.36
	Segment Liabilities	36,864.30	23,763.82	83.61	25.67	1,904.78	1,162.73	38,852.69	24,952.22
	Unallocated Corporate Liabilities							2,090.87	699.55
	Total Liabilities							40,943.56	25,651.77
	Capital Expenditure	3,289.38	558.21	33.00	-	6.00	4.16	3,328.38	562.37
	Unallocable Capital Expenditure							273.24	222.39
	Depreciation	432.01	147.67	4.97		4.17	3.57	441.15	151.24
	Unallocable Depreciation							200.43	138.90
B. GEOGRAPHICAL SEGMENT		Domestic		Overseas				Consolidated Total	
		Mar-06	Mar-05	Mar-06	Mar-05			Mar-06	Mar-05
	Segment Revenue								
	External Sales	46,885.95	44,727.59	424.50	250.9			47,310.45	44,978.49
	Segment Asset	42,024.09	30,120.24	489.07	552.55			42,513.17	30,672.79
	Unallocable Asset							4,459.55	3,316.57
	Total Asset							46,972.72	33,989.36
	Capital Expenditure	3,323.92	562.37	4.46	0.00			3,328.38	562.37
	Unallocable Capital Expenditure							273.24	222.39

- 15) The details of investment in partnership firm Tata Dilworth, Secord & Meagher & Associates (TDSMA)

Partners	Share	Capital Rs. in lacs
Tata Projects Limited	60%	1.80
Dilworth, Secord, Meagher & Associates	40%	1.20

The profit from the partnership firm TDSMA has been recognised.

- 16) Sundry Debtors (Others) include retention of Rs. 4,506.16 lacs (2004-05 – Rs. 5,518.36 lacs) receivable on completion of projects.
- 17) Provision for Taxation comprises for Indian Income Tax of Rs. 673.50 lacs (2004-05 – Rs. 120.00 lacs) Overseas Income tax of Rs. 3.73 lacs (2004-05 – Rs. 79.23 lacs) and Indian Wealth Tax of Rs.1.50 lac (2004-05 – Rs. 1.00 lac).
- 18) Interest charges include interest on fixed loan of Rs. 89.24 lacs (Previous year Rs. 88.09 lacs).
- 19) In line with accepted practice in Construction Business, certain revision of Costs & Billing of previous years which have crystalized during the year have been dealt with during the current year.
- 20) The net exchange difference amounting to Rs. 74.80 lacs (Loss) (2004-05 – Rs. 12.25 lacs (Gain)) has been adjusted to the Profit and Loss Account.
- 21) Small Scale Industries (SSI)

The identification of SSI suppliers is based on Management's knowledge of their status. The SSI units having outstanding for more than 30 days are : M/s.Aquatech Industries P.Limited, Cords Cable Industries Pvt.Limited, G R Power Switchgear Ltd, Gyro Laboratories, Reep Industries P Ltd, Sarvani Telecom P Ltd, Siddharth & Gautam Engineers, Techman India, Technoscient Trading Corporation, The Megha Engineering Enterprises, Waree Instruments Ltd, Goodrich Gasket P Ltd, Helio Engineering P Ltd, Robot Instruments India Ltd, Stardrive Bustducts Ltd and Hyderabad Pollution Controls Ltd: (2004-05 M/ s.Aquatech Industries P.Limited, Cords Cable Industries Pvt.Limited, Reep Industries Pvt.Limited; Siddharth & Gautam Engineers; The Megha Engineering Enterprises Industries; Waree Instruments Limited; G.R.Power Switchgears Limited; Technoscient Trading Corporation; Gyroi Laboratores; Techman (India)).

The outstanding of the above parties are within the agreed credit period with them.

- 22) The Company, on 17th May, 2006, has entered into an agreement for acquisition of Power Systems Division (PS Division) of Tata Power Company Limited (TPCL) for a total consideration of Rs.8021 lacs. The acquisition of PS Division is with effect from 1st January, 2006. Accordingly, agreed upon assets and liabilities and also the results of the operations for the period 1st January, 2006 to 31st March, 2006 of PS Division have been included in the accounts of the Company. The transactions of PS Division were in the name of TPCL and were deemed to have been carried out by TPCL in the trust for the Company. Total consideration of Rs.8021 lacs payable for this acquisition of the PS Division has been allocated to the various assets acquired as stated below

Particulars of Assets	Basis	Rs. Lacs
Net Current assets	at Book Value	4,970.71
Investments	at Market Value as on 1st January, 2006	6.19
Fixed assets	at Values as determined by registered valuer	911.54
Goodwill	Balance of consideration	2,132.56
Total		8,021.00

- 23) Other liabilities includes amounts payable to Tata Power Company Limited of Rs.8021 lacs towards acquisition of Power Systems Division and Rs.1657.80 lacs towards transactions of Power Systems Division for fourth quarter.
- 24) Details of units of mutual funds purchased and sold during the year by the Company is given below :

Particulars	No. of Units Purchased and sold
Franklin Templeton - Templeton India Treasury Management Account Regular plan	40,168.392
HDFC Cash Management	47,00,838.630
TLSG01-TATA Liquid Super High Inv. Fund	81,482.140

	March 31, 2006 Rs. in lacs	March 31, 2005 Rs. in lacs
25) Earnings per Share (EPS)		
a) Weighted average number of shares at the beginning and end of the year	2.25	2.25
b) Net Profit after Tax available for Equity Shareholders	1,430.81	1,396.69
c) Basic and Diluted Earnings per share (Rupees)	636	621

- 26) Previous year figures have been regrouped and restated wherever necessary. The same are not comparable due to acquisition of Power System Division of Tata Power Company Limited.

As per our report of even date

For G. N. JOSHI ASSOCIATES
Chartered Accountants

Kaushik. B. Joshi
Partner

Mumbai
27th June, 2006

For and on behalf of the Board

F. K. Kavarana
Chairman

H. H. Malgham
Director

K. P. Singh
Managing Director

Mumbai
27th June, 2006

Schedule -17

Balance Sheet Abstract and Company's General Business Profile
(As per Schedule VI, Part (IV) of the Companies Act, 1956)

I. Registration	
Registration No.	21034
State Code	11
Balance Sheet Date	31st March, 2006
II. Capital raised during the year	
Public Issue	NIL
Rights Issue	NIL
Private Placement	NIL
Bonus Issue	NIL
III. Position of Mobilisation and Deployment of Funds	(Rupees in lacs)
Total Liabilities	7,972.60
Total Assets	7,972.60
Sources of Funds	(Rupees in lacs)
Paid-up Capital	225.00
Reserves & Surplus	5,804.16
Secured Loans	1,872.79
Unsecured Loans	0.00
Deferred tax liability	70.65
Application of Funds	(Rupees in lacs)
Net Fixed Assets	5,031.65
Capital Work-in-progress	201.48
Investments	421.05
Net Current Assets	2,318.43
Deferred tax Asset	NIL
Misc. Expenditure	NIL
Accumulated Losses	NIL
IV. Performance of the Company	(Rupees in lacs)
Turnover including other Income	47,530.85
Total Expenditure	45,309.79
Profit before Tax	2,221.06
Profit after Tax	1,430.81
Earnings Per Share (in Rupees)	635.92
Dividend Rate	70%
V. Generic Names of Principal Products / Services of the Company	
Erection & Turnkey Contracts including supply of materials and providing technical services.	

As per our report of even date

For G.N.JOSHI ASSOCIATES
Chartered Accountants

Kaushik B. Joshi
Partner

Mumbai
27th June, 2006

For and on behalf of the Board

F.K. Kavarana
Chairman

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Director

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Managing Director

Mumbai
27th June, 2006



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