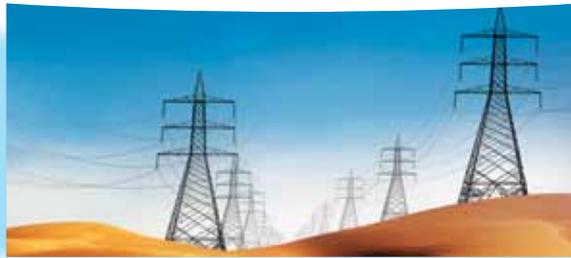


# Spreading Wings

New Geographies | Adding Customers | Expanding Businesses



## Forward-Looking Statements

This report may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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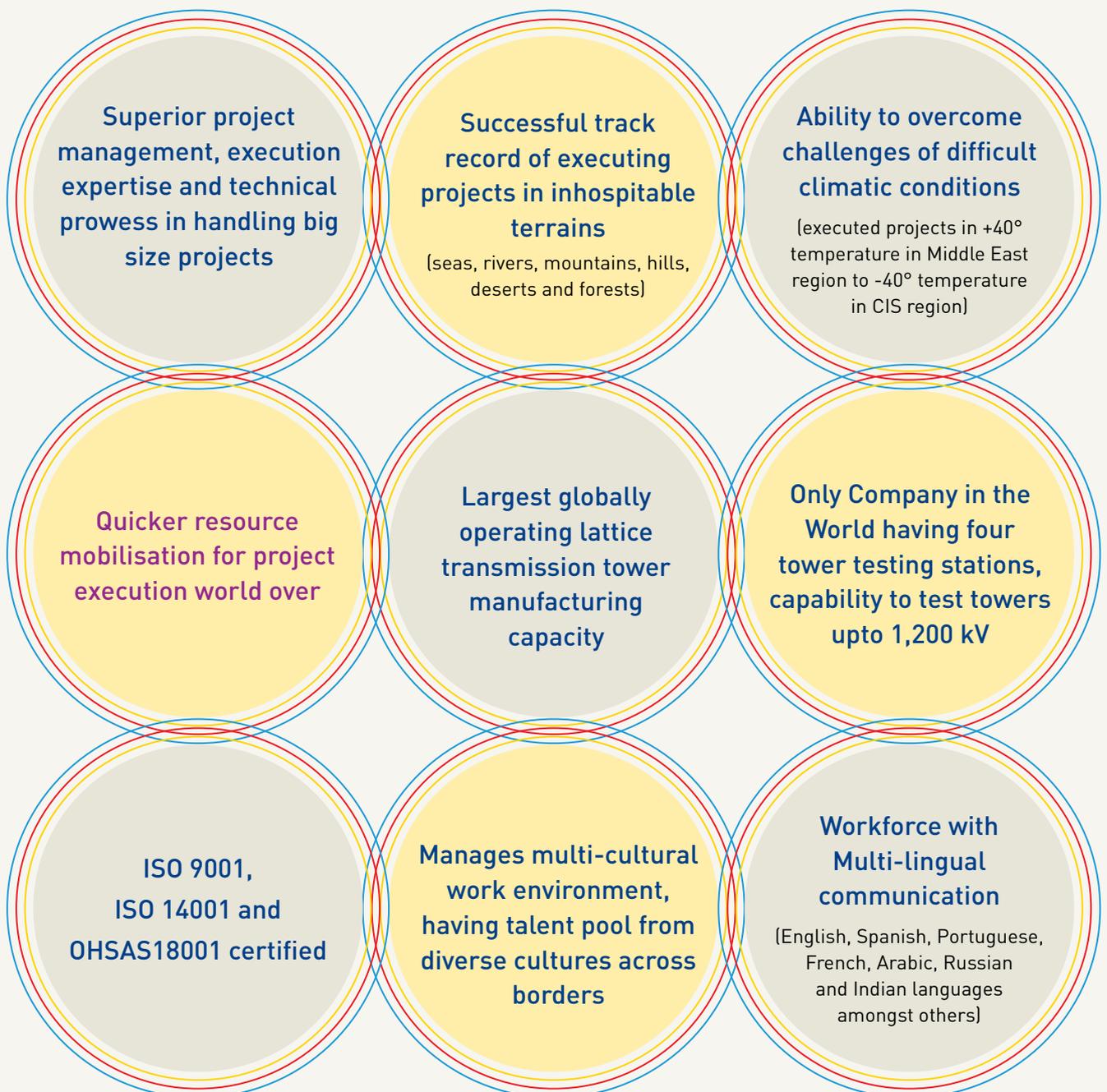
**'Spreading Wings'** signifies KEC's continuous pursuit for growth. As an enterprise, this belief is reflected in our desire to enter into New Geographies, Add Customers and Expand in related Businesses.

The strategic decisions undertaken over the past few years are gradually yielding positive results. The varied business mix and order book pie bear testimony to the Company's significant growth and its ability to build on strengths.

## An EPC Conglomerate

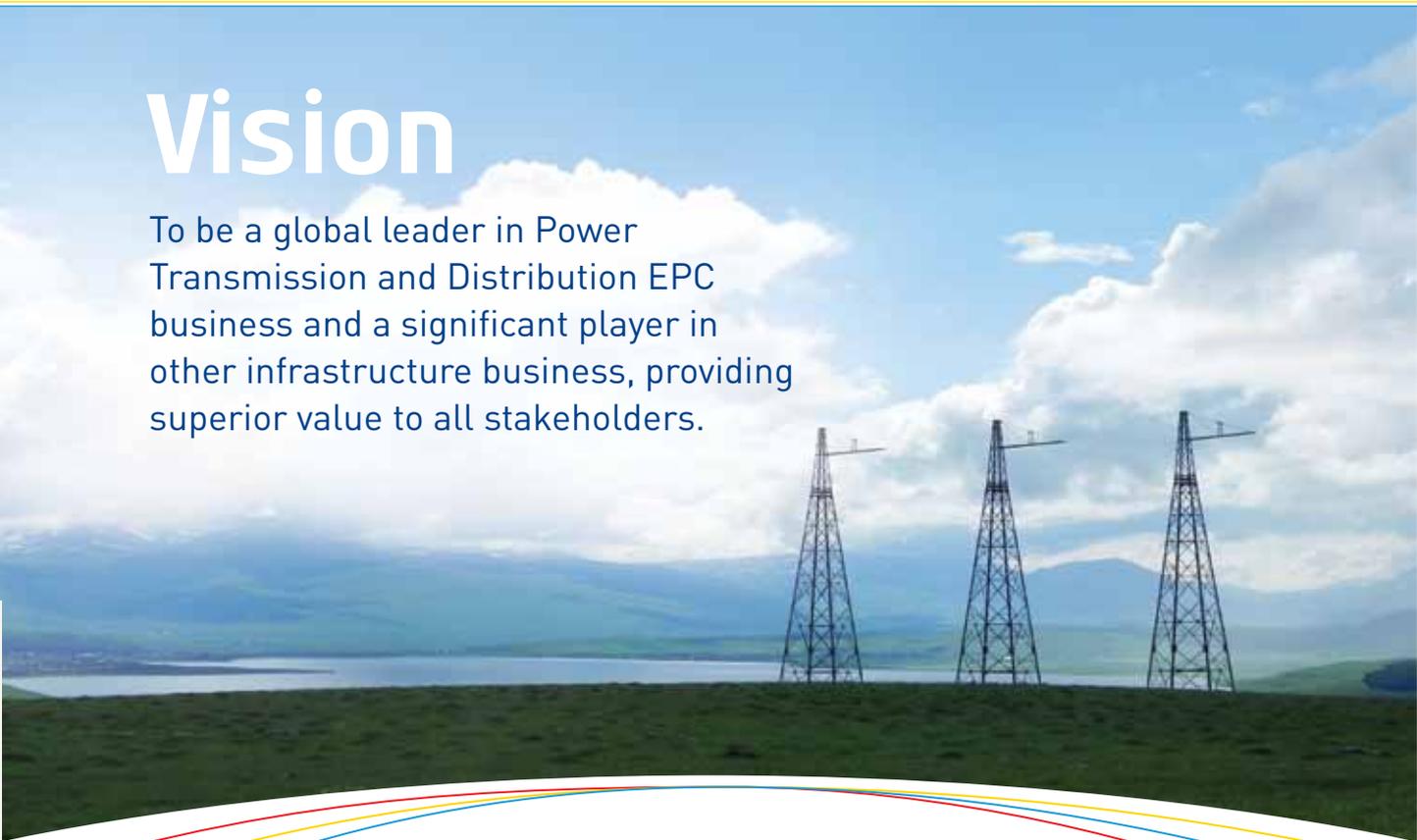
KEC International Limited, the flagship Company of **RPG Group** and is a **global infrastructure Engineering, Procurement & Construction (EPC) major**. The Company has **powered infrastructure development in over 45 countries** across South Asia, Middle East & North Africa (MENA), rest of Africa, Central Asia and Americas. While **Power Transmission** is the largest business vertical, the Company also has growing presence across **Power Systems, Cables, Railways, Telecom and Water business**.

## Key facts



# Vision

To be a global leader in Power Transmission and Distribution EPC business and a significant player in other infrastructure business, providing superior value to all stakeholders.



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## Culture pillars

KEC's culture is built on the foundations of eight culture pillars:



Delivery focus



Cost and profitability focus



Ownership and accountability



Cross functional teamwork



Empowering performance



Valuing people



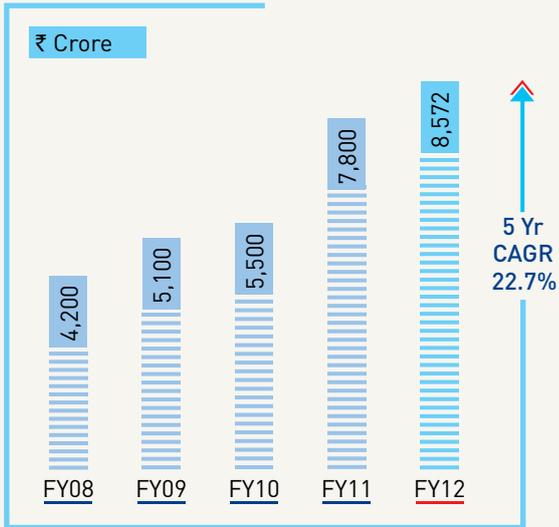
Providing diverse opportunities



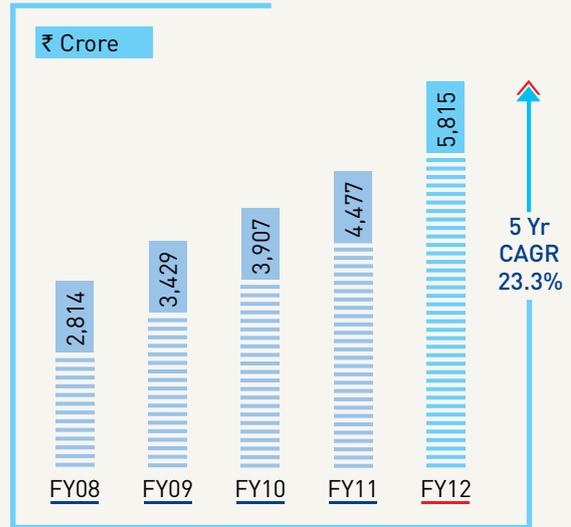
Forward looking

# The Number Spread

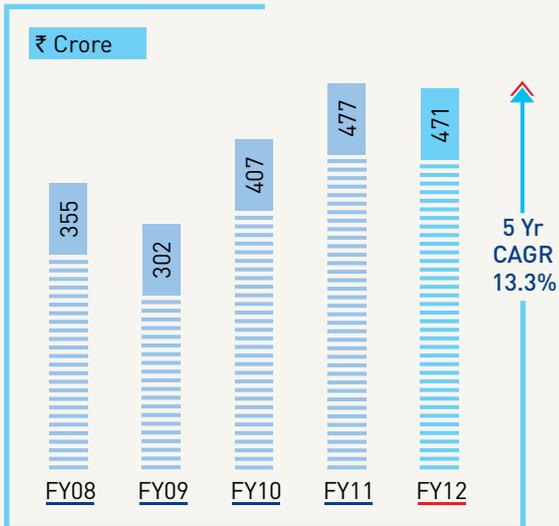
Order Book



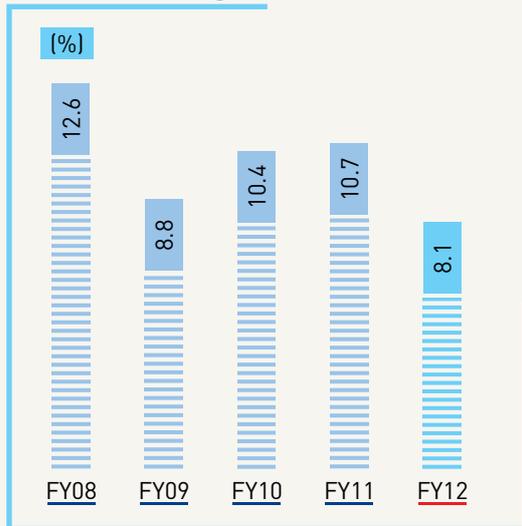
Net Sales



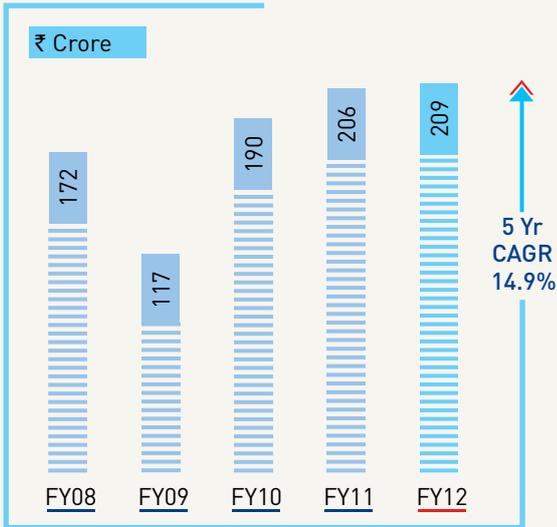
EBITDA



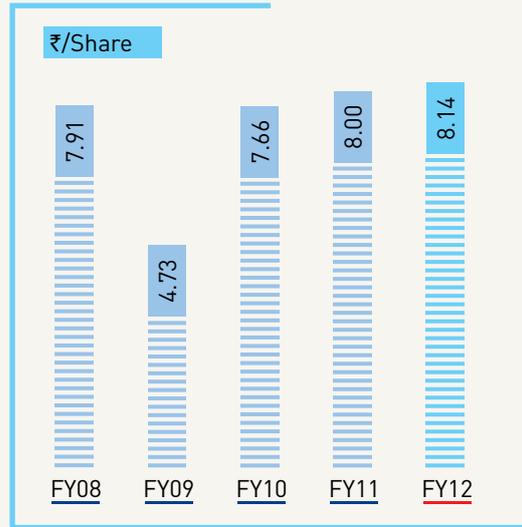
EBITDA Margin



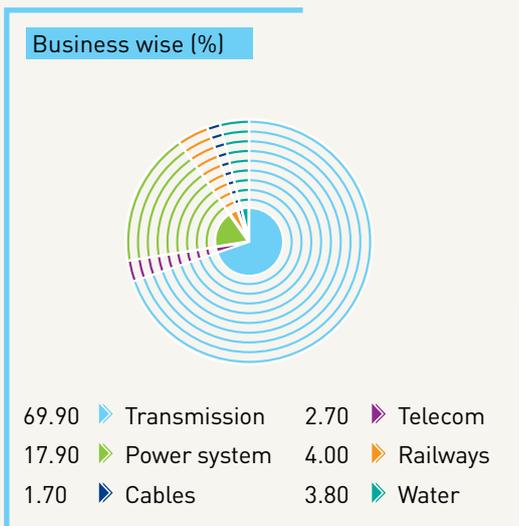
### Net Profit



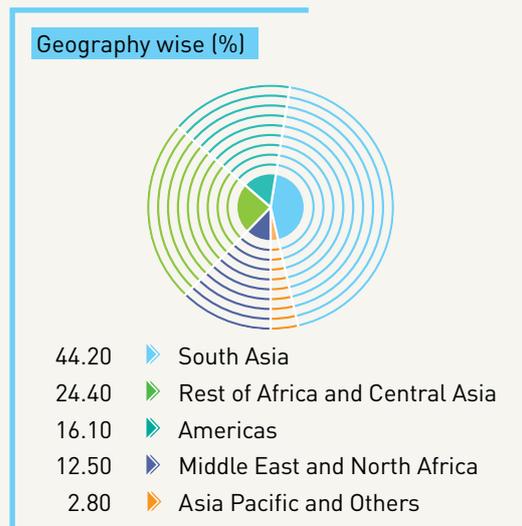
### EPS



### Order Book

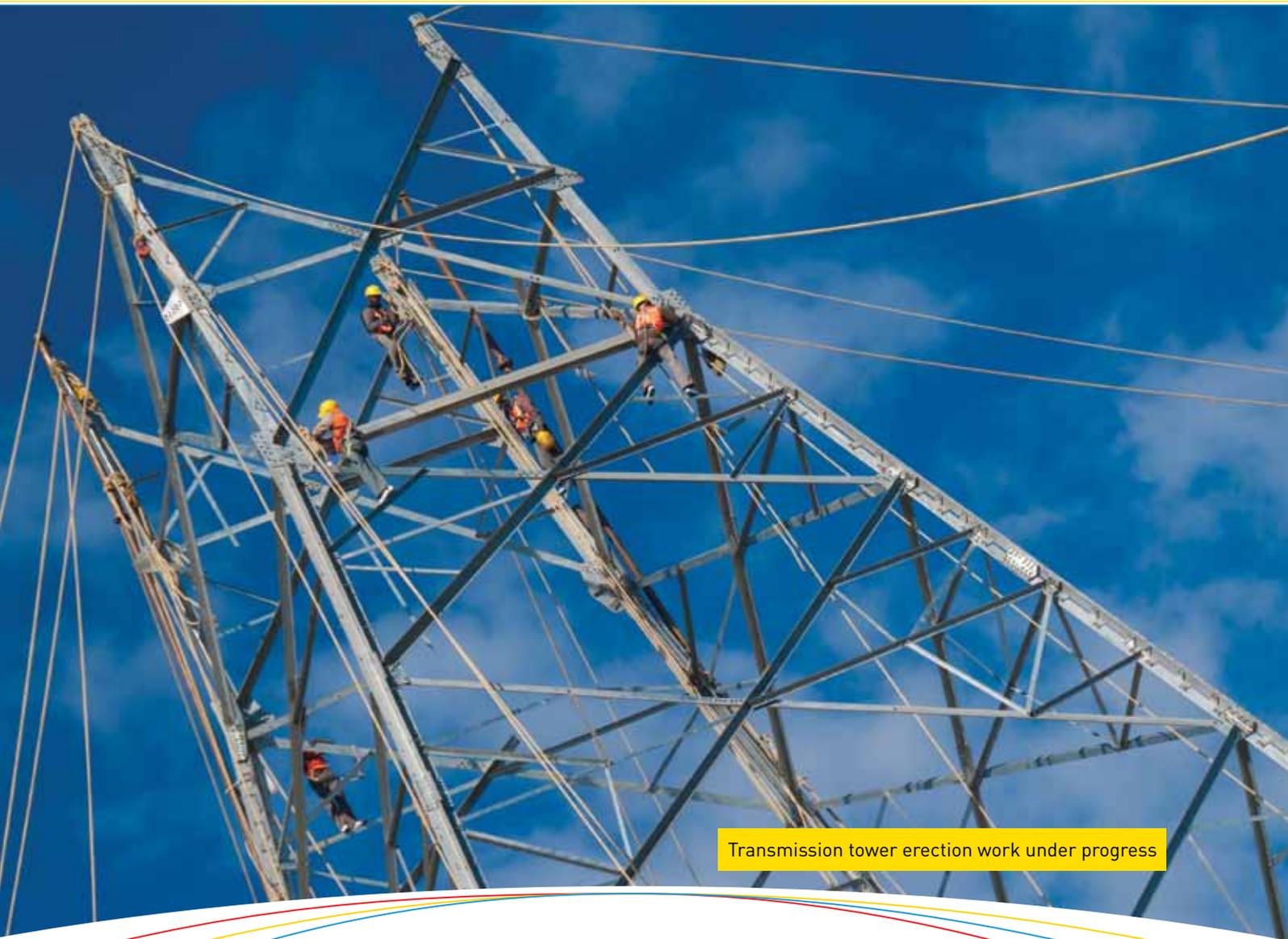


### Order Book



**Note:**

1. All the numbers in this section are on Consolidated basis
2. EPS is adjusted w.r.t. face value of equity shares from ₹ 10/- per share to ₹ 2/- per share



Transmission tower erection work under progress

## Operational Highlights FY12

KEC secured new orders of ~ ₹ 6,200 crore during FY12. This has resulted in good visibility for the FY13. The positive feature is that these orders have come in all the businesses and across all the geographies with a good mix of EPC and supply orders. This is a result of KEC's strong international presence and diversified business model. Major orders are highlighted are as follows:



## Power Transmission

### South Asia (India)

₹ 1,325  
crore

- ▶ **Power Grid (PGCIL)** - 3 orders for 400 kV and 765 kV transmission lines in Gujarat, Tamil Nadu and Maharashtra (₹ 648 crore)
- ▶ **Private Sector** - 5 orders for 220 kV, 400 kV and 765 kV transmission lines in West Bengal, Chhattisgarh, Maharashtra and Gujarat (₹ 585 crore)
- ▶ **State Utility** - 400 kV transmission line order from Punjab (₹ 92 crore)

### South Asia (excl India)

₹ 389  
crore

- ▶ **Bangladesh** - 230 kV transmission line order (₹ 243 crore)
- ▶ **Afghanistan** - 220 kV transmission line order (₹ 104 crore)
- ▶ **Sri Lanka** - 132 kV transmission line order (₹ 42 crore)

### Americas

₹ 936  
crore

- ▶ **North America (United States, Canada and Mexico)** - Towers and Poles supply orders (₹ 701 crore)
- ▶ **South America (Brazil and neighboring countries)** - Towers and Hardware supply orders (₹ 235 crore)

### MENA

₹ 773  
crore

- ▶ **Saudi Arabia** - 3 orders for 110 kV, 132 kV and 380 kV transmission lines and underground cable works (₹ 624 crore)
- ▶ **Kuwait** - 400 kV transmission line order (₹ 149 crore)

### Central Asia

₹ 404  
crore

- ▶ **Kazakhstan** - 500 kV transmission line order

### Africa

₹ 529  
crore

- ▶ **DR Congo** - New geography. Order for Optical Power Ground Wire (OPGW) installation on existing transmission lines (₹ 213 crore)
- ▶ **Ethiopia** - 230 kV transmission line order (₹ 200 crore)
- ▶ **Ghana** - 330 kV transmission line order (₹ 75 crore)
- ▶ **Kenya** - 220 kV transmission line order (₹ 41 crore)



## Power Systems

### South Asia (India)

₹ 329  
crore

- First order under R-APDRP Scheme in Madhya Pradesh involving 33 kV substations and distribution lines (₹ 233 crore)
- 400 kV substations order in Karnataka from PGCIL (₹ 59 crore)
- Forayed into Industrial Electrification space. Secured first order for electrical installation works at HPCL's Mumbai Refinery (₹ 37 crore)

### South East Asia

₹ 53  
crore

- **Philippines** - Secured 2 orders for 138 kV and 230 kV substation works

### Africa

₹ 160  
crore

- **Kenya** - 2 orders for 132 kV and 220 kV substations works



## Cables

### South Asia (India)

₹ 482  
crore

- Various orders for supply of power and telecom cables

### International – From 23 countries spread across various regions

₹ 120  
crore

- Various orders for supply of power and telecom cables from 23 countries. Major countries are Sri Lanka, Bhutan and Saudi Arabia



## Telecom

### South Asia (India)

₹ 234  
crore

- Strengthened presence in OPGW networks installation business by securing various orders in India

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## Railways

### South Asia (India)

₹ 94  
crore

- Forayed in the Railway Siding space. 2 orders in Maharashtra (₹ 27 crore)
- Various orders for Railway Electrification, Civil works and Signaling (₹ 67 crore)

### Africa

₹ 49  
crore

- Kenya** - Order for supply of railway track materials, tools and signaling equipments



## Water

### Africa

₹ 313  
crore

- Good order Inflow in first year of operations** - Secured various orders for canal construction from Madhya Pradesh, Gujarat and West Bengal

# Spreading Wings - New Geographies

At KEC, we are continuously spreading our wings for further growth by entering in new geographies every year.



## KEC's Global presence

- |                 |               |                |                 |
|-----------------|---------------|----------------|-----------------|
| 1 ▶ Afghanistan | 7 ▶ Brazil    | 13 ▶ Ethiopia  | 19 ▶ Jordan     |
| 2 ▶ Algeria     | 8 ▶ Cameroon  | 14 ▶ Ghana     | 20 ▶ Kenya      |
| 3 ▶ Argentina   | 9 ▶ Canada    | 15 ▶ Georgia   | 21 ▶ Kazakhstan |
| 4 ▶ Australia   | 10 ▶ Chad     | 16 ▶ India     | 22 ▶ Kuwait     |
| 5 ▶ Bangladesh  | 11 ▶ DR Congo | 17 ▶ Indonesia | 23 ▶ Laos       |
| 6 ▶ Bhutan      | 12 ▶ Egypt    | 18 ▶ Iraq      | 24 ▶ Lebanon    |

- ▶ In FY12, the Company entered in DR Congo, Africa
- ▶ In FY11, the Company entered in North America & Latin America



|                 |                  |                   |              |
|-----------------|------------------|-------------------|--------------|
| 25 ▶ Libya      | 31 ▶ Nepal       | 37 ▶ Saudi Arabia |              |
| 26 ▶ Malaysia   | 32 ▶ New Zealand | 38 ▶ South Africa |              |
| 27 ▶ Mali       | 33 ▶ Nigeria     | 39 ▶ Sri Lanka    | 43 ▶ UAE     |
| 28 ▶ Mexico     | 34 ▶ Oman        | 40 ▶ Tajikistan   | 44 ▶ USA     |
| 29 ▶ Mozambique | 35 ▶ Philippines | 41 ▶ Thailand     | 45 ▶ Vietnam |
| 30 ▶ Namibia    | 36 ▶ Peru        | 42 ▶ Tunisia      | 46 ▶ Zambia  |



---

KEC increased its geographical presence through the acquisition of SAE Towers Holdings LLC in September 2010. This acquisition marked entry into large markets of North and South America - United States, Canada, Mexico, Brazil and other neighbouring countries. In a very short time-span, Americas has become one of the largest markets for the Company outside India.

---



SAE Towers Plant at Mexico

**SAE's performance**  
Net Sales increased 37% Y-o-Y to \$ 191 Mn

### About SAE towers

Headquartered in Houston, Texas, United States, SAE Towers is the leading manufacturer of lattice transmission towers in the Americas. It has a manufacturing capacity of 1,00,000 MTs per annum spread over 2 locations – Brazil and Mexico. It is the largest lattice towers manufacturer in the Americas.

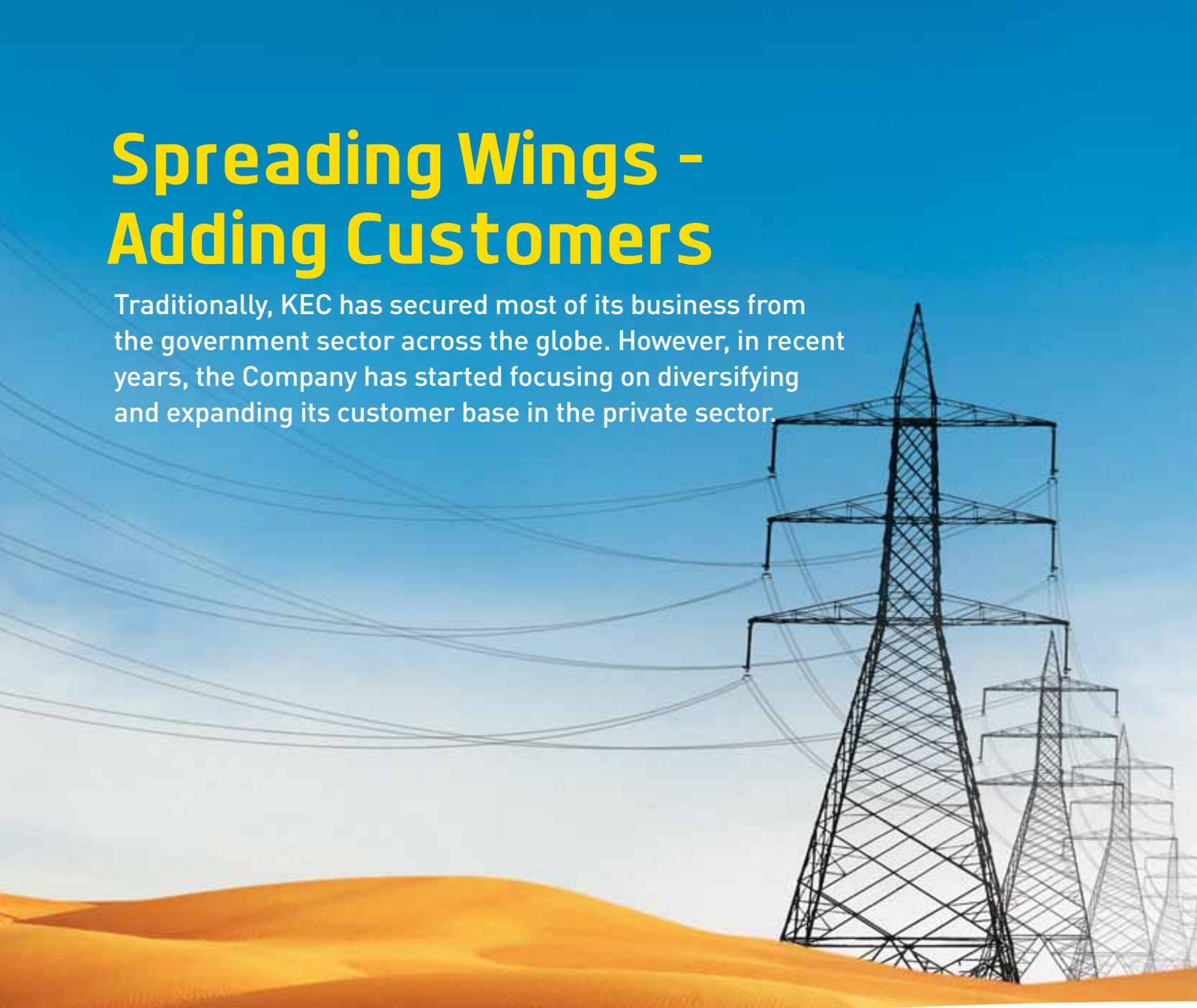
### SAE integration with KEC

Undoubtedly, SAE acquisition has been successful and an integral part of KEC's growth story.

The year gone by has seen successful integration of SAE with KEC, delivering benefits to both the organisations in the areas of manufacturing, supply chain management, raw material procurement and joint marketing for tower supply projects in North America. SAE has also leveraged KEC's domestic tower facilities and received design, engineering and tower testing support from India.

# Spreading Wings - Adding Customers

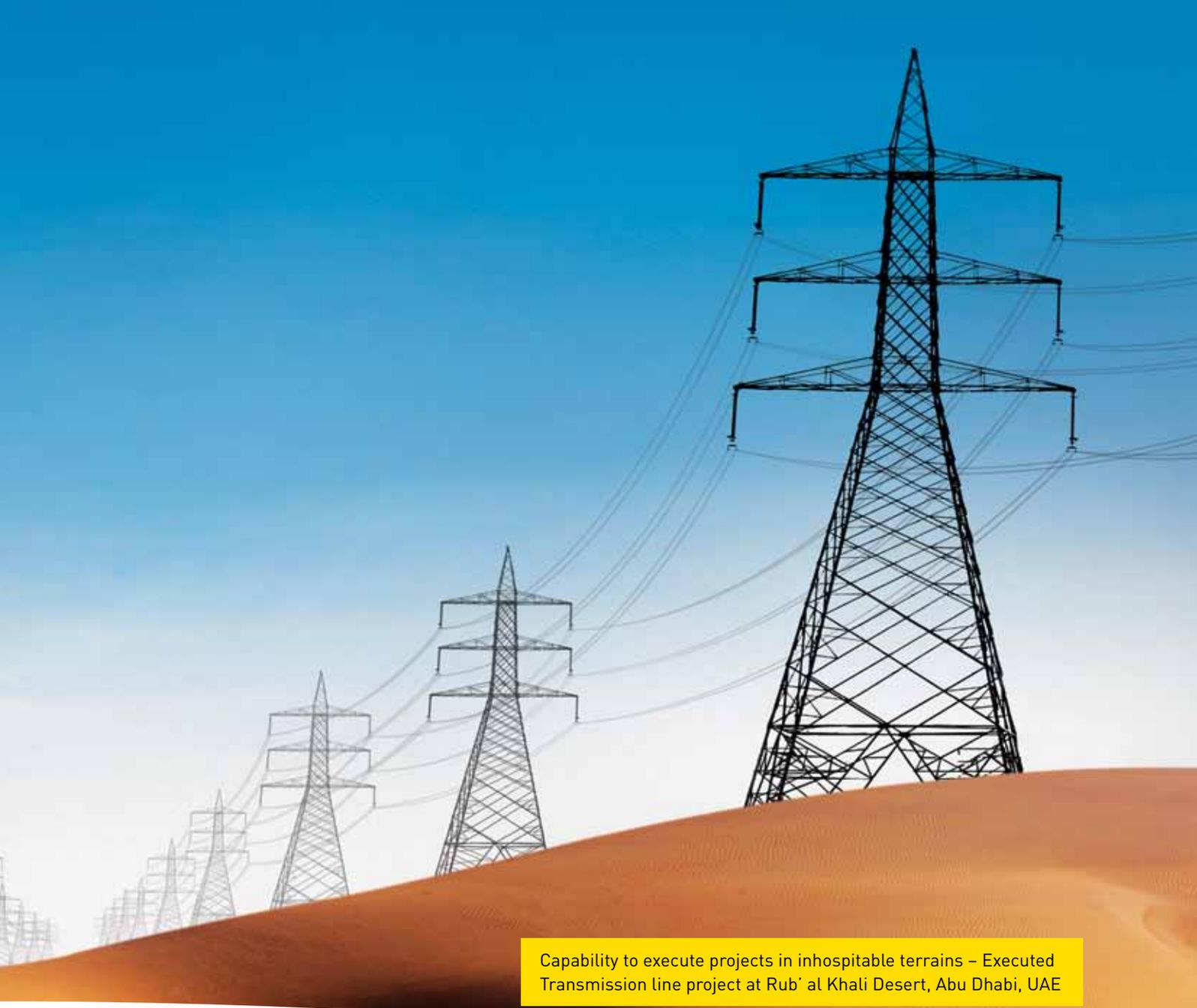
Traditionally, KEC has secured most of its business from the government sector across the globe. However, in recent years, the Company has started focusing on diversifying and expanding its customer base in the private sector.



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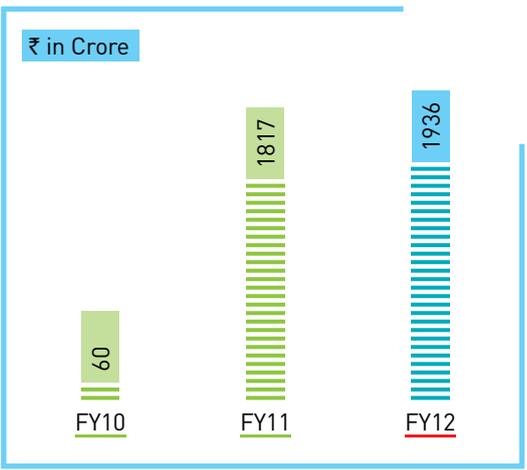
During the year, our transmission business received five orders from the private sector in India. Besides this, a majority of the orders secured in transmission in the Americas and the cables business in India are from private sector customers.

---



Capability to execute projects in inhospitable terrains – Executed Transmission line project at Rub' al Khali Desert, Abu Dhabi, UAE

### KEC's increasing order book from the private sector



**23%**  
of KEC's order book as on March 31, 2012 is from private sector customers



# Spreading Wings - Expanding Businesses

KEC has gradually ventured into new business verticals – Power Systems, Cables, Railways and Water. The Company is leveraging its project execution capabilities, along with strong global presence in each of these businesses. We aim to consolidate and grow these new businesses to achieve a balanced business portfolio in the long term.

---

KEC's strategic foray into the Power Systems, Cables, Railways and Water businesses is yielding positive results. There is a large potential in each of the chosen businesses. With KEC's strength and strategic focus, each of the businesses is expected to contribute significantly to its growth. The past two years have recorded robust growth in each of the businesses.

---



## Order Book (FY10 end v/s FY12 end)

### Power Systems

₹ 977 crore to ₹ 1,533 crore

### Cables

₹ 60 crore to ₹ 145 crore

### Railways

₹ 136 crore to ₹ 340 crore

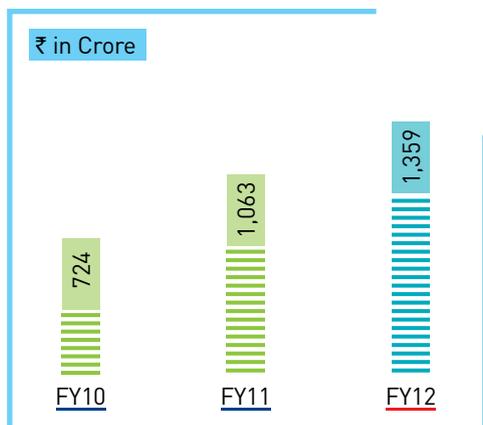
### Water

Nil to ₹ 325 crore

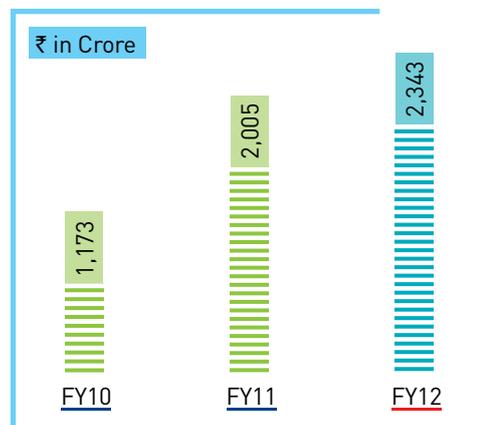


220 kV GIS Substation

## Net Sales



## Order Book



### Note:

The net sales and order book figures pertain to Power Systems, Cables, Railways and Water businesses.

# Power Transmission

Capability to execute projects in inhospitable terrains – Executed Transmission line project on snow-covered mountains – 1890 meters above sea level – at Himachal Pradesh, India

The Company has global leadership position in the Power Transmission EPC space.

This is the largest business vertical of KEC. With more than 50 years of experience, the Company has capabilities to design, manufacture, test, supply and erect transmission lines on turnkey basis up to 1,200 kV.

## Design and Engineering

The Company has in-house design centers with a strong team of over 100 design experts in India and Americas. It is equipped with the latest softwares like PLS Tower, PLS Pole, PLS CADD, AUTOCAD, MICROSTATION, BOCAD and Google Earth. It provides computerised engineering solutions, 3D analysis and design depending on the size and complexity of the project, voltage range, weather condition etc.

## Manufacturing and Testing Station

KEC is the largest globally operated tower manufacturing Company in the world. It's total manufacturing capacity is 2,74,000 MTs per annum spread across five locations, three in India and one each in Brazil and Mexico. In India plants are located in Maharashtra, Madhya Pradesh and Rajasthan. The facilities

are ISO 9001, ISO 14001 and OHSAS 18001 certified. KEC is the only company in the world to have four tower testing stations, three in India and one in Brazil. KEC's Maharashtra testing station is one of the few testing stations in the world capable of testing towers up to 1,200 kV. The tower testing station at Brazil is Americas largest. All the testing stations are strategically located near manufacturing facilities. They are capable of testing all types of towers –Lattice Towers, Guyed Towers, Tubular and Mono Poles.

## Construction

KEC has erected some of the heaviest and tallest transmission towers globally. It employs conventional as well as advanced methods of surveying, foundation laying, erecting towers and stringing.

# Power Systems

220 kV Substation at Jammu & Kashmir, India

KEC's natural progression from Transmission to Power Systems gives it an advantage to provide end-to-end solutions from power evacuation from generating stations to distribution to consumers.

This is the second largest business vertical for KEC. The Company undertakes EPC projects of Electrical Substations, Distribution network, Electrical-Balance of Plant (E-BoP), Industrial Electrification and Cabling project works.

## Sub-stations

Along with strong project management, execution and engineering team – KEC offers complete turnkey solutions from concept to commissioning on turnkey basis for Air Insulated Substations, Gas Insulated Substations and Hybrid Substations.

Presently, the Company is executing substation order up to 1150 kV in Kazakhstan and up to 400 kV in India.

## Distribution Network

The Company has electrified more than 11,000 villages and has provided electricity to

more than 5,00,000 Below Poverty Line (BPL) families. The Company also has forayed into Distribution Augmentation and Automation works during FY12.

## E-BoP, Industrial Electrification and Cabling Projects

The Company is geared to provide complete turnkey solutions for Electrical-Balance of Plant, Industrial Electrification and Cabling projects.

Last year, the Company secured its first E-BoP project and this year it has secured its first Industrial electrification order.

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# Cables

Power Cables

KEC is amongst the leading manufacturer of power and telecom cables in India.

It has been serving the industry for over 52 years and has maintained its position as a high quality cable manufacturer through its focus on customer needs, technology and innovation. The Company pioneered the production of XLPE cables in India.

It has significant presence in manufacturing of Power and Telecom cables. The facilities are located in Mysore (Karnataka), Thane (Maharashtra) and Silvassa (Union Territory). These facilities are accredited with ISO 9001, ISO 14001 and ISO 18001 certifications, manufacture a range of Control and Power cables, essential for power distribution by utilities and process industries. The Mysore facility also manufactures Optical Fibre and Jelly Filled Copper Telecom cables.

## Increasing Product Portfolio

### Green-field plant at Vadodara

KEC presently manufactures a wide range of power cables ranging from 33 kV to 132 kV. The Company is setting up a green-field facility at

Vadodara (Gujarat, India) to manufacture High Tension (HT) and Extra High Voltage (EHV) cables. The Company will enhance its product portfolio to 220 kV and 400 kV cables through this world class manufacturing facility, when fully completed. The state-of-the-art plant has an installed capacity of over 4,000 cable kilometers and has been designed for capacity expansion in the future.

### Current status

The plant is expected to be ready by the end of first quarter of FY13. The trial production has already commenced. The facility has already received ISO 9001 certification for its compliance with quality norms.

# Telecom



Multi operator CDMA and GSM telecom tower at Delhi, India

KEC is amongst the leading EPC players providing telecom towers and telecom cable installation services on turnkey basis.

## Telecom Towers

The Company provides end to end solutions in design, manufacturing and erection of telecom towers to operators, tower management companies and utilities. The Company also provides installation & commissioning of Microwave, BTS, GSM and CDMA equipments.

## Telecom Cables installation

The Company has experience in laying Optical Fibre Cable (OFC) and Optical Power Ground Wire (OPGW) cables on turnkey basis.

During the year, the Company has strengthened its position in this space by securing various orders for OPWG installation spread over 12,000 kms in India.

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# Railways

Track laying work is under progress at West Bengal, India

KEC is a complete turnkey solutions provider in the Railways Infrastructure EPC space. It is one of the early entrants in the Railway electrification space, having electrified more than 6,000 kms of Indian Railways (~15% of the total Indian Railway's electrified network).

In 2009, KEC started a new vertical to make further in-roads into the Railway business. The Company since then has developed capabilities and diversified in all functional segments of railway construction such as Civil & Track works, Electrification and Signaling. KEC also undertakes Railway Infrastructure jobs for private customers and has developed competencies and capabilities to undertake Railway projects including composite jobs in any challenging terrain or environment.

## Civil & Track works

In this space, the Company constructs bridges, buildings (at stations & yards), platforms, workshop modernisation etc. It also carries out track works which include track laying & linking, preparation of ballast bed and earthwork information.

## Electrification

In Railway Electrification, the Company undertakes overhead electrification, traction substation, general electrical works (building & station yard lighting).

## Signaling

In Signaling & Telecommunication projects, the Company undertakes interlocking works, outdoor & indoor supply and installation works.

# Water



Water Canal project under progress in Gujarat

KEC entered in Water Business in early 2011.

This business is divided in 2 sub-verticals

- ▶ Water Resource Management (WRM) and
- ▶ Water and Waste Water Treatment (WWT)

## WRM

KEC undertakes projects pertaining to construction of canals, dams, tunnels, embankments and lift irrigation schemes.

## WWT

KEC will undertake complete integrated water management projects which would comprise of intake system, transmission, storage, treatment and distribution of water supply schemes. In addition to this, the Company also proposes to be present in water reuse and sea water desalination projects.

In its first full year of operations, Water business has bagged ~ ₹ 313 crore orders for Canal projects in Madhya Pradesh, Gujarat and West Bengal.

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## Putting our heart in social causes

Akshar Class, Mumbai



Akshar Class, Nagpur



KEC firmly believes that Corporate Social Responsibility (CSR) is not just an additional function to the business. Rather, it is ingrained in our core business operations. As an organisation we have embraced this concept.

The Company's social endeavours are categorised under the broad area of the 3 Es—Education, Environment and Employability.

### Education

#### 'AKSHAR' Programme – Reaching out to over 2,000 children in 25 schools across 5 locations

KEC provides a proactive support towards propagating quality education to nurture young minds through its 'Akshar' education programme. Initiated in April 2010, the program focuses on developing functional English proficiency by means of a fun-and-learn method rather than the conventional learning for children in public schools.

Currently, the Company through this program is reaching out to over 2,000 children in 25 schools across 5 locations (Mumbai, Nagpur, Jaipur, Jabalpur and Vadodara). Further, it

donated a range of study materials among the poor students in schools near its project sites.

### Environment

**Environment is an area where we intend to create a significant impact. Major initiatives undertaken during the year include:**

► **Rain Water Harvesting System:** KEC installed four Rain Water Harvesting Systems for water conservation in its various factory premises.

► **Programme on "World Environment Day" (June 05, 2011):** Several events were organised at various plants. Environment awareness rally under the theme 'Save Nature' was organised at Mysore. In addition to this, tree plantation



Blood Donation Camp at Silvassa Unit



Rain Water Harvesting System 1



Nagpur Training Centre - On site training session progressing

activities were carried out across plants at Silvassa, Jabalpur and Thane and across several project sites at Wardha, Tezpur and Barnala amongst others.

### Employability

► **Adoption of Governments' Industrial Training Institute (ITI):** In FY11, the Company adopted an ITI 'Ashti' at a village near Nagpur (India). Since then, the Company has taken several initiatives, comprising of improving infrastructure, upgrading the course content and enhancing the competencies of instructors. This will result in enhancing educational standards and improving employability of the students.

► **Training institute in Nagpur, India:** The Company has state-of-the-art Training centre with modern facilities at Nagpur (India). The objective is to create a large talent pool by imparting classroom and practical training on the latest practices and techniques in the field of transmission line projects. This training

would benefit the individuals by improving employability, concurrently the industry would benefit with increased availability of trained manpower. During the year, over 1000 students have benefited through various trainings and certification courses/programmes.

► **Helping 'Child Advocates' in USA:** Child Advocates is a non-profit organisation in Houston, Texas, USA, that serves and supports children in government custody due to abuse and neglect. In December 2011, SAE Towers organised a 'Christmas Toy Drive' and contributed gifts, bicycles, toys, school materials and clothing for these children.

### Other CSR Initiatives

► **Programme on "World AIDS Day" (December 01, 2011):** HIV and AIDS awareness programs were conducted at the Silvassa unit.

► **Programme on "World Blood Donor Day" (June 14, 2011):** Blood donation camp was organised at the Silvassa unit.

## Awards and accolades



### Top Exporter Award FY11

KEC received the 'Top Exporter Award FY11', at the prestigious 43rd edition of Engineering Export Promotion Council (EEPC) INDIA's National Awards for Export Excellence. The Company received the Gold Trophy in the Merchant Exporter category which is the highest recognition bestowed to India's largest exporter of engineering goods.

### National HRD Network (NHRDN) Awards 2011 – Received Two Awards in HR Domain

KEC was recipient of the prestigious awards in the HR domain, conferred by National Human Resource Development Network (NHRDN) at their 15th Annual Conference held in November 2011.

- ▶ **The Jury Award for Best of the Best HR Practice** - KEC's Virtual Engagement Initiatives were recognised as the Best Practice. Out of 105 applicants, 56 were shortlisted to participate in the HR Showcase event, of which 8 won the award.
- ▶ **Most Popular Practice Exhibit Award** – KEC presented its 'Virtual Engagement Initiatives' in HR Showcase event, at the NHRDN Conference, attended by close to 800 visitors. KEC won the Most Popular Practice Exhibit Award by getting the maximum votes.



### CII Design Excellence Award 2011

KEC was honoured with 'Best Design Award' for Excellent Power Transmission Tower Design work under 'Industrial Design-Capital Goods Category' at CII (Confederation of Indian Industry) Design Excellence Awards.

### Green IT Enterprise Award 2011

KEC was recognised among the top 10 Indian companies implementing smart, efficient strategies to achieve 'Green IT award'. KEC's successful adoption of cutting-edge technologies like desktop virtualisation (thin client implementation), server virtualisation and TFT monitors resulted in lower energy consumption, higher data security and reduced storage space. The International Data Group (IDG) India with Schneider Electric have instituted this Award.

### Best Employer Award – 2010

KEC's Jaipur Unit, won the 'Best Employer Award – 2010' for best industry practices in CSR activities, industrial relations, environment, health, hygiene and safety. Over the past four years, KEC, Jaipur has consistently won the 'Certificate of Excellence' for the 'Best Performance'.

## Corporate information

### Board of Directors

|                          |                           |
|--------------------------|---------------------------|
| <b>H. V. Goenka</b>      | Chairman                  |
| <b>R. D. Chandak</b>     | Managing Director and CEO |
| <b>S. S. Thakur</b>      | Director                  |
| <b>G. L. Mirchandani</b> | Director                  |
| <b>D. G. Piramal</b>     | Director                  |
| <b>S. M. Kulkarni</b>    | Director                  |
| <b>A. T. Vaswani</b>     | Director                  |
| <b>J. M. Kothary</b>     | Director                  |
| <b>M. K. Sharma</b>      | Director                  |
| <b>P. A. Makwana</b>     | Director                  |

### Management Team

|                           |  |
|---------------------------|--|
| <b>R. D. Chandak</b>      | Managing Director and CEO  |
| <b>Vimal Kejriwal</b>     | President - Transmission Business  |
| <b>George Varghese</b>    | President - Distribution Business  |
| <b>Vardhan Dharkar</b>    | Chief Financial Officer  |
| <b>Yugesh Goutam</b>      | Sr. Vice President - Human Resource  |
| <b>Sanjay Chandra</b>     | Chief Executive - Railways   |
| <b>Dilip Shukla</b>       | Chief Executive - Water  |
| <b>Luigi Ruggieri</b>     | CEO - SAE Towers   |
| <b>Nikhil Gupta</b>       | Executive Director - Cables  |
| <b>Randeep Narang</b>     | Executive Director - South Asia (Transmission)                                     |
| <b>Maadhav Digraskar</b>  | Chief Executive - Power Systems  |
| <b>A. K. Sharma</b>       | Chief Executive - Telecom  |
| <b>Akhil Saxena</b>       | Sr. Vice President - Supply Chain  |
| <b>V. Balasubramanian</b> | Sr. Vice President - International Projects (Transmission - Africa & Central Asia) |
| <b>Vasant Pandit</b>      | Sr. Vice President - Sales and Marketing (Cables)                                  |
| <b>Jonathan Fletcher</b>  | Sr. Vice President - Manufacturing (Cables)  |

### Company Secretary

Ch. V. Jagannadha Rao

### Auditors

Deloitte Haskins & Sells  
Chartered Accountants

## Registrars and Share Transfer Agents

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound  
L. B. S. Marg, Bhandup (W)  
Mumbai 400 078  
Ph.: 022- 25946970 Fax: 022-25946969  
Email: rnt.helpdesk@linkintime.co.in

## Plants

### Transmission

Butibori, Nagpur  
Butibori 441 108  
Maharashtra, India

Jhotwara  
Jaipur 302 012  
Rajasthan, India

Deori  
Jabalpur 483 220  
Madhya Pradesh, India

Monterrey, Mexico  
C.P. 66050-79

Belo Horizonte, Brazil  
32669-722

### Cables

Hebbal Industrial Area  
Hootagalli  
Belavadi Post  
Mysore 571 186  
Karnataka, India

2nd Pokhran Road  
Post Box No. 11  
Thane 400 601  
Maharashtra, India

Demni Road  
Silvassa 396 191  
Dadra and Nagar Haveli, India

Samlaya  
Vadodara 391 520  
Gujarat, India

## Bankers

Bank of India  
Abu Dhabi Commercial Bank  
Allahabad Bank  
Axis Bank Limited  
Bank of Baroda  
Barclays Bank Plc  
Central Bank of India  
Corporation Bank  
Dena Bank  
Export-Import Bank of India  
ICICI Bank Limited  
IDBI Bank Limited

## Registered Office

RPG House  
463, Dr. Annie Besant Road  
Worli, Mumbai 400 030  
Ph.: 022- 66670200 Fax: 022-66670287

Corporate Overview

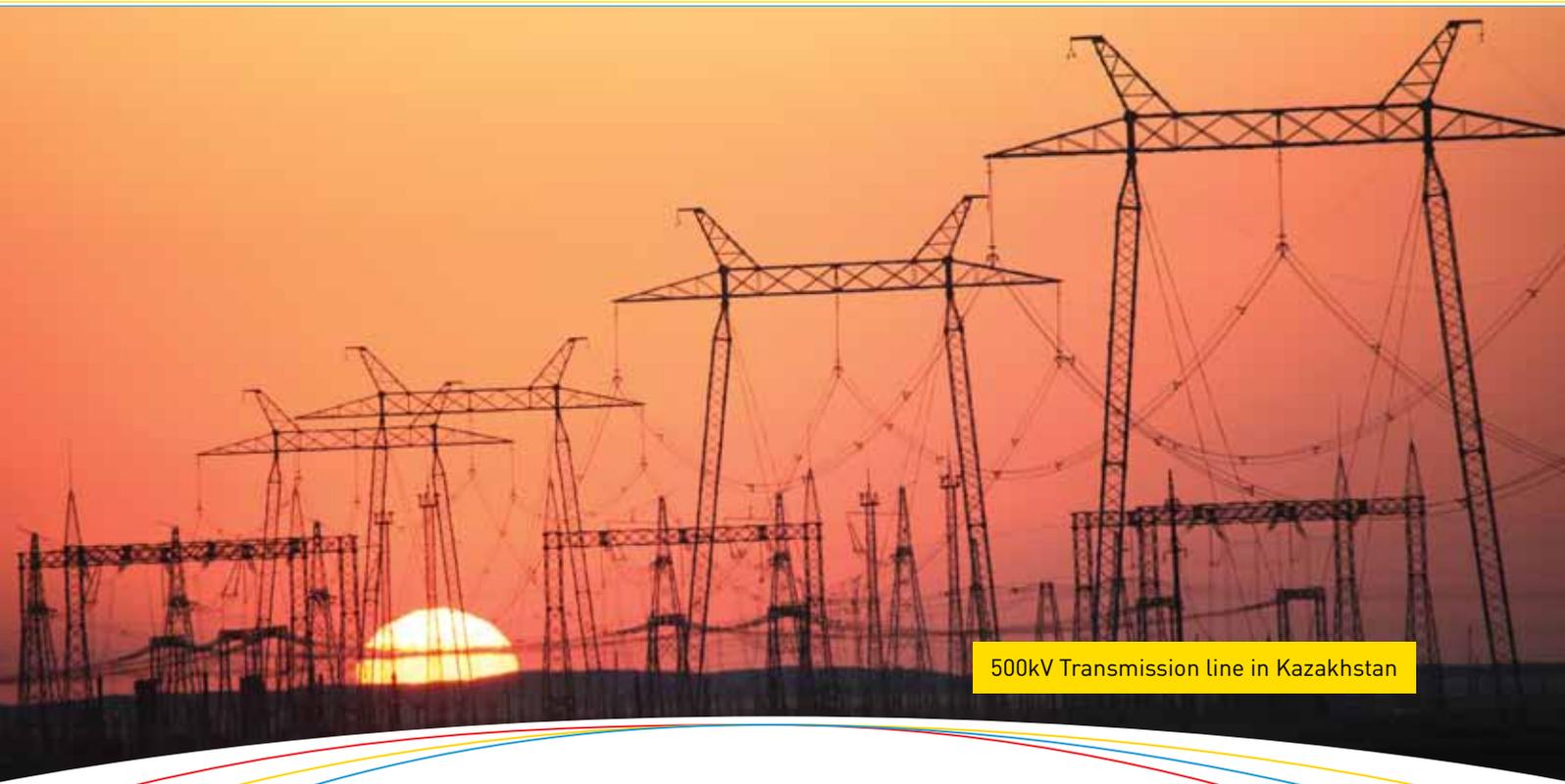
Performance Highlights

Business Verticals

CSR and Awards

Statutory Reports

Financials



500kV Transmission line in Kazakhstan

## Management Discussion and Analysis

### Economic Review

During FY12, the Indian GDP grew at ~ 6.9% as compared to 8.4% in previous year. With agriculture and services continuing to perform well, India's slowdown can be attributed to the weakening industrial growth. Inflation remained at high levels during FY12 and led to a tight monetary policy being adopted by the Reserve Bank of India (RBI).

The global economic environment has been fragile throughout the year, owing to the challenges in the Euro-zone, political turmoil in the Middle East & North Africa, aftermath of the earthquake & tsunami in Japan and concerns of US economy downgrade by rating agencies. However, in recent months, there are signs of conditions stabilising and a gradual improvement in the global economic environment.

### Industry outlook and opportunities across businesses and related geographies

KEC International Limited (the Company) has presence in six business verticals – Power Transmission, Power Systems, Cables, Telecom, Railways and Water. The business is spread over 45 countries across South Asia, Middle East & North Africa (MENA), Rest of Africa, Central Asia and Americas. This section highlights industry outlook and opportunities in each of the businesses.

### Power Sector Review

Growth in Power Sector is one of the key demand drivers for a significant part of the Company's businesses (Power Transmission, Power Systems and Cables) and therefore this section takes a closer look at the global power scenario.

Globally 25.9% of world's population is still without access to power. Region wise, India and Sub-Saharan Africa have the largest deficit. Their per capita power consumption is far below the world average and a large percentage of the population in those regions is without access to power (See table below).

#### Per Capita Power Consumption and Access to Power (By Regions)

| Country               | Per Capita Power Consumption (kwh) | Population without access to Power (%) |
|-----------------------|------------------------------------|--|
| India                 | 571                                | 33.7                                   |
| Sub-Saharan Africa    | 511                                | 67.5                                   |
| MENA                  | 2,445                              | 6.2                                    |
| Latin America         | 1,901                              | 6.6                                    |
| Europe & Central Asia | 5,307                              | NA                                     |
| North America         | 13,167                             | NA                                     |
| China                 | 2,631                              | 0.6                                    |
| <b>World</b>          | <b>2,803</b>                       | <b>25.9</b>                            |

Source: World Bank, International Energy Agency (IEA) (in 2009)

The world's net electricity generation capacity is expected to increase from 19.1 trillion kwh in 2008 to 35.2 trillion kwh by 2035

Worldwide power shortage and its increasing demand is driving substantial investments in power generation. The world's net electricity generation capacity is expected to increase from 19.1 trillion kwh in 2008 to 35.2 trillion kwh by 2035 (See table below). There is a strong growth opportunity in the Company's conventional EPC markets of India, Middle East and Africa where overall increase in net electricity generation during this period is expected to be 142% as compared to overall 84% worldwide.

| Net Electricity Generation (By regions) |        |             |        |          |        |        | (Trillion kwh) |
|---|--------|-------------|--------|----------|--------|--------|----------------|
| Year                                    | India  | Middle East | Africa | Americas | China  | Others | Total          |
| 2008                                    | 1.8    | 0.7         | 0.6    | 6.0      | 3.2    | 6.8    | 19.1           |
| 2015                                    | 2.4    | 0.9         | 0.7    | 6.3      | 5.0    | 7.3    | 22.7           |
| 2020                                    | 2.9    | 1.0         | 0.9    | 6.8      | 6.0    | 7.8    | 25.5           |
| 2025                                    | 3.5    | 1.1         | 1.0    | 7.3      | 7.3    | 8.4    | 28.7           |
| 2030                                    | 4.1    | 1.3         | 1.1    | 8.0      | 8.6    | 8.9    | 31.9           |
| 2035                                    | 4.7    | 1.4         | 1.3    | 8.6      | 9.6    | 9.5    | 35.2           |
| % Increase                              | 166.3% | 95.9%       | 124.7% | 43.2%    | 197.5% | 40.1%  | 84.0%          |

Source: Energy Information Administration (EIA) - International Energy Outlook 2011

142%

Investments in generation capacity must be supported with corresponding investments in transmission & distribution infrastructure. Therefore the global power transmission and distribution (T&D) sector has strong growth prospects for the years to come. Apart from generation based T&D demand, there will be demand in the form of replacements of old existing networks and implementation of grid strengthening and interconnections. Many regions have planned for interconnection of their grids.

## Power Transmission - Outlook & Opportunities

This is the largest business vertical of the Company. Region-wise highlights are as follows:

### I) South Asia

**India** - India is emerging economy with rapid urbanisation and industrialisation. Today, India is the 5th largest energy consumer in the world; however generation has always been lagging behind demand, resulting in a demand-supply mismatch. Currently, the peak time power deficit is 11.9% (Source: Central Electricity Authority). The power deficit coupled with an increasing demand provides significant growth opportunities for power sector in India.

In the 12th Five Year Plan (12th Plan), the Working Group of Power, Government of India has recommended a capacity addition target of 76 GW of conventional capacity as compared to actual capacity addition of ~ 51 GW in the 11th Five Year Plan (11th Plan).

In order to support the expansion in power generation, the transmission and distribution network will have to be significantly expanded and strengthened. In the 12th Plan, transmission line addition target is expected at 109,440 circuit kms as compared to actual addition of 76,955 circuit kms during the 11th Plan.

During the 12th Plan, The Central Transmission Utility, Power Grid Corporation of India Limited. (PGCIL) has planned investment of ₹ 1,00,000 crore for transmission systems associated with central sector linked generation, Ultra Mega Power projects (UMPP) & Independent Power Producers (IPP) and Grid Strengthening. Further, investments are also being lined up by the State Electricity Boards (SEBs) to expand the intra-state transmission networks. In some cases, PGCIL and SEBs investments are backed by multilateral funding agencies like World Bank, Asian Development Bank etc.

In the 12th Plan, transmission line addition target is expected at 109,440 circuit kms as compared to actual addition of 76,955 circuit kms during the 11th Plan.

A substantial increase in inter-regional transmission networks is required as power generation sources are unevenly distributed and power needs to be transmitted over large distances from power generation areas to the ultimate consumers. Eleven High Capacity Transmission Corridors (HCTC) are planned and are being developed in phases.

Private sector participation in the transmission sector has been low so far. However, it is expected that there will be increasing contribution of private sector investments due to more number of projects planned through competitive bidding process (BOO/BOOT).

The power sector faces challenges related to fuel linkages, land acquisition, environmental clearances, statutory clearances, right of way (RoW) and poor financial health of SEBs. However, the Government of India is expected to take adequate steps to address these concerns. Further, many of the SEBs are hiking their power tariffs to reduce their financial losses and improve cash flows.

**SAARC Countries** - India's cross border electricity transmission interconnection with Bangladesh, Nepal, Bhutan and Sri-Lanka is being expanded. The Asian Development Bank (ADB) plans to provide funding for development of the transmission lines in the region. On the other hand, PGCIL India has also initiated steps to establish transmission links with Nepal and Bhutan.

## II) Middle East and North Africa (MENA)

Total estimated investment in the Middle East as per IEA's World Energy Outlook 2009 Report is ~ \$86 Billion in Transmission between years 2008 and 2030.

**GCC Countries** - GCC countries have grown ~ 7% in 2011 backed by increase in crude prices and higher public spending. Strong economic growth, rapid population increase, commercial and industrial growth are the major demand drivers for the power

sector in this region. Within GCC, Saudi Arabia has the highest power demand followed by UAE. They have planned several large power generation projects including nuclear power plants. In addition to this, Kuwait and Oman have also announced their plans for expansion of transmission lines network. The region is in the process of strengthening the GCC power-grid and is investing in inter-country/regional interconnection lines.

**North Africa** - Moving ahead of the recent political unrest, countries in this region are again on the growth trajectory. Egypt has already announced fresh investment in transmission.

## III) Rest of Africa and Central Asia

**Rest of Africa** - The region has one of the lowest per capital power consumption in the World (511 kwh v/s World average of 2,803 kwh in 2009). Further, about two-third of the population is without access to power. This indicates that this region has huge growth potential. Total estimated investment in the Africa region as per IEA is ~ \$ 68 Billion in transmission between years 2008-2030. In this region, various cross border transmission line interconnections are being planned to improve power evacuation infrastructure and create an efficient energy exchange amongst the countries. The multilateral funding agencies are allocating funds for new projects in the region.

**Central Asia** - The region continues to be a high potential market. Several initiatives, supported and funded by multilateral funding institutions, are being undertaken by central Asian countries to expand and upgrade their power infrastructure. Kazakhstan, Ukraine and Georgia are the major markets in this region. Kazakhstan is the first one to bring in power sector reforms after the disintegration of the former Soviet Union. Presently, the country is implementing Phase 2 of the Kazakhstan Electricity Rehabilitation Project.

## IV) Americas

**United States** - The US transmission grid after having suffered from decades of underinvestment, is now witnessing a turnaround. According to the Department of Energy, 70% of transmission lines are more than 25 years old, therefore, in order to avoid power outages, it is estimated that ~ \$ 3 Billion annual investment is required. Further, many States have issued the Renewable Portfolio Standards regulation which

mandates electricity suppliers to produce a specified portion of their electricity from renewable energy sources. The National Renewable Energy Laboratory (NERL) estimates a required investment of average \$ 3 Billion per year. The American Recovery and Reinvestment Act, 2009 (ARRA) is facilitating investment of \$ 11 billion dedicated to the T&D grid in the USA.

**Canada** - The transmission infrastructure within Canada is experiencing an unprecedented growth. New power generation sources in Alberta, Manitoba and new found land-Labrador have increased transmission demand. In addition to this, a large part of the network needs to be refurbished in order to meet the growing power demand. According to the International Energy Agency's World Energy Outlook 2009, the total investment requirement for the transmission sector for the period 2007-2030 is over CAD33 Billion (~ \$ 33 Billion).

**Mexico** - The Commission Federal de Electricidad ('CFE'), a state owned company, owns and operates transmission lines in Mexico. As per CFE's Programme of Works and Investments in the Electricity Sector for 2011-2025, CFE plans to focus its transmission line requirements on projects to evacuate power from new wind generation plants which are expected to come online. However, considering CFE's limited ability to fund new projects and limited private participation, it may be a challenge.

**Brazil** - Brazil is an emerging economy and the largest market in Latin America. Over the next ten years, the Brazilian government plans to increase power generation capacity by 61 GW and transmission lines capacity by 42,553 kms. [Source: Empresa de Pesquisa Energética, Brazil]. The vast majority of new generation plants are coming in remote northern region of Brazil but the requirement of power is more in southern regions of the country, which is necessitating investment in long distance transmission lines. In addition to this, Energy infrastructure also remains a priority for Brazil as the country is hosting the 2014 FIFA world Cup and 2016 Olympics.

## Power Systems - Outlook & Opportunities

In this space, the Company's majority business comes from the Substation segment. Apart from this, the Company also focuses on Power Distribution, Rural Electrification and other related segments.

India has planned Substation capacity addition of 2,70,000 MVA during the 12th Plan which is significantly higher as compared to actual addition of 1,34,026 MVA during the 11th Plan. Of the total Plan, ~ 55% capacity is at 765kV level.

### Substation Capacity Addition (Unit - MVA)

| Type               | Actual (11th Plan) | Planned (12th Plan) |
|--------------------|--------------------|---------------------|
| 765 kV             | 13,500             | 1,49,000            |
| 400 kV             | 55,740             | 45,000              |
| 220 kV             | 64,786             | 76,000              |
| <b>Total (MVA)</b> | <b>1,34,026</b>    | <b>2,70,000</b>     |

Source: Central Electricity Authority (CEA), India

In rural electrification scheme, the Government of India, through its scheme Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) has taken several initiatives to ensure electricity access to all the villages and households. Implementation of RGGVY has so far electrified almost 93.5% of the villages.

Another Scheme is the Restructured-Accelerated Power Development and Reforms Programme (R-APDRP) to strengthen the urban distribution network. The scheme also focuses on T&D loss reduction.

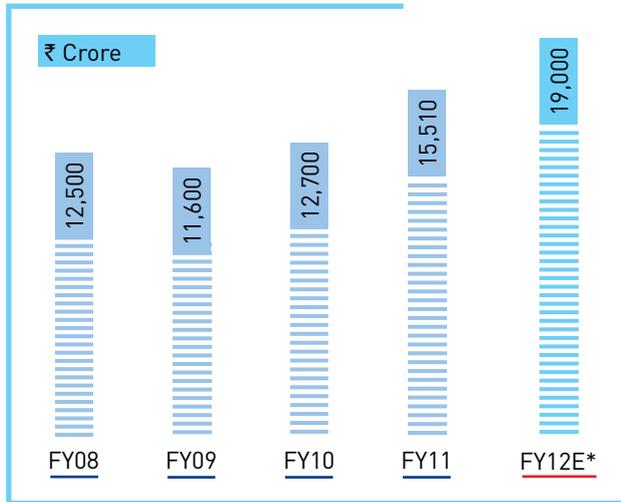
## Cables Business – Outlook and Opportunities

KEC's cable manufacturing can be divided into two broad areas - Power Cables and Telecom Cables. Power Cables constitute the major portion (~ 80%) of its Cable business.

The current size of Cables Market in India is estimated to be ~ ₹ 19,000 crore per annum. The demand for power cables is mainly driven by the power sector, real estate and industries such as steel, oil & gas, chemicals etc. The Government of India's aggressive growth Plan in the power sector during 12th Plan, especially in the distribution segment, provides significant growth opportunities in power cables. We expect this market to have annual growth rate of 15% in coming years. Extra High Voltage (EHV) cables is expected to be the fastest growing product segment, as the urban regions of India are increasingly moving away from over-head lines to under-ground cabling.

Many large international players are eyeing the Indian cables market for High Tension/EHV cables and are entering into partnerships with Indian players.

## Cables Market Size



Source: IEEMA, \*KEC Estimate

## Telecom Business – Outlook and Opportunities

In this space, the Company’s business mainly comes from installation of Optical Power Ground Wire (OPGW) Network and Telecom Towers.

In India, PGCIL plans to invest ₹ 4,000 crore under National Optic Fibre Network (NOFN) for establishing telecom networks on high voltage overhead lines (Source – PGCIL). On the other hand, domestic tower market continues to be dull as operators are not expanding networks despite subscriber growth and poor quality of network. This is expected to change as demand for improved quality increases.

## Railways Business – Outlook and Opportunities

In this space, the Company’s business comes from Conventional Railway projects. The Company is also focusing on upcoming Dedicated Rail Freight Corridors and Mass Rapid Transit System opportunities.

### Conventional Railway

The Annual Railway Budget of Government of India has proposed the highest ever plan outlay at ₹ 60,100 crore for FY13 on Indian Railways.

### Dedicated Freight Corridors

The Government of India has planned to construct two Dedicated Freight Corridors (DFC) – 1) Western DFC (1,534 kms) and 2) Eastern DFC (1,839 kms). The scheduled completion of these projects is by 2016-17.

## Mass Rapid Transit System

Increasing urbanization and strain on the existing transport infrastructure is necessitating investment in modern Mass Rapid Transit System (metro and mono rails). To facilitate this, the Ministry of Urban Development is planning metro systems for cities with a population of over two Million.

Metro projects involving a total investment of ~ ₹ 60,000 crore with a total route length of over 272 Kms are currently in the advanced planning stage and their implementation is likely to begin in next two-three years. These include metro projects in Ahmedabad, Navi Mumbai, Kochi, Bangalore (Phase II) and Delhi (Phase III).

## Water Business – Outlook and Opportunities

In this space, the Company is focusing on opportunities in water resource management as well as water and waste water treatment.

Water is a relatively scarce resource in India. India has 16% of the world’s population; but has only 4% of world’s total available fresh water<sup>(1)</sup>. Further, only 28% of Indian population has sustainable access to improved sanitation facilities<sup>(2)</sup>. Apart from this, out of total sewage generated, only 37% sewage is treated before disposal which is increasingly causing pollution<sup>(3)</sup>. While the availability of fresh water is almost fixed, the demand for water is expected to expand from 710 Billion Cubic Meter (BCM) in 2010 to 843 BCM in 2025<sup>4</sup>. This necessitates the Government of India to make large investment for harnessing the available water resources in a sustainable manner.

The Government of India has given high priority for construction of Water Infrastructure. It has initiated several schemes which include Rajiv Gandhi National Drinking Water Mission (RGNDWM), Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Urban Infrastructure Development for Small and Medium Towns (UIDSSMT) in the form of central and state government grants for the sector.

Sources:

1. Confederation of Indian Industry (CII)
2. Water Quality Assessment Authority, Government of India
3. Central Pollution Control Board
4. National Commission for Central Water Resources, India

The Government of India has given high priority for construction of Water Infrastructure. It has initiated several schemes which include Rajiv Gandhi National Drinking Water Mission (RGNDWM), Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Urban Infrastructure Development for Small and Medium Towns (UIDSSMT) in the form of central and state government grants for the sector.

## Financial Performance

(Based on consolidated results)

- ▶ **Net Sales** increased by 29.89 % to ₹ 5,814.74 crore in FY12.
- ▶ **EBITDA** is ₹ 471.32 crore as against ₹ 476.78 crore in the FY11
- ▶ **Depreciation and Amortisation** expense (net) is ₹ 47.92 crore against ₹ 40.81 crore in the FY11.
- ▶ **Finance Costs** is ₹ 159.74 crore against ₹ 117.64 crore in the FY11.
- ▶ **Other Income** for the year is ₹ 61.63 crore. This includes profit from assignment of leasehold rights in the land at Vashi of ₹ 53.18 crore.
- ▶ **Net profit** increased by 1.78% to ₹ 209.30 crore.
- ▶ **Earnings per Share (EPS)** stood at ₹ 8.14 against ₹ 8.00 in FY11.
- ▶ **Proposed Dividend** for the year is 60% of face value of equity share, reflecting a proposed distribution of ₹ 35.86 crore (including dividend distribution tax).
- ▶ **Book Value per share** increased to ₹ 43.09 per share as against ₹ 36.82 per share in FY11.
- ▶ **Net debt to equity ratio** reduced to 0.94 times against 1.34 times in FY11.
- ▶ **Net working capital days** reduced to 73 days against 106 days in FY11.

## Operational Performance

The Company has received many orders during FY12. The orders were spread across various businesses and geographies. The Company's Order Book increased to ₹ 8,572 crore against ₹ 7,800 crore FY11 end.

### Business wise highlights:

#### Transmission Business

- ▶ Total order inflow for the year in this business was ~ ₹ 4,350 crore.
- ▶ These orders have come from all the geographies where the Company operates. The Company has secured orders from South Asia (India, Bangladesh, Afghanistan, Sri Lanka), Americas (United States, Mexico, Canada, Brazil), MENA (Saudi Arabia, Kuwait, UAE) and Africa (DR Congo, Ethiopia, Ghana and Kenya) and CIS (Kazakhstan).
- ▶ The Company has entered DR Congo (Africa) by securing an order worth ₹ 213 crore.
- ▶ In India, the Company has added new customers in the private sector. During the year, it secured total of 5 orders worth ₹ 585 crore from private sector customers.
- ▶ SAE Towers, the Company's subsidiary, has performed well in the period following its acquisition in September 2010. Net Sales of SAE Towers increased by 37% to \$ 191 mn in FY12.

#### Power Systems Business

- ▶ Total order inflow for the year in this business was ~ ₹ 550 crore.
- ▶ Secured orders related to substations, distribution lines and industrial electrification. Orders have come from India, Kenya and Philippines.
- ▶ Successfully completed distribution projects in Afghanistan and Ethiopia and substation projects in Jammu & Kashmir and Maharashtra in India.

#### Cables Business

- ▶ The total order inflow for the year in this business was ~ ₹ 600 crore. This includes export orders worth ₹ 120 crore from 23 countries spread across various regions.



SAE Towers, Brazil Plant

- ▶ Putting up new green-field facility at Vadodara to manufacture High Tension (HT) and Extra High Voltage (EHV) power cables. The expansion is on track and facility is expected to be ready by end of Q1FY13.
- ▶ Strengthened Telecom Cable supply business. This year, the Company has exported Telecom cables to 11 countries.

**Telecom Business**

- ▶ Total order inflow for the year was ~ ₹ 250 crore.
- ▶ Strengthened the OPGW installation business by securing ₹ 234 crore orders in India.
- ▶ Tower Business demand continues to be poor. Dependence on the Tower business has reduced significantly.

**Railways Business**

- ▶ Total order inflow for the year in this business was ~ ₹ 140 crore.

- ▶ Forayed into Private Siding space. The Company secured 2 orders in Maharashtra.
- ▶ Gradually focusing on international markets – secured ₹ 49 crore order from Kenya (Africa).

**Water Business**

- ▶ Total order inflow for the year in this business was ₹ 313 crore.

**Adequacy of Internal Control**

The Company has a comprehensive system of internal control checks and balances with the objective of safeguarding the Company's assets, ensuring that transactions are properly authorised, and provide significant assurance of the integrity, objectivity and reliability of financial information.

The Internal Audit department conducts extensive audits at the head office, manufacturing facilities and international and domestic project sites covering all major functions

with a focus on various operational areas and also internal control systems. The suggestions, recommendations and implementation of the same are placed before the Management and the Audit Committee of the Board of Directors periodically. The adequacy of internal control systems is also periodically reviewed by the Audit Committee.

## Human Resources

Human resources are an integral and important part for the Company. It has put in place sound policies for the growth and progress of its employees. Further, it took various steps to provide training and development opportunities to its employees to enhance their skills and experience.

As of March 31, 2012, the Company has ~ 4,800 permanent employees.

This year, the Company has won one of the most prestigious awards in the HR domain- 'The JURY AWARD for Best HR Practice' and the 'Most Popular Practice Exhibit Award' from National Human Resource Development Network (NHRDN).

## Industrial Relations

The relations with union, employees at all levels and locations remained cordial.

## Risks, Challenges and Threats

### 1. Variation in prices of commodities and currencies

The Company deals with various commodities such as steel, zinc, copper, aluminum etc. Fixed price contracts can have negative impact in the event of rise in input costs if it is not appropriately hedged in time. Due to a significant share of business in International markets, the Company is exposed to the risk of currency fluctuations.

**Mitigation** - The Company believes in keeping its commodity and currency exposures hedged to optimum levels.

### 2. Infrastructure Investment Slowdown

Slowdown in the infrastructure investment can lead to lower order intake.

**Mitigation** - Company's business is spread across various regions. Investment slowdown in one country or region can have only limited impact on its business. Further, the Company has significant exposures to under-developed and emerging economies where investment in infrastructure is a key priority for a sustainable growth.

### 3. Political Unrests

The Company's business is spread across various countries or regions. Political unrest in the Company's existing market can impact progress of projects.

**Mitigation** - These risks are periodically reviewed and suitable risk management strategies are adopted by the Company so as to minimise the impact of those risks.

### 4. Delays in execution of projects

EPC projects could face delays due to issues relating to right of way, forest clearance and shortage of manpower etc. This could lead to delays in payments thereby prolonging the working capital cycle and increasing the overall cost of the project.

**Mitigation** - These risks are periodically reviewed and suitable risk management strategies are adopted by the Company so as to minimise the impact of those risks.

## Cautionary Statement

Statements in this report describing the Company's objectives, expectations, predictions and assumptions may be 'forward looking' within the meaning of applicable Securities Laws and Regulations. Actual results may differ materially from those expressed herein. Important factors that could influence the Company's operations include global and domestic economic conditions affecting demand, supply, price conditions, natural calamities, change in Government's regulations, tax regimes, other statutes and other factors such as litigation and industrial relations.



## Directors' Report

To the Members of

KEC International Limited

The Directors have pleasure in presenting the Seventh Annual Report along with the audited accounts of the Company for the year ended March 31, 2012.

### 1 Financial Results

₹ in crore

| Particulars   | Consolidated  |               | Standalone    |               |
|---|---------------|---------------|---------------|---------------|
|   | FY12          | FY11          | FY12          | FY11          |
| Net Sales   | 5,814.74      | 4,476.54      | 4,604.33      | 3,965.12      |
| EBITDA  | 471.32        | 476.78        | 340.42        | 382.88        |
| Finance cost  | 159.74        | 117.64        | 133.71        | 105.30        |
| Depreciation & Amortisation   | 47.92         | 40.81         | 36.05         | 34.49         |
| <b>Profit before tax</b>  | <b>324.31</b> | <b>316.72</b> | <b>254.81</b> | <b>238.79</b> |
| Tax Expenses  | 115.01        | 111.08        | 72.98         | 91.70         |
| Profit for the year (Net Profit)  | 209.30        | 205.65        | 181.84        | 147.09        |
| Proposed dividend on equity shares (including tax on proposed dividend) | 35.86         | 35.74         | 35.86         | 35.74         |
| Transfer to General Reserve   | 18.18         | 14.71         | 18.18         | 14.71         |

## 2. Dividend

The Board of Directors has recommended a dividend of ₹ 1.20 per equity share of ₹ 2/- each for the year ended March 31, 2012 on the equity share capital of the Company aggregating to ₹ 30,85,06,044/- (Rupees thirty crore eighty five lacs six thousand and forty four only). The dividend on equity shares is subject to the approval of shareholders at the ensuing Annual General Meeting.

## 3. Performance

**On consolidated basis**, the Net Sales increased by 29.89 % to ₹ 5,814.74 crore in FY12. The Net profit increased by 1.77% to ₹ 209.30 crore.

**On standalone basis**, the Net Sales increased by 16.12% to ₹ 4,604.33 crore in FY12. The Net profit increased by 23.62% to ₹ 181.84 crore.

During FY12, the Company has secured many orders and these were spread across various businesses and geographies. This helped in increasing the order book from ₹ 7,800 crore in FY11 end to ₹ 8,572 crore in FY12 end.

The Company is continuously spreading its wings for further growth every year by entering into new geographies, adding its customer base and expanding its businesses.

**New Geographies** – During FY12, Transmission business entered into DR Congo by securing order of ₹ 213 crore.

**Adding Customers** – Traditionally, KEC has secured most of its business from the government sector across the globe. However, in recent years, the Company has been focusing on diversifying and adding to its customer base in the private sector. During the year, it secured 5 transmission lines EPC orders in India of the value of ₹ 585 crore from private sector customers. The private sector contribution in the order book has increased from ~ 1% in FY10 end to ~ 23% in FY12 end.

**Expanding Businesses** – The Company has gradually ventured into new businesses– Power Systems, Cables, Railways and Water. Its' order book from these businesses increased from ₹ 1,173 crore in FY10 to ₹ 2,343 crore in FY12. The Company is leveraging its project execution capabilities and experience along with its strong global presence in each of these businesses. The Company aims to consolidate and

The Company is continuously spreading its wings for further growth by entering into new geographies, adding its customer base and expanding its businesses.

grow these new businesses to achieve, in the long term, a balanced business portfolio. During the year, your company has enhanced its tower manufacturing capacity from 151,000 MTs to 174,000 MTs by de-bottlenecking and adding balancing equipment.

## 4. Listing

The Equity Shares of the Company continue to remain listed with BSE Limited and National Stock Exchange of India Limited and the stipulated listing fees for the year FY13 has been paid to both the Stock Exchanges.

## 5. Fixed Deposits

The Company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Rules framed thereunder.

## 6. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are provided in the prescribed format as an annexure to this Report.

## 7. Management Discussion and Analysis and Corporate Governance Report

In compliance with clause 49 of the Listing Agreement entered into with the Stock Exchanges, a separate section on Management Discussion and Analysis that includes details on the state of affairs of the Company as required to be disclosed in the Directors Report forms part of this Annual Report. Further, the Corporate Governance Report, as approved by the Board of Directors, together with a certificate from the Statutory Auditors confirming the compliance with the requirements of Clause 49 of the Listing Agreement also forms part of this Annual Report.

## 8. Secretarial Audit Report

As a measure of good corporate governance practice, the Company appointed Parikh Parekh & Associates, Practicing Company Secretaries, to conduct Secretarial Audit of records and documents of the Company. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreement with the Stock Exchanges, Securities Contracts (Regulation) Act, 1956 and all the Regulations and Guidelines of SEBI as applicable to the Company, including the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.

## 9. Subsidiary Companies

At present Company has 20 (twenty) direct and step down subsidiary companies. The details pertaining to the subsidiaries are mentioned under the statement made pursuant to Section 212 of the Companies Act, 1956, which forms part of this Annual Report.

Ministry of Corporate Affairs vide its Circular No: 5/12/2007-CL-III dated February 08, 2011, has, subject to compliance with certain conditions, granted general exemption to the companies from applicability of Section 212 of the Companies Act, 1956. As per the general exemption, a statement containing brief financial details of the Company's subsidiaries for the year ended March 31, 2012, is included in this Annual Report. The Annual Accounts of these subsidiaries and the related detailed information will be made available to any Member of the Company/its subsidiaries seeking such information at any point of time and are also available for inspection by any Member of the Company/its subsidiar(ies) at the Registered Office of the Company/its subsidiaries.

Pursuant to the Listing Agreement entered into with the Stock Exchanges and the general exemption granted by the Ministry of Corporate Affairs, the Consolidated Financial Statements of the Company, including the financial details of all the subsidiary companies of the Company, which forms part of this Annual Report, has been prepared in accordance with the Accounting Standards issued by The Institute of Chartered Accountants of India.

## 10. Directors

In accordance with the provisions of the Companies Act, 1956, Mr. H. V. Goenka, Mr. G. L. Mirchandani and

Mr. S. S. Thakur retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting of the Members of the Company.

In compliance with Clause 49 IV (G) of the Listing Agreement, brief resume, expertise and other details of Directors proposed to be re-appointed are attached along with the Notice to the ensuing Annual General Meeting.

The Board of Directors recommends the re-appointment of Mr. H. V. Goenka, Mr. G. L. Mirchandani and Mr. S. S. Thakur.

## 11. Auditors

### Statutory Auditors:

M/s Deloitte Haskins & Sells, Chartered Accountants were appointed as the Statutory Auditors of the Company to hold office from the conclusion of the previous Annual General Meeting until the conclusion of the ensuing Annual General Meeting. It is proposed to re-appoint Deloitte Haskins & Sells, as the Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration. The Company has received a letter from Deloitte Haskins & Sells to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act. The Board of Directors recommends the re-appointment of Deloitte Haskins & Sells, as Statutory Auditors of the Company.

### Branch Auditors:

In terms of Section 228 of the Companies Act, 1956, the Company is required to conduct an audit of the accounts of the branch offices of the Company. The Board of Directors recommends to the members to pass the resolution as stated in Item no. 7 of the notice convening the ensuing Annual General Meeting.

### Cost Auditors:

The Central Government has approved the appointment of Kirit Mehta & Co., Cost Accountants, Mumbai, as Cost Auditors, for conducting Cost Audit

in relation to Electrical Cables and Conductors and Steel Towers manufactured by the Company for the for the financial year ended March 31, 2012 and for issuance of Compliance Report, for the financial year ended March 31, 2012, under The Companies (Cost Accounting Records) Rules, 2011.

## 12. Directors' Responsibility Statement

The Board of Directors would like to affirm that the financial statements for the year under review conform in their entirety to the requirements of the Companies Act, 1956.

As stipulated in Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

- (i) in the preparation of the annual accounts for the year ended March 31, 2012, the applicable Accounting Standards have been followed;
- (ii) such accounting policies have been selected and applied consistently and judgments and estimates made 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 the year under review;
- (iii) proper and sufficient care has been taken 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) the annual accounts for the financial year ended March 31, 2012, have been prepared on a going concern basis.

## 13. Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in an Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Members who are desirous of obtaining such

particulars are requested to write to the Company Secretary of the Company.

## 14. Acknowledgement

Your Directors express their grateful appreciation for the support and co-operation received from the customers, government authorities, banks and vendors during the financial year.

Your Directors appreciate and value the trust and faith shown by every shareholder of the Company.

Your Directors would also like to place on record their appreciation to the employees at all levels, who through their dedication, co-operation and support have enabled the Company to move towards achieving its objectives.

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

**H. V. Goenka**  
Chairman

Place: Mumbai

Date: May 03, 2012

## Annexure to the Directors' Report

### (A) Conservation of Energy

Although the Company's operations are not energy intensive, efforts were made to ensure optimum consumption of fuel and electricity at all the plants of the Company. The following specific actions were taken at the various locations during the year under review:

Replaced DC motors and DC drives with AC motors and VF drives, installed energy efficient Screw type Air compressors of 300CFM, installed capacitors, replaced Eddy current drives of rewinding lines with AC drives, replaced less efficient screw compressor of 100 HP by new efficient 60 HP compressor, replaced old galvanising furnace with dual fuel fired fully automatic galvanising furnace. Improved ambient light utilisation at OFC plant by providing translucent sheets on ceiling. Conducted Energy Audit by Tata Energy Resources Institute, Bangalore. Replaced Shop floor lighting into CFL from conventional Fluorescent lamps and MV/SV lamps. Adopted on line curing process to reduce diesel consumption. Bio-Diesel (Jatropha curcas) plantation taken up on additional 2 acres of land. Optimum utilisation of capacitor bank. Installed optical switches in finish yard for lights, replaced 6 lights of 150HPMV by 96 watts energy efficient T-5 lights. Eddy Current Motors controllers re-modified, repaired Air leakages at various locations. Upgraded APFC in power house, installed timer on all CNC machines to stop main hydraulic motor during non production, 1.5T panel air conditioner (8 Nos.) replaced by 0.8T AC. Installed twilight timers and Occupancy Sensors, Complete Separation of DB of Lighting Distribution System and Welding Section.

These efforts have resulted in reduction in power consumption and saving ~ ₹ 36.24 lacs during the year.

### (B) Technology Absorption

#### 1. Specific areas in which R&D is carried out by the Company:

Power consumption at Office and shop floor lights, street lights, Air Conditioners, replaced oil fired furnaces, monitoring for timer settings in CNC machines, installation of double stage screw compressor, study of motor capacities and actual load requirement.

#### 2. Benefits derived as a result of the above R&D:

The above efforts have resulted in numerous benefits including, higher production, ease of maintenance, enhancement of processing speed, better monitoring and working conditions. It also resulted in avoidance of quality rejections, capital expenditure and reduction in consumption of raw material, production cycle time and cost of production.

#### 3. Future plans of action:

Installation of Energy management system SCADA, replacement of existing lighting fixtures by LED lighting fixtures, installation of plate & angle heating induction furnace. To identify old inefficient motors and replacing them by energy efficient motors. To procure Pan Type Induction heating furnaces for bending operation. Technical up gradation of old machineries by replacement of slip ring motors driven system by advanced variable frequency drives in phased manner, Energy audits, Bulk production with the Borouge ambicure material for XLPE insulation.

**4. Expenditure on R & D:**

|  |                 |
|--|-----------------|
| (a) Capital  | : ₹ 8.69 lacs   |
| (b) Recurring  | : ₹ 983.11 lacs |
| (c) Total  | : ₹ 991.80 lacs |
| (d) Total R & D expenditure as a percentage of total turnover: | 0.211%          |

**Technology Absorption, Adoption and Innovation****1. Efforts, in brief, made towards technology absorption, adaption and innovation:**

Trial of LPG gas heating to small & medium size angle for bending application, modifications of Control Circuits, Trials have been conducted with different type of induction coil for achieving single flange heating of the angle. Evaluation for the replacement of old drive system with upgraded technology. Product validation for Borouge ambicure material for XLPE insulation along with technical team of Borouge.

**2. Benefits derived as a result of above efforts:**

The above efforts have resulted in increase in in-house production capabilities, speedy operations, better performance and higher availability of the machines and reduction in wastage and cost of production and savings of ~ ₹ 18.77 lacs.

**3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:**

- Technology imported: One plate punching cum drilling machine, two CNC angle punching lines, Angle drilling machine with CNC control & carbide tooling.
- Year of import: FY11.
- Has the technology been fully absorbed?: Yes.
- If not fully absorbed, areas where this has not taken place, reasons hereof and future plans of action: NA.

**(C) Foreign Exchange Earnings And Outgo**

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans are detailed in Management Discussion & Analysis.

|                               | (₹ in lacs) |             |
|-------------------------------|-------------|-------------|
|                               | FY12        | FY11        |
| Total foreign exchange earned | 2,03,763.41 | 1,77,215.20 |
| Total foreign exchange used   | 1,08,724.16 | 1,21,453.72 |



## Corporate Governance Report

The Corporate Governance signifies the role of the management as the trustees to the property of the shareholders and acceptance of the inherent rights of the shareholders by the management. Corporate Governance is a framework which helps various participants viz. Shareholders, Board of Directors and Company's management, in shaping Company's performance and the way it is proceeding towards attainment of its goals.

### I. Company's Philosophy on Corporate Governance

The Company's Corporate Governance philosophy encompasses not only regulatory and legal requirements, such as the terms of Listing Agreement with Stock Exchanges, but also several voluntary practices at a superior level of business ethics, effective supervision and enhancement of shareholders' value.

The Company believes that timely disclosures, transparent accounting policies and a strong and independent Board go a long way in protecting shareholders interest while maximising long-term corporate values.

The Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement entered into with Stock Exchanges.

### II. Board of Directors

#### Size and Composition of the Board

The Company's policy is to maintain optimum combination of Executive and Non-Executive Directors. As at March 31, 2012 the Board comprises of 10 directors out of which 8 are Independent Directors. A Non-Executive Director Chairs the Board. Composition of the Board and the category of Directors as on March 31, 2012 are as follows:

| Category              | Name of Director                          |
|-----------------------|---|
| Promoter Director     | : Mr. H. V. Goenka,<br>Chairman           |
| Executive Director    | : Mr. R. D. Chandak,<br>Managing Director |
| Independent Directors | : Mr. S. S. Thakur                        |
|                       | Mr. G. L. Mirchandani                     |
|                       | Mr. D. G. Piramal                         |
|                       | Mr. S. M. Kulkarni                        |
|                       | Mr. A. T. Vaswani                         |
|                       | Mr. J. M. Kothary                         |
|                       | Mr. P. A. Makwana                         |
|                       | Mr. M. K. Sharma                          |

All the Independent Directors of the Company furnish declaration annually that they qualify the conditions of their being independent. All such declarations are placed before the Board.

No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956.

Details of the Directorship, Membership and Chairmanship in other companies for each Director of the Company as on March 31, 2012 are as follows:

| Name of the Director  | No. of outside Directorships* | No. of outside Committees <sup>a</sup> on which the Director is a |          |
|-----------------------|-------------------------------|---|----------|
|                       |                               | Member #  | Chairman |
| Mr. H. V. Goenka      | 7                             | -   | -        |
| Mr. R. D. Chandak     | 3                             | -   | -        |
| Mr. S. S. Thakur      | 8                             | 8   | 4        |
| Mr. G. L. Mirchandani | 7                             | 2   | -        |
| Mr. D. G. Piramal     | 5                             | 2   | -        |
| Mr. S. M. Kulkarni    | 8                             | 8   | 5        |
| Mr. A. T. Vaswani     | 2                             | 3   | 2        |
| Mr. J. M. Kothary     | 4                             | 3   | 1        |
| Mr. P. A. Makwana     | 1                             | -   | -        |
| Mr. M. K. Sharma      | 7                             | 6   | -        |

\*excluding Directorships in private companies, foreign companies and companies which are granted license under Section 25 of the Companies Act, 1956.

<sup>a</sup> includes only membership in Audit Committee and Investors Grievance Committees.

# Number of Committees on which the Director is a member and also includes the number of Committees on which the Director is the Chairman.

### Board Meetings

Agenda and detailed notes on agenda are circulated to the Directors in advance. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meetings. Where it is not practicable to attach any document to the agenda, the same is placed before the meeting. In special and exceptional circumstances, additional item(s) on the agenda is/are permitted.

The members of the Board have access to all information of the Company and are free to recommend inclusion of any matter in agenda for discussion. The Board meets at least once in a quarter to review the quarterly results and other items on the agenda. Additional meetings are held, when necessary.

The meetings of the Board are generally held at the Company's registered office at Mumbai.

During the year under review, six Board meetings were held and gap between two meetings did not exceed four months.

The dates on which said Board meetings were held are as follows:

May 06, 2011, July 05, 2011, July 30, 2011, October 25, 2011, January 31, 2012 and March 09, 2012.

### Board's Responsibilities

The Board's mandate is to oversee the Company's strategic direction, review and monitor performance, ensure regulatory compliance and safeguard the interests of stakeholders.

### Role of Independent Directors

The Independent Directors play an important role in deliberations at the Board and Committee meetings and bring to the Company their expertise in the fields of business, commerce, finance, management, law and public policy.

### Information placed before the Board of Directors

All the information that is required to be made available, so far applicable to the Company, in terms of Clause 49 of the Listing Agreement is made available to the Board of Directors.

### Training of Board Members

The Company believes that the Board be continuously empowered with the knowledge in the Company's businesses and the external environment affecting the industry as a whole. To this end, the Directors were given presentations on the business environment, as well as all business areas of the Company including business strategy, risks and opportunities.

**Attendance of the Directors during FY12:**

Details of attendance at the Board meetings and Annual General Meeting:

| Name of the Director  | No. of Board Meetings attended | Attendance at the AGM held on July 05, 2011 |
|-----------------------|--------------------------------|---|
| Mr. H. V. Goenka      | 6                              | Yes   |
| Mr. R. D. Chandak     | 6                              | Yes   |
| Mr. S. S. Thakur      | 6                              | Yes   |
| Mr. G. L. Mirchandani | 5                              | Yes   |
| Mr. D. G. Piramal     | 6                              | Yes   |
| Mr. S. M. Kulkarni    | 5                              | Yes   |
| Mr. A. T. Vaswani     | 6                              | Yes   |
| Mr. J. M. Kothary     | 6                              | Yes   |
| Mr. P. A. Makwana     | 6                              | Yes   |
| Mr. M. K. Sharma      | 6                              | Yes   |

**Details of Director(s)**

In compliance with Clause 49 IV (G) of Listing Agreement entered into with Stock Exchanges, brief resume, expertise and details of other directorships, membership in committees of Directors of other companies and shareholding in the Company of the Directors proposed to be re-appointed/appointed are attached along with the Notice to the ensuing Annual General Meeting.

**Code of Conduct**

The Board has laid down a Code of Conduct for all Board members and senior management of the Company which is posted on the website of the Company.

All Board members and senior management personnel have affirmed compliance with the Code on an annual basis. A declaration to this effect signed by the Managing Director forms part of this Annual Report.

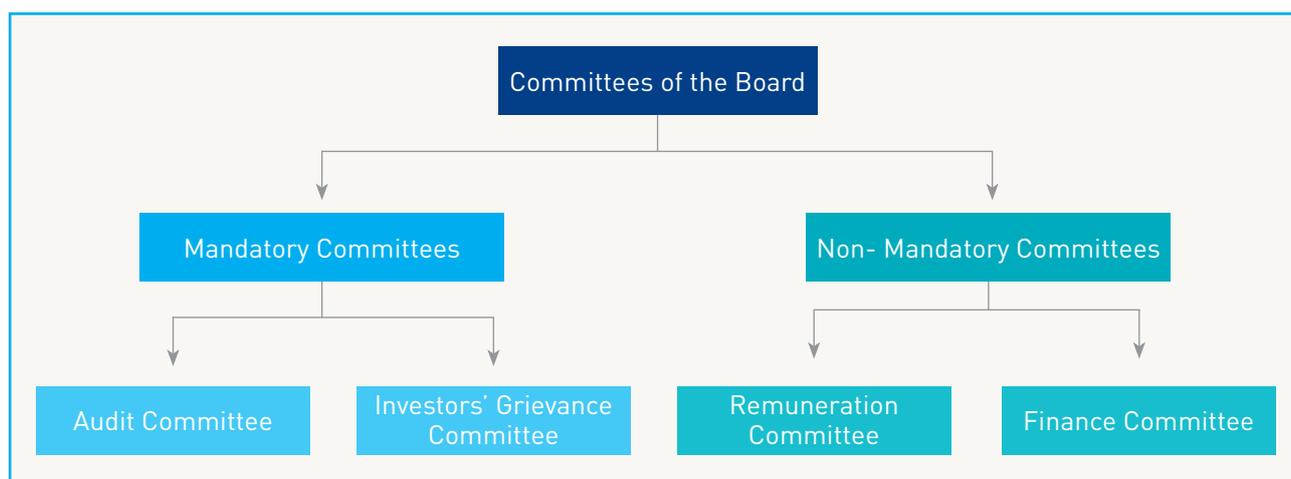
**Insider Trading Code**

The Company has framed an Insider Trading Code (“Code”) prohibiting Insider Trading in conformity with applicable regulations of the Securities and Exchange Board of India (SEBI). Necessary procedures have been laid down for Directors and designated employees for trading in the securities of the Company and the Code and the procedures were communicated to them. Trading window closures, when the designated employees are not permitted to trade in the securities of the Company, are intimated to all designated employees, in advance, whenever required.

**Board Committees**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted a set of Committees with specific terms of reference/scope.

The Board has established various Committees such as the Audit Committee, Investors’ Grievance Committee, Remuneration Committee and Finance Committee.



The minutes of the meetings of all Committees are placed before the Board for discussion/noting/ratification.

**(A) Audit Committee**

**Composition**

The Audit Committee of the Board comprises of three Independent Directors viz. Mr. A. T. Vaswani, Chairman, Mr. S. S. Thakur and Mr. S. M. Kulkarni. All members

of Audit Committee are financially literate and the Chairman of the Audit Committee has accounting or related financial management expertise and the composition of the Committee is in compliance with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement

entered into the Stock Exchanges. The Chairman of the Audit Committee was present at the Sixth Annual General Meeting to answer shareholders' queries.

The representative of the Statutory Auditors are invited to attend meetings of the Committee. The Committee also invites such of the executives viz., Managing Director, Chief Financial Officer, Head (Internal Audit), as it considers appropriate to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company.

The Company Secretary, Mr. Ch. V. Jagannadha Rao, acts as the Secretary to the Committee.

#### Meetings

During the year under review, seven meetings of the Audit Committee were held. The dates on which said meetings were held are as follows:

April 08, 2011, May 06, 2011, July 30, 2011, September 05, 2011, October 25, 2011, January 31, 2012 and March 28, 2012.

#### Attendance of each Member at the Audit Committee meetings held during FY12:

| Name of the Committee Member | No. of Meetings held | No. of Meetings Attended |
|------------------------------|----------------------|--------------------------|
| Mr. A. T. Vaswani            | 7                    | 7                        |
| Mr. S. S. Thakur             | 7                    | 7                        |
| Mr. S. M. Kulkarni           | 7                    | 7                        |

#### Terms of reference

The role and terms of reference of the Audit Committee specified by the Board are in conformity with the requirements of Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. The Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors. The responsibilities of the Audit Committee include overseeing of the financial reporting process to ensure fairness, adequate disclosures and credibility of financial statements, recommendation of appointment and removal of Statutory Auditors, Branch Auditors, review of the adequacy of internal control systems and the internal audit function.

#### The Audit Committee is authorised to:

- Investigate any activity within its terms of reference.
- Seek information from any employee.
- Obtain outside legal or other professional advice.
- Secure attendance of outsiders with relevant expertise, if it considers necessary.

#### Role of Audit Committee

##### The role of the Audit Committee includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
- Approval of payments to statutory auditors for any other services rendered by the Statutory Auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - Changes, if any, in accounting policies and practices and reasons for the same
  - Major accounting entries involving estimates based on the exercise of judgment by management
  - Significant adjustments made in the financial statements arising out of audit findings
  - Compliance with listing and other legal requirements relating to financial statements
  - Disclosure of any related party transactions
  - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of Statutory and Internal Auditors and adequacy of the internal control systems.

8. Reviewing the adequacy of internal audit function if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with Internal Auditors about any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. To review the following information:
  - (a) Management Discussion and Analysis of financial condition and results of operations;
  - (b) Significant related party transactions;
  - (c) Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
  - (d) Internal audit reports relating to internal control weaknesses;
  - (e) The appointment, removal and terms of remuneration of the chief internal auditor;
  - (f) The financial statements, in particular, the investments made by unlisted subsidiary company, if any.
14. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
15. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

## **(B) Remuneration Committee**

### **Composition**

Remuneration Committee consists of three Directors viz., Mr. J. M. Kothary, Chairman, Mr. A. T. Vaswani and Mr. S. M. Kulkarni.

### **Meetings**

During the year under review, three meetings of the Remuneration Committee were held. The dates on which the said meetings were held are as follows:

May 02, 2011, October 25, 2011 and March 07, 2012.

### **Attendance of each Member at the Remuneration Committee meetings held during FY12:**

| <b>Name of the Committee Member</b> | <b>No. of Meetings held</b> | <b>No. of Meetings Attended</b> |
|-------------------------------------|-----------------------------|---------------------------------|
| Mr. J. M. Kothary                   | 3                           | 3                               |
| Mr. A. T. Vaswani                   | 3                           | 3                               |
| Mr. S. M. Kulkarni                  | 3                           | 3                               |

### **Terms of Reference**

The function of the Remuneration Committee includes recommendation of appointment of Whole-time Director(s)/Managing Director, evaluation of the performance of the Whole-time Director(s)/Managing Director and recommendation to the Board of the remuneration to Whole-Time Director(s)/Managing Director and such other functions as delegated by the Board from time to time. The Remuneration Committee is also authorised to recommend commission to be paid to the Director(s) of the Company who is/are not in the whole time employment of the Company, in accordance with and up to the limits laid down under the Companies Act, 1956.

During the year the Committee met on May 02, 2011 to consider and recommend to the Board of Directors payment of commission to Directors who were not in Whole-time employment of the Company, on October 25, 2011, to propose the revision in the remuneration of Mr. R. D. Chandak, Managing Director, and on March 07, 2012, to recommend the quantum of commission payable to each of the Non-Executive Directors pursuant to the approval accorded by the shareholders and the Central Government.

### **Remuneration Policy and other terms of appointment of Directors**

The remuneration payable to the Managing Director is recommended by the Remuneration Committee of the Board of Directors. The remuneration structure of Managing Director comprises of salary, perquisites, allowances, performance bonus, commission and contribution to provident, superannuation and gratuity funds. Payment of remuneration to the Managing Director is governed by the Agreement executed between the Managing Director and the Company. The Agreement is also approved by the Board and the shareholders of the Company in terms of Schedule XIII to the Companies Act, 1956.

## Details of remuneration paid to the Managing Director during FY12:

| (₹ in lacs)       |                       |            |             |   |        |
|-------------------|-----------------------|------------|-------------|---|--------|
| Name              | Salary and Allowances | Commission | Perquisites | Contribution to Provident and other funds | Total# |
| Mr. R. D. Chandak | 193.01                | 20.10      | 1.47        | 21.55                                     | 236.13 |

# Excludes provision for gratuity and compensated absences, which is determined on the basis of actuarial valuation done on overall basis for the Company.

The Company has entered into an Agreement with Mr. Chandak for his re-appointment as Managing Director of the Company for a period of three years commencing from September 29, 2010 and such re-appointment was approved by the Shareholders through Postal Ballot on December 20, 2010. In addition to the remuneration, he is also entitled to commission. The aforementioned Agreement may be terminated by either party by giving to the other party not less than four months' notice, in writing, or by payment of four months' basic salary in lieu of notice without assigning any reason. The agreement may also be terminated by the Company, under certain circumstances as provided in the Agreement, by serving one month's notice to the Managing Director.

**Non Executive Directors**

The Non-Executive Directors ("NEDs") are paid remuneration by way of commission and sitting fees. The NEDs were paid sitting fees at the rate of ₹ 20,000/- for attending each meeting of the Board and ₹ 5,000/- for attending each meeting of Audit Committee and Finance Committee of the Board. No sitting fee is paid for the meetings of Investors'

Grievance Committee and Remuneration Committee. The Board of Directors at its meeting held on March 09, 2012, revised the sitting fee payable to its directors to ₹ 20,000/- for attending the meetings of Audit Committee and decided to pay ₹ 5,000/- towards attending the meetings of Remuneration Committee.

In terms of the shareholders' approval obtained at the Annual General Meeting held on July 05, 2011, NEDs are entitled to be paid commission within the overall limit of 5% per annum of the net profits of the Company (computed in accordance with the Section 309(5) of the Companies Act, 1956). Accordingly, commission of ₹ 880 lacs, within the overall limit stipulated by the shareholders, was proposed to be paid to NEDs for FY11 and the same was also approved by the Central Government. The distribution of commission amongst the NEDs is placed before the Board of Directors. The commission is distributed on the basis of qualifications, experience, directorship in other companies having diverse business, time spent, inputs, guidance and contribution received from each of the NEDs to the Company.

The Company will seek approval of Central Government every year, till 2014-15, for the amount proposed to be paid as commission, within the overall limit of 5% of the net profits, to the NEDs.

## Remuneration to Non Executive Directors is given below:

| Name of the Director  | (Amount in ₹)  |                    | Total    |
|-----------------------|----------------|--------------------|----------|
|                       | Sitting Fee    |                    |          |
|                       | Board Meetings | Committee Meetings |          |
| Mr. H. V. Goenka      | 1,20,000       | -                  | 1,20,000 |
| Mr. S. S. Thakur      | 1,20,000       | 50,000             | 1,70,000 |
| Mr. G. L. Mirchandani | 1,00,000       | -                  | 1,00,000 |
| Mr. D. G. Piramal     | 1,20,000       | -                  | 1,20,000 |
| Mr. A. T. Vaswani     | 1,20,000       | 50,000             | 1,70,000 |
| Mr. S. M. Kulkarni    | 1,00,000       | 1,15,000           | 2,15,000 |
| Mr. J. M. Kothary     | 1,20,000       | 70,000             | 1,90,000 |
| Mr. P. A. Makwana     | 1,20,000       | -                  | 1,20,000 |
| Mr. M. K. Sharma      | 1,20,000       | -                  | 1,20,000 |

The Company paid commission, pertaining to financial year 2010-11, to its NEDs during the year. Commission of ₹ 8,59,00,000/- was paid to Mr. H.V. Goenka and ₹ 300,000/- were paid to each of the NEDs except Mr. M. K. Sharma who was inducted on the Board during financial year 2011-12.

### Equity Shares held by the Directors

Except as stated hereunder, none of the Directors hold any shares (each having face value of ₹ 2/- each) in the Company as on March 31, 2012:

| Name of the Director | No. of shares held |
|----------------------|--------------------|
| Mr. H. V. Goenka     | 120,060            |
| Mr. R. D. Chandak    | 5                  |
| Mr. J. M. Kothary    | 3750*              |

\*held in trust on behalf of certain shareholders against their rights of equity shares of the erstwhile RPG Transmission Limited, since merged with the Company, kept in abeyance under Section 206A(b) of the Companies Act, 1956 due to pending court cases/issues.

The Company does not have any Stock Option Scheme.

### (C) Investors' Grievance Committee

#### Composition

The Investors' Grievance Committee consists of three Directors viz., Mr. R. D. Chandak, Mr. J. M. Kothary and Mr. P. A. Makwana. Mr. J. M. Kothary chairs the Committee.

#### Meetings

During the year under review, twelve meetings of the Investors' Grievance Committee were held. The dates on which said meetings were held are as follows:

April 29, 2011, May 31, 2011, June 30, 2011, July 30, 2011, August 31, 2011, September 30, 2011, October 31, 2011, November 30, 2011, December 30, 2011, January 31, 2012, February 29, 2012 and March 30, 2012.

The aforementioned meetings were attended by all the three Members of the Committee.

#### Terms of Reference

The Board of Directors at its meeting held on July 31, 2006 passed a resolution authorizing any one of the members of Investors' Grievance Committee or the Company Secretary or an authorized signatory to attend to the matters relating to share transfers/transmissions/issue of duplicate share certificates and other related matters under the overall supervision of the Committee.

The function and powers of the Committee include approval and rejection of transfer or transmission of shares, issue of duplicate certificates, review and redressal of shareholders and investors complaints

relating to transfer of shares and non-receipt of Annual Report etc. The Committee meets once in a month.

The work relating to Share Transfer etc. is looked after by Link Intime India Private Limited, RTA (Registrar and Share Transfer Agents). The minutes of the Investors' Grievance Committee are periodically placed before the Board of Directors.

#### Name and Designation of the Compliance Officer

Mr. Ch. V. Jagannadha Rao, Company Secretary, is the Compliance Officer in terms of Clause 47 of the Listing Agreement.

#### Investors' service

|   |     |
|---|-----|
| No. of complaints/correspondence received during the financial year ended March 31, 2012. | 438 |
|---|-----|

|   |     |
|---|-----|
| No. of complaints/correspondence resolved to the satisfaction of shareholders during the financial year ended March 31, 2012. | 438 |
|---|-----|

#### Number of pending requests for share transfers & dematerialisations as on March 31, 2012

|                    | No. of Requests | No. of Securities |
|--------------------|-----------------|-------------------|
| Transfers          | Nil             | Nil               |
| Dematerialisations | Nil             | Nil               |

### (D) Finance Committee

#### Composition

The Finance Committee consists of three Directors viz., Mr. R. D. Chandak, Mr. S. M. Kulkarni and Mr. J. M. Kothary. Mr. S. M. Kulkarni chairs the Committee.

#### Meetings

During the year under review, fourteen meetings of the Finance Committee were held. The dates on which said meetings were held are as follows:

April 05, 2011, May 06, 2011, May 27, 2011, June 20, 2011, July 05, 2011, July 30, 2011, August 30, 2011, September 30, 2011, October 25, 2011, November 23, 2011, December 20, 2011, January 20, 2012, February 17, 2012 and March 28, 2012.

The aforementioned meetings were attended by all the three Members of the Committee, except Mr. S. M. Kulkarni to whom leave of absence was granted for the meeting held on September 30, 2011.

### Terms of Reference

1. To authorise the representatives of the Company and issue power of attorney(ies) in their favour in relation to tenders, branch offices(s) or project site office(s) operational requirements, execution and/or operations of contracts/projects, excise, customs and shipping matters, financial and taxation matters, matters related to income tax, service tax, sales tax and excise matters and other Central and State laws and such other purposes relating to day to day operations of the Company;
2. Approve and issue guarantees as required during ordinary course of business of the Company;
3. Approve and pass necessary resolutions relating to following matters:
  - a) To open, authorise to operate, modify the operating authorities, issue necessary instructions to banks and close various Bank Account(s) in the name of the Company as per the business requirements;
  - b) To enter into transactions/agreements for foreign exchange swaps, options, futures, forwards and any other derivatives/commodities that may from time to time be used as tools to hedge the Company's interest and foreign exchange exposures arising in the ordinary course of the business of the Company;
  - c) Borrowing and make investments as per the powers delegated by the Board of Directors of the Company;
  - d) All other matters & issues of urgent nature arising in the ordinary course of the business of the Company.
4. Approve opening of Branch Office(s) of the Company for the projects and in connection with the business of the Company

### Subsidiary Companies

The Company does not have any material non-listed Indian subsidiary Company and hence, it is not required to have any Independent Director of the Company on the Board of any of the non-listed subsidiary Company.

The financial statements of the subsidiaries are reviewed by the Audit Committee of the Company and also, the minutes of the Board Meetings of the subsidiary companies are placed before the Board of Directors of the Company.

### General Body Meetings

#### Location and time of Annual General Meetings

| Year | Date          | Time       | Location   |
|------|---------------|------------|--|
| FY11 | July 05, 2011 | 11:00 a.m. | Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai-400 025 |
| FY10 | June 22, 2010 | 11:00 a.m. |  |
| FY09 | June 26, 2009 | 11:00 a.m. |  |

#### Special Resolutions transacted at the last three Annual General Meetings:

##### July 5, 2011

- ▶ Payment of commission up to 5% of the net profits of the Company to Non-Executive Directors for a period of five years commencing from April 01, 2010.

##### June 22, 2010

- ▶ None

##### June 26, 2009

- ▶ Holding and continuing to hold an office or place of profit in the Company by Mr. Anant Goenka, son of Mr. H.V. Goenka, the Chairman of the Company, as an employee of the Company.

### Postal Ballot

During FY12 no resolution was proposed before the shareholders to be passed by way of Postal Ballot.

None of the items transacted at the last Annual General Meeting held on July 05, 2011 were required to be passed by Postal Ballot nor any resolution requiring a Postal Ballot is being proposed at the ensuing Annual General Meeting.

### III. Disclosures:

#### Related Party Transactions:

The Company follows the following policy in disclosing the related party transactions to the Audit Committee:

- a) A statement in summary form of transactions with related parties in the ordinary course of business is placed periodically before the Audit Committee;
- b) Details of material individual transactions with related parties, which are not in the normal course of business, if any, are placed before the Audit Committee;
- c) Details of material individual transactions with related parties or others, which are not on an arm's length basis, if any, are placed before the Audit Committee, together with Management's justification for the same;

Transactions with related parties entered in the ordinary course of business have been disclosed in Note 35 of the Standalone Financial Statements of the Company as at March 31, 2012.

#### Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large

There are no materially significant transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

#### Risk Management

The Company has laid down procedures to inform the Board about the risk assessment and minimisation procedures. These procedures are periodically reviewed to ensure that executive management controls risks by means of a properly defined framework.

#### Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchange(s) or SEBI or any Statutory Authority, on any matter related to Capital Markets

The Stock Exchange(s), Securities Exchange Board of India or any other statutory authority on any matters

related to Capital Markets have not imposed any strictures or penalties on the Company.

#### Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of Clause 49 of the Listing Agreement

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half yearly basis, have been issued by the Company Secretary-in-Practice for due compliance of share transfer formalities by the Company.

A Company Secretary-in-Practice carried out an Audit, on quarterly basis, to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialised form.

Clause 49 of the Listing Agreement mandates to obtain a certificate from either the Auditors or Practicing Company Secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause and annex the certificate with the Directors' Report, which is sent annually to all the shareholders. The Company has obtained a certificate from its Auditors to this effect and the same is given as an annexure to the Directors' Report.

The Clause further states that the non-mandatory requirements may be implemented as per the discretion of the Company. The Company has constituted Remuneration Committee and provide for training of Board Members which are non-mandatory requirements.

#### CEO/CFO certification

Certificate from Mr. R. D. Chandak, Managing Director and Mr. Vardhan Dharkar, Chief Financial Officer in terms of Clause 49 (V) of the Listing Agreement entered into with the Stock Exchanges for the financial year ended March 31, 2012 was placed before the Board of Directors of the Company at its meeting held on May 03, 2012 and also forms part of this Annual Report.

### IV. Means of Communication

#### Quarterly Results

The Company's shares are listed on BSE Limited and National Stock Exchange of India Limited.

The Company has furnished quarterly financial results along with the notes on a quarterly basis to



Capability to execute projects in inhospitable terrains – Built Access road on mountains to reach at tower sites in Saudi Arabia

the Stock Exchanges as per the format prescribed and within the time period stipulated under Clause 41 of the Listing Agreement.

The Company has published the financial results within 48 hours of the conclusion of the Board Meeting in at least one daily newspaper circulating in the whole or substantially the whole of India and

in one newspaper published in the language of the region, where the registered office of the Company is situated. The Company informs the Stock Exchanges where its securities are listed about the date of the Board Meeting at least seven days in advance and also issues immediately an advertisement in at least one national newspaper and one regional language newspaper about the aforesaid Board Meeting.

#### Newspapers wherein financial results are published

| Financial Results        | Un-audited/Audited | News Papers  |
|--------------------------|--------------------|--|
| First Quarter            | Un-audited         | Economic Times, Maharashtra Times, Hindu Business Line |
| Second Quarter           | Un-audited         | Economic Times, Maharashtra Times, Hindu Business Line |
| Third Quarter            | Un-audited         | Economic Times, Maharashtra Times, Hindu Business Line |
| Fourth Quarter/Full Year | Audited            | Free Press Journal and Nav Shakti                      |

The financial results are also displayed on the website of the Company: <http://www.kecprg.com>.

The achievements and important events taking place in the Company like receipt of major orders are announced through press and electronic media and posted on the Company's website also.

The Company's other press coverage and corporate presentations, if made to Institutional Investors and Analysts, are also made available on the website. The means of communication between the Company and the shareholders are transparent and investor friendly.

Management Discussion and Analysis Report forms part of this Annual Report.

| V. General Shareholders Information   |  |   |  |   |  |   |  |
|---|--|---|--|---|--|---|--|
| <b>Registered Office</b>  | RPG House, 463, Dr. Annie Besant Road, Worli, Mumbai 400 030.  |   |  |   |  |   |  |
| <b>Plants' Location</b>   | <b>Transmission Towers:</b>  |   |  |   |  |   |  |
|   | <table border="0"> <tr> <td><b>Jaipur</b></td> <td><b>Butibori</b></td> <td><b>Jabalpur</b></td> </tr> <tr> <td>Jhotwara Industrial Area,<br/>Jaipur 302 012<br/>Rajasthan</td> <td>B-190, Industrial<br/>Area, Butibori 441 108<br/>Maharashtra</td> <td>Deori, P.O.Panagarh,<br/>Jabalpur 483 220<br/>Madhya Pradesh</td> </tr> </table> | <b>Jaipur</b>   | <b>Butibori</b>  | <b>Jabalpur</b>   | Jhotwara Industrial Area,<br>Jaipur 302 012<br>Rajasthan           | B-190, Industrial<br>Area, Butibori 441 108<br>Maharashtra                | Deori, P.O.Panagarh,<br>Jabalpur 483 220<br>Madhya Pradesh |
|   | <b>Jaipur</b>  | <b>Butibori</b>   | <b>Jabalpur</b>  |   |  |   |  |
|   | Jhotwara Industrial Area,<br>Jaipur 302 012<br>Rajasthan   | B-190, Industrial<br>Area, Butibori 441 108<br>Maharashtra                | Deori, P.O.Panagarh,<br>Jabalpur 483 220<br>Madhya Pradesh                       |   |  |   |  |
|   | <b>Cables:</b>   |   |  |   |  |   |  |
| <table border="0"> <tr> <td><b>Mysore</b></td> <td><b>Thane</b></td> <td><b>Silvassa</b></td> </tr> <tr> <td>Hebbal Industrial Area,<br/>Hootagalli, Belavadi Post,<br/>Mysore 571 186 Karnataka</td> <td>2nd Pokhran Road, Post<br/>Box No. 11, Thane<br/>400 601 Maharashtra</td> <td>Plot No. 273/4, Demni<br/>Road, Silvassa 396 191<br/>Dadra and Nagar Haveli</td> </tr> </table> | <b>Mysore</b>  | <b>Thane</b>  | <b>Silvassa</b>  | Hebbal Industrial Area,<br>Hootagalli, Belavadi Post,<br>Mysore 571 186 Karnataka | 2nd Pokhran Road, Post<br>Box No. 11, Thane<br>400 601 Maharashtra | Plot No. 273/4, Demni<br>Road, Silvassa 396 191<br>Dadra and Nagar Haveli |  |
| <b>Mysore</b>   | <b>Thane</b>   | <b>Silvassa</b>   |  |   |  |   |  |
| Hebbal Industrial Area,<br>Hootagalli, Belavadi Post,<br>Mysore 571 186 Karnataka   | 2nd Pokhran Road, Post<br>Box No. 11, Thane<br>400 601 Maharashtra   | Plot No. 273/4, Demni<br>Road, Silvassa 396 191<br>Dadra and Nagar Haveli |  |   |  |   |  |
| <b>SAE Towers (wholly owned subsidiary of KEC International Limited)</b>  |  |   |  |   |  |   |  |
| <table border="0"> <tr> <td><b>Mexico</b></td> <td><b>Brazil</b></td> </tr> <tr> <td>Arco Vial Saltillo-Nuevo Laredo Km. 24.1<br/>C.P. 66050-79 Escobedo, N. L. Mexico</td> <td>R. Moacyr G. Costa, 15 - Jd. Piemont<br/>Sul 32669-722 - Betim/MG, Brazil</td> </tr> </table>   | <b>Mexico</b>  | <b>Brazil</b>   | Arco Vial Saltillo-Nuevo Laredo Km. 24.1<br>C.P. 66050-79 Escobedo, N. L. Mexico | R. Moacyr G. Costa, 15 - Jd. Piemont<br>Sul 32669-722 - Betim/MG, Brazil          |  |   |  |
| <b>Mexico</b>   | <b>Brazil</b>  |   |  |   |  |   |  |
| Arco Vial Saltillo-Nuevo Laredo Km. 24.1<br>C.P. 66050-79 Escobedo, N. L. Mexico  | R. Moacyr G. Costa, 15 - Jd. Piemont<br>Sul 32669-722 - Betim/MG, Brazil   |   |  |   |  |   |  |
| <b>Tower Testing Stations</b>   | <b>KEC</b>   |   |  |   |  |   |  |
|   | <table border="0"> <tr> <td><b>Jaipur</b></td> <td><b>Butibori</b></td> <td><b>Jabalpur</b></td> </tr> <tr> <td>Jhotwara Industrial Area,<br/>Jaipur 302 012<br/>Rajasthan</td> <td>B-215, Industrial Area,<br/>Butibori 441 108<br/>Maharashtra</td> <td>Deori, P.O.Panagarh,<br/>Jabalpur 483 220<br/>Madhya Pradesh</td> </tr> </table> | <b>Jaipur</b>   | <b>Butibori</b>  | <b>Jabalpur</b>   | Jhotwara Industrial Area,<br>Jaipur 302 012<br>Rajasthan           | B-215, Industrial Area,<br>Butibori 441 108<br>Maharashtra                | Deori, P.O.Panagarh,<br>Jabalpur 483 220<br>Madhya Pradesh |
|   | <b>Jaipur</b>  | <b>Butibori</b>   | <b>Jabalpur</b>  |   |  |   |  |
| Jhotwara Industrial Area,<br>Jaipur 302 012<br>Rajasthan  | B-215, Industrial Area,<br>Butibori 441 108<br>Maharashtra   | Deori, P.O.Panagarh,<br>Jabalpur 483 220<br>Madhya Pradesh                |  |   |  |   |  |
| <b>SAE Towers (wholly owned subsidiary of KEC International Limited)</b>  |  |   |  |   |  |   |  |
|   | R. Moacyr G. Costa, 15 - Jd. Piemont Sul, 32669-722 - Betim/MG, Brazil.  |   |  |   |  |   |  |
| <b>Date, time and venue of Annual General Meeting</b>   | July 05, 2012 at 11:00 a.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai 400 025  |   |  |   |  |   |  |
| <b>Financial Year</b>   | April 01 – March 31  |   |  |   |  |   |  |
| <b>Financial Calendar</b>   | April 01 to March 31   |   |  |   |  |   |  |
| <b>First quarter results</b>  | Second week of August 2012*  |   |  |   |  |   |  |
| <b>Second quarter results</b>   | Second week of November 2012*  |   |  |   |  |   |  |
| <b>Third quarter results</b>  | Second week of February 2013*  |   |  |   |  |   |  |
| <b>Results for the year ending March 2013</b>   | End of May 2013*   |   |  |   |  |   |  |
|   | *Tentative   |   |  |   |  |   |  |
| <b>Dates of Book closure</b>  | June 29, 2012 to July 5, 2012 (both days inclusive)  |   |  |   |  |   |  |
| <b>Dividend Payment date</b>  | The dividend warrants will be posted on or after July 6, 2012  |   |  |   |  |   |  |

## Status of Listing on Stock Exchanges

The equity shares of the Company are listed on the following Stock Exchanges:

| Name and address of the Stock Exchanges  | Stock Code   |
|--|--------------|
| BSE, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.  | 532714 KECIL |
| National Stock Exchange of India Limited (NSE), Exchange Plaza, Plot No. C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051. | KEC          |

| Month     | BSE      |         | NSE      |         | BSE Sensex |
|-----------|----------|---------|----------|---------|------------|
|           | High (₹) | Low (₹) | High (₹) | Low (₹) | (₹)        |
| April     | 95.30    | 83.00   | 95.35    | 74.85   | 19,811.14  |
| May       | 87.30    | 76.20   | 86.65    | 76.00   | 19,253.87  |
| June      | 86.25    | 76.00   | 86.25    | 77.10   | 18,873.39  |
| July      | 84.25    | 78.25   | 84.40    | 78.10   | 19,131.70  |
| August    | 82.50    | 58.85   | 94.00    | 60.80   | 18,440.07  |
| September | 63.80    | 55.50   | 63.40    | 55.00   | 17,211.80  |
| October   | 60.20    | 54.85   | 60.20    | 53.60   | 17,908.13  |
| November  | 58.35    | 39.25   | 58.00    | 39.20   | 17,702.26  |
| December  | 42.95    | 31.80   | 42.95    | 31.10   | 17,003.71  |
| January   | 56.40    | 34.60   | 56.45    | 34.85   | 17,258.97  |
| February  | 66.00    | 53.35   | 65.00    | 53.50   | 18,523.78  |
| March     | 68.00    | 58.10   | 68.80    | 57.65   | 18,040.69  |

### Registrar and Share Transfer Agents

Link Intime India Private Limited is the Company's Registrar & Share Transfer Agents and their contact details are as follows:

#### Link Intime India Private Limited

Unit: KEC International Limited

C-13, Pannalal Silk Mills Compound

LBS Marg, Bhandup (West)

Mumbai - 400 078

Tel: (022) 25946970

Fax: (022) 25946969

Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

#### Contact Address

Shareholders can send their queries regarding Transfer/ Dematerialisation of shares and any other correspondence

relating to the shares of the Company to the above mentioned address of the Company's Registrar and Share Transfer Agents. Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

### Share Transfer System

Investors' Grievance Committee meets once in a month. If documents are complete in all respects, the Company's Registrar & Share Transfer Agents process, register the transfers and return the transferred share certificates to the shareholders, within 30 days from the date of lodgement. The delegated authority as mentioned earlier attends to the share transfer formalities and approves the share transfers at least once in a fortnight.

## Distribution of Shareholding

Distribution of shares according to size of holding as on March 31, 2012

| No. of equity shares held | No. of Shareholders | % of Shareholders | No. of Shares       | % of Shareholding |
|---------------------------|---------------------|-------------------|---------------------|-------------------|
| 1-500                     | 66,879              | 85.40             | 96,79,843           | 3.77              |
| 501-1,000                 | 6,697               | 8.55              | 51,60,339           | 2.01              |
| 1,001-2,000               | 2,509               | 3.20              | 36,32,130           | 1.41              |
| 2,001-3,000               | 920                 | 1.18              | 22,85,350           | 0.89              |
| 3,001-4,000               | 329                 | 0.42              | 11,59,537           | 0.45              |
| 4,001-5,000               | 282                 | 0.36              | 13,14,470           | 0.51              |
| 5,001 - 10,000            | 331                 | 0.42              | 23,93,281           | 0.93              |
| 10,001 & above            | 364                 | 0.47              | 23,14,63,420        | 90.03             |
| <b>Total</b>              | <b>78,311</b>       | <b>100.00</b>     | <b>25,70,88,370</b> | <b>100.00</b>     |

## Categories of Shareholders as on March 31, 2012

| Category  | No. of Shares Held  | % of Shareholding |
|---|---------------------|-------------------|
| Promoters   | 11,08,32,186        | 43.11             |
| Mutual Funds/UTI  | 8,25,41,112         | 32.11             |
| Financial Institutions, Insurance Companies and Banks (including Foreign Banks) | 1,76,13,730         | 6.85              |
| Foreign Institutional Investors   | 58,03,632           | 2.26              |
| General Public  | 2,75,33,671         | 10.71             |
| NRIs/OCBs   | 7,89,877            | 0.31              |
| Other Companies   | 99,57,794           | 3.87              |
| Clearing Members  | 2,53,988            | 0.10              |
| Trusts  | 17,62,380           | 0.68              |
| <b>Total</b>  | <b>25,70,88,370</b> | <b>100.00</b>     |

## Dematerialisation of shares and liquidity

The Company has executed agreement with both the depositories of the country i.e. National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for admission of its securities under dematerialised mode. International Securities Identification Number (ISIN) allotted to the equity shares of the Company is INE389H01022. 248,446,866 equity shares representing 96.64% are in dematerialised form as on March 31, 2012. There are no outstanding GDRs/ADRs/Warrants or any convertible instruments or options.

### Shareholding Pattern (%)

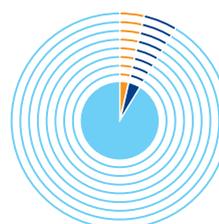
as on March 31, 2012



|  |  |
|--|--|
| 43.11 ▶ Promoters  | 2.26 ▶ Foreign Institutional Investors |
| 32.11 ▶ Mutual Funds/UTI   | 10.71 ▶ General Public                 |
| 6.85 ▶ Financial Institutions, Insurance Companies and Banks (including Foreign Banks) | 0.31 ▶ NRIs/OCBs                       |
|  | 3.87 ▶ Other Companies                 |
|  | 0.10 ▶ Clearing Members                |
|  | 0.68 ▶ Trusts                          |

### Shares held by Depositories (%)

as on March 31, 2012



|                 |
|-----------------|
| 94.57 ▶ NSDL    |
| 2.07 ▶ CDSL     |
| 3.36 ▶ Physical |

## Declaration - Code of Conduct

All Board members and senior management personnel have, for the year ended March 31, 2012, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing agreement entered with the Stock Exchanges.

Place: Mumbai  
Date: May 03, 2012

For **KEC International Limited**  
**R. D. Chandak**  
Managing Director

## Auditors' Certificate

### To the Members of KEC International Limited

We have examined the compliance of conditions of Corporate Governance by KEC International Limited, for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

Place: Mumbai  
Date: May 03, 2012

For **Deloitte Haskins & Sells**  
Chartered Accountants  
[Registration No. 117365W]  
**U. M. Neogi**  
Partner  
[Membership No. 30235]

## CEO/CFO Certificate

### Board of Directors

### KEC International Limited

We certify to the Board that:

- (a) we have reviewed financial statements and the cash flow statement for the year ended March 31, 2012 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of our knowledge and belief, no transaction entered into by the Company during the years which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee:
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Mumbai  
Date: May 03, 2012

**Managing Director**  
**Chief Financial Officer**

# Financials

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# Auditors' Report

## TO THE BOARD OF DIRECTORS OF KEC INTERNATIONAL LIMITED

1. We have audited the attached Consolidated Balance Sheet of KEC INTERNATIONAL LIMITED ("the Company"), its subsidiaries and jointly controlled entities (the Company, its subsidiaries and jointly controlled entities constitute "the Group") as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include the jointly controlled entities accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements/consolidated financial statements of the subsidiaries and joint ventures, whose financial statements reflect total assets of ₹ 80,565.22 lacs as at March 31, 2012, total revenues of ₹ 1, 11,086.81 lacs and net cash inflow of ₹ 1,787.68 lacs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and joint ventures is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the audit report on the financial statements of the Company and the reports of other auditors on separate financial statements/consolidated financial statements of the subsidiaries and joint ventures and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012 ;
  - (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.117365W)

**U. M. NEOGI**

*Partner*

(Membership No.30235)

Place : Mumbai

Date : May 03, 2012

Corporate Overview

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## Consolidated Balance Sheet as at March 31, 2012

| Particulars                        | Note No. | Current Year |                    | Previous Year |                    |
|------------------------------------|----------|--------------|--------------------|---------------|--------------------|
|                                    |          | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>I. EQUITY AND LIABILITIES</b>   |          |              |                    |               |                    |
| (1) Shareholders' funds            |          |              |                    |               |                    |
| (a) Share capital                  | 2        | 5,141.77     |                    | 5,141.77      |                    |
| (b) Reserves and surplus           | 3        | 1,05,638.51  |                    | 89,517.07     |                    |
|                                    |          |              | 1,10,780.28        |               | 94,658.84          |
| (2) Non-current liabilities        |          |              |                    |               |                    |
| (a) Long-term borrowings           | 4        | 75,075.64    |                    | 74,587.66     |                    |
| (b) Deferred tax liabilities (Net) | 35       | 5,131.54     |                    | 4,968.51      |                    |
| (c) Other Long-term liabilities    | 5        | 1,000.00     |                    | 1,000.00      |                    |
| (d) Long-term provisions           | 6        | 1,709.92     |                    | 983.29        |                    |
|                                    |          |              | 82,917.10          |               | 81,539.46          |
| (3) Current liabilities            |          |              |                    |               |                    |
| (a) Short-term borrowings          | 7        | 36,316.29    |                    | 60,308.90     |                    |
| (b) Trade payables                 | 8        | 2,18,352.56  |                    | 1,69,425.09   |                    |
| (c) Other current liabilities      | 9        | 98,713.93    |                    | 69,944.73     |                    |
| (d) Short-term provisions          | 10       | 8,010.22     |                    | 6,612.94      |                    |
|                                    |          |              | 3,61,393.00        |               | 3,06,291.66        |
| <b>Total</b>                       |          |              | <b>5,55,090.38</b> |               | <b>4,82,489.96</b> |
| <b>II. ASSETS</b>                  |          |              |                    |               |                    |
| (1) Non current assets             |          |              |                    |               |                    |
| (a) Fixed assets                   |          |              |                    |               |                    |
| (i) Tangible assets                | 11       | 64,262.92    |                    | 62,027.01     |                    |
| (ii) Intangible assets             | 11       | 16,711.10    |                    | 18,133.46     |                    |
| (iii) Capital work-in-progress     | 11       | 11,217.09    |                    | 2,777.79      |                    |
|                                    |          |              | 92,191.11          |               | 82,938.26          |
| (b) Goodwill on consolidation      |          | 32,092.80    |                    | 28,124.58     |                    |
| (c) Long-term loans and advances   | 12       | 11,762.71    |                    | 9,980.84      |                    |
| (d) Other non-current assets       | 13       | 7,272.38     |                    | 6,905.07      |                    |
|                                    |          |              | 1,43,319.00        |               | 1,27,948.75        |
| (2) Current assets                 |          |              |                    |               |                    |
| (a) Inventories                    | 14       | 44,011.11    |                    | 33,586.84     |                    |
| (b) Trade receivables              | 15       | 2,50,624.63  |                    | 2,17,157.39   |                    |
| (c) Cash and cash equivalents      | 16       | 20,290.68    |                    | 15,398.50     |                    |
| (d) Short-term loans and advances  | 17       | 39,243.81    |                    | 30,977.88     |                    |
| (e) Other current assets           | 18       | 57,601.15    |                    | 57,420.60     |                    |
|                                    |          |              | 4,11,771.38        |               | 3,54,541.21        |
|                                    |          |              | <b>5,55,090.38</b> |               | <b>4,82,489.96</b> |

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the Board

**U. M. NEOGI**  
Partner

**H. V. GOENKA**  
Chairman

**VARDHAN DHARKAR**  
Chief Financial Officer

**R. D. CHANDAK**  
Managing Director

**CH. V. JAGANNADHA RAO**  
Company Secretary

**A. T. VASWANI**  
Director

Place : Mumbai  
Date : May 03, 2012

Place : Mumbai  
Date : May 03, 2012

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2012

| Particulars  | Note No. | Current Year |                    | Previous Year |                    |
|--|----------|--------------|--------------------|---------------|--------------------|
|  |          | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>I. REVENUE FROM OPERATIONS (GROSS)</b>  | 19       | 5,91,770.38  |                    | 4,57,121.52   |                    |
| Less: Excise duty  |          | 10,296.39    |                    | 9,467.49      |                    |
| Revenue from operations (Net)  |          |              | 5,81,473.99        |               | 4,47,654.03        |
| <b>II. Other income</b>  | 20       |              | 6,163.28           |               | 688.65             |
| <b>III. Total Revenue (I+II)</b>   |          |              | <b>5,87,637.27</b> |               | <b>4,48,342.68</b> |
| <b>IV. EXPENSES</b>  |          |              |                    |               |                    |
| Cost of materials consumed   | 21       |              | 3,15,893.29        |               | 2,21,474.89        |
| Changes in inventories of finished goods, work-in-progress and scrap   | 22       |              | (908.68)           |               | 4,048.03           |
| Erection & subcontracting expenses   | 23       |              | 1,16,746.72        |               | 98,057.27          |
| Employee benefits expense  | 24       |              | 42,737.85          |               | 27,479.67          |
| Finance costs  | 25       |              | 15,974.29          |               | 11,763.79          |
| Depreciation and amortisation expense (net)  | 1(B)(4)  |              | 4,792.23           |               | 4,081.42           |
| Other expenses   | 26       |              | 59,872.65          |               | 48,916.52          |
| Total Expenses   |          |              | <b>5,55,108.35</b> |               | <b>4,15,821.59</b> |
| <b>V. PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (III - IV)</b>   |          |              | 32,528.92          |               | 32,521.09          |
| <b>VI. Exceptional items - VRS Expenditure</b>   |          |              | 97.83              |               | 849.00             |
| <b>VII. PROFIT BEFORE TAX (V-VI)</b>   |          |              | 32,431.09          |               | 31,672.09          |
| <b>VIII. Tax expenses :</b>  |          |              |                    |               |                    |
| Current Tax [ includes share of joint ventures of ₹ 145.11 lacs (Previous Year ₹ 166.27 lacs) and is net of write back of provision for foreign taxes ₹ 535.69 lacs (Previous Year includes ₹ 838 lacs) pertaining to earlier years] |          |              | 11,338.45          |               | 9,450.71           |
| Deferred Tax   |          |              | 163.03             |               | 1,656.81           |
|  |          |              | 11,501.48          |               | 11,107.52          |
| <b>IX. PROFIT FOR THE YEAR (VII-VIII)</b>  |          |              | <b>20,929.61</b>   |               | <b>20,564.57</b>   |
|  |          |              | ₹                  |               | ₹                  |
| <b>X. Earnings per equity share (of ₹ 2 each)</b>  | 34       |              |                    |               |                    |
| (1) Basic  |          |              | 8.14               |               | 8.00               |
| (2) Diluted  |          |              | 8.14               |               | 8.00               |

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**U. M. NEOGI**  
Partner

**VARDHAN DHARKAR**  
Chief Financial Officer

**CH. V. JAGANNADHA RAO**  
Company Secretary

Place : Mumbai  
Date : May 03, 2012

Place : Mumbai  
Date : May 03, 2012

For and on behalf of the Board

**H. V. GOENKA**  
Chairman

**R. D. CHANDAK**  
Managing Director

**A. T. VASWANI**  
Director

## Notes forming part of the consolidated financial statements

### 1 – BASIS OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

#### A) Basis of consolidation

The consolidated financial statements relate to KEC International Limited (the Company), its Subsidiaries and Jointly Controlled Entities (the Group). The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21(AS 21) “Consolidated Financial Statements” and Accounting Standard 27 (AS 27) “Financial Reporting of Interests in Joint Ventures” specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government in terms of section 211(3C) of the Companies Act, 1956.

#### I. Basis of Accounting

- i. The consolidated financial statements have been prepared on historical cost convention. The Group follows the accrual basis of accounting.
- ii. The following subsidiaries are considered for consolidation:

|  | Country of Incorporation | % of ownership interest either directly or through subsidiaries |                      |
|--|--------------------------|---|----------------------|
|  |                          | As at March 31, 2012  | As at March 31, 2011 |
| <b>Direct Subsidiaries</b>   |                          |   |                      |
| RPG Transmission Nigeria Limited   | Nigeria                  | 100   | 100                  |
| KEC Global FZ – LLC –Ras UL Khaimah  | UAE                      | 100   | 100                  |
| Jay Railway Projects Private Limited (formerly known as Jay Railway Signaling Private Limited) (w.e.f. September 14, 2010) | India                    | 100   | 100                  |
| KEC Investment Holdings, Mauritius (w.e.f. August 02, 2010)  | Mauritius                | 100   | 100                  |
| KEC Global Mauritius (w.e.f. November 16, 2010)  | Mauritius                | 100   | 100                  |
| KEC Power India Private Limited (Status changed from Joint Venture to Subsidiary w.e.f. March 31, 2012)                    | India                    | 100   | -                    |
| <b>Indirect Subsidiaries</b>   |                          |   |                      |
| KEC International Holdings LLC *   | USA                      | 100   | 100                  |
| KEC Brazil LLC *   | USA                      | 100   | 100                  |
| KEC Mexico LLC *   | USA                      | 100   | 100                  |
| KEC Transmission LLC*  | USA                      | 100   | 100                  |
| KEC US LLC*  | USA                      | 100   | 100                  |
| SAE Towers Holdings, LLC #   | USA                      | 100   | 100                  |
| SAE Towers Brazil Subsidiary Company LLC #   | USA                      | 100   | 100                  |
| SAE Towers Mexico Subsidiary Holding Company LLC #   | USA                      | 100   | 100                  |
| SAE Towers Mexico S de RL de CV#   | Mexico                   | 100   | 100                  |
| SAE Towers Brazil Torres de Transmission Ltda#   | Brazil                   | 100   | 100                  |
| SAE Prestadora de Servicios Mexico, S de RL de CV #  | Mexico                   | 100   | 100                  |
| SAE Towers 2 Investimentos e Participacoes Ltda **   | Brazil                   | -   | 100                  |
| SAE Towers Ltd #   | USA                      | 100   | 100                  |
| SAE Towers Panama Holdings LLC #   | USA                      | 100   | 100                  |
| SAE Towers Panama S de RL #  | Panama                   | 100   | 100                  |

\* w.e.f. September 07, 2010

# w.e.f. September 23, 2010

\*\* merged with SAE Towers Brazil Torres de Transmission Ltda, Brazil w.e.f. April 01, 2011

## Notes forming part of the consolidated financial statements

### iii. The following Jointly Controlled Entities are considered for consolidation:

|   | Country of Incorporation | % of ownership interest either directly or through subsidiaries |                      |
|---|--------------------------|---|----------------------|
|   |                          | As at March 31, 2012  | As at March 31, 2011 |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia (formerly known as Faiz Abdulhakim Al-Sharif Group and KEC Company Ltd.) | Saudi Arabia             | 49  | 49                   |
| Hilltop Infrastructure Inc. (@ 50% up to February 09, 2011)   | USA                      | -   | @-                   |
| KEC Power India Private Limited [*Status changed from Joint Venture to Subsidiary w.e.f. March 31, 2012]                    | India                    | *-  | 50                   |
| EJP KEC Joint Venture   | South Africa             | 50  | 50                   |
| KEC – ASSB JV   | Malaysia                 | 67  | 67                   |
| KEC – ASIAKOM – UB JV   | India                    | 60  | 60                   |
| KEC – ASIAKOM JV  | India                    | 51  | 51                   |
| KEC – JEI JV  | India                    | 60  | 60                   |
| KEC – DELCO – VARAHA JV   | India                    | 80  | 80                   |
| KEC – VARAHA – KHAZANA JV   | India                    | 80  | 80                   |
| KEC – VALECHA – DELCO JV  | India                    | 51  | 51                   |
| KEC – SIDHARTH JV   | India                    | 80  | 80                   |
| KEC – TRIVENI – KPIPL JV  | India                    | 55  | 55                   |
| KEC – UNIVERSAL JV  | India                    | 80  | 80                   |
| KEC – DELCO – DUSTAN JV   | India                    | 51  | 51                   |
| KEC – ANPR – KPIPL JV   | India                    | 60  | 60                   |
| KEC – PLR – KPIPL JV  | India                    | 55  | 55                   |
| KEC – BJCL JV   | India                    | 51  | -                    |

iv. The financial statements of the subsidiary companies and jointly controlled entities used in the consolidation are drawn up to the same reporting date as that of the Company except for Al- Sharif Group and KEC Ltd Company where it is drawn upto December 31, 2011. In respect of Al- Sharif Group and KEC Ltd Company, effect has been given to significant transactions between the two reporting dates.

v. The consolidated financial statements of SAE Towers Holdings LLC, USA and its subsidiaries (SAE Group) have been prepared in accordance with the accounting principles generally accepted in the United States. The appropriate adjustments have been made to the consolidated financial statements of SAE Group for preparation of the consolidated financial statements of KEC Group.

## II. Principles of Consolidation

- The financial statements of the Company and its Subsidiary Companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealised profits or losses are fully eliminated.
- The interest of the Company in the Jointly Controlled Entity has been reported by using proportionate consolidation whereby its share of each of the assets and liabilities of the Jointly Controlled Entity is reported as separate line item in the consolidated financial statements. However, in respect of Al-Sharif Group and KEC Ltd Company as the assets, liabilities, income and expenses relating to the contracts awarded to Al-Sharif Group and KEC Ltd. Company but executed by the Company under the arrangement with the Joint Venture Partner [being in substance in the nature of Jointly Controlled Operations, in terms of Accounting

## Notes forming part of the consolidated financial statements

Standard (AS) 27 “Financial Reporting of Interests in Joint Ventures”) have already been recognised in the financial statements of the Company considered for consolidation, necessary effects have been given by the management to the financial statements of Al-Sharif Group and KEC Ltd Company as referred to in Note A(I) (iv) above which have been considered for consolidation. The intra-group balances and intra group transactions and unrealised profits or losses are eliminated to the extent of the Group’s proportionate share.

- iii. The excess of cost to the Company of its investments in the Subsidiary Companies/Jointly Controlled Entities over its share of equity of the Subsidiary Companies/Jointly Controlled Entities, at the dates on which the investments in the Subsidiary Companies/Jointly Controlled Entities are made/acquired, is recognised as ‘Goodwill’ being an asset in the Consolidated Financial Statements. Alternatively, where the share of equity in the Subsidiary Companies/Jointly Controlled Entities as on the date of investment/acquisition is in excess of cost of the investment of the Company, it is recognised as ‘Capital Reserve’ and shown under the head ‘Reserves and Surplus’, in the Consolidated Financial Statements.

### B) Significant Accounting Policies

#### 1. Revenue Recognition:

- a) Sales of Products and Services are recognised on delivery. Sales and services exclude sales tax/value added tax and service tax charged to the customers.
- b) Revenue from turnkey contracts is recognised based on the stage of completion determined with reference to the costs incurred on contracts and their estimated total costs.

When it is probable that the total contract cost will exceed total contract revenue, expected loss is recognised as an expense immediately. Total contract cost is determined based on technical and other assessment of cost to be incurred. Liquidated damages/penalties are accounted as per the contract terms wherever there is a delayed delivery attributable to the Group.

- c) Revenue from turnkey contracts awarded to Jointly Controlled Entity at Saudi Arabia but executed by the Company under the arrangement with the Joint Venture Partner [being in substance in the nature of Jointly Controlled Operations, in terms of Accounting Standard (AS) 27 “Financial Reporting of Interests in Joint Ventures”), is recognised on the same basis as similar turnkey contracts independently executed by the Company.
- d) Subsidy is accounted on accrual basis.
- e) Dividend income is accounted as and when the right to receive the same is established.
- f) Interest income is accounted on time proportion basis.

#### 2. Inventories:

- a. Raw materials, work-in-progress, finished goods and stores and erection materials are valued at the lower of cost and net realisable value (NRV). Cost of purchased materials is determined on the weighted average basis. Cost of Tools and Dies is amortised over its estimated useful life. Scrap is valued at net realisable value.
- b. Cost of work-in-progress and finished goods includes material cost, labour cost, and manufacturing overheads absorbed on the basis of normal capacity of production.

#### 3. Fixed Assets:

Fixed assets are stated at cost of acquisition or construction net of impairment loss, if any, less accumulated depreciation/amortisation. Cost comprises of purchase/acquisition price, non-refundable taxes and any directly attributed cost of bringing the asset to its working condition for its intended use. Financing cost on borrowings for acquisition or construction of qualifying fixed assets, for the period upto the date of acquisition of fixed assets or when the assets are ready to be put in use/the date of commencement of commercial production, is included in the cost of fixed assets. Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, is recognised.

## Notes forming part of the consolidated financial statements

### 4. Depreciation/Amortisation:

#### a. Tangible Assets:

- (i) Leasehold land is amortised over the remaining period of the lease.
- (ii) Cost of buildings of semi-permanent nature is amortised over 3 years.
- (iii) Depreciation on other tangible fixed assets is provided on straight line method at the rates so as to reduce them to their estimated salvage value at the end of their useful lives or at the rates prescribed in Schedule XIV to the Companies Act, 1956 whichever is higher.

The estimated useful lives of assets which are different from the principal rates specified in Schedule XIV to the Companies Act, 1956 are as follows:

Plant and Equipment/Office Equipment – 1 to 19 years, Furniture and Fixtures – 10 years, Vehicles – 7 years and Computers – 4 years.

#### b. Intangible Assets:

- (i) Brand of the Company is amortised over twenty years being the useful life certified by the independent valuer and goodwill (other than that arising on consolidation) is amortised over five years.

In terms of the Scheme of Arrangement sanctioned in the year 2007-08, out of the balance in 'Reserve for Amortisation of Brand Account' an amount equal to annual amortisation of brand is credited to the Consolidated Statement of Profit and Loss each year so that overall depreciation/amortisation gets reduced to that extent. Accordingly, ₹ 1,200 lacs being the amortisation of brand during the year (Previous Year ₹ 1,200 lacs) has been credited to the Consolidated Statement of Profit and Loss by netting it with Depreciation and Amortisation expense.

Brand of a subsidiary company is amortised over ten years being its useful life as estimated by that subsidiary company.

- (ii) Computer softwares are amortised on straight line basis over the estimated useful life ranging between 4-6 years.

### 5. Investments:

Long-term investments are stated at cost. Provision is made for diminution, other than temporary, in the value of investments.

- 6. Trade receivables as at the year end under the contract are disclosed net of advances relating to the respective contracts received and outstanding at the year end.

### 7. Foreign Currency Transactions:

#### a) Foreign branches (Integral)

- i. Fixed assets are translated at the rates on the date of purchase/acquisition of assets and inventories are translated at the rates that existed when costs were incurred.
- ii. All foreign currency monetary items outstanding at the year end are translated at the year end exchange rates. Income and expenses are translated at average rates of exchange and depreciation and amortisation is translated at the rates referred to in (a) (i) above for fixed assets.

The resulting exchange gains and losses are recognised in the Consolidated Statement of Profit and Loss.

#### b) Jointly Controlled Operations (Non Integral)

Assets and liabilities, both monetary and non monetary are translated at the year end exchange rates, income and expense items are translated at the average rate of exchange and all resulting exchange differences are accumulated in a Foreign Currency Translation Reserve.

## Notes forming part of the consolidated financial statements

c) **Other foreign currency transactions:**

i) Foreign currency transactions during the year are recorded at the rates of exchange prevailing at the date of transaction. Exchange gains or losses realised and arising due to translation of the foreign currency monetary items outstanding at the year end are accounted in the Consolidated Statement of Profit and Loss.

ii) **Forward Exchange Contracts:**

In case of transactions covered by forward exchange contracts, which are not intended for trading or speculation purposes, premium or discounts are amortised as expense or income over the life of the contract.

Exchange differences on such contracts are recognised in the Consolidated Statement of Profit and Loss in the year in which the exchange rate changes.

Profit or loss arising on cancellation or renewal of such forward exchange contracts are recognised as income or as expense for the year.

d) On consolidation, the assets, liabilities and capital reserve arising on the acquisition, of the Group's overseas operations are translated at exchange rate prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rates for the year. Exchange difference arising are recognised in the Foreign Currency Translation Reserve classified under Reserve and Surplus.

8. **Excise duty payable is accounted on production of finished goods.**

9. **Employee Benefits:**

(i) **Defined Contribution Plans:**

The Group's contributions to the Provident Fund and the Superannuation Fund are charged to the Consolidated Statement of Profit and Loss.

(ii) **Defined Benefit Plan/Long Term Compensated Absences:**

The Group's liability towards gratuity and compensated absences is determined on the basis of year end actuarial valuation done by an independent actuary. The actuarial gains or losses determined by the actuary are recognised in the Consolidated Statement of Profit and Loss as income or expense.

10. **Taxation:**

Current tax is determined as the amount of tax payable in respect of estimated taxable income for the period.

Deferred tax is calculated at current statutory income tax rate and is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised on unabsorbed depreciation and carry forward of the losses only to the extent that there are timing differences, the reversal of which will result in sufficient income or there is virtual certainty that sufficient taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

Minimum Alternative Tax (MAT) credit asset is recognised only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. The carrying amount of MAT credit asset is reviewed at each Balance Sheet date.

11. **Debts and loans and advances identified as doubtful of recovery are provided for.**

12. **Contingencies/Provisions:**

Provision is recognised when the Group has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which

## Notes forming part of the consolidated financial statements

a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimates of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

### 13. Uses of Estimates:

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

### 14. Goodwill on Consolidation:

The goodwill on consolidation is not amortised; however, it is tested for impairment at each Balance Sheet date and impairment loss, if any, is provided for.

### 15. Derivative Contracts:

The Group enters into derivative contracts in the nature of full currency swaps, interest rate swaps, currency options, forward contracts and commodity hedges with an intention to hedge its existing assets, liabilities, raw material requirements and firm commitments. Derivative contracts which are closely linked to the underlying transactions are recognised in accordance with the contract terms. All contracts are marked-to-market and losses are recognised in the Consolidated Statement of Profit and Loss. Gains arising on the same are not recognised on grounds of prudence.

### 16. Operating Cycle:

Assets and liabilities other than those relating to long-term contracts (i.e. supply or turnkey contracts) are classified as current if it is expected to realise or settle within 12 months after the balance sheet date.

In case of long-term contracts, the time between acquisition of assets for processing and realisation of the entire proceeds under the contracts in cash or cash equivalent exceeds one year. Accordingly for classification of assets and liabilities related to such contracts as current, duration of each contract is considered as its operating cycle.

|                                       |  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|---------------------------------------|--|---------------------------|----------------------------|
| <b>2 - Share capital</b>              |  |                           |                            |
| <b>Authorised:</b>                    |  |                           |                            |
| <b>Equity Shares:</b>                 |  |                           |                            |
| 300,000,000                           | Equity Shares of ₹ 2 each                  | 6,000.00                  | 6,000.00                   |
| 50,000,000                            | Equity Shares of ₹ 10 each                 | 5,000.00                  | 5,000.00                   |
| <b>Preference Shares:</b>             |  |                           |                            |
| 1,500,000                             | Redeemable Preference Shares of ₹ 100 each | 1,500.00                  | 1,500.00                   |
|                                       |  | 12,500.00                 | 12,500.00                  |
| <b>Issued, Subscribed and Paid-up</b> |  |                           |                            |
| <b>Equity Shares:</b>                 |  |                           |                            |
| 257,088,370                           | Equity Shares of ₹ 2 each fully paid up    | 5,141.77                  | 5,141.77                   |
|                                       |  | <b>5,141.77</b>           | <b>5,141.77</b>            |

## Notes forming part of the consolidated financial statements

### 2.1 Reconciliation of number of Equity Shares and amount outstanding at the beginning and at the end of the year

|  | Current Year |           | Previous Year |           |
|--|--------------|-----------|---------------|-----------|
|  | Nos.         | ₹ in lacs | Nos.          | ₹ in lacs |
| <b>Equity Shares:</b>  |              |           |               |           |
| Outstanding at the beginning of the year ( #Face Value ₹ 10 each)  | 25,70,88,370 | 5,141.77  | #4,93,44,606  | 4,934.46  |
| Add : a) Shares allotted pursuant to the Scheme of Amalgamation to the shareholders of the erstwhile RPG Cables Limited ( #Face Value ₹ 10 each) | -            | -         | #20,73,068    | 207.31    |
| b) Incremental number of shares due to split/ sub-division of face value from ₹ 10 per share to ₹ 2 per share                                    | -            | -         | 20,56,70,696  | -         |
| Outstanding as at the end of the year  | 25,70,88,370 | 5,141.77  | 25,70,88,370  | 5,141.77  |

### 2.2 Shareholders holding more than 5% Equity Shares in the Company as at the end of the year

| Sr No. | Name of the shareholder   | Current Year        |                           | Previous Year       |                           |
|--------|---|---------------------|---------------------------|---------------------|---------------------------|
|        |   | Nos. of Shares Held | Percentage of shares held | Nos. of Shares Held | Percentage of shares held |
| 1      | Swallow Associates Limited @  | 6,42,86,025         | 25.01                     | -                   | -                         |
| 2      | RPG Cellular Investments And Holdings Private Limited* @                                  | -                   | -                         | 5,17,10,600         | 20.11                     |
| 3      | Summit Securities Limited*  | 2,49,92,520         | 9.72                      | 2,48,45,020         | 9.66                      |
| 4      | HDFC Trustee Company Limited A/c HDFC Balanced Fund (AAATH1809A)                          | 2,32,82,899         | 9.06                      | 3,02,500            | 0.12                      |
| 5      | Life Insurance Corporation of India (AAACL0582H)  | 1,52,13,235         | 5.92                      | 1,02,85,225         | 4.00                      |
| 6      | Instant Holdings Limited*   | 1,34,40,425         | 5.23                      | 1,33,88,425         | 5.21                      |
| 7      | Reliance Capital Trustee Co. Ltd. A/c Reliance Diversified Power Sector Fund (AAATR0090B) | 1,31,68,280         | 5.12                      | 91,68,280           | 3.57                      |

\*Shares held in Multiple Folios have been combined.

@ With effect from March 27, 2012 the shareholders of the Company RPG Cellular Investments And Holdings Private Limited (holding 5,27,18,360 shares, equivalent to 20.51%), Petrochem International Limited, South Asia Electricity Holdings Limited and Blue Niles Holdings Limited pursuant to the Scheme of Amalgamation merged with Swallow Associates Limited, however transfer of their shareholding in favour of Swallow Associates Limited pursuant to the said Scheme is pending as at March 31, 2012

### 2.3 6,86,59,100 Equity Shares of ₹ 2 each were allotted as fully paid up pursuant to contracts without payment being received in cash, during the period of five years immediately preceding the balance sheet date. Out of these shares:

(i) 5,82,90,010 Equity Shares of ₹ 2 each allotted in 2007-08 to the shareholders of the erstwhile RPG Transmission Limited (RPGT) and the erstwhile National Information Technologies Limited pursuant to the Scheme of Arrangement.

3,750 fully paid up Equity Shares of ₹ 2 each were allotted to a trustee against 1,688 equity shares of RPGT, where rights were kept in abeyance under section 206A(b) of the Companies Act, 1956 by RPGT. On settlement of the relevant court cases/issues, the Equity Shares issued to the trustee will be transferred.

(ii) 1,03,65,340 Equity Shares of ₹ 2 each allotted in 2010-11 to the shareholders of the erstwhile RPG Cables Limited (RPGCL) pursuant to the Scheme of Amalgamation.

## Notes forming part of the consolidated financial statements

**2.4** The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|--|---------------------------|----------------------------|
| <b>3 - Reserves and surplus</b>  |                           |                            |
| <b>(a) Capital Reserve</b>   |                           |                            |
| Balance as per last Consolidated Balance Sheet   | 8,499.03                  | 8,499.03                   |
| Add: Credited during the year  | 2.56                      | -                          |
|  | 8,501.59                  | 8,499.03                   |
| <b>(b) Capital Redemption Reserve</b>  |                           |                            |
| Balance as per last Consolidated Balance Sheet   | 1,427.95                  | 1,427.95                   |
| <b>(c) Securities Premium Account</b>  |                           |                            |
| Balance as per last Consolidated Balance Sheet   | 8,674.89                  | 8,674.89                   |
| <b>(d) Reserve for Amortisation of Brand Account [Note 1(B)(4)(b)(i)]</b>  |                           |                            |
| Balance as per last Consolidated Balance Sheet   | 3,757.00                  | 4,957.00                   |
| Less : Transferred to Consolidated Statement of Profit and Loss  | 1,200.00                  | 1,200.00                   |
|  | 2,557.00                  | 3,757.00                   |
| <b>(e) Statutory Reserve<sup>Ⓐ</sup></b>   |                           |                            |
| Balance as per last Consolidated Balance Sheet   | 94.88                     | 94.88                      |
| <b>(f) Foreign Currency Translation Reserve [Note 1(B)(7)]</b>   |                           |                            |
| Balance as per last Consolidated Balance Sheet   | 291.43                    | 132.94                     |
| Credited/(Debited) during the year :   |                           |                            |
| On consolidation of foreign subsidiaries and joint ventures  | (51.98)                   | 350.35                     |
| Other- on translation of non-integral operations in a joint venture  | 26.78                     | (191.86)                   |
|  | 266.23                    | 291.43                     |
| <b>(g) General Reserve</b>   |                           |                            |
| Balance as per last Consolidated Balance Sheet   | 7,071.99                  | 5,601.09                   |
| Add: Transferred from surplus in Consolidated Statement of Profit and Loss   | 1,818.39                  | 1,470.90                   |
|  | 8,890.38                  | 7,071.99                   |
| <b>(h) Surplus in Consolidated Statement of Profit and Loss</b>  |                           |                            |
| Opening Balance  | 59,699.90                 | 44,179.85                  |
| Add : Profit for the year  | 20,929.61                 | 20,564.57                  |
| Less : Transferred to General Reserve  | 1,818.39                  | 1,470.90                   |
| Less : Proposed Dividend on Equity Shares  | 3,085.06                  | 3,085.06                   |
| Less : Tax on distributed profits [*Net of write back of excess provision of ₹ 11.92 lacs pertaining to an earlier year] | 500.47                    | *488.56                    |
|  | 75,225.59                 | 59,699.90                  |
|  | <b>1,05,638.51</b>        | <b>89,517.07</b>           |

<sup>Ⓐ</sup> Pertains to the Joint Venture at Saudi Arabia. In accordance with the Saudi Arabian Companies law and the Joint Venture's Articles of Association, 10% of the annual net income is required to be transferred to the Statutory Reserve until this reserve reaches 50% of the capital of the Joint Venture.

## Notes forming part of the consolidated financial statements

|  | Current Year |                  | Previous Year |                  |
|--|--------------|------------------|---------------|------------------|
|  | ₹ in lacs    | ₹ in lacs        | ₹ in lacs     | ₹ in lacs        |
| <b>4 - LONG-TERM BORROWINGS</b>  |              |                  |               |                  |
| (a) Term loans   |              |                  |               |                  |
| (1) From Banks   |              |                  |               |                  |
| Secured  | 76,468.96    |                  | 79,568.77     |                  |
| Less : Current maturities of long-term debt<br>(Refer Note 9)            | (10,859.45)  |                  | (7,052.38)    |                  |
|  |              | 65,609.51        |               | 72,516.39        |
| (2) From other parties   |              |                  |               |                  |
| Secured  | 10,907.14    |                  | 2,010.39      |                  |
| Less : Current maturities of long-term debt<br>(Refer Note 9)            | (1,552.25)   |                  | (3.25)        |                  |
|  |              | 9,354.89         |               | 2,007.14         |
| (b) Long term maturities of finance lease obligations                    |              |                  |               |                  |
| Finance lease obligation   | 226.62       |                  | 141.69        |                  |
| Less : Current maturities of finance lease obligations<br>(Refer Note 9) | (115.38)     |                  | (77.56)       |                  |
|  |              | 111.24           |               | 64.13            |
|  |              | <b>75,075.64</b> |               | <b>74,587.66</b> |

|  | Current Year |                 | Previous Year |                 |
|--|--------------|-----------------|---------------|-----------------|
|  | ₹ in lacs    | ₹ in lacs       | ₹ in lacs     | ₹ in lacs       |
| <b>5 - OTHER LONG-TERM LIABILITIES</b> |              |                 |               |                 |
| Liability towards claims               |              | 1,000.00        |               | 1,000.00        |
|  |              | <b>1,000.00</b> |               | <b>1,000.00</b> |

|   | Current Year |                 | Previous Year |               |
|---|--------------|-----------------|---------------|---------------|
|   | ₹ in lacs    | ₹ in lacs       | ₹ in lacs     | ₹ in lacs     |
| <b>6 - LONG-TERM PROVISIONS</b>                 |              |                 |               |               |
| (a) Provision for employee benefits             |              |                 |               |               |
| - Compensated Absences                          | 789.85       |                 | 677.70        |               |
| - Gratuity                                      | 96.54        |                 | -             |               |
|   |              | 886.39          |               | 677.70        |
| (b) Tax provisions less payments                |              | 818.87          |               | 303.60        |
|   |              | 1,705.26        |               | 981.30        |
| Share of long-term provisions of Joint Ventures |              | 4.66            |               | 1.99          |
|   |              | <b>1,709.92</b> |               | <b>983.29</b> |

## Notes forming part of the consolidated financial statements

|   | Current Year |                    | Previous Year |                    |
|---|--------------|--------------------|---------------|--------------------|
|   | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>7 - SHORT-TERM BORROWINGS</b>  |              |                    |               |                    |
| <b>Secured</b>  |              |                    |               |                    |
| <b>(i) Loans repayable on demand</b>  |              |                    |               |                    |
| - From banks  |              | 10,331.41          |               | 31,428.87          |
| <b>(ii) Other short term borrowings</b>   |              |                    |               |                    |
| - From banks  | 19,788.22    |                    | 25,880.03     |                    |
| - From other parties  | 5,000.00     |                    | 3,000.00      |                    |
|   |              | 24,788.22          |               | 28,880.03          |
|   |              | 35,119.63          |               | 60,308.90          |
| Share of short-term borrowings of Joint Ventures  |              | 1,196.66           |               | -                  |
|   |              | <b>36,316.29</b>   |               | <b>60,308.90</b>   |
|   |              |                    |               |                    |
|   | Current Year |                    | Previous Year |                    |
|   | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>8 - TRADE PAYABLES</b>   |              |                    |               |                    |
| Trade payables (including acceptances)  |              | 2,05,212.95        |               | 1,66,542.38        |
| Share of trade payables (including acceptances) of Joint Ventures   |              | 13,139.61          |               | 28,82.71           |
|   |              | <b>2,18,352.56</b> |               | <b>1,69,425.09</b> |
|   |              |                    |               |                    |
|   | Current Year |                    | Previous Year |                    |
|   | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>9 - OTHER CURRENT LIABILITIES</b>  |              |                    |               |                    |
| <b>(a) Current maturities of long-term debt (Note 4)</b>  |              | 12,411.70          |               | 7,055.63           |
| <b>(b) Current maturities of finance lease obligations (Note 4)</b>   |              | 115.38             |               | 77.56              |
| <b>(c) Interest accrued but not due on borrowings</b>   |              | 578.45             |               | 498.36             |
| <b>(d) Advances from Customers</b>  |              | 64,985.52          |               | 44,485.55          |
| <b>(e) Unpaid/unclaimed dividends #</b>   |              | 163.72             |               | 128.79             |
| <b>(f) Other payables</b>   |              |                    |               |                    |
| - Statutory remittances (contribution to PF and ESIC, withholding tax, Excise Duty, VAT, Service Tax, etc.) | 6,196.22     |                    | 5,256.30      |                    |
| - Gross amount due to customers for long term contracts   | 5,739.92     |                    | 9,557.68      |                    |
| - Interest on trade payables and customer advances  | 490.90       |                    | 568.32        |                    |
| - Payable on purchase of fixed assets   | 4,862.18     |                    | 173.28        |                    |
| - Mark to market loss on forward and commodity contracts  | 873.55       |                    | 710.74        |                    |
| - Directors' commission   | 792.00       |                    | 792.00        |                    |
| - Others  | 134.57       |                    | 63.94         |                    |
|   |              | 19,089.34          |               | 17,122.26          |
|   |              | 97,344.11          |               | 69,368.15          |
| Share of other current liabilities of Joint Ventures  |              | 1,369.82           |               | 576.58             |
|   |              | <b>98,713.93</b>   |               | <b>69,944.73</b>   |

# The figures reflect the position as at year end. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due dates.

## Notes forming part of the consolidated financial statements

|  | Current Year |                 | Previous Year |                 |
|--|--------------|-----------------|---------------|-----------------|
|  | ₹ in lacs    | ₹ in lacs       | ₹ in lacs     | ₹ in lacs       |
| <b>10 - SHORT-TERM PROVISIONS</b>                    |              |                 |               |                 |
| <b>(a) Provision for employee benefits :</b>         |              |                 |               |                 |
| - Compensated Absences                               | 150.00       |                 | 116.49        |                 |
| - Gratuity   | 150.90       |                 | -             |                 |
|  |              | 300.90          |               | 116.49          |
| <b>(b) Provision - Others :</b>                      |              |                 |               |                 |
| - Proposed equity dividend                           | 3,085.06     |                 | 3,085.06      |                 |
| - Tax on distributed profits                         | 500.47       |                 | 500.48        |                 |
| - Tax provisions less payments                       | 420.22       |                 | 763.00        |                 |
| - Provision for expected loss on long term contracts | 3,703.01     |                 | 1,988.19      |                 |
|  |              | 7,708.76        |               | 6,336.73        |
|  |              | 8,009.66        |               | 6,453.22        |
| Share of short-term provisions of Joint Ventures     |              | 0.56            |               | 159.72          |
|  |              | <b>8,010.22</b> |               | <b>6,612.94</b> |



## Notes forming part of the consolidated financial statements

|   | Current Year |                  | Previous Year |                 |
|---|--------------|------------------|---------------|-----------------|
|   | ₹ in lacs    | ₹ in lacs        | ₹ in lacs     | ₹ in lacs       |
| <b>12 - LONG-TERM LOANS AND ADVANCES</b>                |              |                  |               |                 |
| (a) Capital Advances - Unsecured, considered good       |              | 1,287.96         |               | 1,147.63        |
| (b) Security Deposits - Unsecured                       |              |                  |               |                 |
| (i) Considered good                                     | 776.57       |                  | 829.84        |                 |
| (ii) Doubtful   | 51.60        |                  | 26.82         |                 |
|   | 828.17       |                  | 856.66        |                 |
| Less: Allowance for bad and doubtful security deposits  | 51.60        |                  | 26.82         |                 |
|   |              | 776.57           |               | 829.84          |
| (c) Other loans and advances -                          |              |                  |               |                 |
| (i) Unsecured, considered good                          |              |                  |               |                 |
| - Excise duty recoverable from Government authorities   | 2,059.52     |                  | 1,317.73      |                 |
| - VAT Credit/WCT receivable                             | 3,275.11     |                  | 4,087.88      |                 |
| - Tax payments less provisions                          | 2,962.23     |                  | 1,755.61      |                 |
| - Prepaid expenses                                      | 1,063.58     |                  | 752.87        |                 |
| - Others  | -            |                  | 12.80         |                 |
|   | 9,360.44     |                  | 7,926.89      |                 |
| (ii) Doubtful - Service tax receivable                  | 130.08       |                  | 130.08        |                 |
| Less: Allowance for bad and doubtful receivable         | 130.08       |                  | 130.08        |                 |
|   |              | 9,360.44         |               | 7,926.89        |
|   |              | 11,424.97        |               | 9,904.36        |
| Share of long-term loans and advances of Joint Ventures |              | 337.74           |               | 76.48           |
|   |              | <b>11,762.71</b> |               | <b>9,980.84</b> |

|  | Current Year |                 | Previous Year |                 |
|--|--------------|-----------------|---------------|-----------------|
|  | ₹ in lacs    | ₹ in lacs       | ₹ in lacs     | ₹ in lacs       |
| <b>13 - OTHER NON-CURRENT ASSETS</b>   |              |                 |               |                 |
| (a) Long-term trade receivables - Unsecured  |              |                 |               |                 |
| (i) Considered good  | 4,786.05     |                 | 4,321.59      |                 |
| (ii) Doubtful  | 2,634.31     |                 | 4,254.58      |                 |
|  | 7,420.36     |                 | 8,576.17      |                 |
| Less: Allowance for bad and doubtful debts   | 2,634.31     |                 | 4,254.58      |                 |
|  |              | 4,786.05        |               | 4,321.59        |
| (b) Others   |              |                 |               |                 |
| (i) Export benefits receivable   | 1,753.98     |                 | 1,846.76      |                 |
| (ii) Balances with banks held as margin money or security against the borrowings, guarantees and other commitments which have a maturity period of more than 12 months from the Balance Sheet date | 732.35       |                 | 736.72        |                 |
|  |              | 2,486.33        |               | 2,583.48        |
|  |              | <b>7,272.38</b> |               | <b>6,905.07</b> |

## Notes forming part of the consolidated financial statements

|   | Current Year |                  | Previous Year |                  |
|---|--------------|------------------|---------------|------------------|
|   | ₹ in lacs    | ₹ in lacs        | ₹ in lacs     | ₹ in lacs        |
| <b>14 - INVENTORIES (AT LOWER OF COST AND NET REALISABLE VALUE)</b> |              |                  |               |                  |
| (a) Raw materials   |              |                  |               |                  |
| (i) in stock  | 23,089.70    |                  | 15,938.85     |                  |
| (ii) goods-in-transit   | 1,501.33     |                  | 757.25        |                  |
|   |              | 24,591.03        |               | 16,696.10        |
| (b) Work-in-progress  |              | 8,536.40         |               | 9,271.69         |
| (c) Finished goods  |              | 3,758.28         |               | 2,115.69         |
| (d) Stores and spares   |              | 254.90           |               | 190.26           |
| (e) Dies and tools  |              | 5,807.00         |               | 4,197.93         |
| (f) Erection materials  |              | 243.71           |               | 361.78           |
| (g) Scrap   |              | 699.29           |               | 697.91           |
|   |              | 43,890.61        |               | 33,531.36        |
| Share of inventories of Joint Ventures                              |              | 120.50           |               | 55.48            |
|   |              | <b>44,011.11</b> |               | <b>33,586.84</b> |

|   | Current Year |                    | Previous Year |                    |
|---|--------------|--------------------|---------------|--------------------|
|   | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>15 - TRADE RECEIVABLES</b>   |              |                    |               |                    |
| (a) Trade receivables outstanding for a period exceeding six months from the date they are due for payment - Unsecured, considered good |              | 20,850.42          |               | 20,211.33          |
| (b) Other trade receivables - Unsecured, considered good  |              | 2,11,765.82        |               | 1,94,522.99        |
|   |              | 2,32,616.24        |               | 2,14,734.32        |
| Share of Trade receivables of Joint Ventures  |              | 18,008.39          |               | 2,423.07           |
|   |              | <b>2,50,624.63</b> |               | <b>2,17,157.39</b> |

|   | Current Year |           | Previous Year |           |
|---|--------------|-----------|---------------|-----------|
|   | ₹ in lacs    | ₹ in lacs | ₹ in lacs     | ₹ in lacs |
| <b>16 - CASH AND CASH EQUIVALENTS</b>   |              |           |               |           |
| (a) Cash on hand  |              | 249.32    |               | 316.37    |
| (b) Cheques on hand   |              | 4.68      |               | 219.26    |
| (c) Balances with banks   |              |           |               |           |
| (i) In current accounts   |              | 17,565.11 |               | 13,099.48 |
| (ii) In deposit accounts (Refer Notes 16.1 and 16.2 below)  |              | 628.20    |               | 162.65    |
| (iii) In earmarked accounts   |              |           |               |           |
| Unpaid dividend accounts  |              | 163.72    |               | 128.79    |
| Balances with banks held as margin money or security against the borrowings, guarantees and other commitments (Refer Note 16.1 below) |              | 737.07    |               | 794.10    |
|   |              | 900.79    |               | 922.89    |

## Notes forming part of the consolidated financial statements

|   | Current Year |           | Previous Year |           |
|---|--------------|-----------|---------------|-----------|
|   | ₹ in lacs    | ₹ in lacs | ₹ in lacs     | ₹ in lacs |
| <b>16 - CASH AND CASH EQUIVALENTS (Contd.)</b>  |              |           |               |           |
| (d) Others - Remittances in Transit   |              | 618.10    |               | 31.98     |
|   |              | 19,966.20 |               | 14,752.63 |
| Share of cash on hand of Joint Ventures   |              | 8.43      |               | 0.67      |
| Share of balances with banks of Joint Ventures  |              | 316.05    |               | 645.20    |
|   |              | 324.48    |               | 645.87    |
|   |              | 20,290.68 |               | 15,398.50 |
| Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statement is |              | 19,553.61 |               | 14,604.40 |

16.1 Balances with banks includes deposits amounting to ₹ 144.97 lacs (Previous Year ₹ 83.77 lacs) and margin money or security against the borrowings, guarantees and other commitments ₹ 831.73 lacs (Previous Year ₹ 965.52 lacs) which have an original maturity of more than 12 months.

16.2 Balances with banks includes deposits amounting to ₹ 3.61 lacs (Previous Year ₹ 6.27 lacs) which have a maturity of more than 12 months from the Balance Sheet date.

|  | Current Year |           | Previous Year |           |
|--|--------------|-----------|---------------|-----------|
|  | ₹ in lacs    | ₹ in lacs | ₹ in lacs     | ₹ in lacs |
| <b>17 - SHORT-TERM LOANS AND ADVANCES</b>  |              |           |               |           |
| a) Loans and advances to related parties - Unsecured, considered good Joint Ventures : |              |           |               |           |
| - EJP KEC Joint Venture, South Africa  |              | 1,366.31  |               | 414.40    |
| - KEC - ASSB JV, Malaysia  |              | -         |               | 116.11    |
|  |              | 1,366.31  |               | 530.51    |
| b) Others - Unsecured, considered good   |              |           |               |           |
| - Advances to suppliers  |              | 10,982.74 |               | 8,475.31  |
| - Employee advances  |              | 470.40    |               | 646.20    |
| - Cenvat/service tax input credit receivable   |              | 3,262.97  |               | 2,555.87  |
| - Sales tax/excise duty paid under protest   |              | 566.29    |               | 154.85    |
| - Excise duty recoverable from Government authorities                                  |              | 3,156.57  |               | 2,742.64  |
| - VAT/WCT receivable   |              | 8,784.65  |               | 5,749.76  |
| - Tax payments less provisions   |              | 1,070.12  |               | 2,712.97  |
| - Prepaid expenses   |              | 4,634.60  |               | 2,950.28  |
| - MAT credit entitlement   |              | 774.76    |               | 2,507.45  |
| - Sundry deposits  |              | 3,165.00  |               | 1,576.99  |
| - Others   |              | 405.05    |               | 286.27    |
|  |              | 37,273.15 |               | 30,358.59 |
|  |              | 38,639.46 |               | 30,889.10 |
| Share of short-term loans and advances of Joint Ventures                               |              | 604.35    |               | 88.78     |
|  |              | 39,243.81 |               | 30,977.88 |

## Notes forming part of the consolidated financial statements

|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|--|---------------------------|----------------------------|
| <b>18 - OTHER CURRENT ASSETS</b>   |                           |                            |
| Gross amount due from customers for long term contracts                  | 13,603.89                 | 11,801.27                  |
| Unbilled revenue   | 25,464.88                 | 33,924.09                  |
| Interest receivable on income tax refund                                 | 266.26                    | -                          |
| Contractually reimbursable expenses                                      | 6,135.36                  | 2,636.28                   |
| Export benefits  | 3,205.25                  | 3,270.87                   |
| Interest accrued on fixed deposits                                       | 84.64                     | 46.76                      |
| Insurance claims   | 53.01                     | 70.05                      |
|  | 48,813.29                 | 51,749.32                  |
| Share of other current assets of Joint Ventures                          | 8,787.86                  | 5,671.28                   |
|  | <b>57,601.15</b>          | <b>57,420.60</b>           |
|  |                           |                            |
|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
| <b>19 - REVENUE FROM OPERATIONS</b>                                      |                           |                            |
| (a) Sale of products   | 2,72,550.13               | 1,84,434.29                |
| (b) Turnkey contracts revenue  | 2,54,388.14               | 2,42,940.50                |
| (c) Sale of services   | 7,767.32                  | 5,573.06                   |
| (d) Other operating revenues   | 11,771.00                 | 9,076.29                   |
|  | 5,46,476.59               | 4,42,024.14                |
| Share of revenue from operations of Joint Ventures                       | 45,293.79                 | 15,097.38                  |
|  | 5,91,770.38               | 4,57,121.52                |
| Less: Excise Duty  | 10,296.39                 | 9,467.49                   |
| <b>Total</b>   | <b>5,81,473.99</b>        | <b>4,47,654.03</b>         |
|  |                           |                            |
|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
| <b>20 - OTHER INCOME</b>   |                           |                            |
| (a) Interest Income  | 995.86                    | 661.42                     |
| (b) Profit on redemption of current investments in units of mutual funds | 113.70                    | -                          |
| (c) Other non-operating income   |                           |                            |
| - Profit on fixed assets sold (net)                                      | 5,038.99                  | -                          |
| - Rent   | 4.95                      | 20.39                      |
|  | 6,153.50                  | 681.81                     |
| Share of other income of Joint Ventures                                  | 9.78                      | 6.84                       |
| <b>Total</b>   | <b>6,163.28</b>           | <b>688.65</b>              |

## Notes forming part of the consolidated financial statements

|   | Current Year |                    | Previous Year |                    |
|---|--------------|--------------------|---------------|--------------------|
|   | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>21 - COST OF MATERIALS CONSUMED</b>                |              |                    |               |                    |
| Cost of materials consumed                            | 2,96,291.41  |                    | 2,19,964.55   |                    |
| Share of cost of materials consumed of Joint Ventures | 19,601.88    |                    | 1,510.34      |                    |
|   |              | <b>3,15,893.29</b> |               | <b>2,21,474.89</b> |

|  | Current Year |                  | Previous Year |                  |
|--|--------------|------------------|---------------|------------------|
|  | ₹ in lacs    | ₹ in lacs        | ₹ in lacs     | ₹ in lacs        |
| <b>22 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND SCRAP</b> |              |                  |               |                  |
| <b>Opening stock</b>   |              |                  |               |                  |
| Finished goods   | 2,115.69     |                  | 3,226.93      |                  |
| Work-in-progress   | 9,271.69     |                  | 2,366.04      |                  |
| Scrap  | 697.91       |                  | 1,010.20      |                  |
|  |              | <b>12,085.29</b> |               | <b>6,603.17</b>  |
| <b>Acquired*</b>   |              |                  |               |                  |
| Finished goods   | -            |                  | 67.66         |                  |
| Work-in-progress   | -            |                  | 9,462.49      |                  |
| Scrap  | -            |                  | -             |                  |
|  |              | <b>-</b>         |               | <b>9,530.15</b>  |
| <b>Less: Closing stock</b>   |              |                  |               |                  |
| Finished goods   | 3,758.28     |                  | 2,115.69      |                  |
| Work-in-progress   | 8,536.40     |                  | 9,271.69      |                  |
| Scrap  | 699.29       |                  | 697.91        |                  |
|  |              | <b>12,993.97</b> |               | <b>12,085.29</b> |
|  |              | <b>(908.68)</b>  |               | <b>4,048.03</b>  |

\* On acquisition of subsidiaries

|  | Current Year       | Previous Year    |
|--|--------------------|------------------|
|  | ₹ in lacs          | ₹ in lacs        |
| <b>23 - ERECTION &amp; SUB-CONTRACTING EXPENSES</b>            |                    |                  |
| Erection/construction material consumed                        | 20,057.12          | 13,542.99        |
| Stores consumed  | 3,043.54           | 2,232.78         |
| Subcontracting expenses  | 71,200.66          | 65,228.44        |
| Power, fuel and water charges                                  | 1,779.82           | 1,677.02         |
| Construction transport   | 6,098.05           | 5,561.24         |
| Others   | 6,225.81           | 4,444.35         |
|  | <b>1,08,405.00</b> | <b>92,686.82</b> |
| Share of erection & sub-contracting expenses of Joint Ventures | 8,341.72           | 5,370.45         |
|  | <b>1,16,746.72</b> | <b>98,057.27</b> |

## Notes forming part of the consolidated financial statements

|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|--|---------------------------|----------------------------|
| <b>24 - EMPLOYEE BENEFITS EXPENSE</b>                |                           |                            |
| Salaries and wages                                   | 34,968.49                 | 23,626.00                  |
| Contribution to provident fund and other funds       | 1,618.61                  | 1,214.49                   |
| Staff welfare expenses                               | 3,876.30                  | 2,088.08                   |
| Workmen's compensation                               | 33.21                     | 30.28                      |
|  | 40,496.61                 | 26,958.85                  |
| Share of employee benefits expense of Joint Ventures | 2,241.24                  | 520.82                     |
|  | <b>42,737.85</b>          | <b>27,479.67</b>           |

|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|--|---------------------------|----------------------------|
| <b>25 - FINANCE COSTS</b>                |                           |                            |
| Interest expense                         | 15,469.92                 | 11,418.64                  |
| Other borrowing costs                    | 493.23                    | 345.15                     |
|  | 15,963.15                 | 11,763.79                  |
| Share of finance costs of Joint Ventures | 11.14                     | -                          |
|  | <b>15,974.29</b>          | <b>11,763.79</b>           |

|  | Current Year<br>₹ in lacs   ₹ in lacs |           | Previous Year<br>₹ in lacs   ₹ in lacs |          |
|--|---------------------------------------|-----------|--|----------|
| <b>26 - OTHER EXPENSES</b>                           |                                       |           |  |          |
| Tools, non-erection stores and maintenance spares    |                                       | 1,153.87  |  | 1,073.51 |
| Power and fuel                                       |                                       | 4,238.73  |  | 3,260.15 |
| Rent   |                                       | 3,413.82  |  | 2,817.95 |
| Rates and taxes, excluding taxes on income (net)     |                                       | 7,207.56  |  | 4,931.39 |
| Excise duty (Refer Note 26.1 below)                  |                                       | 275.92    |  | 107.99   |
| Insurance  |                                       | 1,966.78  |  | 1,593.67 |
| Bank (guarantee, letter of credit and other) charges |                                       | 5,168.69  |  | 4,498.33 |
| Commission   |                                       | 4,023.40  |  | 4,555.83 |
| Freight (net)  |                                       | 11,756.38 |  | 6,126.73 |
| Coolie, cartage and forwarding                       |                                       | 618.08    |  | 590.97   |
| Repairs to buildings                                 |                                       | 611.19    |  | 314.44   |
| Repairs to plant and equipment                       |                                       | 1,334.60  |  | 978.98   |
| Repairs to other fixed assets                        |                                       | 983.77    |  | 637.57   |
| Travelling and conveyance                            |                                       | 3,708.84  |  | 3,120.23 |
| Payment to statutory auditors ( net of service tax)  |                                       |           |  |          |
| - as auditors  |                                       | 60.00     |  | 60.00    |
| - for other services                                 |                                       | 105.90    |  | 85.35    |
| - for reimbursement of expenses                      |                                       | 2.69      |  | 1.36     |
|  |                                       | 168.59    |  | 146.71   |
| Professional fees                                    |                                       | 3,884.85  |  | 2,708.73 |
| Bad debts written off                                |                                       | 2,065.10  |  | 1,279.23 |

## Notes forming part of the consolidated financial statements

|   | Current Year |                  | Previous Year |                  |
|---|--------------|------------------|---------------|------------------|
|   | ₹ in lacs    | ₹ in lacs        | ₹ in lacs     | ₹ in lacs        |
| <b>26 - OTHER EXPENSES (Contd.)</b>                         |              |                  |               |                  |
| Less: Adjusted against allowance for bad and doubtful debts | 1,707.49     |                  | 179.16        |                  |
|   |              | 357.61           |               | 1,100.07         |
| Allowance for bad and doubtful debts (net)                  |              | 253.43           |               | 1,702.38         |
| Directors' Fees   |              | 13.25            |               | 10.70            |
| Loss on sale/write off of fixed assets (net)                |              | -                |               | 16.35            |
| Loss on foreign currency transactions/translation           |              | 1,095.72         |               | 1,074.33         |
| Miscellaneous expenses (Refer Note 26.2 below)              |              | 6,957.54         |               | 7,340.11         |
|   |              | 59,192.62        |               | 48,707.12        |
| Share of other expenses of Joint Ventures                   |              | 680.03           |               | 209.40           |
|   |              | <b>59,872.65</b> |               | <b>48,916.52</b> |

**26.1 :** Excise duty shown above includes ₹ 107.62 lacs (Previous Year ₹ 58.62 lacs) being excise duty related to the difference between the closing stock and opening stock of the finished goods.

**26.2 :** Miscellaneous expenses include fees of ₹ 85.75 lacs (Previous Year ₹ 62.71 lacs) paid to branch auditors of the Company, ₹ 268.09 lacs (Previous Year ₹ 70.89 lacs) paid to statutory auditors of subsidiaries and ₹ 7.33 lacs (Previous Year ₹ 4.53 lacs) paid to statutory auditors of joint ventures

### 27 - CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

#### (i) Contingent Liabilities

##### (a) Claims against the Group not acknowledged as debts:

| Sr. No | Nature of Claims  | Relating to various years comprise in the period   | Current Year (₹ in lacs) | Previous Year (₹ in lacs) |
|--------|---|--|--------------------------|---------------------------|
| 1      | Sales Tax/Value Added Tax* (Tax/Penalty/Interest)   | 1993-2010<br>1993-2010                             | 2,570.20                 | 2,678.22                  |
| 2      | Excise Duty* (Tax/Penalty/Interest)   | 1994-2012<br>1994-2011                             | 2,514.12                 | 1,969.14                  |
| 3      | Service Tax* (Tax/Penalty/Interest)   | 2002-2010<br>2004-2010                             | 16.46                    | 14.84                     |
| 4      | Entry Tax (Tax/Penalty/Interest)  | 1995-2012<br>1995-2008                             | 1,509.62                 | 60.43                     |
| 5      | (i) Income Tax matters mainly in respect of disallowance of depreciation etc. relating to Power Transmission Business acquired by the Company | A.Y. 2006-07 to 2009-10<br>A.Y. 2006-07 to 2009-10 | 7,241.44                 | 7,241.44                  |
|        | (ii) Income Tax matters at overseas unit/s  | 2002<br>2002                                       | 1,193.27                 | 1,089.79                  |
| 6      | Customs Duty  | 1995-1996<br>-                                     | 60.14                    | -                         |
| 7      | Civil Suits   | 1993-1994<br>1993-1994                             | 5.00                     | 5.00                      |
| 8      | Demands of employees/subcontractors   | Amount not determinable                            |                          |                           |

\*These claims mainly relate to the issues of applicability, issue of disallowance of cenvat credit and in case of Sales Tax/Value added tax, and also relate to the issue of submission of 'C' forms.

## Notes forming part of the consolidated financial statements

### (b) Other money for which Group is contingently liable :

| Sr. No | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--------|--|-----------------------------|------------------------------|
| a)     | Bills Discounted   | 6,783.95                    | 3,521.17                     |
| b)     | Contingent liability of Income Tax taken over by the Company in terms of the Composite Scheme of Arrangement under which the Power Transmission Business was acquired by the Company | 731.25                      | 731.25                       |

Footnote for Note 27 (i) (a) and (b) above:

Future ultimate outflow of resources embodying economic benefits in respect of the above matters are uncertain as it depends on the final outcome of the matters involved.

### (ii) Commitments

| Sr. No | Particulars  | Current Year<br>(₹ in lacs)     | Previous Year<br>(₹ in lacs) |
|--------|--|---------------------------------|------------------------------|
| 1      | Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) | 5,827.79                        | 8,226.39                     |
| 2      | Other Commitments:   |                                 |                              |
| i      | Amount of future minimum lease payment under non-cancellable operating leases  | 4,390.13                        | 1,435.53                     |
| ii     | Derivative related commitments   | Refer Note 28 (a) and (b) below |                              |

## 28 - THE DERIVATIVE INSTRUMENTS, WHICH ARE NOT INTENDED FOR TRADING OR SPECULATIVE PURPOSE, OUTSTANDING AS AT MARCH 31, 2012 ARE AS FOLLOWS.

### (a) Forward Exchange Contracts:

| Currency | Buy/Sell | Cross currency | Foreign Currency (in lacs) |                      |
|----------|----------|----------------|----------------------------|----------------------|
|          |          |                | As at March 31, 2012       | As at March 31, 2011 |
| USD      | Sell     | INR            | 59.23                      | -                    |
| EUR      | Sell     | USD            | -                          | 107.03               |
| JPY      | Sell     | USD            | 399.89                     | -                    |
| CAD      | Sell     | USD            | 4.53                       | 103.95               |
| USD      | Buy      | INR            | 394.55                     | 185.74               |
| EUR      | Buy      | INR            | 388.89                     | 12.07                |
| JPY      | Buy      | INR            | -                          | 1,684.79             |
| EUR      | Buy      | USD            | 54.58                      | 127.98               |
| USD      | Buy      | BRL            | 109.05                     | 28.93                |

## Notes forming part of the consolidated financial statements

(b) Hedging Commodity related risks:

| Commodity | Buy/Sell | Quantity in MT       |                      |
|-----------|----------|----------------------|----------------------|
|           |          | As at March 31, 2012 | As at March 31, 2011 |
| Copper    | Buy      | 925.00               | 1,174.00             |
| Zinc      | Buy      | 1,550.00             | 1,125.00             |
| Aluminium | Buy      | 725.00               | 765.00               |
| Lead      | Buy      | -                    | 75.00                |

(c) The year end net monetary foreign currency exposures that have not been hedged by a derivative instrument are given below:

Receivables:

| Currency | As at March 31, 2012 |           | As at March 31, 2011 |           |
|----------|----------------------|-----------|----------------------|-----------|
|          | FC in lacs           | ₹ in lacs | FC in Lacs           | ₹ in lacs |
| AED      | 1,040.84             | 14,419.29 | 1,252.37             | 15,205.40 |
| AFA      | 1,179.47             | 1,198.82  | 4,928.92             | 4,843.16  |
| BDT      | 32.53                | 20.24     | -                    | -         |
| CAD      | 85.24                | 4,353.19  | -                    | -         |
| DA       | 1,130.94             | 790.19    | 855.43               | 545.85    |
| EGP      | 290.63               | 2,450.30  | 341.24               | 2,553.90  |
| ETB      | -                    | -         | 233.01               | 625.00    |
| GHC      | 10.64                | 304.11    | 17.81                | 524.17    |
| GEL      | 6.20                 | 192.10    | -                    | -         |
| JPY      | 382.77               | 237.54    | -                    | -         |
| KSH      | -                    | -         | 904.91               | 485.85    |
| KZT      | 19,285.03            | 6,634.05  | -                    | -         |
| KWD      | 8.64                 | 1,588.00  | 14.75                | 2,381.79  |
| LYD      | -                    | -         | 2.46                 | 90.99     |
| MYR      | -                    | -         | 8.46                 | 124.71    |
| MZM      | 137.60               | 258.83    | -                    | -         |
| NAD      | -                    | -         | 4.91                 | 32.26     |
| NGN      | 8,862.98             | 2,862.74  | 8,300.55             | 2,374.79  |
| OMR      | 12.05                | 1,588.72  | 6.02                 | 697.06    |
| PHP      | 156.40               | 185.54    | 130.66               | 134.41    |
| QR       | 0.01                 | 0.10      | 0.01                 | 0.17      |
| SLR      | 31.97                | 12.71     | 22.26                | 9.00      |
| SR       | 433.14               | 5,876.65  | 685.17               | 8,148.03  |
| SYP      | 0.25                 | 0.22      | 0.25                 | 0.23      |
| TJS      | 0.07                 | 0.76      | -                    | -         |
| ZAR      | 306.78               | 2,038.58  | 63.06                | 414.12    |
| ZMK      | 55,076.65            | 534.24    | 55,076.65            | 523.23    |

## Notes forming part of the consolidated financial statements

- (c) The year end net monetary foreign currency exposures that have not been hedged by a derivative instrument are given below: (Contd.)

| Currency          | As at March 31, 2012 |           | As at March 31, 2011 |           |
|-------------------|----------------------|-----------|----------------------|-----------|
|                   | FC in lacs           | ₹ in lacs | FC in Lacs           | ₹ in lacs |
| <b>Payables:*</b> |                      |           |                      |           |
| BDT               | -                    | -         | 87.12                | 53.40     |
| BTN               | 223.95               | 223.95    | 319.38               | 323.49    |
| CAD               | -                    | -         | 3.82                 | 175.92    |
| CAF               | 2,956.22             | 305.97    | 24,087.37            | 2,329.25  |
| CHF               | 3.01                 | 169.88    | 3.01                 | 147.98    |
| ETB               | 316.81               | 932.56    | -                    | -         |
| EUR               | 90.74                | 6,165.50  | 255.80               | 16,227.56 |
| FCFA              | 92.12                | 9.53      | 1,975.46             | 188.36    |
| GEL               | -                    | -         | 3.25                 | 86.06     |
| JPY               | -                    | -         | 468.91               | 252.41    |
| KSH               | 384.25               | 235.47    | -                    | -         |
| KZT               | -                    | -         | 4,638.81             | 1,420.87  |
| LBP               | 6,159.92             | 208.82    | 5,134.17             | 152.48    |
| LYD               | 1.18                 | 48.48     | -                    | -         |
| MYR               | 16.42                | 272.35    | -                    | -         |
| MZM               | -                    | -         | 96.53                | 126.18    |
| NAD               | 2.28                 | 15.15     | -                    | -         |
| NPR               | 275.03               | 171.70    | 113.95               | 71.23     |
| SEK               | -                    | -         | 98.10                | 700.35    |
| TJS               | -                    | -         | 42.55                | 424.85    |
| TND               | 63.64                | 2,154.01  | 68.15                | 2,204.22  |
| USD               | 295.93               | 15,053.91 | 329.48               | 14,688.04 |

Note: \*The above excludes term loan taken in foreign currency ₹ 8,395.50 lacs (Previous year ₹ 8,395.50 lacs) which has been swapped with Rupee currency fixed interest rate loan.

### 29- DISCLOSURE UNDER THE ACCOUNTING STANDARD - 7 CONSTRUCTION CONTRACTS

| Sr. No | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--------|--|-----------------------------|------------------------------|
| (a)    | (i) Contract Revenue (net of excise) recognised during the year  | 2,98,990.55                 | 2,57,505.45                  |
|        | (ii) Method used to determine the contract revenue recognised and the stage of completion of contracts in progress | Refer Note 1(B)(1)(b)       |                              |
| (b)    | Disclosure in respect of contracts in progress as at the year end  |                             |                              |
|        | (i) Aggregate amount of costs incurred and recognised profits (less recognised losses)                             | 6,22,691.51                 | 4,77,885.70                  |
|        | * (ii) Advances received   | 53,017.30                   | 29,979.19                    |
|        | * (iii) Retentions receivable  | 40,467.72                   | 31,291.43                    |
|        | (iv) Gross amount due from customers   | 15,184.00                   | 14,133.92                    |
|        | (v) Gross amount due to customers  | 6,321.58                    | 9,771.64                     |

\*Net of adjustment referred to in Note 1(B) (6).

## Notes forming part of the consolidated financial statements

### 30 - DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY ACCOUNTING STANDARD-15 "EMPLOYEE BENEFITS" ARE AS FOLLOWS:

| Sr. No | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--------|--|-----------------------------|------------------------------|
| 1      | <b>Defined Contribution Plans</b>  |                             |                              |
|        | The Company has recognised the following amounts in the Consolidated Statement of Profit and Loss: |                             |                              |
|        | - Contribution to Provident Fund and Family Pension Fund   | 664.55                      | 779.12                       |
|        | - Contribution to Superannuation Fund  | 174.97                      | 161.40                       |

The above amount is included in Contribution to provident and other funds under Employee benefits expense in Note 24.

#### 2 Defined Benefit Plan (Funded)

##### a A general description of the Employee benefit Plan:

The Company has an obligation towards gratuity, a funded defined benefit retirement plan covering eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of the employment of an amount equivalent to 15 days/one month salary, as applicable, payable for each completed year of service or part thereof in excess of six months subject to maximum of 20 months or as per the Payment of the Gratuity Act, whichever is higher. Vesting occurs upon completion of five years of service.

##### b Details of defined benefit plan - As per Actuarial Valuation are as follows:

| Sr. No     | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|------------|--|-----------------------------|------------------------------|
| <b>I</b>   | <b>Components of employer expense</b>  |                             |                              |
| 1          | Current service cost   | 177.63                      | 152.83                       |
| 2          | Interest cost  | 186.89                      | 190.19                       |
| 3          | Expected return on Plan Assets   | (213.07)                    | (169.83)                     |
| 4          | Actuarial Losses/(Gains)   | 418.99                      | (106.94)                     |
| 5          | Total expense recognised in the Consolidated Statement of Profit and Loss (included in 'Contribution to provident and other funds' under 'Employee benefits expense' in Note 24) | 570.44                      | 66.25                        |
| <b>II</b>  | <b>Actual Contribution and Benefits Payments for the year</b>  |                             |                              |
| 1          | Actual Benefits Payments   | (415.42)                    | (424.88)                     |
| 2          | Actual Contributions   | 255.70                      | 705.00                       |
| <b>III</b> | <b>Net asset/(liability) recognised in the Balance Sheet</b>   |                             |                              |
| 1          | Present Value of Defined Benefit Obligation  | 2,566.78                    | 2,198.69                     |
| 2          | Fair Value of Plan Assets  | 2,319.34                    | 2,265.99                     |
| 3          | Funded Status [Surplus/(Deficit)]  | (247.44)                    | 67.30                        |
| 4          | Net asset/(liability) recognised in the Balance Sheet  | (247.44)                    | 67.30                        |
| <b>IV</b>  | <b>Change in Defined Benefit Obligation during the year</b>  |                             |                              |
| 1          | Present Value of Defined Benefit Obligation as at the beginning of the year  | 2,198.69                    | 2,377.45                     |
| 2          | Current Service Cost   | 177.63                      | 152.83                       |
| 3          | Interest Cost  | 186.89                      | 190.19                       |
| 4          | Actuarial Losses/(Gains)   | 418.99                      | (96.90)                      |
| 5          | Benefits paid  | (415.42)                    | (424.88)                     |
| 6          | Present Value of Defined Benefit Obligations as at the end of the year   | 2,566.78                    | 2,198.69                     |

## Notes forming part of the consolidated financial statements

| Sr. No      | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|-------------|--|-----------------------------|------------------------------|
| <b>V</b>    | <b>Change in Fair Value of Plan Assets during the year</b>   |                             |                              |
| 1           | Plan Assets as at the beginning of the year  | 2,265.99                    | 1,806.00                     |
| 2           | Expected return on Plan Assets   | 213.07                      | 169.83                       |
| 3           | Actuarial Gains/(Losses)   | -                           | 10.04                        |
| 4           | Actual Company Contributions   | 255.70                      | 705.00                       |
| 5           | Benefits paid  | (415.42)                    | (424.88)                     |
| 6           | Plan Assets as at the end of the year  | 2,319.34                    | 2,265.99                     |
| <b>VI</b>   | <b>Actuarial Assumptions</b>   |                             |                              |
| 1           | Discount Rate  | 8.50%                       | 8.00%                        |
| 2           | Expected Return on plan assets   | 9.40%                       | 9.40%                        |
| 3           | Salary escalation Rate   | 6.00%                       | 5.50%                        |
| <b>VII</b>  | The expected rate of return on the plan assets is based on the average long term rate of return expected on investments of the Fund during the estimated term of the obligations. The actual return on plan assets is ₹ 213.07 lacs (Previous Year ₹ 179.87 lacs ) |                             |                              |
| <b>VIII</b> | The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors.   |                             |                              |
| <b>IX</b>   | The major categories of Plan Assets as a percentage of the total plan assets   |                             |                              |
|             | Insurer Managed Funds  | 100%                        | 100%                         |

Note: The details of investment made by the Insurer are not readily available with the Company.

| X | Experience Adjustments  | 2011-12  | 2010-11  | 2009-10  | 2008-09  | 2007-08    |
|---|---|----------|----------|----------|----------|------------|
| 1 | Present Value of Defined Benefit Obligation as at the end of the year | 2,566.78 | 2,198.69 | 2,377.45 | 1,969.23 | 1,994.23   |
| 2 | Fair Value of Plan Assets as at the end of the year                   | 2,319.34 | 2,265.69 | 1,806.00 | 1,430.91 | 884.02     |
| 3 | Funded Status [Surplus/(Deficit)]                                     | (247.44) | 67.30    | (571.45) | (538.32) | (1,110.21) |
| 4 | Experience adjustment on Plan Liabilities                             | (443.30) | 96.90    | (74.71)  | 0.28     | (72.80)    |
| 5 | Experience adjustment on Plan Assets                                  | -        | (10.04)  | (4.83)   | (11.38)  | 0.66       |

### XI Contribution expected to be paid to the Plan during the year ending March 31, 2013 – ₹ 150.90 lacs

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The Group is primarily engaged in the business of Engineering, Procurement and Construction business (EPC). As such there is no other separate reportable segment as defined by Accounting Standard - 17 "Segment Reporting".

### 32 - RELATED PARTY DISCLOSURES

#### a) Parties with whom transactions have taken place:

##### Joint Ventures:

- (i) Al-Sharif Group and KEC Ltd. Company, Saudi Arabia (formerly known as Faiz Abdul Hakim Al-Sharif Group and KEC Company Ltd., Saudi Arabia)
- (ii) KEC Power India Private Limited (Status changed from Joint Venture to Subsidiary w.e.f. March 31, 2012)
- (iii) EJP KEC Joint Venture, South Africa

## Notes forming part of the consolidated financial statements

### 32 - RELATED PARTY DISCLOSURES (Contd.)

|        |  |
|--------|--|
| (iv)   | KEC – ASSB JV, Malaysia (ceases to be jointly controlled entity w.e.f. May 05, 2011) |
| (v)    | KEC – ASIAKOM – UB JV  |
| (vi)   | KEC – ASIAKOM JV   |
| (vii)  | KEC - JEI JV   |
| (viii) | KEC – DELCO – VARAHA JV  |
| (ix)   | KEC – VARAHA – KHAZANA JV  |
| (x)    | KEC – VALECHA – DELCO JV   |
| (xi)   | KEC – SIDHARTH JV  |
| (xii)  | KEC – TRIVENI – KPIPL JV   |
| (xiii) | KEC – UNIVERSAL JV   |
| (xiv)  | KEC – DELCO – DUSTAN JV  |
| (xv)   | KEC – ANPR – KPIPL JV  |
| (xvi)  | KEC – PLR – KPIPL JV   |
| (xvii) | KEC - BJCL JV  |

Key Management Personnel: Mr. R.D.Chandak – Managing Director

#### (b) Transactions with the Related Parties

₹ in lacs

| Transactions  | Current Year   |                          |          | Previous Year  |                          |          |
|---|----------------|--------------------------|----------|----------------|--------------------------|----------|
|   | Joint Ventures | Key Management Personnel | Total    | Joint Ventures | Key Management Personnel | Total    |
| <b>Sale of Products</b>   | 1,030.68       | -                        | 1,030.68 | -              | -                        | -        |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia                | 1,030.68       | -                        | 1,030.68 | -              | -                        | -        |
| <b>Sale under Turnkey Contracts</b>                               | 7,540.46       | -                        | 7,540.46 | 4,401.73       | -                        | 4,401.73 |
| KEC - ANPR - KPIPL JV   | 635.97         | -                        | 635.97   | 142.93         | -                        | 142.93   |
| KEC - ASIAKOM JV  | 89.19          | -                        | 89.19    | 46.41          | -                        | 46.41    |
| KEC - ASIAKOM - UB JV   | 1,093.53       | -                        | 1,093.53 | 465.73         | -                        | 465.73   |
| KEC - DELCO - DUSTAN JV   | 140.39         | -                        | 140.39   | 151.13         | -                        | 151.13   |
| KEC - DELCO - VARAHA JV   | 749.33         | -                        | 749.33   | 464.96         | -                        | 464.96   |
| KEC - JEI JV  | 41.96          | -                        | 41.96    | 86.03          | -                        | 86.03    |
| KEC - PLR - KPIPL JV  | 239.33         | -                        | 239.33   | 100.48         | -                        | 100.48   |
| KEC - SIDHARTH JV   | 212.04         | -                        | 212.04   | 88.50          | -                        | 88.50    |
| KEC - TRIVENI-KPIPL JV  | 147.54         | -                        | 147.54   | 89.91          | -                        | 89.91    |
| KEC - UNIVERSAL JV  | 34.59          | -                        | 34.59    | 5.86           | -                        | 5.86     |
| KEC - VALECHA - DELCO JV  | 235.01         | -                        | 235.01   | 372.71         | -                        | 372.71   |
| KEC - VARAHA - KHAZANA JV   | 78.10          | -                        | 78.10    | 145.07         | -                        | 145.07   |
| EJP KEC Joint Venture, South Africa                               | 3,075.24       | -                        | 3,075.24 | 2,242.01       | -                        | 2,242.01 |
| KEC - ASSB JV, MALAYSIA   | 530.25         | -                        | 530.25   | -              | -                        | -        |
| KEC-BJCL JV   | 237.99         | -                        | 237.99   | -              | -                        | -        |
| Receiving of Services   | -              | -                        | -        | 31.87          | -                        | 31.87    |
| KEC Power India Private Limited                                   | -              | -                        | -        | 31.87          | -                        | 31.87    |
| <b>Remuneration</b>   | -              | 236.13                   | 236.13   | -              | 254.02                   | 254.02   |
| Mr.R.D. Chandak - Managing Director                               | -              | 236.13                   | 236.13   | -              | 254.02                   | 254.02   |
| <b>Sale of Fixed Assets</b>                                       | 31.47          | -                        | 31.47    | 0.74           | -                        | 0.74     |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia                | 31.47          | -                        | 31.47    | 0.74           | -                        | 0.74     |
| Purchase of Fixed Assets  | -              | -                        | -        | 47.81          | -                        | 47.81    |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia                | -              | -                        | -        | 47.81          | -                        | 47.81    |
| <b>Payments made/expenses incurred on behalf of related party</b> | 616.02         | -                        | 616.02   | 766.21         | -                        | 766.21   |
| KEC - ANPR - KPIPL JV   | -              | -                        | -        | 29.01          | -                        | 29.01    |
| KEC - ASIAKOM JV  | -              | -                        | -        | 4.29           | -                        | 4.29     |
| KEC - ASSB JV, MALAYSIA   | -              | -                        | -        | 351.84         | -                        | 351.84   |
| KEC - DELCO - DUSTAN JV   | -              | -                        | -        | 28.40          | -                        | 28.40    |
| KEC - DELCO - VARAHA JV   | -              | -                        | -        | 47.65          | -                        | 47.65    |
| KEC - JEI JV  | -              | -                        | -        | 4.41           | -                        | 4.41     |
| KEC - PLR - KPIPL JV  | -              | -                        | -        | 18.21          | -                        | 18.21    |
| KEC - SIDHARTH JV   | -              | -                        | -        | 20.72          | -                        | 20.72    |

## Notes forming part of the consolidated financial statements

### (b) Transactions with the Related Parties (Contd.)

₹ in lacs

| Transactions                                       | Current Year   |                          |          | Previous Year  |                          |        |
|--|----------------|--------------------------|----------|----------------|--------------------------|--------|
|  | Joint Ventures | Key Management Personnel | Total    | Joint Ventures | Key Management Personnel | Total  |
| KEC - TRIVENI-KPIPL JV                             | -              | -                        | -        | 19.87          | -                        | 19.87  |
| KEC - UNIVERSAL JV                                 | -              | -                        | -        | 11.87          | -                        | 11.87  |
| KEC - VALECHA - DELCO JV                           | -              | -                        | -        | 15.79          | -                        | 15.79  |
| KEC - VARAHA - KHAZANA JV                          | -              | -                        | -        | 10.99          | -                        | 10.99  |
| EJP KEC Joint Venture, South Africa                | 603.38         | -                        | 603.38   | 176.49         | -                        | 176.49 |
| KEC Power India Private Limited                    | 12.64          | -                        | 12.64    | 26.67          | -                        | 26.67  |
| Expenses recovered                                 | 32.39          | -                        | 32.39    | 35.49          | -                        | 35.49  |
| KEC Power India Private Limited                    | 32.39          | -                        | 32.39    | 35.49          | -                        | 35.49  |
| Advance/Loan Given                                 | 2,069.95       | -                        | 2,069.95 | 654.89         | -                        | 654.89 |
| EJP KEC Joint Venture, South Africa                | 2,069.95       | -                        | 2,069.95 | 654.89         | -                        | 654.89 |
| Advance Received                                   | 2,187.07       | -                        | 2,187.07 | -              | -                        | -      |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia | 2,187.07       | -                        | 2,187.07 | -              | -                        | -      |

### (c) Balances outstanding as at the year end

₹ in lacs

|  | Current Year   |                          |          | Previous Year  |                          |          |
|--|----------------|--------------------------|----------|----------------|--------------------------|----------|
|  | Joint Ventures | Key Management Personnel | Total    | Joint Ventures | Key Management Personnel | Total    |
| Amount receivable/( payable)                       | 8,111.52       | -                        | 8,111.52 | 2,766.06       | -                        | 2,766.06 |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia | 677.21         | -                        | 677.21   | 125.05         | -                        | 125.05   |
| KEC - ANPR - KPIPL JV                              | 587.07         | -                        | 587.07   | 150.29         | -                        | 150.29   |
| KEC - ASIAKOM JV                                   | 69.68          | -                        | 69.68    | 36.75          | -                        | 36.75    |
| KEC - ASIAKOM - UB JV                              | 751.10         | -                        | 751.10   | 198.84         | -                        | 198.84   |
| KEC - ASSB JV, MALAYSIA                            | 429.31         | -                        | 429.31   | 116.11         | -                        | 116.11   |
| KEC - DELCO - DUSTAN JV                            | 209.17         | -                        | 209.17   | 165.05         | -                        | 165.05   |
| KEC - DELCO - VARAHA JV                            | 901.36         | -                        | 901.36   | 401.67         | -                        | 401.67   |
| KEC - JEI JV                                       | 78.63          | -                        | 78.63    | 48.17          | -                        | 48.17    |
| KEC - PLR- KPIPL JV                                | 250.99         | -                        | 250.99   | 108.67         | -                        | 108.67   |
| KEC - SIDHARTH JV                                  | 186.35         | -                        | 186.35   | 79.48          | -                        | 79.48    |
| KEC - TRIVENI-KPIPL JV                             | 220.54         | -                        | 220.54   | 98.63          | -                        | 98.63    |
| KEC - UNIVERSAL JV                                 | 5.74           | -                        | 5.74     | 8.24           | -                        | 8.24     |
| KEC - VALECHA - DELCO JV                           | 374.02         | -                        | 374.02   | 323.05         | -                        | 323.05   |
| KEC - VARAHA - KHAZANA JV                          | 108.98         | -                        | 108.98   | 76.73          | -                        | 76.73    |
| EJP KEC Joint Venture, South Africa                | 3,216.87       | -                        | 3,216.87 | 829.33         | -                        | 829.33   |
| KEC-BJCL JV  | 44.50          | -                        | 44.50    | -              | -                        | -        |

No amount has been written off/provided for or written back in respect of amounts receivable from or payable to the related parties.

### 33 - DISCLOSURE FOR LEASES UNDER ACCOUNTING STANDARD 19 - "LEASES"

#### A. Operating Leases

| Particulars   | Current Year<br>(₹ in lacs) | Previous year<br>(₹ in lacs) |
|---|-----------------------------|------------------------------|
| Disclosure in respect of the agreements entered into for taking on leave and license/under operating leases the residential/office premise, warehouses, including furniture and fittings therein, machinery, etc. is given below: |                             |                              |
| 1 Lease payments recognised in the Consolidated Statement of Profit and Loss for the year. [Includes minimum lease payments ₹ 1, 281.20 lacs (Previous Year ₹ 720.43 lacs)].  | 3,328.84                    | 2,424.15                     |
| 2 (i) Under some of the agreements, refundable interest free deposits have been given   |                             |                              |
| (ii) Some of the agreements provide for increase in rent  |                             |                              |
| (iii) Some of the agreements provide for early termination by either party with a notice period which varies from 15 days to 6 months   |                             |                              |
| (iv) Some of the agreements contain a provision for its renewal   |                             |                              |

## Notes forming part of the consolidated financial statements

### 33 - DISCLOSURE FOR LEASES UNDER ACCOUNTING STANDARD 19 - "LEASES" (Contd.)

#### A. Operating Leases

|   | Current Year<br>(₹ in lacs) | Previous year<br>(₹ in lacs) |
|---|-----------------------------|------------------------------|
| 3 Future minimum lease payments under the agreements, which are non-cancellable are as follows: |                             |                              |
| (i) Not later than one year   | 1,103.28                    | 1,073.01                     |
| (ii) Later than one year and not later than five years.   | 3,272.49                    | 362.52                       |
| (iii) Later than five years   | 14.36                       | -                            |

#### B. Finance lease

- (i) The net carrying amount as at March 31, 2012 for assets acquired under finance lease
- (ii) The maturity profiles of finance lease obligations are as follows:
- } Refer Note 11-Fixed Assets

| Particulars  | Total minimum lease payments outstanding as at March 31, 2012 | Interest not due        | Present value of minimum lease payments |
|--|---|-------------------------|---|
| Not later than one year                            | 135.48<br>(84.08)   | 20.11<br>(5.05)         | 115.37<br>(79.03)                       |
| Later than one year and not later than five years. | 123.37<br>(78.32)   | 12.12<br>(15.66)        | 111.25<br>(62.66)                       |
| <b>Total</b>                                       | <b>258.85</b><br>(162.40)                                     | <b>32.23</b><br>(20.71) | <b>226.62</b><br>(141.69)               |

Figures in brackets are for the previous year.

#### (iii) General description of these agreements:

Some of these agreements contain renewal clause.

There are no restrictions such as those concerning dividends, additional debt and further leasing imposed by the lease agreements entered by the Company.

### 34

Basic/diluted earnings per share has been calculated by dividing the profit for the year after taxation of ₹ 20,929.61 lacs (Previous Year ₹ 20,564.57 lacs), by 2,57,088,370 (Previous Year 2,57,088,370) being the weighted average number of equity shares outstanding during the year.

### 35 - THE COMPONENTS OF DEFERRED TAX ASSETS (NET) IS AS UNDER:

| Particulars  | March 31, 2012<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--|-------------------------------|------------------------------|
| <b>Deferred Tax Liability</b>  |                               |                              |
| Depreciation (A)   | 9,590.08                      | 8,828.13                     |
| <b>Deferred Tax Assets</b>   |                               |                              |
| Deferred Tax Assets  | 275.21                        | 183.22                       |
| Provision for doubtful debts and advances  | 913.64                        | 1,464.58                     |
| Amalgamation expenses  | 51.52                         | 122.30                       |
| VRS Expenditure u/s 35 DDA   | 190.74                        | 225.88                       |
| Expenses debited to the Consolidated Statement of Profit and Loss allowable in subsequent year/s | 2,151.38                      | 1,189.90                     |
| Provision for non recovery of value added tax  | 507.17                        | 414.59                       |
| Others   | 368.88                        | 259.15                       |
| (B)  | 4,458.54                      | 3,859.62                     |
| Deferred Tax Liability (net) (A-B)   | 5,131.54                      | 4,968.51                     |

## Notes forming part of the consolidated financial statements

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The execution of the construction works under contracts of the Company with General Electric Company Libya (a Government of Libya undertaking) is disrupted since February, 2011 due to civil/political unrest in that country. The net assets [including fixed assets, debtors etc] as at March 31, 2012 of the Company relating to these contracts aggregate ₹ 7,689 lacs. The situation in Libya is returning to normal and the Company is confident of completing the project.

37

On March 31, 2012, the Company has acquired balance 50% of equity shares of KEC Power India Private Limited (KEPIL). Accordingly, KEPIL which was until March 30, 2012 a Jointly Controlled Entity has become 100% Subsidiary of the Company with effect from March 31, 2012.

The financial position and results of the above mentioned subsidiary as considered in the consolidated financial statements for the year ended March 31, 2012 are given below:

| Sr. No.    | Particulars                   | As at March 31, 2012<br>(₹ in lacs) |
|------------|-------------------------------|-------------------------------------|
| <b>I</b>   | <b>Liabilities</b>            |                                     |
|            | Current liabilities           |                                     |
|            | Trade payables                | 0.92                                |
|            | Other current liabilities     | 1.25                                |
| <b>II</b>  | <b>Assets</b>                 |                                     |
|            | Current assets                |                                     |
|            | Cash and bank balances        | 141.30                              |
|            | Short-term loans and advances | 6.02                                |
|            | Other current assets          | 10.44                               |
| <b>III</b> | <b>Total Revenue</b>          | -                                   |
| <b>IV</b>  | <b>Total Expenses</b>         | -                                   |
| <b>V</b>   | <b>Profit before tax</b>      | -                                   |

38

Members of the Company in the Annual General Meeting held on July 05, 2011 accorded consent subject to approval of the Central Government for payment of commission to non-executive directors of the Company up to 5% of the net profits of the Company computed as per the provisions of the Companies Act, 1956, at the end of each financial year, for a period of five years commencing from financial year 2010-11 in such manner and up to such extent as the remuneration committee of the Board of Directors of the Company recommends and the Board of Directors determine from time to time. The Central Government has on the application made by the Company, vide its letter dated February 21, 2012 approved payment of commission not exceeding Rs. 880 lacs for the financial year 2010-11 which was provided for in the financial statements for the year ended March 31, 2011.

The Board of Directors in its meeting held on May 03, 2012 has determined payment of commission of Rs. 880 lacs for the financial year ended March 31, 2012 subject to approval of the Central Government as required under the relevant provisions of the Companies Act, 1956, which has been provided for in the books of the Company. Accordingly, commission of Rs. 695.18 lacs in excess of 1% of the net profits of the Company computed under Section 349 of the Companies Act, 1956, is subject to approval of the Central Government as stated above.

## Notes forming part of the consolidated financial statements

### 39 - THE INFORMATION IN AGGREGATE FOR EACH SUBSIDIARY INCLUDING SUBSIDIARIES OF THE COMPANY IN TERMS OF DIRECTION UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 :

| Sr.No. | Name of Subsidiary Company                                 | Reporting Currency | Capital   | Reserves   | Total Assets | Total Liabilities (excluding Capital and Reserves) | Details of Investment (except in case of Investment in the Subsidiaries) | Turnover    | Profit/(Loss) before Taxation | Provision for Taxation | Profit/(Loss) after Taxation | Proposed Dividend (excluding dividend paid) |
|--------|--|--------------------|-----------|------------|--------------|--|--|-------------|-------------------------------|------------------------|------------------------------|---|
|        |  |                    |           |            |              |  |  |             |                               |                        |                              |   |
| 1      | SAE Towers Holdings, LLC, USA*                             | INR                | 13,445.37 | 11,202.29  | 25,246.62    | 598.96   | -  | -           | 8,844.60                      | 96.03                  | 8,748.57                     | -   |
|        |  | USD(000)           | 26,430.85 | 22,021.41  | 49,629.69    | 1,177.43   | -  | -           | 17,386.68                     | 188.78                 | 17,197.90                    | -   |
| 2      | SAE Towers Brazil Subsidiary Company LLC, USA*             | INR                | -         | @          | @            | -  | -  | -           | +                             | -                      | +                            | -   |
|        |  | USD(000)           | -         | #          | #            | -  | -  | -           | \$                            | -                      | \$                           | -   |
| 3      | SAE Towers Mexico Subsidiary Holding Company LLC, USA*     | INR                | -         | 1.08       | 1.08         | -  | -  | -           | 0.69                          | -                      | 0.69                         | -   |
|        |  | USD(000)           | -         | 2.13       | 2.13         | -  | -  | -           | 1.36                          | -                      | 1.36                         | -   |
| 4      | SAE Towers Mexico S de RL de CV, Mexico*                   | INR                | 8,688.10  | 4,003.04   | 24,684.25    | 11,993.11  | -  | 34,850.21   | 2,644.14                      | 866.99                 | 1,777.15                     | -   |
|        |  | USD(000)           | 17,079.02 | 7,869.16   | 48,524.16    | 23,575.98  | -  | 68,508.38   | 5,197.84                      | 1,704.32               | 3,493.52                     | -   |
| 5      | SAE Towers Brazil Torres de Transmision Ltda, Brazil*      | INR                | 2,428.35  | 9,991.62   | 26,346.20    | 13,926.23  | -  | 58,709.71   | 9,923.88                      | 2,957.83               | 6,966.05                     | -   |
|        |  | USD(000)           | 4,773.63  | 19,641.49  | 51,791.24    | 27,376.12  | -  | 1,15,411.26 | 19,508.31                     | 5,814.48               | 13,693.83                    | -   |
| 6      | SAE Prestadora de Servicios Mexico, S de RL de CV, Mexico* | INR                | -         | 293.32     | 918.87       | 625.55   | -  | 4,371.35    | 193.68                        | 92.69                  | 100.99                       | -   |
|        |  | USD(000)           | -         | 576.61     | 1,806.31     | 1,229.70   | -  | 8,593.17    | 380.74                        | 182.21                 | 198.53                       | -   |
| 7      | SAE Towers Ltd, USA*                                       | INR                | 0.51      | (65.89)    | 11,412.76    | 11,478.14  | -  | 30,992.27   | 491.07                        | 200.75                 | 290.32                       | -   |
|        |  | USD(000)           | 1.00      | (129.52)   | 22,435.16    | 22,563.68  | -  | 60,924.45   | 965.34                        | 394.63                 | 570.71                       | -   |
| 8      | SAE Towers Panama Holdings LLC, USA*                       | INR                | -         | (0.78)     | (0.78)       | -  | -  | -           | -                             | -                      | -                            | -   |
|        |  | USD(000)           | -         | (1.53)     | (1.53)       | -  | -  | -           | -                             | -                      | -                            | -   |
| 9      | SAE Towers Panama S de RL, Panama*                         | INR                | -         | (777.29)   | 0.10         | 777.39   | -  | -           | -                             | -                      | -                            | -   |
|        |  | USD(000)           | -         | (1,528.00) | 0.19         | 1,528.19   | -  | -           | -                             | -                      | -                            | -   |
| 10     | KEC Investment Holdings, Mauritius                         | INR                | 305.22    | (12.71)    | 294.00       | 1.49   | -  | -           | (6.78)                        | -                      | (6.78)                       | -   |
|        |  | USD(000)           | 600.00    | (24.99)    | 577.93       | 2.92   | -  | -           | (13.32)                       | -                      | (13.32)                      | -   |
| 11     | KEC International Holdings LLC, USA**                      | INR                | 0.03      | (0.13)     | 0.03         | 0.13   | -  | -           | (0.13)                        | -                      | (0.13)                       | -   |

## Notes forming part of the consolidated financial statements

### 39- THE INFORMATION IN AGGREGATE FOR EACH SUBSIDIARY INCLUDING SUBSIDIARIES OF THE COMPANY IN TERMS OF DIRECTION UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 : (Contd.)

| Sr.No. | Name of Subsidiary Company                  | Reporting Currency | Capital   | Reserves  | Total Assets | Total Liabilities (excluding Capital and Reserves) | Details of Investment (except in case of Investment in the Subsidiaries) | Turnover  | Profit/(Loss) before Taxation | Provision for Taxation | Profit/(Loss) after Taxation | Proposed Dividend (excluding dividend paid) |
|--------|---|--------------------|-----------|-----------|--------------|--|--|-----------|-------------------------------|------------------------|------------------------------|---|
|        |   |                    |           |           |              |  |  |           |                               |                        |                              |   |
| 12     | KEC Brazil LLC, USA**                       | USD(000)           | 0.05      | (0.25)    | 0.05         | 0.25   | -  | -         | (0.25)                        | -                      | (0.25)                       | -   |
|        |   | INR                | 0.01      | (0.13)    | 0.01         | 0.13   | -  | -         | (0.13)                        | -                      | (0.13)                       | -   |
| 13     | KEC Mexico LLC, USA**                       | USD(000)           | 0.03      | (0.25)    | 0.03         | 0.25   | -  | -         | (0.25)                        | -                      | (0.25)                       | -   |
|        |   | INR                | 0.01      | (0.13)    | 0.01         | 0.13   | -  | -         | (0.13)                        | -                      | (0.13)                       | -   |
|        |   | USD(000)           | 0.03      | (0.25)    | 0.03         | 0.25   | -  | -         | (0.25)                        | -                      | (0.25)                       | -   |
| 14     | KEC Transmission LLC, USA**                 | INR                | 0.01      | 1,497.55  | 30,974.56    | 29,477.00  | -  | -         | (1,583.37)                    | -                      | (1,583.37)                   | -   |
|        |   | USD(000)           | 0.03      | 2,943.87  | 60,889.64    | 57,945.74  | -  | -         | (3,112.59)                    | -                      | (3,112.59)                   | -   |
| 15     | KEC US LLC, USA**                           | INR                | 0.01      | 997.86    | 20,649.30    | 19,651.43  | -  | -         | (1,055.24)                    | -                      | (1,055.24)                   | -   |
|        |   | USD(000)           | 0.03      | 1,961.58  | 40,592.30    | 38,630.69  | -  | -         | (2,074.39)                    | -                      | (2,074.39)                   | -   |
| 16     | KEC Global Mauritius, Mauritius             | INR                | 10.17     | (8.93)    | 6.19         | 4.95   | -  | -         | (3.28)                        | -                      | (3.28)                       | -   |
|        |   | USD(000)           | 20.00     | (17.55)   | 12.18        | 9.73   | -  | -         | (6.44)                        | -                      | (6.44)                       | -   |
| 17     | Jay Railway Projects Private Limited, India | INR                | 100.00    | (67.88)   | 1,865.56     | 1,833.44   | -  | 717.82    | (22.07)                       | -                      | (22.07)                      | -   |
| 18     | RPG Transmission Nigeria Limited, Nigeria   | INR                | 32.30     | 1.10      | 33.40        | -  | -  | -         | (0.16)                        | -                      | (0.16)                       | -   |
|        |   | Naira(000)         | 10,000.00 | 339.61    | 10,339.61    | -  | -  | -         | (50.00)                       | -                      | (50.00)                      | -   |
| 19     | KEC Global FZ - LLC, Ras UL Khaimah, UAE    | INR                | 138.54    | 2,888.43  | 5,166.96     | 2,139.99   | -  | 4,511.43  | 861.56                        | 84.87                  | 776.69                       | -   |
|        |   | AED(000)           | 1,000.00  | 20,849.83 | 37,297.15    | 15,447.32  | -  | 32,565.30 | 6,219.09                      | 612.65                 | 5,606.44                     | -   |
| 20     | KEC Power India Private Limited, India      | INR                | 22.10     | 133.49    | 157.76       | 2.17   | -  | -         | -                             | -                      | -                            | -   |

Exchange rates as at year end considered for conversion:

1 USD = ₹ 50.87 1 AED = ₹ 13.8535 1 NAIRA = ₹ 0.3230

\* Based on the information considered in the audited consolidated financial statements of SAE Towers Holdings, LLC

\*\* Based on the information considered in the audited consolidated financial statements of the Company

₹ ₹ 203.48

+ ₹ 152.61

# USD 4

\$ USD 3

## Notes forming part of the consolidated financial statements

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The Revised Schedule VI has become effective from April 01, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Signatures to Notes 1 to 40 which form an integral part of financial statements.  
For and on behalf of the Board

**H. V. GOENKA**  
*Chairman*

**VARDHAN DHARKAR**  
*Chief Financial Officer*

**R. D. CHANDAK**  
*Managing Director*

**CH. V. JAGANNADHA RAO**  
*Company Secretary*

**A. T. VASWANI**  
*Director*

Place : Mumbai  
Date : May 03, 2012

## Consolidated Cash Flow Statement for the year ended March 31, 2012

| Particulars  | Current Year |            | Previous Year |             |
|--|--------------|------------|---------------|-------------|
|  | ₹ in lacs    | ₹ in lacs  | ₹ in lacs     | ₹ in lacs   |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>  |              |            |               |             |
| Profit Before Tax  |              | 32,431.09  |               | 31,672.09   |
| Adjustments for:   |              |            |               |             |
| Depreciation and amortisation expense (net)  | 4,792.23     |            | 4,081.42      |             |
| (Profit) / loss on sale / write off of assets (net)  | (5,038.99)   |            | 16.35         |             |
| Write off of expenditure during construction period  | -            |            | 298.14        |             |
| Finance costs  | 15,974.29    |            | 11,763.79     |             |
| Interest income  | (1,003.22)   |            | (668.26)      |             |
| Profit on redemption of current investments in units of mutual funds   | (113.70)     |            | -             |             |
| Preliminary expenses written off   | -            |            | 2.27          |             |
| Net unrealised exchange (gain) / loss  | 1,426.62     |            | (120.97)      |             |
|  |              | 16,037.23  |               | 15,372.74   |
| <b>Operating Profit Before Working Capital Changes</b>   |              | 48,468.32  |               | 47,044.83   |
| Changes in working capital:  |              |            |               |             |
| Adjustments for (increase) / decrease in operating assets:   |              |            |               |             |
| Inventories  | (10,424.27)  |            | 7,353.24      |             |
| Trade receivables  | (31,464.71)  |            | (44,805.56)   |             |
| Loans and advances   | (11,997.60)  |            | (5,660.29)    |             |
| Other current assets   | 128.80       |            | (19,196.26)   |             |
| Other non-current assets   | 92.78        |            | 1,834.29      |             |
|  | (53,665.00)  |            | (60,474.58)   |             |
| Adjustments for increase / (decrease) in operating liabilities:  |              |            |               |             |
| Trade payables and Other current liabilities   | 67,217.84    |            | 36,640.56     |             |
| Provisions   | 2,108.47     |            | 550.54        |             |
|  | 69,326.31    |            | 37,191.10     |             |
|  |              | 15,661.31  |               | (23,283.48) |
| Cash Generated From Operations   |              | 64,129.63  |               | 23,761.35   |
| Direct Taxes Paid (net of refund of taxes)   |              | (9,229.88) |               | (6,783.97)  |
| <b>Net Cash Flow From Operating Activities (A)</b>   |              | 54,899.75  |               | 16,977.38   |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>  |              |            |               |             |
| Capital expenditure on fixed assets [after adjustment of increase/decrease in capital work-in-progress and advances for capital expenditure] | (12,286.23)  |            | (8,156.69)    |             |
| Proceeds from sale of fixed assets   | 7,355.75     |            | 303.92        |             |
| Acquisition of subsidiaries  | -            |            | (43,909.33)   |             |
| Interest received  | 691.73       |            | 650.14        |             |
| Purchase of current investments in mutual funds  | (11,000.00)  |            | -             |             |
| Proceeds from redemption of current investments in mutual funds  | 11,113.70    |            | -             |             |
| Bank balances (including non-current) not considered as cash and cash equivalents (net)  | 61.40        |            | (142.90)      |             |
|  |              | (4,063.65) |               | (51,254.86) |
| <b>Net Cash Flow Used In Investing Activities (B)</b>  |              | (4,063.65) |               | (51,254.86) |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>  |              |            |               |             |
| Proceeds from other than short-term borrowings   | 9,650.25     |            | 51,471.60     |             |
| Repayment of other than short-term borrowings  | (10,007.48)  |            | (14,857.18)   |             |
| Net increase / (decrease) in short-term borrowings   | (25,761.24)  |            | 17,641.90     |             |

## Consolidated Cash Flow Statement for the year ended March 31, 2012 (Contd.)

| Particulars   | Current Year |                  | Previous Year |                  |
|---|--------------|------------------|---------------|------------------|
|   | ₹ in lacs    | ₹ in lacs        | ₹ in lacs     | ₹ in lacs        |
| Finance costs [Including interest capitalised ₹ 319.06 lacs (Previous Year ₹ 90.90 lacs)]   | (16,290.68)  |                  | (11,142.65)   |                  |
| Dividend paid (including tax on distributed profit)   | (3,550.61)   |                  | (3,544.02)    |                  |
|   |              | (45,959.76)      |               | 39,569.65        |
| <b>Net Cash Flow From / (Used In) Financing Activities (C)</b>  |              | (45,959.76)      |               | 39,569.65        |
| <b>Net Increase In Cash And Cash Equivalents (A+B+C)</b>  |              | 4,876.34         |               | 5,292.17         |
| Cash and cash equivalents at the beginning of the year  |              | 14,604.40        |               | 5,605.13         |
| Add : Cash and bank balances taken over on acquisition of subsidiaries  |              | 70.65            |               | 3,707.39         |
| Effect of exchange differences on restatement of foreign currency cash and cash equivalents   |              | 2.22             |               | (0.29)           |
| <b>Cash And Cash Equivalents At The End Of The Year</b>   |              | <b>19,553.61</b> |               | <b>14,604.40</b> |
| <b>Reconciliation Of Cash And Cash Equivalents With The Balance Sheet:</b>  |              |                  |               |                  |
| Cash and cash equivalents as per Balance Sheet (Refer Note 16)  |              | 20,290.68        |               | 15,398.50        |
| Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements - Balances with banks held as margin money or security against the borrowings, guarantees and other commitments |              | 737.07           |               | 794.10           |
| <b>Cash and cash equivalents at the end of the year (as defined in AS 3 Cash Flow Statements) included in Note 16 [Refer Footnote (ii)]</b>   |              | <b>19,553.61</b> |               | <b>14,604.40</b> |
| <b>Footnotes:</b>   |              |                  |               |                  |
| (i) The consolidated cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 - Cash Flow Statements.  |              |                  |               |                  |
| (ii) Cash and cash equivalents at the end of the year comprises:  |              |                  |               |                  |
| (a) Cash on hand  |              | 257.75           |               | 317.04           |
| (b) Cheques on hand   |              | 4.68             |               | 219.26           |
| (c) Balances with banks   |              |                  |               |                  |
| (i) In current accounts   |              | 17,881.16        |               | 13,644.68        |
| (ii) In deposit accounts  |              | 628.20           |               | 262.65           |
| (iii) In earmarked accounts - Unpaid dividend accounts  |              | 163.72           |               | 128.79           |
| (d) Remittances in transit  |              | 618.10           |               | 31.98            |
|   |              | <b>19,553.61</b> |               | <b>14,604.40</b> |

(iii) Previous year's figures have been regrouped to conform with those of the current year.

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**U. M. NEOGI**  
Partner

For and on behalf of the Board

**H. V. GOENKA**  
Chairman

**VARDHAN DHARKAR**  
Chief Financial Officer

**R. D. CHANDAK**  
Managing Director

**CH. V. JAGANNADHA RAO**  
Company Secretary

**A. T. VASWANI**  
Director

Place : Mumbai  
Date : May 03, 2012

Place : Mumbai  
Date : May 03, 2012

# Auditors' Report

## AUDITORS' REPORT TO THE MEMBERS OF KEC INTERNATIONAL LIMITED

1. We have audited the attached Balance Sheet of KEC INTERNATIONAL LIMITED ("the Company") as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto, in which are incorporated the returns for the year ended on that date audited by other auditors from the Company's overseas branches at Afghanistan, Algeria, Bangladesh, Egypt, Ethiopia, Georgia, Ghana, Kazakhstan, Kenya, Lebanon, Libya, Malaysia, Nepal, Nigeria, Oman, Philippines, South Africa, Sri Lanka, Tajikistan, Tunisia, United Arab Emirates. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our report attention is invited to Note 43 to the Financial Statements. As stated in the Note the Company has made provision for commission to non-executive directors of ₹ 880 lacs which exceeds 1% of the net profits computed under Section 349 of the Companies Act, 1956 by ₹ 695.18 lacs which is subject to approval of the Central Government.
4. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comment in the paragraph 3 above and Annexure referred to in paragraph 4 above, we report that:
  - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the Company's overseas branches at Afghanistan, Algeria, Bangladesh, Egypt, Ethiopia, Georgia, Ghana, Kazakhstan, Kenya, Lebanon, Libya, Malaysia, Nepal, Nigeria, Oman, Philippines, South Africa, Sri Lanka, Tajikistan, Tunisia and United Arab Emirates audited by other auditors;
  - (iii) the reports on the accounts of the Company's overseas branches at Afghanistan, Algeria, Bangladesh, Egypt, Ethiopia, Georgia, Ghana, Kazakhstan, Kenya, Lebanon, Libya, Malaysia, Nepal, Nigeria, Oman, Philippines, South Africa, Sri Lanka, Tajikistan, Tunisia and United Arab Emirates, audited by the auditors have been forwarded to us and have been dealt with by us in preparing this report;
  - (iv) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the audited Branch Returns;
  - (v) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
    - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on March 31, 2012 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.117365W)

**U. M. NEOGI**  
Partner

(Membership No.30235)

Place : Mumbai

Date : May 03, 2012

Corporate Overview

Performance Highlights

Business Verticals

CSR and Awards

Statutory Reports

Financials

## Annexure to the Auditors' Report

(Referred to in paragraph 4 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clauses (iii), (v), (vi), (x), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of paragraph 4 of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regards to the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control system.
- (v) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (vi) We have broadly reviewed the cost records maintained by the Company pursuant to the Rules made by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax/Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.
  - (c) Details of dues of Income-tax, Sales Tax/Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2012 on account of disputes are given below:

| Statute                         | Nature of Dues                   | Forum where Dispute is pending  | Relating to various years comprise in the period | Amount involved (₹ in lacs) |
|---------------------------------|----------------------------------|---|--|-----------------------------|
| Sales Tax/Value Added Tax, Acts | Tax/Penalty/Interest             | Assistant Commissioner/<br>Joint Commissioner/<br>Deputy Commissioner/<br>Additional Commissioner<br>(Appeal) | 1995-1996 to<br>2009-2010                        | 2,016.39                    |
|                                 | Tax/Penalty/Interest             | Rajasthan Tax Board,<br>Ajmer   | 1994-1995 to<br>1997-1998                        | 46.68                       |
|                                 | Tax/Interest                     | Appellate Tribunal  | 1989-1990 to<br>2004-2005                        | 157.10                      |
| The Central Excise Act, 1944    | Duty/Penalty/<br>Interest        | Customs Excise and<br>Service Tax Tribunal  | 1994-1995 to<br>2010-2011                        | 1,337.29                    |
|                                 | Duty/Penalty/<br>Interest        | Additional<br>Commissioner/<br>Commissioner (Appeals)   | 1994-1995 to<br>2010-2011                        | 246.05                      |
|                                 | Interest on<br>Differential Duty | High Court  | 2001-2002 to<br>2005-2006                        | 61.76                       |
| The Finance Act, 1994           | Service Tax                      | Commissioner  | 2002-2003 to<br>2009-2010                        | 16.46                       |
| The Customs Act, 1962           | Custom Duty                      | Commissioner of<br>Customs (Appeals)  | 1995-1996  | 60.14                       |
| The Income Tax Act, 1961        | Tax/Interest                     | Commissioner of<br>Income Tax (Appeals)   | A.Y. 2008-2009                                   | 244.32                      |

For the above purpose only statutory dues payable in India have been considered.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
- (ix) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by its wholly owned subsidiaries from banks are not *prima facie* prejudicial to the interests of the Company.
- (x) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.117365W)

**U. M. NEOGI**  
Partner

(Membership No.30235)

Place : Mumbai  
Date : May 03, 2012

## Balance Sheet as at March 31, 2012

| Particulars                        | Note No. | Current Year |                    | Previous Year |                    |
|------------------------------------|----------|--------------|--------------------|---------------|--------------------|
|                                    |          | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>I. EQUITY AND LIABILITIES</b>   |          |              |                    |               |                    |
| (1) Shareholders' funds            |          |              |                    |               |                    |
| (a) Share capital                  | 2        | 5,141.77     |                    | 5,141.77      |                    |
| (b) Reserves and surplus           | 3        | 94,784.34    |                    | 81,359.22     |                    |
|                                    |          |              | 99,926.11          |               | 86,500.99          |
| (2) Non-current liabilities        |          |              |                    |               |                    |
| (a) Long-term borrowings           | 4        | 27,702.53    |                    | 26,909.80     |                    |
| (b) Deferred tax liabilities (Net) | 38       | 6,661.20     |                    | 5,795.05      |                    |
| (c) Other Long-term liabilities    | 5        | 1,000.00     |                    | 1,000.00      |                    |
| (d) Long-term provisions           | 6        | 1,705.26     |                    | 981.30        |                    |
|                                    |          |              | 37,068.99          |               | 34,686.15          |
| (3) Current liabilities            |          |              |                    |               |                    |
| (a) Short-term borrowings          | 7        | 32,463.58    |                    | 58,831.44     |                    |
| (b) Trade payables                 | 8        | 1,88,133.23  |                    | 1,55,483.46   |                    |
| (c) Other current liabilities      | 9        | 89,363.25    |                    | 61,087.21     |                    |
| (d) Short-term provisions          | 10       | 7,805.00     |                    | 5,759.00      |                    |
|                                    |          |              | 3,17,765.06        |               | 2,81,161.11        |
| <b>Total</b>                       |          |              | <b>4,54,760.16</b> |               | <b>4,02,348.25</b> |
| <b>II. ASSETS</b>                  |          |              |                    |               |                    |
| (1) Non current assets             |          |              |                    |               |                    |
| (a) Fixed assets                   |          |              |                    |               |                    |
| (i) Tangible assets                | 11       | 53,947.42    |                    | 52,839.01     |                    |
| (ii) Intangible assets             | 11       | 15,983.91    |                    | 17,333.88     |                    |
| (iii) Capital work-in-progress     | 11       | 10,768.61    |                    | 1,934.32      |                    |
|                                    |          |              | 80,699.94          |               | 72,107.21          |
| (b) Non-current investments        | 12       | 621.13       |                    | 536.49        |                    |
| (c) Long-term loans and advances   | 13       | 11,776.96    |                    | 10,634.44     |                    |
| (d) Other non-current assets       | 14       | 6,723.30     |                    | 6,423.89      |                    |
|                                    |          |              | 99,821.33          |               | 89,702.03          |
| (2) Current assets                 |          |              |                    |               |                    |
| (a) Inventories                    | 15       | 31,801.53    |                    | 21,288.39     |                    |
| (b) Trade receivables              | 16       | 2,21,424.18  |                    | 2,04,408.59   |                    |
| (c) Cash and cash equivalents      | 17       | 9,412.85     |                    | 5,961.44      |                    |
| (d) Short-term loans and advances  | 18       | 36,726.70    |                    | 29,392.02     |                    |
| (e) Other current assets           | 19       | 55,573.57    |                    | 51,595.78     |                    |
|                                    |          |              | 3,54,938.83        |               | 3,12,646.22        |
| <b>Total</b>                       |          |              | <b>4,54,760.16</b> |               | <b>4,02,348.25</b> |

See accompanying notes forming part of the financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**U. M. NEOGI**  
Partner

For and on behalf of the Board

**H. V. GOENKA**  
Chairman

**VARDHAN DHARKAR**  
Chief Financial Officer

**R. D. CHANDAK**  
Managing Director

**CH. V. JAGANNADHA RAO**  
Company Secretary

**A. T. VASWANI**  
Director

Place : Mumbai  
Date : May 03, 2012

Place : Mumbai  
Date : May 03, 2012

## Statement of Profit and Loss for the year ended March 31, 2012

| Particulars   | Note No.    | Current Year |                    | Previous Year |                    |
|---|-------------|--------------|--------------------|---------------|--------------------|
|   |             | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>I. REVENUE FROM OPERATIONS (GROSS)</b>   |             | 4,70,729.77  |                    | 4,05,979.22   |                    |
| Less: Excise duty   |             | 10,296.39    |                    | 9,467.49      |                    |
| Revenue from operations (Net)   | 20          |              | 4,60,433.38        |               | 3,96,511.73        |
| <b>II. Other income</b>   | 21          |              | 8,513.30           |               | 419.14             |
| <b>III. Total Revenue (I+II)</b>  |             |              | <b>4,68,946.68</b> |               | <b>3,96,930.87</b> |
| <b>IV. EXPENSES</b>   |             |              |                    |               |                    |
| Cost of materials consumed  | 22          |              | 2,50,993.19        |               | 2,02,762.05        |
| Changes in inventories of finished goods,<br>work-in-progress and scrap   | 23          |              | (1,830.03)         |               | 998.33             |
| Erection & subcontracting expenses  | 24          |              | 1,08,260.98        |               | 91,677.61          |
| Employee benefits expense   | 25          |              | 24,179.22          |               | 20,028.20          |
| Finance costs   | 26          |              | 13,370.66          |               | 10,529.71          |
| Depreciation and amortisation expense (net)   | 1(E)(ii)(a) |              | 3,604.85           |               | 3,449.10           |
| Other expenses  | 27          |              | 44,788.50          |               | 42,757.51          |
| <b>Total expenses</b>   |             |              | <b>4,43,367.37</b> |               | <b>3,72,202.51</b> |
| <b>V. PROFIT BEFORE EXCEPTIONAL ITEMS<br/>AND TAX (III - IV)</b>  |             |              | 25,579.31          |               | 24,728.36          |
| <b>VI. Exceptional items - VRS Expenditure</b>  |             |              | 97.83              |               | 849.00             |
| <b>VII. PROFIT BEFORE TAX (V-VI)</b>  |             |              | <b>25,481.48</b>   |               | <b>23,879.36</b>   |
| <b>VIII. Tax expenses :</b>   |             |              |                    |               |                    |
| Current Tax [including foreign taxes of<br>₹ 1,879.44 lacs (net of write back of provision<br>pertaining to previous year ₹ 535.69 lacs)<br>{Previous Year ₹ 2,364.48 lacs which includes<br>₹ 838 lacs pertaining to earlier years}] |             |              | 6,431.46           |               | 7,986.35           |
| Deferred Tax  |             |              | 866.15             |               | 1,184.00           |
|   |             |              | 7,297.61           |               | 9,170.35           |
| <b>IX. PROFIT FOR THE YEAR (VII-VIII)</b>   |             |              | <b>18,183.87</b>   |               | <b>14,709.01</b>   |
|   |             |              | ₹                  |               | ₹                  |
| <b>X. Earnings per equity share (of ₹ 2 each)</b>   | 37          |              |                    |               |                    |
| (1) Basic   |             |              | 7.07               |               | 5.72               |
| (2) Diluted   |             |              | 7.07               |               | 5.72               |

See accompanying notes forming part of the financial statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**U. M. NEOGI**  
Partner

**VARDHAN DHARKAR**  
Chief Financial Officer

**CH. V. JAGANNADHA RAO**  
Company Secretary

Place : Mumbai  
Date : May 03, 2012

Place : Mumbai  
Date : May 03, 2012

For and on behalf of the Board

**H. V. GOENKA**  
Chairman

**R. D. CHANDAK**  
Managing Director

**A. T. VASWANI**  
Director

## Notes forming part of the financial statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of preparation of Financial Statements:

The Financial Statements have been prepared on historical cost convention. The Company follows the accrual basis of accounting. The Financial Statements are prepared in accordance with the accounting standards specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government in terms of Section 211(3C) of the Companies Act, 1956.

#### B. Revenue Recognition:

- i. Sales of Products and Services are recognised on delivery. Sales and services exclude sales tax/value added tax and service tax charged to the customers.
- ii. Revenue from turnkey contracts is recognised based on the stage of completion determined with reference to the costs incurred on contracts and their estimated total costs.

When it is probable that the total contract cost will exceed total contract revenue, expected loss is recognised as an expense immediately. Total contract cost is determined based on technical and other assessment of cost to be incurred. Liquidated damages/penalties are accounted as per the contract terms wherever there is a delayed delivery attributable to the Company.

- iii. Revenue from turnkey contracts awarded to Jointly Controlled Entity at Saudi Arabia but executed by the Company under the arrangement with the Joint Venture Partner [being in substance in the nature of Jointly Controlled Operations, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures"], is recognised on the same basis as similar turnkey contracts independently executed by the Company.
- iv. Share in profit/loss of the projects undertaken by the jointly controlled entities, is accounted on its appropriation to the venturers as per the terms of the respective joint venture contracts.
- v. Subsidy is accounted on accrual basis.
- vi. Dividend income is accounted as and when the right to receive the same is established.
- vii. Interest income is accounted on time proportion basis.

#### C. Inventories:

- i. Raw materials, work-in-progress, finished goods and stores and erection materials are valued at the lower of cost and net realisable value (NRV). Cost of purchased materials is determined on the weighted average basis. Cost of Tools and Dies is amortised over its estimated useful life. Scrap is valued at net realisable value.
- ii. Cost of work-in-progress and finished goods includes material cost, labour cost, and manufacturing overheads absorbed on the basis of normal capacity of production.

#### D. Fixed Assets:

Fixed assets are stated at cost of acquisition or construction net of impairment loss, if any, less accumulated depreciation/amortisation. Cost comprises of purchase/acquisition price, non-refundable taxes and any directly attributed cost of bringing the asset to its working condition for its intended use. Financing cost on borrowings for acquisition or construction of qualifying fixed assets, for the period upto the date of acquisition of fixed assets or when the assets are ready to be put in use/the date of commencement of commercial production, is included in the cost of fixed assets. Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, is recognised.

#### E. Depreciation/Amortisation:

##### i. Tangible Assets:

- a) Leasehold land is amortised over the remaining period of the lease.
- b) Cost of buildings of semi-permanent nature is amortised over 3 years.

## Notes forming part of the financial statements

- c) Depreciation on other tangible fixed assets is provided on straight line method at the rates so as to reduce them to their estimated salvage value at the end of their useful lives or at the rates prescribed in Schedule XIV to the Companies Act, 1956, whichever is higher.

The estimated useful lives of assets which are different from the principal rates specified in Schedule XIV to the Companies Act, 1956, are as follows:

Plant and Equipment/Office Equipment – 1 to 19 years, Furniture and Fixtures – 10 years, Vehicles – 7 years and Computers – 4 years.

### ii. Intangible Assets:

- a) Brand is amortised over twenty years being the useful life certified by the independent valuer.

In terms of the Scheme of Arrangement sanctioned in the the year 2007-08, out of the balance in 'Reserve for Amortisation of Brand Account' an amount equal to annual amortisation of brand is credited to the Statement of Profit and Loss each year so that overall depreciation and amortisation gets reduced to that extent. Accordingly, ₹ 1,200 lacs being the amortisation of brand during the year (previous year ₹ 1,200 lacs) has been credited to the Statement of Profit and Loss by netting it with Depreciation and Amortisation expense.

- b) Computer softwares are amortised on straight line method over the estimated useful life ranging between 4-6 years.

### F. Investments:

Long-term investments are stated at cost. Provision is made for diminution, other than temporary, in the value of investments.

- G. Trade receivables as at the year end under the contracts are disclosed net of advances relating to the respective contracts received and outstanding at the year end.

### H. Foreign Currency Transactions:

#### i. Foreign branches (Integral)

- a) Fixed assets are translated at the rates on the date of purchase/acquisition of assets and inventories are translated at the rates that existed when costs were incurred.
- b) All foreign currency monetary items outstanding at the year end are translated at the year end exchange rates. Income and expenses are translated at average rates of exchange and depreciation and amortisation is translated at the rates referred to in (i) (a) above for fixed assets.
- c) The resulting exchange gains and losses are recognised in the Statement of Profit and Loss.

#### ii. Jointly Controlled Operations (Non Integral)

Assets and liabilities, both monetary and non monetary are translated at the year end exchange rates, income and expense items are translated at the average rate of exchange and all resulting exchange differences are accumulated in a Foreign Currency Translation Reserve.

#### iii. Other foreign currency transactions:

- a) Foreign currency transactions during the year are recorded at the rates of exchange prevailing at the date of transaction. Exchange gains or losses realised and arising due to translation of the foreign currency monetary items outstanding at the year end are accounted in the Statement of Profit and Loss.

## Notes forming part of the financial statements

**b) Forward Exchange Contracts:**

In case of transactions covered by forward exchange contracts, which are not intended for trading or speculation purposes, premium or discounts are amortised as expense or income over the life of the contract.

Exchange differences on such contracts are recognised in the Statement of Profit and Loss in the year in which the exchange rate changes.

Profit or loss arising on cancellation or renewal of such forward exchange contracts are recognised as income or as expense for the year.

**I. Excise duty payable is accounted on production of finished goods.**

**J. Employee Benefits:**

**i. Defined Contribution Plans:**

The Company's contributions to the Provident Fund and the Superannuation Fund are charged to the Statement of Profit and Loss.

**ii. Defined Benefit Plan/Long Term Compensated Absences:**

The Company's liability towards gratuity and compensated absences is determined on the basis of year end actuarial valuation done by an independent actuary. The actuarial gains or losses determined by the actuary are recognised in the Statement of Profit and Loss as income or expense.

**K. Taxation:**

Current tax is determined as the amount of tax payable in respect of estimated taxable income for the period.

Deferred tax is calculated at current statutory income tax rate and is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised on unabsorbed depreciation and carry forward of the losses only to the extent that there are timing differences, the reversal of which will result in sufficient income or there is virtual certainty that sufficient taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

Minimum Alternative Tax (MAT) credit asset is recognised only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. The carrying amount of MAT credit asset is reviewed at each Balance Sheet date.

**L. Debts and loans and advances identified as doubtful of recovery are provided for.**

**M. Contingencies/Provisions :**

Provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect

## Notes forming part of the financial statements

of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimates of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

### N. Uses of Estimates:

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

### O. Derivative Contracts

The Company enters into derivative contracts in the nature of full currency swaps, interest rate swaps, currency options, forward contracts and commodity hedges with an intention to hedge its existing assets, liabilities, raw material requirements and firm commitments. Derivative contracts which are closely linked to the underlying transactions are recognised in accordance with the contract terms. All contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised on grounds of prudence.

### P. Operating Cycle

Assets and liabilities other than those relating to long-term contracts (i.e. supply or turnkey contracts) are classified as current if it is expected to realise or settle within 12 months after the balance sheet date.

In case of long-term contracts, the time between acquisition of assets for processing and realisation of the entire proceeds under the contracts in cash or cash equivalent exceeds one year. Accordingly for classification of assets and liabilities related to such contracts as current, duration of each contract is considered as its operating cycle.

### Q. Basis of Incorporation of integral foreign operations:

Figures in respect of the Company's overseas branches in Afghanistan, Algeria, Bangladesh, Egypt, Ethiopia, Georgia, Ghana, Kazakhstan, Kenya, Lebanon, Libya, Malaysia, Nepal, Nigeria, Oman, Philippines, South Africa, Sri Lanka, Tajikistan, Tunisia and United Arab Emirates have been incorporated on the basis of Financial Statements audited by the auditors of the respective branches. Further, in respect of overseas branches in Bhutan, Cameroon, Kuwait, Mali and Namibia the accounts have been prepared and audited in India.

## Notes forming part of the financial statements

|                                       |  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|---------------------------------------|--|---------------------------|----------------------------|
| <b>2 - Share capital</b>              |  |                           |                            |
| <b>Authorised:</b>                    |  |                           |                            |
| <b>Equity Shares:</b>                 |  |                           |                            |
| 300,000,000                           | Equity Shares of ₹ 2 each                  | 6,000.00                  | 6,000.00                   |
| 50,000,000                            | Equity Shares of ₹ 10 each                 | 5,000.00                  | 5,000.00                   |
| <b>Preference Shares:</b>             |  |                           |                            |
| 1,500,000                             | Redeemable Preference Shares of ₹ 100 each | 1,500.00                  | 1,500.00                   |
|                                       |  | 12,500.00                 | 12,500.00                  |
| <b>Issued, Subscribed and Paid-up</b> |  |                           |                            |
| <b>Equity Shares:</b>                 |  |                           |                            |
| 257,088,370                           | Equity Shares of ₹ 2 each fully paid up    | 5,141.77                  | 5,141.77                   |
|                                       |  | 5,141.77                  | 5,141.77                   |

### 2.1 Reconciliation of number of Equity Shares and amount outstanding at the beginning and at the end of the year

|   | Current Year |           | Previous Year |           |
|---|--------------|-----------|---------------|-----------|
|   | Nos.         | ₹ in lacs | Nos.          | ₹ in lacs |
| <b>Equity Shares:</b>   |              |           |               |           |
| Outstanding at the beginning of the year<br>(#Face Value ₹ 10 each)   | 2,57,088,370 | 5,141.77  | #49,344,606   | 4,934.46  |
| Add : a) Shares allotted pursuant to the Scheme of Amalgamation to the shareholders of the erstwhile RPG Cables Limited (#Face Value ₹ 10 each) | -            | -         | #2,073,068    | 207.31    |
| b) Incremental number of shares due to split/sub-division of face value from ₹ 10 per share to ₹ 2 per share                                    | -            | -         | 205,670,696   | -         |
| Outstanding as at the end of the year   | 2,57,088,370 | 5,141.77  | 2,57,088,370  | 5,141.77  |

### 2.2 Shareholders holding more than 5% Equity Shares in the Company as at the end of the year

| Sr No. | Name of the shareholder   | Current Year        |                           | Previous Year       |                           |
|--------|---|---------------------|---------------------------|---------------------|---------------------------|
|        |   | Nos. of Shares Held | Percentage of shares held | Nos. of Shares Held | Percentage of shares held |
| 1      | Swallow Associates Limited @  | 6,42,86,025         | 25.01                     | -                   | -                         |
| 2      | RPG Cellular Investments And Holdings Private Limited* @                                  | -                   | -                         | 5,17,10,600         | 20.11                     |
| 3      | Summit Securities Limited*  | 2,49,92,520         | 9.72                      | 2,48,45,020         | 9.66                      |
| 4      | HDFC Trustee Company Limited A/c HDFC Balanced Fund (AAATH1809A)                          | 2,32,82,899         | 9.06                      | 3,02,500            | 0.12                      |
| 5      | Life Insurance Corporation of India (AAACL0582H)  | 1,52,13,235         | 5.92                      | 1,02,85,225         | 4.00                      |
| 6      | Instant Holdings Limited*   | 1,34,40,425         | 5.23                      | 1,33,88,425         | 5.21                      |
| 7      | Reliance Capital Trustee Co. Ltd. A/c Reliance Diversified Power Sector Fund (AAATR0090B) | 1,31,68,280         | 5.12                      | 91,68,280           | 3.57                      |

\*Shares held in Multiple Folios have been combined.

@ With effect from March 27, 2012 the shareholders of the Company RPG Cellular Investments And Holdings Private Limited (holding 5,27,18,360 shares, equivalent to 20.51%), Petrochem International Limited, South Asia Electricity Holdings Limited and Blue Niles Holdings Limited pursuant to the Scheme of Amalgamation merged with Swallow Associates Limited, however transfer of their shareholding in favour of Swallow Associates Limited pursuant to the said Scheme is pending as at March 31, 2012

## Notes forming part of the financial statements

**2.3** 6,86,59,100 Equity Shares of ₹ 2 each were allotted as fully paid up pursuant to contracts without payment being received in cash, during the period of five years immediately preceding the balance sheet date. Out of these shares :

(i) 5,82,90,010 Equity Shares of ₹ 2 each allotted in 2007-08 to the shareholders of the erstwhile RPG Transmission Limited (RPGT) and the erstwhile National Information Technologies Limited pursuant to the Scheme of Arrangement.

3,750 fully paid up Equity Shares of ₹ 2 each were allotted to a trustee against 1,688 equity shares of RPGT, where rights were kept in abeyance under section 206A(b) of the Companies Act, 1956 by RPGT. On settlement of the relevant court cases/issues, the Equity Shares issued to the trustee will be transferred.

(ii) 1,03,65,340 Equity Shares of ₹ 2 each allotted in 2010-11 to the shareholders of the erstwhile RPG Cables Limited (RPGCL) pursuant to the Scheme of Amalgamation.

**2.4** The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

|   | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|---|---------------------------|----------------------------|
| <b>3 - Reserves and surplus</b>   |                           |                            |
| <b>(a) Capital Reserve</b>  |                           |                            |
| Balance as per last Balance Sheet   | 8,497.87                  | 8,497.87                   |
| <b>(b) Capital Redemption Reserve</b>   |                           |                            |
| Balance as per last Balance Sheet   | 1,427.95                  | 1,427.95                   |
| <b>(c) Securities Premium Account</b>   |                           |                            |
| Balance as per last Balance Sheet   | 8,674.89                  | 8,674.89                   |
| <b>(d) Reserve for Amortisation of Brand Account [Note 1(E)(ii)(a)]</b>   |                           |                            |
| Balance as per last Balance Sheet   | 3,757.00                  | 4,957.00                   |
| Less : Transferred to Statement of Profit and Loss  | 1,200.00                  | 1,200.00                   |
|   | 2,557.00                  | 3,757.00                   |
| <b>(e) Foreign Currency Translation Reserve [Note 1(H)(ii)]</b>   |                           |                            |
| Balance as per last Balance Sheet   | 0.58                      | 192.44                     |
| Add: Credited/(Debited) during the year on translation of financial statements of Non Integral jointly controlled operation | 26.78                     | (191.86)                   |
|   | 27.36                     | 0.58                       |
| <b>(f) General Reserve</b>  |                           |                            |
| Balance as per last Balance Sheet   | 7,071.99                  | 5,601.09                   |
| Add : Transferred from surplus in Statement of Profit and Loss  | 1,818.39                  | 1,470.90                   |
|   | 8,890.38                  | 7,071.99                   |
| <b>(g) Surplus in Statement of Profit and Loss</b>  |                           |                            |
| Opening Balance   | 51,928.94                 | 42,264.45                  |
| Add : Profit for the year   | 18,183.87                 | 14,709.01                  |
| Less : Transferred to General Reserve   | 1,818.39                  | 1,470.90                   |
| Less : Proposed Dividend on Equity Shares   | 3,085.06                  | 3,085.06                   |
| Less : Tax on distributed profits (*Net of write back of excess provision of ₹ 11.92 lacs pertaining to an earlier year)    | 500.47                    | *488.56                    |
|   | 64,708.89                 | 51,928.94                  |
|   | <b>94,784.34</b>          | <b>81,359.22</b>           |

## Notes forming part of the financial statements

|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|--|---------------------------|----------------------------|
| <b>4 - LONG - TERM BORROWINGS</b>                          |                           |                            |
| <b>Term loans</b>  |                           |                            |
| <b>(a) From banks</b>                                      |                           |                            |
| Secured  | 24,502.82                 | 28,852.71                  |
| Less : Current maturities of long-term debt (Refer Note 9) | (6,155.18)                | (3,950.05)                 |
|  | 18,347.64                 | 24,902.66                  |
| <b>(b) From other parties</b>                              |                           |                            |
| Secured  | 10,907.14                 | 2,010.39                   |
| Less : Current maturities of long-term debt (Refer Note 9) | (1,552.25)                | (3.25)                     |
|  | 9,354.89                  | 2,007.14                   |
|  | <b>27,702.53</b>          | <b>26,909.80</b>           |

### 4.1 Term loans from banks :

- (a) ₹ 8,395.50 lacs (Previous Year ₹ 8,395.50 lacs) secured by first charge on movable assets of Telecom Division including Telecom Towers, both present and future. The term loan is repayable in 12 equal quarterly installments commencing from April 24, 2013 and carries interest rate of 7.25% p.a.
- (b) ₹ 9,167.00 lacs (Previous Year ₹ 10,000.00 lacs) secured by way of first charge on fixed assets situated at Thane and Mysore. The term loan is repayable in remaining 11 equal quarterly installments by December 09, 2014 and the present interest rate is 12.25 % p.a.
- (c) ₹ 2,940.00 lacs (Previous Year ₹ 4,400.00 lacs) secured by way of first charge on land, building and plant and machinery situated at Jaipur. The term loan is repayable in remaining 7 equal quarterly installments by December 31, 2013 and carries interest rate of 10.25% p.a.
- (d) ₹ 4,000.00 lacs (Previous Year ₹ 4,000.00 lacs) secured by first charge on movable fixed assets i.e. construction equipment pertaining to the Transmission, Distribution and Railway business situated at various project sites in India, both present and future. The term loan is repayable in 14 equal quarterly installments commencing from June 27, 2012 and the present interest rate is 10.75% p.a.
- (e) ₹ 0.32 lacs (Previous Year ₹ 3.77 lacs) secured by hypothecation of vehicles. The term loans are repayable in remaining 1 installment by April 2012 and carry interest rate of 14.22 % p.a.
- (f) ₹ NIL (Previous Year ₹ 1,161.80 lacs) secured by hypothecation of whole of movables (save and except current assets of the Company including book debts) [excluding those covered under (a) above] and equitable mortgage of the Company's immovable properties at the Company's factory at Butibori, Nagpur and subject to prior charge referred to in Note 7.1 (a) on movable assets.
- (g) ₹ NIL (Previous Year ₹ 891.64 lacs) secured by (i) hypothecation of whole movables (save and except current assets of the Company including book debts) at Jabalpur and Gurgaon, subject to prior charge in respect of loans referred to in Note 7.1 (a), (ii) hypothecation of whole of movables at Coimbatore and (iii) equitable mortgage of the Company's certain immovable properties at Jabalpur and Coimbatore.

### 4.2 Term loans from other parties :

- (a) ₹ 3,500.00 lacs (Previous Year ₹ 2,000.00 lacs) secured by first charge over the fixed assets pertaining to Tower Testing Station situated at Butibori, Nagpur both present and future. The term loan is repayable in 12 equal quarterly instalments commencing from December 09, 2012. The term loan of ₹ 2,000.00 lacs and ₹ 1,500.00 lacs carry interest of 10% p.a. and 12.25% p.a. respectively.
- (b) ₹ 7.14 lacs (Previous Year ₹ 10.39 lacs) secured by hypothecation of vehicles. Out of these, the term loan of ₹ 2.44 lacs is repayable in remaining 17 equal monthly instalments by August 03, 2013, ₹ 1.34 lacs is repayable in remaining 17 equal monthly installments by August 09, 2013 and ₹ 3.36 lacs is repayable in remaining 33 equal monthly installments by December 11, 2014 and carry interest rate of 13.20 % p.a.

## Notes forming part of the financial statements

- (c) ₹ 7,400.00 lacs (Previous Year ₹ NIL) secured by exclusive first charge on the project assets including immovable properties at Cable factory, Baroda both present and future. The term loan is repayable in 23 equal quarterly installments commencing from September 23, 2012 and the present interest rate is 11.43% p.a.

|  | Current Year<br>₹ in lacs |                 | Previous Year<br>₹ in lacs |                 |
|--|---------------------------|-----------------|----------------------------|-----------------|
| <b>5 - OTHER LONG-TERM LIABILITIES</b> |                           |                 |                            |                 |
| Liability towards claims               |                           | 1,000.00        |                            | 1,000.00        |
|  |                           | <b>1,000.00</b> |                            | <b>1,000.00</b> |

|                                     | Current Year<br>₹ in lacs |                 | Previous Year<br>₹ in lacs |               |
|-------------------------------------|---------------------------|-----------------|----------------------------|---------------|
| <b>6 - LONG-TERM PROVISIONS</b>     |                           |                 |                            |               |
| (a) Provision for employee benefits |                           |                 |                            |               |
| - Compensated absences              |                           | 789.85          |                            | 677.70        |
| - Gratuity                          |                           | 96.54           |                            | -             |
|                                     |                           | 886.39          |                            | 677.70        |
| (b) Tax provisions less payments    |                           | 818.87          |                            | 303.60        |
|                                     |                           | <b>1,705.26</b> |                            | <b>981.30</b> |

|                                  | Current Year<br>₹ in lacs |                  | Previous Year<br>₹ in lacs |                  |
|----------------------------------|---------------------------|------------------|----------------------------|------------------|
| <b>7 - SHORT-TERM BORROWINGS</b> |                           |                  |                            |                  |
| <b>Secured</b>                   |                           |                  |                            |                  |
| (i) Loans repayable on demand    |                           |                  |                            |                  |
| -From banks                      |                           | 7,675.36         |                            | 29,951.41        |
| (ii) Other short term borrowings |                           |                  |                            |                  |
| -From banks                      |                           | 19,788.22        |                            | 25,880.03        |
| -From other parties              |                           | 5,000.00         |                            | 3,000.00         |
|                                  |                           | 24,788.22        |                            | 28,880.03        |
|                                  |                           | <b>32,463.58</b> |                            | <b>58,831.44</b> |

### 7.1 Loans repayable on demand from banks :

- (a) ₹ 5,640.56 lacs (Previous Year ₹ 27,774.88 lacs) secured by first charge by hypothecation of all the present and future current assets of the Company excluding those covered under Note 4.1 (a) and second charge on the Company's fixed assets situated at Jaipur, Jabalpur & Butibori factories. The present interest rates are in the range of 12% to 18% p.a.
- (b) ₹ 2,034.80 lacs (Previous Year ₹ 1,783.20 lacs) guaranteed by banks, which in turn is secured by security, stated against (a) above. The present interest rate is 3.50% p.a.
- (c) ₹ NIL (Previous Year ₹ 393.33 lacs) secured by assignment of certain overseas book debts.

### 7.2 Other short-term borrowings

#### (a) From Banks

- (i) ₹ 4,018.52 lacs (Previous Year ₹ 10,083.11 lacs) secured by security stated against Note 7.1 (a) above. The present interest rates are in the range of 4% to 10% p.a.
- (ii) ₹ 15,769.70 lacs (Previous Year ₹ 15,796.92 lacs) secured by security stated against Note 7.1 (b) above. The present interest rates are in the range of 3% to 4% p.a.

## Notes forming part of the financial statements

**(b) From other parties**

₹ 5,000.00 lacs (Previous Year ₹ 3,000.00 lacs) secured by security stated against Note 7.1 (a) above and carries interest rate of 11.25% p.a.

|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|--|---------------------------|----------------------------|
| <b>8 - TRADE PAYABLES</b>                              |                           |                            |
| Trade payables (including acceptances) (Refer Note 41) | 1,88,133.23               | 1,55,483.46                |
|  | <b>1,88,133.23</b>        | <b>1,55,483.46</b>         |

|   | Current Year<br>₹ in lacs |                  | Previous Year<br>₹ in lacs |                  |
|---|---------------------------|------------------|----------------------------|------------------|
| <b>9 - OTHER CURRENT LIABILITIES</b>  |                           |                  |                            |                  |
| (a) Current maturities of long-term debt (Refer Note 4)   |                           | 7,707.43         |                            | 3,953.30         |
| (b) Interest accrued but not due on borrowings  |                           | 478.92           |                            | 418.13           |
| (c) Advances from customers   |                           | 62,150.38        |                            | 40,606.67        |
| (d) Unpaid/unclaimed dividends #  |                           | 163.72           |                            | 128.79           |
| (e) Other payables  |                           |                  |                            |                  |
| - Statutory remittances (contribution to PF and ESIC, withholding tax, Excise Duty, VAT, Service Tax, etc.) | 6,184.91                  |                  | 5,256.14                   |                  |
| - Gross amount due to customers for long term contracts   | 5,524.69                  |                  | 8,415.90                   |                  |
| - Interest accrued on trade payables and customer advances  | 490.90                    |                  | 568.32                     |                  |
| - Payable on purchase of fixed assets   | 4,862.18                  |                  | 173.28                     |                  |
| - Mark to market loss on forward and commodity contracts  | 873.55                    |                  | 710.74                     |                  |
| - Directors' commission   | 792.00                    |                  | 792.00                     |                  |
| - Others  | 134.57                    |                  | 63.94                      |                  |
|   |                           | <b>18,862.80</b> |                            | <b>15,980.32</b> |
|   |                           | <b>89,363.25</b> |                            | <b>61,087.21</b> |

# The figures reflect the position as at year end. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due dates.

|  | Current Year<br>₹ in lacs |                 | Previous Year<br>₹ in lacs |                 |
|--|---------------------------|-----------------|----------------------------|-----------------|
| <b>10 - SHORT - TERM PROVISIONS</b>                  |                           |                 |                            |                 |
| (a) Provision for employee benefits                  |                           |                 |                            |                 |
| - Compensated absences                               | 150.00                    |                 | 116.49                     |                 |
| - Gratuity   | 150.90                    |                 | -                          |                 |
|  |                           | <b>300.90</b>   |                            | <b>116.49</b>   |
| (b) Provision - others :                             |                           |                 |                            |                 |
| - Proposed equity dividend                           | 3,085.06                  |                 | 3,085.06                   |                 |
| - Tax on distributed profits                         | 500.47                    |                 | 500.48                     |                 |
| - Tax provisions less payments                       | 215.56                    |                 | 68.78                      |                 |
| - Provision for expected loss on long term contracts | 3,703.01                  |                 | 1,988.19                   |                 |
|  |                           | <b>7,504.10</b> |                            | <b>5,642.51</b> |
|  |                           | <b>7,805.00</b> |                            | <b>5,759.00</b> |

## Notes forming part of the financial statements

| Description  | Gross Carrying Amount |                           |                            | Accumulated Depreciation/Amortisation |                  |                            | Net Carrying Amount  |                      |
|--|-----------------------|---------------------------|----------------------------|---------------------------------------|------------------|----------------------------|----------------------|----------------------|
|  | As at March 31, 2011  | Additions during the year | Deductions during the year | As at March 31, 2011                  | For the year     | Deductions during the year | As at March 31, 2012 | As at March 31, 2011 |
| <b>Tangible Assets</b>                                     |                       |                           |                            |                                       |                  |                            |                      |                      |
| (a) Land   |                       |                           |                            |                                       |                  |                            |                      |                      |
| - Freehold   | 11,479.94             | 1,429.26                  | 106.22                     | 12,802.98                             | -                | -                          | 12,802.98            | 11,479.94            |
| - Leasehold*   | 6,812.56              | -                         | 1,389.65                   | 5,422.91                              | 584.20           | 134.91                     | 4,874.85             | 6,228.36             |
| (b) Buildings  | 6,918.08              | 667.07                    | 53.90                      | 7,531.25                              | 1,567.83         | 275.23                     | 1,829.46             | 5,350.25             |
| (c) Plant and Equipment                                    | 35,257.21             | 4,013.34                  | 2,254.16                   | 37,016.39                             | 8,061.21         | 1,423.58                   | 9,147.55             | 27,196.00            |
| (d) Furniture and Fixture                                  | 907.82                | 79.29                     | 7.45                       | 979.66                                | 245.61           | 5.74                       | 335.16               | 644.50               |
| (e) Vehicles   | 1,804.50              | 353.60                    | 67.63                      | 2,090.47                              | 780.50           | 43.87                      | 935.84               | 1,154.63             |
| (f) Office Equipment                                       | 471.69                | 48.13                     | 25.35                      | 494.47                                | 131.78           | 11.76                      | 164.49               | 329.98               |
| (g) Computers  | 1,062.17              | 194.64                    | 9.84                       | 1,246.97                              | 503.83           | 181.65                     | 677.12               | 569.85               |
| <b>Sub - Total</b>   | <b>64,713.97</b>      | <b>6,785.33</b>           | <b>3,914.20</b>            | <b>67,585.10</b>                      | <b>3,404.54</b>  | <b>1,641.82</b>            | <b>13,637.68</b>     | <b>53,947.42</b>     |
| Previous Year (Tangible Assets)                            | 57,735.51             | 7,571.91                  | 593.45                     | 64,713.97                             | 8,915.61         | 299.70                     | 11,874.96            | 52,839.01            |
| <b>Intangible Assets (other than internally generated)</b> |                       |                           |                            |                                       |                  |                            |                      |                      |
| (a) Brand  | 24,000.00             | -                         | -                          | 24,000.00                             | 7,200.00         | 1,200.00                   | 8,400.00             | 15,600.00            |
| (b) Computer Softwares                                     | 851.14                | 50.34                     | -                          | 901.48                                | 317.26           | 200.31                     | 517.57               | 383.91               |
| <b>Sub - Total</b>   | <b>24,851.14</b>      | <b>50.34</b>              | <b>-</b>                   | <b>24,901.48</b>                      | <b>7,517.26</b>  | <b>1,400.31</b>            | <b>8,917.57</b>      | <b>15,983.91</b>     |
| Previous Year (Intangible Assets)                          | 25,178.51             | 41.43                     | 368.80                     | 24,851.14                             | 6,496.01         | 1,390.05                   | 7,517.26             | 17,333.88            |
| <b>Total</b>   | <b>89,565.11</b>      | <b>6,835.67</b>           | <b>3,914.20</b>            | <b>92,486.58</b>                      | <b>19,392.22</b> | <b>4,804.85</b>            | <b>22,555.25</b>     | <b>69,931.33</b>     |
| Previous Year (Total)                                      | 82,914.02             | 7,613.34                  | 962.25                     | 89,565.11                             | 15,411.62        | 4,649.10                   | 19,392.22            | 70,172.89            |
| <b>Capital work-in-progress (at cost)</b>                  |                       |                           |                            |                                       |                  |                            |                      |                      |
| <b>Grand Total</b>   |                       |                           |                            |                                       |                  |                            |                      |                      |
|  |                       |                           |                            |                                       |                  |                            |                      | <b>80,699.94</b>     |
|  |                       |                           |                            |                                       |                  |                            |                      | <b>72,107.21</b>     |

11.1 Leasehold land with structures thereon at Vashi (aggregate gross carrying amount and accumulated depreciation/amortisation as at March 31, 2011 ₹ 1,436.19 lacs and ₹ 130.17 lacs respectively) which was held for sale in the previous year, has been sold during the year.

11.2 The amount of interest capitalised during the year is ₹ 319.06 lacs (Previous Year ₹ 90.90 lacs).

\*11.3. A plot of leasehold land stated to measure 41 bighas and 1 biswas per deed dated January 17, 1968, was found short by 24 bighas and 18 biswas on actual measurements, for the possession of which the suit was filed on October 19, 1976 in the District Court against the vendors in occupation of the adjacent land. On dismissal of the suit, an appeal has been preferred in the Rajasthan High Court on December 07, 1998, against the order of the District Court.

## Notes forming part of the financial statements

|   | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|---|---------------------------|----------------------------|
| <b>12 - NON-CURRENT INVESTMENTS</b>   |                           |                            |
| Trade   |                           |                            |
| Investment in Equity Instruments (At cost) :  |                           |                            |
| Unquoted  |                           |                            |
| (a) Subsidiaries - wholly owned   |                           |                            |
| 1,00,00,000 Fully paid Ordinary Shares of Naira 1 each of RPG Transmission Nigeria Limited  | 34.52                     | 34.52                      |
| 1,000 Fully paid Equity Shares of AED 1,000 each of KEC Global FZ- LLC-Ras UL Khaimah, United Arab Emirates   | 118.65                    | 118.65                     |
| 6,00,000 Fully paid Ordinary Shares of US \$ 1 each of KEC Investment Holdings, Mauritius   | 272.27                    | 272.27                     |
| 10,00,000 Fully paid Equity Shares of ₹ 10 each of Jay Railway Projects Private Limited (formerly known as Jay Railway Signaling Private Limited)                                 | 100.00                    | 100.00                     |
| 20,000 Fully paid Ordinary Shares of US \$ 1.00 each of KEC Global, Mauritius (Investment made during the year)   | 9.40                      | -                          |
| 2,21,022 Fully paid Equity Shares of ₹ 10 each of KEC Power India Private Limited #   | 86.29                     | -                          |
| (b) Joint Ventures (Refer Note 38)  |                           |                            |
| 1,10,511 Fully paid Equity Shares of ₹ 10 each of KEC Power India Private Limited #   | -                         | 11.05                      |
| 1,47,000 Fully paid Shares of Saudi Riyal 10 each of Al-Sharif Group and KEC Ltd, Company, Saudi Arabia (formerly known as Faiz Abdulhakim Al-Sharif Group and KEC Company Ltd) @ | -                         | -                          |
|   | <b>621.13</b>             | <b>536.49</b>              |
| Aggregate book value of quoted investments and market value thereof   | -                         | -                          |
| Aggregate book value of unquoted investments  | 621.13                    | 536.49                     |
| Aggregate provision for diminution in value of investments  | -                         | -                          |

# KEC Power India Private Limited has become wholly owned subsidiary on acquisition of balance 1,10,511 fully paid Equity shares at a cost of ₹ 75.24 lacs on March 31, 2012.

@ 'NIL' realisable value was considered by the Company for this investment when it was acquired as a part of the Power Transmission Business under the Composite Scheme of Arrangement, in an earlier year.

## Notes forming part of the financial statements

|   | Current Year |           | Previous Year |           |
|---|--------------|-----------|---------------|-----------|
|   | ₹ in lacs    | ₹ in lacs | ₹ in lacs     | ₹ in lacs |
| <b>13 - LONG-TERM LOANS AND ADVANCES</b>  |              |           |               |           |
| <b>(a) Capital advances - Unsecured, considered good</b>  |              | 1,204.02  |               | 1,147.63  |
| <b>(b) Security deposits - Unsecured</b>  |              |           |               |           |
| (i) Considered good   | 755.76       |           | 821.57        |           |
| (ii) Doubtful   | 51.60        |           | 26.82         |           |
|   | 807.36       |           | 848.39        |           |
| Less: Allowance for bad and doubtful security deposits  | 51.60        |           | 26.82         |           |
|   | 755.76       |           | 821.57        |           |
| <b>(c) Loans and advances to related party - Unsecured, considered good</b>   |              |           |               |           |
| - Jay Railway Projects Private Limited (formerly known as Jay Railway Signaling Private Limited) - subsidiary company (Refer Note 13.1) |              | 1,288.07  |               | 1,426.15  |
| <b>(d) Other loans and advances -</b>   |              |           |               |           |
| (i) Unsecured, considered good  |              |           |               |           |
| - Excise duty recoverable from Government authorities   | 2,059.52     |           | 1,317.73      |           |
| - VAT/WCT receivable  | 3,261.02     |           | 4,087.88      |           |
| - Tax payments less provisions  | 2,957.10     |           | 1,755.61      |           |
| - Prepaid expenses  | 251.47       |           | 77.87         |           |
|   | 8,529.11     |           | 7,239.09      |           |
| (ii) Doubtful - Service tax receivable  | 130.08       |           | 130.08        |           |
| Less: Allowance for bad and doubtful receivable   | 130.08       |           | 130.08        |           |
|   | 8,529.11     |           | 7,239.09      |           |
|   | 11,776.96    |           | 10,634.44     |           |

### 13.1 Disclosure required by clause 32 of the Listing Agreement :

Loans and advances in the nature of loans outstanding to the subsidiary.

(₹ in lacs)

| Name of Subsidiary   | Loans outstanding as on March 31, 2012 | Maximum amount outstanding during the year | Investment in shares of the subsidiary as at the year end and maximum amount outstanding during the year |
|--|--|--|--|
| Jay Railway Projects Private Limited (formerly known as Jay Railway Signaling Private Limited) | 1,288.07                               | 1,426.15                                   | 100.00   |
| Previous Year  | 1,426.15                               | 1,426.15                                   | 100.00   |

## Notes forming part of the financial statements

|  | Current Year |                 | Previous Year |                 |
|--|--------------|-----------------|---------------|-----------------|
|  | ₹ in lacs    | ₹ in lacs       | ₹ in lacs     | ₹ in lacs       |
| <b>14 - OTHER NON-CURRENT ASSETS</b>   |              |                 |               |                 |
| (a) Long-term trade receivables - Unsecured  |              |                 |               |                 |
| (i) Considered good  | 4,786.05     |                 | 4,321.59      |                 |
| (ii) Doubtful  | 2,634.31     |                 | 4,252.15      |                 |
|  | 7,420.36     |                 | 8,573.74      |                 |
| Less: Allowance for bad and doubtful debts   | 2,634.31     |                 | 4,252.15      |                 |
|  |              | 4,786.05        |               | 4,321.59        |
| (b) Others   |              |                 |               |                 |
| (i) Export benefits receivable   | 1,753.98     |                 | 1,846.77      |                 |
| (ii) Balances with banks held as margin money or security against the borrowings, guarantees and other commitments which have a maturity period of more than 12 months from the Balance Sheet date | 183.27       |                 | 255.53        |                 |
|  |              | 1,937.25        |               | 2,102.30        |
|  |              | <b>6,723.30</b> |               | <b>6,423.89</b> |

|   | Current Year |                  | Previous Year |                  |
|---|--------------|------------------|---------------|------------------|
|   | ₹ in lacs    | ₹ in lacs        | ₹ in lacs     | ₹ in lacs        |
| <b>15 - INVENTORIES (AT LOWER OF COST AND NET REALISABLE VALUE)</b> |              |                  |               |                  |
| (a) Raw materials   |              |                  |               |                  |
| (i) in stock  | 16,559.71    |                  | 10,176.33     |                  |
| (ii) goods-in-transit   | 1,501.33     |                  | 757.25        |                  |
|   |              | 18,061.04        |               | 10,933.58        |
| (b) Work-in-progress (Refer Note 15.1)                              |              | 3,028.46         |               | 2,881.38         |
| (c) Finished goods  |              | 3,707.13         |               | 2,025.55         |
| (d) Stores and spares   |              | 254.90           |               | 190.26           |
| (e) Dyes and tools  |              | 5,807.00         |               | 4,197.93         |
| (f) Erection materials  |              | 243.71           |               | 361.78           |
| (g) Scrap   |              | 699.29           |               | 697.91           |
|   |              | <b>31,801.53</b> |               | <b>21,288.39</b> |

### 15.1 Details of inventory of work-in-progress :

| Particulars            | Current Year    |           | Previous Year   |           |
|------------------------|-----------------|-----------|-----------------|-----------|
|                        | ₹ in lacs       | ₹ in lacs | ₹ in lacs       | ₹ in lacs |
| Towers and structurals | 2,121.85        |           | 1,720.91        |           |
| Cables                 | 906.61          |           | 1,160.47        |           |
|                        | <b>3,028.46</b> |           | <b>2,881.38</b> |           |

## Notes forming part of the financial statements

|   | Current Year<br>₹ in lacs |                    | Previous Year<br>₹ in lacs |                    |
|---|---------------------------|--------------------|----------------------------|--------------------|
| <b>16 - TRADE RECEIVABLES</b>   |                           |                    |                            |                    |
| (a) Trade receivables outstanding for a period exceeding six months from the date they are due for payment - Unsecured, considered good |                           | 19,579.00          |                            | 19,695.36          |
| (b) Other trade receivables - Unsecured, considered good  |                           | 2,01,845.18        |                            | 1,84,713.23        |
|   |                           | <b>2,21,424.18</b> |                            | <b>2,04,408.59</b> |

|   | Current Year<br>₹ in lacs |                 | Previous Year<br>₹ in lacs |                 |
|---|---------------------------|-----------------|----------------------------|-----------------|
| <b>17 - CASH AND CASH EQUIVALENTS</b>   |                           |                 |                            |                 |
| (a) Cash on hand  |                           | 247.47          |                            | 311.59          |
| (b) Cheques on hand   |                           | 4.68            |                            | 219.26          |
| (c) Balances with banks   |                           |                 |                            |                 |
| (i) In current accounts   |                           | 7,183.37        |                            | 4,397.09        |
| (ii) In deposit accounts (Refer Notes 17.1 and 17.2)  |                           | 491.84          |                            | 162.65          |
| (iii) In earmarked accounts   |                           |                 |                            |                 |
| Unpaid dividend accounts  |                           | 163.72          |                            | 128.79          |
| Balances with banks held as margin money or security against the borrowings, guarantees and other commitments (Refer Note 17.1) |                           | 703.67          |                            | 710.08          |
|   |                           | 867.39          |                            | 838.87          |
| (d) Others - Remittances in transit   |                           | 618.10          |                            | 31.98           |
|   |                           | 9,412.85        |                            | 5,961.44        |
| Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statement is             |                           | <b>8,709.18</b> |                            | <b>5,251.36</b> |

17.1 Balances with banks includes deposits amounting to ₹ 8.62 lacs (Previous Year ₹ 6.27 lacs) and margin money or security against the borrowings, guarantees and other commitments ₹ 249.25 lacs (Previous Year ₹ 432.56 lacs) which have an original maturity of more than 12 months.

17.2 Balances with banks includes deposits amounting to ₹ 3.61 lacs (Previous Year ₹ 6.27 lacs) which have a maturity of more than 12 months from the Balance Sheet date.

|  | Current Year<br>₹ in lacs |           | Previous Year<br>₹ in lacs |          |
|--|---------------------------|-----------|----------------------------|----------|
| <b>18 - SHORT-TERM LOANS AND ADVANCES</b>                              |                           |           |                            |          |
| (a) Loans and advances to related parties - Unsecured, considered good |                           |           |                            |          |
| Joint Ventures :   |                           |           |                            |          |
| - EJP KEC Joint Venture, South Africa                                  |                           | 2,732.63  |                            | 828.80   |
| - KEC - ASSB JV, Malaysia  |                           | -         |                            | 351.84   |
|  |                           | 2,732.63  |                            | 1,180.64 |
| (b) Others - Unsecured, considered good                                |                           |           |                            |          |
| - Advances to suppliers  |                           | 10,500.18 |                            | 8,566.60 |
| - Employee advances  |                           | 470.40    |                            | 646.19   |

## Notes forming part of the financial statements

|   | Current Year |                  | Previous Year |                  |
|---|--------------|------------------|---------------|------------------|
|   | ₹ in lacs    | ₹ in lacs        | ₹ in lacs     | ₹ in lacs        |
| <b>18 - SHORT-TERM LOANS AND ADVANCES (Contd.)</b>    |              |                  |               |                  |
| - Cenvat/Service tax input credit receivable          | 3,259.66     |                  | 2,555.87      |                  |
| - Sales tax/excise duty/entry tax paid under protest  | 566.29       |                  | 154.85        |                  |
| - Excise duty recoverable from Government authorities | 3,156.57     |                  | 2,742.64      |                  |
| - VAT Credit/WCT Receivable                           | 7,097.36     |                  | 4,095.70      |                  |
| - Tax payments less provisions                        | 1,058.54     |                  | 2,687.82      |                  |
| - Prepaid expenses                                    | 3,921.45     |                  | 2,629.46      |                  |
| - MAT credit entitlement                              | 774.76       |                  | 2,507.45      |                  |
| - Sundry deposits                                     | 2,892.05     |                  | 1,425.29      |                  |
| - Others  | 296.81       |                  | 199.51        |                  |
|   |              | 33,994.07        |               | 28,211.38        |
|   |              | <b>36,726.70</b> |               | <b>29,392.02</b> |

|   | Current Year |                  | Previous Year |                  |
|---|--------------|------------------|---------------|------------------|
|   | ₹ in lacs    |                  | ₹ in lacs     |                  |
| <b>19 - OTHER CURRENT ASSETS</b>                        |              |                  |               |                  |
| Gross amount due from customers for long term contracts |              | 13,120.75        |               | 11,654.40        |
| Unbilled revenue  |              | 32,744.21        |               | 33,924.09        |
| Interest receivable on income tax refund                |              | 266.26           |               | -                |
| Contractually reimbursable expenses                     |              | 6,135.36         |               | 2,636.28         |
| Export benefits   |              | 3,205.25         |               | 3,270.87         |
| Insurance claims  |              | 53.01            |               | 70.05            |
| Interest accrued on fixed deposits                      |              | 48.73            |               | 40.09            |
|   |              | <b>55,573.57</b> |               | <b>51,595.78</b> |

|   | Current Year |             | Previous Year |             |
|---|--------------|-------------|---------------|-------------|
|   | ₹ in lacs    | ₹ in lacs   | ₹ in lacs     | ₹ in lacs   |
| <b>20 - REVENUE FROM OPERATIONS</b>         |              |             |               |             |
| <b>(a) Sale of products</b>                 |              |             |               |             |
| - Towers and structurals                    | 1,31,367.84  |             | 1,02,158.11   |             |
| - Cables                                    | 60,326.37    |             | 50,808.63     |             |
|   |              | 1,91,694.21 |               | 1,52,966.74 |
| <b>(b) Turnkey contracts revenue</b>        |              |             |               |             |
| - Transmission and distribution             | 2,42,320.84  |             | 2,31,146.55   |             |
| - Others                                    | 20,174.48    |             | 8,434.83      |             |
|   |              | 2,62,495.32 |               | 2,39,581.38 |
| <b>(c) Sale of services</b>                 |              |             |               |             |
| - Telecom - erection and management service | 3,184.44     |             | 3,980.54      |             |
| - Tower testing revenue                     | 2,780.34     |             | 914.60        |             |
| - Others                                    | 837.44       |             | 368.68        |             |
|   |              | 6,802.22    |               | 5,263.82    |

## Notes forming part of the financial statements

|  | Current Year |                    | Previous Year |                    |
|--|--------------|--------------------|---------------|--------------------|
|  | ₹ in lacs    | ₹ in lacs          | ₹ in lacs     | ₹ in lacs          |
| <b>20 - REVENUE FROM OPERATIONS (Contd.)</b> |              |                    |               |                    |
| (d) Other operating revenue                  |              |                    |               |                    |
| - Scrap sales                                | 7,315.12     |                    | 5,854.98      |                    |
| - Export incentives                          | 2,131.88     |                    | 2,078.94      |                    |
| - Others                                     | 291.02       |                    | 233.36        |                    |
|  |              | 9,738.02           |               | 8,167.28           |
|  |              | 4,70,729.77        |               | 4,05,979.22        |
| Less: Excise duty                            |              | 10,296.39          |               | 9,467.49           |
|  |              | <b>4,60,433.38</b> |               | <b>3,96,511.73</b> |

|  | Current Year |                 | Previous Year |               |
|--|--------------|-----------------|---------------|---------------|
|  | ₹ in lacs    | ₹ in lacs       | ₹ in lacs     | ₹ in lacs     |
| <b>21 - OTHER INCOME</b>   |              |                 |               |               |
| (a) Interest income  |              | 637.28          |               | 398.75        |
| (b) Dividend income from long term investment in a subsidiary            |              | 2,721.89        |               | -             |
| (c) Profit on redemption of current investments in units of mutual funds |              | 113.70          |               | -             |
| (d) Other non-operating income   |              |                 |               | -             |
| - Profit on fixed assets sold (net)                                      | 5,035.48     |                 | -             |               |
| - Rent   | 4.95         |                 | 20.39         |               |
|  |              | 5,040.43        |               | 20.39         |
|  |              | <b>8,513.30</b> |               | <b>419.14</b> |

|  | Current Year |                    | Previous Year |                    |
|--|--------------|--------------------|---------------|--------------------|
|  | ₹ in lacs    |                    | ₹ in lacs     |                    |
| <b>22 - COST OF MATERIALS CONSUMED</b>       |              |                    |               |                    |
| Cost of materials consumed (Refer Note 22.1) |              | 2,50,993.19        |               | 2,02,762.05        |
|  |              | <b>2,50,993.19</b> |               | <b>2,02,762.05</b> |

### 22.1 Materials consumed comprise :

|                         | Current Year |                    | Previous Year |                    |
|-------------------------|--------------|--------------------|---------------|--------------------|
|                         | ₹ in lacs    |                    | ₹ in lacs     |                    |
| Towers and structurals  |              | 29,354.18          |               | 15,964.09          |
| Steel                   |              | 71,262.43          |               | 55,066.05          |
| Zinc                    |              | 8,631.37           |               | 6,758.32           |
| Bolts and nuts          |              | 8,761.50           |               | 6,237.83           |
| Copper                  |              | 22,498.95          |               | 15,036.31          |
| Conductors              |              | 22,996.48          |               | 19,421.25          |
| Others                  |              | 87,488.28          |               | 84,278.20          |
|                         |              | <b>2,50,993.19</b> |               | <b>2,02,762.05</b> |
|                         |              | %                  |               | %                  |
| Indigenous              | 71           | 1,78,714.73        | 68            | 1,37,037.87        |
| Imported <sup>(a)</sup> | 29           | 72,278.46          | 32            | 65,724.18          |
|                         | 100          | 2,50,993.19        | 100           | 2,02,762.05        |

(a) Include items procured outside India for overseas projects/orders.

## Notes forming part of the financial statements

|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|--|---------------------------|----------------------------|
| <b>23 - CHANGES IN INVENTORIES OF FINISHED GOODS,<br/>WORK-IN-PROGRESS AND SCRAP</b> |                           |                            |
| <b>Opening stock</b>   |                           |                            |
| Finished goods   | 2,025.55                  | 3,226.93                   |
| Work-in-progress   | 2,881.38                  | 2,366.04                   |
| Scrap  | 697.91                    | 1,010.20                   |
|  | <b>5,604.84</b>           | <b>6,603.17</b>            |
| <b>Less: Closing stock</b>   |                           |                            |
| Finished goods   | 3,707.12                  | 2,025.55                   |
| Work-in-progress   | 3,028.46                  | 2,881.38                   |
| Scrap  | 699.29                    | 697.91                     |
|  | <b>7,434.87</b>           | <b>5,604.84</b>            |
|  | <b>(1,830.03)</b>         | <b>998.33</b>              |

|   | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|---|---------------------------|----------------------------|
| <b>24 - ERECTION &amp; SUB-CONTRACTING EXPENSES</b> |                           |                            |
| Erection/construction materials consumed            | 20,057.12                 | 13,535.50                  |
| Stores consumed                                     | 3,043.17                  | 2,218.80                   |
| Subcontracting expenses                             | 70,887.06                 | 64,855.91                  |
| Power, fuel and water charges                       | 1,779.04                  | 1,676.20                   |
| Construction transport                              | 6,076.21                  | 5,174.60                   |
| Others  | 6,418.38                  | 4,216.60                   |
|   | <b>1,08,260.98</b>        | <b>91,677.61</b>           |

|  | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|--|---------------------------|----------------------------|
| <b>25 - EMPLOYEE BENEFITS EXPENSE</b>          |                           |                            |
| Salaries and wages                             | 21,449.92                 | 17,870.96                  |
| Contribution to provident fund and other funds | 1,618.61                  | 1,147.69                   |
| Staff welfare expenses                         | 1,092.38                  | 979.27                     |
| Workmen's compensation                         | 18.31                     | 30.28                      |
|  | <b>24,179.22</b>          | <b>20,028.20</b>           |

|                           | Current Year<br>₹ in lacs | Previous Year<br>₹ in lacs |
|---------------------------|---------------------------|----------------------------|
| <b>26 - FINANCE COSTS</b> |                           |                            |
| Interest expense          | 13,066.33                 | 10,264.72                  |
| Other borrowing costs     | 304.33                    | 264.99                     |
|                           | <b>13,370.66</b>          | <b>10,529.71</b>           |

## Notes forming part of the financial statements

|   | Current Year |           | Previous Year |           |
|---|--------------|-----------|---------------|-----------|
|   | ₹ in lacs    | ₹ in lacs | ₹ in lacs     | ₹ in lacs |
| <b>27 - OTHER EXPENSES</b>  |              |           |               |           |
| Tools, non-erection stores and maintenance spares                 |              | 1,042.91  |               | 1,035.43  |
| Power and fuel  |              | 2,853.42  |               | 2,661.83  |
| Rent  |              | 2,590.09  |               | 2,367.61  |
| Rates and taxes, excluding taxes on income (net)                  |              | 7,116.95  |               | 4,814.31  |
| Excise duty (Refer Note 27.1 below)                               |              | 275.92    |               | 107.99    |
| Insurance   |              | 1,768.57  |               | 1,485.62  |
| Bank (guarantee, letter of credit and other) charges              |              | 5,010.31  |               | 4,167.72  |
| Commission  |              | 3,422.18  |               | 3,660.27  |
| Freight (net)   |              | 4,379.65  |               | 4,583.99  |
| Coolie, cartage and forwarding                                    |              | 618.08    |               | 590.97    |
| Repairs to buildings  |              | 144.05    |               | 148.65    |
| Repairs to plant and equipment                                    |              | 636.19    |               | 674.99    |
| Repairs to others - fixed assets                                  |              | 983.10    |               | 626.98    |
| Travelling and conveyance   |              | 3,252.84  |               | 2,876.67  |
| Payment to statutory auditors (net of service tax)                |              |           |               |           |
| - as auditors   | 60.00        |           | 60.00         |           |
| - for other services  | 105.90       |           | 85.35         |           |
| - for reimbursement of expenses                                   | 2.69         |           | 1.36          |           |
|   |              | 168.59    |               | 146.71    |
| Professional fees   |              | 3,198.50  |               | 2,384.10  |
| Bad debts written off   | 2,065.10     |           | 1,279.23      |           |
| Less: Adjusted against allowance for bad and doubtful debts       | 1,707.49     |           | 179.16        |           |
|   |              | 357.61    |               | 1,100.07  |
| Allowance for bad and doubtful debts (net)                        |              | 89.65     |               | 1,747.47  |
| Directors' fees   |              | 13.25     |               | 10.70     |
| Loss on sale/write off of fixed assets (net)                      |              | -         |               | 8.89      |
| Loss on long term investment in a Joint Venture Company dissolved |              | -         |               | 21.45     |
| Net (gain)/loss on foreign currency transactions and translation  |              | 1,227.24  |               | 1,094.81  |
| Miscellaneous expenses (Refer Note 27.2 below)                    |              | 5,639.40  |               | 6,440.28  |
|   |              | 44,788.50 |               | 42,757.51 |

**27.1** : Excise duty shown above includes ₹ 107.62 lacs (Previous Year ₹ 58.62 lacs) being excise duty related to the difference between the closing stock and opening stock of finished goods.

**27.2** : Miscellaneous expenses include fees of ₹ 85.75 lacs (Previous Year ₹ 62.71 lacs) paid to branch auditors.

## Notes forming part of the financial statements

### 28 - CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

#### (i) Contingent Liabilities

##### (a) Claims against the Company not acknowledged as debts:

| Sr. No | Nature of Claims  | Relating to various years comprise in the period   | Current Year<br>(₹ in lacs)    | Previous Year<br>(₹ in lacs) |
|--------|---|--|--------------------------------|------------------------------|
| 1      | Sales Tax/Value Added Tax*<br>(Tax/Penalty/Interest)  | 1993-2010<br>1993-2010                             | 2,570.20                       | 2,678.22                     |
| 2      | Excise Duty * (Tax/Penalty/Interest)  | 1994-2012<br>1994-2011                             | 2,514.12                       | 1,969.14                     |
| 3      | Service Tax *<br>(Tax/Penalty/Interest)   | 2002-2010<br>2004-2010                             | 16.46                          | 14.84                        |
| 4      | Entry Tax<br>(Tax/Penalty/Interest)   | 1995-2012<br>1995-2008                             | 1,509.62                       | 60.43                        |
| 5      | (i) Income Tax matters mainly in respect of disallowance of depreciation etc. relating to Power Transmission Business acquired by the Company | A.Y. 2006-07 to 2009-10<br>A.Y. 2006-07 to 2009-10 | 7,241.44                       | 7,241.44                     |
|        | (ii) Income Tax matters at overseas unit/s  | 2002<br>2002                                       | 1,193.27                       | 1,089.79                     |
| 6      | Customs Duty  | 1995-1996  | 60.14                          | -                            |
| 7      | Civil Suits   | 1993-1994<br>1993-1994                             | 5.00                           | 5.00                         |
| 8      | Demands of employees/<br>subcontractors   |  | <b>Amount not determinable</b> |                              |

\*These claims mainly relate to the issues of applicability, issue of disallowance of cenvat credit and in case of Sales Tax/Value added tax, also relate to the issue of submission of 'C' forms.

##### (b) Guarantees :

| Sr. No | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--------|--|-----------------------------|------------------------------|
| 1      | Guarantees given to banks for credit facilities extended/loans given to the wholly owned subsidiary companies ₹ 60,882.76 lacs (Previous Year ₹ 60,034.21 lacs) Facilities/loans outstanding at the Year end | 50,205.25                   | 47,326.57                    |
| 2      | Performance guarantee given to a customer of the wholly owned subsidiary Company   | 22,396.51                   | 19,671.14                    |
| 3      | Bank guarantees provided by the Company to customers of the wholly owned subsidiary companies in connection with the respective contracts awarded/bids made  | 2,391.36                    | 2,237.42                     |
| 4      | Performance guarantee provided by a bank to the customer of the wholly owned subsidiary Company by utilising the Company's credit facility with that bank  | 264.99                      | 191.86                       |

## Notes forming part of the financial statements

### (c) Other money for which the Company is contingently liable:

| Sr. No | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--------|--|-----------------------------|------------------------------|
| 1      | Bills discounted   | 6,783.95                    | 3,521.17                     |
| 2      | Contingent liability of Income Tax taken over by the Company in terms of the Composite Scheme of Arrangement under which the Power Transmission Business was acquired by the Company | 731.25                      | 731.25                       |

Footnote for Note 28 (i) - (a), (b) and (c) above:

Future ultimate outflow of resources embodying economic benefits in respect of the above matters are uncertain as it depends on the final outcome of the matters involved.

### (ii) Commitments

| Sr. No | Particulars  | Current Year<br>(₹ in lacs)     | Previous Year<br>(₹ in lacs) |
|--------|--|---------------------------------|------------------------------|
| 1      | Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) | 5,046.94                        | 8,057.65                     |
| 2      | Other Commitments  |                                 |                              |
| i      | Amount of future minimum lease payments under non-cancellable operating leases   | 359.28                          | 516.39                       |
| ii     | Derivative related commitments   | Refer Note 29 (a) and (b) below |                              |

## 29 - THE DERIVATIVE INSTRUMENTS, WHICH ARE NOT INTENDED FOR TRADING OR SPECULATIVE PURPOSE, OUTSTANDING AS AT MARCH 31, 2012 ARE AS FOLLOWS:

### (a) Forward Exchange Contracts:

| Currency | Buy/Sell | Cross currency | Foreign Currency (in lacs) |                |
|----------|----------|----------------|----------------------------|----------------|
|          |          |                | March 31, 2012             | March 31, 2011 |
| USD      | Sell     | INR            | 59.23                      | -              |
| EUR      | Sell     | USD            | -                          | 107.03         |
| JPY      | Sell     | USD            | 399.89                     | -              |
| USD      | Buy      | INR            | 394.55                     | 185.74         |
| EUR      | Buy      | INR            | 388.89                     | 12.07          |
| JPY      | Buy      | INR            | -                          | 1,684.79       |
| EUR      | Buy      | USD            | 54.58                      | 127.98         |

### (b) Hedging Commodity related risks:

| Commodity | Buy/Sell | Quantity in MT |                |
|-----------|----------|----------------|----------------|
|           |          | March 31, 2012 | March 31, 2011 |
| Copper    | Buy      | 925.00         | 1,174.00       |
| Zinc      | Buy      | 1,550.00       | 1,125.00       |
| Aluminium | Buy      | 725.00         | 765.00         |
| Lead      | Buy      | -              | 75.0           |

## Notes forming part of the financial statements

- (c) The year end net monetary foreign currency exposures that have not been hedged by a derivative instrument are given below:

**Receivables:**

| Currency | As at March 31, 2012 |           | As at March 31, 2011 |           |
|----------|----------------------|-----------|----------------------|-----------|
|          | FC in lacs           | ₹ in lacs | FC in lacs           | ₹ in lacs |
| AED      | 936.51               | 12,973.91 | 1,252.37             | 15,205.40 |
| AFA      | 1,179.47             | 1,198.82  | 4,928.92             | 4,843.16  |
| BDT      | 32.53                | 20.24     | -                    | -         |
| CAD      | 89.77                | 4,584.55  | -                    | -         |
| DA       | 1,130.94             | 790.19    | 855.43               | 545.85    |
| EGP      | 290.63               | 2,450.30  | 341.24               | 2,553.90  |
| ETB      | -                    | -         | 233.01               | 625.00    |
| GHC      | 10.64                | 304.11    | 17.81                | 524.17    |
| GEL      | 6.20                 | 192.10    | -                    | -         |
| JPY      | 382.77               | 237.54    | -                    | -         |
| KZT      | 19,285.03            | 6,634.05  | -                    | -         |
| KSH      | -                    | -         | 904.91               | 485.85    |
| KWD      | 8.64                 | 1,588.00  | 14.75                | 2,381.79  |
| LYD      | -                    | -         | 2.46                 | 90.99     |
| MYR      | 62.00                | 1,028.58  | 24.46                | 360.44    |
| NAD      | -                    | -         | 4.91                 | 32.26     |
| NGN      | 8,765.45             | 2,831.24  | 8,200.02             | 2,346.03  |
| OMR      | 2.32                 | 306.44    | 6.02                 | 697.06    |
| PHP      | 156.40               | 185.54    | 130.66               | 134.41    |
| QR       | 0.01                 | 0.10      | 0.01                 | 0.17      |
| SLR      | 31.97                | 12.71     | 22.26                | 9.00      |
| SR       | 338.28               | 4,589.61  | 350.35               | 4,166.36  |
| SYP      | 0.25                 | 0.22      | 0.25                 | 0.23      |
| TJS      | 0.07                 | 0.76      | -                    | -         |
| ZAR      | 594.85               | 3,952.82  | 126.16               | 828.52    |
| ZMK      | 55,076.65            | 534.24    | 55,076.65            | 523.23    |

**Payables:\***

|     |        |        |        |        |
|-----|--------|--------|--------|--------|
| BDT | -      | -      | 87.12  | 53.40  |
| BTN | 223.95 | 223.95 | 319.38 | 323.49 |
| CAD | -      | -      | 3.82   | 175.92 |

## Notes forming part of the financial statements

- (c) The year end net monetary foreign currency exposures that have not been hedged by a derivative instrument are given below: (Contd.)

### Payables:\*

| Currency | As at March 31, 2012 |           | As at March 31, 2011 |           |
|----------|----------------------|-----------|----------------------|-----------|
|          | FC in lacs           | ₹ in lacs | FC in Lacs           | ₹ in lacs |
| CAF      | 2,956.22             | 305.97    | 24,087.37            | 2,329.25  |
| CHF      | 3.01                 | 169.88    | 3.01                 | 147.98    |
| ETB      | 316.81               | 932.56    | -                    | -         |
| EUR      | 88.80                | 6,033.86  | 244.49               | 15,509.84 |
| FCFA     | 92.12                | 9.53      | 1,975.46             | 188.36    |
| GEL      | -                    | -         | 3.25                 | 86.06     |
| JPY      | -                    | -         | 468.91               | 252.41    |
| KSH      | 384.25               | 235.47    | -                    | -         |
| KZT      | -                    | -         | 4,638.81             | 1,420.87  |
| LBP      | 6,159.92             | 208.82    | 5,134.17             | 152.48    |
| LYD      | 1.18                 | 48.48     | -                    | -         |
| MZM      | 147.20               | 276.89    | 96.53                | 126.18    |
| NAD      | 2.28                 | 15.15     | -                    | -         |
| NPR      | 275.03               | 171.70    | 113.95               | 71.23     |
| SEK      | -                    | -         | 98.10                | 700.35    |
| TJS      | -                    | -         | 42.55                | 424.85    |
| TND      | 63.64                | 2,154.01  | 68.15                | 2,204.22  |
| USD      | 373.59               | 19,004.56 | 320.58               | 14,291.46 |

Note: \*The above excludes term loan taken in foreign currency ₹ 8,395.50 lacs (Previous Year ₹ 8,395.50 lacs) which has been swapped with Rupee currency fixed interest rate loan.

### 30 - VALUE OF IMPORTS CALCULATED ON C.I.F. BASIS:

| Particulars                  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|------------------------------|-----------------------------|------------------------------|
| Raw Materials and components | 25,671.17                   | 13,313.21                    |
| Spares parts/Dies and tools  | 472.92                      | 439.10                       |
| Purchase of capital goods    | 5,393.96                    | 1,310.20                     |

### 31 - EARNINGS IN FOREIGN EXCHANGE AND EXPENDITURE IN FOREIGN CURRENCY:

| Sr. No | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--------|--|-----------------------------|------------------------------|
| A.     | <b>Earnings :</b>  |                             |                              |
|        | Export of goods:   |                             |                              |
|        | At FOB price   | 76,113.23                   | 44,380.48                    |
|        | Freight recovered on sales                                   | 3,709.69                    | -                            |
|        | At invoiced value (Tower testing charges and design charges) | 2,506.67                    | 118.66                       |
|        | Sales & Services : overseas projects                         | 1,18,543.97                 | 1,32,698.57                  |
|        | Interest   | 4.89                        | 2.14                         |
|        | Dividend received from a wholly owned subsidiary             | 2,721.89                    | -                            |
|        | Others (Insurance claims, etc.)                              | 163.07                      | 15.35                        |

## Notes forming part of the financial statements

| 31 - EARNINGS IN FOREIGN EXCHANGE AND EXPENDITURE IN FOREIGN CURRENCY: (Contd.) |                             |                              |
|---|-----------------------------|------------------------------|
| Sr. Particulars No  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
| <b>B. Expenditure :</b>   |                             |                              |
| Expenses of overseas projects (including foreign taxes)                         | 1,05,136.25                 | 1,17,658.30                  |
| Commission  | 779.76                      | 915.36                       |
| Interest paid to Indian FI's/Banks  | 720.23                      | 698.70                       |
| Other interest  | -                           | 29.94                        |
| Professional fees   | 8.57                        | 71.24                        |
| Bank guarantee charges and other charges paid to Indian banks                   | 267.55                      | 493.36                       |
| Charges in respect of letter of credit issued by banks to foreign customers     | 311.47                      | 88.37                        |
| Bank guarantee charges and other charges paid to foreign banks                  | 30.29                       | 160.19                       |
| Others (travelling, taxes etc.)   | 242.80                      | 243.45                       |
| Loss on foreign exchange (net)  | 1,227.24                    | 1,094.81                     |

| 32 - DISCLOSURE UNDER THE ACCOUNTING STANDARD - 7 "CONSTRUCTION CONTRACTS":  |                             |                              |
|--|-----------------------------|------------------------------|
| Sr. Particulars No   | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
| (a) (i) Contract Revenue (net of excise) recognised during the year  | 2,61,809.03                 | 2,39,089.54                  |
| (ii) Method used to determine the contract revenue recognised and the stage of completion of contracts in progress | Refer Note 1(B)(ii) above   |                              |
| (b) Disclosure in respect of contracts in progress as at the year end.   |                             |                              |
| (i) Aggregate amount of costs incurred and recognised profits (less recognised losses)                             | 5,84,588.59                 | 4,58,333.37                  |
| * (ii) Advances received   | 53,017.30                   | 29,979.19                    |
| * (iii) Retentions receivable  | 38,722.99                   | 28,897.27                    |
| (iv) Gross amount due from customers   | 13,120.75                   | 11,654.40                    |
| (v) Gross amount due to customers  | 5,524.69                    | 8,415.90                     |

\*Net of adjustment referred to in Note 1(G).

## Notes forming part of the financial statements

### 33 - DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY ACCOUNTING STANDARD-15 "EMPLOYEE BENEFITS" ARE AS FOLLOWS:-

| Sr. No | Particulars   | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--------|---|-----------------------------|------------------------------|
| 1      | <b>Defined Contribution Plans</b>   |                             |                              |
|        | The Company has recognised the following amounts in the Statement of Profit and Loss:                                     |                             |                              |
|        | - Contribution to Provident Fund and Family Pension Fund  | 663.51                      | 711.43                       |
|        | - Contribution to Superannuation Fund   | 174.97                      | 161.40                       |
|        | The above amount is included in 'Contribution to provident and other funds' under 'Employee benefits expense' in Note 25. |                             |                              |

#### 2 Defined Benefit Plan (Funded)

##### a. A general description of the Employee benefit Plan:

The Company has an obligation towards gratuity, a funded defined benefit retirement plan covering eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of the employment of an amount equivalent to 15 days/one month salary, as applicable, payable for each completed year of service or part thereof in excess of six months subject to maximum of 20 months or as per the Payment of the Gratuity Act, whichever is higher. Vesting occurs upon completion of five years of service.

##### b. Details of defined benefit plan - As per Actuarial Valuation are as follows:

| Sr. No     | Particulars   | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|------------|---|-----------------------------|------------------------------|
| <b>I</b>   | <b>Components of employer expense</b>   |                             |                              |
| 1          | Current service cost  | 177.63                      | 152.83                       |
| 2          | Interest cost   | 186.89                      | 190.19                       |
| 3          | Expected return on Plan Assets  | (213.07)                    | (169.83)                     |
| 4          | Actuarial Losses/(Gains)  | 418.99                      | (106.94)                     |
| 5          | Total expense recognised in the Statement of Profit and Loss (included in 'Contribution to provident and other funds' under 'Employee benefits expense' in Note 25) | 570.44                      | 66.25                        |
| <b>II</b>  | <b>Actual Contribution and Benefits Payments for the year</b>   |                             |                              |
| 1          | Actual Benefits Payments  | (415.42)                    | (424.88)                     |
| 2          | Actual Contributions  | 255.70                      | 705.00                       |
| <b>III</b> | <b>Net asset/(liability) recognised in the Balance Sheet</b>  |                             |                              |
| 1          | Present Value of Defined Benefit Obligation   | 2,566.78                    | 2,198.69                     |
| 2          | Fair Value of Plan Assets   | 2,319.34                    | 2,265.99                     |
| 3          | Funded Status [Surplus/(Deficit)]   | (247.44)                    | 67.30                        |
| 4          | Net asset/(liability) recognised in the Balance Sheet   | (247.44)                    | 67.30                        |
| <b>IV</b>  | <b>Change in Defined Benefit Obligation during the year</b>   |                             |                              |
| 1          | Present Value of Defined Benefit Obligation as at the beginning of the year   | 2,198.69                    | 2,377.45                     |
| 2          | Current Service Cost  | 177.63                      | 152.83                       |
| 3          | Interest Cost   | 186.89                      | 190.19                       |
| 4          | Actuarial Losses/(Gains)  | 418.99                      | (96.90)                      |
| 5          | Benefits paid   | (415.42)                    | (424.88)                     |
| 6          | Present Value of Defined Benefit Obligations as at the end of the year  | 2,566.78                    | 2,198.69                     |

## Notes forming part of the financial statements

| Sr. No      | Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|-------------|--|-----------------------------|------------------------------|
| <b>V</b>    | <b>Change in Fair Value of Plan Assets during the year</b>   |                             |                              |
| 1           | Plan Assets as at the beginning of the year  | 2,265.99                    | 1,806.00                     |
| 2           | Expected return on Plan Assets   | 213.07                      | 169.83                       |
| 3           | Actuarial Gains/(Losses)   | -                           | 10.04                        |
| 4           | Actual Company Contributions   | 255.70                      | 705.00                       |
| 5           | Benefits paid  | (415.42)                    | (424.88)                     |
| 6           | Plan Assets as at the end of the year  | 2,319.34                    | 2,265.99                     |
| <b>VI</b>   | <b>Actuarial Assumptions</b>   |                             |                              |
| 1           | Discount Rate  | 8.50%                       | 8.00%                        |
| 2           | Expected Return on plan assets   | 9.40%                       | 9.40%                        |
| 3           | Salary escalation Rate   | 6.00%                       | 5.50%                        |
| <b>VII</b>  | The expected rate of return on the plan assets is based on the average long term rate of return expected on investments of the Fund during the estimated term of the obligations. The actual return on plan assets is ₹ 213.07 lacs (Previous Year ₹ 179.87 lacs ) |                             |                              |
| <b>VIII</b> | The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors.   |                             |                              |
| <b>IX</b>   | <b>The major categories of Plan Assets as a percentage of the total plan assets</b>  |                             |                              |
|             | Insurer Managed Funds  | 100%                        | 100%                         |

Note: The details of investment made by the Insurer is not readily available with the Company.

| X | Experience Adjustments  | 2011-12  | 2010-11  | 2009-10  | 2008-09  | 2007-08    |
|---|---|----------|----------|----------|----------|------------|
| 1 | Present Value of Defined Benefit Obligation as at the end of the year | 2,566.78 | 2,198.69 | 2,377.45 | 1,969.23 | 1,994.23   |
| 2 | Fair Value of Plan Assets as at the end of the year                   | 2,319.34 | 2,265.69 | 1,806.00 | 1,430.91 | 884.02     |
| 3 | Funded Status [Surplus/(Deficit)]                                     | (247.44) | 67.30    | (571.45) | (538.32) | (1,110.21) |
| 4 | Experience adjustment on Plan Liabilities                             | (443.30) | 96.90    | (74.71)  | 0.28     | (72.80)    |
| 5 | Experience adjustment on Plan Assets                                  | -        | (10.04)  | (4.83)   | (11.38)  | 0.66       |

### XI Contribution expected to be paid to the Plan during the year ending March 31, 2013 – ₹ 150.90 lacs

34

The Company is primarily engaged in the business of Engineering, Procurement and Construction business (EPC). As such there is no other separate reportable segment as defined by Accounting Standard-17 "Segment Reporting".

## Notes forming part of the financial statements

### 35 - RELATED PARTY DISCLOSURES

#### (a) Name and nature of relationship of the party where Control exists:

##### Subsidiaries- wholly owned

- (i) RPG Transmission Nigeria Limited, Nigeria
- (ii) KEC Global FZ – LLC, Ras UL Khaimah
- (iii) Jay Railway Projects Private Limited (formerly known as Jay Railway Signaling Private Limited) (w.e.f. September 14, 2010)
- (iv) KEC Investment Holdings, Mauritius (w.e.f. August 02, 2010)
- (v) KEC Global Mauritius, Mauritius (w.e.f. November 16, 2010)
- (vi) KEC International Holdings LLC, USA\*
- (vii) KEC Brazil LLC, USA\*
- (viii) KEC Mexico LLC, USA\*
- (ix) KEC Transmission LLC, USA\*
- (x) KEC US LLC, USA\*
- (xi) SAE Towers Holdings, LLC, USA#
- (xii) SAE Towers Brazil Subsidiary Company LLC, USA#
- (xiii) SAE Towers Mexico Subsidiary Holding Company LLC, USA#
- (xiv) SAE Towers Mexico S de RL de CV, Mexico #
- (xv) SAE Towers Brazil Torres de Transmission Ltda, Brazil #
- (xvi) SAE Prestadora de Servicios Mexico, S de RL de CV, Mexico #
- (xvii) SAE Towers 2 Investimentos e Participacoes Ltda, Brazil# {Merged with SAE Towers Brazil Torres de Transmission Ltda, Brazil w.e.f. April 01, 2011}
- (xviii) SAE Towers Ltd, USA #
- (xix) SAE Towers Panama Holdings LLC, USA #
- (xx) SAE Towers Panama S de RL, Panama #
- (xxi) KEC Power India Private Limited (Status changed from Joint Venture to Subsidiary w.e.f. March 31, 2012)

\*w.e.f. September 07, 2010

# w.e.f. September 23, 2010

#### (b) Parties with whom transactions have taken place:

##### Subsidiaries:

- (i) RPG Transmission Nigeria Limited, Nigeria
- (ii) KEC Global FZ – LLC, Ras UL Khaimah
- (iii) Jay Railway Projects Private Limited
- (iv) KEC Investment Holdings, Mauritius
- (v) KEC Global Mauritius, Mauritius
- (vi) SAE Towers Holdings, LLC, USA
- (vii) KEC Transmission LLC, USA
- (viii) KEC US LLC, USA
- (ix) KEC Power India Private Limited (Status changed from Joint Venture to Subsidiary w.e.f. March 31, 2012)
- (x) SAE Towers Mexico S de RL de CV, Mexico

##### Joint Ventures:

- (i) Al-Sharif Group and KEC Ltd. Company, Saudi Arabia (formerly known as Faiz Abdul Hakim Al-Sharif Group and KEC Company Ltd., Saudi Arabia)
- (ii) KEC Power India Private Limited (Status changed from Joint Venture to Subsidiary w.e.f. March 31, 2012)

## Notes forming part of the financial statements

### 35 - RELATED PARTY DISCLOSURES (Contd.)

- (iii) EJP KEC Joint Venture, South Africa
- (iv) KEC – ASSB JV, Malaysia
- (v) KEC – ASIAKOM – UB JV
- (vi) KEC – ASIAKOM JV
- (vii) KEC - JEI JV
- (viii) KEC – DELCO – VARAHA JV
- (ix) KEC – VARAHA – KHAZANA JV
- (x) KEC – VALECHA – DELCO JV
- (xi) KEC – SIDHARTH JV
- (xii) KEC – TRIVENI – KPIPL JV
- (xiii) KEC – UNIVERSAL JV
- (xiv) KEC – DELCO – DUSTAN JV
- (xv) KEC – ANPR – KPIPL JV
- (xvi) KEC – PLR – KPIPL JV
- (xvii) KEC - BJCL JV

**Key Management Personnel:** Mr. R.D. Chandak – Managing Director

#### (c) Transactions with the Related Parties

₹ in lacs

| Transactions                                       | Current Year |                |                          |           | Previous Year |                |                          |           |
|--|--------------|----------------|--------------------------|-----------|---------------|----------------|--------------------------|-----------|
|  | Subsidiaries | Joint Ventures | Key Management Personnel | Total     | Subsidiaries  | Joint Ventures | Key Management Personnel | Total     |
| <b>Sale of Products</b>                            | -            | 3,435.60       | -                        | 3,435.60  | 444.50        | -              | -                        | 444.50    |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia | -            | 3,435.60       | -                        | 3,435.60  | -             | -              | -                        | -         |
| KEC Global FZ-LLC, Ras UL Khaimah                  | -            | -              | -                        | -         | 444.50        | -              | -                        | 444.50    |
| <b>Sale under Turnkey Contracts</b>                | 524.23       | 19,849.78      | -                        | 20,374.01 | -             | 11,329.58      | -                        | 11,329.58 |
| KEC - ANPR - KPIPL JV                              | -            | 1,589.93       | -                        | 1,589.93  | -             | 357.33         | -                        | 357.33    |
| KEC - ASIAKOM JV                                   | -            | 182.02         | -                        | 182.02    | -             | 94.71          | -                        | 94.71     |
| KEC - ASIAKOM - UB JV                              | -            | 2,733.82       | -                        | 2,733.82  | -             | 1,164.33       | -                        | 1,164.33  |
| KEC - DELCO - DUSTAN JV                            | -            | 286.52         | -                        | 286.52    | -             | 308.43         | -                        | 308.43    |
| KEC - DELCO - VARAHA JV                            | -            | 3,746.63       | -                        | 3,746.63  | -             | 2,324.78       | -                        | 2,324.78  |
| KEC - JEI JV                                       | -            | 104.89         | -                        | 104.89    | -             | 215.07         | -                        | 215.07    |
| KEC - PLR - KPIPL JV                               | -            | 531.85         | -                        | 531.85    | -             | 223.28         | -                        | 223.28    |
| KEC - SIDHARTH JV                                  | -            | 1,060.20       | -                        | 1,060.20  | -             | 442.52         | -                        | 442.52    |
| KEC - TRIVENI-KPIPL JV                             | -            | 327.86         | -                        | 327.86    | -             | 199.79         | -                        | 199.79    |
| KEC - UNIVERSAL JV                                 | -            | 172.93         | -                        | 172.93    | -             | 29.32          | -                        | 29.32     |
| KEC - VALECHA - DELCO JV                           | -            | 479.62         | -                        | 479.62    | -             | 760.64         | -                        | 760.64    |
| KEC - VARAHA - KHAZANA JV                          | -            | 390.50         | -                        | 390.50    | -             | 725.36         | -                        | 725.36    |
| EJP KEC Joint Venture, South Africa                | -            | 6,150.49       | -                        | 6,150.49  | -             | 4,484.02       | -                        | 4,484.02  |
| KEC - ASSB JV, MALAYSIA                            | -            | 1,606.82       | -                        | 1,606.82  | -             | -              | -                        | -         |
| KEC-BJCL JV  | -            | 485.70         | -                        | 485.70    | -             | -              | -                        | -         |
| Jay Railway Projects Private Limited               | 524.23       | -              | -                        | 524.23    | -             | -              | -                        | -         |
| <b>Sale of Services</b>                            | 291.46       | -              | -                        | 291.46    | 29.24         | -              | -                        | 29.24     |
| KEC Global FZ-LLC, Ras UL Khaimah                  | 31.29        | -              | -                        | 31.29     | 29.24         | -              | -                        | 29.24     |
| SAE Towers Holdings, LLC, USA                      | 260.17       | -              | -                        | 260.17    | -             | -              | -                        | -         |
| <b>Dividend Income</b>                             | 2,721.89     | -              | -                        | 2,721.89  | -             | -              | -                        | -         |
| KEC Global FZ-LLC, Ras UL Khaimah                  | 2,721.89     | -              | -                        | 2,721.89  | -             | -              | -                        | -         |
| <b>Purchase of Goods</b>                           | 3,980.16     | -              | -                        | 3,980.16  | 10,200.65     | -              | -                        | 10,200.65 |
| KEC Global FZ-LLC, Ras UL Khaimah                  | 2,222.74     | -              | -                        | 2,222.74  | 10,200.65     | -              | -                        | 10,200.65 |
| SAE Towers Mexico S de RL de CV, Mexico            | 1,757.42     | -              | -                        | 1,757.42  | -             | -              | -                        | -         |
| <b>Receiving of Services</b>                       | -            | -              | -                        | -         | 1,935.98      | 63.74          | -                        | 1,999.72  |
| KEC Power India Private Limited                    | -            | -              | -                        | -         | -             | 63.74          | -                        | 63.74     |
| KEC Global FZ-LLC, Ras UL Khaimah                  | -            | -              | -                        | -         | 1,935.98      | -              | -                        | 1,935.98  |

## Notes forming part of the financial statements

### (c) Transactions with the Related Parties (Contd.)

₹ in lacs

| Transactions  | Current Year |                |                          |          | Previous Year |                |                          |           |
|---|--------------|----------------|--------------------------|----------|---------------|----------------|--------------------------|-----------|
|   | Subsidiaries | Joint Ventures | Key Management Personnel | Total    | Subsidiaries  | Joint Ventures | Key Management Personnel | Total     |
| <b>Remuneration</b>   | -            | -              | 236.13                   | 236.13   | -             | -              | 254.02                   | 254.02    |
| Mr.R.D. Chandak - Managing Director                               | -            | -              | 236.13                   | 236.13   | -             | -              | 254.02                   | 254.02    |
| <b>Sale of Fixed Assets</b>                                       | -            | 31.47          | -                        | 31.47    | -             | 0.74           | -                        | 0.74      |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia                | -            | 31.47          | -                        | 31.47    | -             | 0.74           | -                        | 0.74      |
| <b>Purchase of Fixed Assets</b>                                   | 0.25         | -              | -                        | 0.25     | -             | 47.81          | -                        | 47.81     |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia                | -            | -              | -                        | -        | -             | 47.81          | -                        | 47.81     |
| KEC Global FZ-LLC, Ras UL Khaimah                                 | 0.25         | -              | -                        | 0.25     | -             | -              | -                        | -         |
| <b>Payments made/expenses incurred on behalf of related party</b> | 982.47       | 616.02         | -                        | 1,598.49 | 2,204.92      | 766.21         | -                        | 2,971.13  |
| Jay Railway Projects Private Limited                              | 12.04        | -              | -                        | 12.04    | 24.00         | -              | -                        | 24.00     |
| KEC - ANPR - KPIPL JV   | -            | -              | -                        | -        | -             | 29.01          | -                        | 29.01     |
| KEC - ASIAKOM JV  | -            | -              | -                        | -        | -             | 4.29           | -                        | 4.29      |
| KEC - ASSB JV, MALAYSIA   | -            | -              | -                        | -        | -             | 351.84         | -                        | 351.84    |
| KEC - DELCO - DUSTAN JV   | -            | -              | -                        | -        | -             | 28.40          | -                        | 28.40     |
| KEC - DELCO - VARAHA JV   | -            | -              | -                        | -        | -             | 47.65          | -                        | 47.65     |
| KEC - JEI JV  | -            | -              | -                        | -        | -             | 4.41           | -                        | 4.41      |
| KEC - PLR- KPIPL JV   | -            | -              | -                        | -        | -             | 18.21          | -                        | 18.21     |
| KEC - SIDHARTH JV   | -            | -              | -                        | -        | -             | 20.72          | -                        | 20.72     |
| KEC - TRIVENI-KPIPL JV  | -            | -              | -                        | -        | -             | 19.87          | -                        | 19.87     |
| KEC - UNIVERSAL JV  | -            | -              | -                        | -        | -             | 11.87          | -                        | 11.87     |
| KEC - VALECHA - DELCO JV  | -            | -              | -                        | -        | -             | 15.79          | -                        | 15.79     |
| KEC - VARAHA - KHAZANA JV   | -            | -              | -                        | -        | -             | 10.99          | -                        | 10.99     |
| EJP KEC Joint Venture, South Africa                               | -            | 603.38         | -                        | 603.38   | -             | 176.49         | -                        | 176.49    |
| KEC Power India Private Limited                                   | -            | 12.64          | -                        | 12.64    | -             | 26.67          | -                        | 26.67     |
| SAE Towers Holdings, LLC, USA                                     | -            | -              | -                        | -        | 2.67          | -              | -                        | 2.67      |
| KEC Global FZ-LLC, Ras UL Khaimah                                 | 969.49       | -              | -                        | 969.49   | 2,178.25      | -              | -                        | 2,178.25  |
| RPG Transmission Nigeria Limited                                  | 0.94         | -              | -                        | 0.94     | -             | -              | -                        | -         |
| <b>Expenses recovered</b>   | 6.00         | 32.39          | -                        | 38.39    | -             | 35.49          | -                        | 35.49     |
| Jay Railway Projects Private Limited                              | 6.00         | -              | -                        | 6.00     | -             | -              | -                        | -         |
| KEC Power India Private Limited                                   | -            | 32.39          | -                        | 32.39    | -             | 35.49          | -                        | 35.49     |
| <b>Advance/Loan Given</b>   | 93.35        | 2,069.95       | -                        | 2,163.30 | 1,956.17      | 654.89         | -                        | 2,611.06  |
| Jay Railway Projects Private Limited                              | 93.35        | -              | -                        | 93.35    | 1,430.00      | -              | -                        | 1,430.00  |
| KEC Global FZ-LLC, Ras UL Khaimah                                 | -            | -              | -                        | -        | 526.17        | -              | -                        | 526.17    |
| EJP KEC Joint Venture, South Africa                               | -            | 2,069.95       | -                        | 2,069.95 | -             | 654.89         | -                        | 654.89    |
| <b>Advance/Loan Recovered</b>                                     | 249.47       | -              | -                        | 249.47   | 27.85         | -              | -                        | 27.85     |
| Jay Railway Projects Private Limited                              | 249.47       | -              | -                        | 249.47   | 27.85         | -              | -                        | 27.85     |
| <b>Advance Received</b>   | -            | 2,187.07       | -                        | 2,187.07 | -             | -              | -                        | -         |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia                | -            | 2,187.07       | -                        | 2,187.07 | -             | -              | -                        | -         |
| <b>Guarantees given</b>   | 105.47       | -              | -                        | 105.47   | 60,554.39     | -              | -                        | 60,554.39 |
| Jay Railway Projects Private Limited                              | 105.47       | -              | -                        | 105.47   | 207.92        | -              | -                        | 207.92    |
| SAE Towers Holdings, LLC, USA                                     | -            | -              | -                        | -        | 312.26        | -              | -                        | 312.26    |
| KEC US LLC, USA   | -            | -              | -                        | -        | 21,576.72     | -              | -                        | 21,576.72 |
| KEC Transmission LLC, USA   | -            | -              | -                        | -        | 32,365.08     | -              | -                        | 32,365.08 |
| KEC Global FZ-LLC, Ras UL Khaimah                                 | -            | -              | -                        | -        | 6,092.41      | -              | -                        | 6,092.41  |
| <b>Investment made</b>  | 9.40         | -              | -                        | 9.40     | 272.27        | -              | -                        | 272.27    |
| KEC Global Mauritius, Mauritius                                   | 9.40         | -              | -                        | 9.40     | -             | -              | -                        | -         |
| KEC Investment Holdings, Mauritius                                | -            | -              | -                        | -        | 272.27        | -              | -                        | 272.27    |

Corporate Overview

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## Notes forming part of the financial statements

### (d) Balances outstanding as at the year end

₹ in lacs

|  | Current Year |                |                          |            | Previous Year |                |                          |            |
|--|--------------|----------------|--------------------------|------------|---------------|----------------|--------------------------|------------|
|  | Subsidiaries | Joint Ventures | Key Management Personnel | Total      | Subsidiaries  | Joint Ventures | Key Management Personnel | Total      |
| Amount receivable/( payable)                       | 233.88       | 21,087.74      | -                        | 21,321.62  | (4,706.67)    | 7,611.34       | -                        | 2,904.67   |
| Al-Sharif Group and KEC Ltd. Company, Saudi Arabia | -            | 1,327.86       | -                        | 1,327.86   | -             | 245.19         | -                        | 245.19     |
| Jay Railway Projects Private Limited               | 1,710.76     | -              | -                        | 1,710.76   | 1,426.15      | -              | -                        | 1,426.15   |
| KEC - ANPR - KPIPL JV                              | -            | 1,467.67       | -                        | 1,467.67   | -             | 375.73         | -                        | 375.73     |
| KEC - ASIAKOM JV                                   | -            | 142.21         | -                        | 142.21     | -             | 74.99          | -                        | 74.99      |
| KEC - ASIAKOM - UB JV                              | -            | 1,877.75       | -                        | 1,877.75   | -             | 497.10         | -                        | 497.10     |
| KEC - ASSB JV, MALAYSIA                            | -            | 1,300.93       | -                        | 1,300.93   | -             | 351.84         | -                        | 351.84     |
| KEC - DELCO - DUSTAN JV                            | -            | 426.88         | -                        | 426.88     | -             | 336.83         | -                        | 336.83     |
| KEC - DELCO - VARAHA JV                            | -            | 4,506.81       | -                        | 4,506.81   | -             | 2,008.37       | -                        | 2,008.37   |
| KEC - JEI JV                                       | -            | 196.58         | -                        | 196.58     | -             | 120.42         | -                        | 120.42     |
| KEC - PLR - KPIPL JV                               | -            | 557.76         | -                        | 557.76     | -             | 241.48         | -                        | 241.48     |
| KEC - SIDHARTH JV                                  | -            | 931.74         | -                        | 931.74     | -             | 397.42         | -                        | 397.42     |
| KEC - TRIVENI-KPIPL JV                             | -            | 490.10         | -                        | 490.10     | -             | 219.17         | -                        | 219.17     |
| KEC - UNIVERSAL JV                                 | -            | 28.70          | -                        | 28.70      | -             | 41.20          | -                        | 41.20      |
| KEC - VALECHA - DELCO JV                           | -            | 763.30         | -                        | 763.30     | -             | 659.28         | -                        | 659.28     |
| KEC - VARAHA - KHAZANA JV                          | -            | 544.90         | -                        | 544.90     | -             | 383.67         | -                        | 383.67     |
| EJP KEC Joint Venture, South Africa                | -            | 6,433.73       | -                        | 6,433.73   | -             | 1,658.65       | -                        | 1,658.65   |
| KEC-BJCL JV  | -            | 90.82          | -                        | 90.82      | -             | -              | -                        | -          |
| KEC Global FZ-LLC, Ras UL Khaimah                  | (1,445.38)   | -              | -                        | (1,445.38) | (6,104.06)    | -              | -                        | (6,104.06) |
| RPG Transmission Nigeria Limited                   | (31.50)      | -              | -                        | (31.50)    | (28.76)       | -              | -                        | (28.76)    |
| Guarantees given on behalf of the related party:   | 85,935.62    | -              | -                        | 85,935.62  | 82,134.63     | -              | -                        | 82,134.63  |
| Jay Railway Projects Private Limited               | 264.99       | -              | -                        | 264.99     | 207.92        | -              | -                        | 207.92     |
| KEC Global FZ-LLC, Ras UL Khaimah                  | 31,377.83    | -              | -                        | 31,377.83  | 27,672.65     | -              | -                        | 27,672.65  |
| KEC Transmission LLC, USA                          | 32,367.76    | -              | -                        | 32,367.76  | 32,365.08     | -              | -                        | 32,365.08  |
| KEC US LLC, USA                                    | 21,578.51    | -              | -                        | 21,578.51  | 21,576.72     | -              | -                        | 21,576.72  |
| SAE Towers Holdings, LLC, USA                      | 346.53       | -              | -                        | 346.53     | 312.26        | -              | -                        | 312.26     |

No amount has been written off/provided for or written back in respect of amounts receivable from or payable to the related parties.

### 36 - DISCLOSURE FOR OPERATING LEASES UNDER ACCOUNTING STANDARD 19 - "LEASES"

| Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--|-----------------------------|------------------------------|
| Disclosure in respect of the agreements entered into for taking on leave and license/under operating leases the residential/office premises and warehouses, including furniture and fittings therein and machinery, as applicable, is given below: |                             |                              |
| 1 Lease payments recognised in the Statement of Profit and Loss for the year [includes minimum lease payment ₹ 374.42 lacs (Previous Year ₹ 341.25 lacs)]  | 1,987.38                    | 1,856.02                     |
| 2 (i) Under some of the agreements, refundable interest free deposits have been given.   |                             |                              |
| (ii) Some of the agreements provide for increase in rent.  |                             |                              |
| (iii) Some of the agreements provide for early termination by either party with a notice period which varies from 15 days to 6 months.   |                             |                              |
| (iv) Some of the agreements contain a provision for its renewal.   |                             |                              |
| 3 Future minimum lease payments under the agreements, which are non-cancellable are as follows:  |                             |                              |
| (i) Not later than one year  | 245.19                      | 325.40                       |
| (ii) Later than one year and not later than five years   | 99.73                       | 190.99                       |
| (iii) Later than five year   | 14.36                       | -                            |

**37**

Basic/diluted earnings per share has been calculated by dividing the profit for the year after taxation of ₹ 18,183.87 lacs (Previous Year ₹ 14,709.01 lacs), by 2,57,088,370 (Previous Year 2,57,088,370) being the weighted average number of equity shares outstanding during the year.

## Notes forming part of the financial statements

### 38 - THE COMPONENTS OF DEFERRED TAX ASSETS (NET) ARE AS UNDER:

| Particulars   | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|---|-----------------------------|------------------------------|
| <b>Deferred Tax Liability</b>   |                             |                              |
| Depreciation (A)  | 8,776.67                    | 8,101.04                     |
| <b>Deferred Tax Assets</b>  |                             |                              |
| Provision for doubtful debts and advances   | 913.64                      | 1,464.58                     |
| Amalgamation expenses   | 51.52                       | 122.30                       |
| VRS Expenditure u/s 35 DDA  | 190.74                      | 225.88                       |
| Expenses debited to the Statement of Profit and Loss allowable in subsequent year/s u/s 43B/40(a) | 676.15                      | 315.69                       |
| Others  | 283.42                      | 177.54                       |
| (B)   | 2,115.47                    | 2,305.99                     |
| Deferred Tax Liability (net) (A-B)  | 6,661.20                    | 5,795.05                     |

### 39 - RESEARCH AND DEVELOPMENT EXPENSES:

| Particulars  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
|--|-----------------------------|------------------------------|
| Revenue expenses charged to the Statement of Profit and Loss (including depreciation on tangible fixed assets) | 983.11                      | 671.11                       |
| Expenditure capitalised during the year  | 8.69                        | 3,437.42                     |

### 40 - DISCLOSURE IN RESPECT OF JOINT VENTURES UNDER ACCOUNTING STANDARD 27 - "FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES":

| Sr. No.   | Particulars   | Ownership Interest |               |
|-----------|---|--------------------|---------------|
|           |   | Current Year       | Previous Year |
| <b>a)</b> | <b>Jointly Controlled Entities</b>  |                    |               |
| i.        | Al-Sharif Group and KEC Ltd Company, Saudi Arabia (formerly known as Faiz Abdul Hakim Al-Sharif Group & KEC Company Ltd., Saudi Arabia) | 49%                | 49%           |
| ii.       | Hiltop Infrastructure Inc., USA (@ 50% Upto February 09, 2011)  | -                  | @-            |
| iii.      | KEC Power India Private Limited (*Status changed from Joint Venture to Subsidiary w.e.f. March 31, 2012)                                | *-                 | 50%           |
| iv.       | EJP KEC Joint Venture, South Africa   | 50%                | 50%           |
| v.        | KEC - ASSB JV, Malaysia   | 67%                | 67%           |
| vi.       | KEC - ASIAKOM - UB JV   | 60%                | 60%           |
| vii.      | KEC - ASIAKOM JV  | 51%                | 51%           |
| viii.     | KEC - JEI JV  | 60%                | 60%           |
| ix.       | KEC - DELCO - VARAHA JV   | 80%                | 80%           |
| x.        | KEC - VARAHA - KHAZANA JV   | 80%                | 80%           |
| xi.       | KEC - VALECHA - DELCO JV  | 51%                | 51%           |
| xii.      | KEC - SIDHARTH JV   | 80%                | 80%           |
| xiii.     | KEC - TRIVENI - KPIPL JV  | 55%                | 55%           |
| xiv.      | KEC - UNIVERSAL JV  | 80%                | 80%           |
| xv.       | KEC - DELCO - DUSTAN JV   | 51%                | 51%           |
| xvi.      | KEC - ANPR - KPIPL JV   | 60%                | 60%           |
| xvii.     | KEC - PLR - KPIPL JV  | 55%                | 55%           |
| xviii.    | KEC - BJCL JV   | 51%                | -             |

## Notes forming part of the financial statements

### 40 - DISCLOSURE IN RESPECT OF JOINT VENTURES UNDER ACCOUNTING STANDARD 27 - "FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES": (Contd.)

| Sr. No. | Particulars  | Ownership Interest          |                              |
|---------|--|-----------------------------|------------------------------|
|         |  | Current Year<br>(₹ in lacs) | Previous Year<br>(₹ in lacs) |
| b)      | Aggregate amount of assets, liabilities, income and expenditure related to the Company's interests in jointly controlled entities: |                             |                              |
| I       | <b>Liabilities*</b>  |                             |                              |
| (a)     | Non-current Liabilities  |                             |                              |
|         | - Tax provisions less payments   | 4.66                        | 1.99                         |
| (b)     | Current Liabilities  |                             |                              |
|         | - Short Term Borrowings  | 1,196.66                    | -                            |
|         | - Trade payables   | 26,372.60                   | 7,767.12                     |
|         | - Other current liabilities  | 1,369.82                    | 576.58                       |
|         | - Tax provisions less payments   | 0.56                        | 159.72                       |
|         | <b>Total Liabilities</b>   | <b>28,944.30</b>            | <b>8,505.41</b>              |
| II      | <b>Assets*</b>   |                             |                              |
| (a)     | Non-current Assets   |                             |                              |
|         | - Fixed assets   |                             |                              |
|         | Tangible Assets  | 260.42                      | 261.28                       |
|         | Long term loans and advances   | 337.74                      | 76.48                        |
| (b)     | Current Assets   |                             |                              |
|         | - Inventories  | 120.50                      | 55.48                        |
|         | - Trade receivables  | 18,008.39                   | 2,545.16                     |
|         | - Cash and bank balances   | 324.48                      | 645.87                       |
|         | - Short term loans and advances  | 604.35                      | 88.78                        |
|         | - Other current assets   | 8,787.86                    | 5,549.19                     |
|         | <b>Total Assets</b>  | <b>28,443.74</b>            | <b>9,222.24</b>              |
| III     | <b>Income*</b>   | 45,496.64                   | 15,217.19                    |
| IV      | <b>Expenditure*</b>  |                             |                              |
|         | Cost of materials consumed   | 24,846.80                   | 3,725.35                     |
|         | Erection & Sub-Contracting Expenses  | 18,621.25                   | 10,169.34                    |
|         | Employee benefits expenses   | 2,241.24                    | 520.82                       |
|         | Other Expenditure  | 680.03                      | 209.40                       |
|         | Depreciation   | 111.31                      | 84.24                        |
|         | Finance costs  | 11.14                       | -                            |
|         | Provision for taxation   | 145.11                      | 166.27                       |

\* Excludes Assets, Liabilities, Income and Expenditure disclosed in Note 40 (c) below

- c) In respect of contracts as referred to in Note 1(B)(iii), the Company has recognised revenue from operations ₹ 11,415.24 lacs (Previous Year ₹ 29,528.97 lacs), total expenditure ₹ 10,895.19 lacs (Previous Year ₹ 27,059.54 lacs), total assets aggregating ₹ 20,150.58 lacs (Previous Year ₹ 28,098.29 lacs) and total liabilities aggregating ₹ 19,611.41 lacs (Previous Year ₹ 25,636.51 lacs).

## Notes forming part of the financial statements

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Based on the details regarding the status of the supplier obtained by the Company, there is no supplier covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). This has been relied upon by the auditors.

42

The execution of the construction works under contracts of the Company with General Electric Company Libya (a Government of Libya undertaking) is disrupted since February, 2011 due to civil/political unrest in that country. The net assets [including fixed assets, debtors etc] as at March 31, 2012 of the Company relating to these contracts aggregate ₹ 7,689 lacs. The situation in Libya is returning to normal and the Company is confident of completing the project.

43

Members of the Company in the Annual General Meeting held on July 05, 2011 accorded consent subject to approval of the Central Government for payment of commission to non- executive directors up to 5% of the net profits of the Company computed as per the provisions of the Companies Act, 1956, at the end of each financial year, for a period of five years commencing from financial year 2010-11 in such manner and up to such extent as the remuneration committee of the Board of Directors of the Company recommends and the Board of Directors determine from time to time. The Central Government has on the application made by the Company, vide its letter dated February 21, 2012 approved payment of commission not exceeding ₹ 880 lacs for the financial year 2010-11 which was provided for in the financial statements for the year ended March 31, 2011.

The Board of Directors in its meeting held on May 03, 2012 has determined payment of commission of ₹ 880 lacs for the financial year ended March 31, 2012 subject to approval of the Central Government as required under the relevant provisions of the Companies Act, 1956, which has been provided for in the books. Accordingly, commission of ₹ 695.18 lacs in excess of 1% of the net profits computed under Section 349 of the Companies Act, 1956, is subject to approval of the Central Government as stated above.

44

The Revised Schedule VI has become effective from April 01, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous Year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Signatures to Notes 1 to 44 which form an integral part of financial statements.

For and on behalf of the Board

**H. V. GOENKA**  
Chairman

**VARDHAN DHARKAR**  
Chief Financial Officer

**R. D. CHANDAK**  
Managing Director

**CH. V. JAGANNADHA RAO**  
Company Secretary

**A. T. VASWANI**  
Director

Place : Mumbai  
Date : May 03, 2012

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## Cash Flow Statement for the year ended March 31, 2012

| Particulars  | Current Year |             | Previous Year |             |
|--|--------------|-------------|---------------|-------------|
|  | ₹ in lacs    | ₹ in lacs   | ₹ in lacs     | ₹ in lacs   |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>  |              |             |               |             |
| Profit Before Tax  |              | 25,481.48   |               | 23,879.36   |
| Adjustments for:   |              |             |               |             |
| Depreciation and amortisation expense (net)  | 3,604.85     |             | 3,449.10      |             |
| (Profit) / loss on sale / write off of fixed assets (net)  | (5,035.48)   |             | 8.89          |             |
| Loss on long term investment in a Joint Venture Company dissolved  | -            |             | 21.45         |             |
| Finance costs  | 13,370.66    |             | 10,529.71     |             |
| Interest income  | (637.28)     |             | (398.75)      |             |
| Dividend income from long term investment in a subsidiary  | (2,721.89)   |             | -             |             |
| Profit on redemption of current investments in units of mutual funds   | (113.70)     |             | -             |             |
| Net unrealised exchange (gain) / loss  | 1,426.62     |             | (120.97)      |             |
|  |              | 9,893.78    |               | 13,489.43   |
| <b>Operating Profit Before Working Capital Changes</b>   |              | 35,375.26   |               | 37,368.79   |
| Changes in working capital:  |              |             |               |             |
| Adjustments for (increase) / decrease in operating assets:   |              |             |               |             |
| Inventories  | (10,513.14)  |             | 3,686.90      |             |
| Trade receivables  | (15,013.02)  |             | (45,156.75)   |             |
| Loans and advances   | (10,737.41)  |             | (325.98)      |             |
| Other current assets   | (3,702.89)   |             | (13,898.74)   |             |
| Other non-current assets   | 92.79        |             | (23.77)       |             |
|  |              | (39,873.67) |               | (55,718.34) |
| Adjustments for increase / (decrease) in operating liabilities:  |              |             |               |             |
| Trade payables and Other current liabilities   | 50,288.81    |             | 32,386.08     |             |
| Provisions   | 2,107.92     |             | 605.53        |             |
|  |              | 52,396.73   |               | 32,991.61   |
| Cash Generated From Operations   |              | 47,898.32   |               | 14,642.06   |
| Direct Taxes Paid (net of refund of taxes)   |              | (3,608.94)  |               | (6,070.98)  |
| <b>Net Cash Flow From Operating Activities (A)</b>   |              | 44,289.38   |               | 8,571.08    |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>  |              |             |               |             |
| Capital expenditure on fixed assets (after adjustment of increase/decrease in capital work-in-progress and advances for capital expenditure) | (10,718.38)  |             | (6,610.39)    |             |
| Proceeds from sale of fixed assets   | 7,307.86     |             | 284.86        |             |
| Investment in subsidiaries   | (9.40)       |             | (372.27)      |             |
| Loans given to a subsidiary  | (93.35)      |             | (1,430.00)    |             |
| Loans repaid by a subsidiary   | 249.47       |             | 3.85          |             |
| Interest received  | 362.39       |             | 384.40        |             |
| Purchase of current investments in mutual funds  | (11,000.00)  |             | -             |             |
| Proceeds from redemption of current investments in mutual funds  | 11,113.70    |             | -             |             |
| Dividend received from a subsidiary  | 2,721.89     |             | -             |             |
| Bank balances (including non-current) not considered as cash and cash equivalents (net)  | 78.67        |             | 422.32        |             |
|  |              | 12.85       |               | (7,317.23)  |
| <b>Net Cash Flow Used In Investing Activities (B)</b>  |              | 12.85       |               | (7,317.23)  |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>  |              |             |               |             |
| Proceeds from other than short-term borrowings   | 8,900.00     |             | 6,000.00      |             |
| Repayment of other than short-term borrowings  | (4,353.14)   |             | (12,952.59)   |             |
| Net increase / (decrease) in short-term borrowings   | (28,136.53)  |             | 19,016.32     |             |
| Finance costs [Including interest capitalised ₹ 319.06 lacs (Previous Year ₹ 90.90 lacs)]  | (13,706.35)  |             | (9,928.43)    |             |
| Dividend paid (including tax on distributed profit)  | (3,550.61)   |             | (3,544.02)    |             |
|  |              | (40,846.63) |               | (1,408.72)  |
| <b>Net Cash Flow Used In Financing Activities (C)</b>  |              | (40,846.63) |               | (1,408.72)  |

## Cash Flow Statement for the year ended March 31, 2012 (Contd.)

| Particulars   | Current Year |                 | Previous Year |                 |
|---|--------------|-----------------|---------------|-----------------|
|   | ₹ in lacs    | ₹ in lacs       | ₹ in lacs     | ₹ in lacs       |
| <b>Net Increase/(Decrease) In Cash And Cash Equivalents (A+B+C)</b>   |              | 3,455.60        |               | (154.87)        |
| Cash and cash equivalents at the beginning of the year  |              | 5,251.36        |               | 5,406.52        |
| Effect of exchange differences on restatement of foreign currency Cash and cash equivalents   |              | 2.22            |               | (0.29)          |
| <b>Cash and cash equivalents at the end of the year</b>   |              | <b>8,709.18</b> |               | <b>5,251.36</b> |
| <b>Reconciliation of Cash and cash equivalents with the Balance Sheet:</b>  |              |                 |               |                 |
| Cash and cash equivalents as per Balance Sheet (Refer Note 17)  |              | 9,412.85        |               | 5,961.44        |
| Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements - Balances with banks held as margin money or security against the borrowings, guarantees and other commitments |              | 703.67          |               | 710.08          |
| <b>Cash and cash equivalents at the end of the year (as defined in AS 3 Cash Flow Statements) included in Note 17 [Refer Footnote (iii)]</b>  |              | <b>8,709.18</b> |               | <b>5,251.36</b> |
| <b>Footnotes:</b>   |              |                 |               |                 |
| (i) The cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 - Cash Flow Statements.   |              |                 |               |                 |
| (ii) The above excludes acquisition of a subsidiary during the year for a consideration of ₹ 75.24 lacs which is paid subsequent to the year-end.   |              |                 |               |                 |
| (iii) Cash and cash equivalents* at the end of the year comprises:  |              |                 |               |                 |
| (a) Cash on hand  |              | 247.47          |               | 311.59          |
| (b) Cheques on hand   |              | 4.68            |               | 219.26          |
| (c) Balances with banks   |              |                 |               |                 |
| (i) In current accounts   |              | 7,183.37        |               | 4,397.09        |
| (ii) In deposit accounts  |              | 491.84          |               | 162.65          |
| (iii) In earmarked accounts - Unpaid dividend accounts  |              | 163.72          |               | 128.79          |
| (d) Remittances in transit  |              | 618.10          |               | 31.98           |
|   |              | <b>8,709.18</b> |               | <b>5,251.36</b> |
| * includes cash and cash equivalents of jointly controlled operations referred to in Note 40 (c) to the financial statements.   |              |                 |               |                 |
| (iv) Previous year's figures have been regrouped to conform with those of the current year.   |              |                 |               |                 |
| See accompanying notes forming part of the financial statements   |              |                 |               |                 |

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In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**U. M. NEOGI**  
Partner

**VARDHAN DHARKAR**  
Chief Financial Officer

**CH. V. JAGANNADHA RAO**  
Company Secretary

Place : Mumbai  
Date : May 03, 2012

Place : Mumbai  
Date : May 03, 2012

For and on behalf of the Board of Directors

**H. V. GOENKA**  
Chairman

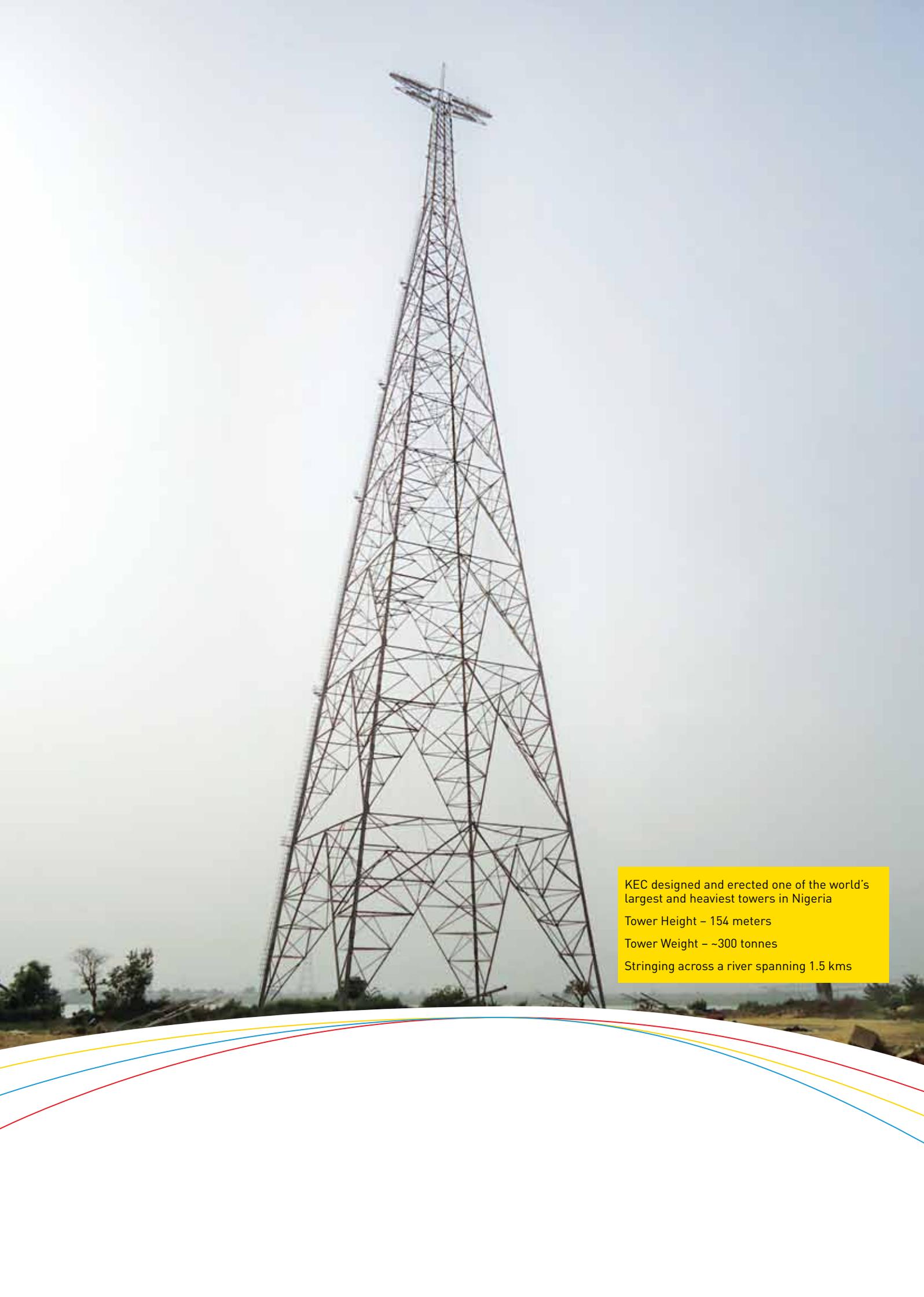
**R. D. CHANDAK**  
Managing Director

**A. T. VASWANI**  
Director









KEC designed and erected one of the world's largest and heaviest towers in Nigeria

Tower Height - 154 meters

Tower Weight - ~300 tonnes

Stringing across a river spanning 1.5 kms



## Registered Office

### RPG House

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**Phone:** +91-22-6667 0200

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

KEC International is a global infrastructure Engineering, Procurement and Construction (EPC) major with a wide presence in the business verticals of Power Transmission, Power Systems, Cables, Telecom, Railways and Water. KEC's focused approach towards project management enables the creation of world class projects, innovative solutions, customized to overcome extreme terrain and climate. With proven technical prowess in handling mega projects and superior project management expertise, the Company has powered infrastructure development in 46 countries across South Asia, Middle East, Africa, Central Asia and Americas.