



THE DETERMINATION TO DELIVER



Patel Engineering Ltd.
ANNUAL REPORT
2009-2010



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BOARD OF DIRECTORS

Mr. Pravin Patel, Chairman
Mr. Rupen Patel, Managing Director
Mr. Krishnamoorthy Kannan
Mr. Khizer Ahmed
Mr. Srinivasa Jambunathan
Mr. Priyavadan C. Purohit
Ms. Sonal Patel, Whole Time Director & COO
Ms. Silloo Patel, Whole Time Director & CFO
Mr. Nimish Patel, Whole Time Director
Mr. Ajay Tuli
Mr. Danish Merchant
Mr. Bhasker Mehta

REGISTERED OFFICE

Patel Estate Rd, Jogeshwari (W),
Mumbai - 400 102
E: investors@pateleng.com
W: www.pateleng.com

REGISTRAR & TRANSFER AGENT

Link Intime India Pvt. Ltd.
C-13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (W),
Mumbai - 400 078
T: +91 22 25946970
F: +91 22 25946969
E: rnt.helpdesk@linkintime.co.in
W: www.linkintime.com

COMPANY SECRETARY

Ms. Shobha Shetty

AUDITORS

M/s. Vatsaraj & Co.
Chartered Accountants
'C' Block, 65, Tamarind Lane,
Fort, Mumbai - 400 023.

AUDIT COMMITTEE

Mr. Krishnamoorthy Kannan (Chairman)
Mr. Pravin Patel
Mr. Khizer Ahmed

SHAREHOLDERS & INVESTORS

GRIEVANCE COMMITTEE

Mr. Krishnamoorthy Kannan (Chairman)
Mr. Khizer Ahmed

REMUNERATION COMMITTEE

Mr. Khizer Ahmed (Chairman)
Mr. Pravin Patel
Mr. Krishnamoorthy Kannan
Mr. Srinivasa Jambunathan

BANKERS

ICICI Bank Ltd.
Bank of India
Dena Bank
Canara Bank
Bank of Baroda
Industrial Development Bank of India Ltd.
Union Bank of India
Corporation Bank
State Bank of Patiala
Axis Bank Ltd.

CORPORATE INFORMATION



Rupen Patel | Managing Director

STANDING ON STRONG PILLARS

Dear Shareholders,

The global economy began to grow again in Q2 2009 but the path to a self-sustaining recovery is yet to shape clearly. India has shown remarkable resilience in recovering from global economic slow down. The GDP growth is expected to reach at 7.2 per cent or even higher. However, there are many challenges to be met before a sense of confidence builds up. Patel understands these challenges and is geared to overcome them.

2010 FINANCIALS

I am happy to share the broad financials for the year 2009 – 2010. You will notice that the figures below demonstrate the company's sustained growth within the industry. I'm confident that in the years to come your company will strive to achieve similar success in all its endeavors.

- Revenue from operations increased 29.72% from Rs. 24,598.45 million to Rs. 31,909.33 million.
- EBDITA (excluding other income) increased by 30.54% from Rs. 3,896.53 million to Rs. 5,086.64 million.
- Profit before tax increased by 28.67% from Rs. 2,370.30 million to Rs. 3,049.90 million.
- Profit after tax increased by 9.80% from Rs. 1,804.78 million to Rs. 1,981.61 million.
- The EPS (fully diluted) increased from Rs. 30.25 to Rs. 30.96.

In this financial year, we have delivered dividend of Rs. 2 per share (200%).

The order book as on March 31, 2010 stands at more than Rs. 100,000 million. The company is confident of receiving contracts issued by the Government and doubling the turnover from its core business over a period of five years. The Company raised Rs. 3443.23 million through qualified Institutional placement (QIP). These funds have been used to reduce company's debt, for working capital, investment in Power business. Upon QIP issue and issue of shares to ESOP Trust, the public holding in the company stands increased to 54.53% from 46.21%.

BUSINESS PROGRESS 2009

The year has witnessed progress in thermal and hydro projects. Further, developments in Real Estate projects and new ventures shall continue to be a key impetus for sustained growth going forward.

In the emerging power segment, the 1050 MW coal based Thermal Power Plant in Tamil Nadu is progressing in full swing and financial closure is expected in 2011. The 90 MW Hydro Power project in Arunachal Pradesh has now been increased to 140 MW, resulting in a capacity enhancement of 55%. The enhancement has necessitated the financial closure to be extended by 2 quarters. Financial closure expected in FY 2011.

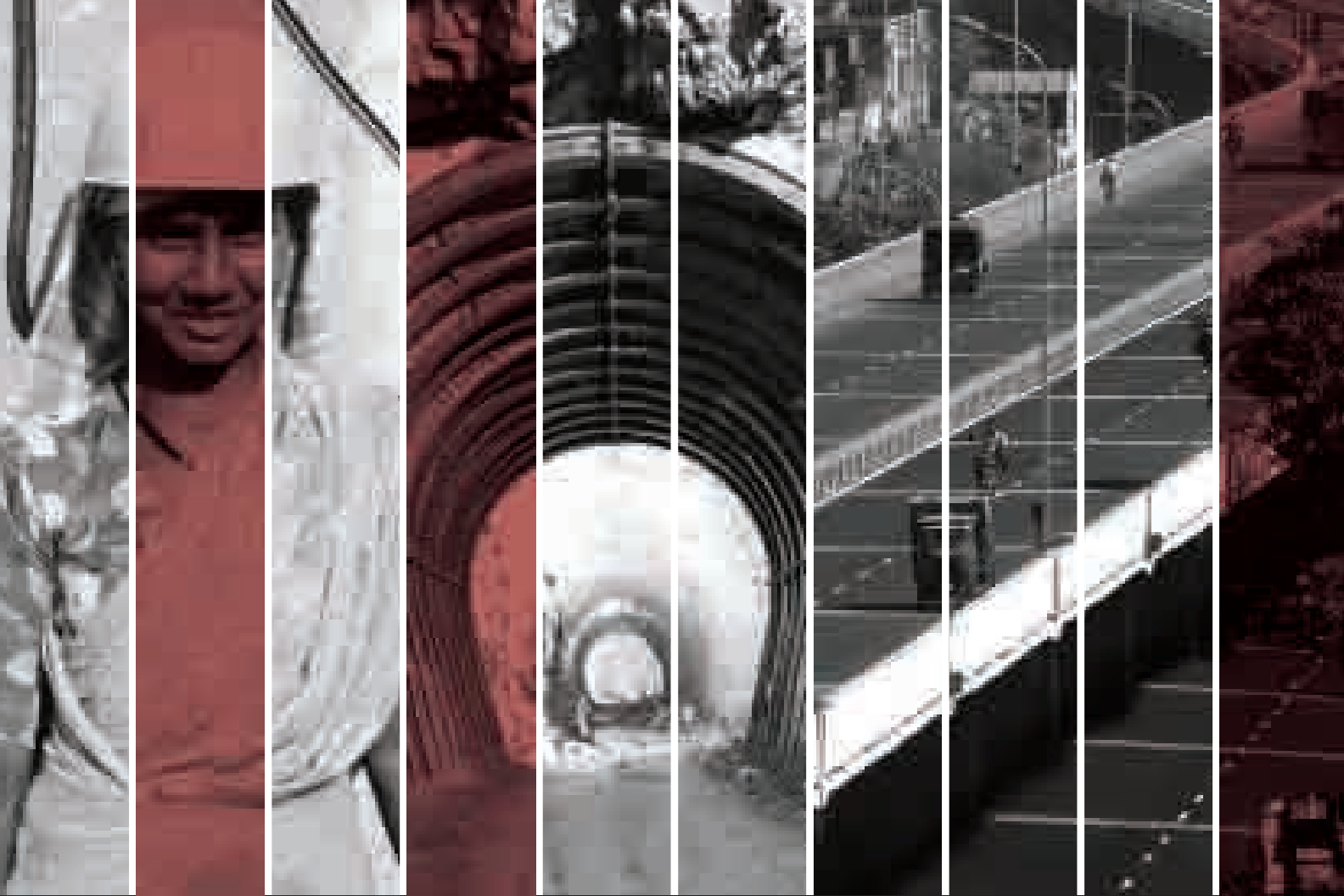
In the Real Estate and Township development, Patel is creating many landmarks at strategic locations across India's metros. Neotown in Bangalore has been approved by Govt. of Karnataka as an integrated Township. The construction is scheduled to be completed by January, 2012 and estimated gross revenue from the first phase is estimated to be about Rs. 2400 million. The project in Jogeshwari, Mumbai is expected to be delivered in a 30 month period. Commencement certificate from Municipal Corporation of Greater Mumbai comprising of 3 towers has already been obtained and excavation has been completed. Our project in Noida has commenced under the name of Pan Oasis and over 75% has already been booked. Extending our footprints outside the Indian shores, we are beginning construction activities in Mauritius.

CSR at Patel

At Patel, corporate social responsibility has always been a priority area and we have contributed to welfare activities through organizations like Patel Engineering Company Charity Trust, Savitribai Phule Shikshan Prasarak Mandal, Cancer Patients Aid Association (CPAA), Blind Welfare Association, Shirol Taluka Apang Punarvasan Va Arthik Sahaya Sanshta and Kunvarji Mulji Kelavani Trust. Through these organizations and institutions the company has helped bring education to many young children and shaped the career of many by offering higher/professional education. Jobs and other opportunities have been created for the blind and physically handicapped. Cancer patients have been helped through our services and awareness drives have been undertaken to discourage practices like tobacco consumption, early marriage, etc that lead to cancer.

As we enter into the 62nd year of our business, we are confident of continuing our progressive journey in our current core areas as well as in the new verticals. At Patel, we are excited about what the future holds for all of us.





WITH PEOPLE AT THE HEART OF PROGRESS

Giving our best. Meeting every commitment.

Through our projects in Engineering, Asset, Realty and Power, we are touching and changing millions of lives. The passion of the people at Patel is behind every progress we make.

Engineering Feats

Across the globe, engineering feats are progressing human life. In the year 1949 Patel Engineering embarked upon its journey of becoming a viable partner in delivering large civil and infrastructure projects. Today, the company has a global presence and has been successfully involved in building 78 dams, 40 hydropower projects, 33 micro tunneling projects and over 175 Kms of tunneling.

Patel pioneered the RCC based construction of Dams in India way back in 2006 with Ghatghar Hydro-Project. This Technology is almost 30% cheaper and 40% faster than the conventional methods of building dams. In RCC Dam construction, cement is replaced up to 70% by Fly Ash which helps in reducing heat of hydration and improves durability. The group has successfully delivered more than 40 RCC dams across the world.

In urban infrastructure, Patel has acquired a leadership position. The company is one among the world's largest micro-tunneling contractor with over 90% market share in India. Micro-tunneling is mechanized tunneling of small diameter tunnels for water supply, drainage systems and sewerage system. Micro tunneling helps avoid digging trenches, disrupting road or rail traffic and therefore is a superior method that saves time and money.

Another partnership for Patel in implementing innovative technology has been for Lake Tapping. This technology was implemented for the first time in Asia by Patel. Lake Tapping is a technique for connecting water conductor system to the Lake. Lake piercing can be done through dry or wet (sub-merged) methods. The sub-merged method does not cause depletion of the lake as the lake rock plug is blasted from the bottom. Patel executed the sub-merged piercing through implementing "Open Method" with control gates on d/s of the shaft. Post the first successful implementation of this technology, Patel has received repeated orders from the clients.

The group has often been awarded by many prestigious bodies in India and abroad. Patel is the proud recipient of the National Award for Maximum Utilization of Fly Ash in Hydro Sector – Ghatghar Hydro Project, 2006. Over the years, the group has also won several International Awards for sensible and sustainable usage of material and processes.



COMMITTED TO ACHIEVING THE BEST

Realty:

Patel has been one of the most profitable construction companies in India and has now forayed into realty space with its wholly owned subsidiary Patel Realty India limited.

The current land bank with Patel is in excess of 1100 acres at strategic locations across India and is estimated to be valued on "an as is where is basis" at Rs. 21000 million.

Some of the prestigious projects already underway are: "NEOTOWN", Bangalore: an integrated project on 100 acres of land Project has been approved by Government of Karnataka as an integrated Township comprising of residential, SEZ,

IT Park, Strip Mall, Villas, Hotel, School and Hospital. All approvals and permission have been obtained and infrastructure like boundary walls, site development, internal roads, sewerage, drainages and landscaping have been completed.

In the first phase of Neotown, we have introduced a new concept of "Smondoville" – smart condos. Launched in mid November, 2009 more than 1000 out of 1123 apartments are sold within 4 months. The construction is scheduled to be completed by January, 2012 and the estimated gross revenue from this phase is estimated to be about Rs. 2400 million.

Mumbai Project: A 3 tower project in Jogeshwari is spread across 6 acres. Commencement Certificate for the project has been obtained from Municipal Corporation of Greater Mumbai. The project has already been commenced in March, 2010 and total leasable area estimated to be delivered through the project is 1 million square feet. The project is expected to be completed in 30 months.

Mauritius Project: Integrated Township in Les Salines, Port Louis Development work has already commenced on area of 62 acres, leased from the Govt. of Mauritius for 99 years. The project has been approved by Govt. of Mauritius as an integrated Township comprising of Residential, Commercial, Shopping Mall, Villas, Hotel, Casinos, etc.

Noida Project: Noida Authority has allotted 75,000 sq meters of tender plot to our subsidiary Pan Realtors Pvt. Ltd. Pan Realtors has launched the project under the name of Pan Oasis. Construction for this project has commenced and the company managed to get bookings for over 75% of the total unit.

1050 MW Coal based Thermal Power Plant, Tamil Nadu in PEL Power (100% subsidiary): The DPR and the land acquisition are completed. Most of the statutory clearances viz. Environmental, TNMB permission for Seawater drawl, NOC from Airport Authority of India for stack height is in place. The much needed and the long awaited Coal linkage has been approved by the Government of India under the 11th Plan Period. The coal deliveries are expected within 24 months from now. Financial closure is expected in 2010-11.

140 MW Hydro Power project, Arunachal Pradesh in Dirang Energy (100% subsidiary): Land acquisitions have been completed and all clearances are obtained. The project has now been increased from 90 MW to 140 MW, resulting in a capacity enhancement of 55%. The enhancement has necessitated the financial closure to be extended by 2 quarters. We expect a financial closure in FY 2011. The Project is expected to get commission in next 6 years.

In the new verticals, Patel is confident of repeating the success of and achieving the same stature as in Engineering.

Energy:

Patel, under its wholly owned subsidiary- **Patel Energy Resources Limited**- has initiated power projects in thermal as well as hydro.

Some of our prestigious projects in power generation sector are:



COMPARATIVE CONSOLIDATED FINANCIALS

(Rs. in million)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
A. FINANCIAL POSITION						
Share Capital	69.83	59.66	59.66	59.66	50.00	48.60
Reserves & surplus	13,557.69	10,112.63	8,399.33	7,014.48	1,956.99	1,282.36
Share holders Funds	13,627.52	10,172.29	8,458.99	7,074.14	2,006.99	1,330.96
Minority Interest	615.24	215.77	405.41	74.02	254.36	315.35
Deferred Tax Liability	114.88	148.36	150.94	118.40	167.53	174.53
Loan Funds	18,300.18	12,812.62	9,764.01	3,419.72	3,577.75	2,075.65
Contractee advances	3,078.78	4,654.30	2,178.00	1,491.85	1,975.71	1,887.49
Total Funds Employed	35,736.60	28,003.34	20,957.35	12,178.13	7,982.35	5,783.98
Fixed Assets (Net)	7,591.16	5,700.97	6,702.43	2,535.80	2,430.10	2,039.87
Investments	698.17	504.65	360.81	1,714.02	283.64	322.24
Deferred Income Tax	-	-	-	-	14.32	9.68
Net Current Assets	27,380.30	21,738.32	13,871.26	7,901.26	5,222.04	3,411.17
Miscellaneous Expenditure	66.97	59.40	22.85	27.05	32.26	1.02
(To the extent not written off or adjusted)						
Total Application of Funds	35,736.60	28,003.34	20,957.35	12,178.13	7,982.35	5,783.98
B. OPERATING RESULTS						
Income from Operations	31,909.33	24,598.45	18,596.43	12,900.12	10,223.34	7,912.01
Other Income	630.12	144.59	36.87	97.51	59.68	77.13
Total Income	32,539.45	24,743.04	18,633.30	12,997.63	10,283.02	7,989.14
Total Expenditure	29,489.55	22,372.74	16,778.20	11,685.50	9,475.29	7,500.11
Profit before Tax	3,049.90	2,370.30	1,855.10	1,312.13	807.73	489.03
Profit after Tax	2,120.57	1,934.02	1,628.12	1,171.33	741.90	421.23
Minority Interest	138.96	129.24	109.07	26.62	8.80	5.70
Net Profit	1,981.61	1,804.78	1,519.05	1,130.11	733.10	415.53
C. EQUITY SHARE DATA						
Earnings per share (Rs.)	30.96	30.25	24.74	18.90	14.80	8.02
Number of Shares	69,827,151	59,659,090	59,659,090	59,659,090	50,000,000	48,604,800
Dividend %	200%	175%	150%	130%	130%	100%

DIRECTORS' REPORT

Dear Members

The Directors are pleased to present the 61st Annual Report together with the Audited Accounts for the year ended March 31, 2010.

Financial Highlights

(Rs. in million)

	Consolidated		Standalone	
	2009-10	2008-09	2009-10	2008-09
Total Income	32,539.45	24,743.04	24,350.15	17,963.22
Profit before depreciation	4,140.06	3,565.91	2,520.07	2,417.11
Less: Depreciation	1,090.16	1,195.61	501.73	440.72
Profit before tax	3,049.90	2,370.30	2,018.34	1,976.39
Tax & other adjustments	1,068.29	(a) 565.52	709.80	(b) 233.02
Net Profit	1,981.61	1,804.78	1,308.54	1,743.37
Add: Balance in Profit & Loss A/c	3,846.96	2,389.83	3,825.53	2,404.31
Less: Provision for tax of earlier years	1,511.69	-	1,485.11	-
Amount available for appropriation	4,316.88	4,194.61	3,648.96	4,147.68
Appropriation:				
a. Interim Dividend	140.09	47.73	140.09	47.73
b. Final Dividend	-	56.68	-	56.68
c. Tax on Dividend	23.73	17.74	23.73	17.74
d. General Reserve	125.50	225.50	100.00	200.00
e. Debenture Redemption Reserve	135.00	-	135.00	-
Balance carried forward	3,892.56	3,846.96	3,250.14	3,825.53

(a) Previous year tax would have been Rs. 877.53 million on account of amendment to Section 80IA by Finance Act, 2009.

(b) Previous year tax would have been Rs. 671.77 million on account of amendment to Section 80IA by Finance Act, 2009.

Operational Highlights

The turnover of the Company for the year ended March 31, 2010 on consolidated basis stood at Rs. 32,539.45 million as against Rs. 24,743.04 million for the previous year ended March 31, 2009, thereby recording a growth of 31.51%. The EBDITA (excluding other income) for the year is Rs. 5,086.64 million as compared to Rs. 3,896.53 million for the previous year. The Net Profit is Rs. 1,981.61 million as compared to Rs. 1,804.78 million for the previous year.

On standalone basis, the turnover of the Company stood at Rs. 24,350.15 million for the year ended March 31, 2010 as against Rs. 17,963.22 million for the previous year ended March 31, 2009, thereby recording a growth of 35.55%. The EBDITA (excluding other income) for the year is Rs. 3,798.07 million as compared to Rs. 2,641.52 million for the previous year. The Net Profit is Rs. 1,308.54 million as compared to Rs. 1,743.37 million for the previous year.

The order book position of the Company as on March 31, 2010 was approx Rs. 1,00,000 million.

Dividend

During the year under review, the Directors have declared interim dividend of Rs. 2 per share (200%) on the equity shares of the Company aggregating to Rs.163.38 million (including dividend tax) and the same was paid. The interim dividend declared be treated as dividend for the year 2009-10.

Deposits

The Company has not invited or accepted deposit.

Share capital

During the year, the Company issued 7,218,061 equity shares of Re.1 each to Qualified Institutional Buyers at a price of Rs.477.03 per share (including a premium of Rs. 476.03 per share) fully paid up aggregating to Rs. 3,443.23 million.

The Company further issued 29,50,000 fully paid up equity shares of Re.1 each to Patel Engineering

Employees Welfare Trust (ESOP) at a price of Re.1 per share, a trust operated by trustees (majority trustees being Independent directors of the company) to decide on grants of options to employees of the company and conduct various employee welfare programs.

Consequent to the issue of additional shares, the paid up equity share capital of the company stands increased to Rs. 69,827,151 consisting of 69,827,151 equity shares of Re.1 each.

the related detailed information will be made available to the members of the company seeking such information.

Debentures

During the year, the Company has raised long term loans in the form of 9.50% and 9.80%, Non-Convertible Redeemable Secured Debentures for Rs. 1050 million and Rs. 950 million respectively.

The said Debentures are listed and traded at NSE.

Subsidiary Companies and Consolidated Financial Statements

The Company has 74 subsidiaries as on March 31, 2010.

The following Companies became subsidiaries during the year 2009-2010.

No.	Name of Subsidiary	Date of becoming subsidiary	% of holding	Remarks
1	Zeus Land Projects Pvt. Ltd., India	01.04.2009	100	Acquired by the Company.
2	ASI Australia Pty. Ltd., Australia	01.04.2009	100	Incorporated as subsidiary of ASI Inc.
3	Energy Design Pvt. Ltd., India	22.06.2009	90	Incorporated by the Company
4	Shree Balaji Power Services Pvt. Ltd., India	25.08.2009	80	Acquired by the subsidiary Patel Energy Resources Ltd.
5	PAN Realtors Pvt. Ltd., India	26.08.2009	51	Incorporated by the Company.

The following Companies ceased to be subsidiary of the Company during the year 2009-2010:

No.	Name of Subsidiary	Date of ceasing to be a subsidiary	Remarks
1.	ASI Civil Constructor Inc., USA	01.04.2009	Wound up
2.	Patel PCPL Singapore Pte. Ltd., Singapore	03.06.2009	Disinvested
3.	PT Nagarta Coal Fields Ltd., Indonesia	03.06.2009	Disinvested

The Consolidated Financial Statements of the Company have been prepared in accordance with the Accounting Standards AS-21, AS-23 and AS-27 of the Institute of Chartered Accountants of India.

The Company has made application to the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956 for exempting the Company from attaching to its Annual Report, the copies of the Balance Sheets, Profit & Loss Accounts, Director's Reports and Auditors' Reports and other documents required to be attached under Section 212(1) of the Act, of all its subsidiary companies.

A statement containing brief financial details of Subsidiaries is included in this Annual Report. The annual accounts of the subsidiary companies and

Directors

Ms. Sonal Patel and Mr. Nimish Patel, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Mr. Danish Merchant and Mr. Bhasker Mehta were appointed on the Board of the Company with effect from August 3, 2009 and September 22, 2009 respectively.

In accordance with the provisions of the Companies Act, 1956, resolutions seeking approval of the members for appointment of Mr. Merchant and Mr. Mehta has been incorporated in the Notice of the ensuing Annual General Meeting along with the explanatory statement.

Employees Stock Option

The disclosures required to be made under the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is provided in Annexure 'A' and is a part of this report.

The ESOP Trust, which issues stock options to employees has also conducted various programs for the welfare of the employees of the company , viz seminar on cancer awareness, heart ailments, comprehensive health check up for employees. These programs benefited about 600 employees at various offices/sites. The Trust also provided loans/grants to employees for purposes such as house repairs/children's higher educations/serious ailments. The trust has also organized social events viz craft and painting competition for the children of employees. The Trust proposes to continue such activities at an enlarged scale.

Auditors

M/s. Vatsaraj & Co. Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to consider their re-appointment for the current financial year 2010-11 and authorize the Board of Directors to fix their remuneration. The retiring auditors have, under Section 224(1B) of the Companies Act, 1956, furnished certificates of their eligibility for the appointment.

Conservation of energy, technology absorption, foreign exchange earnings and outgo.

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption is provided in Annexure 'B' and is part of this Report.

The information on Foreign Exchange Earnings and Outgo is as follows:

Foreign exchange earnings	Rs. 947.34 million
Foreign exchange outgo	Rs. 249.57 million

Corporate Governance

The Ministry of Corporate Affairs has issued Corporate Governance Voluntary Guidelines 2009. The Board has taken note of the same. However, the Corporate Governance as required in Clause 49 of the Listing Agreement has been complied with. A separate Report on Governance along with the Auditors' Certificate is provided in Annexure C of this Report.

Corporate Social Responsibility (CSR)

CSR pertains to company's interaction with the society and its responsibility to contribute and give back to the society. Corporate Social Responsibility has been the company's priority. The Company donated to social care centers and its contribution to social activities, awareness campaign, education and cultural events and sport activities viz Blind organization of India, National Addiction Research Centre, Cancer Patients Aids Association, Patel Engineering Co. Charity Trust (the trust which provides education assistance to poor and needy people). The donations made by the Company during the financial year 2009-10 are Rs. 46.90 million.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with regard to Directors' Responsibility Statement, the Board of Directors confirms that :-

- a. In the preparation of annual accounts, the applicable accounting standards have been followed and that there are no material departures.
- b. The selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit and loss account of the Company for the year ended on that date.
- c. 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.
- d. The annual accounts have been prepared on a going concern basis.

Transfer to Investor Education and Protection Fund (IEPF)

During the year under review, the company credited Rs. 0.12 million to Investor Education and Protection Fund in compliance with the provisions of Section 205C of the Companies Act, 1956. The said amount being the dividend unclaimed by the shareholders of the Company for a period of 7 years from the due date of payment.

Equity Shares in the Suspense Account

As per clause 5A of the Listing Agreement, the Company reports the following details on claim/unclaimed shares during the year 2009-10 relating to follow on Public Issue of 2006:

No.	Particulars	
1	Aggregate no. of shareholders at the beginning of the year	60
2	Outstanding shares in the suspense account lying at the beginning of the year	1,349
3	No. of shareholders who approached the company for transfer of shares from suspense account during the year	1
4	No. of shareholders to whom shares were transferred from the suspense account during the year	1
5	Aggregate no. of shareholders at the end of the year	59
6	Outstanding shares in the suspense account at the end of the year	1,327

The voting rights on the outstanding shares shall remain frozen till the rightful owner of such shares claims the shares.

Particulars of Employees

The information as per Section 217(2A) of the Companies, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders, excluding the Statement of Particulars under Section 217(2A). Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the registered office of the Company.

Acknowledgements

The Directors wish to place on record their appreciation for the continued support and co-operation by Shareholders, Financial Institutions, Banks, Government authorities and other stakeholders. Your Directors also acknowledge and appreciate the support extended by all the employees for their dedicated service.

On behalf of the Board of Directors,

July 8, 2010
Mumbai

Sd/-
Pravin Patel
Chairman

Annexure 'A' to the Directors' Report On ESOP

Information required to be disclosed under SEBI (ESOS & ESPS) Guidelines, 1999 for the year 2009-10:
Under Employee Stock Option Plan 2007

a	Options granted	Nil
b	The pricing formula	NA
c	Options vested	60,000
d	Options exercised	60,000
e	The total number of shares arising as a result of exercise of option*	Nil
f	Option lapsed	Nil
g	Variation of terms of options	Nil
h	Money realized by exercise of option (Rs.)	Nil
i	Total number of options in force	2,10,000
j	Employee-wise details of options granted	NA
	Senior managerial personnel/director	NA
	Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year.	NA
k	Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	NA
l	Diluted EPS pursuant to issue of shares on exercise of option calculated in accordance with AS-20 (Rs.)	20.44
m	Weighted average price per option granted	NA
n	The difference between employee compensation cost using intrinsic value method and the fair value of the options and impact of the difference on profits and on EPS	Had fair value method been adopted for expensing the ESOP compensation: a) the ESOP compensation charge debited to P&L A/c for the year 2009-10 would have been lower by Rs. 1.19 million. b) the basic and diluted EPS would have increased from Rs. 20.44 per share to Rs. 20.46 per share

*The stock options issued to eligible employees of the Company out of the shares allotted by the company to Patel Engineering Employees Welfare Trust

The following options granted/vested/exercised to the employees/directors as at March 31, 2010 under ESOP Plan 2007:

No.	Name	Granted on 1/10/07	Vested & exercised on 1/10/08(2008-2009)	Vested & exercised on 1/10/09(2009-10)
1	Nimish Patel	1,25,000	12,500	25,000
2	Silloo Patel	1,00,000	10,000	20,000
3	K. Kannan	25,000	2,500	5,000
4	Khizer Ahmed	25,000	2,500	5,000
5	S. K. Desai**	52,500	5,250	Nil
6	D. V. Patel**	52,500	5,250	Nil
7	Rajat Patel**	52,500	5,250	Nil
8	Ajay Tuli	25,000	2,500	5,000
	No. of shares	4,25,000	42,500	60,000

** Total 1,12,500 options lapsed on account of resignation.

Annexure 'B' to the Directors' Report - Information as per section 217(1)(e) of the Companies Act, 1956 with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988

A Conservation of Energy

a) Energy conservation measures taken:

The Company is executing hydro electric projects in the most remote parts of the country where the grid supply is not available.

The Company has resorted to plan power demand and size diesel generating sets incrementally and suitably to ensure maximum loading of each machine through load sharing process, without compromise on efficiency.

Diesel power is centralised and synchronised, voltage is stepped up transmitted and stepped down at user point to minimise transmission loss and voltage drop thereby improving equipment performance in addition conservation of energy.

In parallel to the project stating, the Company has started sourcing grid power from the nearest available substation by developing necessary infrastructure. This is to optimise the energy demand, efficient operations, reduce cost and uncertainties.

Diesel generating sets then serve as stand by supply source to overcome natural calamities.

Auto Power Factor Correction systems are placed in positions to maximise useful energy vs. reactive energy.

Variable frequency drives are used wherever possible to conserve power by optimising loading through speed regulation.

Lighting energy conservation through optimised lighting i.e. works area and non work areas lighting flux is regulated. Energy efficiency lamps are used in colony, street and security lighting.

Periodic energy audits are conducted and corrective measures taken to optimise energy consumption in line with project execution status.

b) Additional proposals being implemented for reduction in consumption of Energy:

By use of locally available material like bamboo matting coated with mud mat, cement and asbestos powder for heat insulation so as to reduce heating demand in winter months for Projects staff colony/camps/offices.

Optimum sizing of establishments (housing and offices sized to match functional requirement).

Solar heating of water for use in bath and kitchen, and Photo cell initiated night lighting to control switching on and off lights depending on light flux. It avoids manual switching operation which is subjective.

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the production of goods:

Energy conservation measures continue to reduce unit cost of production

- i) By way of PF (power factor) management
- ii) By way of obtaining grid supply at the earliest at reduced unit (KWH) costs
- iii) By way of optimising lighting and machine deployment (eg. Welding sets are turned off when not in use).

d) Total energy consumption and energy consumption per unit as per form A of Annexure to the rules of Industries specified in the schedule thereto: Not Applicable.

B. Technology absorption

With a view to reduce time period and cost of construction for surge shaft excavation at Loharinagpal and Tapovan sites, conventional method was replaced with raised borer technology. Pilot holes (two) were sunk using raised borer technology.

Annexure 'C' to the Directors' Report - CORPORATE GOVERNANCE

1. Company's philosophy on Code of Governance

Corporate Governance in the Company assigns responsibility and authority to the Board of Directors, its Committees, Senior Management, employees etc. A good Corporate Governance provides appropriate frame work for the Board, its Committee and Management to carry out its objectives that are in the interest of the Company and its stakeholders. The Company believes that Corporate Governance helps to achieve commitments and enhance stake holder's value.

The Company is in compliance with the requirement of Corporate Governance stipulated under clause 49 of the Listing Agreements with Stock Exchanges.

2. Board of Directors

The Board of Directors provides strategic direction to the operation of the Company. The Board of Directors of the Company comprises of Executive and Non-Executive

Directors. The Board of Directors has laid down a Code of Conduct which is applicable for Board members and Senior Management of the company and the same is adhered by them.

Composition of Directors:

As on March 31, 2010

Executive Directors	4
Non-Executive Directors	8

Number of Board Meetings held:

During the year under review, the Board of Directors met 5 times on April 23, 2009, June 27, 2009, July 30, 2009, October 29, 2009 and January 27, 2010.

The attendance record of the Directors at each Board meeting & the last Annual General Meeting held on July 31, 2009 and number of other Board and Board Committee in which the director is a member or Chairperson is given below:

Name	Category	No. of Board Meetings attended during the year 2009-2010	Whether attended AGM dtd July 31 2009	No. of directorships in other public limited companies	No. of committee positions held in other public limited companies	
					Chairman of the Committee	Member of the Committee
Mr. Pravin Patel, Chairman	Promoter, Non-Executive Director	5	Yes	14	-	-
Mr. Rupen Patel	Promoter, Managing Director	3	No	14	-	-
Mr. K. Kannan	Independent Non-Executive Director	5	Yes	7	2	9
Mr. Khizer Ahmed	Independent Non-Executive Director	5	Yes	-	-	-
Mr. S. Jambunathan	Independent Non-Executive Director	4	Yes	1	-	-
Mr. P. C. Purohit	Independent Non-Executive Director	3	Yes	2	-	-
Ms. Sonal Patel	Promoter Executive Director	4	Yes	14	-	-
Ms. Silloo Patel	Executive Director	4	Yes	14	-	-
Mr. Nimish Patel	Executive Director	3	Yes	14	-	-
Mr. Ajay Tuli	Independent Non-Executive Director	4	Yes	-	-	-
Mr. Danish Merchant*	Independent Non-Executive Director	1	No	5	-	-
Mr. Bhasker Mehta**	Independent Non-Executive Director	2	No	2	-	-

*appointed as Director w.e.f August 3, 2009

**appointed as Director w.e.f September 22, 2009

@ Excludes Directorships/Committee Memberships in private limited companies, foreign Companies.

3. Audit Committee

(i) Terms of reference

- a) Ensure the preservation of good financial practices throughout the Company.
- b) Overview the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- c) Recommend the appointment or removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- d) Review with management, the quarterly, annual financial statements before submission to the board, focusing primarily on :
 - Any change in accounting policies and practices
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with stock exchange and legal requirements concerning financial Statement
 - Any related party transactions.
- e) Review with the management, external and internal auditor, the adequacy of internal control systems and ensure compliance therewith.
- f) Discuss with internal auditors any significant findings and follow up thereon.
- g) Review report on Management Discussion & Analysis and Results of operation, to be included in the Company's Annual Report to its shareholders.

(ii) Composition

1	Mr. K. Kannan	Chairman	Independent, Non-Executive Director
2	Mr. Khizer Ahmed	Member	Independent, Non-Executive Director
3	Mr. Pravin Patel	Member	Promoter, Non-Executive Director

(iii) Meeting and attendance during the year

The Audit Committee met 4 times on June 27, 2009, July 29, 2009, October 29, 2009 and January 25, 2010.

Name of Director	No. of Meetings held during the year	No. of Meetings attended
Mr. K. Kannan	4	4
Mr. Khizer Ahmed	4	4
Mr. Pravin Patel	4	4

The Company Secretary acts as a Secretary of the Audit Committee.

4. Remuneration Committee

(i) Terms of reference

The Committee inter alia appraises performance of the Managing/Executive Directors, to determine and recommends to the Board the remuneration, commission, if any, payable to the Managing/Executive Directors.

(ii) Composition

1	Mr. Khizer Ahmed	Chairman	Independent, Non-Executive Director
2	Mr. K. Kannan	Member	Independent, Non-Executive Director
3	Mr. Pravin Patel	Member	Promoter, Non-Executive Director
4	Mr. S. Jambunathan	Member	Independent Non-Executive Director

(iii) Meeting and attendance during the year

The Remuneration Committee met once on April 23, 2009 and all members were present.

(iv) Remuneration to all the Directors:

Non-Executive Directors: The non-executive directors are paid sitting fees of Rs. 20,000 per meeting of Board or Committee attended. The sitting fees paid and the number of shares held by non executive directors as on March 31, 2010 is as follows:

No.	Name	Total Sitting fees paid (Rs.)	ESOP vested and exercised during the year (no. of shares)	Number of shares held in the Company as on March 31, 2010
1	Mr. Pravin Patel, Chairman	2,00,000	-	26,000
2	Mr. K. Kannan	2,60,000	5,000	7,500
3	Mr. Khizer Ahmed	2,60,000	5,000	8,600
4	Mr. S. Jambunathan	1,00,000	-	50
5	Mr. P. C. Purohit	60,000	-	-
6	Mr. Ajay Tuli	80,000	5,000	7,500
7	Mr. Danish Merchant	20,000	-	1,480
8	Mr. Bhasker Mehta	40,000	-	-

Executive Directors

No.	Name	Remuneration (Rs.)	ESOP vested and exercised during the year (no. of shares)	Number of shares held in the Company as on March 31, 2010
1	Mr. Rupen Patel	1,23,43,900	-	13,50,000
2	Ms. Sonal Patel	-*	-	3,13,400
3	Ms. Silloo Patel	1,99,32,250	20,000	5,54,440
4	Mr. Nimish Patel	2,22,72,150	25,000	2,52,000

*Draws remuneration from ASI Inc, the subsidiary of the Company.

5. Shareholder and Investor Grievance Committee

i) Terms of reference

The Shareholder and Investor Grievance Committee looks into redressal of the investor complaints such as transfer of credit of shares to their demat account, non receipt of dividend/Notices/Annual Reports etc.

The two member sub committee formed by the Board of Directors comprises of Ms. Silloo Patel, Whole time Director and Ms. Shobha Shetty, Company Secretary to expedite the processing system in respect of matters relating to shares/share transfer etc. The sub-committee places a quarterly report before the Shareholder and Investor Grievance Committee for their approval/noting.

ii) Composition

1	Mr. K. Kannan	Chairman	Independent, Non-Executive Director
2	Mr. Khizer Ahmed	Member	Independent, Non-Executive Director

iii) Meeting and attendance during the year

Shareholder and Investor Grievance Committee met 3 times on July 29, 2009, October 29, 2009 and January 25, 2010
Compliance Officer: Ms. Shobha Shetty, Company Secretary

iv) Status of shareholders Complaint

No. of complaints received during the year - 46

No. of complaints Solved during the year - 46

Pending Complaints - Nil

Other Committees

Finance Committee

The SPV committee of the Board of Directors comprising of Mr. Rupen Patel, Ms. Silloo Patel and Mr. Nimish Patel was renamed as Finance Committee of the Board of Directors. Mr. Pravin Patel was appointed as the Chairman of the Committee. Other members continue to be the members. The Committee takes decisions on borrowing, investments of the Company, strategic tie-ups, acquisitions etc. Meetings of the Finance Committee are held as per business requirement and minutes of the Committee are reviewed by the Board of Directors at each meeting.

Risk Management Committee

The Committee consists of Mr. Rupen Patel (Chairman), Ms. Silloo Patel and Mr. Nimish Patel (Members).

The Committee reviews the risk involved in entering into various financial products like derivatives, interests, swaps, currency swap, and forward contract from time to time. The Committee formulates and reviews the risk management policy of the Company. Meetings of the Committee are held every quarter and minutes of the Committee are reviewed by the Board of Directors at each meeting.

6. General Body Meetings

i) Location and time of the last three AGMs held

	Details of Meeting	Date of Meeting	Time of Meeting	Venue of Meeting
1	Annual General Meeting 2006-07	September 28, 2007	3.00 pm	Mahajanwadi, 2nd Floor Plot No. A-6, S.N (P.T) 41, Adarsh Nagar, Jogeshwari Oshiwara Link Road, Near Lotus Petrol Pump, Jogeshwari (W) Mumbai – 400 102
2	Annual General Meeting 2007-08	August 8, 2008	3.00 pm	Shree Saurashtra Patel Samaj, Patel Estate Road, Jogeshwari (W), Mumbai-400 102
3	Annual General Meeting 2008-09	July 31, 2009	4.00 pm	Shree Saurashtra Patel Samaj, Patel Estate Road, Jogeshwari (W), Mumbai-400 102

ii) Special Resolution passed in last three AGMs:

(A) Special Resolutions passed on September 28, 2007

- (a) Approval of ESOP Plan 2007
- (b) Place of Keeping Registers and Returns
- (c) Inter Corporate Loan, Investment etc pursuant to Section 372A of the Companies Act, 1956 (through postal ballot)

(B) Special Resolution passed on August 8, 2008

- (a) Commission to Non-Whole time Directors.
- (b) Modification of terms of appointment of Ms. Sonal Patel, Whole-time Director.
- (c) Modification to Patel Engineering Employees Welfare Trust & ESOP Plan 2007.
- (d) Raising of funds

(C) Special Resolution passed on July 31, 2009

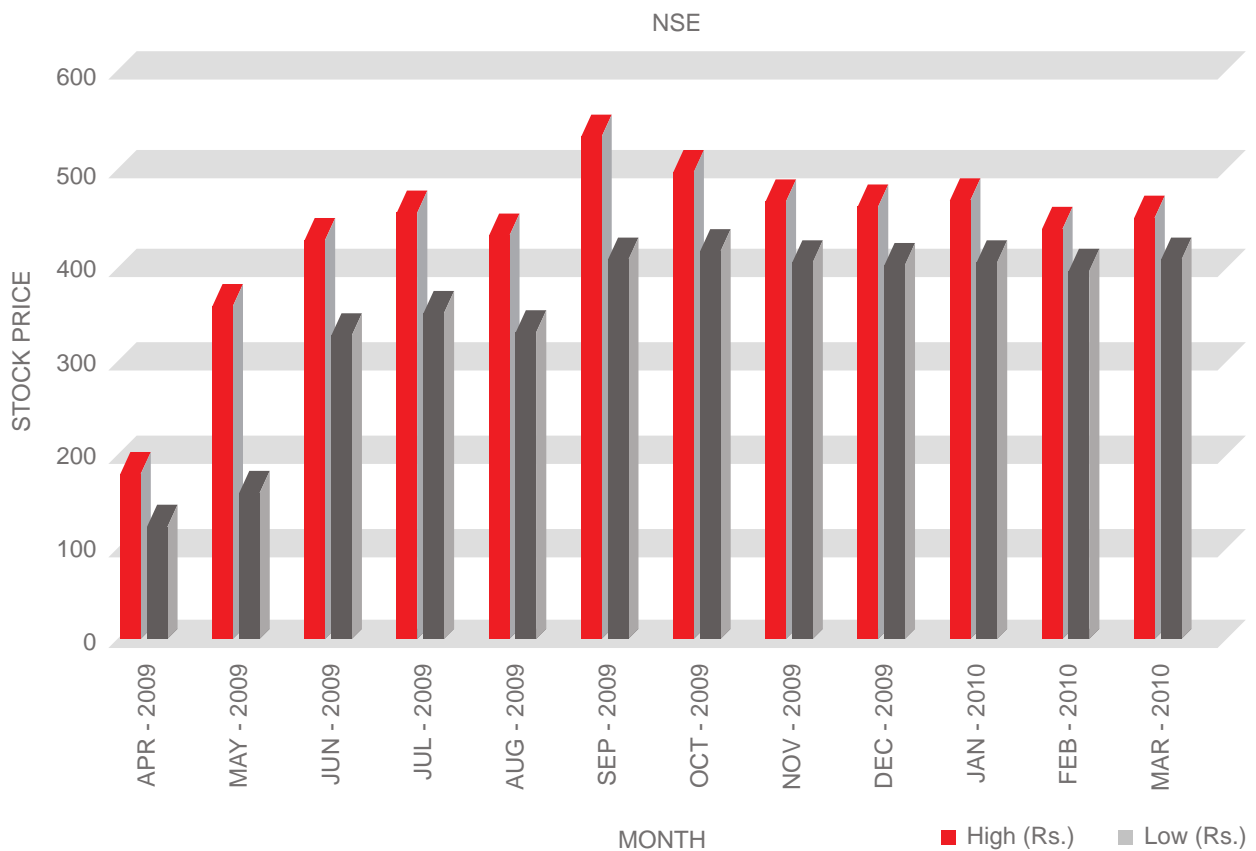
- (a) To approve the appointment and remuneration of Mr. Shiraz Patel, relative of Ms. Silloo Patel, Wholetime Director of the Company.
- (b) Approval to grant loans/give guarantees/provide securities/invest in securities of other bodies corporate (through postal ballot).
- (c) Approval for further allotment of shares to ESOP Trust.
- (d) Approval to amend the ESOP plan for creating options equal to share being issued.
- (e) Approval to grant options to employees and/or directors of the all subsidiary companies of the Company and/or employees and/or directors of the holding company.

7. General Shareholder information		
i)	Annual General Meeting	
	Date	August 20, 2010
	Time	4.00 pm
	Venue	Shree Saurashtra Patel Samaj, Patel Estate Road, Jogeshwari (W), Mumbai – 400 102
ii)	Financial year ending	March 31, 2010
iii)	Date of Book Closure	August 14, 2010 to August 20, 2010 (both days inclusive)
iv)	Listing on Stock Exchanges	Bombay Stock Exchange Limited, P.J Towers, Dalal Street, Mumbai – 400 001
		National Stock Exchange Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051
v)	Stock codes/Symbol	
	BSE	531120
	NSE	PATELENG

vi) Market Price Data

High, Low (based on the closing Prices) and number of shares traded during each month in the last financial year on The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited:

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
APR – 2009	188.50	136.50	15,07,841	190.00	136.05	35,45,286
MAY – 2009	384.90	172.40	31,08,146	385.00	172.00	76,48,922
JUN – 2009	447.00	350.00	21,45,002	446.00	345.00	47,58,589
JUL – 2009	472.55	387.10	16,29,489	474.00	386.70	48,06,806
AUG – 2009	444.90	371.05	9,65,499	444.80	364.00	28,09,777
SEP – 2009	523.95	423.00	17,54,404	525.80	416.00	56,96,309
OCT – 2009	500.00	429.10	12,41,617	499.00	429.15	43,19,685
NOV – 2009	488.95	423.00	8,38,453	490.00	417.80	29,70,191
DEC – 2009	484.00	428.00	9,89,245	483.00	420.00	31,20,104
JAN – 2010	494.50	417.25	21,02,696	494.50	417.50	75,05,035
FEB – 2010	463.50	406.55	6,20,271	463.50	403.00	20,11,117
MAR – 2010	474.00	429.95	8,69,522	475.00	427.05	34,98,751



vii)	Registrar and Transfer Agents	
	Name and Address	Link Intime India Pvt. Ltd. C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai – 400 078
	Phone Number	+91 22 25946970
	Fax Number	+91 22 25946969
	Email	rnt.helpdesk@linkintime.co.in
	Website	www.linkintime.com
viii)	Places for Acceptance of documents	1) Link Intime India Pvt. Ltd. C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai – 400 078. 2) Link Intime India Pvt. Ltd. 203, Daver House, Dr. D. N. Road Mumbai – 400 001 3) Patel Engineering Ltd. Patel Estate Road, Jogeshwari (W) Mumbai – 400 102
ix)	Share Transfer System	
	98% of the shares of the company are in the electronic form. Transfer of these shares is done through the depositories with no involvement of the company. As regards transfer of shares in physical form, the same is normally processed within 15 days by the Registrar from the date of receipt if the documents are complete in all respects. The two member sub committee constituted by the Board approve the transfers and report to the Board each quarter.	

x) a. Distribution of shareholding as on March 31, 2010

No. of shares	Holdings	% to capital	No. of Shareholders	% to total Shareholders
1-500	22,81,177	3.27	47,007	96.41
501 – 1000	5,42,387	0.78	687	1.41
1001-2000	7,30,370	1.05	468	0.96
2001-3000	6,12,109	0.88	224	0.46
3001-4000	1,88,863	0.28	54	0.11
4001-5000	2,88,500	0.41	62	0.13
5001-6000	5,33,264	0.75	74	0.15
10001-above	6,46,50,481	92.59	182	0.37
GRAND TOTAL	6,98,27,151	100.00	48,758	100.00

b. Categories of shareholders as on March 31, 2010:

Category	No. of shares	Percentage
Promoters	3,17,52,200	45.47
Mutual Funds/UTI	25,41,894	3.64
Financial Institution/Banks	15,59,275	2.23
FII's	1,10,28,673	15.79
Patel Engineering Employee Welfare Trust	62,37,500	8.93
NRIs	3,57,876	0.51
Indian Public & others	1,63,49,733	23.43
GRAND TOTAL	6,98,27,151	100.00

xi) Dematerialisation of shares and liquidity

The Company's shares are compulsorily traded in dematerialized form and are available for trading on both the depositories in India viz National securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Equity shares of the company representing 98% of the Company's share capital are dematerialized as on March 31, 2010.

The Company's shares are regularly traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, in electronic form.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to Company's shares is INE244B01030.

xii) Address for correspondence

Patel Engineering Limited
Patel Estate Road, Jogeshwari (W)
Mumbai 400 102
Tel: +91 22 26767500
Fax: +91 22 26782455/26781505
E: investors@pateleng.com
W: www.pateleng.com

Auditors certificate on Corporate Governance

To the Shareholders of Patel Engineering Ltd.

We have examined the compliance of conditions of Corporate Governance by Patel Engineering Ltd. for the financial year ended March 31, 2010 as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our 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 the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India. We have to state that, as per the records maintained by the Company, there were no investor grievances remaining unattended/pending for more than 30 days.

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

Yours truly,
For Vatsaraj & Co.,
Chartered Accountants

Sd/-
(CA Mayur Kisnadwala)
Partner
Membership No. 33994
FRN: 11327W
July 8, 2010, Mumbai

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATE

To the Board of Directors of Patel Engineering Limited

Dear Sirs,

Sub: CEO/CFO Certificate (Issued in accordance with provisions of Clause 49 of the Listing Agreement)

We have reviewed the financial statements, read with the cash flow statement of Patel Engineering Ltd. for the year ended March 31, 2010 and that to the best of our knowledge and belief, we state that:

- a. i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- ii. These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee:
 - i. Significant changes in internal control over financial reporting during the year.
 - ii. Significant changes in accounting policies made during the year and the same have been disclosed suitably 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.

Sd/-
Silloo Patel
Whole time Director & CFO

Sd/-
Rupen Patel
Managing Director

July 8, 2010
Mumbai

ANNEXURE TO DIRECTORS' REPORT Information on Subsidiary Companies (For the Financial Year ended March 31, 2010)											(Rs. in million)	
No.	Name of the Subsidiary Company	Issued and subscribed share capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed dividend	Country
DIRECT SUBSIDIARIES												
INDIAN SUBSIDIARIES												
1	SHREEANANT CONSTRUCTION PVT. LTD.	0.10	6.48	19.94	19.94	-	784.05	7.06	2.38	4.68	-	INDIA
2	ZEUS LAND PROJECTS PVT. LTD.	0.60	(0.06)	0.60	0.60	-	-	-	-	-	-	INDIA
3	PATEL CONCRETE & QUARRIES PVT. LTD.	1.00	(0.05)	1.00	1.00	-	-	-	-	-	-	INDIA
4	FRIENDS NIRMAN PVT. LTD.	0.33	0.95	1.31	1.31	-	-	0.05	0.02	0.03	-	INDIA
5	ENERGY DESIGN PVT. LTD.	0.50	(8.45)	45.02	45.02	-	-	(8.43)	-	(8.43)	-	INDIA
6	PAN REALTORS PVT. LTD.	1.00	-	6.00	6.00	-	-	-	-	-	-	INDIA
7	MICHIGAN ENGINEERS PVT. LTD.	17.36	400.87	1,387.25	1,387.25	111.34	1,341.85	144.04	50.83	93.21	-	INDIA
8	PATEL ENGINEERING INFRASTRUCTURE PVT. LTD.	100.00	7.08	805.64	805.64	100.06	-	-	-	-	-	INDIA
9	PATEL REALTY (INDIA) LTD.	960.00	7.81	1,260.49	1,260.49	680.80	50.56	9.04	3.00	6.04	-	INDIA
10	PATEL ENERGY RESOURCES LTD.	2,090.00	(32.20)	2,092.29	2,092.29	2,045.16	-	(23.42)	-	(23.42)	-	INDIA
FOREIGN SUBSIDIARIES*												
11	PATELENGINEERING(SINGAPORE)PTE.LTD.	107.13	360.84	899.41	899.41	55.94	-	360.53	0.05	360.48	-	SINGAPORE
12	PATEL ENGINEERING (MAURITIUS) LTD.	22.65	(0.56)	25.47	25.47	21.06	-	-	-	-	-	MAURITIUS
13	PATEL ENGINEERING INC.	453.00	(2.72)	490.60	490.60	303.06	45.30	33.98	0.91	33.07	-	USA
14	ASI INC.	0.01	836.74	1,338.93	1,338.93	-	1,585.48	333.77	119.58	214.19	-	USA
SUBSIDIARIES OF PATEL REALTY (INDIA) LTD.												
INDIAN SUBSIDIARIES												
15	BELLONA ESTATE DEVELOPERS PVT. LTD.	0.10	-	0.10	0.10	-	-	-	-	-	-	INDIA
16	HEBE INFRACON PVT. LTD.	0.10	-	0.10	0.10	-	-	-	-	-	-	INDIA
17	HERA REALCON PVT. LTD.	0.10	-	0.44	0.44	-	-	-	-	-	-	INDIA
18	TERMINUS REALCON PVT. LTD.	0.10	-	0.10	0.10	-	-	-	-	-	-	INDIA
19	ARES INFRADEVELOPERS PVT. LTD.	0.10	-	0.10	0.10	-	-	-	-	-	-	INDIA
20	LUCINA REALTORS PVT. LTD.	0.10	-	0.10	0.10	-	-	-	-	-	-	INDIA
21	APOLLO BUILDWELL PVT. LTD.	0.10	-	0.10	0.10	-	-	-	-	-	-	INDIA
22	ARSEN INFRA PVT. LTD.	0.10	-	0.10	0.10	-	-	-	-	-	-	INDIA
23	PRAVAL DEVELOPERS PVT. LTD.	0.10	-	0.10	0.10	-	-	-	-	-	-	INDIA
24	PANDORA INFRA PVT. LTD.	70.00	(0.29)	121.80	121.80	-	-	(0.15)	-	(0.15)	-	INDIA
25	PATEL ENGINEERS PVT. LTD.	91.00	(0.33)	91.00	91.00	27.71	-	(0.02)	-	(0.02)	-	INDIA
26	PHEDRA PROJECTS PVT. LTD.	27.71	(0.22)	27.71	27.71	-	-	(0.01)	-	(0.01)	-	INDIA
27	PATEL PATRON PVT. LTD.	140.70	(0.65)	141.31	141.31	-	-	(0.28)	-	(0.28)	-	INDIA
28	VISMAYA CONSTRUCTIONS PVT. LTD.	55.10	(0.65)	55.57	55.57	-	-	(0.06)	-	(0.06)	-	INDIA
29	NIRMAN CONSTRUCTIONS PVT. LTD.	172.00	(0.07)	172.50	172.50	23.12	-	(0.03)	-	(0.03)	-	INDIA
30	AZRA LAND PROJECTS PVT. LTD.	23.12	(0.01)	23.12	23.12	-	-	(0.01)	-	(0.01)	-	INDIA
31	BHOOMA REALTIES PVT. LTD.	72.10	(0.76)	106.60	106.60	-	-	(0.01)	-	(0.01)	-	INDIA
32	SHASHVAT LAND PROJECTS PVT. LTD.	78.80	(0.76)	113.30	113.30	-	-	(0.01)	-	(0.01)	-	INDIA

ANNEXURE TO DIRECTORS' REPORT Information on Subsidiary Companies (For the Financial Year ended March 31, 2010)												
S.No.	Name of the Subsidiary Company	Issued and subscribed share capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed dividend	Country
												(Rs. in million)
	FOREIGN SUBSIDIARIES*											
33	WATERFRONT DEVELOPERS LTD.	0.14	(1.98)	109.15	109.15	0.14	3.61	(1.98)	-	(1.98)	-	MAURITIUS
34	LES SALINES DEVELOPMENT LTD.	0.18	(0.56)	73.82	73.82	-	-	(0.61)	-	(0.61)	-	MAURITIUS
35	LA BOURADE DEVELOPMENT LTD.	-	-	0.01	0.01	-	-	-	-	-	-	MAURITIUS
36	VILLE MAGNIFIQUE DEVELOPMENT LTD.	-	-	0.01	0.01	-	-	-	-	-	-	MAURITIUS
37	SUR LA PLAGE DEVELOPMENT LTD.	-	-	0.01	0.01	-	-	-	-	-	-	MAURITIUS
	SUBSIDIARIES OF											
	PATEL ENERGY RESOURCES LTD.											
38	DIRANG ENERGY PVT. LTD.	361.45	(0.01)	666.25	666.25	-	-	-	-	-	-	INDIA
39	WEST KAMENG ENERGY PVT. LTD.	0.10	(0.04)	0.10	0.10	-	-	-	-	-	-	INDIA
40	PATEL ENERGY ASSIGNMENT PVT. LTD.	0.10	(0.03)	16.69	16.69	-	-	-	-	-	-	INDIA
41	PATEL ENERGY PROJECTS PVT. LTD.	0.10	(0.03)	21.83	21.83	-	-	-	-	-	-	INDIA
42	PATEL ENERGY OPERATIONS PVT. LTD.	0.73	(0.68)	25.62	25.62	-	-	-	-	-	-	INDIA
43	PATEL ENERGY WORKS PVT. LTD.	0.73	(0.67)	0.73	0.73	-	-	-	-	-	-	INDIA
44	PATEL ENERGY VENTURES PVT. LTD.	0.10	(0.02)	0.10	0.10	-	-	-	-	-	-	INDIA
45	SHREE BALAJI POWER SERVICES PVT. LTD.	0.10	-	1.74	1.74	-	-	-	-	-	-	INDIA
46	NAULO NEPAL HYDRO ELECTRIC PVT. LTD.*	5.63	(0.18)	19.80	19.80	-	-	-	-	-	-	NEPAL
47	PEL POWER LTD.	1,380.81	(7.02)	1,960.95	1,960.95	-	-	-	-	-	-	INDIA
48	PEL PORT PVT. LTD.	89.46	(1.24)	89.77	89.77	-	-	-	-	-	-	INDIA
49	PATEL ENERGY LTD.	186.45	(1.46)	187.78	187.78	-	-	-	-	-	-	INDIA
50	LAKSHA INFRA PROJECTS PVT. LTD.	0.10	(0.02)	0.10	0.10	-	-	-	-	-	-	INDIA
	SUBSIDIARIES OF											
	PATEL ENG. (SINGAPORE) PTE. LTD.*											
51	PATEL SURYA (SINGAPORE) PTE. LTD.	45.30	4.61	166.69	166.69	-	-	2.72	0.23	2.49	-	SINGAPORE
52	PT PEL MINERAL RESOURCES	13.59	0.34	15.07	15.07	-	-	(3.15)	(0.73)	(2.42)	-	INDONESIA
53	PATEL PARAM MINERALS PTE. LTD.	0.45	(0.47)	95.18	95.18	13.59	-	(0.30)	-	(0.30)	-	SINGAPORE
54	PT PATEL SURYA MINERALS	13.59	19.39	124.25	124.25	-	-	(25.85)	(6.47)	(19.39)	-	INDONESIA
55	PATEL PARAM ENERGY PTE. LTD.	23.10	(0.49)	74.77	74.77	13.59	-	(0.32)	-	(0.32)	-	SINGAPORE
56	PT PATEL SURYA JAYA	13.59	4.09	349.25	349.25	-	-	1.67	0.19	1.48	-	INDONESIA
57	PATEL PARAM NATURAL RESOURCES PTE. LTD.	0.45	(0.43)	0.08	0.08	-	-	(0.28)	-	(0.28)	-	SINGAPORE

ANNEXURE TO DIRECTORS' REPORT Information on Subsidiary Companies (For the Financial Year ended March 31, 2010)												
S.No.	Name of the Subsidiary Company	Issued and subscribed share capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed dividend	Country
	SUBSIDIARIES OF PATEL ENGINEERING (MAURITIUS) LTD.*											
58	PATEL MINING (MAURITIUS) LTD.	21.06	(11.58)	24.82	24.82	-	-	-	-	-	-	MAURITIUS
59	PATEL MINING VISION, IDA	0.03	(1.81)	1.81	1.81	-	-	-	-	-	-	MOZAMBIQUE
60	PATEL MINING DIVISION, IDA	0.03	-	-	-	-	-	-	-	-	-	MOZAMBIQUE
61	PATEL MINING PRIVILEGE, IDA	0.03	-	-	-	-	-	-	-	-	-	MOZAMBIQUE
62	PATEL MINING PROJECTS, IDA	0.03	(1.81)	1.81	1.81	-	-	-	-	-	-	MOZAMBIQUE
63	PATEL MINING VENTURES, IDA	0.03	(1.81)	1.81	1.81	-	-	-	-	-	-	MOZAMBIQUE
64	PATEL MINING OPERATIONS, IDA	0.03	-	-	-	-	-	-	-	-	-	MOZAMBIQUE
65	PATEL MINING WORKS, IDA	0.03	(4.19)	4.19	4.19	-	-	-	-	-	-	MOZAMBIQUE
66	PATEL MINING ASSIGNMENTS, IDA	0.03	(1.81)	1.81	1.81	-	-	-	-	-	-	MOZAMBIQUE
67	PATEL MINING MOZAMBIQUE, IDA	0.03	-	-	-	-	-	-	-	-	-	MOZAMBIQUE
68	PATEL MINING CONCESSION, IDA	0.03	(1.81)	1.81	1.81	-	-	-	-	-	-	MOZAMBIQUE
69	PATEL MINING ENTERPRISE, IDA	0.03	-	-	-	-	-	-	-	-	-	MOZAMBIQUE
70	PATEL MINING ACTIVITIES, IDA	0.03	-	-	-	-	-	-	-	-	-	MOZAMBIQUE
	SUBSIDIARIES OF PATEL ENGINEERING INC.											
71	ASI RCC INC.*	136.81	52.10	223.78	223.78	0.56	-	3.85	1.36	2.49	-	USA
72	ASI RCC INDIA LTD.	0.56	(0.13)	0.58	0.58	-	-	(0.01)	-	(0.01)	-	INDIA
73	WESTCON MICROTUNELING INC.*	22.65	(99.21)	383.24	383.24	-	81.09	77.92	2.72	75.20	-	USA
	SUBSIDIARIES OF ASI INC.											
74	ASI AUSTRALIA PTY. LTD.*	-	1.27	138.45	138.45	-	53.06	1.27	-	1.27	-	AUSTRALIA

*Converted 1USD = INR 45.30

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Overview

Even as uncertainties continue to surround the Euro-zone economies and concerns over faltering economic recovery in the U.S., the Indian economy continues to be poised to grow by double-digits soon. The comparable fiscal deficit stood at 7.8% in 2008-09 and 6.9% in 2009-10. If the government meets its target, it could be a great achievement especially when considered against the backdrop of the wobbly nature of the global economic recovery. Industrial output for the period ended April 2010 grew by 17.6% from a year earlier, the seventh straight monthly rise and the sharpest rise since December 2009.

Besides this, there have been many positive developments on the domestic front, which may augur well for economy. Higher mop-up in indirect tax collections expected this year owing to higher tax rates and industrial buoyancy and proceeds from divestment in public sector undertakings, which is expected to generate Rs. 40 billion could reduce government borrowing and help the Reserve Bank of India (RBI) adopt a more gradual and cautious approach to rate hikes.

In another significant development, the government has also freed pump prices of petrol from administrative control and increased prices of heavily subsidised kerosene, LPG and diesel, paving the way for more painful reforms in the next 2-3 years.

The auctions of 3G spectrum and broadband wireless access spectrum facilities fetching around Rs. 1.06 trillion for the government, much more than the Rs. 35 billion budget estimate, the government is now keen on reducing its fiscal deficit to 5.5% in 2010-11 before bringing it down to 4.1% in the subsequent year. The Finance Ministry also seems to be in no hurry to secure additional funds through further withdrawal of the government stimulus, thereby staying focused on sustaining the positive momentum in industrial growth.

Though high inflation is a worry, recent data suggested that food prices are easing due to a statistical phenomenon called the base effect. With the monsoon activity turning out to be near normal, food inflation too will fall to an acceptable level of 5-6% in due course.

BUSINESS REVIEW

Despite a challenging environment, the company witnessed a robust growth across various business verticals both in domestic and global markets. Change in political scenario in the state of Andhra Pradesh saw a slowdown in irrigation projects and delay in receivables. This in turn also affected company's working capital cycle. The company

also resorted to additional short-term working capital borrowing to execute some of the on-going project in the State.

The company continued to focus traditional core areas of strength engineering and construction. Further, the company initiated several measures to unlock shareholder value by developing the large land bank. This initiative has proven to be highly successful and the strategy is on track. The cash flows generated through real estate initiatives are being deployed as seed capital for the planned independent power projects.

Financials Highlights

- Revenue from operations increased 29.72% from Rs. 24,598.45 million to Rs. 31,909.33 million.
- EBDITA (excluding other income) increased by 30.54% from Rs. 3,896.53 million to Rs. 5,086.64 million.
- Profit before tax increased by 28.67% from Rs. 2,370.30 million to Rs. 3,049.90 million.
- Profit after tax increased by 9.80% from Rs. 1,804.78 million to Rs. 1,981.61 million.
- The EPS (fully diluted) increased from Rs. 30.25 to Rs. 30.96.

As on March 31, 2010, order backlog increased by 38.89% on year on year (y-on-y) basis to around Rs. 100,000 million that is four times of the FY09 turnover. The share of power project in the order backlog stand at 48% (45% in FY09 end) followed by irrigation and water at 45% (40% in FY09 end) and transportation and urban infrastructure accounting around 7% (15% in FY09 end). The company is awaiting further award of projects worth Rs. 15,400 million where its bid is lowest (L1). The company has bids under evaluation for Rs. 200,000 million approximately.

Opportunities Ahead in the Infrastructure Sector

The re-elected Congress led United Progressive Alliance (UPA) government in Centre saw an increasing thrust on infrastructure and clearance of some of the deferred orders in last two years.

It also witnessed the government taking a number measures to speed up project awards, ease execution and improve the financing environment. Although these were, small steps, but do, highlight government's strong focus on the sector. For example, for the first time a regular reviewing mechanism has been instituted.

The Planning Commission will review progress on infrastructure projects in five sectors (railways, ports, civil aviation, power and road) every quarter. The quarterly report will monitor and measure the progress of the projects as well as point to remedial action when necessary. This should speed up the resolution of policy, contractual and execution issues. Further, the government took several initiatives to increase funding from India Infrastructure Finance Company Ltd. (IIFCL) to provide long-term financial assistance to various viable infrastructure projects in the country. Further, it also eased the External Commercial Borrowings (ECBs) norms to facilitate borrowing from international markets.

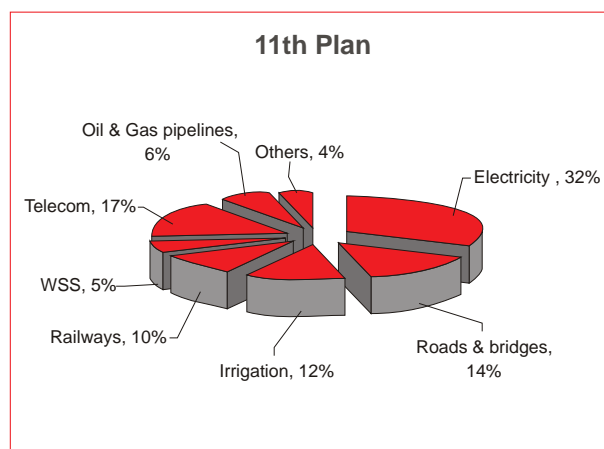
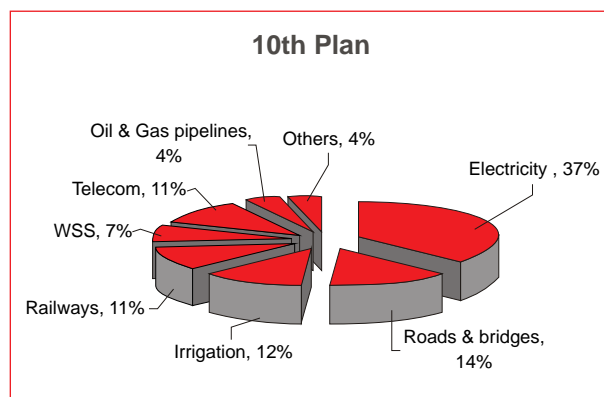
Infrastructure development is key to sustain a high economic growth and the construction industry plays a crucial role in building infrastructure. The government is targeting to increase the infrastructure spending from 5.7% of Gross Domestic Product (GDP) in FY07 to around 8.4% by FY12 at the end of XIth plan and further to 10.7% by FY17, at the end of the XIIth plan. In absolute terms, it has targeted to increase the infrastructure spend in the XIIth plan to USD 1,025bn from the XIth plan estimate of USD 514bn. Moreover, construction sector's contribution to GDP increased from 7.7% in FY05 to 8.4% in 2QFY10. With GDP expected to grow at around 8.5-9% in the coming years, the sector's growth momentum will continue.

As per the Construction Industry Development Council (CIDC) estimates, the sector would contribute around one-third of the average annual projected GDP growth. The government has already laid out a detailed and expansive outlay for the XIth Plan (2007-12) for infrastructure development with an investment of USD 514bn (Rs. 205trillion) across different sectors. These would be spent through various government programmes such as Bharat Nirman, Ultra mega power projects (UMPPs), Maritime development programme, NHDP programme, Accelerated irrigation scheme etc.

Power and transportation, including roads and highways will lead the growth, with more than 50% of the planned investment being in these two sectors. In the XIth plan, more than 32% of the projected investment relates to the power sector spread between thermal, hydro and nuclear. It is expected that that orders for 60GW of power capacity would be tendered over the next three to four years, entailing an investment of Rs. 2.5-3tn.

In the transportation sector we expect major order flows from the roads and highways sector, primarily tendered by the National Highway Authority of India (NHAI). NHAI is targeting to award over 35,000 kms of road projects over the next few years, with investments of ~Rs. 2.2tn.

Investments across different sectors:



Power

Power continues to remain focus area of the government with ~32% of the budgeted infrastructure spend under the XIth plan been earmarked for the sector. The government is projecting an investment of Rs. 6,586bn over the XIth plan period; as per revised estimates, private sector will contribute 43.7% of these investments. The government, however, has lowered the capacity addition target under the 11th plan to 62,374 MW versus the original target of 78,700 MW. The share of construction in a power generation project is estimated to be around 38%.

Within the power sector, the company continues to focuses on the hydropower segment. Concerns of sufficient fuel availability and greenhouse gas by thermal power plants has led greater emphasis on hydro power. Under the 50,000 MW hydropower initiatives by the government to maintain an ideal hydro and thermal ratio of 40:60, 77 schemes (of 33,951 MW) have been initiated for survey and investigation. According to estimates on Hydro Electric Potential Development by CEA, India has a total identified capacity of 148,701 MW. Of this 145,320 MW has identified for capacity of 25 MW and above.

Major power projects under execution by Patel

1. Tapovan Vishnugad: NTPC awarded the project of construction of Penstock & Power House at Joshimath, in the state of Uttaranchal.
2. Kameng: Construction of civil works of head race tunnel, surge shaft, pressure tunnels, power house, tail race tunnels, Tenga Dam, River diversion, Tenga intake and Head race tunnel and civil works of bichom dam in Arunachal Pradesh, awarded by NEEPCO.
3. Teesta: Awarded by National Hydroelectric Power Corporation Ltd. A contract of civil works for the construction of diversion work, barrage and spillways, intake, penstocks, surface powerhouse and other associated civil works at Teesta Low Dam.
4. Koyna Dam: Construction of civil works and foot power house project at Koynanagar in Satara District.
5. Parbati Hydro Electric Project: Construction of diversion cum spillway tunnels including gates and hoists, coffer dams, rockfill dam, spillway, intake structures and its appertunant works awarded by National Hydroelectric Power Corp. Ltd.
6. Rampur Hydro Electric Project: Construction of civil works for HRT, surge shafts, pressure shafts, valve house, power house complex, TRT, adits and hydro-mechanical works. The Company has completed the largest shaft - 40 metres wide and 130 metres deep - the largest shaft in Asia

Roads

With a new minister at the helm, things have started looking up for the sector. Post the 2009 general elections; we have seen a significant pick up in award of projects by NHAI. The body has awarded projects totalling 3,435kms in FY10. Though it fell short of its targeted around 6,000kms in FY10, the current activity level signals well towards FY11 and FY12. In its new chapter, NHAI has gone ahead with most of the recommendations made by the BK Chaturvedi Committee and the main highlights are changes to be made in MCA, removal of restriction on the number of players, termination clauses etc. NHAI is targeting to award over 35,000kms of road projects over the next few years, which require investments of around Rs. 2.5tn.

The Company will be participating in some of the proposed mega road projects.

Irrigation

The XIth plan targets to develop 16 mn hectares through major, medium and minor irrigation works. With many states largely concentrating on

improving water and irrigation infrastructure, the overall investments are expected to be strong in the near future. Andhra Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Rajasthan and Karnataka continue to invests significantly to improve irrigation infrastructure within the state. Investment in irrigation sector in the XIth plan is projected to increase to Rs. 2,533 bn. Among 28 states in India, around 10 are expected to account for more than 85% of the total outlay set aside for irrigation during the XIth plan. The Planning Commission expects state governments to contribute 95% of total spend. Private sector investment in this sector is not expected to come in medium term, as this continues to be a subsidised sector.

According to World Bank study, the global water industry is estimated to total USD 365 bn. It also predicts that by 2025, about one-third of the world's population will not have access to adequate drinking water. Thus, there is an urgent need to build drinking water and waste water treatment systems in developing countries. Also, increasing urbanisation in the country would lead to increased demand for water supply and sewage services, creating ongoing opportunities for construction companies in this segment.

Key projects under execution by Patel:

1. Bheema Lift Irrigation Project: Project undertaken with designing and execution in the State of Andhra Pradesh. We have completed the said project during the year.
2. Kalwakurthy Lift Irrigation Project: Project executed on EPC basis along with designing and execution of pumping stations in Andhra Pradesh.
3. Jawahar Lift Irrigation Project: Project on EPC basis awarded by Govt. of Andhra Pradesh.
4. Bargi Diversion Project: The project will involve execution of the Sleemanabad Carrier Canal (Bargi Right Bank Canal) for Bargi Diversion on turnkey basis for Narmada Valley Development Authority.
5. Pranahita- Chevella lift irrigation: The single largest irrigation project in India, the Pranahita-Chevella lift irrigation-package from the Government of Andhra Pradesh in consortium with BHEL and Navyuga.

Following a change in political environment in Andhra Pradesh, the company has suffered a delay in receivables. This is in turn affected the working capital cycle. Nevertheless, the company has resorted to short term working capital borrowing and is executing the projects that are nearing completion.

Water supply and sanitation

Water supply and sanitation (WSS) has seen a significant investment of Rs. 601bn in the Xth plan. The XIth plan envisages an investment of Rs. 1,117bn, an increase of 95% over the last plan. The major thrust in the WSS segment is on improving rural infrastructure, an area that is expecting investments of Rs. 907bn in the XIth plan.

India's urban population is growing at a rapid pace ~ 340 million in 2008 (290 million in 2001) and is expected to grow to 536-590 million by 2026-30 (source: National Institute of Urban Affairs and World Bank). This pace of urbanization has not only exposed India's urban infrastructure deficit but also highlighted that the deficit backlog is increasing at a rapid pace.

For urban infrastructure, it is estimated that Rs537bn is required to provide access to water supply to the entire urban population by the end of the plan period. A majority of the investment would be funded from the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). JNNURM covers 65 cities with population above one million as per the 2001 census, including 35 metro cities and other state capitals and culturally important towns. The plan is expected to be implemented over a seven-year period starting from 2005-06 to 2011-12 and entails a budget of Rs. 1,200 bn.

Real estate

The real estate segment went through a slump in the past two years due to the low demand, high interest rates, high leverage, lack of equity funding and general overheating in property prices. Though, the prices have recouped from the fall-from-the-cliff syndrome in the past three to six months, certain markets that are seeing large supply, remain subdued.

The situation has improved with some up tick in the demand growth, especially in the residential segment. With the economy back on track, it is expected a surge in real estate demand, thereby fuelling more construction opportunities. Real estate would comprise of two segments-housing and commercial. Housing accounts for 80% of the real estate industry, while the rest 20% is commercial real estate, including office space, hotels, shopping centres etc. An overall improvement in the economy would improve the affordability and with a benign interest rate scenario, it is expected that real estate construction to increase.

Commercial real estate continues to be a desirable investment option in India. On an average, the return from rental income on an investment in commercial property in metros is around 10.5%, which is the highest in the world. In case of other investment opportunities such as bank deposits

and bonds, the returns are in the range of 5.5-6.5 %. Further, increasing demand from the IT/ITES and BPO sector has led to approximately 20-40% increase in capital values for office space in the last 12-15 months across major metros in India. In order to inject some dynamism in the real estate market, the Government has put in place several incentives, including tax benefits.

Scaling up asset ownership

It is very significant for a construction company also to own assets. Moving in this direction, the company has entered into power and road asset. Post liberalisation, the sector was opened for the private sector to participate. Also, the government has made various changes over the years to make PPP projects more attractive to the private sector. Thus, the private sector participation gathered momentum in the past decade. This was also enabled by the extent of savings by the private corporate sector. Private sector investment grew manifold in the past decade and it assumed a position of utmost importance. The emergence of private sector in infrastructure creation is reflected from the fact that the total private investment in infrastructure was 30 % higher than the government estimates in the Xth Five Year Plan.

A) Power Generation

As reported earlier, the company is setting up a hydro and thermal power plant in Arunachal Pradesh and Tamil Nadu, respectively. The projects are being implemented by the special purpose Vehicle (SPV) floated by the company for building these assets.

The company is setting up a thermal power project of 1,050 MW at Nagapattinam in Tamil Nadu. The project cost is estimated at Rs. 52,500 million and the construction is estimated to take 33 months. The project has witnessed significant development during the year. The land for the said project has been acquired. The company has successfully secured coal linkages from Government of India through Mahanadi Coal Fields. Also, the final environmental clearance was successfully obtained. The equipment suppliers for plant and machinery have been short-listed. The financial closure is expected in next financial year and it is expected to break the ground at the same time.

In the hydro power segment, the Gongri project in Arunachal Pradesh has seen significant progress, as well as capacity enhancement. Land acquisitions have been completed, and clearances obtained. The project has now been increased from 90 MW to 140 MW, resulting in a capacity enhancement of 55%. The enhancement has necessitated the financial closure to be extended by two quarters. We expect a financial closure in FY2011.

B) Real Estate

The company has notched successes in real estate through its wholly owned subsidiary Patel Realty India Limited (PRIL). The strategic initiative to unlock the land bank value for the shareholders has shown unprecedented results. The company has successfully launched projects in Bangalore, Noida and Mumbai. The projects under development are as under:

1. Patel Corporate Park, Mumbai: Patel Corporate Park is a commercial office development measuring 80,000 sq ft. The project is centrally located at Patel Estate Road, Jogeshwari and is completed and ready for lease.
2. Patel Corporate Towers, Mumbai: A contemporary office complex of 1 million sq. ft. is being developed at Patel Estate Road, Jogeshwari. The commencement certificate from MCGM comprising of 3 towers has been obtained. The construction work has been commenced and will take 30 months. The Corporate Towers would be under lease model.
3. Residential Apartments, Phase I Electronic City, Bangalore: PRIL launched Smondoville, Neotown in Bangalore in December 2009. There are 1,123 units comprising of Studio apartments, 1 BHK, 2 BHK and 3 BHK. Within a period of just 4 months, more than 1000 units have been sold. The construction work is in full swing and is scheduled to get completed by January 2012. Neotown is now a benchmark in integrated township development and is a well-recognised brand
4. Neotown Port Louis, Mauritius: The project envisages the development of an integrated township within the capital city of Port Louis. The Government of Mauritius has entrusted the Company to develop and implement a Water Front Development Project to establish Port Louis as the commercial hub in the Indian Ocean region. This is a landmark and prestigious project, being one of the largest development projects in Mauritius, to be awarded to any company. This unique project will employ about 23 million man hours during construction, and will benefit the local people of Mauritius with abundant employment opportunity and also increased revenues to the State from Direct and Indirect taxes.

This project involves construction of tourist heritage centre, apartment's complex, office building, shopping malls, entertainment hub, marine garden etc , spanning a built up area of over 10 million sq ft. The project is expected to be completed within a period of 7 years from commencement.

The foundation stone for this mega project was laid by the Hon'ble Prime Minister of Mauritius Dr. Navinchandra Ramgoolam.

5. Pan Oasis - Noida: This residential project is being developed by PAN Realtors Pvt Ltd, a 51% subsidiary of Patel Engineering Ltd. The project was launched in October 2009. The project comprises of residential apartments of 2 BHK, 3 BHK and 4 BHK. There are about 2200 apartments and over 75% of the units have been sold. The construction work is in progress and project is scheduled to get completed in 36 months.

Internal Control System

The Company has an adequate system of internal controls to safeguard and protect from loss, unauthorised use or disposition of its assets. All transactions are properly authorized, recorded and reported to the management. The Company is following all the Accounting Standards for properly maintaining the books of accounts and reporting of financial statements. The Company has appointed external Internal Auditors to review various areas of the operations of the Company. The audit reports are reviewed by the management and the Audit Committee of the Board periodically.

Human resources

The company presently employs more than 1700 employees across various locations. The growth and sustained leadership of the company is largely a function of the competence and quality of its human resource. The company has always aimed to create a workplace where every person can achieve his optimum potential. The company has a performance-rewarding culture throughout, enabling it to create leaders out of its own employees. The company has also undertaken various training and development initiatives to hone the skills and expertise of its people.

Being in diversified businesses, the company empowers the inter-departmental and inter-project movement within deserving individuals, ensuring better retention of talent and at the same time providing newer avenues to its employees. As a result, the company's attrition rates are nearly nil at the senior management level.

Risk Management

Funding risk: The company is into a highly capital intensive industry segment. Non-availability of funds or increased cost of funding will result in pressurised margins

Mitigation factors: The company ensured investing into critical long term infrastructure assets. Further, the company has ensured strong valuation parameters to assess, participate and invest in quality assets. As a result, the company has managed to attain financial closures even in the difficult times, reflecting upon its ability to identify and create fundamentally strong assets.

Regulatory risk: The company's business is highly dependent on government regulations and policies. Any adverse change or regulation can adversely impact the company's plans.

Mitigation factors: While this risk applies to all the industry players, the mitigation lies in the economic progress of India. Infrastructure development is the only catalyst that would drive the Indian growth story in the coming years. During the 11th plan, the Government plans to spend USD 500 billion into the various verticals of infrastructure sector. The ongoing investments in infrastructure would attract greater confidence from global players and as a result, the regulations are bound to be more liberal and in the interest of the Indian economy.

Human resource risk: Quality of manpower decides the quality of the services. Higher attrition would dent the company's prospects.

Mitigation factors: The company's human resource department ensures identification, development and retention of talented professionals in the company. The company's presence across various businesses enables it to ensure holistic development of its employees by adding new skill sets. The company also

introduced ESOP scheme for the performing candidates, thereby ensuring lower attrition and overall development of the employees.

Forward Looking Statement

In this Annual Report, the management has disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. The management has 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.

The management cannot guarantee that these forward-looking statements will be realised, although we believe that we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate 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. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO: THE BOARD OF DIRECTORS
PATEL ENGINEERING LTD.

1. We have examined the attached Consolidated Balance Sheet of **PATEL ENGINEERING LTD.** ("the Company") and its Subsidiaries, Associates and Joint Ventures as at March 31, 2010 collectively referred to as "The Patel Group" and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended annexed thereto.

These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the Subsidiaries, Associates and Joint Ventures, except Patel KNR JV and KNR Patel JV, have not been audited by us. Such financial statements have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of the other auditors. However, in respect of the consolidated financial statement of its subsidiaries, Patel Engineering Inc. and Patel Engineering (Mauritius) Ltd. and its Associate, Patel KNR Heavy Infrastructure Pvt. Ltd., we have placed reliance on the Management Certified Accounts. The financial statements of the such other entities reflect total assets (net) of Rs. 5,171.61 million as at March 31, 2010 and total revenue of Rs. 2,755.92 million for the year then ended.

July 8, 2010
Mumbai

- 4) The Independent Auditor of Shreeanant Construction Pvt. Ltd. has reported as follows: "Without Qualifying our opinion, we draw attention regarding payment of higher remuneration to the Directors amounting to Rs. 7.20 million during the year and same was paid on the basis of expert opinion obtained by the company. Further consent of the central government under proviso (b) to sub section (1) of section 309 is obtained in respect of two directors only to whom a sum of Rs. 4.80 million was paid during the year". The Company has placed before us approval of the central government since obtained.
- 5a) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards AS 21 - Consolidated Financial Statements, AS 23 - Accounting for Investments in Associates in Consolidated Financial Statement and AS 27 - Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and consolidated financial statements of its Subsidiaries, Associates and Integrated Joint Ventures included in the consolidated financial statements of the company.
- b) On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, associates, integrated joint ventures and consolidated audited financial statement of the company's subsidiary and its subsidiaries included in the consolidated financial statements, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of The Patel Group as at March 31, 2010; and
 - (b) in the case of the Consolidated Profit and Loss Account, of the Consolidated results of operations of The Patel Group for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement of the consolidated cash flows for the year ended on that date.

For Vatsaraj & Co.
Chartered Accountants

CA Mayur Kisnadwala
Partner
M. No. 33994
FRN: 111327W

CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2010

(Rs. in million)

SOURCES OF FUNDS	SCHEDULE		2009-10	2008-09
SHAREHOLDERS FUNDS				
Share Capital	1	69.83		59.66
Reserves & Surplus	2	13,557.69		10,112.63
			13,627.52	10,172.29
MINORITY INTEREST			615.24	215.77
DEFERRED TAX LIABILITY (Net)			114.88	148.36
LOAN FUNDS				
Secured Loans	3	12,037.07		8,409.55
Unsecured Loans	4	6,263.11		4,403.07
			18,300.18	12,812.62
CONTRACTEE ADVANCES	5		3,078.78	4,654.30
TOTAL FUNDS EMPLOYED			35,736.60	28,003.34
APPLICATION OF FUNDS				
FIXED ASSETS	6			
Gross Block		8,609.12		8,038.17
Less: Depreciation		3,059.77		3,034.56
NET BLOCK		5,549.35		5,003.61
Capital Work In Progress		2,041.81	7,591.16	697.36
INVESTMENTS	7		698.17	504.65
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	8	18,032.78		11,100.31
Sundry Debtors	9	6,956.64		5,826.41
Cash & Bank Balances	10	2,324.24		2,951.00
Other Current Assets	11	731.81		527.24
Loans & Advances	12	9,532.13		8,248.41
Total Current Assets, Loans & Advances		37,577.60		28,653.37
LESS: CURRENT LIABILITIES & PROVISIONS				
Current Liabilities	13	9,756.92		6,836.90
Provisions	14	440.38		78.15
Total Current Liabilities & Provisions		10,197.30		6,915.05
NET CURRENT ASSETS			27,380.30	21,738.32
MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
Preliminary & Pre-operative Expenses - Patel		56.69		39.08
Preparatory Work Expenses - Joint Venture		10.28	66.97	20.32
TOTAL APPLICATION OF FUNDS			35,736.60	28,003.34
Notes on Accounts: Schedule 20				

As per our attached Report of even date

For VATSARAJ & Co.
 Chartered Accountants

Rupen Patel
 Managing Director

CA MAYUR KISNADWALA
 Partner
 Membership No. 33994
 FRN: 111327W
 July 8, 2010
 Mumbai

Shobha Shetty
 Company Secretary

Silloo Patel
 Director

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,2010

(Rs. in million)

INCOME	SCHEDULE		2009-10	2008-09
Income from Operations	15		31,909.33	24,598.45
Other Income	16		630.12	144.59
Total Revenue			32,539.45	24,743.04
EXPENDITURE				
Cost of Construction	17		24,084.49	18,304.58
Administrative & Other Expenses	18		2,738.20	2,397.34
Interest Cost (Net)	19		1,576.70	475.21
Depreciation				
PATEL		1,031.03		1,142.27
Joint Ventures		59.13	1,090.16	53.34
Total Expenditure			29,489.55	22,372.74
Profit Before Taxation			3,049.90	2,370.30
Less: Provision for Taxation (including deferred tax) (*Previous year tax would have been Rs. 877.53 Mn on account of amendment to section 80 IA by Finance Act, 2009)				
PATEL		902.70		434.76
Joint Ventures		26.63		1.52
			929.33	436.28
Profit after Taxation before Minority Interest			2,120.57	1,934.02
Less: Minority Interest			138.96	129.24
Net Profit			1,981.61	1,804.78
Balance brought forward from previous year			3,846.96	2,389.83
			5,828.57	4,194.61
Less: Provision for tax for earlier years (Refer note # 5 of Schedule 20)				
PATEL		1,416.41		
Joint Ventures		95.28	1,511.69	-
Profit available for appropriation			4,316.88	4,194.61
Appropriations:				
Interim Dividend			140.09	47.73
Final Dividend			-	56.68
Corporate Dividend Tax			23.73	17.74
Transfer to Debenture Redemption Reserve			135.00	-
Transfer to General Reserve			125.50	225.50
			424.32	347.65
Surplus Carried to Balance Sheet			3,892.56	3,846.96
Earning Per Share (Basic & Diluted) Rs.			30.96	30.25
(Refer note # 14 of schedule 20)				
Notes on Accounts: Schedule 20				

As per our attached Report of even date

For VATSARAJ & Co.
Chartered Accountants

Rupen Patel
Managing Director

CA MAYUR KISNADWALA
Partner
Membership No. 33994
FRN: 111327W
July 8, 2010
Mumbai

Shobha Shetty
Company Secretary

Silloo Patel
Director

SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
1	SHARE CAPITAL		
	Authorised:		
	150,000,000 Equity Shares of Re.1 each	150.00	150.00
	Issued, Subscribed & Paid up:		
	69,827,151 (P.Y. 59,659,090) Equity Shares of Re.1 each fully paid (From which 200,000 (P.Y. 200,000) Equity Shares were issued as fully paid up pursuant to a contract without payment received in cash & 36,153,200 (P.Y. 36,153,200) Equity Shares fully paid up issued as Bonus shares by way of Capitalisation of General Reserve (including bonus on ESOP Shares 3,391,124) Also includes 8,507,824 (Including Bonus of 3,391,124) shares issued over the years to Patel Engineering Employees Welfare Trust under ESOP scheme From the above ESOP scheme, 425,000 shares were granted on Oct 1, 2007 at a grant price of Re.1 per equity to be vested over period of four years in the ratio of 10%, 20%, 30% & 40% in each respective years; 112,500 options lapsed during the previous year. (Refer Note # 15 & # 16 of Schedule 20))	69.83	59.66
		69.83	59.66
2	RESERVES & SURPLUS		
	CAPITAL RESERVE as at beginning	20.20	20.20
	Add: Added during the year (net)	8.90	-
		29.10	20.20
	FOREIGN CURRENCY TRANSLATION RESERVE	(56.38)	218.03
	SECURITIES PREMIUM ACCOUNT as at beginning	4,089.00	4,069.81
	Add: Transferred from Employee Stock Option Outstanding	27.10	19.19
	Add: On shares issued during the year	3,436.01	-
	Less: Share/Debenture Issue Expenses	99.70	-
		7,452.41	4,089.00
	GENERAL RESERVE as at beginning	1,877.47	1,643.22
	Add: Transferred to Foreign Currency Monetary Item Translation Difference Reserve/Fixed Assets	-	8.75
	Add: Transferred to Deferred Tax Asset	3.74	-
	Add: Transfer from Profit & Loss Account	125.50	225.50
		2,006.71	1,877.47
	CONTINGENCY RESERVE as at beginning	-	325.00
	Less: Utilised during the year	-	325.00
		-	-
	EMPLOYEE STOCK OPTION OUTSTANDING as at beginning	121.94	191.93
	Less: Transferred to Securities Premium Account	27.10	19.19
	Less: Options Lapsed during the year	-	50.80
		94.84	121.94
	Less: Employee Stock Option Compensation to be written off	27.10	60.97
		67.74	60.97
	DEBENTURE REDEMPTION RESERVE as at beginning	-	-
	Add: Transfer from Profit & Loss Account	135.00	-
		135.00	-
	FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE RESERVE	30.55	-
	PROFIT & LOSS ACCOUNT		
	Surplus as per Profit & Loss Account	3,892.56	3,846.96
		13,557.69	10,112.63

SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
3 SECURED LOANS			
FROM BANKS			
Against Hypothecation of stocks, spare parts, book debts, work in progress & guarantees			
PATEL	3,093.08		2,098.28
Joint Ventures	65.80		125.74
		3,158.88	2,224.02
First charge on the specific assets acquired out of the term loan along with unencumbered assets & guarantees		4,701.38	4,222.87
First charge on equipment financed			
PATEL	499.12		738.89
Joint Ventures	32.06		53.55
		531.18	792.44
Against Guarantees		862.50	735.18
FROM OTHERS			
Equipment Loan			
From Financial and leasing companies under Equipment finance/ Hire Purchase, secured by first charge by way of hypothecation of the equipment financed			
PATEL	287.09		378.89
Joint Ventures	-		56.15
		287.09	435.04
Commercial Papers (Secured against immovable property) (Maximum Balance outstanding Rs. 496.04 mn)		496.04	-
9.8% Secured Redeemable Debentures (Secured against Immovable Property and third party security, refer note no. # 12 of Schedule 20)		1,050.00	-
9.5% Secured Redeemable Debentures (Secured against Immovable Property and third party security, refer note no. # 12 of Schedule 20)		950.00	-
		12,037.07	8,409.55
4 UNSECURED LOANS			
From Banks		4,579.75	3,520.79
From Others			
PATEL			
Commercial Paper (Maximum outstanding during the year Rs. 1,477.34 mn (P.Y. Rs. 461.42 mn))	1,477.34		461.42
Others	206.02		405.86
Joint Ventures	-	1,683.36	15.00
		6,263.11	4,403.07
5 CONTRACTEE ADVANCES			
(Recoverable against workdone bills)			
Secured Trade Advances			
PATEL	3,015.17		4,561.46
Joint Ventures	63.61		92.84
(Against Bank Guarantees and Machinerie Hypothecation)		3,078.78	4,654.30
		3,078.78	4,654.30

6. FIXED ASSETS SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2010													(Rs. in million)	
FIXED ASSETS	GROSS BLOCK						DEPRECIATION						NET BLOCK	
	AT AT 1 ST APRIL, 2009	ADDITIONS DURING THE YEAR	SUB TOTAL	DEDUCTIONS/ TRANSFER/ ADJUSTMENTS	GROSS BLOCK AS AT 31 ST MAR, 2010	AS AT 1 ST APRIL, 2009	THIS YEAR	SUB TOTAL	DEDUCTIONS / ADJUSTMENTS	TOTAL AS AT 31 ST MAR, 2010	BLOCK AS AT 31 ST MAR, 2010	BLOCK AS AT 31 ST MAR, 2009		
LAND														
PATEL Joint Ventures	269.41 11.66 281.07	634.54 1.10 635.64	903.95 12.76 916.71	12.72 -	891.23 12.76 903.99	- 0.79 0.79	- 0.05 0.05	- 0.84 0.84	- -	- 0.84 0.84	891.23 11.92 903.15	269.41 10.87 280.28		
BUILDING*														
PATEL Joint Ventures	288.66 2.09 290.75	322.48 - 322.48	611.14 2.09 613.23	7.86 -	603.28 2.09 605.37	37.03 0.24 37.27	6.60 0.03 6.63	43.63 0.27 43.90	2.44 -	41.19 0.27 41.46	562.09 1.82 563.91	251.63 1.85 253.48		
MACHINERY # @														
PATEL Joint Ventures	5,571.81 403.35 5,975.16	503.65 7.67 511.32	6,075.46 411.02 6,486.48	1,049.66 3.43 1,053.09	5,025.80 407.59 5,433.39	2,316.09 129.25 2,445.34	859.90 42.80 902.70	3,175.99 172.05 3,348.04	972.06 3.02 975.08	2,203.93 169.03 2,372.96	2,821.87 238.56 3,060.43	3,255.72 274.10 3,529.82		
MOTOR CAR @														
PATEL Joint Ventures	196.80 13.52 210.32	47.43 0.12 47.55	244.23 13.64 257.87	18.19 1.19 19.38	226.04 12.45 238.49	61.72 3.76 65.48	21.02 1.30 22.32	82.74 5.06 87.80	6.35 0.78 7.13	76.39 4.28 80.67	149.65 8.17 157.82	135.08 9.76 144.84		
MOTOR TRUCK@														
PATEL Joint Ventures	725.66 125.09 850.75	11.62 0.04 11.66	737.28 125.13 862.41	83.86 2.92 86.78	653.42 122.21 775.63	304.02 46.56 350.58	90.52 13.11 103.63	394.54 59.67 454.21	77.82 1.42 79.24	316.72 58.25 374.97	336.70 63.96 400.66	421.64 78.53 500.17		
FURNITURE														
PATEL Joint Ventures	37.32 2.00 39.32	45.06 0.02 45.08	82.38 2.02 84.40	0.03 0.08 0.11	82.35 1.94 84.29	17.19 1.36 18.55	5.07 0.18 5.25	22.26 1.54 23.80	- 0.08 0.08	22.26 1.46 23.72	60.09 0.48 60.57	20.13 0.64 20.77		
OFFICE EQUIP.														
PATEL Joint Ventures	32.03 1.69 33.72	13.83 0.14 13.97	45.86 1.83 47.69	0.40 0.21 0.61	45.46 1.62 47.08	18.84 0.99 19.83	4.35 0.23 4.58	23.19 1.22 24.41	0.11 0.20 0.31	23.08 1.02 24.10	22.38 0.60 22.98	13.19 0.70 13.89		
COMPUTERS														
PATEL Joint Ventures	43.68 2.28 45.96	10.72 0.29 11.01	54.40 2.57 56.97	0.41 0.48 0.89	53.99 2.09 56.08	29.27 1.89 31.16	8.59 0.27 8.86	37.86 2.16 40.02	0.11 0.48 0.59	37.75 1.68 39.43	16.24 0.41 16.65	14.41 0.39 14.80		
ELECT. EQUIP.														
PATEL Joint Ventures	24.55 5.05 29.60	20.78 0.24 21.02	45.33 5.29 50.62	0.01 0.26 0.27	45.32 5.03 50.35	11.46 2.09 13.55	3.43 0.79 4.22	14.89 2.88 17.77	- 0.25 0.25	14.89 2.63 17.52	30.43 2.40 32.83	13.09 2.96 16.05		
CYCLE														
PATEL Joint Ventures	- 0.00 0.00	- - -	- 0.00 0.00	- -	- 0.00 0.00	- 0.00 0.00	- - -	- 0.00 0.00	- -	- 0.00 0.00	- 0.00 0.00	- 0.00 0.00	- 0.00 0.00	
MOTOR CYCLE														
PATEL Joint Ventures	0.81 0.79 1.60	0.30 0.04 0.34	1.11 0.83 1.94	- 0.15 0.15	1.11 0.68 1.79	0.55 0.39 0.94	0.08 0.09 0.17	0.63 0.48 1.11	- 0.15 0.15	0.63 0.33 0.96	0.48 0.35 0.83	0.26 0.40 0.66		

6. FIXED ASSETS (Cont'd.)													(Rs. in million)		
FIXED ASSETS	GROSS BLOCK						DEPRECIATION						NET BLOCK		
	AT AT 4 th APRIL, 2009	ADDITIONS DURING THE YEAR	SUB TOTAL	DEDUCTIONS/ TRANSFER/ ADJUSTMENTS	GROSS BLOCK AS AT 31 st MAR, 2010	AS AT 1 st APRIL, 2009	THIS YEAR	SUB TOTAL	DEDUCTIONS/ ADJUSTMENTS	TOTAL AS AT 31 st MAR, 2010	BLOCK AS AT 31 st MAR, 2010	BLOCK AS AT 31 st MAR, 2009			
RAILS & TROLLY PATEL Joint Ventures	22.69	3.26	25.95	-	25.95	3.15	3.60	6.75	-	6.75	19.20	19.54			
FACTORY BUILDING PATEL Joint Ventures	22.69	3.26	25.95	-	25.95	3.15	3.60	6.75	-	6.75	19.20	19.54			
SHIP PATEL Joint Ventures	42.44	104.88	147.32	-	147.32	7.01	1.70	8.71	-	8.71	138.61	35.43			
CONTAINER PATEL Joint Ventures	42.44	104.88	147.32	-	147.32	7.01	1.70	8.71	-	8.71	138.61	35.43			
ESTABLISHMENT COST PATEL Joint Ventures	4.04	-	4.04	-	4.04	2.21	0.48	2.69	-	2.69	1.35	1.83			
GOODWILL PATEL Joint Ventures	4.04	-	4.04	-	4.04	2.21	0.48	2.69	-	2.69	1.35	1.83			
ESTABLISHMENT COST PATEL Joint Ventures	18.77	0.11	18.88	1.71	17.17	7.58	3.04	10.62	0.84	9.78	7.39	11.19			
ESTABLISHMENT COST PATEL Joint Ventures	0.88	0.03	0.91	0.08	0.83	0.24	0.28	0.52	0.08	0.44	0.39	0.64			
ESTABLISHMENT COST PATEL Joint Ventures	19.65	0.14	19.79	1.79	18.00	7.82	3.32	11.14	0.92	10.22	7.78	11.83			
GOODWILL PATEL Joint Ventures	126.45	-	126.45	-	126.45	30.90	23.89	54.79	-	54.79	71.66	95.55			
GOODWILL PATEL Joint Ventures	126.45	-	126.45	-	126.45	30.90	23.89	54.79	-	54.79	71.66	95.55			
GOODWILL PATEL Joint Ventures	64.65	28.65	93.30	2.40	90.90	-	-	-	-	-	90.90	64.65			
GOODWILL PATEL Joint Ventures	64.65	28.65	93.30	2.40	90.90	-	-	-	-	-	90.90	64.65			
GROSS TOTAL	8,038.17	1,757.00	9,795.17	1,186.05	8,609.12	3,034.56	1,091.40	4,125.96	1,066.19	3,059.77	5,549.35	4,993.92			
Less : Trfd to Capital WIP							1.24								
PREVIOUS YEAR	8,038.17	1,757.00	9,795.17	1,186.05	8,609.12	3,034.56	1,091.40	4,125.96	1,066.19	3,059.77	5,549.35	4,993.92			
Capital Work in Progress	6,151.58	2,152.47	8,304.05	265.88	8,038.17	1,800.98	1,195.61	2,997.19	(37.37)	3,034.56	5,003.61	4,350.60			
Capital Work in Progress											2,041.81	697.36			

Notes :
1. Land includes Rs.(19.42 mn) held in the name of Directors, relatives of Directors and employees for and on behalf of the Company (P.Y. Rs.19.42 mn)
2. * Includes Rs.0.02 mn being the value of 30 shares and share deposits in Co - Operative Societies (P.Y. 0.02 mn)
3. # Includes Assets costing Rs. 94.00 mn (P.Y. Rs. 154.73 mn) not commissioned/erected/put to use and Rs. Nil in transit (P.Y. 20.80 mn).
4. @ Includes Rs. 50.58 mn on account of exchange rate difference of Previous Year & Includes Rs. 16.34 mn for Current Year .

SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
7 INVESTMENTS - AT COST			
IN GOVERNMENT SECURITIES:			
National Saving Certificates			
PATEL *	0.12		0.11
Joint Ventures	0.03		0.03
		0.15	0.14
IN EQUITY SHARES (Long Term): QUOTED (Fully paid)			
(i) 25 shares (P.Y. 25) of Gammon India Ltd., F.V. Rs. 2 per share		0.01	0.01
(ii) 66,640 shares (P.Y. 66,640) of Kingfisher Airlines Ltd., F.V. Rs.10 per share		9.86	9.86
(iii) 1,100 shares (P.Y. 1,100) of Jai Prakash Power Ventures Ltd., F.V. Rs. 10 per share		0.04	0.04
(iv) 19,42,574 shares (P.Y.19,42,574) of KNR Construction Ltd., F.V. Rs. 10 per share		330.24	330.24
(v) 25 shares (P.Y. 25) of IVRCL Infra & Projects Ltd., F.V. Rs. 2 per share		0.01	0.01
(vi) 37 shares (P.Y. 37) of Jai Prakash Associates Ltd., F.V. Rs. 10 per share		0.01	0.01
(vii) 25 shares (P.Y. 25) of Nagarjuna Construction Co Ltd., F.V. Rs. 2 per share		0.01	0.01
(viii) 125 shares (P.Y. 125) of ERA Construction Ltd., F.V. Rs. 2 per share		0.01	0.01
(ix) 100 shares (P.Y. 100) of GVK Power & Infrastructure Ltd., F.V. Re. 1 per share		0	0
(x) 25 shares (P.Y. 25) of Hindustan Construction Co. Ltd., F.V. Re. 1 per share		0	0
(xi) 20 shares (P.Y. 20) of Larsen & Toubro Ltd., F.V. Rs. 2 per share		0.03	0.03
(xii) 50 shares (P.Y. 50) of Madhucon Projects Ltd., F.V. Re. 1 per share		0.01	0.01
(xiii) 25 shares (P.Y. 25) of Punj Lloyd Ltd., F.V. Rs. 2 per share		0.01	0.01
(xiv) 25 shares (P.Y. 25) of ITD Cementation Ltd., F.V. Rs. 10 per share		0.01	0.01
(xv) 37 shares (P.Y. 37) of Valecha Engineering Ltd., F.V. Rs. 10 per share		0	0
(xvi) 2,557 shares (P.Y. Nil) of NHPC Ltd., F.V. Rs. 10 per share		0.09	-
IN EQUITY SHARES (Long Term): UNQUOTED (Fully paid)			
In Subsidiary		0.54	3.66
In others		0.81	2.67
IN ASSOCIATES			
(Accounted under Equity Method)			
Patel KNR Heavy Infrastructure Pvt. Ltd.		100.06	45.62
Patel KNR Infrastructure Ltd.		256.24	112.28
IN THE CAPITAL OF PARTNERSHIP FIRM		0.03	0.03
		698.17	504.65
Aggregate amount of quoted Investments			
Cost		340.34	340.25
Market Value		288.75	76.98
Aggregate amount of unquoted Investments		357.83	164.40
*In the name of Directors, lodged with Project Authorities			
8 INVENTORIES			
(As Technically valued & certified by the Management)			
(At Contract Rates/Cost or Market Value whichever is lower)			
(a) Stores and Spare Parts etc.			
PATEL	1,960.41		1,181.80
Joint Ventures	61.20		66.71
		2,021.61	1,248.51
(b) Work in Progress			
PATEL	17,273.85		10,944.11
Less: Advance Against Material & Work	1,296.79		1,195.22
	15,977.06		9,748.89
Joint Ventures	46.79		145.72
Less: Advance Against Material & Work	12.68		42.81
	34.11		102.91
		16,011.17	9,851.80
		18,032.78	11,100.31

SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
9	SUNDRY DEBTORS		
	(Unsecured, Considered Good)		
	(a) Debts outstanding for a period exceeding six months		
	PATEL	2,145.81	1,636.76
	Joint Ventures	-	8.29
	(b) Debts outstanding for a period less than six months	2,145.81	1,645.05
	PATEL	4,664.11	4,029.67
	Joint Ventures	146.72	151.69
		4,810.83	4,181.36
		6,956.64	5,826.41
10	CASH AND BANK BALANCES		
	(a) Cash on hand		
	PATEL	361.36	184.98
	Joint Ventures	0.44	0.50
		361.80	185.48
	(b) Balances with Scheduled Banks		
	(i) In Current Accounts		
	PATEL	932.61	1,357.66
	Joint Ventures	60.24	156.90
		992.85	1,514.56
	(ii) In Fixed Deposits Account		
	PATEL	214.37	252.40
	Joint Ventures	54.50	-
		268.87	252.40
	(c) Balance with Non Scheduled Bank	700.72	998.56
		2,324.24	2,951.00
11	OTHER CURRENT ASSETS		
	Interest accrued on Fixed Deposits & others		
	PATEL	731.48	527.09
	Joint Ventures	0.33	0.15
		731.81	527.24
		731.81	527.24
12	LOANS AND ADVANCES		
	(Unsecured, Considered Good, except where otherwise stated)		
	Foreign Currency Monetary Item Translation Difference	-	126.31
	Balance in Current Account with Joint Ventures	407.81	329.01
	Balance in Current Capital Account with Partnership firm	140.29	110.21
	Advances Recoverable in Cash or in kind or for values to be received		
	PATEL	8,839.85	6,557.30
	Joint Ventures	72.52	106.06
		8,912.37	6,663.35
	Advance Tax & Tax Deducted at Source (Net after adjusting Provision for Tax)		
	PATEL	-	912.37
	Joint Ventures	53.19	107.15
		53.19	1,019.53
	Service tax & Cenvat Credit	18.47	-
		9,532.13	8,248.41

(Rs. in million)

SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
13	CURRENT LIABILITIES		
	Sundry Creditors		
	PATEL	8,864.62	4,998.30
	Joint Ventures	441.91	208.08
		9,306.53	5,206.38
	Other Liabilities		
	PATEL	266.52	1,319.01
	Joint Ventures	6.12	289.05
		272.64	1,608.06
	Unpaid Dividends	3.76	1.98
	Interest Accrued but not due	148.57	15.04
	Balance in Current account with Joint Venture	25.42	5.44
		9,756.92	6,836.90
14	PROVISIONS		
	Proposed Dividend	-	56.68
	Dividend Tax on Proposed Dividend	-	9.63
	Retirement Benefits	20.24	11.84
	Provision for tax (net of advance tax)	420.14	-
		440.38	78.15

SCHEDULE FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010		2009-10	2008-09
15	INCOME FROM OPERATIONS		
	Revenue/Turnover		
	PATEL	25,724.82	19,593.78
	Joint Ventures	1,496.06	1,732.03
		27,220.88	21,325.81
	Add: Increase/(Decrease) in Work in Progress		
	PATEL	4,602.89	3,257.20
	Joint Ventures	(98.94)	(134.95)
		4,503.95	3,122.25
	Total Turnover	31,724.83	24,448.06
	Share of Profit from Joint ventures/Partnership	89.96	53.65
	Lease & Other Services (T.D.S. Rs. 14.81 mn P.Y. Rs. 14.43 mn)	49.52	59.99
	Other Operating Income		
	PATEL	44.77	36.75
	Joint Ventures	0.25	-
		45.02	36.75
		31,909.33	24,598.45
16	OTHER INCOME		
	Excess credit written back		
	PATEL	10.97	24.98
	Joint Ventures	0.75	-
		11.72	24.98
	Profit on sale of Investments		
	PATEL	403.96	-
	Joint Ventures	-	-
		403.96	-
	Translation Difference (Net)		
	PATEL	-	6.38
	Joint Ventures	0.04	-
		0.04	6.38
	Miscellaneous Income		
	PATEL	90.32	108.57
	Joint Ventures	8.16	2.71
		98.48	111.28
	Profit on Sale of Assets		
	PATEL	11.00	-
	Joint Ventures	0.19	-
		11.19	-
	Dividend on Shares		
	PATEL	3.89	1.95
	Joint Ventures	-	-
		3.89	1.95
	Share of Profit from Associates	100.84	-
		630.12	144.59

SCHEDULE FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010		2009-10	2008-09
17	COST OF CONSTRUCTION		
	Stores, Embedded Goods & Spares etc. Consumed		
	PATEL		
	Stock at beginning of the year	1,181.80	335.38
	Add: Purchases (Net)	4,253.07	4,610.03
		5,434.87	4,945.41
	Less: Stock at close of the year	1,960.41	1,181.80
		3,474.46	3,763.61
	Joint Ventures		
	Stock at beginning of the year	66.71	43.47
	Add: Purchases (Net)	499.32	527.14
		566.03	570.61
	Less: Stock at close of the year	61.20	66.71
		504.83	503.90
			4,267.51
	Sub Contract Wages & Labour Charges		
	PATEL	17,774.33	11,541.25
	Joint Ventures	452.09	821.45
			12,362.70
	Repairs to Machinery		
	PATEL	144.50	177.84
	Joint Ventures	-	-
			177.84
	Transport & Hire etc.		
	PATEL	252.72	147.44
	Joint Ventures	5.52	4.50
			151.94
	Power, Electricity & Water Charges		
	PATEL	292.62	232.93
	Joint Ventures	2.50	5.16
			238.09
	Project Development Cost		1,032.71
	Technical Consultancy Fees		
	PATEL	12.12	73.79
	Joint Ventures	16.21	-
			73.79
	Other Construction Costs		
	PATEL	296.97	-
	Joint Ventures	80.00	-
			-
		376.97	
		24,084.49	18,304.58

SCHEDULE FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010		2009-10	2008-09
18 ADMINISTRATIVE & OTHER EXPENSES			
Telephone, Postage, Stationery, Traveling, Conveyance and Advertisement			
PATEL	153.39		154.90
Joint Ventures	4.23		3.18
		157.62	158.07
Rent			
PATEL	31.97		20.21
Joint Ventures	1.26		1.34
		33.23	21.55
Insurance			
PATEL	130.60		153.87
Joint Ventures	7.08		5.80
		137.68	159.67
Rates & Taxes			
PATEL	112.12		84.36
Joint Ventures	-		6.34
		112.12	90.71
Repairs & Renovations to Building			
PATEL	11.06		13.84
Joint Ventures	-		-
		11.06	13.84
Salaries, Wages, Gratuity, Bonus etc.			
PATEL	1,247.61		1,145.21
Joint Ventures	39.56		29.73
		1,287.17	1,174.94
Contribution to Provident fund and other fund			
PATEL	34.27		27.34
Joint Ventures	-		-
		34.27	27.34
Workmen and staff Welfare Expenses			
PATEL	77.13		70.87
Joint Ventures	8.29		7.65
		85.42	78.52
Directors Fees		1.33	1.12
Auditor's Remuneration		8.06	7.33
Consultancy Fees			
PATEL	277.48		162.98
Joint Ventures	0.88		4.58
		278.36	167.56
Loss on assets exhausted, scrapped & discarded			
PATEL	-		43.46
Joint Ventures	0.05		12.61
		0.05	56.07
Miscellaneous Expenses			
PATEL	442.99		392.25
Joint Ventures	56.19		34.31
		499.18	426.56
Irrecoverable debts & advances written off			
PATEL	7.24		3.24
Joint Ventures	0.07		0.01
		7.31	3.25

(Rs. in million)

SCHEDULE FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010		2009-10	2008-09
18 ADMINISTRATIVE & OTHER EXPENSES, Cont'd:			
Translation Difference (Net)			
PATEL	67.69		-
Joint Ventures	-		-
		67.69	-
Preliminary Expenses w/off			
PATEL	6.55		3.26
Joint Ventures	-		-
		6.55	3.26
Preparatory work Expenses			
PATEL	-		-
Joint Ventures	11.10		7.55
		11.10	7.55
		2,738.20	2,397.34
19 INTEREST			
Bank & Others			
PATEL	1,733.10		1,846.56
Joint Ventures	41.23		43.65
		1,774.33	1,890.21
Debentures		148.12	-
		1,922.45	1,890.21
Less: Interest Received (Gross)			
PATEL	343.00		1,088.58
Add: Utilized from Contingency Reserve	-		325.00
Joint Ventures	2.75		1.42
		345.75	1,415.00
		1,576.70	475.21

SCHEDULE "20"
NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

A. SIGNIFICANT ACCOUNTING POLICIES

1. Patel Engineering Ltd. (PEL) has prepared consolidated financial statements to provide the financial information of its activities along with its Subsidiaries, Associates & Joint Ventures as a single entity. They are collectively referred as "Group" herein.

2. Principles of Consolidation

- i) The consolidated financial statements include the accounts of Patel Engineering Ltd. and its subsidiaries, associates and financially controlled Integrated Joint Ventures.
- ii) The financial statements of financially controlled Integrated Joint Ventures (i.e. sharing profit) are consolidated to the extent of the Company's or its subsidiaries share in Joint Venture.
- iii) The financial statements of the Company and its subsidiaries and Integrated Joint Ventures have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses fully eliminating material intra group balances and intra group transactions. Associate entities are consolidated as per the equity method.

The consolidated financial statement have been prepared by the Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements", Accounting Standard -23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard-27 "Financial Reporting of Interest in Joint Ventures", issued by Institute of Chartered Accountants of India. However, the overseas subsidiaries are consolidated as per Generally Accepted Accounting Practices applicable in their respective countries.

Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding. Recognizing this

purpose, the Company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosure.

3. Method of Accounting

The Group maintains its accounts on accrual basis. Subsidiaries outside India maintain its accounts based on Generally Accepted Accounting Standards of their respective countries.

4. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. Depreciation has been provided using straight-line method, based on useful lives for various assets.

Michigan Engineers Pvt. Ltd. and Shreeanant Constructions Pvt. Ltd. provide depreciation on 'Written Down Value' basis, at the rates and manner specified in Schedule XIV of the Companies Act, 1956 and or estimated useful life, except that in Shreeanant Constructions Pvt. Ltd. expenses incurred on Computer Software are amortized @40.00% on WDV Basis considering its useful life.

5. Inventories

Stores, embedded goods and spare parts and Work in Progress for long-term construction contracts are valued at cost (FIFO basis) and contract rates respectively. Work-in-progress in respect of Project Development, Building under construction and Building held as Stock-in-trade are valued at cost or net realizable value whichever is lower.

6. Investments are stated at cost. Permanent dilution, if any, is provided for.

7. Retirement Benefits

Contribution to Provident Fund, Family Pension Fund and Gratuity funds are made to a recognized fund and charged to the Profit and Loss Account. Provisions for incremental liability in respect of Gratuity & Leave Encashment are made as per independent Actuarial Valuation at the year-end.

SCHEDULE "20"
NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

8. Foreign Currency Transactions

Transactions in foreign currency including acquisition of fixed assets are recorded at the prevailing exchange rates on the date of the transaction. All monetary assets and monetary liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year-end. Exchange differences arising out of payment/restatement of long term liabilities relating to Fixed Assets are capitalized in accordance with "The Companies (Accounting Standards) Amendment Rules 2009, relating to AS-11 "The Effects of the changes in Foreign Exchange Rates", vide notification dated March 31, 2009.

Revenue transactions at the Foreign Branch/Projects are translated at average rate. Fixed Assets are translated at rate prevailing on the date of purchase. Net exchange rate difference is recognized in the Profit and Loss Account. Depreciation is translated at rates used for respective assets.

However, Michigan Engineers Pvt. Ltd. opted to recognize the exchange differences in the Profit and Loss Account.

Revenue items of overseas Subsidiaries are translated into Indian Rupees at average rate and all other monetary/non monetary items are translated at closing rate. Net exchange rate difference is recognized as Foreign Currency Translation Reserve.

9. Recognition of Income and Expenditure

Revenue from contracts is recognized on the percentage completion method based on billing schedules agreed with the client on a progressive completion basis. In case the estimated total cost of a contract based on technical and other estimate is expected to exceed the corresponding contract value, such excess is accounted for. Claims & variations are recognized as revenue on client's acceptance or on receipt of Arbitrator's Award or on evidence of its final acceptability. Revenue on Project Development is recognized on execution of sale agreement. Other Revenues and expenses are accounted on accrual basis.

In our Subsidiaries viz. Patel Realty India Ltd. and PAN Realtors Pvt. Ltd. the revenue from the projects is recognized on the "Percentage of Completion Method" of accounting. Revenue is recognized, in relation to the sold area only, on the basis of percentage of actual cost incurred thereon including land as against the total estimated cost of project under execution subject to such actual cost being 30% or more of the total estimated cost. The estimates of saleable area and cost are revised periodically by the management. The effect of such changes to estimate is recognized in the period such changes are determined.

10. Borrowing Costs

Borrowing costs directly attributable and identifiable to the acquisition or construction of qualifying assets are capitalized till the date such qualifying assets are ready to be put to use.

11. Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

12. Taxation

The tax expense comprises of current tax and deferred tax. Current tax is calculated in accordance with the tax laws applicable to the current financial year. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and tax laws that have been enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is virtual certainty of realization in future.

SCHEDULE "20"
NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

13. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Differences between actual results and estimates are recognized in the periods in which the results are known/materialize.

14. In respect of Joint Ventures in India, preparatory work expenses are written off in Profit and Loss Account on deferred basis in proportion of construction. In Shreeanant Construction Pvt. Ltd., a subsidiary, site establishment expenditure is amortized in 5 years.

15. Employees Stock Option Plan

Compensation expenses under "Employees Stock Option Plan" representing excess of market price of the shares on the date of grant of option over the exercise price of option is amortized on a straight-line basis over the vesting period by PEL.

16. In respect of Derivative Contracts, gain/loss on settlement are recognized and charged to Profit and Loss Account.
17. In subsidiary ASI Inc., the Company has adopted Simple IRA plan. The Company matches upto 3% of total employee compensation upto employee's elective deferral. At 31st March 2010, the Company had a liability of Rs. 0.45 mn (P.Y Rs. 0.45 mn), for employees' elective deferral and Company match.

OTHER NOTES TO ACCOUNTS

1. Details of Subsidiaries, which are consolidated:

A) Wholly owned (100%) Subsidiaries:

1. Patel Realty (India) Ltd.
2. Patel Energy Resources Pvt. Ltd.
3. Patel Engineering Inc.
4. Patel Engineering (Mauritius) Ltd.
5. Patel Engineering (Singapore) Pte. Ltd.
6. Zeus Land Projects Pvt. Ltd.

7. Patel Concrete and Quarries Pvt. Ltd.
8. Friends Nirman Pvt. Ltd.
9. Patel Engineering Infrastructure Pvt. Ltd.

B) Other Subsidiaries

	Name of Subsidiaries	% holding
1.	Shreeanant Construction Pvt. Ltd.	51.00%
2.	Michigan Engineers Pvt. Ltd.	51.00%
3.	ASI Inc.	66.45%
4.	Pan Realtors Pvt. Ltd.	51.00%
5.	Energy Design Pvt. Ltd.	90.00%

Details of Joint Ventures, which are consolidated

	Name of Joint Ventures	% of share
1.	Patel KNR JV	50%
2.	KNR Patel JV	49%
3.	Patel Michigan JV	10%

Patel KNR Infrastructure Pvt. Ltd. & Patel KNR Heavy Infrastructure Pvt. Ltd. have been consolidated as per equity method in accordance with AS -23 "Accounting for Investment in Associate in Consolidated Financial Statements".

2. Turnover includes construction of multi purpose projects, water supply projects, irrigation projects, building projects construction, road and railway projects on item rate and EPC basis, duty drawback and entitlement etc and excludes vat, service tax etc.
3. a) Stores, embedded goods and Spares etc. Consumed includes materials issued to Sub Contractors.
- b) Auditors Remuneration comprises of Statutory Audit Fees Rs. 3.27 mn (P.Y. Rs. 2.76 mn); Tax Audit Fees Rs. 0.88 mn (P.Y. Rs. 0.77 mn); Taxation Matters Rs. 1.65 mn (P.Y. Rs. 1.44 mn); Other Capacity Rs. 1.10 mn (P.Y. Rs. 1.10 mn); Certification Rs. 1.10 mn (P.Y. Rs. 1.10 mn) and out of pocket expenses Rs. 0.06 mn (P.Y. Rs. 0.16 mn).
- c) Donation of Rs. 2.50 mn (P.Y. Rs. 12.30 mn) to trusts in which director is trustee, Donation to CPI (M) Rs. Nil (P.Y. Rs. 0.50 mn) and to BJP Rs. 0.25 mn (P.Y. Rs. 0.20 mn).

SCHEDULE "20"
NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

4. Deferred Tax Liability / Assets:

(Rs. in million)

Deferred tax adjustments as described in Accounting Standard 22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, is made. The deferred tax liability (net) comprise of the following:

		As at March 31, 2010	As at March 31, 2009
a) Deferred Tax Liability			
(i) Related to depreciation on fixed assets & other timing differences		161.09	151.84
	(a)	161.09	151.84
b) Deferred Tax Assets			
(i) Related to depreciation on fixed assets		20.65	-
(ii) Disallowances under the Income Tax Act		25.56	3.48
	(b)	46.21	3.48
c) Liability for Deferred Tax (net)	(a - b)	114.88	148.36

5. Taxation

The Finance Act, 2009 has amended Section 80 IA of the Income Tax Act, 1961 by inserting an explanation to the said section retrospectively from April 1, 2000 purporting to withdraw the benefit hitherto available.

The Group has legally contested the validity of the above amendment and intention of the said section. The impact of Rs. 1,511.69 mn upto March 31, 2009 due to the above amendment, though being subjudice, has been provided and adjusted out of the Surplus in Profit and Loss Account.

6. The Company has some contract revenues receivable in foreign currency. To reduce various financial risks the Company entered into hedging transactions. Due to delay in payments, changes in drawings, changes in design all on account of the client, the hedging position got exposed incurring loss on such transactions. The said hedging loss of Rs. 258.37 mn (P.Y. Rs. 521.23 mn after utilizing Rs. 325.00 mn from contingency reserve) has been debited to profit and loss account as interest expense, as a prudent and conservative accounting policy. The aforementioned is claimable from the client.
7. Work in Progress includes stock of land under development.
8. From the current year, the Company has discontinued to account for the effect of Market Value of materials/resources supplied by its client at fixed cost or no cost to the Company as cost of construction and as construction revenue. This has no impact on the profit of the Company.

9. Related Party disclosure:

A. Name of Related Parties and Nature of Relationship

Associate

Patel Realtors Pvt. Ltd.
Praham India Pvt. Ltd.
Relcon Infra Projects Pvt. Ltd.
Enpro Ltd.
Patel KNR Infrastructure Ltd.
Patel KNR Heavy Infrastructure Pvt. Ltd.

Joint Venture/Consortium

PATEL-SOMA JV
Soma-Patel-ASI JV
LGE & C Patel JV
Patel-SA JV
Patel-L&T JV
Patel Sew JV
Era Patel Advance JV
Era Patel Advance Kiran JV
Patel Sotravic JV
Patel ARSS
Patel Siddhivinayak JV
Navyuga Patel BHEL
Patel Avantika Deepika BHEL
Patel V Arks - Precision

Reliance Michigan JV

APS Michigan JV
Onsite Michigan JV
RPS Michigan JV

Partnership Firm

AHCL PEL

SCHEDULE "20"
NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

B. Key Management Personnel	Nature of Relationship
Mr. Rupen Patel	Managing Director
Ms. Silloo Patel	Whole Time Director
Ms. Sonal Patel	Whole Time Director
Mr. Nimish Patel	Whole Time Director
Mr. Bhim Batra	Relative of Whole Time Director
Mr. S.K. Desai	Whole Time Director (resigned w.e.f. March 30, 2009)
Mr. K. Jalandhar Reddy	Key Management Person of Patel KNR JV
Mr. J.V. Paninder Reddy	Key Management Person of Patel KNR JV
Mr. Shiraz Patel	Relative of Whole Time Director
Dr. M.N. Patel	Director of Michigan Engineers Pvt. Ltd.
Mr. P.A. Patel	Director of Michigan Engineers Pvt. Ltd.
Mr. A.R. Parmar	Director of Michigan Engineers Pvt. Ltd.
Mr. S.M. Patel	Director of Michigan Engineers Pvt. Ltd.
Mr. Sanjay Ladge	Director of Shreeanant Construction Pvt. Ltd.
Mr. Sujay Ladge	Director of Shreeanant Construction Pvt. Ltd.
Mr. Suhas Ladge	Additional Director of Shreeanant Construction Pvt. Ltd.

C. Transaction with Related Parties with Subsidiaries, Associate Companies, Joint Ventures/Consortium and Partnership referred to in item (A) above.

(Rs. in million)

Nature of Transaction	Associate/Joint Venture/ Partnership		Subsidiaries	
	2009-10	2008-09	2009-10	2008-09
Loans Given	615.01	112.10	-	183.02
Sale of Investment	-	68.30	-	-
Mobilization Advance	127.59	-	-	-
Purchase of Land	2.29	-	-	-
Interest Income	10.32	11.04	-	26.44
Miscellaneous Income	11.57	8.56	-	-
Receipt from Current A/c (Net)	(982.70)	-	-	-
Bank Guarantee outstanding as at the end of the year	1,595.18	2,029.06	-	-
Outstanding Balance included in Current Liabilities	25.42	70.39	-	183.02
Outstanding Balance included in Current Assets	1,971.45	412.62	-	-
Construction Revenue	3,737.38	694.25	-	-
Share of Profit	89.86	53.65	-	-
Rent Income	0.02	0.03	-	-
Investment In Shares	-	-	5.44	3.05
P.W. Wages	-	1.70	-	-

D. Details of Transactions relating to persons referred in item (B) above.

(Rs. in million)

Nature of Transaction	March 31, 2010	March 31, 2009
Managerial Remuneration	70.14	36.05
Consultancy Fees	8.65	0.59
Salary and contribution to provident fund	0.81	0.56
Loan Given	0.48	1.75
Rent Income	0.15	-

SCHEDULE "20"
NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

10. The Company had entered into a partnership with ACE Housing and Construction Ltd. in name of AHCL PEL for development and construction of residential buildings. The share of profit/loss of each partner are as under:

Partners	Upto March 31, 2009	w.e.f. April 1, 2009
Patel Engineering Ltd.	50%	55%
ACE Housing and Construction Ltd.	38%	45%
Mr. Rajat Patel	12%	—

Company's share in profit/loss is accounted for as and when determined. The fixed capital of the firm is Rs. 0.05 mn. Company's contribution towards the capital is Rs. 0.03 mn.

11. Segment Reporting:

The Company has a single segment namely "Civil Construction". However the secondary segment information is given below:

Geographical Segment

(Rs. in million)

Particulars	For the year ended March 31, 2010		
	Domestic Operations	International Operations	Total
Segment Revenue	26,874.02	5,259.83	32,133.85
Carrying Cost of Segment Assets	33,040.29	1,864.53	34,904.82
Addition to Fixed & Intangible Asset	3,244.65	158.74	3,403.39
Particulars	For the year ended March 31, 2009		
	Domestic Operations	International Operations	Total
Segment Revenue	19,128.08	5,366.72	24,494.80
Carrying Cost of Segment Assets	4,194.12	832.38	5,026.50
Addition to Fixed & Intangible Asset	1,223.18	927.22	2,150.40

12. During the year, the Company has privately placed:

- 9.5% Secured Redeemable Non Convertible Debentures was allotted on June 01, 2009 for a period of 3 years. These debentures have a face value of Rs. 1.0 mn each aggregating to Rs. 1,050.0 mn and are to be redeemed on June 1, 2012 in a single installment.
- 9.8% Secured Redeemable Non Convertible Debentures was allotted on July 20, 2009 for a period of 7 years. These debentures have a face value of Rs. 1.0 mn each and are to be redeemed on July 20, 2016 in a single installment, with a put/call option available and exercisable at par at the end of 5th year from the date of allotment i.e. July 20, 2014.

The above debentures are listed on 'The National Stock Exchange of India'.

As per Section 117C of the Companies Act, 1956 the Company has created adequate Debenture Redemption Reserve for both the above series of Secured Redeemable Non Convertible Debenture issued during the year.

13. Contingent Liabilities

- Commitment for capital expenditure is Rs. 320.74 mn (P.Y. Rs. 181.68 mn), advance paid Rs. 8.95 mn (P.Y. Rs. 16.14 mn).
- Counter indemnities given to Banks and others in respect of secured guarantees, etc. on behalf of subsidiaries and others given by them in respect of contractual commitments in the ordinary course of business Rs. 3,875.15 mn (P.Y. Rs. 2,655.25 mn) (including Customs Rs. 248.71 mn (P.Y. Rs. 248.71 mn) for the current year includes guarantees given in USD 7.50 mn (P.Y. USD

SCHEDULE "20"
NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

- 18.85 mn). Corporate guarantees for third parties Rs. 7,799.52 mn (P.Y. Rs. 6,494.73 mn) (against which the Company has obtained counter guarantee for Rs. 1,760 mn (P.Y. 1,760 mn)) and towards Custom Duty Rs. 71.62 mn (P.Y. Rs. 71.62 mn).
- c) The Company has received an amount of Rs. 12.74 mn in 1997 against arbitration award in its favor. The client has preferred an appeal against above award claiming an amount of Rs. 213.32 mn (P.Y. Rs. 213.32 mn) before the Honorable appeal court. However the management feels that the likelihood of outflow of resources is remote.
- d) Outstanding Letter of Credit amounts to Rs. 189.94 mn (P.Y. Rs. 61.07 mn).
- e) Sales tax Rs. 20.18 mn (P.Y. Rs. 181.97 mn) (Advance paid Rs. 10.51 mn (P.Y. Rs. 90.98 mn)). Cess Rs. 16.17 mn (P.Y. Rs. 41.48 mn)
- f) Entry Tax Rs. Nil (P.Y. Rs. 40.11 mn).
- g) Custom liability that may arise on matter in appeal Rs. 7.61 mn (P.Y. Rs. 7.61 mn).
- h) Counter guarantee given by subsidiary Michigan Engineers Pvt. Ltd. to bank against the guarantees/indemnities to various authorities in connection with contracts Rs. 551.90 mn (P.Y. Rs. 519.00 mn). Against this facility, the Bank holds Fixed Deposit receipts of Rs. 3.71 mn (P.Y. Rs. 3.71 mn).
- i) In Subsidiary PAN Realtors Pvt. Ltd., bank guarantee of Rs. 1.00 mn is given to Pollution Control Board.

14. Earning Per Share:

(Rs in million except Equity Shares and EPS)

	As at March 31, 2010	As at March 31, 2009
I. Net Profit as per Consolidated Profit & Loss Account available for Shareholders for both Basic and diluted Earnings Per shares of Re.1 each	1,981.61	1,804.78
II. Weighted Average Number of Equity shares for earning per share	64,008,503	59,659,090
III. Earnings per share (Basic & Diluted Rs.)	30.96	30.25

Shares for ESOP have been already allotted to the trust and therefore there is no effect on EPS. However, as and when the options are given by the trust to the employees, the necessary accounting for expense will be made.

15. The Company has issued 7,218,061 fully paid up equity shares of Re. 1 each on October 26, 2009 to Qualified Institutional Buyers at a price of Rs. 477.03 per equity share (including a premium of Rs. 476.03 per equity share). The said funds have been used for the purpose for which it was raised.
16. The Company issued 2,950,000 fully paid up equity shares of Re. 1 each on October 29, 2009 to Patel Engineering Employee Welfare Trust (ESOP Trust) at a price of Re. 1 per equity share for issue of stock options to eligible employees.
17. The subsidiary Company accounts for its direct expenses including depreciation as direct cost of construction, which are however charged, to the respective heads of accounts in consolidated accounts.
18. Previous years figures have been regrouped/rearranged/recasted wherever necessary to make them comparable.

As per our attached Report of even date.

For VATSARAJ & Co.
Chartered Accountants

Rupen Patel
Managing Director

CA MAYUR KISNADWALA
Partner

Membership No. 33994
FRN: 111327W
July 8, 2010
Mumbai

Shobha Shetty
Company Secretary

Silloo Patel
Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDING MARCH 31, 2010		2009-10	2008-09
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	NET PROFIT BEFORE TAX AND EXTRA-ORDINARY ITEMS	3,049.90	2,370.30
	Adjustment for:		
	Depreciation	1,090.16	1,195.61
	Interest charged	1,922.45	1,565.21
	Interest received	(345.75)	(1,090.00)
	Dividend received	(3.89)	(1.95)
	Foreign Exchange Loss/(Gain)	67.65	(6.38)
	Provision for Leave Salary	2.76	2.46
	Provision for Bonus	4.99	21.94
	Loss of Assets exhausted	0.05	56.07
	Profit on sale of Assets	(11.19)	-
	Excess Credit written back	(11.72)	(24.98)
	Irrecoverable debts & advances written off	7.31	3.25
	ESOP compensation expenses	33.87	41.77
	Profit on sale of Investment	(403.96)	-
	Preliminary Expenses written off	6.55	3.26
	Preparatory work expenses written off	11.10	7.55
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5,420.28	4,144.11
	Adjustment for changes in:		
	Trade & other receivables	(2,383.65)	(3,945.17)
	Inventories	(6,801.89)	(3,806.40)
	Trade payable, Liabilities and Provisions (Excluding Proposed Dividend & Income tax)	2,868.52	1,538.69
	Cash generated from operations	(896.74)	(2,068.77)
	Direct tax paid	(1,084.28)	(760.30)
	NET CASH FROM OPERATING ACTIVITIES	(1,981.02)	(2,829.07)
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(3,083.87)	(397.73)
	Loan given	(998.62)	(412.91)
	Sale of Fixed Assets	131.00	247.24
	Purchase of Investments	(195.81)	(143.84)
	Sales of Investments	406.25	-
	Change in Minority Interest	260.51	(318.88)
	Interest & Dividend received	145.07	575.55
	Effect of Acquisition	-	(47.03)
	NET CASH USED IN INVESTING ACTIVITIES	(3,335.47)	(497.60)
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Issue of Shares	3,446.18	-
	Share issue expenses	(99.70)	-
	Proceeds from Borrowings	3,865.14	5,356.81
	Dividend Paid	(228.35)	(59.45)
	Interest Paid	(1,990.94)	(2,213.23)
	NET CASH USED IN FINANCING ACTIVITIES	4,992.33	3,084.13
	Net Increase/Decrease in Cash & Cash Equivalent (A+B+C)	(324.16)	(242.54)
	Opening Balance of Cash & Cash Equivalents	2,951.00	2,882.01
	Balance of Cash & Cash Equivalents	2,626.84	2,639.47
	Notes to Cash flow Statement		
	1. Cash and Cash Equivalents		
	Cash on hand & Balance with banks	2,324.24	2,951.00
	Foreign Exchange Translation Reserve	234.95	(305.15)
	Effect of exchange rate changes	67.65	(6.38)
	Closing Cash and Cash Equivalents as restated	2,626.84	2,639.47

As per our attached Report of even date
For VATSARAJ & Co.
Chartered Accountants

Rupen Patel
Managing Director

CA MAYUR KISNADWALA
Partner
Membership No. 33994
FRN: 111327W
July 8, 2010
Mumbai

Shobha Shetty
Company Secretary

Silloo Patel
Director

AUDITORS' REPORT

To: The Members of Patel Engineering Ltd.

We have audited the attached Balance Sheet of Patel Engineering Ltd. as at March 31, 2010, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matter specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) in our opinion, proper books of accounts as required by Law have been kept by the Company so far, as appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and Cash Flow Statement of the Company dealt with by this report are in agreement with the books of accounts of the Company;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the Directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the Director is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) in our opinion and to the best of our information and according to the explanations given to us the said accounts together with notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956 and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - (ii) in case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

July 8, 2010
Mumbai

For Vatsaraj & Co.
Chartered Accountants

CA Mayur Kisnadwala
Partner
M. No. 33994
FRN: 111327W

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 1 of the Auditors Report of the even date to the members of Patel Engineering Ltd. on the accounts for the year ended March 31, 2010), we report that:

- i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) We have been informed that, the fixed assets including assets of the Company purchased in the name of Directors and their relatives and employees have been physically verified at reasonable intervals by the Management and no material discrepancies were noticed on such verifications.
c) Fixed Assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.
- ii. a) Physical verification of inventories has been conducted at reasonable intervals by the management.
b) In our opinion and on the basis of information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company has maintained proper records of inventory. We have been informed by the management, that the discrepancies between the physical stock and book records were not material.
- iii. a) The Company has granted unsecured loan at call to thirty two companies covered in the register maintained under section 301 of the Companies Act 1956, aggregating to a maximum outstanding of Rs. 2801.16 million during the year.
b) In our opinion, the rate of interest and other terms & conditions are prima facie not prejudicial to the interest of the Company.
c) The receipt of principal amounts and interest there on is as stipulated or called.
d) There is no overdue amount in respect of the above loan.
e) The Company has not taken unsecured loans from Companies Firms or Other parties covered in the register under section 301 of the Act during the year Accordingly, clause 4(iii) (f) and (g) of the order is not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for work executed and we have not observed any continuing failure to correct major weakness in such internal control system
- v. a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act 1956, have been entered in the register required to-be maintained under that section.
b) As explained to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. 5,00,000 in respect of any party during the year are at a negotiated price, fixed at reasonable levels, having regard to the technical requirements/quality consideration and alternate source of availability. There are no comparable transactions with the Company of similar nature.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from public and consequently, the directives issued by the Reserve Bank of India and the provision of section 58(A), 58(AA) or any other relevant provisions of the Companies Act 1956 and the rules framed there under are not applicable.
- vii. The internal audit function is carried out by a firm of independent Chartered Accountants appointed by the management and is commensurate with the size of the Company and the nature of its business.
- viii. As explained to us the Central Government has not prescribed the maintenance of the cost records under Section 209(1)(d) of the Companies Act, 1956. Accordingly clause 4 (viii) is not applicable.
- ix. a) As explained to us, the Company is regular in depositing undisputed statutory dues, in respect of Provident Fund, Investor Education & Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities.

- b) According to the information and explanations given to us, details of dues of sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited as on 31st March 2010 on account of disputes are given below:

Particulars	Financial year to which amount relates	Forum where dispute is pending	Amount (Rs. in million)
Custom Duty	2001-2002, 2004-2005 and 2009-10	Commissioner of appeal	28.25
Cess	2007-2008 and 2008-2009	High Court	53.70
Sales Tax	2001-2002 to 2004-2005	Appellate Tribunal	9.66

- x. The Company does not have any accumulated losses as at the end of the year and has not incurred cash losses during the financial year and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions or banks or to debenture holder as at the balance-sheet date.
- xii. In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not chit/nidhi/mutual benefit fund/society. Accordingly, clause 4(xiii) of the order is not applicable.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investment. Accordingly, clause 4(xiv) of the order is not applicable.
- xv. In our opinion and according to the information and explanations given to us, the Company has given guarantee for loans taken by others from Banks or Financial Institutions. The terms and conditions thereof are not prima-facie prejudicial to the interest of the Company.
- xvi. In our opinion and according to the information and explanations given to us and on an overall examination, the term loans have been applied for the purpose for which they were obtained.
- xvii. On the basis of our examination of books of accounts and information and explanations given to us, in our opinion, the funds raised on a short term basis have not been used for long term investment.
- xviii. During the year, the Company has not made any preferential allotment of shares to parties covered in the register maintained Under Section 301 of the Act.
- xix. The Company has created charged on outstanding debentures issued during the year.
- xx. The Company has not raised any money by public issue during the year.
- xxi. During the course of our audit carried out in accordance with the generally acceptable auditing practices and as informed by the Management, no fraud on or by the Company has been noticed or reported during the year.

July 8, 2010
Mumbai

For Vatsaraj & Co.
Chartered Accountants

CA Mayur Kisnadwala
Partner
M. No. 33994
FRN: 111327W

BALANCE SHEET AS ON MARCH 31, 2010

(Rs. in million)

SOURCES OF FUNDS	SCHEDULE		2009-10		2008-09
SHAREHOLDERS FUNDS					
Share Capital	1	69.83		59.66	
Reserves & Surplus	2	12,789.32		9,728.98	
			12,859.15		9,788.64
DEFERRED TAX LIABILITY (NET)			65.25		96.65
LOANS FUNDS					
Secured Loans	3	9,929.61		6,222.37	
Unsecured Loans	4	6,057.09		3,982.21	
			15,986.70		10,204.58
CONTRACTEE ADVANCES	5		3,015.16		4,328.36
TOTAL FUNDS EMPLOYED			31,926.26		24,418.23
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	6	5,312.65		4,860.96	
Less: Depreciation		2,172.50		1,694.28	
NET BLOCK		3,140.15		3,166.68	
Capital Work in Progress		173.87	3,314.02	231.26	3,397.94
INVESTMENTS	7		4,534.29		2,897.44
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	8	14,821.29		9,831.79	
Sundry Debtors	9	6,032.88		4,615.94	
Cash & Bank Balances	10	846.00		1,553.81	
Accrued Interest		735.51		527.09	
Loans & Advances	11	8,777.64		6,636.03	
Total Current Assets, Loans & Advances		31,213.32		23,164.66	
LESS: CURRENT LIABILITIES & PROVISIONS					
Current Liabilities	12	6,649.74		4,963.66	
Provisions	13	485.63		78.15	
Total Current Liabilities & Provisions		7,135.37		5,041.81	
NET CURRENT ASSETS			24,077.95		18,122.85
TOTAL APPLICATION OF FUNDS			31,926.26		24,418.23

Notes on Accounts: Schedule '19'

As per our attached Report of even date

For VATSARAJ & Co.
Chartered Accountants

Rupen Patel
Managing Director

CA MAYUR KISNADWALA
Partner
Membership No. 33994
FRN: 111327W
July 8, 2010
Mumbai

Shobha Shetty
Company Secretary

Silloo Patel
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

(Rs. in million)

INCOME	SCHEDULE	2009-10	2008-09
Income from Operations	14	24,249.99	17,839.98
Other Income	15	100.16	123.24
Total Revenue		24,350.15	17,963.22
EXPENDITURE			
Cost of Construction	16	18,846.25	13,926.02
Administrative & Other Expenses	17	1,605.67	1,272.44
Interest Cost (Net)	18	1,378.16	347.65
Depreciation		501.73	440.72
Total Expenditure		22,331.81	15,986.83
Profit before Taxation		2,018.34	1,976.39
Provision for Taxation (including deferred tax)		709.80	233.02
(*Previous year tax would have been Rs. 671.77 mn on account of amendment to section 80 IA by Finance Act, 2009)			
Profit after Taxation		1,308.54	1,743.37
Balance brought forward from previous year		3,825.53	2,404.31
		5,134.07	4,147.68
Less :- Provision for tax for earlier years (refer note # 3(ii) of Schedule 19)		1,416.41	-
Less :- Share of tax expense of joint ventures for earlier years		68.70	-
Profit available for appropriation		3,648.96	4,147.68
Appropriations			
Interim Dividend		140.09	47.73
Final Dividend		-	56.68
Corporate Dividend Tax		23.73	17.74
Transfer to Debenture Redemption Reserve		135.00	-
Transfer to General Reserve		100.00	200.00
		398.82	322.15
Surplus Carried to Balance Sheet		3,250.14	3,825.53
Earning Per Shares (Basic & Diluted) Rs.		20.44	29.22
(refer note # 24 of schedule 19)			

Notes on Accounts: Schedule '19'

As per our attached Report of even date

For VATSARAJ & Co.

Chartered Accountants

CA MAYUR KISNADWALA
Partner

Membership No. 33994

FRN: 111327W

July 8, 2010

Mumbai

Rupen Patel
 Managing Director

Shobha Shetty
 Company Secretary

Silloo Patel
 Director

SCHEDULE FORMING PART OF BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
1	SHARE CAPITAL		
	Authorised		
	150,000,000 Equity Shares of Re.1 each	150.00	150.00
	Issued, Subscribed & Paid up		
	69,827,151 (P.Y. 59,659,090) Equity Shares of Re.1 each fully paid (From which 200,000 (P.Y. 200,000) Equity Shares were issued as fully paid up pursuant to a contract without payment received in cash & 36,153,200 (P.Y. 36,153,200) Equity Shares fully paid up issued as Bonus shares by way of Capitalisation of General Reserve (including bonus on ESOP Shares 3,391,124) Also includes 8,507,824 (Including Bonus of 3,391,124) shares issued over the years to Patel Engineering Employees Welfare Trust under ESOP scheme From the above ESOP scheme, 425,000 shares were granted on Oct 1, 2007 at a grant price of Re.1 per equity to be vested over period of four years in the ratio of 10%, 20%, 30% & 40% in each respective years; 112,500 options lapsed during the previous year. (Refer Note # 22 & # 23 of Schedule 19)	69.83	59.66
		69.83	59.66
2	RESERVES & SURPLUS		
	CAPITAL RESERVE	1.51	1.51
	SECURITIES PREMIUM ACCOUNT as at beginning	4,089.00	4,069.81
	Add: Transferred from Employee Stock Option Outstanding	27.10	19.19
	Add: On shares issued during the year	3,436.01	-
	Less: Share/Debenture Issue Expenses	99.70	-
		7,452.41	4,089.00
	GENERAL RESERVE as at beginning	1,751.97	1,543.22
	Add: Transferred to Foreign Currency Monetary Item Translation Difference Reserve/Fixed Assets	-	8.75
	Add: Transfer from Profit and Loss Account	100.00	200.00
		1,851.97	1,751.97
	CONTINGENCY RESERVE as at beginning	-	325.00
	Less: Utilised during the year	-	325.00
		-	-
	EMPLOYEE STOCK OPTION OUTSTANDING as the beginning	121.94	191.93
	Less: Transferred to Securities Premium Account	27.10	19.19
	Less: Options Lapsed during the year	-	50.80
		94.84	121.94
	Less: Employee Stock Option Compensation to be written off	27.10	60.97
		67.74	60.97
	DEBENTURE REDEMPTION RESERVE as at beginning	-	-
	Add: Transfer from Profit and Loss Account	135.00	-
		135.00	-
	FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE RESERVE	30.55	-
	PROFIT AND LOSS ACCOUNT		
	Surplus as per Profit and Loss Account	3,250.14	3,825.53
		12,789.32	9,728.98

SCHEDULE FORMING PART OF BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
3	SECURED LOAN:		
	BANKS		
	Working Capital Loans (Against Hypothecation of stocks, spare parts, book debts, work in progress & guarantees) Secured by first charge on the specific assets acquired out of the term loan along with unencumbered assets & guarantees	2,721.76	1,500.55
	First charge on equipment financed Against bank guarantees	3,348.20	3,587.37
		249.97	398.51
		862.50	735.18
	OTHERS		
	From Financial and Leasing Companies first charge on equipment financed Commercial Papers (Secured against immovable property) (Maximum Balance outstanding Rs. 496.04 mn)	251.14	0.76
		496.04	-
	9.8% Secured Redeemable Debentures (Secured against Immovable Property and third party security, refer note no. # 16 of Schedule 19)	1,050.00	-
	9.5% Secured Redeemable Debentures (Secured against Immovable Property and third party security, refer note no. # 16 of Schedule 19)	950.00	-
		9,929.61	6,222.37
4	UNSECURED LOANS		
	From Banks	4,579.75	3,520.79
	Commercial Paper (Maximum outstanding during the year Rs. 1,477.34 mn, (P.Y. Rs. 461.42 mn))	1,477.34	461.42
		6,057.09	3,982.21
5	CONTRACTEE ADVANCES		
	(Recoverable against work done bills) Secured Trade Advances (Against Bank guarantees and machineries hypothecation)	3,015.16	4,328.36
		3,015.16	4,328.36

6. FIXED ASSETS SCHEDULE FORMING PART OF BALANCE SHEET AS ON MARCH 31, 2010												(Rs. in million)	
FIXED ASSETS	GROSS BLOCK						DEPRECIATION					NET BLOCK	
	AS AT 1 st APRIL 1, 2009	ADDITIONS DURING THE YEAR	SUB TOTAL	DEDUCTIONS/ ADJUSTMENTS DURING THE YEAR	GROSS BLOCK AS AT MARCH 31 st , 2010	AS AT APRIL 1 st , 2009	FOR THE YEAR	SUB TOTAL	DEDUCTIONS/ ADJUSTMENTS DURING THE YEAR	TOTAL AS AT MARCH 31 st , 2010	BLOCK AS AT MARCH 31 st , 2010	BLOCK AS AT MARCH 31 st , 2009	
LAND	94.11	3.78	97.89	-	97.89	-	-	-	-	-	97.89	94.11	
BUILDING*# FACTORY	223.75	53.32	277.07	0.81	276.26	18.10	4.35	22.45	0.26	22.19	254.07	205.65	
BUILDING	42.44	98.88	141.32	-	141.32	7.01	1.54	8.55	-	8.55	132.77	35.43	
MACHINERY#@	3,537.16	300.70	3,837.86	49.49	3,788.37	1,293.46	388.02	1,681.48	13.54	1,667.94	2,120.43	2,243.70	
MOTOR CAR @	179.39	42.02	221.41	14.80	206.61	55.75	18.93	74.68	4.85	69.83	136.78	123.64	
MOTOR TRUCK#@	641.80	10.95	652.75	9.02	643.73	244.21	68.69	312.90	4.87	308.03	335.70	397.59	
SHIP	4.04	-	4.04	-	4.04	2.21	0.48	2.69	-	2.69	1.35	1.83	
FURNITURE	29.05	1.53	30.58	-	30.58	14.89	3.50	18.39	-	18.39	12.19	14.16	
OFFICE EQUIP#	28.39	2.01	30.40	0.04	30.36	17.80	3.62	21.42	0.02	21.40	8.96	10.59	
COMPUTERS/ SOFTWARE	33.48	3.96	37.44	-	37.44	25.79	5.66	31.45	-	31.45	5.99	7.69	
ELECTRIC EQUIPMENT	23.89	5.33	29.22	0.01	29.21	11.37	3.31	14.68	-	14.68	14.53	12.52	
MOTOR CYCLE	0.77	0.13	0.90	-	0.90	0.53	0.07	0.60	-	0.60	0.30	0.24	
RAILS & TROLLY	22.69	3.26	25.95	-	25.95	3.15	3.60	6.75	-	6.75	19.20	19.54	
TOTAL	4,860.96	525.87	5,386.82	74.17	5,312.65	1,694.28	501.77	2,196.05	23.55	2,172.50	3,140.15	3,166.68	
Less : Trfd to Capital WIP							0.04						
GROSS TOTAL	4,860.96	525.87	5,386.82	74.17	5,312.65	1,694.28	501.73	2,196.05	23.55	2,172.50	3,140.15	3,166.68	
PREVIOUS YEAR	4,165.09	808.94	4,974.03	113.07	4,860.96	1,268.37	440.72	1,709.09	14.81	1,694.28	3,166.68	2,896.72	

Notes :

1. Land includes Rs. (19.42 mn) held in the name of directors, relatives of directors and employees for and on behalf of the Company (P.Y. Rs. 19.42 mn)
2. *Includes Rs. 0.02 mn being the value of 30 shares and share deposits in Co - operative Societies (P.Y. 0.02 mn)
3. #Includes Assets costing Rs. 94.00 mn (P.Y. Rs. 154.73 mn) not commissioned/erected/put to use and Rs. Nil in transit (P.Y. 20.80 mn).
4. @ Includes Rs. 50.58 mn on account of exchange rate difference of Previous Year & Includes Rs. 16.34 mn for Current Year.
5. Transfer to Dirang Energy Pvt. Ltd. (Wholly Owned Subsidiary) Rs. Nil (P. Y. Rs. 10.20 mn)

SCHEDULE FORMING PART OF BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
7 INVESTMENTS - AT COST			
IN GOVERNMENT SECURITIES :			
National Saving Certificates *		0.12	0.12
IN EQUITY SHARES (Long Term): QUOTED			
(i) 25 shares (P.Y. 25) of Gammon India Ltd., F.V. Rs. 2 per share		0.01	0.01
(ii) 66,640 shares (P.Y. 66,640) of Kingfisher Airlines Ltd., F.V. Rs.10 per share		9.86	9.86
(iii) 1,100 shares (P.Y. 1,100) of Jai Prakash Power Ventures Ltd., F.V. Rs. 10 per share		0.04	0.04
(iv) 19,42,574 shares (P.Y.19,42,574) of KNR Construction Ltd., F.V. Rs. 10 per share		330.24	330.24
(v) 25 shares (P.Y. 25) of IVRCL Infra & Projects Ltd., F.V. Rs. 2 per share		0.01	0.01
(vi) 37 shares (P.Y. 37) of Jai Prakash Associates Ltd., F.V. Rs. 10 per share		0.01	0.01
(vii) 25 shares (P.Y. 25) of Nagarjuna Construction Co Ltd., F.V. Rs. 2 per share		0.01	0.01
(viii) 125 shares (P.Y. 125) of ERA Construction Ltd., F.V. Rs. 2 per share		0.01	0.01
(ix) 100 shares (P.Y. 100) of GVK Power & Infrastructure Ltd., F.V. Re. 1 per share		0	0
(x) 25 shares (P.Y. 25) of Hindustan Construction Co. Ltd., F.V. Re. 1 per share		0	0
(xi) 20 shares (P.Y. 20) of Larsen & Toubro Ltd., F.V. Rs. 2 per share		0.03	0.03
(xii) 50 shares (P.Y. 50) of Madhucon Projects Ltd., F.V. Re. 1 per share		0.01	0.01
(xiii) 25 shares (P.Y. 25) of Punj Lloyd Ltd., F.V. Rs. 2 per share		0.01	0.01
(xiv) 25 shares (P.Y. 25) of ITD Cementation Ltd., F.V. Rs. 10 per share		0.01	0.01
(xv) 37 shares (P.Y. 37) of Valecha Engineering Ltd., F.V. Rs. 10 per share		0	0
(xvi) 2,557 shares (P.Y. Nil) of NHPC Ltd., F.V. Rs. 10 per share		0.09	-
IN EQUITY SHARES (Long Term): UNQUOTED			
Subsidiaries			
(i) 4,91,400 shares (P.Y. 1,70,761) of par value USD 0.001 of Patel Engineering Inc.		459.02	139.61
(ii) 8,85,220 shares (P.Y. 8,85,220) of Michigan Engineers Pvt. Ltd., F.V. Rs. 10 per share		111.86	111.86
(iii) 60,000 shares (P.Y. Nil) of Zeus Land Projects Developers Pvt. Ltd., F.V. Rs. 10 per share		0.60	-
(iv) 9,60,00,000 shares (P.Y. 9,60,00,000) of Patel Realty (India) Pvt. Ltd., F.V. Rs. 10 per share		960.00	960.00
(v) 20,207 shares (P.Y. 20,207) of ASI Inc. par value USD 0.0099 per share		170.54	170.54
(vi) 5,100 shares(P.Y. 5,100) of Shreeanant Construction Pvt. Ltd., F.V. Rs.10 per share		0.05	0.05
(vii) 1,00,00,000 shares (P.Y. 1,00,00,000) of Patel Engg. Infrastructure Pvt. Ltd. F.V. Rs. 10 per share		100.00	100.00
(viii) 100,000 shares (P.Y. 1,00,000) of Patel Concrete & Quarries Pvt. Ltd. F.V. Rs. 10 per share		1.00	1.00
(ix) 23,65,000 shares (P.Y. 23,65,000) of Patel Singapore Pte. Ltd. F.V. USD 1 per share		94.46	94.46
(x) 20,90,00,000 shares (P.Y. 7,94,90,000) of Patel Energy Resources Ltd. F.V. Rs. 10 per share		2,090.00	794.90
(xi) 33,000 shares (P.Y. 33,000) of Friends Nirman Ltd. F.V. Rs. 10 per share		24.15	24.15
(xii) 16,51,000 shares (P.Y. 3,41,000) of Patel Engineering Mauritius Ltd. F.V. MUR. 10 per share		25.76	5.07
(xiii) 45,000 shares (P.Y. NIL) of Energy Design Pvt. Ltd. F.V. Rs. 10 per share		0.45	-
(xiv) 51,000 shares (P.Y. NIL) of Pan Realtors Pvt. Ltd. F.V. Rs. 10 per share		0.51	-
Associates			
(i) 1,55,40,000 shares (P.Y. 1,55,40,000) of Patel KNR Infrastructure Ltd., F.V. Rs. 10 per share**		155.40	155.40
Others			
(i) 100 shares (P.Y. Nil) of Aabha Land Development Pvt. Ltd., F.V. Rs. 10 per share		0	0
IN THE CAPITAL OF PARTNERSHIP FIRM		0.03	0.03
		4,534.29	2,897.44
Aggregate amount of quoted Investments			
Cost		340.34	340.25
Market Value		288.75	76.98
Aggregate amount of unquoted Investments		4,193.95	2,557.19
*In the name of Directors, lodged with Project Authorities			
**Pledged with Axis Bank			

SCHEDULE FORMING PART OF BALANCE SHEET AS ON MARCH 31, 2010		2009-10	2008-09
8 INVENTORIES			
(As technically valued & certified by the Management)			
(At Contract Rates/Cost or Net Realisable Value whichever is lower)			
(a) Stores, Embedded Goods and Spare Parts etc.		1,348.55	907.15
(b) Work in Progress	13,708.44		9,831.86
Less: Advance against Material & Works	235.70		907.22
		13,472.74	8,924.64
		14,821.29	9,831.79
9 SUNDRY DEBTORS			
(Unsecured, Considered Good)			
(a) Debts outstanding for a period exceeding six months	2,133.52		1,636.76
(b) Debts outstanding for a period less than six months	3,899.36	6,032.88	2,979.18
		6,032.88	4,615.94
10 CASH AND BANK BALANCES			
(a) Cash on hand		5.57	6.60
(b) Balances with Scheduled Banks (Refer note # 2 (vi))			
(i) In Current Account		603.58	1,221.35
(ii) In Fixed Deposits Account		100.25	248.62
(c) Balance with Non Scheduled Banks (Refer note # 2 (vi))			
Barclays Bank	121.10		74.08
Key Bank	15.50	136.60	3.16
		846.00	1,553.81
11 LOANS AND ADVANCES			
(Unsecured, Considered Good, except where otherwise stated)			
Foreign Currency Monetary Item Translation Difference		-	126.31
Advances to Subsidiaries		1,855.60	406.68
Balance in Current Account with Partnership firm		140.29	110.21
Balance in Current Account with Joint Ventures		654.84	623.83
Advances Recoverable in Cash or in kind or for value to be received *(refer note # 2 (vii) and (viii))		6,108.44	4,479.14
Advance Tax & Tax Deducted at Source (Net after adjusting Provision for Tax)		-	889.86
Service tax & Cenvat Credit		18.47	-
* includes share application money to subsidiaries of Rs. 1.97 mn (P.Y. Rs. NIL), Rs. 152.10 mn (P.Y. Rs. 152.10 mn) due from company in which directors are directors			
		8,777.64	6,636.03
12 CURRENT LIABILITIES			
Sundry Creditors		6,115.83	3,771.54
Other Liabilities		217.29	1,101.86
Unpaid Dividends		3.76	1.98
Interest Accrued but not due		148.12	-
Balance in Current Account with Joint Ventures		25.05	4.84
Balance in Current Account with Subsidiary		139.69	83.44
		6,649.74	4,963.66
13 PROVISIONS			
Proposed Dividend		-	56.68
Dividend Tax on proposed dividend		-	9.63
Retirement Benefits		14.60	11.84
Provision for tax (net of advance tax & TDS)		471.03	-
		485.63	78.15

SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010		2009-10	2008-09
14	INCOME FROM OPERATIONS		
	Revenue/Turnover	20,222.34	14,653.02
	Add: Increase/(Decrease) in Work in Progress	3,876.58	3,052.76
	Total Turnover	24,098.92	17,705.78
	Share of Profit in Joint Ventures / Partnership	93.99	65.66
	Lease & Other Services (T.D.S. Rs. 9.21 mn P.Y. Rs. 14.81 mn)	55.34	64.32
	Other Operating Income	1.74	4.22
		24,249.99	17,839.98
15	OTHER INCOME		
	Dividend Income	3.89	1.95
	Profit on sale of Assets (Net)	10.98	3.50
	Miscellaneous Receipts	74.32	73.70
	Premium on Redemption of Debentures	-	18.37
	Excess credit written back	10.97	24.98
	Translation difference (Net)	-	0.74
		100.16	123.24
16	COST OF CONSTRUCTION		
	Stores, Embedded Goods & Spares etc. Consumed		
	Stock at beginning of the year	907.15	422.98
	Add: Purchases (Net)	2,940.69	3,157.33
		3,847.84	3,580.31
	Less: Stock at close of the year	1,348.55	907.15
		2,499.29	2,673.16
	Sub Contract Wages & Labour Charges (Net)	15,176.89	9,655.36
	Repairs to Machinery	136.48	174.72
	Transportation, Hire etc.	132.48	98.85
	Power, Electricity & Water Charges	284.95	221.91
	Project Development Cost	484.09	1,032.71
	Technical Consultancy Fees	0.96	69.31
	Other Construction Costs	131.11	-
		18,846.25	13,926.02
17	ADMINISTRATIVE & OTHER EXPENSES		
	Telephone, Postage, Stationery, Traveling, Conveyance and Advertisement	108.77	97.85
	Rent	19.84	17.06
	Insurance	102.00	93.01
	Rates & Taxes	60.36	45.88
	Repairs & Renovations to Building	11.05	13.84
	Salaries, Wages, Gratuity, Bonus etc.	603.72	499.65
	Contribution to Provident fund and other fund	31.64	23.52
	Workmen and staff Welfare Expenses *	62.89	67.00
	Director's Fees	1.02	1.12
	Auditor's Remuneration	8.06	7.33
	Consultancy Fees	189.94	121.80
	Miscellaneous Expenses	318.94	281.14
	Irrecoverable Debts & Advances Written Off	7.24	3.24
	Translation difference (Net)	74.87	-
	Share of Loss in Joint Ventures	5.33	-
	*includes ESOP Compensation of Rs. 33.87 mn (P.Y. 41.77 mn)		
		1,605.67	1,272.44
18	INTEREST		
	Bank & Others	1,618.30	1,731.48
	Debentures	148.12	-
		1,766.42	1,731.48
	Less: Interest Received (Gross) (T.D.S. Rs.16.64 mn P.Y. Rs. 16.96 mn)	388.26	1,058.83
	Add: Utilized from Contingency Reserve	-	325.00
		388.26	1,383.83
		1,378.16	347.65

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

I. SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of Preparation

The financial statements are prepared under historical cost convention, on accrual basis of accounting, to comply in all material aspects with all the applicable Accounting Principles in India, the applicable Accounting Standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

b) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the periods in which the results are known/materialize.

c) Fixed Assets and Depreciation

Fixed Assets are stated at cost of acquisition or construction (including installation cost upto the date put to use, net of specific credits) less accumulated depreciation. Depreciation is provided using straight-line method based on useful lives as estimated by the management. The management estimate of useful lives for various assets is: Factory Building/Building - 28/60 years, Machinery - 8½ years, Motor Cars - 10 years, Motor Truck - 8½ years, Furniture - 6 years, Office equipments - 6 years, Computer/ Software - 3 years, Electrical Equipments - 6 years, Cycle - 2 years, Motorcycle - 7 years, Rails and Trolley - 7 years and Ship - 8½ years. Depreciation on additions and deletions to assets during the year is provided pro-rata.

d) Inventories

Stores, embedded goods and spare parts and Work in progress are valued at cost (FIFO basis) and contract rates respectively. Work in Progress in respect of Project development and Buildings held as stock-in-trade are valued at cost or net realizable value, whichever is lower.

e) Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable

value. An impairment loss is charged to profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

f) Retirement Benefits

Contribution to Provident/Family Pension/Gratuity Funds are made to recognized funds and charged to the Profit and Loss Account. Provision for incremental liability in respect of Gratuity and Leave encashment is made as per independent Actuarial valuation at the year-end.

g) Foreign Currency Transactions/Translations

Transactions in foreign currency including acquisition of fixed assets are recorded at the prevailing exchange rates on the date of the transaction. All monetary assets and monetary liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year-end. Exchange differences arising out of payment/restatement of long term liabilities relating to Fixed Assets are capitalized in accordance with "The Companies (Accounting Standards) Amendment Rules 2009, relating to AS-11 "The Effects of the changes in Foreign Exchange Rates", vide notification dated March 31, 2009.

Revenue transactions at the Foreign Branch/projects are translated at average rate. Fixed Assets are translated at rate prevailing on the date of purchase. Net exchange rate difference is recognized in the Profit and Loss Account. Depreciation is translated at rates used for respective assets.

h) In respect of Derivative Contracts, gain/loss on settlement are recognized and charged to Profit and Loss Account.

i) Investments are stated at cost. Permanent diminution, if any, is provided for.

j) Recognition of Income and Expenditure

Revenue from contracts is recognized on the percentage completion method based on billing schedules agreed with the client on a progressive completion basis. In case the estimated total cost of a contract based on technical and other estimate is expected to exceed the corresponding contract value, such

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

excess is accounted for. Claims and variations are recognized as revenue on acceptance of concerned authorities or on receipt of Award or on evidence of its final acceptability. Revenue on Project Development is recognized on execution of sale agreement. Other Revenues and expenses are accounted on accrual basis.

k) Borrowing Costs

Borrowing costs directly attributable and identifiable to the acquisition or construction of qualifying assets are capitalized till the date such qualifying assets are ready to be put to use.

l) Taxation

The tax expense comprises of current tax and deferred tax. Current tax is calculated in accordance with the tax laws applicable to the current financial year. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and tax laws that have been enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is virtual certainty of realization in future.

m) a) Where the Joint Venture Agreement provides for execution of contracts under work sharing pattern, the Company's share of revenue/ expenses in the works executed by it is accounted on percentage completion method as per the accounting policies followed by it with respect of contracts.

b) Where the Integrated Joint Venture Agreement provides for execution of contracts under profit sharing arrangement, Company's share in the profit/loss is accounted for as and when determined. The services rendered to Joint Ventures are accounted as income, on accrual basis.

n) Employees Stock Option Plan

Compensation expenses under "Employee Stock Option Plan" representing excess of market price of the shares on the date of grant of option over the exercise price of option is amortized on a straight-line basis over the vesting period.

o) Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a

past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, requires an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

II. NOTES TO ACCOUNTS:

1. Contingent Liabilities

- (a) Commitment for capital expenditure is Rs. 320.74 mn (P.Y. Rs. 181.68 mn), advance paid Rs. 8.95 mn (P.Y. Rs. 16.14 mn).
- (b) Counter indemnities given to Banks and others in respect of secured guarantees, etc. on behalf of subsidiaries and others given by them in respect of contractual commitments in the ordinary course of business Rs. 3,875.15 mn (P.Y. Rs. 2,655.25 mn) (including Customs Rs. 248.71 mn (P.Y. Rs. 248.71 mn) for the current year includes guarantees given in USD 7.50 mn (P.Y. USD 18.85 mn). Corporate guarantees for third parties Rs. 7,799.52 mn (P.Y. Rs. 6,494.73 mn) (against which the Company has obtained counter guarantee for Rs. 1,760 mn (P.Y. 1,760 mn)) and towards Custom Duty Rs. 71.62 mn (P.Y. Rs. 71.62 mn).
- (c) The Company has received an amount of Rs. 12.74 mn in 1997 against arbitration award in its favor. The client has preferred an appeal against above award claiming an amount of Rs. 213.32 mn (P.Y. Rs. 213.32 mn) before the Honorable appeal court. However the management feels that the likelihood of outflow of resources is remote.
- (d) Outstanding Letter of Credit amounts to Rs. 189.94 mn (P.Y. Rs. 61.07 mn).
- (c) Sales tax Rs. 20.18 mn (P.Y. Rs. 181.97 mn) (Advance paid Rs. 10.51 mn (P.Y. Rs. 90.98 mn)). Cess Rs. 16.17 mn (P.Y. Rs. 41.48 mn)
- (d) Entry Tax Rs. Nil (P.Y. Rs. 40.11 mn).
- (e) Custom liability that may arise on matter in appeal Rs. 7.61 mn (P.Y. Rs. 7.61 mn).

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

2. (i) Turnover includes construction of multi purpose projects, water supply projects, irrigation projects, building projects construction, road and railway projects on item rate and EPC basis, duty drawback and entitlement etc. and excludes vat, service tax etc.
- (ii) Stores, embedded goods and spares etc., consumed includes materials issued to sub contractors.
- (iii) Auditors Remuneration comprises of Statutory Audit Fees Rs. 3.27 mn (P.Y. Rs. 2.76 mn); Tax Audit Fees Rs. 0.88 mn (P.Y. Rs. 0.77 mn); Taxation Matters Rs. 1.65 mn (P.Y. Rs. 1.44 mn); Other Capacity Rs. 1.10 mn (P.Y. Rs. 1.10 mn); Certification Rs. 1.10 mn (P.Y. Rs. 1.10 mn) and out of pocket expenses Rs. 0.06 mn (P.Y. Rs. 0.16 mn).
- (iv) Miscellaneous expenses includes Other Repairs Rs. 46.96 mn (P.Y. Rs. 41.08 mn), Tender fees, office and General Charges, Entertainment and rebate to clients, Bank charges and Bank Guarantee Charges (Net) etc., Donation of Rs. 2.50 mn (P.Y. 12.30 mn) to trusts in which the director is trustee, Donation to CPI (M) Rs. Nil (P.Y. Rs. 0.50 mn) and to BJP Rs. 0.25 mn (P.Y. Rs. 0.20 mn).
- (v) Stores, embedded goods and Spare Parts include Rs. 17.14 mn (P.Y. Rs. 9.23 mn) in transit.
- (vi) Maximum Balance held in current account with non-scheduled banks viz.
1. Thane District Co. Op. Bank Ltd. Rs. Nil (P.Y. Rs. 0.03 mn)
2. Key Bank Rs. 15.50 mn (P.Y. Rs. 3.16 mn)
3. Barclays Bank Rs. 121.10 mn (P.Y. Rs. 74.08 mn)
Balances with Scheduled banks in current account include Rs. 48.16 mn in transit /in hand (P.Y. Rs. 126.35 mn). Balances with Scheduled Banks in Fixed Deposits Account include Rs. 16.65 mn, lying with various government authorities/banks (P.Y. Rs. 1.62 mn).
- (vii) Advances Recoverable in Cash or in kind or for value to be received includes Rs. 25.75 mn (P.Y. Rs. 20.98 mn) due from officers of the Company. Maximum amount due during the year Rs. 33.88 mn (P.Y. Rs. 26.35 mn). Also includes secured advance to piece workers Rs. 96.95 mn (P.Y. Rs. 56.22 mn).
- (viii) Sundry Creditors includes Rs. 4.08 mn book over draft in current account with bank (P.Y. Rs. 7.46 mn), includes Rs. 125.08 mn against lease of office premises (P.Y. Rs. 125.15 mn).
- (xi) Loans/Advances Given/(Taken) (Rs. in million)

	Subsidiary Companies	As at March 31, 2010	As at March 31, 2009	Maximum Amount outstanding (2009-10)	Maximum Amount outstanding (2008-09)
1	Shreeanant Construction Pvt. Ltd.	13.00	13.00	13.00	13.03
2	Michigan Engineers Pvt. Ltd.	47.50	(19.35)	47.64	(19.35)
3	Patel Patron Pvt. Ltd.	0.61	0.58	0.61	26.48
4	PEL Power Ltd.	42.66	10.19	74.55	93.27
5	Patel Realty (India) Ltd.	299.95	5.01	358.59	234.26
6	Patel Energy Ltd.	0.52	5.29	8.69	24.61
7	Water Front Developers Ltd.	0.11	0.10	0.11	0.10
8	Patel Engineering (Mauritius) Ltd.	2.82	0.52	2.82	3.07
9	Patel Engineering Infrastructure Ltd.	696.95	-	696.95	373.65
10	PAN Realtors Pvt. Ltd.	2.90	-	190.52	-
11	Nirman Constructions Pvt. Ltd.	0.50	-	0.50	32.75
12	Patel Engineers Pvt. Ltd.	-	-	-	24.75
13	Vismaya Constructions Pvt. Ltd.	0.47	0.44	0.47	27.50
14	Shashvat Land Projects Pvt. Ltd.	34.50	34.50	34.50	34.50
15	Bhooma Realtors Pvt. Ltd.	34.50	34.50	34.50	47.17
16	Pandora Infra Pvt. Ltd.	46.00	46.00	46.00	54.82

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

(Rs. in million)

	Subsidiary Companies	As at March 31, 2010	As at March 31, 2009	Maximum Amount outstanding (2009-10)	Maximum Amount outstanding (2008-09)
17	Friends Nirman Pvt. Ltd.	(0.01)	-	(0.01)	0.05
18	Patel Eng. (Singapore) Pte. Ltd.	57.77	2.57	57.77	48.12
19	Dirang Energy Pvt. Ltd.	304.79	0.72	304.79	30.73
20	Patel Mining Divn. IDA	2.38	0.07	2.66	0.07
21	Patel Engineering Inc.	0.60	12.29	12.29	12.29
22	Patel Energy Resources Ltd.	-	0.04	1.97	223.02
23	Patel Mining (Mauritius) Ltd.	3.75	3.29	3.75	3.29
24	Energy Design Pvt. Ltd.	44.48	-	44.48	-
25	West Kameng Energy Pvt. Ltd.	-	-	0.02	-
26	Laksha Infra Projects Pvt. Ltd.	-	-	0.01	-
27	PEL Port Pvt. Ltd.	-	-	0.01	-
28	ASI RCC India Pvt. Ltd.	0.01	-	0.01	-
29	Azra Land Projects Pvt. Ltd.	0.01	-	0.01	-
30	PT Patel Surya Minerals	1.41	-	1.41	-
31	Patel KNR Infrastructure Ltd.*	-	387.05	-	387.05
32	Patel KNR Heavy Infrastructure Pvt. Ltd.*	-	25.83	-	25.83
	Total	1,638.18	562.64	1,938.62	1,701.06

Note: *(upto March 12, 2009)

3. (i) Income-tax assessments are completed up to A.Y. 2007-2008. Several appeals for the earlier assessment years are pending before the Appellate Authorities. The aggregate demand for the same amounting to Rs. 524.15 mn has been already adjusted/paid.

The Company has made a provision for tax of Rs. 740.00 mn (P.Y. Rs. 225.00 mn), Fringe Benefit Tax of Rs. Nil (P.Y Rs. 9.00 mn) and reversed excess Deferred Tax Liability of Rs. 31.40 mn (P.Y created Rs. 7.66 mn), short provision of tax of earlier years Rs. Nil (P.Y Rs. 5.18 mn). The Company has been advised that it is not liable to Wealth-Tax except on Motor Cars. Accordingly, Wealth Tax of Rs. 1.20 mn (P.Y.

Rs. 1.50 mn) has been provided.

- (ii) The Finance Act, 2009 has amended Section 80(IA) of the Income Tax Act, 1961 by inserting an explanation to the said section retrospectively from April 1, 2000 purporting to withdraw the benefit hitherto available.

The Company has legally contested the validity of the above amendment and intention of the said section. The impact of Rs. 1,485.11 mn upto March 31, 2009 due to the above amendment, though being subjudice, has been provided and adjusted out of the Surplus in Profit and Loss Account.

- (iii) The Company is entitled to deductions under the Income Tax Act, which are in nature of permanent benefits. However, deferred tax adjustments as described in Accounting Standard 22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, is made.

The deferred tax liability (net) comprise of the following:

(Rs. in million)

		As at March 31, 2010	As at March 31, 2009
a)	Deferred Tax Liability		
	i) Related to depreciation on fixed assets	81.74	100.13
	(a)	81.74	100.13
b)	Deferred Tax Assets		
	i) Disallowances under the Income Tax Act	16.49	3.48
	(b)	16.49	3.48
c)	Liability for Deferred Tax (net)	(a - b)	65.25
			96.65

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

4. Income consisting of Construction income of Rs. Nil (P.Y. Rs. 9.70 mn) and other income of Rs. 3.40 mn and Expenses consisting of P/W wages Rs. 24.12 (P.Y. Rs. 9.49 mn) and other expenses Rs. 12.68 mn (P.Y. Rs. 23.32 mn) pertaining to prior periods credited and debited respectively to Profit and Loss Accounts under various heads of accounts.
5. The Company has some contract revenues receivable in foreign currency. To reduce various financial risks the Company entered into hedging transactions. Due to delay in payments, changes in drawings, changes in design all on account of the client, the hedging position got exposed incurring loss on such transactions. The said hedging loss of Rs. 258.37 mn (P.Y. Rs. 521.23 mn after utilizing Rs. 325.00 mn from contingency reserve) has been debited to profit and loss account as interest expense, as a prudent and conservative accounting policy. The aforementioned is claimable from the client.
6. In accordance with "The Companies (Accounting Standards) Amendment Rules 2009, where in the provisions pertaining to AS-11 relating to "The Effects of the changes in Foreign Exchange Rates", vide notification dated March 31, 2009, the Company has carried over exchange gain/loss of Rs. 30.55 mn (P.Y. Rs. 126.31 mn) through "Foreign Currency Monetary Items Translation Difference Account", to be amortized over the balance period of the long term asset/liability, in respect of which such exchange gain/loss has arisen, but not beyond March 31, 2011. Further exchange loss (net) of Rs. 16.34 mn (P.Y. Rs. 50.53 mn) has been added to the cost of the respective fixed asset.
7. Work in Progress includes stock of land under development.
8. In accordance with AS 16 "Borrowing Costs", Rs. 202.02 mn (P.Y. Rs. 289.40 mn) interest has been capitalized on project development cost incurred.
9. Debit and Credit Balances are subject to confirmation from third parties.
10. Additional information pursuant to the provision of paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act, (wherever applicable).

(Rs. in million)

a)	Value of Imports on CIF basis	Year Ended March 31, 2010	Year Ended March 31, 2009
i)	Stores materials	279.34	370.96
ii)	Components and Spare Parts	14.30	27.00
iii)	Capital Goods	122.54	232.84
		416.18	630.80

(Rs. in million)

b)	Expenditure in Foreign Currency	Year Ended March 31, 2010	Year Ended March 31, 2009
i)	At USA Office	5.19	5.41
ii)	Interest Paid	29.08	63.29
iii)	Consultancy fees	5.74	17.75
iv)	Directors Fees	0.04	-
v)	Traveling Expenses	3.33	7.00
vi)	Subscription and Other Expenses	0.06	0.58
vii)	Bank Charges	0.71	0.54
viii)	P.W. Wages	33.43	9.34
ix)	Mauritius Office	168.97	140.95
x)	Electricity Expenses	3.02	-
		249.57	244.86

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

(Rs. in million)

c)	Value of imported and indigenous Stores material, Spare Parts and Components Consumed	Year Ended March 31, 2010		Year Ended March 31, 2009	
		Value	Percent	Value	Percent
i)	Imported	291.50	11.66%	10.91	0.41%
ii)	Indigenous	2,207.79	88.34%	2,662.25	99.59%
		2,499.29	100.00%	2,673.16	100.00%

(Rs. in million)

d)	Earnings in Foreign Exchange	Year Ended March 31, 2010	Year Ended March 31, 2009
i)	Contract Receipts	940.56	184.65
ii)	At USA Office	0.02	0.13
iii)	Interest Income	3.54	0.39
iv)	Other Income	3.22	17.93
		947.34	203.10

11. Managerial Remuneration:

(Rs. in million)

		Managing Director		Whole Time Directors	
		Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2010	Year Ended March 31, 2009
i)	Salary	11.69	9.09	18.69	12.51
ii)	Cont. to PF and Other Fund	0.63	0.36	1.07	0.60
iii)	Perquisites	0.03	0.03	22.45*	1.03
		12.35	9.48	42.21	14.14

* includes Rs 21.07 mn on issue of ESOP shares treated as Perquisites as per Income Tax Act, 1961.

(Rs. in million)

Computation of Net Profit under Sec. 349 of the Companies Act, 1956 for calculating Director's Commission	Year Ended March 31, 2010	Year Ended March 31, 2009
Profit before Taxation and Extra Ordinary Items	2,018.34	1,976.39
Add:		
Directors' Remuneration	54.56	23.62
Directors' Fees	1.02	1.12
	2,073.92	2,001.13
Less:		
Profit on sale of assets (net) (as per accounts)	(10.98)	(3.50)
Net Profit as per Sec. 349 of the Companies Act	2,062.94	1,997.63
Remuneration payable restricted to 10% of Net Profit calculated as per Sec. 349 of the Companies Act, 1956	206.29	199.76
Commission payable	-	-
Total Management remuneration	54.56	23.62

The total remuneration paid/payable is within the permissible limit of 10%. Commission to other director Rs. Nil (P.Y. 2.50 mn). The same is within the permissible limits of 1%.

The above figure does not include provision for encashable leave and gratuity as separate actuarial valuation are not available.

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

12. From the current year, the Company has discontinued the accounting for the effect of Market Value of materials/resources supplied by its client at fixed cost or no cost to the Company as cost of construction and as construction revenue. This has no impact on the profit of the Company.
13. Contracts executed by the following Joint Ventures/Consortiums are accounted for as per the Accounting Policy No. (m) (b).

(Rs. in million)

Sr. No.	Name of the Joint Venture / Consortium	Name of the JV/Consortium Member	Patel's Share
a)	LGE & C-PATEL JV	L.G. Engineering and Construction, Korea	100% (25%+75%)
b)	PATEL KNR JV	KNR Constructions Ltd.	50%
c)	KNR PATEL JV	KNR Constructions Ltd.	49%
d)	PATEL SOMA JV	Soma Enterprises Ltd.	50%
e)	SOMA PATEL ASI JV	Soma Enterprises Ltd.	50%
f)	PATEL MICHIGAN JV	Michigan Engineers Pvt. Ltd.	10%
g)	PATEL-SA JV	Sandeep Associates	75%
h)	PATEL L&T JV	Larsen & Toubro Ltd.	60%
i)	Patel Sew JV	Sew Constructions Ltd.	60%
j)	Era Patel Advance JV	Era Infra Engineering Ltd., Advance Construction Company Pvt. Ltd.	30%
k)	Era Patel Advance Kiran JV	Era Infra Engineering Ltd., Advance Construction Company Pvt. Ltd., Kiran Udhyog	47.06%
l)	Patel Sotravic JV	Sotravic, Mauritius	75%
m)	Patel ARSS JV	ARSS Infrastructures Projects Ltd.	51%
n)	Patel Siddhivinayak JV	Siddhivinayak Constructions	51%
o)	Patel V Arks JV	V Arks Engineers Pvt. Ltd.	65%
p)	Navyuga Patel BHEL	Navyuga Engineering Co. Ltd.	42.23%
q)	Patel Avantika Deepika BHEL	Avantika Contractors India Pvt. Ltd.	52.83%
r)	Patel V Arks - Precision	V Arks Engineers Pvt. Ltd.	60%

14. The Company had entered into a partnership with ACE Housing and Construction Ltd. in name of AHCL PEL for development and construction of residential buildings. The share of profit/loss of each partner are as under:

Partners	Upto March 31, 2009	w.e.f April 1, 2009
Patel Engineering Ltd.	50%	55%
ACE Housing and Construction Ltd.	38%	45%
Mr. Rajat Patel	12%	-

Company's share in profit/loss is accounted for as and when determined. The fixed capital of the firm is Rs. 0.05 mn. Company's contribution towards the capital is Rs. 0.03 mn.

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

15. Disclosure required in accordance with Accounting Standard 7 (Revised). In respect of contracts entered into on or after 1st April 2003, contract revenue recognized as construction Rs. 21,803.04 mn contract costs incurred and recognized profit (less recognized losses) Rs. 61,351.22 mn advance received Rs. 1,520.10 mn retention deposit Rs. 738.82 mn and gross amount due from clients for contract works included under current assets Rs. 7,389.84 mn.

16. During the year, the Company has privately placed:

- a) 9.5% Secured Redeemable Non Convertible Debentures was allotted on June 01, 2009 for a period of 3 years. These debentures have a face value of Rs. 1.0 mn each aggregating to Rs. 1,050.0 mn and are to be redeemed on June 1, 2012.
- b) 9.8% Secured Redeemable Non Convertible Debentures was allotted on July 20, 2009 for a period of 7 years. These debentures have a face value of Rs. 1.0 mn each and are to be redeemed on July 20, 2016 in a single installment, with a put/call option available and exercisable at par at the end of 5th year from the date of allotment i.e. July 20, 2014.

The above debentures are listed on 'The National Stock Exchange of India'.

As per Section 117C of the Companies Act, 1956 the Company has created adequate Debenture Redemption Reserve for both the above series of Secured Redeemable Non Convertible Debenture issued during the year.

17. Related Party Disclosures: Related party disclosures, as required by Accounting Standard 18, 'Related Party Disclosures', are given below:

A. Name of Related Parties and nature of relationship:

No.	Name of the Related Party
	Direct Subsidiaries
1	Patel Realty (India) Ltd.
2	Patel Energy Resources Ltd.
3	Michigan Engineers Pvt. Ltd.
4	ASI Inc.

5	Patel Engineering (Singapore) Pte. Ltd.
6	Shreeanant Construction Pvt. Ltd.
7	Pan Realtors Pvt. Ltd.
8	Patel Engineering Inc.
9	Patel Engineering (Mauritius) Ltd.
10	Patel Engineering Infrastructure Pvt. Ltd.
11	Zeus Land Projects Pvt. Ltd.
12	Patel Concrete and Quarries Pvt. Ltd.
13	Friends Nirman Pvt. Ltd.
14	Energy Design Pvt. Ltd.
	Subsidiaries of Patel Realty (India) Ltd.
1	Bellona Estate Developers Pvt. Ltd.
2	Hebe Infracon Pvt. Ltd.
3	Hera Realcon Pvt. Ltd.
4	Terminus Realcon Pvt. Ltd.
5	Ares Infradevelopers Pvt. Ltd.
6	Lucina Realtors Pvt. Ltd.
7	Apollo Buildwell Pvt. Ltd.
8	Arsen Infra Pvt. Ltd.
9	Praval Developers Pvt. Ltd.
10	Pandora Infra Pvt. Ltd.
11	Patel Engineers Pvt. Ltd.
12	Phedra Projects Pvt. Ltd.
13	Patel Patron Pvt. Ltd.
14	Vismaya Constructions Pvt. Ltd.
15	Nirman Constructions Pvt. Ltd.
16	Azra Land Projects Pvt. Ltd.
17	Bhooma Realities Pvt. Ltd.
18	Shashvat Land Projects Pvt. Ltd.
19	Waterfront Developers Ltd.
20	Les Salines Development Ltd.
21	La Bourade Development Ltd.
22	Ville Magnifique Development Ltd.
23	Sur La Plage Development Ltd.
	Subsidiaries of Patel Energy Resources Limited
1	Dirang Energy Pvt. Ltd.
2	West Kameng Energy Pvt. Ltd.
3	Patel Energy Assignment Pvt. Ltd.
4	Patel Energy Projects Pvt. Ltd.
5	Patel Energy Operations Pvt. Ltd.
6	Patel Energy Works Pvt. Ltd.
7	Patel Energy Ventures Pvt. Ltd.

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
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No.	Name of the Related Party
8	Shree Balaji Power Services Pvt. Ltd.
9	Naulo Nepal Hydro Electric Pvt. Ltd.
10	PEL Power Ltd.
11	PEL Port Private Ltd.
12	Patel Energy Ltd.
13	Laksha Infra Projects Pvt. Ltd.
	Subsidiaries of ASI Inc.
1	ASI Australia Pty. Ltd.
	Subsidiaries of Patel Engineering (Singapore) Pte. Ltd.
1	Patel Surya (Singapore) Pte. Ltd.
2	PT PEL Minerals Resources
3	Patel Param Minerals Pte. Ltd.
4	PT Patel Surya Minerals
5	Patel Param Energy Pte. Ltd.
6	PT Patel Surya Jaya
7	Patel Param Natural Resources Pte. Ltd.

No.	Name of the Related Party
	Subsidiaries of Patel Engineering Inc.
1	ASI RCC Inc.
2	ASI RCC India Ltd.
3	Westcon Microtunneling Inc.
	Subsidiaries of Patel Engineering (Mauritius) Ltd.
1	Patel Mining (Mauritius) Ltd.
2	Patel Mining Vision, Ida
3	Patel Mining Division, Ida
4	Patel Mining Privilege, Ida
5	Patel Mining Projects, Ida
6	Patel Mining Ventures, Ida
7	Patel Mining Operations, Ida
8	Patel Mining Works, Ida
9	Patel Mining Assignments, Ida
10	Patel Mining Mozambique, Ida
11	Patel Mining Concession, Ida
12	Patel Mining Enterprise, Ida
13	Patel Mining Activities, Ida

	Associates	Joint Ventures/Consortiums	Partnership
1	Praham India Pvt. Ltd.	(Refer Note No. 13)	AHCL PEL
2	Patel Realtors Pvt. Ltd.		
3	Enpro Ltd.		
4	Patel KNR Infrastructure Ltd.		
5	Patel KNR Heavy Infrastructure Pvt. Ltd.		

B. Key Management Personnel:

Mr. Rupen Patel	Managing Director
Ms. Silloo Patel	Whole Time Director
Ms. Sonal Patel	Whole Time Director
Mr. Nimish Patel	Whole Time Director
Mr. S. K. Desai	Whole Time Director (resigned w.e.f. March 30, 2009)
Mr. Shiraz Patel	Relative of Whole Time Director
Mr. Bhim Batra	Relative of Whole Time Director

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

C. Transaction with Related Parties with Subsidiaries, Associate companies, Joint Ventures and Partnership referred to in item (A) above.

(Rs. in million)

Nature of Transaction	Subsidiary		Associate/Joint	
	Company		Venture/Partnership	
	2009-10	2008-09	2009-10	2008-09
Construction Revenue	924.39	1,594.99	3,799.54	689.49
Sub Contract Wages	844.54	662.83	-	-
Investment in Equity	1,636.76	1,807.79	-	-
Sale of Investments	-	81.45	-	68.30
Redemption of debentures	-	204.16	-	-
Premium on redemption of debentures	-	18.37	-	-
Mobilization Advances Recd.	-	-	127.59	942.70
Advance against work	-	-	-	452.24
Share of Profit	-	-	93.99	65.66
Share of loss	-	-	5.33	-
Miscellaneous Receipts	7.44	9.84	21.21	19.82
Receipt (Payment) from Current A/c (Net)	(716.33)	2,060.84	(882.50)	145.32
Loans/Advances given	2,083.47	1,599.59	615.01	737.20
Loan/ Advances returned	608.71	1,490.67	319.76	300.94
Purchase of Land	-	-	2.28	-
Bank Guarantee outstanding as at the end of the year	926.01	456.66	2,180.79	2,208.73
Outstanding Balance included in Current Liabilities	139.69	83.44	34.97	4.84
Outstanding Balance included in Current Assets	1,855.60	406.68	1,586.58	1,330.48
Share Application Money	1.97	-	-	-
Issue of Stores	0.02	0.42	-	-
Consultancy Fees paid	1.21	-	-	-
Rent Income	5.82	5.14	0.02	0.03
Rent paid	0.11	-	-	-
Interest Income	58.81	13.41	14.33	17.30

D. Details of Transactions relating to persons referred in item (B) above.

(Rs. in million)

Nature of transaction	2009-10	2008-09
Managerial Remuneration	54.56	23.61
Salary and contribution to provident fund	0.81	0.56
Rent Income	0.15	-

18. Employee Benefits:

I. Brief description of the Plans:

The Company provides long-term benefits in the nature of Provident fund and Gratuity to its employees. In case of funded schemes, the funds are recognized by the Income tax authorities and administered through appropriate authorities/insurers. The Company's defined contribution plans are provident fund, employee state insurance and employees' pension scheme (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) since the Company has no further obligation beyond making the contributions.

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

The Company's defined benefit plans include gratuity benefit to its employees, which is funded through the Life Insurance Corporation of India. The employees of the Company are also entitled to leave encashment and compensated absences as per the Company's policy. The Provident fund scheme additionally requires the Company to guarantee payment of specified interest rates, for which shortfall has been provided for as at the Balance Sheet date.

- II. In accordance with the Accounting Standard (AS 15) (Revised 2005), actuarial valuation was performed in respect of the aforesaid defined benefit plans based on the following assumptions:

(Rs. in million)

		Year Ended March 31, 2010	Year Ended March 31, 2009
a)	Discount rate	8.00%	7.75%
b)	Rate of increase in Compensation Levels	5.00%	5.00%
c)	Expected Rate of Return on Plan Assets	8.00%	8.00%
d)	Attrition rate	2.00%	2.00%
e)	Average Age of retirement (years)	60	60

Disclosures for defined benefit plan based on actuarial reports as on March 31, 2010 and March 31, 2009

(Rs. in million)

A.	Changes in Defined Benefit Obligation (Gratuity Funded Plan)	Year Ended March 31, 2010	Year Ended March 31, 2009
a)	Liability at the beginning of the year	11.23	13.02
b)	Interest Cost	0.87	1.15
c)	Current Service Cost	5.81	4.21
d)	Benefit Paid	(0.01)	(5.60)
e)	Actuarial (gain)/loss on obligations	(1.76)	(1.55)
f)	Liability at the end of the year	16.14	11.23

(Rs. in million)

B.	Changes in the Fair value of Plan Assets:	Year Ended March 31, 2010	Year Ended March 31, 2009
a)	Fair Value of Plan Assets at the beginning of the year	12.05	10.91
b)	Expected Return on Plan Assets	0.96	0.94
c)	Contributions	0.52	3.67
d)	Benefit Paid	(0.01)	(5.60)
e)	Actuarial gain/(loss) on Plan Assets	0.17	1.31
f)	Fair Value of Plan Assets at the end of the year	13.68	11.23
g)	Total Actuarial gain/(loss) To Be Recognized	1.92	2.86

(Rs. in million)

C.	Reconciliation of the Present Value of Defined Benefit Obligation and the Fair Value of Assets (Amount recognized in Balance Sheet):	Year Ended March 31, 2010	Year Ended March 31, 2009
a)	Present Value of Funded Obligation as at year end	13.68	11.23
b)	Fair Value of Plan Assets as at year end	16.14	11.23
c)	Funded (Asset)/Liability recognized in the Balance Sheet	(2.46)	Nil

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

(Rs. in million)

D.	Expenses recognized in the Profit and Loss Account:	Year Ended March 31, 2010	Year Ended March 31, 2009
a)	Current Service Cost	5.81	4.21
b)	Interest Cost	0.87	1.15
c)	Expected Return on Plan Assets	(0.96)	(0.94)
d)	Net actuarial Gain	(1.92)	(2.86)
e)	Total Expenses recognized in the Profit and Loss Account	3.79	1.56

(Rs. in million)

E.	Actual return on Plan Assets:	Year Ended March 31, 2010	Year Ended March 31, 2009
a)	Expected Return on Plan Assets	0.96	0.94
b)	Actuarial Gain on Plan Assets	0.17	1.31
c)	Actual Return on Plan Assets	1.13	2.25

F. Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at March 31, 2010:

Insurer Managed Funds - 100%

(Rs. in million)

G.	Experience Adjustments	Year Ended March 31, 2010	Year Ended March 31, 2009
a)	On Plan Obligation (gain)/loss	(1.43)	(1.81)
b)	On Plan Asset (loss)/gain	0.17	(1.30)

H. The expected contribution in the next year is Rs. 6.86 mn.

19. On the basis of information compiled to the extent that they could be identified as Small Scale and Ancillary Industrial Undertaking, the Company has no such amounts payable in excess of Rs. 0.10 mn and outstanding for a period of more than 30 days.

20. The Company has no amounts due to suppliers under the Micro Small and Medium Enterprise Development Act, 2006, as at March 31, 2010.

Note: The above information has been determined to the extent such parties had been identified on the basis of information available with the Company.

21. The Company has a single segment namely "Civil Construction ". Therefore, the Company's business does not fall under different segment

as defined under AS 17- Segmental Reporting" issued by institute of Chartered Accountants of India.

22. The Company has issued 7,218,061 fully paid up equity shares of Re. 1 each on October 26, 2009 to Qualified Institutional Buyers at a price of Rs. 477.03 per equity share (including a premium of Rs. 476.03 per equity share). The said funds have been used for the purpose for which it was raised.

23. The Company issued 2,950,000 fully paid up equity shares of Re. 1 each on October 29, 2009 to Patel Engineering Employee Welfare Trust (ESOP Trust) at a price of Re. 1 per equity share for issue of stock options to eligible employees.

SCHEDULE "19"
NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

24. Earning per Share:

(Rs in million except no of shares and EPS)

		Year Ended March 31, 2010	Year Ended March 31, 2009
I.	Net profit as per profit and Loss Account available for shareholders for both Basic and diluted Earnings Per Shares of Re. 1 each	1,308.54	1,743.37
II.	Weighted Average Number of Equity shares for earning per share	64,008,503	59,659,090
III.	Earning Per Share (Basic and Diluted) Rs.	20.44	29.22

Shares for ESOP have been already allotted to the trust and therefore there is no effect on EPS. However, as and when the options are given by the trust to the employees, the necessary accounting for expense will be made.

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

As per our attached Report of even date

For VATSARAJ & Co.

Chartered Accountants

Rupen Patel

Managing Director

CA MAYUR KISNADWALA

Partner

Membership No. 33994

FRN: 111327W

July 8, 2010

Mumbai

Shobha Shetty

Company Secretary

Silloo Patel

Director

(Rs. in Million)

CASH FLOW STATEMENT FOR THE YEAR ENDING MARCH 31, 2010		2009-10	2008-09
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	NET PROFIT BEFORE TAX AND EXTRA-ORDINARY ITEMS	2,018.34	1,976.39
	Adjustment for:		
	Depreciation	501.73	440.72
	Interest charged	1,766.42	1,406.48
	Interest received	(388.26)	(1,058.83)
	Foreign Exchange Loss/ (Gain)	74.87	(0.74)
	Provision for Leave Salary	2.76	2.47
	Provision for Bonus	4.99	21.94
	Profit on sale of Assets	(10.98)	(3.50)
	Excess Credit written back	(10.97)	(24.98)
	Irrecoverable debts & advances written off	7.24	3.24
	ESOP compensation expenses	33.87	41.77
	Premium on Redemption of Debentures	-	(18.37)
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	4,000.01	2,786.59
	Adjustment for changes in:		
	Trade & other receivables	(2,747.66)	(1,946.47)
	Inventories	(4,115.96)	(3,247.57)
	Trade payable, Liabilities and Provisions (excluding Proposed Dividend & Income tax)	870.64	1,577.06
	Cash generated from operations	(1,992.97)	(830.40)
	Direct tax paid	(796.72)	(524.58)
	NET CASH FROM OPERATING ACTIVITIES	(2,789.69)	(1,354.98)
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(435.79)	(892.83)
	Loans given	(1,747.17)	(819.59)
	Share Application Money	(1.97)	-
	Sale of Fixed Assets	45.31	101.72
	Investments made in Subsidiaries	(1,636.85)	(1,557.07)
	Disinvestment in Subsidiaries	-	121.54
	Interest received	179.84	542.38
	NET CASH USED IN INVESTING ACTIVITIES	(3,593.64)	(2,503.85)
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Issue of Shares	3,446.18	-
	Share issue expenses	(99.70)	-
	Increase in Borrowings	4,452.58	5,629.55
	Dividend Paid	(228.35)	(69.58)
	Interest Paid	(1,820.32)	(2,059.95)
	NET CASH USED IN FINANCING ACTIVITIES	5,750.39	3,500.02
	Net Increase/Decrease in Cash & Cash Equivalent (A+B+C)	(632.94)	(358.81)
	Opening Balance of Cash & Cash Equivalents	1,553.81	1,911.88
	Balance of Cash & Cash Equivalents	920.87	1,553.07
	Notes to Cash flow Statement		
	1. Cash and Cash Equivalents		
	Cash on hand & Balance with banks	846.00	1,553.81
	Effect of exchange rate changes	74.87	(0.74)
	Closing Cash and Cash Equivalents as restated	920.87	1,553.07

As per our attached Report of even date
For **VATSARAJ & Co.**
Chartered Accountants

Rupen Patel
Managing Director

CA MAYUR KISNADWALA
Partner
Membership No. 33994
FRN: 111327W
July 8, 2010
Mumbai

Shobha Shetty
Company Secretary

Silloo Patel
Director

**Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile**

I. Registration Details

Registration No	7	0	3	9	State Code	1	1		
Balance Sheet Date	3	1	-	0	3	-	2	0	10

II. Capital raised during the year (Amount in Rupees Thousands)

Public Issue	N	I	L	Rights Issue	N	I	L	
Bonus Issue	N	I	L	Private Placement	7	2	1	8

III. Position of Mobilization and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities	3	1	9	2	6	2	6	0	Total Assets	3	1	9	2	6	2	6	0							
Source of Funds									Reserve & Surplus	1	2	7	8	9	3	2	0							
Paid-up Capital	6	9	8	2	7									Secured Loans	9	9	2	9	6	1	0			
Deferred Tax Liability	6	5	2	5	0									Contractee Advances	3	0	1	5	1	6	0			
Unsecured Loans	6	0	5	7	0	9	0									Investments	4	5	3	4	2	9	0	
Application of Funds									Misc. Expenditure	N	I	L												
Net Fixed Assets	3	3	1	4	0	2	0									Accumulated Losses	N	I	L					
Net Current Assets	2	4	0	7	7	9	5	0																

IV. Performance of the Company (Amount in Rupees thousands)

Turnover	2	4	3	5	0	1	5	0	Total Expenditure	2	2	3	3	1	8	1	0
Profit/Loss Before Tax	2	0	1	8	3	4	0	Profit/Loss After Tax	1	3	0	8	5	4	0		
Earning per share in Rs.	2	0	.	4	4									Dividend Rate %	2	0	0

V. Generic names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.	N	A	Product Description	Civil Engg. & Construction
Item Code No.	N	A	Product Description	Turnkey Civil Contracting
Item Code No.	N	A	Product Description	N I L

Rupen Patel
Managing Director

Siloo Patel
Director

July 8, 2010
Mumbai

Patel Engineering Ltd. is a
global infrastructure company.

Engineering proficiency is
a substantial part of great
infrastructure design & execution.
Infrastructure is a need for progress.

For over six decades Patel
has helped support this need
by completing projects with
pathbreaking innovations in the
fields of power generation, water
supply, urban infrastructure and
transportation.

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