PROSPECTUS
Please read Section 60B of the Companies Act, 1956.
Dated May 15, 2006
100% Book Built Issue

PATEL ENGINEERING LIMITED

(Our Company was incorporated as "Patel Engineering Company Limited" on April 2, 1949 at Mumbai under the Companies Act, 1913 with the Registration No. 7039 of 1949-50. The name of our Company was changed to "Patel Engineering Limited" with effect from December 9, 1999. For details of changes to our Registered Office, please refer to the chapter titled "History and Other Corporate Matters" on page 78 of this Prospectus.)

Registered Office: Patel Estate Road, Jogeshwari (West), Mumbai – 400 102. **Tel**: +91 22 2678 2916 • **Fax**: +91 22 2678 2455.
Contact Person: Ms. Shobha Shetty • **E-mail**: patelfpo@pateleng.com • **Website**: www.pateleng.com

PUBLIC ISSUE OF 9,659,090 EQUITY SHARES OF RE. 1 EACH AT A PRICE OF RS. 440 PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF RS. 439 PER EQUITY SHARE) FOR CASH AGGREGATING RS. 4,250 MILLION (HEREINAFTER REFERRED TO AS THE "ISSUE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF UP TO 9,176,135 EQUITY SHARES OF RE. 1 EACH AGGREGATING TO RS. 4,037.50 MILLION ("NET ISSUE") AND A RESERVATION FOR EXISTING RETAIL SHAREHOLDERS OF THE COMPANY OF UP TO 482,955 EQUITY SHARES OF RE. 1 EACH ("EXISTING RETAIL SHAREHOLDERS' RESERVATION PORTION") AGGREGATING TO RS. 212.50 MILLION. THE ISSUE WILL CONSTITUTE 16.2% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

THE ISSUE PRICE IS RS. 440 PER EQUITY SHARE

THE FACE VALUE OF THE EQUITY SHARES IS Re. 1

THE ISSUE PRICE IS 440 TIMES OF THE FACE VALUE

In case of revision in the Price Band, the Bidding Period shall be extended for three additional working days after such revision, subject to the Bidding Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, by issuing a press release and by indicating the change on the websites of the Book Running Lead Managers ("BRLMs") and the terminals of the member of the Syndicate.

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue shall be allocated to Qualified Institutional Buyers ("QIBs") on a proportionate basis, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion, if any, shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, not less than 15% of the Net Issue would be available for allocation to Non-Institutional Bidders and not less than 35% of the Net Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Upto 482,955 Equity Shares shall be available for allocation on a proportionate basis to the Existing Retail Shareholders subject to valid Bids at or above the Issue Price and the maximum Bid in the Existing Retail Shareholders' Reservation Portion is limited to such number of Equity Shares that the Bid Amount does not exceed Rs. 100,000.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and this Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the statements in the chapter titled "Risk Factors" beginning on page xii of this Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Company and this Issue, which is material in the context of this Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares of our Company are listed on Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The Equity Shares offered through this Prospectus are proposed to be listed on BSE and NSE. We have received in-principle approvals from BSE and NSE for the listing of our Equity Shares pursuant to letters dated April 7, 2006 and April 10, 2006, respectively. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai – 400 020 **Tel:** +91 22 2288 2460 **Fax:** +91 22 2282 6580 **E-mail:** patelfpo@isecltd.com **Website:** www.icicisecurities.com	**Enam Financial Consultants Private Limited** 801, Dalamal Tower, Nariman Point, Mumbai - 400 021. **Tel:** +91 22 5638 1800 **Fax:** +91 22 2284 6824 **E-mail:** patelfpo@enam.com **Website:** www.enam.com	INTIME SPECTRUM REGISTRY LIMITED **Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West) Mumbai, India 400 078 **Tel**: +91-22-2596 0320 **Fax**: +91-22-2596 0329 **E-mail**: patelfpo@intimespectrum.com **Website**: www.intimespectrum.com

ISSUE PROGRAM

BID/ISSUE OPENED ON : WEDNESDAY, MAY 3, 2006	BID/ISSUE CLOSED ON : TUESDAY, MAY 9, 2006

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
"Patel Engineering Limited", "our Company", "the Company" and "Issuer"	Unless the context otherwise requires, refers to Patel Engineering Limited, a public limited company incorporated under the Companies Act on an unconsolidated basis and having its registered office at Patel Estate Road, Jogeshwari (West), Mumbai – 400 102.
"Patel Engineering Inc."	Patel Engineering Inc., a company incorporated under the laws of the state of Colorado, the United States of America.
"Patel Patron"	Patel Patron Private Limited, a private limited company incorporated under the Companies Act.
"Patel Engineers"	Patel Engineers Private Limited, a private limited company incorporated under the Companies Act.
"Shreeanant"	Shreeanant Construction Private Limited, a private limited company incorporated under the Companies Act.
"Subsidiary" and "our Subsidiary"	Unless the context otherwise requires, refers to our subsidiaries, Patel Engineering Inc., Patel Engineers Private Limited, Shreeanant Construction Private Limited and Patel Patron Private Limited.
"We", "us" and "our"	Unless the context otherwise requires, refers to our Company
Promoter(s)	Unless the context otherwise requires, refers to the promoters of our Company as defined in this Prospectus, being Mr. Pravin Patel, Mr. Rupen Patel, Ms. Sonal Patel, Praham Engineering Co. Private Limited and Patel Realtors Private Limited, either jointly or severally.

General Conventional Terms

Term	Description
Articles/ Articles of Association	The Articles of Association of our Company.
Auditors	M/s. Vatsaraj & Co., Chartered Accountants
Board of Directors / Board	The Board of Directors of our Company or a Committee thereof.
Companies Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) of the Company unless otherwise specified.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.
Financial Year/ Fiscal/ FY	The period of twelve months ended March 31 of that particular year.
I. T. Act	The Income Tax Act, 1961, as amended from time to time.
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.
Insurance Act	Insurance Act, 1938, as amended from time to time.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.

NI Act/ Negotiable Instruments Act	The Negotiable Instruments Act, 1881
Non Resident	A person who is not resident in India except NRIs and FIIs.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
Registered Office of the Company	Patel Estate Road, Jogeshwari (West) Mumbai – 400 102.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions, guidelines and clarifications issued by SEBI from time to time.
SEBI Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.
SEBI Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.
TRS or Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid.

Issue related Terms and Abbreviations

Term	**Description**
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue.
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder
Allottee	The successful Bidder to whom the Equity Shares are/ have been issued or transferred
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto.
Banker(s) to the Issue / Escrow Collection Banks	The banks, which are registered with SEBI as Banker (s) to the Issue at which the Escrow Account for the Issue will be opened, in this case being ICICI Bank Limited, HDFC Bank Limited and Standard Chartered Bank.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue.
Bid/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bidding Period/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.

Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for allotment in terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Book Building Process	Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLMs	Book Running Lead Managers to this Issue, in this case being ICICI Securities Limited and Enam Financial Consultants Private Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of Issue Price in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Cut-off	The Issue Price finalized by our Company in consultation with the BRLM. Only Retail Individual Bidders and Existing Retail Shareholders are entitled to bid at Cut-off Price, for a Bid Amount not exceeding Rs. 100,000. Qualified Institutional Buyers and Non-Institutional Bidders are not entitled to bid at Cut-off Price.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Maharashtra, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus	The Draft Red Herring Prospectus filed with SEBI on March 17, 2006.
Existing Retail Shareholders	Bidders who are holders of our Equity Shares as on April 21, 2006 and who hold Equity Shares worth upto Rs. 100,000 determined on the basis of the closing price of our Equity Shares on the BSE on the previous day.
Existing Retail Shareholder's	The portion of this Issue being a maximum of 482,955 Equity Shares aggregating Reservation Portion Rs. 212.50 million, being 5% of this Issue, available for allocation to the Existing Retail Shareholders of our Company.
Enam	Enam Financial Consultants Private Limited, a private limited company incorporated under the Companies Act and having its registered office at 113, Stock Exchange Towers, Dalal Street, Fort, Mumbai 400 001.
Equity Shares	Equity Shares of the Company of face value of Re. 1 each, unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among the Company, the Registrar to this Issue, the Escrow Collection Banks and the BRLMs in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Indian GAAP	Generally accepted accounting principles in India.

Issue	The issue of 9,659,090 Equity Shares of Re. 1 each fully paid up at the Issue Price aggregating Rs. 4,250 million.
Issue/ Bidding Period	The period between the Bid / Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Prospectus. The Company in consultation with the BRLMs will decide the Issue Price on the Pricing Date.
I-Sec or ICICI Securities	ICICI Securities Limited, a public limited company incorporated under the Companies Act and having its registered office at ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai – 400 020.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Net Issue	The portion of this Issue less the number of Equity Shares reserved for the Existing Retail Shareholders of our Company.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000.
Non Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue consisting of 1,376,421 Equity Shares of Re. 1 each aggregating Rs. 605.62 million, available for allocation to Non Institutional Bidders.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable.
Pay-in-Period	Means: (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) with respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	The price band of a minimum price ("Floor Price") of Rs. 400 and the maximum price ("Cap Price") of Rs. 440 and includes revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLMs finalises the Issue Price.
Prospectus	The Prospectus, filed with the Registrar of Companies, Maharashtra containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	Account opened with the Banker to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.
FPO Committee	Follow-on Public Issue Committee means a committee of the Board comprising Mr. Khizer Ahmed, Mr. Rupen Patel and Ms. Silloo Patel
QIB Margin Amount	An amount representing at least 10% of the Bid Amount.
QIB Portion	The portion of this Issue being not more than 50% of the Net Issue consisting of 4,588,066 Equity Shares of Re. 1 each aggregating Rs. 2,018.75 million, available for allocation to QIBs out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price.

Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
Registrar/ Registrar to this Issue	Intime Spectrum Registry Limited, a public limited company incorporated under the Companies Act and having its registered office at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078
Red Herring Prospectus	The Red Herring Prospectus filed with Registrars of Companies, Maharashtra dated April 13, 2006.
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for an amount less than or equal to Rs. 100,000 in any of the bidding options in this Issue.
Retail Portion	The portion of this Issue being not less than 35% of the Net Issue consisting of 3,211,648 Equity Shares of Re. 1 each aggregating Rs. 1,413.12 million, available for allocation to Retail Individual Bidders.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	ICICI Brokerage Securities Limited and Enam Securities Private Limited
Transaction Registration Slip/ TRS	The slip or document issued by the Syndicate Members to the Bidders as proof of registration of the Bid.
Underwriters	The BRLMs and the Syndicate Members.
Underwriting Agreement	The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.
U.S. GAAP	Generally accepted accounting principles in the United States of America.

Notwithstanding the foregoing, in the chapter titled "Main Provisions of the Articles of Association of the Company on page 235 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association.

Abbreviations

Abbreviation	**Full Form**
AGM	Annual General Meeting.
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
BSE	Bombay Stock Exchange Limited.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
DGFT	Directorate General of Foreign Trade.

DP	Depository Participant.
ECS	Electronic Clearing System
EGM	Extra Ordinary General Meeting of the shareholders.
EPS	Earnings per Equity Share.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board.
FIs	Financial Institutions.
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GDP	Gross Domestic Product
GIR Number	General Index Registry Number.
GoI/ Government	Government of India.
HUF	Hindu Undivided Family.
NAV	Net Asset Value.
NRE Account	Non Resident External Account.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
P/E Ratio	Price/Earning Ratio.
PAN	Permanent Account Number
RBI	Reserve Bank of India.
RoC/Registrar of Companies	Registrar of Companies, Maharashtra, located at Mumbai.
RoNW	Return on Net Worth.
Rs. / Re. / Rupees	Indian Rupees, the legal currency of the Republic of India.
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	Securities and Exchange Board of India.
Stock Exchanges	BSE and NSE
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time.
UoI	Union of India.
USD/ $/ US$	The United States Dollar, the legal currency of the United States of America.

Industry Related Terms

Term	Description
Backlog/Order Book	Anticipated revenues from the uncompleted portions of existing contracts (signed contracts for which all the pre-conditions to entry into force have been met, including letters of intent issued by the client prior to execution of final contract) as of a certain date.
BG	Bank Guarantee
BOOT	Build, Own, Operate and Transfer
BOQ	Bill of Quantity
BOT	Build, Operate and Transfer
CAGR	Compounded Annual Growth Rate
CEA	Central Electricity Authority
DPR	Detailed Project Report
EPC	Engineering Procurement and Construction
GDP	Gross Domestic Product
HPSEB	Himachal Pradesh State Electricity Board
JV	Joint Venture
LSTK	Lump Sum Turnkey
MW	Mega Watts
NEEPCO	North Eastern Electric Power Corporation Limited
NHAI	National Highways Authority of India
NHDP	National Highways Development Program
NHPC	National Hydro-power Corporation Limited
NSEW	North-South East-West Corridor
PMGSY	Pradhan Mantri Grameen Sadak Yojana
Plan Documents	The Indian Government executes its phased economic development plans on the basis of Five- Year Plans formulated by the Planning Commission, Government of India. Till the year 2002, nine Five-Year Plans have been completed. Currently, the Government is implementing the Tenth Five-Year Plan (2002-2007).
RCC	Roller Compacted Concrete
SRD	Slum Rehabilitation and Development

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial information used in this Prospectus is derived from our Company's restated unconsolidated financial statements as of and for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and as of and for the nine months ended December 31, 2005, prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines, as stated in the report of our statutory Auditors, Vatsaraj & Co., Chartered Accountants, and included in this Prospectus. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

Our fiscal year commences on April 1 and ends on March 31. Unless stated otherwise, references herein to a fiscal year (e.g., fiscal 2005), are to the fiscal year ended March 31 of a particular year.

All references to "India" contained in this Prospectus are to the Republic of India. All references to "Rupees" or "Rs." or "Re" or "INR" are to Indian Rupees, the official currency of the Republic of India.

For additional definitions, please refer to the section titled "Definitions and Abbreviations" on page iii of this Prospectus.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited. The Company has not attempted to explain these differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on financial data.

Market data used in this Prospectus has been obtained from independent research reports, industry publications, internal Company reports and other publicly available sources of information. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent source.

Exchange Rate (Rs. per USD)	Asset	Liability	Income/Expenditure
2002-2003	47.55	47.56	48.17
2003-2004	44.00	43.95	45.78
2004-2005	43.79	43.81	43.90
December 2005	45.24	45.24	44.52

FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus which contain words or phrases such as "will", "aim", "is likely to result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements".

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Changes in laws and regulations relating to the industries in which we operate;
- Increased competition in these industries;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans for which funds are being raised through this Issue;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India or in countries that we may enter, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, see the chapter titled "Risk Factors" beginning on page xii of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

SECTION II – RISK FACTORS

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. If any of the following risks occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Internal Risk Factors

Criminal Cases and complaints filed against our Company

***State of Maharashtra (through Mr. MH More, Labour Enforcement Officer (Central), Mumbai* v. *Patel Engineering Limited,* before the Court of Judicial Magistrate, First Class, Shahpur (Criminal Complaint No. 56/04 dated January 14, 2004) under the Contract Labour (Regulation and Abolition) Act, 1970**

***Sub-Insepctor of Police, Kilovani Police Station, Thane* v. *G.C. Retarekar, Project Manager, Ghatghar Project,* before the Judicial Magistrate Shahpur Court, District Thane (Police Case Res. No. FIR No. II – 3/2002 dated March 31, 2002)**

For details please refer to section titled "Outstanding Litigation, Material Developments and Other Disclosures" page 182 of this Prospectus.

We have not entered into any definitive agreements to utilize a substantial portion of the net proceeds of the Issue. Further the fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution.

We intend to use the net proceeds of the Issue for repayment of debt, investment in capital equipment, and equity investment in infrastructure projects, wholly owned subsidiaries, acquisitions and joint ventures and general corporate purposes. See "Objects of the Issue" on page 31 of this Prospectus. We have not entered into any definitive agreements to utilize the net proceeds for investment in capital equipment, and our capital expenditure plans are based on management estimates and have not been appraised by any bank or financial institution or any other independent organization. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns and changes in the management's views of the desirability of current plans, among others. We have also not identified any special purpose vehicles, wholly owned subsidiaries or joint ventures in which we will invest and there can be no assurance of any future dividends from such special purpose vehicles, wholly owned subsidiaries and joint ventures. There can be no assurance that we will be able to identify special purpose vehicles, wholly owned subsidiaries or joint ventures in which we wish or are able to invest. There can be no assurance that we will be able to conclude definitive agreements for such investment in capital equipment or for investments in any special purpose vehicles, wholly owned subsidiaries or joint ventures on terms anticipated by us. These proposed expenditures have not been appraised by any bank or financial institution or any other independent organization.

The Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Issue for the purposes described above, we intend to temporarily invest the funds in fixed deposit either with nationalised or scheduled commercial banks as the case may be. Such investments would be in accordance with the investment policies approved by the Board from time to time.

Our business is significantly dependent on governments' focus on infrastructure development and expenditure levels in the infrastructure sector. Any change either in the governments' policy framework or focus or decrease in the expenditure levels may adversely affect our business and results of our operations.

Our business is dependent on projects undertaken and funded by governmental authorities and/or by international and multilateral development finance institutions, in the infrastructure sector including hydro-power, irrigation and water supply, and development of roads and railway tunnels, which are traditionally the domain of entities/ undertakings, most of which are directly or indirectly owned or controlled by either the central or the respective state governments. Any change in governments' focus or the policy framework regarding infrastructure development may adversely affect our business and results of our operations.

Our entry into specific segments, for example, undertaking BOT, BOOT infrastructure projects etc. may require public-private participation. Investment by the private sector in such projects is dependent on the potential returns therefrom and is therefore linked to government policies relating to public-private participation and sharing of risks and returns from such projects. A reduction of capital investment in the infrastructure sector could have a material adverse impact on our business and our results of operations.

We may face significant competition in our business from Indian and international engineering construction companies.

We operate in a competitive environment. Our competition varies depending on the size, nature and complexity of the project and on the geographical region in which the project is to be executed. We compete against Indian and international engineering and construction companies or their regional operating entities. While quality of service, technological capacity and performance, health and safety records and personnel, as well as reputation and experience, are important considerations in client decisions, price is a key deciding factor in most of the tender awards. In the past, our industry has been subject to intense price competition. For more information on competition in specific industry and project segments, please see the chapter titled "Our Business" on page 49 of this Prospectus.

We may be unable to compete with very large international engineering and construction conglomerates for very highly complex and high-valued contracts. However, on some projects that are of comparatively lesser value, we compete with such large international turnkey contractors or their regional operating entities. Some of our competitors who are larger than us and have greater financial resources may also benefit from greater economies of scale and operating efficiencies. Competitors may, whether through consolidation or growth, present more credible integrated and/or lower cost solutions than we do, causing us to win fewer tenders. If we do not succeed in being awarded the contracts for projects, we could fail to increase, or maintain, our volume of order intake and operating revenues. There can be no assurance that we can continue to effectively compete with our competitors in the future, and failure to compete effectively may have an adverse effect on our business, financial condition and results of operations.

Our inability to qualify for and win large engineering construction contracts and the risks associated with the execution of such contracts could adversely affect our margins and results of operations.

In selecting contractors for major projects, clients generally limit the tender to contractors they have pre-qualified based on several criteria including experience, technological capacity and performance, reputation for quality, safety record, financial strength and bonding capacity and size of previous contracts in similar projects, although price competitiveness of the bid is the most important selection criterion. Pre-qualification is key to our winning such major projects. We are currently qualified to bid for projects up to a certain value and therefore may not be able to compete for larger projects. Our ability to bid for and win such projects is dependent on our ability to show experience working on such large engineering, procurement and construction contracts and develop strong engineering capabilities and credentials to execute more technically complex turnkey projects.

There are various risks associated with the execution of large-scale integrated projects. Larger contracts may represent a larger part of our portfolio, increasing the potential volatility of our results and exposure to individual contract risks. Managing large-scale integrated projects may also increase the potential relative size of cost overruns and negatively affect our operating margins. Large-scale integrated projects may cause us to assume portions of the project that may have potentially lower percentage margins. Our ten largest contracts represented 70.43% of our order book as of December 31, 2005. If we do not achieve our expected margins or suffer losses on one or more of these large contracts, this could reduce our net income or cause us to incur a loss.

Projects included in our order book may be delayed or modified which could materially harm our cash flow position, revenues and earnings.

Our order book does not necessarily indicate future earnings related to the performance of that work. Backlog refers to expected future revenues under signed contracts or contracts where letters of intent have been received. Backlog projects represent only business that is considered firm, although variations or scope adjustments may occur. Due to changes in project scope and schedule, we cannot predict with certainty when or if backlog orders will be performed. In addition, even in projects where schedule of milestone payments is pre-decided, it is possible that contracting parties may default on amounts owed. Any delay, cancellation or payment default could materially harm our cash flow position, revenues and/or earnings.

For more information on our scope of work, please see the chapter titled "Our Business" on page 49 of this Prospectus.

Failure to adhere to agreed timelines could adversely affect our reputation and/or expose us to financial liability.

Our contracts are subject to specific completion schedule requirements with liquidated damages chargeable in the event the construction schedules are not adhered to. Failure to adhere to contractually agreed timelines could cause damage to our reputation and cause us to pay liquidated damages.

Delays associated with collection of receivables from our clients may adversely affect our business and results of our operations.

There may be delays associated with collection of receivables from our clients. Our operations involve significant working capital requirements and delayed collection of our receivables could adversely affect our liquidity positions and results of operations.

We have intensive capital requirements and insufficient cash flows to meet required payments on our debt and working capital requirements may have an adverse effect on results of our operations.

Our business requires a significant amount of working capital. In many cases, significant amounts of our working capital are required to fund the purchase of materials and the performance of engineering, construction and for mobilization of the project irrespective of whether and advance is received from a client. In certain cases, we are contractually obligated to our clients to fund working capital on our projects. Moreover, we may need to incur additional indebtedness in the future to satisfy our working capital needs.

We may require additional working capital if we are unable to recover our claims on time due to disputes, if any with the client and which may also lead to arbitration, litigation etc. All of these factors may result, or have resulted, in increases in the amount of our receivables and short-term borrowings. Extraordinary increases in working capital requirements may have an adverse effect on our financial condition and operational efficiency.

We have also undertaken certain term loans for reasons including equipment finance and also to meet our working capital requirements. It is customary in the industry in which we operate to provide letters of credit, bank guarantees or performance bonds in favour of clients to secure obligations under contracts. If we are unable to provide sufficient collateral to secure the letters of credit, bank guarantees or performance bonds, our ability to enter into new contracts could be limited. Providing security to obtain letters of credit, bank guarantees and performance bonds increases our capital requirements and limits our ability to provide bonds, guarantees and letters of credit and to repatriate our funds or pay dividends. We may not be able to continue obtaining new letters of credit, bank guarantees and performance bonds in sufficient quantities to match our business requirements.

Unanticipated cost escalation of materials, fuel costs, labour and other inputs and purchase price of equipments may adversely affect our results of operations.

Costs of materials, labour and other inputs constitute a significant part of our operating expenses. Our construction operations require various bulk construction materials including steel, cement, bitumen and fly-ash etc. In certain of our contracts, we are required to procure various equipment including process equipment, mechanical equipment, vessels, machinery, piping materials and electrical and instrumentation components, and the prescribed cost escalation formula may not be adequate to cover the entire cost escalation. Unanticipated increases in the purchase price of equipments not taken into account in our bids may adversely affect our results of operations. For more information of the types of contracts we undertake, please refer to the chapter titled "Our Business" on page 49 of this Prospectus.

In respect of a few projects that we may execute, we may have to make certain claims for additional work and costs arising therefrom which are in excess of the contract price and our failure to make adequate recovery and the possibility of such claims increasing in future, if any, could have a material adverse effect on our financial condition, results of operations and cash flows.

In respect of a few projects that we may execute, we may have to make certain claims for additional work and costs arising therefrom which are in excess of the contract price. These claims also typically may arise when either the pre-decided scope of work is increased, or additional work becomes imperative for successful execution of the projects or on account of delays due to factors beyond our control. The costs associated with these changes or client caused delays include additional direct costs, such as labor and material costs associated with the performance of the additional work, as well as indirect costs and cost overruns that may arise due to delays in the completion of the project, such as increased labor costs resulting from changes in labor markets. These claims are often subject to lengthy arbitration or litigation proceedings. Under such circumstances, we may have to use significant additional working capital to ensure successful execution of such projects. Further, we may also face a few counterclaims initiated against us by certain clients in connection with our project claims. If we are held liable for any of these counterclaims, we would have to incur write-downs and charges against our earnings to an extent that a reserve that may not be established.

We may have to rely upon certain strategic partners for some of our projects and our inability to enter into such partnerships or alliances in future may adversely affect our business and results of our operations.

For some of the specific projects, we may have to enter to strategic partnerships in the form of a joint venture or a consortium with other contractors either out of necessity or in order to meet the prescribed pre-qualification criteria. Thus our business depends upon developing and maintaining strategic alliances with other EPC contractors. We will continue to develop and maintain these relationships and alliances. We intend to establish strategic alliances and share risks with companies whose resources, skills and strategies are complementary to and are likely to enhance our business opportunities, including the formation of joint ventures and consortia to achieve competitive advantage.

Any default on part of our sub-contractors may expose us to liability.

As on December 31, 2005 we have sub-contracted certain parts of the projects in our order book. While certain of our contracts allow us to sub-contract certain portions of work, subject to prior approval of our clients, as per the terms of the contracts, we are responsible for the deliverables by such sub-contractors. Hence, any acts of omission or commission by our sub-contractors could expose us to liability including termination of the said contracts. In cases where we have sub-contracted portions of work in excess of the permissible limits we have intimated the clients in this regard. Sub-contracting beyond permissible limits may expose us to certain liabilities.

We are dependent on third-party transportation providers for the supply of raw materials and delivery of products.

We typically use third-party transportation providers for the supply of most of our raw materials and for deliveries of our products to our customers. Transportation strikes by members of various truckers' unions have had in the past, and could have in the future, an adverse effect on our receipt of supplies and our ability to deliver our products. In addition, transportation costs have been steadily increasing. Continuing increases in transportation costs may have an adverse effect on our business and results of operations.

Our expansion plans require significant expenditure and if we are unable to obtain the necessary funds for expansion, our business may be adversely affected.

We will need significant additional capital to finance our business plans and in particular, our plan for capital expenditure, working capital and other corporate needs as referred to in "Objects of the Issue" on page 31 of this Prospectus. Due to various factors including certain extraneous factors such as changes in duties, interest rates, insurance and other costs, borrowing or lending restrictions, if any, or our inability to obtain financing on acceptable terms, we may not be able to finance our capital expenditure plans which would in turn adversely affect our business and growth prospects. Our inability to raise finance on acceptable terms is a risk.

We may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful.

In the future, we may consider making strategic acquisitions of other engineering construction companies whose resources, capabilities and strategies are complementary to and are likely to enhance our business operations in the different geographical regions that we operate in. It is also possible that we may not identify suitable acquisition or investment candidates, or that if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects.

If we acquire another company we could face difficulty in integrating the acquired operations. In addition, the key personnel of the acquired company may decide not to work for us. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. There can be no assurance that we will be able to achieve the strategic purpose of such acquisition or operational integration or our targeted return on investment.

Covenants with institutional lenders may restrict our operations and expansion ability, which may affect our business and results of operation and financial condition.

Certain covenants in our financing agreements require us to obtain approval from the financial institutions before undertaking new projects or substantial expansion of the existing facilities, making any investments, issuing new securities (debt or equity), making changes to our capital structure or our senior management or declaring dividends in certain circumstances. Although we have generally not encountered difficulties in obtaining consent from the financial institutions for desired actions in the past, no assurance can be given that such consent will be granted in the future.

Any inability to manage our growth could disrupt our business and reduce our profitability.

We have experienced high growth in recent years and expect our business to grow significantly. We expect this growth to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls across the organization. In particular, continued expansion increases the challenges involved in:

- maintaining high levels of customer satisfaction
- recruiting, training and retaining sufficient skilled management, technical and marketing personnel
- adhering to quality and process execution standards that meet customer expectations
- preserving a uniform culture, values and work environment in operations within and outside India and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

Any inability to manage our growth may have an adverse effect on our business and financial results.

Our operations are subject to hazards and other risks and could expose us to material liabilities, loss in revenues and increased expenses.

Our operations are subject to hazards inherent in providing engineering and construction services, such as risk of equipment failure, work accidents, fire or explosion, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage.

We may also be subjected to warranty claims as per contractual terms resulting from defects arising from engineering, procurement and/or construction services provided by us within the warranty periods extended by us, which is generally 12 months from the date of commissioning. Actual or claimed defects in equipment procured and/or construction quality could give rise to claims, liabilities, costs and expenses, relating to loss of life, personal injury, damage to property, damage to equipment and facilities, pollution, inefficient operating processes, loss of production or suspension of operations. Our policy of covering these risks through contractual limitations of liability, indemnities and insurance may not always be effective. In some of the jurisdictions in which we operate, environmental and workers' compensation liability may be assigned to us as a matter of law. Clients and subcontractors may not have adequate financial resources to meet their indemnity obligations to us. Losses may derive from risks not addressed in our indemnity agreements or insurance policies, or it may no longer be possible to obtain adequate insurance against some risks on commercially reasonable terms. Failure to effectively cover ourselves against engineering and construction industry risks for any of these reasons could expose us to substantial costs and potentially lead to material losses. Additionally, the occurrence of any of these risks may also adversely affect public perception about our operations and the perception of our suppliers, clients and employees, leading to an adverse effect on our business. These liabilities and costs could have a material adverse effect on our business, results of operations and financial condition.

Our insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on our business.

Our significant insurance policies consist of a comprehensive coverage for risks relating to physical loss or damage as well as business interruption loss. In addition, we have obtained separate insurance coverage for personnel related risks, motor vehicle risks and loss of movable assets risks. While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow may be adversely affected.

Our operations are sensitive to weather conditions and adverse weather conditions could affect our business and results of our operations.

We have business activities that could be materially and adversely affected by severe weather and inhospitable climate, particularly in Jammu and Kashmir and North-Eastern regions of India. Repercussions of severe weather conditions may require us to evacuate personnel or curtail services, damage a portion of our fleet of equipment resulting in the suspension of operations, damage our facilities, prevent us from delivering materials to our jobsites in accordance with contract schedules or generally reduce our productivity.

Our operations are also adversely affected by difficult working conditions and extremely high temperatures during summer months and during monsoon which restrict our ability to carry on construction activities and fully utilize our resources.

Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.

As of December 31, 2005, we employed directly or through our subsidiaries and joint ventures, a multicultural work force of approximately 1,087 full-time employees. In addition, we have a large number of piece rate and temporary contract labour on our project sites.

While we believe that we maintain good relationships with our employees and contract labor, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations. The number of contract laborers varies from time to time based on the nature and extent of work contracted to independent contractors. We enter into contracts with independent contractors to complete specified assignments. All contract laborers engaged at our facilities are assured minimum wages that are fixed by local government authorities. Any upward revision of wages required by such governments to be paid to such contract laborers, or offer of permanent employment or the unavailability of the required number of contract laborers, may adversely affect our business and results of our operations.

We could be adversely affected if we fail to keep pace with technical and technological developments in the engineering construction industry.

Our recent experience indicates that clients are increasingly floating tenders to develop larger and more technically complex projects in the hydro-power and construction sector. In order to measure upto our clients' needs, it is imperative for us to continuously update existing and also to develop new technology for our construction services. In addition, rapid and frequent technology and market demand changes can often render existing technologies and equipment obsolete, requiring substantial new capital expenditures and/or write downs of assets. Our failure to anticipate or to respond adequately to changing technical, market demands and/or client requirements could adversely affect our business and financial results.

Our inability to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business may have a material adverse effect on our business.

We require certain statutory and regulatory permits and approvals for our business. For example, laws or regulations in some states may require us to obtain licenses or permits in order to bid on contracts or otherwise conduct our operations. In some jurisdictions, activities related to construction of our projects may be subject to the prior granting of environmental licenses or permits or to prior notification. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations. For further information, please refer to the section "Government/Statutory and Business Approvals" on page 192 of this Prospectus.

We do not have any registered trademarks or trade names.

As on date we do not have any registered trademark. We have made an application dated February 16, 2006 for the registration of the service mark "Patel" in class 37 which is pending before the Trademarks Registry, Mumbai. In the event that the service mark is not registered or there is a delay in the registration, it may affect our Company adversely.

Our success depends in large part upon our senior management, directors and key personnel and our ability to attract and retain them.

We are highly dependent on our senior management, our directors and our other key personnel. . Also, a significant number of our employees are skilled engineers and we face strong competition to recruit and retain skilled and professionally qualified staff. Our future performance will depend upon the continued services of these persons. Competition for senior management and skilled engineers in our industry is intense, and our failure or inability to manage the attrition levels in different employee categories may materially and adversely impact our business and results of our operations.

Our businesses are subject to a variety of environmental laws and regulations including those covering hazardous materials. Any failure on our part to comply with applicable environmental laws and regulations could have an adverse effect on our consolidated financial condition.

Our operations are subject to numerous environmental protection laws and regulations, which are complex and stringent. We regularly perform work in and around sensitive environmental areas such as rivers, lakes, wetlands and forests. Significant fines and penalties may be imposed for non-compliance with environmental laws and regulations, and certain environmental laws provide for joint and several strict liability for remediation of releases of hazardous substances, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. In addition to potential liabilities that may be incurred in satisfying these requirements, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Furthermore, we incur significant expenditure relating to operating methodologies and standards in order to comply with applicable environmental laws and regulations.

Such laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our own acts including those which were in compliance with all applicable laws at the time such acts were performed. Sanctions for failure to comply with these laws, rules and regulations, many of which may be applied retroactively, may include:

- administrative, civil and criminal penalties;
- revocation of permits; and
- corrective action orders.

Our revenues are subject to a significant number of tax regimes and changes in the legislation governing the rules implementing them or the regulator enforcing them in any one of these countries could negatively and adversely affect our results of operations.

We currently have operations and staff spread across many states of India and also in the United States. Consequently, we are subject to the jurisdiction of a number of tax authorities and regimes. The revenues recorded and income earned in these various jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws, tax treaties and related authorities in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law and currency/repatriation controls, could impact the determination of our tax liabilities for any given tax year.

Foreign income tax returns of foreign subsidiaries, unconsolidated affiliates and related entities are routinely examined by foreign tax authorities. These tax examinations may result in assessments of additional taxes or penalties or both.

Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, VAT, income tax and other taxes, duties or surcharges introduced from time to time. The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect our competitive position and profitability. Currently we enjoy certain tax benefits such as benefits under Section 80IA of the Indian Income Tax Act, 1961, as amended, relating to infrastructure development projects which decreases the effective tax rates compared to the statutory tax rates. There can be no assurance that these tax incentives will continue in the future. The non-availability of these tax incentives could adversely affect our financial condition and results of operations. The Government of India has recently introduced a fringe benefit tax payable in connection with certain expenditures incurred by us which is likely to increase our tax liability.

Currently, we are operating in various states in the Indian jurisdiction besides in the United States of America and a few other jurisdictions. Therefore, we are exposed to certain international laws, besides the laws of India. Even in India, the Acts and rules may not be similar across states, therefore, there are possibilities for difference in interpretations leading to litigation.

Exchange rate movements may cause us to incur losses when hedging on our exchange rate exposure is not sufficient.

To the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to grow higher than the proportionate revenues on a given contract or could also result in some of our costs falling below budget resulting in higher profitability. As of December 31, 2005, we had foreign currency borrowings aggregating Rs. 600.20 million. However, against this we have receivables in the corresponding currency from certain projects which more than adequately covers the entire amount of such foreign currency borrowings. Our future capital expenditure may include imported equipment and machinery, which may be denominated in currencies other than Indian rupees. Therefore, any decline in the value of the rupee against such other currencies could increase the rupee cost of servicing our debt or purchasing such equipment.

We are subject to risks arising from interest rate fluctuations, which could adversely affect our business, financial condition and results of operations.

Changes in interest rates could affect our financial condition and results of operations. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows.

In addition, we receive mobilisation advances with interest rates ranging from 12 – 18% on allotment of the contracts. These rates may be significantly higher than the existing borrowing rates in the market and hence it could have a adverse impact on our financial position.

The Company is involved in certain legal and regulatory proceedings that, if determined against the Company, could have a material adverse impact on the Company.

Our Company and our Managing Director are respondents in two labour laws related proceedings initiated under the Workmen's Compensation Act, 1923. In addition to the above, our Company is the respondent in - (i) a civil appeal filed before the Bombay High Court; (ii) two civil appeals filed before the Supreme Court; and (ii) three arbitration proceedings initiated in the Bombay High Court, (including arbitration proceedings initiated in respect of appeals mentioned at point (ii) above). These proceedings are pending at different levels of adjudication before the said courts, tribunals, enquiry officers etc. In the event if such proceedings are determined against us, it could have a material adverse impact on our business, financial condition and results of operations. As on date, the aggregate of ascertainable claims under such proceedings is Rs. 507.46 million approximately.

For further details on these proceedings, see the section "Outstanding Litigation, Material Developments and Other Disclosures" on page 182 of this Prospectus.

We have certain contingent liabilities, which may adversely affect our financial condition.

As on December 31, 2005, contingent liabilities appearing in our unconsolidated financial statements aggregated to Rs. 2,897.18 million as detailed below:

(Rs. in million)

Particulars	As at December 2005
Commitment for Capital expenditure (Net of Advances)	35.65
Counter indemnities given to Banks 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	2,197.27
Outstanding Letters of Credit	13.52
Corporate Guarantees for third parties	71.66
Corporate Guarantees towards Custom Duty	71.62
Claims / Counter Claims against the Company	507.46
Total	**2,897.18**

In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected. For further information, please refer to Annexure IIIa of our unconsolidated financial statements as of and for the nine months ended December 31, 2005, on page 131 of this Prospectus.

Members of our promoter group will continue to retain majority control in our Company after the Issue, which will allow them to influence the outcome of matters submitted to shareholders for approval.

Upon completion of the Issue, members of the Promoter group will beneficially own approximately 54.07% of our post-Issue equity share capital. As a result, the Promoter group will have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination of appointment of our officers and directors. This control could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company even if it is in the Company's best interest. In addition, for so long as the Promoter group continues to exercise significant control over the Company, they may influence the material policies of the Company in a manner that could conflict with the interests of our other shareholders. The Promoter group may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our other shareholders do not agree.

Our Company had a negative operating cash flow in the past.

Our Company has had a negative operating cash flow in FY 2001, FY 2002 and for the nine months ended December 31, 2005 of Rs. 213.65 million, Rs. 81.67 million and Rs. 541.34 million respectively. For more details please refer to section titled "Report of our Statutory Auditor, M/s. Vatsaraj & Co., Chartered Accountants" beginning on page 115 of this Prospectus.

Some of our subsidiaries and group/associate companies have incurred losses in recent fiscal periods.

Some of our subsidiaries and group/associate companies have incurred losses as per their financial statements for the last three fiscal years ended March 31, 2005

The details of these losses are set out in the table below:

Rs. in Millions

Subsidiary / Group or Associate Company	Fiscal 2005	Fiscal 2004	Fiscal 2003	Accumulated Loss
				As on December 31, 2005
Subsidiaries of the Company				
Patel Engineering Inc. – Consolidated			(20.99)	
ASI RCC Inc. – Consolidated			(15.60)	
ASI RCC India Limited	(0.0059)	(0.0060)		(0.0289)
Westcon Micro Tunneling Inc.			(5.90)	
Group Company				**As on March 31, 2005**
Patel Energy Limited	(0.0166)	(0.0130)	(0.01)	(0.0793)
Joint Ventures				
Patel – Soma JV	(0.0390)			(0.0390)
Partnership Firms				
Phoebe Corporation	(0.0004)	(0.0020)		(0.0019)
Patel Investment Trust			(0.02)	

We have in the last 12 months issued Equity Shares at a price, which could be lower than the Issue Price.

We have in the last 12 months made the following issuances of Equity Shares at a price that could be lower than the Issue Price:

Date of allotment and date on which fully paid up	Number of Equity Shares of Re. 1 each	Issue price	Consideration	Reasons for Allotment
December 27, 2005	1,395,200	Re. 1	Cash	Allotment to Patel Engineering Employees Welfare Trust *vide* a special resolution passed at AGM dated September 29, 2005

Some of our Promoter / Promoter Group Companies are in the same line of business as our Company

Some of our Promoter/Promoter Group entities are enabled by their respective main objects of memorandums of association to undertake activities which may be appear to be similar in nature. Any future conflict among any of the Promoter Group entities may adversely affect our financial condition. For more details please refer section titled

“Promoter Group Companies” and “Related Party Transactions” on pages 107 and 113 respectively of this Prospectus.

The market price of our Equity Shares may be adversely affected by additional issues of equity, or equity linked securities by the Company or by sale of a large number of our Equity Shares by our significant shareholders. Further the amounts paid as dividends in the past are not necessarily indicative of the dividend policy or dividend amounts, if any, in the future.

We may finance our growth plans through additional equity offerings. Any future issuance of equity or equity-linked securities by our Company may dilute the shareholding percentage of investors in our Equity Shares and could adversely affect the market price of our Equity Shares. Sale of a large number of our Equity Shares by any significant shareholder could adversely affect the market price of our Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

There can be no assurance or indication that the prices at which our Equity Shares are currently traded will correspond to the prices at which our Equity Shares will trade in the markets subsequent to this Issue.

The amounts paid as dividends in the past are not necessarily indicative of the dividend policy or dividend amounts, if any, in the future.

External Risk Factors

A slowdown in economic growth in India could cause our business to suffer.

The Indian economy has shown sustained growth over the last few years with gross domestic products (“GDP”) growing at 6.9% in fiscal 2005 and 8.5% in fiscal 2004. In its mid-term review of annual policy published on October 25, 2005, the RBI stated that its GDP growth forecast for fiscal 2006 is between 7.0% to 7.5% as a result of a pick-up in agricultural output and increased momentum in other sectors, and its inflation forecast for fiscal 2006 is between 5.0% to 5.5%.

A significant change in the Government of India’s economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to decline.

A significant portion of our assets and customers are located in India. The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. The present government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the government’s policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and consequently the market price of our Equity Shares.

Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, tsunami, floods, droughts, bird flu etc. in the past few years. The extent and severity of these natural disasters has an impact on the Indian economy. Any negative impact of natural disasters on the Indian economy could adversely affect our business and the market price of our Equity Shares.

Terrorist attack, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may negatively affect the Indian economy and financial markets and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence and ultimately adversely affect our business.

Diplomatic relations between India and some of its neighboring countries have been strained in the past. Any deterioration in relations between Indian and its neighboring countries might result in investor concern about stability in the region, which could adversely affect the market price of the Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or in government policy. Such incidents could also create a perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

Insurance cover is unavailable for certain risks or may be inadequate.

Our Company has covered itself against certain risks. Insurance cover may not have been taken or is generally not available for certain kind of risks. We believe our insurance coverage is consistent with the industry practice. To the extent that any uninsured risks materialize, our operating results and financial performance could be detrimentally affected.

Notes to Risk Factors

1. Public Issue of 9,659,090 Equity Shares of Re. 1 each at a price of Rs. 440 for cash aggregating Rs. 4,250 million, including reservation for Existing Retail Shareholders of 482,955 Equity Shares of face value of Re. 1 each at a price of Rs. 440 for cash aggregating Rs. 212.50 million and a Net Issue to the public of 9,176,135 Equity Shares of face value of Re. 1 each at a price of Rs. 440 aggregating Rs. 4,037.50 million.

2. The net worth of our Company, as per our restated financial statements as at December 31, 2005, is Rs. 1856.11 million.

3. The average cost of acquisition of Equity Shares by our Promoters is as follows –

Name of the Promoter	Total No. of Equity Shares	Amount (in Rs.)	Average cost of Acquisition (in Rs.)
Praham Engineering Co. Private Limited	13,569,160	7,615,542	0.56
Patel Realtors Private Limited	13,075,560	4,894,111	0.37
Mr. Pravin Patel	211,800	64,600	0.31
Mr. Rupen Patel	1,344,600	536,600	0.40
Ms. Sonal Patel	102,000	884,900	8.67

4. Sale / Purchase of Equity Shares by Promoters / Directors / Directors of our Promoter/Promoter Group entites

Name	Nature of Transaction	Maximum Price (in Rs.)	Date	Minimum Price (in Rs.)	Date	Aggregate Sale (No. of Equity Shares)
Ms. Silloo Patel	Sale through Stock Exchange	425.34	January 20, 2006	224.25	September 28, 2005	15,736

5. Book value of the Equity Shares of the Company, as per our restated financial statements as at December 31, 2005, is Rs. 38.17 per Equity Share.

6. For details on Related Party Transactions refer to the chapter titled “Related Party Transactions” on page 113 of this Prospectus.

7. Investors are free to contact the BRLMs for any complaints/ information/ clarification pertaining to this Issue. For contact details of the BRLMs, please refer to the cover page of this Prospectus.

8. All information shall be made available by the BRLMs and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.

9. Investors are advised to refer to the paragraph on “Basis of Issue Price” on page 36 of this Prospectus before making an investment in this Issue.

10. The Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue will be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Upto 482,955 Equity Shares shall be available for allocation on a proportionate basis to the Existing Retail Shareholders subject to valid Bids at or above the Issue Price and the maximum Bid in the Existing Retail Shareholders’ Reservation Portion is limited to such number of Equity Shares that the Bid Amount does not exceed Rs. 100,000.

11. Under-subscription, if any, in the Existing Retail Shareholders Portion will be added back to the Net Issue and the proportionate allocation of the same would be at the sole discretion of the Company in consultation with the BRLMs.

12. Save and except as stated in the chapters “Our Management”, “Our Promoters” and “Related Party Transactions” on pages 84, 97 and 113 respectively of this Prospectus, our Directors, our Promoters and our Key Managerial Personnel have no other interest in our Company.

SECTION III: INTRODUCTION

SUMMARY

This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Prospectus, including the information contained in the chapters titled "Risk Factors" and "Financial Statements" and related notes beginning on pages xii and 115 of this Prospectus before deciding to invest on our Equity Shares.

Industry Overview

India, the world's largest democracy in terms of population (1,091 million people) had a GDP on purchasing power parity basis of approximately U.S.$ 2,930 billion in 2003. This makes it the fourth largest economy in the world after the United States of America, China and Japan *(CIA World Factbook)*.

Over the past ten years, the Indian economy has also been one of the fastest growing economies in the world, witnessing an average growth of over 6% per year. For details of comparison of India's GDP growth rate with the growth rates of certain other countries from 1993 to 2003, please refer to section titled "Industry" on page 42 of this Prospectus.

India recently has had a high GDP growth rate. India's GDP growth rate has increased from 4% in FY 2003 to an estimated 7.5%-8% in FY 2006 *(Source: ET Intelligence.com & CSO)*.

Currently, however India spends far less on infrastructure development when compared with other developed and developing nations. It is estimated that China spends seven times as much as India on infrastructure development (excluding real estate) in absolute terms. In 2003, total capital spending on electricity, roads, airports, seaports and telecom was US$150 billion in China (representing 10.6% of GDP) compared with US$21 billion in India (representing 3.5% of GDP).

The Indian Government recognizes this gap. Infrastructure spending peaked at 6.1% of GDP in FY 1992 before declining to a 33-year low of 3.3% of GDP in FY 2003. In FY 2005, Indian infrastructure spending was 3.5% of GDP. Investment in infrastructure, given the intent of the Government is expected to rise.

The increase in infrastructure development in India is driven by political will and new sources of funding. Independent research studies and estimates from the Plan Documents suggest that there will be an investment of approximately Rs. 8,618 billion into various Indian infrastructure projects (sectors including power, roads, ports, railways, airports, pipelines, irrigation and water supply, urban infrastructure) over the next five years. Construction companies are expected to benefit from this momentum.

Construction companies in India are typically civil engineering companies which undertake construction work on a contract basis, in sectors like roads, ports, marine structures, power projects etc. All construction projects have eligibility criteria. Companies who have the requisite financial strength and experience typically meet these eligibility criteria and undertake projects independently. Smaller companies generally have to enter into joint ventures to meet the eligibility criteria and to spread the financial and business risk.

Build, Operate and Transfer ("BOT") and Build, Own, Operate and Transfer ("BOOT") are also increasingly seen as modes of executing projects.

Foreign engineering and construction companies typically participate in the infrastructure development in India through joint development ventures with Indian construction companies.

The main sectors where increased activity in infrastructure development is currently being witnessed include:

Sectors	Sector sponsoring the investment
Power	Private and Government, Multi-lateral Agencies
Roads	Mainly Government, Multi-lateral Agencies
Ports	Private and Government
Railways	Government
Airports	Government
Pipelines	Private and Government
Irrigation and Water Supply	Government
Urban Infrastructure	Private and Government, ,Multi-lateral Agencies

Triggers for the Growth

Before 1999, India's investment was much lower than its Asian rival, China. This was mainly due to limited incentives for private-sector investment, poor funding for new projects and restrictive government regulation. The entire investment was led by government spending, which was constrained by its huge fiscal deficit. There was no alternative means of financing development of the infrastructure. In addition, the private sector was not incentivised to participate in Indian infrastructure development. As a result, barring a few exceptions in the power and port segments, the private sector was largely inactive.

The previous Indian Government announced two plans for the road sector (Golden Quadrilateral project, North-East West-South), which signaled a new impetus for infrastructure development in India. The present Government has continued this focus. There is a renewed focus through the Plan documents and budgetary allocations by the Government to boost infrastructure at a fast pace by making available financial resources through cess and multilateral funding private sector investments, credit at reasonable interest rates etc. The biggest beneficiaries of this growth will be the construction companies who are likely to witness larger order book positions and increased sales over the next few years.

Macro Trends in the Construction Industry

The demand for construction has resulted in the following macro trends:

a) The pipeline of orders from the infrastructure sector has resulted in an increased order backlog for construction companies thereby easing the competitive pressure in the construction business since order supply will be abundant *(as can be ascertained from Corporate Announcements on BSE and NSE).*

b) Construction companies are now able to include cost-escalation clauses into their contracts, which contrast with the fixed price contracts of the past. These clauses allow construction companies to pass on any increases in the costs of raw materials to their customers, thus protecting their margins.

c) Established construction companies are moving towards public-private partnership , specifically BOT/BOOT/IPP projects. They have been raising funds from the market to finance these projects.

This recent growth in the infrastructure industry has resulted in many participants adapting a fragmented approach, where they bid for many projects in different sub-sectors. However, the more established players who have financial strength, experience and access to technology and an appetite to undertake large contracts can adopt a more selective approach and therefore have been making discretionary bidding.

The Company currently operates predominantly in the following segments:

- Power (mainly hydro-power);
- Irrigation and Water Supply and
- Transport (Roads)

Business Overview

We are one of India's leading civil engineering and construction companies engaged primarily in the civil construction of:-

- Hydro–power projects, including dams, tunnels, power-houses, barrages etc.;
- Irrigation and water supply projects including dams, weirs and pump house; and
- Transportation projects, including roads, railways, bridges and tunnels.

Hydro-Power

Our core competency lies in the construction of civil structures, such as dams, powerhouse, surge chambers, intake structures, head race tunnel, etc. for hydro–power projects. We have been the major civil construction company to have participated in the construction of hydro–power projects generating more than 7,000 MW of power, out of a total of approximately 32,000 MW generated in India from hydro-power projects since Independence. There are very few participants in this sector who have the technological skills, experience, equipment and manpower to execute complex jobs involving tunneling in varied geology in difficult terrain such as Udhampur Project, Parbati Project. These projects offer significantly better margins, which has been reflected in the growth of our financial strength over the years.

Irrigation and Water Supply

The scope of work in our irrigation projects varies from project to project. The activities that we undertake are usually impounding the reservoir, construction of pump station, water conducting system and canals. Aware of the growing opportunity in developing agricultural infrastructure through lift irrigation, we have recently entered into Engineering Procurement and Construction (EPC) and/or Lump Sum Turnkey (LSTK) execution of lift-irrigation projects, primarily in the state of Andhra Pradesh. This strategy has been driven by our intention to replicate our expertise in hydropower projects to this sector.

Transportation

Our focus in transportation includes roads, bridges, railway or road tunnel contracts both in India and overseas. Our Company has undertaken significant projects in the transportation segment.

We have also undertaken marine engineering projects including construction of ports, jetties and dredging activities as well as projects involving the construction of thermal power plants, industrial structures and leisure complexes and other civil structures.

We are one of the few Indian construction companies with a presence in the US. We have two US incorporated subsidiaries, ASI RCC Inc. and Westcon Microtunnelling Inc. These two companies give us an added advantage in terms of access to use of sophisticated technology like Roller Compacted Concrete (RCC) and microtunnelling besides giving us business presence in the technologically advanced US and European markets. We are focusing on the use of this technology in the Indian markets since it is cost effective and gives us a competitive advantage.

The following table summarizes our consolidated revenues in the segments in which we operate for the Fiscal years 2003, 2004, 2005 and for the 9 months ended December 31, 2005:

(Rs. million)

Sectors	FY 2003	FY 2004	FY 2005	9 months ended December 31 , 2005
Hydro Power	3,128.53	3,255.79	4,808.95	3,720.65
Roads and Transport	1,589.22	2,209.35	1,171.74	273.85
Irrigation and Water Supply	759.87	1,429.98	935.03	1,934.50
Others	135.68	691.07	863.68	814.68
Total	**5,613.30**	**7,586.19**	**7,779.40**	**6,743.68**

Our unconsolidated revenues for the Fiscal years 2003, 2004, 2005 and for the 9 months ended December 31, 2005:

(Rs. million)

Sectors	FY 2003	FY 2004	FY 2005	9 months ended December 31, 2005
Hydro Power	1,608.98	2,197.94	3,863.14	2,663.87
Roads and Transport	915.43	1,422.40	779.37	148.55
Irrigation and Water Supply	-	-	128.00	1,934.50
Others	147.50	162.00	498.67	424.32
Total	**2,671.91**	**3,782.34**	**5,269.18**	**5,171.24**

For the years ended March 31, 2003, 2004 and 2005, the unconsolidated revenues grew at a CAGR of 40.43% while our consolidated revenues grew at a CAGR of 17.72%. For the nine months ended December 31, 2005, our unconsolidated revenue was Rs.5,171.24 million and our consolidated revenue was Rs 6,743.68 million.

In the years ended March 31, 2003, 2004 and 2005, we earned an unconsolidated profit of Rs. 179.91 million, Rs. 228.54 million and Rs. 389.62 million respectively and our consolidated profit was Rs. 144.60 million, Rs. 278.64 million and Rs. 415.53 million respectively. For the nine months ended December 31, 2005, our unconsolidated profit was Rs. 503.15 million and our consolidated profit was Rs. 508.07 million.

- We satisfy the pre-qualification criteria laid down for hydro-power projects. Hydro-power projects being complex generally provide higher margins. Hydfo-power projects contributed 38.68% and 39.18% of our unconsolidated and consolidated order books, respectively, as on December 31, 2005.

- Our irrigation projects also provide healthy margins. We try to ensure judicious bidding for only those projects which offers higher margins. These projects contributed 38.21% and 37.64% of our unconsolidated and consolidated order books, respectively, as on December 31, 2005.
- Our road projects contributed 22.93% and 22.59% of our unconsolidated and consolidated order books, respectively, as on December 31, 2005.
- Other projects include microtunnelling, where we have a competitive advantage over other construction companies in India due to our ability to access sophisticated technology through our wholly owned US incorporated subsidiary, Westcon Microtunnelling Inc.

Hydro-power Projects

Our core competency lies in the construction of civil structures, such as dams, powerhouse, surge chambers, intake structures, head race tunnel, etc. for hydro–power projects. We have been the major civil construction company to have participated in the construction of hydro–power projects generating more than 7,000 MW of power, out of a total of approximately 32,000 MW generated in India from hydro-power projects since Independence. We have the technological skills, experience, equipment and manpower to execute complex jobs involving tunneling in varied geology in difficult terrain such as Udhampur Project and Parbati Project. These projects offer significantly better margins, which has been reflected in the growth of our financial strength over the years.

We construct our hydro-power projects in the water abundant, hilly terrains of varied geographies for our hydro-power projects namely, in Arunachal Pradesh, Himachal Pradesh, Maharashtra, Andhra Pradesh, Mizoram, Jammu and Kashmir and West Bengal .

Irrigation and Water Supply Projects

Irrigation, specifically lift irrigation projects have been given impetus from FY 2005 by various states in India predominantly Andhra Pradesh, Gujarat, Maharashtra and Rajasthan.

Aware about the growing opportunity in developing agricultural infrastructure, through lift irrigation, we have recently entered into Engineering Procurement and Construction (EPC) and/or Lump Sum Turnkey (LSTK) execution of lift-irrigation projects, primarily in the state of Andhra Pradesh. This strategy has been driven by our intention to replicate our expertise in hydro-power projects to this sector.

Transportation

Our focus in transportation includes roads, bridges, railway or road tunnel contracts both in India and overseas. Our Company has undertaken significant projects in the transportation segment.

Subsequent to the impetus given by the Government in the recent Budget 2005-06 for road projects wherein a large number of projects will be undertaken on a BOT/Annuity basis, we plan to increase our focus on this segment as well along with our hydro and irrigation projects.

We have two subsidiaries in the US, ASI RCC Inc., which specializes in Roller Compacted Concrete technology (RCC) projects and Westcon Microtunnelling Inc., which specializes in microtunnelling technology projects.

The estimated balance value of work as at December 31, 2005 is Rs. 43,390.17 million and Rs. 42,747.49 million on a consolidated and unconsolidated basis respectively, which is 5.58 times and 8.11 times the consolidated and unconsolidated revenues of March 31, 2005, respectively. Further, as at December 31, 2005 we have submitted a few applications for pre-qualification for projects totaling over Rs. 59,500 million, of which the hydro-power sector component constitutes 80%.

Our consolidated order book details as of December 31, 2005 and March 31, 2005 are as follows:-

Sectors	Consolidated Order Book as at December 31, 2005		Consolidated Order Book as at March 31, 2005	
	Rs. in mn	%	Rs. in mn %	%
Hydro	17,000.02	39.18%	15,910.35	55.60%
Irrigation	16,332.55	37.64%	11,443.96	40.00%
Transport	9,801.45	22.59%	982.60	3.40%
Others*	256.15	0.59%	294.87	1.00%
Total	**43,390.17**	**100.00%**	**28,631.78**	**100.00%**

* Others includes microtunnelling jobs in US and India

The comparative figures for our unconsolidated order book as on December 31, 2005 and March 31, 2005 are as follows :-

Sector	Unconsolidated Order Book as at December 31, 2005		Unconsolidated Order Book as at March 31, 2005	
	Rs. in mn	%	Rs. in mn	%
Hydro	16,534.67	38.68%	14,949.85	54.30%
Irrigation	16,332.55	38.21%	11,371.10	41.30%
Transport	9,801.45	22.93%	982.60	3.57%
Others	78.82	0.18%	227.03	0.82%
Total	**42,747.49**	**100.00%**	**27,530.58**	**100.00%**

In the nine months ended December 31, 2005, our order book grew by 55% over FY 2005. We have won new orders in the hydro and irrigation sectors and all our bids, where we were the lowest bidder in the financial bid stage as at March 31, 2005 in the road sector, have been converted into confirmed orders.

Our Strengths

We are a key player with significant experience and strong track record in the civil construction of infrastructure projects.

In our 56 years of experience, we have been involved in the civil works of 75 dams and over 160 kms of tunneling in India and abroad. We operate in the hostile conditions and terrain of India including mountainous and forest areas. We have executed civil works for more than 7,000 MW of hydro-power projects out of the total of around 32,000 MW of hydro-power projects in India since Independence.

Well positioned to leverage on the Government's focus on hydro-power and irrigation

The Government of India has recognized the advantages of hydro-power. It has recognized the inherent benefits of hydro-power projects: namely the improved economics of operation, reduced pollution and, ability to handle fluctuations in power requirements. Hence the Government is focusing on hydro-power projects to exploit the water resources of India. The state governments, especially those of Andhra Pradesh, Gujarat, Rajasthan and Maharashtra have been implementing irrigation programs to boost the agricultural infrastructure of their respective states. Our track record of execution of hydro and irrigation projects gives us a competitive advantage. We have submitted applications for for projects totaling over Rs. 59,500 million, of which the hydro-power sector component constitutes 80%.

Well funded high quality customer base

We ensure that we bid only for funded projects to minimize our exposure to bad debts. Our average bad debts in last three years were 0.01 % of consolidated revenues.

Qualified and experienced employee base and proven management team.

We believe that a trained and experienced employee base is essential for the success of any company in our sector. As of December 31, 2005, we employed a work force of 1,087 full-time employees for our Indian operations, of which 77 % are technical staff. In addition, we have employed large number of temporary or contract workers at our project sites. Our US subsidiaries employed 101 employees as on December 31, 2005. We are dedicated to the development of the expertise and knowledge base of our employees and continue to invest in them to ensure that they have the training and tools needed to be successful in the execution of our challenging projects.

Consistent improvement in operational efficiencies through efficient use of capital equipment

Efficient management of capital equipment is a critical element of our project delivery and quality. We believe that owning and managing our own equipment enables us to achieve higher operating margins. Our experience in efficiently sourcing and managing the use of equipment across projects and the access to technically sophisticated equipment from the US through our subsidiaries enables us to bid competitively for projects and save costs.

Use of sophisticated technology

Execution of projects in the hydro-power and irrigation sectors is time consuming, resource intensive and technically complex. We believe our use of sophisticated technology is an advantage as it enables superior execution at lower costs without compromising quality.

a) Mass block Blasting

We are consistently innovating procedures and technologies for reducing costs. We have used the "Mass block Blasting" method instead of the conventional "bench blasting" method to create caverns in the Ghatghar Powerhouse

b) Roller Compacted Concrete (RCC)

We have pioneered the use of RCC in our hydro-power projects.

c) Microtunnelling

We are the first Indian company to have used microtunnelling and horizontal directional drilling (“microtunnelling”) technology in India. We are currently executing the first microtunnelling project in India for a value of Rs 191.90 million for Bombay Municipal Corporation. [*Source: “Indian Institute of Trenchless Technology, New Delhi”*]

Our Strategy

Continue our focus on domestic markets for development of hydro-power, irrigation and water supply

We intend to capitalize on our experience in hydro-power projects to capitalize on the Government’s decision on adding power generation capacities in this sector. We intend to bid selectively for projects that are high-margin in nature and technologically challenging to accomplish. We intend to increase these bids in the times to come. We have an unconsolidated order book of around Rs. 16,534.67 million in the hydro sector alone. We have executed civil works for more than 7,000 MW out of 32,000 MW of hydro-power projects executed in India since Independence constituting around 22%. We have already carved a niche for ourselves in developing hydro-power projects over the last five decades. Our strength lies in creating dams and tunnels as part of these projects and would like to consolidate our position as one of the top players in this segment. Strategically, we would like to focus on large contracts in hydro-power sector. In order to achieve this, we have started making joint bids along with other big players.

Irrigation and Water Supply

We intend to capitalize on our experience in constructing dams, tunnels and pump houses to take advantage of lift-irrigation projects tendered in the market in this sector. We have bid for few lift irrigation projects announced by the Public Works Department of Andhra Pradesh worth Rs. 20,281 million in FY 2005 and have a bid success ratio of 75%, in winning contracts worth Rs 15,281 million.

Leverage on our relationship with joint venture partners

We intend to build on our existing relationships with our joint venture partners and to create new joint venture relationships for our future projects. This will be our strategy particularly for large value projects. We also plan to form strategic alliances with other experienced and qualified contractors for leveraging on their particular areas of experience.

Selectively bid for projects with clear objectives like the minimization of risk of receivables, diversification of revenue base and securing projects of minimum margin and/or size.

a) Minimizing the risk of receivables

We intend to bid for projects which are well funded by either multilateral agencies like Japanese Bank for International Co-operation, World Bank, Asian Development Bank or central or state government.

b) Diversification of revenue base

We are committed to diversifying our revenue base by being selective in our choice of areas of operation and client base. For example, we have bid for two dam projects in the Middle East to diversify our source of revenue beyond domestic markets.

c) Securing projects of minimum margin and/or size

Our aim is to raise our benchmark execution capability in terms of the size and value of the projects we execute

To enhance our pre-qualification criteria

Since we are committed to improving the scope and variety of our operations especially in our core areas, we intend to bid for projects which will improve our pre-qualification criteria.

Use of sophisticated technology and knowledge base

We have access to sophisticated in-house technology and experience for the construction of RCC dams and microtunnelling projects. We will focus on bidding for projects which calls for the use of such technology.

Our experience in giving innovative construction solutions to our clients in the past will be useful for our future projects as we will increasingly be able to replicate our acquired knowledge base.

Growth through inorganic means by acquisition of companies with niche technology, unique pre-qualification criteria or domain knowledge

We intend to acquire companies in developing economies like India and developed countries like the US so that we can equip ourselves with complementary skills like niche technology, unique pre-qualification skills or local territory knowledge. We have a history of successful acquisitions in the US, and have integrated the target operations to our benefit. We will build on our successful acquisitions by identifying and acquiring more targets in the US and other countries. We may also consider acquiring intellectual property rights and/or rights to use intellectual property for our core areas of operation.

Moving up the value chain

(a) Move from pure contracting to EPC

In the hydro-power segment, we have moved from executing purely item rate/fixed rate contracts to EPC contracts. Currently, we are in the process of submitting bids for approximately Rs. 45,000 million worth of EPC contracts in hydro-power segment. This transition signifies our intention and capability to scale up the value chain.

b) Venture into BOT/ Annuity in the road sector

The government intends to pursue the BOT strategy to encourage development of the Indian road infrastructure. The NHAI has been mandated to raise funds through BOT for the NHDP program. We plan to submit our financial bids for upcoming BOT projects in the road sector.

c) Venture as Independent Power Producer (IPP)

Some state and central governmental entities have begun to float contracts in the IPP mode rather than the traditional method of calling for bids as item rate/EPC contract. This has opened up new opportunities for venture capitalists and large construction companies to opt to set up hydro-power projects as IPP. We consider this an interesting development, which could be a business opportunity for the Company.

SUMMARY FINANCIAL DATA

You should read the following information together with the information contained in the Auditors' report included elsewhere in this Prospectus.

SUMMARY OF UNCONSOLIDATED PROFIT AND LOSS ACCOUNT, AS RESTATED

The profit and loss statement of the company for five financial years ended March 31, 2001 to 2005 read with significant accounting policies after making certain regroupings for comparability and making adjustments as stated in notes to accounts, along with the profit and loss statement for the nine months ended December 31, 2005 are set out below:

(Rs in millions)

Particulars	For the nine months ended December 31, 2005	For the Financial Years Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
INCOME						
Income from Operations	5,260.98	5,717.76	4,575.77	3,123.41	2,437.27	2,284.92
Less: Companies Share of Turnover in Joint Ventures	(89.74)	(448.58)	(793.43)	(451.50)	(63.34)	(50.98)
	5,171.24	**5,269.18**	**3,782.34**	**2,671.91**	**2,373.93**	**2,233.94**
Other Operating Income	81.38	180.99	143.26	114.65	41.15	32.68
Other Income	18.99	40.71	31.47	14.26	96.27	13.68
Total Revenue	**5,271.61**	**5,490.88**	**3,957.07**	**2,800.82**	**2,511.35**	**2,280.30**
EXPENDITURE						
Construction Expenditure	3,989.25	4,339.40	3,097.13	2,159.80	1,955.14	1,714.68
Employee Cost	138.89	149.72	116.04	86.10	63.54	88.09
Other Expenses	332.47	289.87	225.52	173.40	141.67	191.81
Interest Cost (Net)	68.42	64.31	55.28	26.46	27.46	7.41
Depreciation	185.16	209.61	180.24	119.26	71.08	67.61
Total Expenditure	**4,714.18**	**5,052.91**	**3,674.22**	**2,565.02**	**2,258.89**	**2,069.60**
Profit before Taxation and Extra Ordinary Items	557.43	437.97	282.85	235.80	252.46	210.70
Provision for Taxation - Current	47.50	35.00	17.50	16.50	20.50	18.25
Provision for Taxation - Deferred	4.28	13.35	36.81	39.39	-	-
Provision for Taxation - Fringe Benefit Tax	2.50	-	-	-	-	-
Tax Provisions For Earlier Years	-	-	-	-	75.00	-
Profit after Taxation before Extra Ordinary Items	503.15	389.62	228.54	179.91	156.96	192.45
Add: Depreciation of Earlier Years	-	-	-	-	-	0.88
Add: Provision of Retirement Benefits Written Back	-	-	-	-	-	7.90
Profit after Taxation and Extra Ordinary Items (A)	503.15	389.62	228.54	179.91	156.96	201.23
Impact of material adjustments for restatement in corresponding years (B)	(0.81)	(10.55)	(3.85)	(9.16)	23.93	(36.84)
Adjusted Profit (A+B)	502.34	379.07	224.69	170.75	180.89	164.39
Carry Forward Profit from Previous Year	206.15	38.27	(2.76)	25.15	(25.19)	3.84
Profit available for appropriation	708.49	417.34	221.93	195.90	155.70	168.23
APPROPRIATIONS						
Interim Dividend	24.30	19.44	-	-	-	7.71
Proposed Final Dividend	-	29.16	24.30	24.30	24.30	30.86
Corporate Dividend Tax	3.69	6.35	3.11	3.11	-	4.85
Transfer to Debenture Redemption Reserve	-	31.25	31.25	31.25	31.25	-
Transfer to General Reserve	100.00	125.00	125.00	140.00	75.00	150.00
	127.99	211.20	183.66	198.66	130.55	193.42
Surplus Carried to Balance Sheet	580.50	206.14	38.27	(2.76)	25.15	(25.19)

SUMMARY OF UNCONSOLIDATED ASSETS & LIABILITIES, AS RESTATED

Assets & Liabilities of the company as at the end of each financial year read with significant accounting Policies after making adjustments as stated in notes to accounts are set out below along with the assets & liabilities as at December, 31 2005:

(Rs in millions)

Particulars	For the nine months ended December 31, 2005	As at Financial Year Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
FIXED ASSETS						
Gross Block	2,922.08	2,491.09	2,116.77	1,809.80	1,140.66	797.86
Less: Depreciation	1,030.56	846.16	676.51	491.41	364.68	302.19
NET BLOCK	**1,891.52**	**1,644.93**	**1,440.26**	**1,318.39**	**775.98**	**495.67**
Capital Work in Progress	51.51	41.09	34.24	23.77	6.27	-
Total - A	**1,943.03**	**1,686.02**	**1,474.50**	**1,342.16**	**782.25**	**495.67**
INVESTMENTS - B	**279.68**	**281.79**	**76.57**	**24.65**	**1.65**	**98.84**
DEFERRED TAX ASSETS - C	**-**	**-**	**-**	**-**	**19.20**	**-**
CURRENT ASSETS, LOANS & ADVANCES						
Inventories	2,496.88	1,428.28	702.25	605.02	273.39	133.26
Sundry Debtors	1140.87	768.28	223.45	284.33	155.22	119.47
Cash & Bank Balances	624.41	917.15	319.06	579.59	256.08	247.19
Loans & Advances	2399.73	1,435.85	1,291.19	1,006.88	766.27	314.24
Other Current Assets	1.05	0.91	0.76	1.88	2.08	2.13
Total - D	**6,662.94**	**4,550.47**	**2,536.71**	**2,477.70**	**1,453.04**	**816.29**
Total Assets (A+B+C+D)=E	**8,885.65**	**6,518.28**	**4,087.78**	**3,844.51**	**2,256.14**	**1,410.80**
LESS: LIABILITIES & PROVISIONS						
Secured Loans	2,024.02	1,074.23	844.83	867.11	395.22	256.32
Unsecured Loans	652.31	129.00	25.30	-	11.95	50.00
Contractee Advances	1511.63	1,853.68	1,119.29	1,084.47	519.27	206.49
Deferred Tax Liability (Net)	69.69	66.54	50.35	16.78	-	-
Current Liabilities	2,767.13	1,978.27	959.59	989.17	537.22	332.09
Provisions	4.75	36.28	30.25	29.44	25.55	43.18
Total Liabilities - F	**7,029.53**	**5,138.00**	**3,029.61**	**2,986.97**	**1,489.21**	**888.08**
NET WORTH (E - F)	***1,856.11***	***1,380.28***	***1,058.17***	***857.54***	***766.93***	***522.72***
REPRESENTED BY						
Share Capital	50.00	48.60	24.30	24.30	24.30	15.43
Reserves & Surplus	1,806.11	1,331.68	1,033.87	833.24	742.63	507.29
NET WORTH	***1,856.11***	***1,380.28***	***1,058.17***	***857.54***	***766.93***	***522.72***

SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT AS RESTATED

The profit and loss statement of the company for five financial years ended March 31, 2001 to 2005 read with significant accounting policies (Annexure – VI A), after making certain regroupings for comparability and making adjustments as stated in notes to accounts (Annexure – VI B), along with the profit and loss statement for the nine months ended December 31, 2005 are set out below:

(Rs in millions)

CONSOLIDATED PROFIT & LOSS ACCOUNT	For the nine months ended December 31, 2005	For the Financial Years Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
INCOME						
Income from Operations	6743.68	7779.40	7586.19	5613.30	5301.37	4361.08
Other Operating Income	69.09	142.33	185.55	106.79	354.21	34.71
Other Income	25.94	67.41	65.52	44.58	108.73	33.16
Total Revenue	**6838.71**	**7989.14**	**7837.26**	**5764.67**	**5764.32**	**4428.95**
EXPENDITURE						
Construction Expenditure	5248.05	6537.94	6560.46	4845.63	4768.00	3553.83
Employee Cost	243.51	230.78	234.03	240.45	304.65	217.38
Other Expenses	456.17	369.12	341.65	263.47	237.99	291.70
Interest Cost (Net)	109.41	96.16	92.50	38.14	33.84	11.86
Depreciation	204.31	266.11	251.75	185.46	124.40	73.86
Total Expenditure	**6261.45**	**7500.11**	**7480.39**	**5573.15**	**5468.88**	**4148.63**
Profit before Taxation	577.26	489.03	356.87	191.52	295.44	280.32
Provision for Taxation - Current	51.10	35.34	18.09	7.41	34.96	34.62
Provision for Taxation - Deferred	11.28	32.46	53.82	39.39	0.00	0.00
Provision for Taxation – Fringe Benefit Tax	2.73					
Tax Provision for earlier years	0.00	0.00	0.00	0.00	75.00	0.00
	65.11	67.80	71.91	46.80	109.96	34.62
Profit after Taxation before Extra Ordinary Item	512.15	421.23	284.96	144.72	185.48	245.70
Add: Depreciation for earlier years						0.88
Add: Provision for Retirement Benefit written Back						7.90
Less: Loss on Insurance Claim	-	-	-	(23.84)	-	0.00
Profit after Taxation before Minority Interest	512.15	421.23	284.96	120.88	185.48	254.48
Less: Minority Interest (Loss)	4.08	5.70	6.32	(23.72)	14.11	17.22
Net Profit (A)	508.07	415.53	278.64	144.60	171.37	237.26
Impact of material adjustments for restatement in corresponding years (B)	(0.81)	(10.55)	(3.85)	(9.16)	23.93	(36.84)
Adjusted Profit (A+B)	507.26	404.98	274.80	135.44	195.30	200.42
Carry Forward Profit from Previous Year	309.91	116.14	35.57	64.27	(0.48)	(7.48)
Profit available for appropriation	817.17	521.12	310.37	199.71	194.82	192.94
APPROPRIATIONS						
Interim Dividend	24.30	19.44	-	-	-	7.72
Proposed Final Dividend	0.00	29.16	24.30	24.30	24.30	30.86
Corporate Dividend Tax	3.69	6.36	3.11	3.11	-	4.85
Transfer to Debenture Redemption Reserve	0.00	31.25	31.25	31.25	31.25	0.00
Transfer to Capital Reserve	0.00	-	10.57	-	-	0.00
Transfer to General Reserve	100.00	125.00	125.00	140.00	75.00	150.00
Less: Adjustment of appropriation in General Reserve on Consolidation	0.00	-	-	(34.52)		
	127.99	211.21	194.23	164.14	130.55	193.42
Surplus Carried to Balance Sheet	**689.18**	**309.91**	**116.14**	**35.57**	**64.27**	**(0.48)**

SUMMARY OF CONSOLIDATED ASSETS & LIABILITIES, AS RESTATED

Assets & Liabilities of the company as at the end of each financial year read with significant accounting policies (Annexure – VIA), after making adjustments as stated in notes to accounts (Annexure - VIB), are set out below along with the assets & liabilities as at December, 31 2005:

(Rs in millions)

CONSOLIDATED BALANCE SHEET	**For the nine months ended December 31, 2005**	**As at Financial Year Ended**				
		March 31, 2005	**March 31, 2004**	**March 31, 2003**	**March 31, 2002**	**March 31, 2001**
APPLICATION OF FUNDS						
FIXED ASSETS						
Gross Block	3620.56	3167.62	2863.76	2538.29	1805.02	1223.69
Less: Depreciation	1359.96	1159.14	991.77	749.30	594.14	564.24
NET BLOCK (A)	**2260.60**	**2008.48**	**1871.99**	**1788.99**	**1210.88**	**659.45**
Capital Work in Progress	51.51	41.09	34.24	23.77	6.27	0.00
TOTAL - (A)	**2312.11**	**2049.57**	**1906.23**	**1812.76**	**1217.15**	**659.45**
INVESTMENTS (B)	310.00	322.24	124.98	8.82	10.29	2.03
DEFERRED INCOME TAX (C)	3.99	9.68	13.07	15.20	26.66	0.00
CURRENT ASSETS, LOANS & ADVANCES (D)						
Inventories	2582.40	1793.51	1046.20	746.15	546.00	263.66
Sundry Debtors	2080.57	1349.49	719.06	725.22	464.70	342.57
Cash & Bank Balances	1003.93	1074.87	444.98	706.48	295.87	260.20
Loans & Advances	2414.61	1596.95	1652.25	1295.48	842.30	416.06
Other Current Assets	1.06	0.92	0.77	2.04	2.08	2.13
TOTAL	**8082.57**	**5815.74**	**3863.26**	**3475.37**	**2150.95**	**1284.62**
MISCELLANEOUS EXPENDITURE(E)						
(To the extent not written off or adjusted)						
Preliminary Expenses	0.00	0.00	0.04	0.05	0.05	0.00
Preparatory Works Expenses - Joint Venture	8.40	1.02	2.60	10.58	7.20	0.00
TOTAL	**8.40**	**1.02**	**2.64**	**10.63**	**7.25**	**0.00**
TOTAL ASSETS (A+B+C+D+E)=F	**10717.07**	**8198.25**	**5910.18**	**5322.78**	**3412.30**	**1946.10**
LIABILITIES, PROVISIONS & MINORITY INTEREST						
Deferred Tax Liability (Net)	98.80	97.02	65.12	17.84	0.00	0.00
Secured Loans	3016.41	1945.34	1546.45	1525.15	847.13	361.64
Unsecured Loans	652.31	130.31	25.32	9.51	12.04	141.70
Contractee Advances	1672.19	1887.49	1152.97	1244.29	690.88	206.49
Current Liabilities	3028.78	2368.80	1665.44	1359.22	752.38	576.02
Provisions	4.75	36.29	30.24	29.45	25.55	43.18
Minority Interest	327.88	315.35	314.48	315.37	316.55	124.56
TOTAL LIABILTIES (G)	**8801.12**	**6780.60**	**4800.02**	**4500.83**	**2644.53**	**1453.59**
NET WORTH (F-G)	**1915.95**	**1417.65**	**1110.16**	**821.95**	**767.77**	**492.51**
REPRESENTED BY						
Share Capital	50.00	48.60	24.30	24.30	24.30	15.43
Reserves & Surplus	1865.95	1369.05	1085.86	797.65	743.47	477.08
NET WORTH	**1915.95**	**1417.65**	**1110.16**	**821.95**	**767.77**	**492.51**

THE ISSUE

Equity Shares Offered: Issue by the Company	9,659,090 Equity Shares aggregating Rs. 4,250 million.
Of which Reservation for Existing Retail Shareholders[1]	482,955 Equity Shares aggregating Rs. 212.50 million.
Net Issue to the Public	9,176,135 Equity Shares aggregating Rs. 4,037.50 million.
Of which A) Qualified Institutional Buyers Portion	Upto 4,588,066 Equity Shares aggregating Rs. 2,018.75 million, constituting not more than 50% of the Net Issue (allocation on a proportionate basis) of which 5% of the QIB portion or 229,404 Equity Shares (assuming that the QIB portion is 50% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only ("Mutual Funds Portion") and 4,588,066 Equity Shares (assuming the QIB portion is 50% of the Net Issue) shall be available for allocation to all QIB's, including Mutual Funds.
B) Non-Institutional Portion (2)	1,376,421 Equity Shares aggregating Rs. 605.625 million, constituting not less than 15% of the Net Issue that will be available for allocation to Non-Institutional Bidders.
C) Retail Portion (2)	3,211,648 Equity Shares aggregating Rs. 1,413.125 million constituting not less than 35% of the Net Issue that will be available for allocation to Retail Individual Bidders.
Equity Shares outstanding prior to the Issue	50,000,000 Equity Shares
Equity Shares outstanding after the Issue	59,659,090 Equity Shares
Use of Proceeds	Please refer to chapter titled "Objects of the Issue" on page 31 of this Prospectus for additional information.

(1) Under-subscription, if any, in the Reservation for Existing Retail Shareholders Portion will be added back to the Net Issue and the proportionate allocation of the same would be at the sole discretion of the Company in consultation with the BRLMs.

(2) Under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company and BRLMs.

GENERAL INFORMATION

Registered Office of the Company

Patel Engineering Limited
Patel Estate Road,
Jogeshwari (West),
Mumbai – 400 102
Tel: +91 22 2678 2916;
Fax: +91 22 2678 2455.
Website: www.pateleng.com

Our Company has been issued a certificate of registration bearing no. 11-7039 dated April 2, 1949 issued by the Registrar of Companies, Maharashtra at Mumbai situated at Everest, 100 Marine Drive, Mumbai – 400 002.

Board of Directors

Our current Board of Directors consists of the following:

No.	Name	Designation
1	Mr. Pravin Patel	Non-Executive Chairman
2	Mr. Rupen Patel	Managing Director
3	Ms. Silloo Patel	Wholetime Director
4	Ms. Sonal Patel	Wholetime Director
5	Mr. Nimish Patel	Wholetime Director
6	Mr. Sumantrai Khandubhai Desai	Wholetime Director
7	Mr. Rajat Patel	Non-Executive and Non-Independent Director
8	Mr. Rohit Patel	Non-executive Director and Non-Independent Director
9	Mr. Danish Merchant	Alternate Director to Ms. Sonal Patel and Non-Independent Director
10	Mr. K. Kannan	Non-Executive and Independent Director
11	Mr. Khizer Ahmed	Non-Executive and Independent Director
12	Mr. Dinesh Velji Patel	Non-Executive and Independent Director
13	Mr. Ajay Tuli	Non-Executive and Independent Director

For further details of our Board of Directors, please refer to the chapter titled “Our Management” on page 84 of this Prospectus.

Company Secretary and Compliance Officer

Ms. Shobha Shetty
Patel Engineering Limited
Patel Estate Road,
Jogeshwari (West),
Mumbai – 400 102
Tel: +91 22 2678 2916;
Fax: +91 22 2678 2455.
Email: **patelfpo@pateleng.com**

Registrar to this Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai, India 400 078
Tel: +91-22-2596 0320
Fax: +91-22-2596 0329
Email: patelfpo@intimespectrum.com
Contact Person: Vishwas Attavar
Website: www.intimespectrum.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.

Book Running Lead Managers (BRLMs)

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg,
ChurchgateMumbai – 400 020
Tel: +91 22 2288 2460
Fax: +91 22 2282 6580
E-mail: patelfpo@isecltd.com
Contact Person: Mr. Shriram S
Website: www.icicisecurities.com

Enam Financial Consultants Private Limited
801, Dalamal TowerNariman Point
Mumbai 400 021.
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
E-mail: patelfpo@enam.com
Contact Person: Ms. Lakha Nair
Website: www.enam.com

Legal Advisors to the Issue

M/s. Crawford Bayley & Co.
State Bank Buildings, 4th floor
N. G. N. Vaidya Marg
Fort, Mumbai - 400 023
Tel.: +91 22 2266 3713
Fax: +91 22 2266 0355
E-mail: sanjay.asher@crawfordbayley.com

International Legal Counsel to the Issue

Dorsey & Whitney
21, Wilson Street
London EC2M 2TD
England
Tel. No.: +44 (0)20 7826 4517
Fax: +44 (0)20 7588 0555
E-mail: chrisman.john@dorsey.com

Syndicate Members

ICICI Brokerage Services Limited
ICICI Centre,
H.T. Parekh Marg,
Churchgate
Mumbai – 400 020
Tel. No.: +91 22 2288 2460
Fax: +91 22 2282 6580
E-mail: patelfpo@isecltd.com
Contact Person : Mr. Anil Mokashi
Website: www.icicisecurities.com

Enam Securities Private Limited
Khatau Building, 2nd Floor
44B Bank Street,
Off Shaheed Bhagat Singh Road,
Fort, Mumbai – 400023 (India)
Tel. No.: +91 22 2267 7901
Fax No. + 91 22 2266 5613
E-mail: patelfpo@enam.com
Contact Person : Mr. M Natarajan

Website: www.enam.com

Bankers to the Issue and Escrow Collection Banks

ICICI Bank Limited
Capital Market Division
Raja Bahadur Menssion
30, Mumbai Samachar Marg,
Fort, Mumbai 400 001
Tel. No.: +91 22 2265 5284 / 2265 5285
Fax No. + 91 22 2261 1138
Contact Person: Mr. Siddhartha Sankar Routray
Website: www.icicibank.com

HDFC Bank Limited
26 A, Narayan Properties,
Off Saki Vihar Road,
Chandivali, Saki Naka,
Andheri (E), Mumbai – 400 072
Tel. No.: +91 22 2856 9009 / 2847 4900
Fax No. + 91 22 2856 9256
Contact Person: Mr. Viral Kothari
Website: www.hdfcbank.com

Standard Chartered Bank
Client Relationships
270, D.N. Road,
Fort, Mumbai – 400 023
Tel. No.: +91 22 2219 8609
Fax No.: + 91 22 2201 9208
Contact Person: Mr. Banhid Bhattacharya
Website: www.standardchartered.co.in

Statutory Auditors
M/s. Vatsaraj and Co., Chartered Accountants
C – 65, Fort Chambers
Tamarind Lane, Fort
Mumbai – 400 023
Tel.: +91 22 2265 3931
Fax: +91 22 2265 3931
E-mail: vatsarajco@vsnl.net

Bankers to the Company

ICICI Bank Limited, ICICI BANK Towers Bandra Kurla Complex Bandra (East) Mumbai – 400 051 Tel: + 91 22 2653 1414 Fax: +91 22 2653 1122	IDBI Bank Limited, Marigold House, Plot No.A-34 Marol, MIDC, Andheri (East) Mumbai – 400 093 Tel: + 91 22 2836 8218 Fax: +91 22 2836 5091
Dena Bank Corporate Business Branch Bandra-Kurla Complex Bandra (East), Mumbai – 400 051 Tel: + 91 22 2654 5010 Fax: +91 22 26545017	Bank of India Andheri Corporate Bank Branch, Andheri (West) Mumbai – 400 058 Tel: + 91 22 2671 8565 Fax: +91 22 2624 7655

Canara Bank Fort Branch Sir. P.M. Road Mumbai – 400 001 Tel: + 91 22 2285 6302 Fax: +91 22 2287 1181	Bank of Baroda Corporate Financial Services Branch Mumbai Samachar Marg Mumbai – 400 001 Tel: + 91 22 2202 1434 Fax: +91 22 2202 1445
Union Bank of India 239, Vidhan Bhavan Marg Nariman Point Mumbai – 400 021 Tel: + 91 22 2202 4647 Fax: +91 22 2285 5037	State Bank of Patiala Commercial Branch Atlanta, Nariman Point Mumbai – 400 021 Tel: + 91 22 22822547 Fax: +91 22 2283 8448
UTI Bank Limited, Merchant Banking 111, Maker Tower ‘F’ Cuffe Parade Colaba, Mumbai – 400 005 Tel: + 91 22 5507 4407 Fax: +91 22 2218 6944	Corporation Bank IFB, Bharat House Bombay Samachar Marg Fort, Mumbai – 400 025 Tel: + 91 22 2267 0030 Fax: +91 22 2267 5309
Oriental Bank of Commerce Shreejee Chambers Tata Road No.2 Opera House Branch Mumbai – 400 004 Tel: + 91 22 2364 3571 Fax No.: +91 22 2363 7667	ABN AMRO Bank N.V. 74, Sahkar Bhavan, 7^{th} Floor Nariman Point, Mumbai 400 021 Tel: + 91 22 5658 5858 Fax: +91 22 22042673
HDFC Bank Limited, Trade World ‘A’ Wing 2^{nd} Floor Kamala Mills Compound Senapati Bapat Marg Lower Parel, Mumbai – 400 013 Tel: + 91 22 2498 8484 Fax: +91 22 2496 0773	ING VYSYA Bank Limited, Regional Office 3-6-438/5&6, 5^{th} Floor Naspur House, Himayat Nagar Hyderabad – 500 029 Tel: + 91 22 2344 6600
CITI BANK N.A. City Towers, 2^{nd} floor, 61, Dr. S.S.Rao Road Parel, Mumbai Tel: + 91 22 2414 6044 Fax: +91 22 2413 1628	State Bank of India Jogeshwari Branch. Jogeshwari (West) Mumbai – 400 102 Tel: + 91 22 2678 1982 Fax: +91 22 2678 3530
Centurion Bank of Punjab Limited, Hyderabad Branch Pawani Plaza Commercial Complex, 6-3-698/A, Punjagutta Hyderabad – 500 082. Tel: + 91 40 2340 2036 Fax: +91 40 2340 2038	

Statement of Inter Se Allocation of Responsibilities among the BRLMs

Statement of Inter Se Allocation of Responsibilities for the Issue among the Book Running Lead Managers, ICICI Securities Limited and Enam Financial Consultants Private Limited, is set forth below.

Inter Se Allocation of Responsibilities			
No.	**Activities**	**Responsibility**	**Co-ordinator**
1	Capital structuring with relative components and formalities such as type of instruments, etc.	I-Sec, Enam	I-Sec
2	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	I-Sec, Enam	I-Sec
3	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	I-Sec, Enam	Enam
4	Appointment of other intermediaries i.e. Registrar to the Issue, printers, advertising agency, Escrow Bankers and Bankers to the Issue	I-Sec, Enam	I-Sec
5	QIB marketing of the Issue, which will cover, *inter alia*, • Finalizing the list and division of investors for one to one meetings; and • Finalizing road show schedule and investor meeting schedules. • Preparation of road show presentation	I-Sec, Enam	I-Sec
6	Non-Institutional and Retail Marketing of the Issue, which will cover, *inter alia*, • Formulating marketing strategies, preparation of publicity budget; • Finalizing media and PR strategy; • Finalizing centers for holding conferences for brokers, etc. • Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material; and • Finalizing collection centers.	I-Sec, Enam	Enam
7	Retail distribution, follow-up on distribution of Issue materials, including forms, prospectus and appointment of syndicate members	I-Sec, Enam	Enam
8	Cooordination with stock exchanges for book building software and bidding terminals	I-Sec, Enam	I-Sec
9	Finalisation of pricing in consultation with Company.	I-Sec, Enam	Enam
10	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Company.	I-Sec, Enam	Enam

Credit Rating

As this is an Issue of Equity Shares there is no credit rating for this Issue.

Trustees

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

Monitoring of utilisation of funds

The Company has appointed Union Bank of India to monitor the utilisation of funds on a regular basis. The details of the bank are as follows:

Union Bank of India
239 Union Bank Bhavan,
Vidhan Bhavan Marg,
Mumbai 400 021,
Tel. No.: +91 22 2289 6319
Fax No.: +91 22 2282 4689

Book Building Process

Book Building refers to the process of collection of bids from investors on the basis of this Prospectus. This Issue Price is fixed after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

(1) Our Company;

(2) Book Running Lead Managers;

(3) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters; and

(4) Registrar to the Issue.

SEBI, through its guidelines, has permitted the Issue of securities to the public through the 100% Book Building Process, wherein not more than 50% of the Net Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price. Further, not less than 15% of the Net Issue would be available for allocation to Non-Institutional Bidders and not less than 35% of the Net Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. The Company will comply with these guidelines for this Issue. In this regard, the Company has appointed the BRLMs to procure subscriptions to the Issue.

QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date and are now required to pay 10% Margin Amount upon submission of their Bid. For details see the chapter titled "Terms of the Issue" on page 210 in this Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Bidder necessarily needs to have a demat account;
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Prospectus and in the Bid-cum-Application Form; and
- Ensure that the Bid-cum-Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. For details please refer to the chapter titled "Issue Procedure" on page 212 of this Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected.

Illustration of Book Building and Price Discovery Process *(Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE (www.bseindia.com) and NSE (www.nseindia.com) during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 22 in the above example. The issuer, in consultation with the BRLMs will finalize the issue price at or below such cut off price i.e. at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with Registrar of Companies, Maharashtra, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and not joint, and are subject to certain conditions as specified in such agreement.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg, Churchgate Mumbai – 400 020 Tel: +91 22 2288 2460 Fax: +91 22 2282 6580 E-mail: patelfpo@isecltd.com Contact Person: Mr. Shriram S. Website: www.icicisecurities.com	**4,829,445**	**2,124.95**
Enam Financial Consultants Private Limited 801, Dalamal Tower, Nariman Point, Mumbai 400 021 Tel: +91 22 5638 1800 Fax: +91 22 2284 6824 E-mail: patelfpo@enam.com Contact Person: Ms. Lakha Nair Website: www.enam.com	**2,414,773**	**1,062.50**

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
ICICI Brokerage Services Limited ICICI Centre, H.T. Parekh Marg, Churchgate Mumbai – 400 020 Tel: +91 22 2288 2460 Fax: +91 22 2282 6580 E-mail: patelfpo@isecltd.com Contact Person: Mr. Anil Mokashi Website: www.icicisecurities.com	**100**	**0.04**
Enam Securities Private Limited Khatau Building, 2nd Floor 44B Bank Street, Off Shaheed Bhagat Singh Road, Fort Mumbai – 400023 (India) Tel: +91 22 2267 7901 Fax No. + 91 22 2266 5613 E-mail: patelfpo@enam.com Contact Person : Mr. M. Natarajan Website : www.enam.com	**2,414,772**	**1,062.50**
Total	**9,659,090**	**4,250.00**

The above-mentioned amount is an indicative underwriting and would be finalised after pricing and actual allocation. The above underwriting agreement is dated May 13, 2006.

In the opinion of the Board of Directors of the Company (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount. For further details about allocation please refer to “Other Regulatory and Statutory Disclosures” on page 199 of this Prospectus.

CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Prospectus with RoC is as set forth below.

Share Capital as on the date of filing of this Prospectus	Amount in Rs. Million	
	Aggregate Value at Nominal Price	Aggregate Value at Issue Price
A. Authorised Capital		
150,000,000 Equity Shares of face value of Re. 1 each	150.00	
B. Issued, Subscribed and Paid-Up Capital before this Issue		
50,000,000 Equity Shares of face value of Re. 1 each	50.00	
C. Present Issue to the public in terms of this Prospectus		
9,659,090 Equity Shares of face value of Re. 1 each	9.66	4,250.00
Out of which		
(I) 482,955 Equity Shares are reserved for Existing Retail Shareholders	0.48	212.50
(II) 9,176,135 Equity Shares as Net Issue to the Public	9.18	4,037.50
D. Issued, Subscribed and Paid-Up Capital after this Issue		
59,659,055 Equity Shares of face value of Re. 1 each	59.66	
F. Securities Premium Account[1]		
Before this Issue	7.68	
After this Issue		4,248.02

[1] The amount standing in the Securities Premium Account, on a pre-Issue basis, is Rs. 7.68 million. The increase in the Securities Premium Account as a result of the Issue will be completed only after the Issue Price is determined.

The Company was incorporated with an authorized share capital of Rs. 2.5 million divided into 10,000 preference shares of Rs. 100 each and 15,000 Equity Shares of Rs. 100 each. The authorized share capital was increased to Rs. 5.0 million divided into 15,000 preference shares of Rs. 100 each and 35,000 Equity Shares of Rs. 100 each pursuant to an ordinary resolution passed at the general meeting dated August 7, 1952. *Vide* a special resolution passed by the preference shareholders at their meeting held on November 29, 1956 1,000 preference shares each fully paid-up of Rs. 100 each and 35,000 Equity Shares of Rs. 100 each were reorganized and consolidated into one class of 36,000 Equity Shares of Rs. 100 each. The authorized share capital was increased to Rs. 10 million divided into 100,000 Equity Shares of Rs. 100 each pursuant to an ordinary resolution passed at the AGM dated March 5, 1959. The authorized share capital was increased to Rs. 15 million divided into 150,000 Equity Shares of Rs. 100 each pursuant to an ordinary resolution passed at the EGM held on January 8, 1968. This was further increased to Rs. 30 million divided into 300,000 Equity Shares of Rs. 100 each pursuant to a special resolution passed at the EGM held on August 28, 1985. The authorized share capital was further increased to Rs. 150 million divided into 1,500,000 Equity Shares of Rs. 100 each pursuant to a special resolution passed at the AGM held on February 28, 1992. *Vide* a resolution passed at the AGM held on January 12, 1995 the face value of the Equity Shares was sub-divided from Rs. 100 to Rs. 10 per Equity Share. *Vide* a subsequent resolution passed at the AGM held on August 25, 2000 the face value of the Equity Shares was sub-divided from Rs. 10 to Rs. 5 per Equity Share. *Vide* a further resolution passed at the AGM held on September 24, 2004 the face value of the Equity Shares was sub-divided from Rs. 5 to Re. 1 per Equity Share. Accordingly, the authorized share capital of our Company as on the date of filing of this Prospectus is Rs. 150 million divided into 150,000,000 Equity Shares of Re. 1 each.

1. **Share Capital History of the Company**

Date of Allotment	No. of Equity Shares	Cumulative No. of Shares	Face Value Rs.	Issue Price Rs.	Nature of payment of consideration	Reasons for allotment	Cumulative Securities Premium Account (in Rs. Million)	Cumulative Paid -up Capital Rs.
May 27, 1949	2	2	100	100	Cash	Subscribers to Memorandum	Nil	200
May 27, 1949	1,500	1,502	100	100	For consideration other than cash	Allotted to nominees of M/s. Patel Engineering Co.	Nil	150,200
October 20, 1949	1,500	3,002	100	100	Cash	Further allotment of Equity Shares	Nil	300,200
February 16, 1950	1,800	4,802	100	100	Cash	Further allotment of Equity Shares	Nil	480,200
August 17, 1950	500	5,302	100	100	For consideration other than cash	Further allotment of Equity Shares	Nil	530,200
August 17, 1950	300	5,602	100	100	Cash	Further allotment of Equity Shares	Nil	560,200
January 4, 1951	1,149	6,751	100	100	Cash	Further allotment of Equity Shares	Nil	675,100
March 15, 1951	2,049	8,800	100	100	Cash	Further allotment of Equity Shares	Nil	880,000
May 28, 1951	200	9,000	100	100	Cash	Further allotment of Equity Shares	Nil	900,000
November 2, 1951	300	9,300	100	100	Cash	Further allotment of Equity Shares	Nil	930,000
February 13, 1952	1,310	10,610	100	100	Cash	Further allotment of Equity Shares	Nil	1,061,000
March 31, 1952	1,640	12,250	100	100	Cash	Further allotment of Equity Shares	Nil	1,225,000
May 26, 1952	1,750	14,000	100	100	Cash	Further allotment of Equity Shares	Nil	1,400,000

Date of Allotment	No. of Equity Shares	Cumulative No. of Shares	Face Value Rs.	Issue Price Rs.	Nature of payment of consideration	Reasons for allotment	Cumulative Securities Premium Account (in Rs. Million)	Cumulative Paid -up Capital Rs.
October 5, 1953	5,000	19,000	100	100	Cash	Further allotment of Equity Shares	Nil	1,900,000
May 20, 1955	5,000	24,000	100	100	Cash	Further allotment of Equity Shares	Nil	2,400,000
June 6, 1956	6,000	30,000	100	100	Cash	Further allotment of Equity Shares	Nil	3,000,000
June 26, 1956	5,000	35,000	100	100	Cash	Further allotment of Equity Shares	Nil	3,500,000
January 24, 1957	1,000	36,000	100	100	Conversion of 5% Cumulative Preference Shares of Rs. 100/- each		Nil	3,600,000
April 24, 1958	4,000	40,000	100	100	Cash	Further allotment of Equity Shares	Nil	4,000,000
April 30, 1959	9,715	49,715	100	100	Cash	Further allotment of Equity Shares	Nil	4,971,500
May 28, 1959	205	49,920	100	100	Cash	Further allotment of Equity Shares	Nil	4,992,000
June 29, 1959	80	50,000	100	100	Cash	Further allotment of Equity Shares	Nil	5,000,000
March 31, 1960	12,247	62,247	100	100	Cash	Further allotment of Equity Shares	Nil	6,224,700
April 28, 1960	17	62,264	100	100	Cash	Further allotment of Equity Shares	Nil	6,226,400
June 23, 60	34	62,298	100	100	Cash	Further allotment of Equity Shares	Nil	6,229,800
September 29, 1960	202	62,500	100	100	Cash	Further allotment of	Nil	6,250,000

Date of Allotment	No. of Equity Shares	Cumulative No. of Shares	Face Value Rs.	Issue Price Rs.	Nature of payment of consideration	Reasons for allotment	Cumulative Securities Premium Account (in Rs. Million)	Cumulative Paid -up Capital Rs.
May 5, 1967	12,500	75,000	100	100	Bonus	Bonus in the ratio of 1:5	Nil	7,500,000
April 7, 1969	24,774	99,774	100	100	Bonus	Bonus in the ratio of 1:3	Nil	9,977,400
May 2, 1969	226	100,000	100	100	Bonus	Bonus in the ratio of 1:3	Nil	10,000,000
February 14, 1986	67,000	167,000	100	100	Cash	Initial Public Issue	Nil	16,700,000
October 3, 1990	(320)	166,680	100			Forfeiture of Equity Shares for non-payment of allotment money	Nil	16,668,000
October 12, 1991	73,232	239,912	100	100	Cash	Rights Issue	Nil	23,991,200
February 26, 1992	5,766	245,678	100	100	Cash	Payment of allotment money after Rights Issue	Nil	24,567,800
May 16, 1992	10	245,688	100	100	Cash	Payment of allotment money after Rights Issue	Nil	24,568,800
July 23, 1992	5	245,693	100	100	Cash	Payment of allotment money after Rights Issue	Nil	24,569,300
April 8, 1993*	(91,712)	153,981	100			Equity Shares cancelled as per CLB's Order	Nil	15,398,100
January 12, 1995		1,539,810	10			Split of Equity Shares from a face value of Rs. 100 each to Rs. 10 each**	Nil	15,398,100
February 2, 1997	3,200	1,543,010	10	10	Cash	Reissue of forfeited Equity Shares	Nil	15,430,100
August 25, 2000		3,086,020	5			Split of Equity Shares from a face value of Rs. 10 each to Rs. 5 each***	Nil	15,430,100
July 7, 2001	154,300	3,240,320	5	5	Cash	Allotment to Patel Engineering Employee Welfare Trust	7.68 *(Please refer to + below)*	16,201,600

Date of Allotment	No. of Equity Shares	Cumulative No. of Shares	Face Value Rs.	Issue Price Rs.	Nature of payment of consideration	Reasons for allotment	Cumulative Securities Premium Account (in Rs. Million)	Cumulative Paid -up Capital Rs.
December 7, 2001	1,620,160#	4,860,480	5		Bonus	Bonus in the ratio of 1:2	7.68	24,302,400
September 24, 2004		24,302,400	1			Split of Equity Shares from a face value of Rs. 5 each to Rs. 1 each****	7.68	24,302,400
November 19, 2004	24,302,400#	48,604,800	1		Bonus	Bonus in the ratio of 1:1	7.68	48,604,800
December 27, 2005	1,395,200	50,000,000	1	1	Cash	Allotment to Patel Engineering Employee Welfare Trust	7.68	50,000,000

* Vide a Consent Term Decree dated January 1993 passed by the Company Law Board, New Delhi in the matter of Y.G. Patel and others v. Patel Engineering Company Limited (Company Petition number 28/1991), the Company Law Board ordered that all Equity Shares tendered by "K.Y. Patel Group" upon being surrendered to the Company shall be purchased at fair valuation and cancelled and the issued, subscribed and paid-up capital shall accordingly stand reduced. Pursuant to the said Consent Term Decree, 91,712 Equity Shares were purchased and accordingly cancelled.

** Pursuant to a resolution passed at the Annual General Meeting of the Company on January 12, 1995, the face value of the Equity Shares was sub-divided from Rs. 100 to Rs. 10 per Equity Share and for every 1(one) Equity Share of Rs. 100/- each, 10(ten) Equity Shares of Rs. 10/- each were issued.

*** Pursuant to a resolution passed at the Annual General Meeting of the Company on August 25, 2000, the face value of the Equity Shares was further sub-divided from Rs. 10 to Rs. 5 per Equity Share and for every 1(one) Equity Share of Rs. 10/- each, 2(two) Equity Shares of Rs. 5/- each were issued.

**** Pursuant to a resolution passed at the Annual General Meeting of the Company on September 24,2004 the face value of the Equity Shares was further sub-divided from Rs. 5 to Re. 1 per Equity Share and for every 1(one) Equity Share of Rs. 5/- each, 5 (five) Equity Shares of Re. 1/- each were issued.

\# On December 7, 2001 our Company allotted 1,620,160 Equity Shares of Rs. 5 each as bonus in the ratio of 1:2 through capitalization of general reserves. On November 19, 2004 our Company allotted 24,302,400 Equity Shares of Re. 1 each as bonus in the ratio of 1:1 through capitalization of general reserves.

\+ There were credits to the Securities Premium Account due to the following reasons –

(a) there was transfer of Rs. 3.86 millions from ESOP Outstanding Account to Share Premium Account on account of exercise of 50% of the options granted to the employees; and

(b) there was transfer of Rs. 3.82 millions from ESOP Outstanding Account to Share Premium Account on account of exercise of 50% of the options granted to the employees.

2. Promoters Contribution and Lock-In

As per clause 4.10.1(a) of the SEBI DIP Guidelines, the requirements of promoters' contribution are not applicable in case of our Company as our Equity Shares have been listed on the stock exchanges for a period of three years and our Company has a track record of dividend payment for the last three years preceding the date of this Prospectus.

3. Transactions in the Company's Equity Shares by the Promoters/Promoter Group and the directors of the Company or directors of the Promoters during a period of six months preceding the date of filing of this Prospectus with RoC

Save and except as stated below, there have been no transactions in the Equity Shares by the Promoters/ Promoter Group and the Directors of our Company or directors of our corporate Promoters or Promoter Group entities during a period of six months preceding the date of filing of this Prospectus with RoC.

Sale / Purchase of Equity Shares by Promoters / Directors / Directors of our Promoter / Promoter Group entities

Name	Nature of Transaction	Maximum Price (in Rs.)	Date	Minimum Price (in Rs.)	Date	Aggregate Sale (No. of Equity Shares)
Ms. Silloo Patel	Sale through the Stock Exchange	425.34	January 20, 2006	224.25	September 28, 2005	15,736

4. Shareholding pattern of the Company prior and post this Issue

Name of the Shareholders	Pre-Issue Equity Capital		Post-Issue Equity Capital	
	Number of Equity Shares	%	Number of Equity Shares	%
Promoters and Promoter Group				
Mr. Pravin Patel	211,800	0.42	211,800	0.36
Mr. Rupen Patel	1,344,600	2.69	1,344,600	2.25
Ms. Sonal Patel	102,000	0.20	102,000	0.17
Patel Realtors Private Limited	13,569,160	27.14	13,569,160	22.74
Praham Engineering Company Private Limited	13,075,560	26.15	13,075,560	21.92
Persons Acting in Concert	3,956,066	7.91	3,956,066	6.63
Sub-Total	**32,259,186**	**64.52**	**32,259,186**	**54.07**
Non-Promoters			**27,399,904**	**45.93**
Institutional Investors				
A. Mutual Funds and UTI	2,414,445	4.83		
B. Banks, Financial Institutions, Insurance Companies	400	0.00		
C. FIIs	2,685,483	5.37		
Sub-Total	**5,100,328**	**10.20**		
Others				
A. Private Bodies Corporate	645,662	1.29		
B. Indian Public	8,545,057	17.09		
C. NRIs/OCBs	123,817	0.24		
D. Others				
ESOP Trust	3,325,950	6.65		
Sub-Total	**12,640,486**	**25.28**		
Total	**50,000,000**	**100.00**	**59,659,055**	**100.00**

5a) Particulars of top ten shareholders on the date of filing this Prospectus with RoC

S. No.	Name of the shareholder	Number of Equity Shares of Re. 1 each
1	Patel Realtors Private. Limited	13,569,160
2	Praham Engineering Co. Private. Limited	13,075,560
3	Patel Engineering Employee Welfare Trust	3,325,950
4	FID Funds (Mauritius) Limited	1,537,941
5	Prudential ICICI Trust Limited	1,396,900
6	Mr. Rupen Patel	1,344,600
7	Janki Patel	1,196,700
8	Vimla Patel	960,800
9	Dinesh G Patel	829,500
10	Shantilal Hirji Patel	709,000

5b) Particulars of top ten shareholders ten days prior to filing this Prospectus with RoC

Serial No.	Name of the shareholder	Number of Equity Shares of Re. 1 each
1	Patel Realtors Private. Limited	13,569,160
2	Praham Engineering Co. Private. Limited	13,075,560
3	Patel Engineering Employee Welfare Trust	3,325,950
4	Prudential ICICI Trust Limited	1,396,900
5	FID Funds (Mauritius) Limited	1,537,941
6	Mr. Rupen Patel	1,344,600
7	Janki Patel	1,196,700
8	Vimla Patel	960,800
9	Dinesh G Patel	829,500
10	Shantilal Hirji Patel	709,000

5c) Particulars of the top shareholders 2 years prior to the date of filing this Prospectus with RoC

Serial No.	Name of the shareholder	Number of Equity Shares of Rs. 5 each
1	Patel Realtors Private. Limited	1,601,640
2	Praham Engineering Co. Private. Limited	1,533,090
3	Patel Engineering Employee Welfare Trust	193,075
4	Mr. Rupen Patel	134,460
5	Janki Patel	119,670
6	Vimla Patel	101,280
7	Kokila R. Patel	95,220
8	Dinesh G Patel	82,950
9	Shantilal Hirji Patel	75,900
10	Rasik G. Patel	55,110

6. The Directors, the Promoters, the directors of our corporate Promoters or Promoter Group companies and the BRLMs to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of the Company from any person.

7. A Bidder cannot make a Bid for more than the number of Equity Shares Issued through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

8. In case of over-subscription in all categories, not more than 50% of the Net Issue, shall be available for allocation on a proportionate basis to Qualified Institutional Buyers, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder, if any, of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Undersubscription, if any, in the Reservation for Existing Retail Shareholders, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs in the manner detailed in the section titled "Issue Procedure" on page 212 of this Prospectus.

9. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Prospectus with RoC until our Equity Shares to be issued in terms of this Prospectus have been listed.

10. Our Company has not raised any bridge loan against the proceeds of this Issue.

11. Except for this Issue, we presently do not have any intention or proposal to alter our capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity

Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may, subject to necessary approvals, undertake an issue of shares or securities linked to equity shares to finance an acquisition, merger, or joint venture by us or as consideration for such acquisition, merger or joint venture, or to capitalize upon any business opportunities, or for regulatory compliance if an opportunity of such nature is determined by our Board to be in our interest.

12. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

13. The Equity Shares held by our Promoters are not pledged to any party as on the date of this Prospectus. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loan whenever availed of from banks or financial institutions provided pledge of Equity Shares is one of the terms of sanction of loan.

14. Save and except as disclosed in the chapter titled "Our Management" on page 84 of this Prospectus, none of the Directors and Key Managerial Personnel holds any Equity Shares in our Company.

15. Our Company has not revalued any of its assets in the five years preceding the date of this Prospectus.

16. Save and except as mentioned at Note 1 of this Chapter, we have not capitalized any of our reserves.

17. As on the date of filing this Prospectus with RoC, the total number of holders of Equity Shares is 8,789.

18. Save and except as stated below, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares as on the date of filing of this Prospectus with RoC.

    Our Company has issued 25 (twenty five) 12% Secured Redeemable Non-convertible Debentures of face value of Rs. 5,000,000/- each of the aggregate nominal value of Rs. 125,000,000/- ("Debentures") issued and allotted to UTI Bank Limited on a private placement basis. The said debentures will mature in June 2006. At present, the interest rate on the said debentures has been reduced to 8.5%.

19. Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of the Company and the Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.

Patel Engineering Limited Employee Stock Option Scheme ("ESOP 2001")

ESOP 2001

Vide a resolution passed at the AGM held on August 25, 2000, the shareholders of our Company approved the "Employee Stock Option Scheme –2001" ('ESOP 2001") to issue grant and allot stock options to the eligible employees of our Company upto 5% of the issued, subscribed and paid-up capital of our Company stood as on March 31, 2000. Approval for establishment of "Patel Engineering Employee Welfare Trust" ("Employee Trust") to administer the scheme was also approved in the said AGM. On July 7, 2001 a total of 154,300 Equity Shares of face value of Rs. 5 each were allotted to the Employee Trust along with the authority to issue stock options to the identified employees, as per the terms of the ESOP 2001, in compliance with SEBI (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines, 1999 :-

(i) Options shall be issued at a price of Rs. 5 per stock option or at such other sum as the ESOP Advisory Committee may determine from time to time;

(ii) exercise price for conversion of stock options into Equity Shares shall be at par value;

(iii) vide a resolution passed at the AGM held on September 26, 2003, the vesting schedule of the stock options was modified as follows –

- 50% of the stock options shall vest on completion of 12 months from the date of grant; and
- the rest 50% of the stock options shall vest on completion of 24 months from the date of grant.

On November 19, 2001 a total of 44,200 stock options were granted by the ESOP Advisory Committee to the eligible employees of our Company. Out of the same, 19,275 stock options were exercised on November 19, 2002 and a further 19,100 stock options were exercised on November 19, 2003 at an exercise price of Rs. 5 each per stock option. The remaining stock options, i.e. 5,825 stock options lapsed on account of not being exercised. As on the date of filing this Prospectus the Employee Trust has in its name 1930750 unutilized shares under ESOP 2001 Plan. These shares have been irrevocably granted to the Employee Trust and are to be used for the benefit and welfare of the employees.

The details of Equity Shares lying with the Employee Trust and the number of stock options, granted, vested, exercised and lapsed, as the case may be, is as follows –

Sr. No.	Particulars	Date	Details
1.	No. of Equity Shares allotted to the Employee Trust	July 7, 2001	154,300 Equity Shares of Rs. 5 each
2.	No. of stock options granted to the eligible employees	November 19, 2001	44,200 stock options
3.	No. of Equity Shares allotted to the Employee Trust (on account of bonus issue in the ratio of 1:2)	December 7, 2001	77,150 Equity Shares of Rs. 5 each
4.	Total No. of Stock Options exercised into Equity Shares - No. of stock options exercised - No. of stock options exercised	November 19, 2002 November 19, 2003	19,275 Equity Shares* 19,100 Equity Shares*
5.	Exercise Price		At par
6.	Total number of stock options vested as on date		NIL
7.	Total number of stock options lapsed		5,825 stock options
8.	No. of Equity Shares lying with the Employee Trust after sub-division of face value of Equity Shares from Rs. 5 to Re. 1 each	September 24, 2004	965,375 Equity Shares of Re. 1 each
9.	No. of Equity Shares allotted to the Employee Trust (on account of bonus issue in the ratio of 1:1)	November 19, 2004	965,375 Equity Shares of Re. 1 each
10.	Total no. of outstanding Equity Shares with the Employee Trust prior to December 27, 2005		1,930,750 Equity Shares of Re. 1 each
11.	Variation in terms of the ESOP		NIL
12.	Money realized by exercise of options		Rs. 191,875
13.	Person-wise details of options granted to: (a) Directors and Key Managerial Personnel; (b) Any other employee who received a grant in any one year of stock options equal to 5% or more of options granted during that year; (c) Identified employees who were granted, during one year, options equal to or exceeding 1% of the issued capital at the time of grant.		 *Please refer to the table below.* Not applicable. Not applicable.
14.	Diluted EPS pursuant to the issue of Equity Shares on the exercise of stock options		Not applicable.
15.	Vesting Schedule		The stock options shall vest in the ratio of 50% and 50% at the end of the first and the second year from the date of the grant respectively.
16.	Details of Lock-in		Not applicable.

Name of Directors/Key Managerial Personnel	Total No. of Options granted and exercised under ESOP 2001 Plan
Mr. S.K. Desai	1,500
Mr. B.S. Reddy	1,500
Mr. V.R. Dhedhi	1,500
Mr. S.K. Saha	1,200
Mr. K.P. James	1,500
Mr. B.K. Chakravorty	1,500
Mr. R. Subramanyam	600
Mr. S.D. Sapre	1,500
Mr. Ashwin Parmar	1,200

Please refer to 13(a).

*At the time of the grant of stock options in the year 2001, the face value of our Equity Shares was Rs. 5 per Equity Share.

ESOP 2006

The Board of Directors vide its resolution dated December 27, 2005 allotted 1,395,200 Equity Shares at par to the Employee Trust as per the authority of shareholders vide AGM dated September 29, 2005. The Board of Directors reconstituted the ESOP Committee on January 18, 2006 as "Employee Compensation Committee" comprising Mr. Khizer Ahmed, Mr. Pravin Patel and Mr. Ajay Tuli and advised the said committee to announce a ESOP Plan 2006 and spread over to a maximum of 20 years or such years as may be beneficial for attracting and motivating prospective employees as well as retaining existing employees and thereafter decide each year the norms applicable to for grant of options in the next financial year. The accounting policy as set out in Schedule I of SEBI (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines, 1999 shall be followed upon the grant of options.

As on the date of filing this Prospectus, the Employee Trust has in its name 3,325,950 Equity Shares. As on date, there are no outstanding stock options that are granted or vested.

OBJECTS OF THE ISSUE

The Indian economy has been developing at a faster pace since the economic liberalization process was initiated in 1991. According to the Central Statistical Organization, India has achieved a growth rate of 7.5% for 2004-05, and as per advance estimates the GDP growth is likely to be 8.1% for 2005-06. A significant impediment to growth has been the poor infrastructure. The government is committed to improve the overall infrastructure for sustaining and increasing the pace of development of the Indian economy.

Our Company is in the infrastructure construction industry, which has emerged as a vital factor for sustained growth of the Indian economy. The Company has been on a growth trajectory and would like to further capitalize and benefit from the growth momentum by chalking out a structured growth plan for expansion through organic and inorganic means.

The objects of this Issue are to raise equity for financing the growth plans of the Company. We intend to deploy the net proceeds from the Issue of Rs 4,250 million after meeting Issue expenses of approximately Rs 250 million for investment in capital equipment, investments in infrastructure projects, subsidiaries and joint ventures, for meeting working capital requirements, repayment of debts/advances and for other general corporate purposes.

The main objects and objects incidental or ancillary to the main objects as set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution.

The fund requirement is based on our current business plan. In view of the dynamic nature of the industry segments we operate in, we may have to revise our business plans from time to time and consequently our fund requirement may also change. In the event of a shortfall in procuring Issue proceeds towards Objects of the Issue, the extent of repayment of debt will be reduced. In case of surplus, the same will be used for further repayment of debt. The balance proceeds, if any, will be used for growth opportunities and general corporate purposes as laid out in the objects clause of the Memorandum of Association.

The details of the proceeds of the Issue are summarized below:

Particulars	Estimated Amount (In Rs. million)
Gross proceeds of the Issue	4,250
Issue related expenses*	250
Net Proceeds of the Issue	4,000

* The details of Issue related expenses are provided later within this section of this Prospectus

The estimated funds requirement for the above stated objects is set forth in the table below:

S.No.	Particulars	Funds Requirement (In Rs. million)
1	Investment in Capital Equipment	700
2	Repayment of Contractee Advances/ Debt	800
3	Investments in infrastructure projects, subsidiaries acquisition and joint ventures	1,500
4	General Corporate Purposes	1,000
	Total	4,000

Schedule of Implementation / Utilization of the Issue Proceeds

The break-down of the proposed utilization of the Issue proceeds and the year-wise deployment of proceeds during the next two years is as given below:

S. No.	Particulars	Amount to be Utilized in (in Rs. million)	
		FY 2006-07	FY 2007-08
1.	Investment in Capital Equipment	500	200
2.	Repayment of Contractee Advances/ Debts	800	-
3.	Investments in infrastructure projects, subsidiaries, acquisitions and/or joint ventures	900	600
4.	General Corporate Purposes	700	300
	Total	**2,900**	**1,100**

The schedule of utilisation over a period of two years as set forth above, is based on our current business plan. In view of the dynamic nature of the industry that we operate in, we may have to revise our business plans from time to time and implementation of projects might have to be rescheduled due to varied reasons. In the event of a change, the extent of utilisation of funds may be preponed or postponed depending on the business requirements.

Details of Use of Proceeds

1. Investment in Capital Equipment

The Company needs to make investments in capital equipment on a recurring basis in our ongoing and future projects for further expansion in order to meet the requirements of various projects. The Company has projected a capital expenditure plan of Rs. 700 million based on its backlog as of December 31, 2005 and future expansion plans. The details of the equipment the Company intends to purchase and their estimated costs, including the estimated costs of associated spares, attachments and other accessories, are specified in the following capital expenditure plan:

(In Rs. millions)

Sl. No.	Equipment Description	Quantity	Unit	Amount
1	Boomer 2 arms	2	Nos.	60.00
2	Rock Bolter	1	Nos.	35.00
3	Shotcrete Robo Arm	3	Nos.	30.00
4	Shotcrete Machine	7	Nos.	19.60
5	Dumper 15 ton	25	Nos.	42.50
6	Excavator 20 T class	6	Nos.	24.00
7	Dozer	4	Nos.	18.68
8	Wheel Loader	8	Nos.	24.00
9	Truck	8	Nos.	4.00
10	Truck Flat Body	8	Nos.	10.00
11	Electric Compressor	8	Nos.	8.40
12	Rock Breaker	4	Nos.	6.00
13	Twin Header	1	Nos.	8.50
14	Crushing Plant 200 T three stage	2	Nos.	56.00
15	Crushing Plant 125 T three stage	2	Nos.	35.00
16	Excavator 30 T class	2	Nos.	14.00
17	Tipper	25	Nos.	22.50
18	Crane – 25 T	1	Nos.	6.00
19	Crane – 35 T	1	Nos.	10.00
20	Crane – 50 T	1	Nos.	12.50
21	Survey Equipments	4	Nos.	3.32
22	Tunnel Boring Machine	1	Nos.	250.00
	Total:			**700.00**

For the above estimates where the equipment or machinery is yet to be ordered, the Company has relied upon quotations received by it over the past six months and its past experience. Where more than one quotation has been sought, the Company has indicated the lowest of such quotations. The Company has not as yet taken a decision to finalize the suppliers for the above equipment.

The figures in the Company's capital expenditure plans are based on management estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditure plans are subject to variance due to nature of projects, construction schedule, change in methodology of execution, change in fiscal policy or changes in the management's views of the desirability of current plans, among others.

2. Repayment of Contractee advances/ Debt

The Company has entered into various financing arrangements with a number of banks, financial institutions, leasing companies and others. These arrangements include fund based facilities (in the form of term loans, working capital facilities, equipment loans and short term loans) aggregating Rs. 1,786.60 million as on December 31, 2005. As on December 31, 2005 the amount outstanding from the Company was Rs. 2,024.02 million. Details of the amounts outstanding have been provided in the table below:

Summary of Debt Position

(In Rs. millions)

Sr. No	Bank/ Lender	Total Amount Sanctioned Under Fund Based Facilities	Amount Outstanding as on December 31, 2005
A	**Term Loan Account**		
1	Bank of India (Foreign Currency Loan)	671.60	600.20
2	HDFC Bank Limited	650.00	650.00
3	ABN AMRO	100.00	100.00
4	UTI Bank Limited No-convertible Debentures	125.00	125.00
	Total Term Loans	1,546.60	1,475.20
B	**Working Capital Limits**		
1	ICICI Bank Limited	200.00	56.95
2	ING Vysya Bank Limited	240.00	102.67
	Total Working Capital Loans	440.00	159.62
C	**Unsecured Credit Facilities**	Not Applicable	652.31
	Total Working Capital Loans		
D	**Other Loans**		
1	Equipments Loans etc.*	Not applicable	389.20
E.	**Contractee Advances****	Not applicable	1,511.63
	Total Loans (A+B+C+D)		**2,676.33**

* The details of the Equipment Loans are as follows:

Sr. No.	Name of Financial Institution / Bank	Amount Outstanding	Range of Rates (in %)
1.	GE Capital TFS Limited	163,899,647	6.5 - 7
2.	ICICI Bank	15,619,773	5.22 – 9.75
3.	Citibank NA	7,916,773	7
4.	Citibank NA	121,289,774	7.76
5.	ABN Amro Bank NV	80,043,835	5.45 – 7.76
6.	Kotak Mahindra Primus Limited	279,312	7.51 – 10.84
7.	Ford Credit Kotak Mahindra Limited	146,754	8.96

** The names of Contractees are as follows:

Sr. No.	Name of the Contractee
1.	Government of Maharashtra – Irrigation Department
2.	Government of Andhra Pradesh
3.	North Eastern Electric Power Corporation
4.	National Hydro-Electric Power Corporation
5.	NICON Limited
6.	MMRDA
7.	Patel-Soma JV

The Company intends to utilize the net proceeds of the Issue towards repayment of its fund-based facilities to reduce its financial costs. Some of the Company's financing arrangements contain provisions relating to prepayment penalties. The Company will take these provisions into consideration in prepaying its debt from the proceeds of the Issue. In the event of any shortfall in using the net proceeds of the Issue as described in the objects of the Issue, the Company will reduce the amount of repayment of debt. In the event of any surplus, the management, in accordance with the policies established by the Board, will have flexibility in applying such surplus towards further repayment of debt or for general corporate purposes.

3. **Investments in infrastructure projects, subsidiaries, acquisition and joint ventures**

The Company intends to bid for various projects on an Annuity, IPP, BOT or BOOT basis and invest in subsidiaries, and joint ventures within and outside India. We have submitted applications for IPP in Himachal Pradesh and Uttaranchal. Annuity, IPP, BOT and BOOT projects require private sector investment in the form of capital infusion with the autonomy to operate and generate revenue. Typically, these projects involve contracts with concession periods over 10 years. To be able to undertake such projects, the Company is required to form special purpose vehicles ("SPVs") to facilitate the execution of such projects. The Company would like to capitalize and benefit from the growth momentum and accelerate its growth rate through investments in such projects on its own or through SPVs, joint ventures and subsidiaries Further, in case there are suitable opportunities the Company may, subject to necessary approvals, adopt the opportunistic acquisition route by acquiring other infrastructure companies for furthering inorganic growth. While the Company has not identified such opportunities at present, the Company is continuously on the look out for such opportunities. The Company intends to use up to Rs. 1,500 million from the proceeds of the Issue for investments in SPVs, subsidiaries, acquisitions and joint ventures within and outside India.

The Company believes that it will derive benefits from its investment in such SPVs, subsidiaries, acquisitions and joint ventures by being in a better position to bid for various projects. The Company has not yet identified such vehicles through which it will invest or the form of investment and there is no assurance of any future dividends from such investments. The management, in accordance with the policies established by the Board, will have flexibility in applying the portion of the net proceeds allocated for investments in such vehicles and for general corporate purposes.

4. **General Corporate Purposes**

The Company intends to use upto Rs. 1,000 million from the proceeds of the Issue for general corporate purposes. The Company intends to use the net proceeds of the Issue in accordance with the growth plan and long term strategy. The civil engineering and construction industry is dynamic in nature and the Company's plan and strategy will depend on future additions in the Order Book, the types of contracts and the schedule of execution of different contracts. Hence, the Company's management will utilize these funds for various corporate purposes including purchase of capital equipments, working capital, repayment of debts/advances, investments in projects, subsidiaries, acquisitions and joint ventures etc. The Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue for the purposes as stated in the Memorandum of Association.

5. **Issue Related Expenses**

The Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses and registrar and depository fees. The estimated Issue expenses are as follows:

Activity	Expense (Rs. millions)
Lead management, underwriting and selling commissions	110.00
Advertising and marketing expenses	45.00
Printing and stationery	38.00
Other (Registrar's fees, legal fees, etc.)	57.00
Total estimated Issue expenses	250

Working Capital

We expect to meet any increase in our working capital requirements from our existing working capital facilities and internal cash accruals. Presently, we enjoy working capital limits of Rs. 440 million of which the amount outstanding as on December 31, 2005 was Rs. 159.62 million.

Deployment of Funds

As on the date of this Prospectus, the Company has not incurred any expenditure towards the Objects proposed to be financed from the proceeds of this Issue.

Interim Use of Proceeds

The Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Issue for the purposes described above, we intend to temporarily invest the funds in fixed deposits either with nationalised or scheduled commercial banks, as the case may be. Such investments would be in accordance with the investment policies approved by the Board from time to time.

Monitoring of Utilization of Funds

Union Bank of India vide its letter dated April 12, 2006 has given its consent to monitor the utilisation of issue proceeds. Further, the utilisation of Issue proceeds will also be monitored by our Audit Committee. We will disclose the utilisation of Issue proceeds under a separate head in our balance sheets for FY 2007 and FY 2008 and provide details, if any in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any of such unutilised proceeds of the Issue. However at any point of time the proceeds of the issue will not be used for any other purposes, except those as stated in the Memorandum of Association of the company.

No part of the Issue proceeds will be paid by the Company as consideration to the Promoters, the Directors, the Company's key management personnel or companies promoted by the Promoters except in the usual course of business.

BASIS OF ISSUE PRICE

The Price Band for the Issue Price will be decided by our Company in consultation with the BRLMs and will be specified in the Red Herring Prospectus that will be filed with the Registrar of Companies. The Price Band will also be advertised in Financial Express (all editions), an English language newspaper, Jansatta (all editions), a Hindi language newspaper with wide circulation and Navshakti, a regional newspaper.

The Issue Price will be determined by our Company in consultation with the BRLMs on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Re. 1 and the Issue Price is 400 times the face value at the lower end of the Price Band and 440 times the face value at the higher end of the Price Band.

Investors should read the following summary alongwith the sections titled "Risk Factors" and "Financial Statements" beginning on page xii and 115 of this Prospectus and other details about our Company and its Subsidiaries included in the section "History and Corporate Matters" beginning on page 78 of this Prospectus. The trading price of our Equity Shares could decline due to such risks and you may lose all or part of your investments.

QUALITATIVE FACTORS

- We are one of India's leading *[Source: BS 1000, Sector Watch, Business Standard, January 2006* – Patel Engineering ranked 6th among construction companies on basis of sales] civil engineering construction companies engaged primarily in the civil construction of Hydro – power projects, Irrigation and water supply projects and Roads, bridges and tunnels.
- As per CEA, since Independence total hydro-power installation in India has been 32,000 MW. Of this we have been involved in hydro-power installations of 7,170 MW which amounts to 22% of total hydro-power installations.
- We have successfully executed construction projects outside India in North America (USA), South America (Chile), Asia (China, Qatar, Bhutan, Nepal, Sri Lanka), Europe (Greece) and Africa (Eritrea)
- We have access to specialized technology in certain niche areas like Microtunneling and Roller Compacted Concrete
- We are technically and financially qualified to bid for large and complex projects.
- The government's increased focus on hydro-power and irrigation is expected to benefit construction companies like us.
- We have a well-funded and high quality customer base thereby reducing the risk of bad debts in our receivables.
- We have a proven management team, which is well supported by qualified and experienced employees.
- We are continuously improving our performance through efficient use of capital equipment, long term relationship with joint venture partners and subcontractors and our domain knowledge and experience.
- We have a consistent track record in profitability and dividend payment as shown below:

Fiscal Year	Profit / (Loss) (Restated) (Rs. in million)	Dividend
2000-01	164.39	250%
2001-02	180.89	100%*
2002-03	170.75	100%
2003-04	224.69	100%
2004-05	379.07	100%*

*Post Bonus.

For detailed discussion on the above factors, see "Our Business" on page 49 of this Prospectus.

QUANTITATIVE FACTORS

The information relating to our Company as presented in this chapter is derived from our Company's restated, unconsolidated financial statements prepared in accordance with the Indian GAAP. Some of the quantitative factors, which may form the basis for computing the price of our Equity Shares, are as follows –

• **Annualised Earning Per Share (EPS)**

Year	Diluted EPS (Rs.)*	Weight
Fiscal 2003	3.51	1
Fiscal 2004	4.62	2
Fiscal 2005	7.80	3
Nine months ended December 31, 2005	10.33	3
Weighted Average	**7.46**	

***** Earning per share represents basic earnings per share calculated as Adjusted Net Profit after Tax ("PAT") divided by weighted average of Equity Shares outstanding during the fiscal year/ period.

2. **Price/Earning (P/E) ratio in relation to Issue Price of Rs. 440**

   a. Based on fiscal 2005 Diluted EPS of Rs. 7.80 - 56.41

   b. P/E for Industry based on Fiscal 2005 EPS

Particulars	Construction Industry
Highest	262.5
Lowest	8.4
Industry Composite	41.3

Source: Capital Market Issue April 10 – 23, 2006

3. **Annualized Return on Net Worth (RoNW)**

Year	RoNW (%)**	Weight
Fiscal 2003	19.91	1
Fiscal 2004	21.23	2
Fiscal 2005	27.46	3
Nine months ended December 31, 2005	27.06	3
Weighted Average	**25.10**	

****** Return on Net Worth is arrived at by dividing PAT by total shareholder's funds (Net Worth) at the end of the fiscal year/ period.

4. **Minimum return on increased Net Worth required to maintain pre-Issue EPS of Rs. 7.80 - 8.3%**

5. **Net Asset Value per share (NAV)**

	NAV (Rs.) ***
As at December 31, 2005	38.17
After the Issue	103.23
Issue Price	440.00

******* Net Asset Value per share, computed as per net equity method, is arrived at as Equity net worth at the end of the fiscal year/ period and divided by the number of equity shares at the end of the fiscal.

6. **Comparison with industry peers**

Based on the nature of the activities our Company is engaged in, the comparison of its accounting ratios with its closest comparable listed competitors in India are as given below –

Comparable Indian company	Year Ended	Face Value per Equity Share (Rs.)	Basic EPS (Rs.)	P/E	RoNW (%)	Book Value per Share (Rs.)
Simplex Infrastructure Limited	March 2005	10	28.3	39.5	26.3	229.7
Hindustan Construction Company Limited	March 2005	1	3.0	45.9	28.6%	15.40
Jaiprakash Associates Limited	March 2005	10	11.1	29.2	18.1%	76.00
Nagarjuna Construction Limited	March 2005	2	5.4	43.0	23.5%	32.00
Our Company	March 2005	1	7.80	56.41	27.46%	28.40

Source: Capital Market Issue April 10 -23, 2006

The BRLMs believe that the Issue Price of Rs. 440 is justified in view of the above qualitative and quantitative parameters. Please also refer to sections titled “Risk Factors” and “Financial Statements” beginning on page xii and 115, respectively of this Prospectus, including important profitability and return ratios, as set out in the Auditors’ reports included in the Financial Statements.

STATEMENT OF TAX BENEFITS

March 14, 2006
Patel Engineering Limited
Patel Estate Road,
Jogeshwari – West,
Mumbai – 400 102

Dear Sirs,

We hereby report that the enclosed annexure states the possible direct tax benefits available to Patel Engineering Limited (the "Company") and its shareholders under the tax laws presently in force in India as amended by the Finance (No. 2) Act, 2005. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant direct tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, it may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the Selling Shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits have been / would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

Certain changes have been proposed in the Finance Bill 2006, which could have an effect on the tax benefits that are presently being enjoyed by the members. If such changes are finally approved and legislated, some of the present tax benefits available will undergo a change. They are explained in italics at appropriate places.

For Vatsaraj & Co.
Chartered Accountants
B. K. Vatsaraj

Partner
Membership No. 39894

ANNEXURE TO STATEMENT OF TAX BENEFITS DATED MARCH 14, 2006

Statement of possible Direct Tax Benefits available to Patel Engineering Limited ("the Company") and its Shareholders

A. To the Company - Under the Income Tax Act, 1961 (the Act)

1. The company is eligible for deduction under Section 80IA of the Act in respect of the profits and gains derived from the eligible projects (undertakings) of infrastructure development for a period of any 10 consecutive years, falling within the first 15 years, beginning from the year in which eligible undertaking starts developing the Infrastructure facility on complying with the conditions specified in the said section.
2. The Company is eligible for deduction under section 80IB (10) of the Act in respect of profits or gains derived from developing and building approved housing projects complying with conditions specified under the said section within the prescribed time period.

B. To the Members of the Company - Under the Act

B.1 Resident Members

1. Under section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions notified by the Central Government and also the mutual funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
2. Under section 10(34) of the Act, dividend income referred to in section 115-O of the Act, are exempt from tax in the hands of its Members and are not subjected to any deduction of tax at source.
3. Under Section 10(38) of the Act, Long Term Capital Gains arising from the sale of equity shares of the company transacted through a recognized stock exchange in India, on or after October 1,2004, the date from which such transaction is chargeable to Securities Transaction Tax, are exempted from tax. However, in the case of a company-member liable to pay MAT, the book profits on sale of such shares shall be included in computing the MAT liability.
4. Under Section 111A of the Act, Short Term Capital Gains arising from the sale of securities transacted through a recognized stock exchange in India, on or after October 1, 2004, will be taxable at the rate of 10% (plus surcharge and education cess).
5. Under section 112 of the Act, long term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and education cess) after indexation, as provided in the second proviso to section 48 of the Act. However, in case of listed securities or units, the amount of such tax could be limited to 10% (plus applicable surcharge and education cess), without indexation benefit, at the option of the member in cases where securities transaction tax is not levied.

B.2 Non-Resident Indians/ Non Residents Members [Other than FIIs and Foreign venture capital investors].

1. Under section 10(34) of the Act, dividend income referred to in section 115-O of the Act, are exempt from tax in the hands of the Members and are not subjected to any deduction of tax at source.
2. Under Section 10(38) of the Act, Long Term Capital Gains arising from the sale of equity shares of the company transacted through a recognized stock exchange in India, on or after October 1,2004, the date from which such transaction is chargeable to Securities Transaction Tax, are exempted from tax. However, in the case of a foreign company-member having an office in India and liable to pay MAT, the book profits on sale of such shares shall be included in computing the MAT liability.
3. Under Section 111A of the Act, Short Term Capital Gains arising from the sale of shares transacted through a recognized stock exchange in India, on or after October1, 2004, will be taxable at the rate of 10% (plus surcharge and education cess).
4. A non-resident Indian (NRI) (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) has an option to be governed by the provisions of Chapter XII-A of the Act viz. "Special Provisions Relating to Certain Incomes of Non-Residents".
5. Under section 115G of the Act, it shall not be necessary for a NRI to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

6. Under section 115-I of the Act, a NRI may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Act declaring therein that the provisions of this chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him instead the other provisions of the Act shall apply.

7. Under the first proviso to section 48 of the Act, in case of a non-resident, in computing the capital gains arising from transfer of shares or debentures of the Indian company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

B.3 Foreign Institutional Investors (FIIs)

1. Under section 10(34) of the Act, dividend income referred to in section 115-O of the Act, are exempt from tax in the hands of the Members and are not subjected to any deduction of tax at source.

2. Under Section 10(38) of the Act, Long Term Capital Gains arising from the sale of equity shares of the company transacted through a recognized stock exchange in India, on or after October 1,2004, the date from which such transaction is chargeable to Securities Transaction Tax, are exempted from tax.

3. Under Section 115AD of the Act, Short Term Capital Gains arising from the sale of shares transacted through a recognized stock exchange in India, with on or after October 1, 2004, will be taxable at the rate of 10% (plus surcharge and education cess).

B.4 Approved Infrastructure Capital Funds/Companies/Co-operative Banks

1. Under section 10(34) of the Act, dividend income referred to in section 115-O of the Act, are exempt from tax in the hands of the Members and are not subjected to any deduction of tax at source.

2. Under Section 10(38) of the Act, Long Term Capital Gains arising from the sale of equity shares of the company transacted through a recognized stock exchange in India, on or after October 1,2004, the date from which such transaction is chargeable to Securities Transaction Tax, are exempted from tax. However, in the case of a company-member liable to pay MAT, the book profits on sale of such shares will be included in computing the MAT liability.

B.5 Mutual Funds

In accordance with section 10(23D), any income of:

(a) a Mutual Fund registered under the Securities and Exchange Board of India Act 1992 or regulations made thereunder;

(b) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf will be exempt from income-tax.

C. Benefits available to the Members of the Company under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957; hence the value thereof is not includible in the net wealth chargeable to Wealth Tax.

D. Benefits available to the Members of the Company under the Gift Tax Act, 1958

Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax.

Notes

1. All the above benefits are as per the current tax law as amended by the Finance (No 2) Act, 2005 and will be available only to the sole/first named holder in case the shares are held by joint holders. Legislation, its judicial interpretation and the policies of the regulatory authorities are subject to change from time to time, and these may have a bearing on the information that we have given. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above. Unless specifically requested, we have no responsibility to carry out any review of our comments for changes in laws or regulations occurring after the date of issue of this Note.

2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

SECTION IV: ABOUT US

INDUSTRY

Overview

India, the world's largest democracy in terms of population (1,091 million people) had a GDP on purchasing power parity basis of approximately U.S.$ 2,930 billion in 2003. This makes it the fourth largest economy in the world after the United States of America, China and Japan (CIA World Factbook).

Over the past ten years, the Indian economy has also been one of the fastest growing economies in the world, witnessing an average growth of over 6% per year. The following chart presents a comparison of India's GDP growth rate with the growth rates of certain other countries from 1993 to 2003.

Country	Average GDP Growth
India	6.16%
Australia	3.79%
Brazil	2.52%
Chile	4.56%
China	8.92%
Japan	1.32%
Korea	5.50%
Malaysia	5.32%
Russia	0.91%
Thailand	3.54%
United Kingdom	2.92%
United States of America	3.27%

Source: United Nations Statistical Division

India recently has had a high GDP growth rate. India's GDP growth rate has increased from 4% in FY 2003 to an estimated 7.5%-8% in FY 2006 *(Source: ET Intelligence .com & CSO).*

Currently, however India spends far less on infrastructure development when compared with other developed and developing nations. It is estimated that China spends seven times as much as India on infrastructure development (excluding real estate) in absolute terms. In 2003, total capital spending on electricity, roads, airports, seaports and telecom was US$150 billion in China (representing 10.6% of GDP) compared with US$21 billion in India (representing 3.5% of GDP).

The Indian Government recognizes this gap. Infrastructure spending peaked at 6.1% of GDP in FY 1992 before declining to a 33-year low of 3.3% of GDP in FY 2003. In FY 2005, Indian infrastructure spending was 3.5% of GDP. Investment in infrastructure, given the intent of the Government is expected to rise.

The increase in infrastructure development in India is driven by political will and new sources of funding. Independent research studies and estimates from the Plan Documents suggest that there will be an investment of approximately Rs. 8,618 billion into various Indian infrastructure projects (sectors including power, roads, ports, railways, airports, pipelines, irrigation and water supply, urban infrastructure) over the next five years. Construction companies are expected to benefit from this momentum.

Construction companies in India are typically civil engineering companies which undertake construction work on a contract basis, in sectors like roads, ports, marine structures, power projects etc. All construction projects have eligibility criteria. Companies who have the requisite financial strength and experience typically meet these eligibility criteria and undertake projects independently. Smaller companies generally have to enter into joint ventures to meet the eligibility criteria and to spread the financial and business risk.

Build, Operate and Transfer ("BOT") and Build, Own, Operate and Transfer ("BOOT") are also increasingly seen as modes of executing projects.

Foreign engineering and construction companies typically participate in the infrastructure development in India through joint development ventures with Indian construction companies.

The main sectors where increased activity in infrastructure development is currently being witnessed include:

Sectors	Sector sponsoring the investment
Power	Private and Government, Multi-lateral Agencies
Roads	Mainly Government, Multi-lateral Agencies
Ports	Private and Government
Railways	Government
Airports	Government
Pipelines	Private and Government
Irrigation and Water Supply	Government
Urban Infrastructure	Private and Government, ,Multi-lateral Agencies

Triggers for the Growth

Before 1999, India's investment was much lower than its Asian rival, China. This was mainly due to limited incentives for private-sector investment, poor funding for new projects and restrictive government regulation. The entire investment was led by government spending, which was constrained by its huge fiscal deficit. There was no alternative means of financing development of the infrastructure. In addition, the private sector was not incentivised to participate in Indian infrastructure development. As a result, barring a few exceptions in the power and port segments, the private sector was largely inactive.

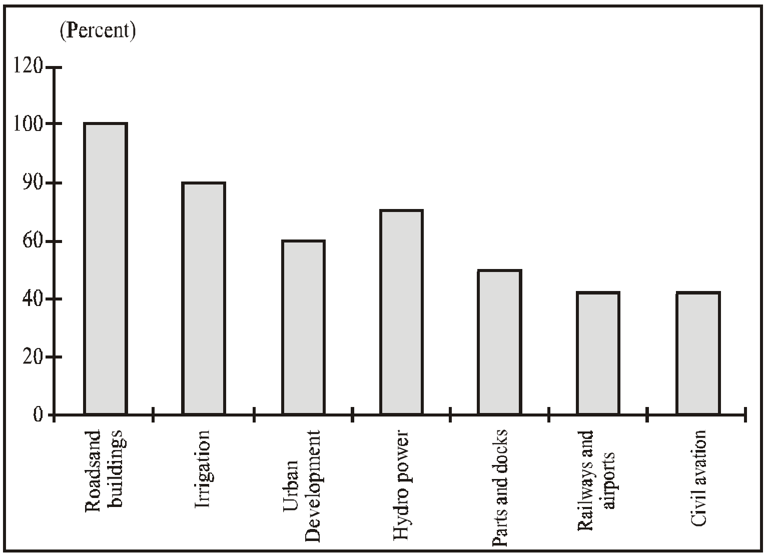
The previous Indian Government announced two plans for the road sector (Golden Quadrilateral project, North-East West-South), which signaled a new impetus for infrastructure development in India. The present Government has continued this focus. There is a renewed focus through the Plan documents and budgetary allocations by the Government to boost infrastructure at a fast pace by making available financial resources through cess and multilateral funding private sector investments, credit at reasonable interest rates etc. The biggest beneficiaries of this growth will be the construction companies who are likely to witness larger order book positions and increased sales over the next few years. The graph below shows the potential investments in the infrastructure sector:

Infrastructure potential over FY 06 -10

		DEBT					
(Rs bn)	**Budgetary Grant**	**Multilateral Borrowings**	**Market Borrowings**	**Internal Accurals**	**Privatisation BOT**	**Funding Not Tied Up**	**Total**
Power	245	175	1,274	413	865	-	2,973
Roads	368	296	167	-	1,286	350	2,466
Ports	100	-	-	-	150	-	250
National Maritime Dvlpt Program	69	-	-	30	235	-	335
Railways	248	241	-	50	211	-	749
Airports	7	-	5	5	212	-	228
Pipelines	-	-	250	150	-	-	400
SEZ	10	5	10	-	91	-	116
Irrigation & Water supply	156	181	81	8	35	-	461
Bus Terminals	-	-	-	-	9	-	9
Urban infra	67	195	33	35	300	-	630
Total	**1,269**	**1,092**	**1,821**	**691**	**3,394**	**350**	**8,618**

Source: Plan Documents and Company analysis

The following chart depicts the percentage of construction component within each infrastructure segment:



Note
Urban development includes water sanitation projects and city works

Source: CRISINFAC

Macro Trends in the Construction Industry

The demand for construction has resulted in the following macro trends:

a) The pipeline of orders from the infrastructure sector has resulted in an increased order backlog for construction companies thereby easing the competitive pressure in the construction business since order supply will be abundant (as can be ascertained from Corporate Announcements on BSE and NSE).

b) Construction companies are now able to include cost-escalation clauses into their contracts, which contrast with the fixed price contracts of the past. These clauses allow construction companies to pass on any increases in the costs of raw materials to their customers, thus protecting their margins.

c) Established construction companies are moving towards public-private partnership , specifically BOT/BOOT/ IPP projects. They have been raising funds from the market to finance these projects.

This recent growth in the infrastructure industry has resulted in many participants adapting a fragmented approach, where they bid for many projects in different sub-sectors. However, the more established players who have financial strength, experience and access to technology and an appetite to undertake large contracts can adopt a more selective approach and therefore have been making discretionary bidding.

The Company currently operates predominantly in the following segments:

- Power (mainly hydro-power);
- Irrigation and Water Supply and
- Transport (Roads)

The trend in each of these sectors are discussed below:

Power

The power industry in India has been characterized by acute shortages in supply of power in comparison with the level of its demand. In FY 2004 and 2005, demand for electricity exceeded supply by an estimated 11% and 12% respectively in terms of total requirements, on average *(Source: CEA Executive Summary)*

The deficit numbers in the table below illustrates the pressing need for increased investment at a faster pace in India:

Power Supply Position in India from April 2002 to December 2005				
Year/Period	Requirement (MW)	Availability (MW)	Deficit (MW)	Deficit (%)
2003	81492	71547	9945	12%
2004	84574	75066	9508	11%
2005	87906	77652	10254	12%
Nine-Months ended Dec-05	89550	80631	8919	10%

Source: CEA

Although power generation capacity in India has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the economy generally.

The concluded Ninth Plan (1996-2001) targeted a capacity addition of 40,245 MW, of which 24.4% was to come from hydro capacity, 73.4% was to come from thermal capacity, and 2.2% was to come from nuclear capacity. Ministry of Power (MoP) estimates indicate that only around 19,251 MW, or 48% of the planned capacity addition, were achieved in aggregate during the Ninth Plan.

The following table gives the achievement of hydro-power as against the target in each of the Eighth, Ninth and Tenth Plans:

Hydro-power Capacity (in MW)

Plan	Actual in MW	Target in MW	Actual achieved as a % of target
8th Plan (1990-1995)	2,428	9,282	26%
9th Plan (1996-2001)	4,538	9,820	46%
10th Plan (2002-2007)	4315*	14,393	30%

*Implementation of the Tenth Plan not completed. Table shows achievement of the Tenth Plan to the end of March 2005. *[Source: Planning Commission]*

Historically, most of the power generated in India has been through thermal sources, with approximately 25% coming from the hydro sector as shown in the graph below.

Installed Generation Capacities (YE 2001 - YE 2005) by Generation

As on Mar 31	Thermal (% of total)	Installed capacity (MW)	Hydro (% of total)	Installed capacity (MW)	Others (% of total)	Installed capacity (MW)
2001	71.20%	72,355	24.70%	25,142	4.10%	2,860
2002	71.00%	74,550	25.00%	26,269	4.00%	2,720
2003	71.00%	76,607	24.90%	26,910	4.10%	2,720
2004	69.60%	77,969	26.30%	29,500	4.10%	2,720
2005	69.30%	80,902	26.10%	30,936	4.60%	2,720

Source: CEA Executive Summary March 2005

Internationally, the normal ratio of hydro to thermal power generation is 40:60 *(Source: NHPC)*. The Government is therefore increasing its efforts to improve hydro-power generation through its future plans and also due to the inherent benefits of the hydro-power. These include:

- Hydro-power is cost effective as water is abundantly available, at zero cost;
- Hydro-power plants can handle variations in frequencies and in peak and off-peak requirements without significant added cost, unlike other modes of generation;
- Hydro-power plants are also more desirable from a social perspective, as they provide integrated solutions for power, drinking water and irrigation, without damage to the environment; and
- Hydro-power has lower operating cost than thermal power.

The Government has recognized these benefits and therefore plans to increase the use of hydro-power in the future plans as illustrated in the table below :-

The Tenth Plan and the Eleventh Plan envisage a capacity addition as set out in the table below. The effort is to close the deficit by the end of the Eleventh Plan to ensure "Power for all by 2012". Of the total capacity addition, 62% would be in thermal plants, and over 30% in hydro-power plants and the rest would be nuclear power.

Envisaged Capacity addition in Power in MW

Plan	Total Power capacity addition (MW)	Hydro-power Component in MW	% of Hydro-power out of total Power additions	Potential of Hydro-power in Rs bn @ Rs 40 mn per MW*
Tenth Plan (2002-2007)	41,110	14393	35%	575
Eleventh Plan (2008-2013)	67,000	20000	30%	800

*Source: Plan Documents, * Company estimates*

The Government plans to develop around 50,000 MW of hydro-power projects in the next 20 years *(Source: CEA)*. This is expected to result in an outlay of Rs. 2,000,000 million (at the rate of Rs. 40 million per MW as per our Company's estimate) for civil construction.

MoP has identified 162 projects in 16 states, which will provide approximately 50,000 MW. Feasibility Reports for 132 projects have been received by MoP and of that number, 103 projects have been finalized. Feasibility Reports have been prepared by the following:

Sr No	Consultant	Number of schemes	Installed Capacity (MW)
1	National Hydroelectric Power Corporation	43	19,287
2	Himachal Pradesh State Electricity Board	13	2,692
3	North Eastern Electric Power Corporation	18	4,620
4	Water and Power Consultancy Services	71	17,368
5	Uttaranchal Jal Vidyut Nigam Limited	10	1,427
6	Satluj Jal Vidyut Nigam Limited	2	636
7	Karnataka Power Corporation Limited	5	1,900
	Total	**162**	**47,930**

Source: Central Electricity Authority Website (cea.nic.in)

Irrigation and Water Supply

Availability of water for drinking and irrigation purposes for agriculture has been accorded priority status since the last Budget of the Indian Government 2005-06. Water is the lifeline of civilization and though it is a renewable resource it is exhaustible. Therefore, efforts are being made by the Government to ensure adequate utilization of this limited resource for basic necessities of life and agriculture for the entire population of India.

Agriculture, which is the main source of sustenance for the majority of India's population needs adequate water. It is obtained through either (i) natural phenomenon i.e., rains; or (ii) manmade structures like lakes, ponds and other similar structures. Due to the vagaries of monsoon and the varying rainfalls in different geographies in India, the potential of the agricultural sector to contribute to India's GDP has not yet been tapped to the fullest extent. The Government has recognized this and has initiated major schemes to ensure adequate supply of water for irrigation and other purposes.

Current schemes in the irrigation sector are as follows:-

Accelerated Irrigation Benefit Programme (AIBP): The AIBP programme was introduced in 1996-97. Of the 178 projects identified under this project, around 150 projects will be implemented in the next few years. Around 25 projects are expected to be implemented in FY 2006 .The Government has prioritized the implementation of the remaining projects in its Budget 2006-07, and has increased the outlay under this scheme in FY 2007 to Rs 71,210 million. The outlay in FY 2007 shows an increase of 58% over the outlay in FY 2006. Typically 45% of the infrastructure budget is spent on construction. The target of irrigation of 600,000 hectares is envisaged under this scheme.

Restoration of water bodies: India has been endowed with more than a million natural and manmade structures like lakes and ponds. Of these, it is estimated that about 500,000, which could have been used for irrigation, have fallen into disuse and require urgent repairs. The Government has decided to initiate a process of repair and renovation, as well as impounding new reservoirs, thereby using them for irrigation purposes.

In Budget 2006-07, the programme for repair, renovation and restoration of water bodies is being implemented through pilot projects in 23 districts in 13 States. The design of the programme has been finalized in consultation with the States. 20,000 water bodies with a command area of 1.47 million hectares have been identified in the first phase. The estimated cost of Rs.44, 810 million is to be funded by multi-lateral agencies.

Water harvesting: The Government has launched a nationwide harvesting scheme to cover 100,000 irrigation units at an average cost of Rs. 20,000 per unit. The Government plans to spend Rs. 1000 million for the above scheme and raise the rest of the money from the market.

Water Supply

The Government has established as one of its "Millennium Development Goals (MDGs)", halving, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. The urban areas which have access to piped water as a percentage of population was 74% in 2001. The Government plans to improve this to 86.5% by the end of the Twelfth Plan (2014-2017) if India proposes to meet the MDG goals. Based on preliminary estimates, meeting the MDG target in urban areas would require an investment of Rs. 425 billion for the Eleventh Plan (2008- 2013) and Rs. 500 billion for the Twelfth Plan (2014-2017).

In rural areas, 100% access to drinking water is targeted by 2012. Therefore efforts are being made to increase access from the 2001 level of 90%. The corresponding basic sanitation indicator is proposed to be increased to 53% from the level of 20% in 2001. Meeting the MDG target in rural areas would require an investment of Rs. 370 billion and Rs. 330 billion in the Eleventh Plan and the Twelfth Plan respectively.

The immediate schemes under the water supply sector are as follows:-

- Rajiv Gandhi Drinking Water Mission aims to provide drinking water to 75,000 homes;
- Accelerated Rural Water Supply Programme (ARWSP) focuses on renewal of water sources and on serving uncovered and partially covered homes with a infrastructure investment of Rs. 26,100 million
- Urban Water Supply programme where 2,151 towns have been targeted with a provisional investment of Rs. 1512.5 million

Interlinking of rivers

The Government has substantial plans for the interlinking of rivers. The Government has realized the potential of interlinking of rivers and the benefits of (i) water supply, (ii) irrigation potential; and (iii) potential for generating hydro-power.

Hydro-power could be generated on a massive scale by the storage dams proposed under the interlinking of rivers. As mentioned above, hydro-power development has not kept pace with the potential and requirement in our country. The storage dams proposed under interlinking of rivers will greatly improve this situation.

Roads

The increase in Indian infrastructure development is most evident in the roads segment, with India now having more than three million kilometers of roads. Although roads account for 70% of the freight movement and 85% of passenger traffic within the country, only about 2-3% of roads are adequately equipped for smooth travel and are four laned and the bulk of these are on the national highways.

The Government had taken steps to rectify this situation by setting up the National Highways Authority of India (NHAI) as the lead agency for development of quality roads in the country and it has been implementing road development programs over seven phases under the National Highway Development Programme (NHDP) and the Pradhan Mantri Gram Sadak Yojana (PMGSY) for the development of state and rural roads. The introduction of cess on fuel was an important initiative that provided impetus to improvement and expansion of the road network.

After a lull in 2003 and most of 2004, road sector activity has again gathered momentum from the beginning of 2005. The Government, in a bid to ramp up investment in the sector, restructured the NHDP into seven phases, entailing the development and upgradation of around 50,278 km of roads.

The Government plans a massive facelift of the entire road network in the country over the next 10 years, and NHDP is the flagship project in the sector. The cost of implementation will be Rs 1,871 billion. The Government has already approved Phase I (GQ), Phase II (NSEW) and Phase IIIA, totaling 18,279 km. and the Cabinet has given in-principle approval for Phases IIIB to VII. Since the United Progressive Alliance (UPA) government took over at the Centre, the scope and estimates of the PMGSY programme have also been revised, after the government unveiled the Bharat Nirman programme, where rural roads is one of the core activities.

Besides NHDP and PMGSY, other centrally sponsored programs and state level projects have been initiated. Within NHDP, with the Golden Quadrilateral (GQ) project nearing completion, the implementation focus has shifted to the North-South East-West Corridor (NSEW) and Phase IIIA. These two programmes are currently being implemented simultaneously and the crux of NHAI's activity will be centered on them, at least in the next two years.

The Government has approved investments to the tune of Rs. 1,466 billion in NHDP (up to Phase IIIA) and PMGSY. Of this, Rs 300 billion has already been spent on NHDP and Rs. 183 billion on PMGSY. Over the next 5 years, Rs. 511 billion will be spent on NHDP Phase I, Phase II and Phase IIIA.

The Government is also inviting greater private sector participation, which is evident from the fact that all the phases from Phase IIIA onwards have been planned predominantly on BOT basis.

(Rs. in million)

Project	Likely Cost	To be met out of				Private Sector Participation
		Budgetary Support (Excl. Cess & EAP)	EAP	Market Borrowings	Total	
NHDP Phase-IV (20,000 km in first 7 years)	250,000	130,000	100,000	20,000	250,000	
NHDP Phase-V (6-laning of 5,000 km)	175,000	15,000			15,000	160,000
NHDP Phase-VI (Expressway of 1,000 km)	150,000	20000			20,000	130,000
Others	150,000	60,000			80,000	70,000
Total	**725,000**	**225,000**	**100,000**	**200,00**	**365,000**	**360,000**

Source: *Department of Road Transport and Highways, Ministry of Shipping, Road Transport and highways*

In order to boost the participation of private sector in road development, the Government has planned the following initiatives

- Government will carry out all preparatory work including land acquisition and utility removal. Right of way (ROW) will be made available to concessionaires, free from all encumbrances;
- NHAI / the Government will provide a capital grant of up to 40% of project cost to enhance viability on a case by case basis;
- 100% tax exemption for 5 years and 30% relief for the following 5 years, which may be utilized in 20 years;
- Permitted concession period of up to 30 years;
- Arbitration and Conciliation Act 1996 based on UNICITRAL provisions applicable to such contracts;
- In BOT projects, entrepreneurs are permitted to collect and retain tolls; and
- Duty free importation of specified modern high capacity equipment for highway construction.

The following table summarizes the progress of road development in India

	NHDP				Port Connectivity	Others	Total by NHAI
	GQ	NS - EW Phase I and II	NHDP Phase III	NHDP Total			
Total Length (Km)	5,846	7,300	4,015	17,161	356	811	18,328
Already 4-Laned (Km)	5,202	798	-	6,000	99	287	6,386
Under Implementation (Km.)	644	2,488	44	3,175	251	156	3,582
Contracts Under Implementation (No.)	44	67	2	113	7	6	126
Balance length for award (Km)	-	1,904	3,089	4,993	7	223	5,223

Source: NHAI

NHDP and other NHAI Projects (as at December 31, 2005)

In the recent Union Budget for 2006-07, the Government has expressed plans to develop 1,000 kms of access-controlled Expressways built on the Design, Build, Finance and Operate model. Budget support for NHAI has been increased from Rs 93,200 million in FY 2006 to Rs. 99,450 million in FY 2007. Special accelerated road development programmes for the North Eastern region at an estimated cost of Rs 46,180 million has been approved out of which Rs 5,500 million is planned to be utilized in FY 2007.

OUR BUSINESS

Overview

We are one of India's leading civil engineering and construction companies engaged primarily in the civil construction of:-

- Hydro–power projects, including dams, tunnels, power-houses, barrages etc.;
- Irrigation and water supply projects including dams, weirs and pump house; and
- Transportation projects, including roads, railways, bridges and tunnels.

Hydro-Power

Our core competency lies in the construction of civil structures, such as dams, powerhouse, surge chambers, intake structures, head race tunnel, etc. for hydro–power projects. We have been the major civil construction company to have participated in the construction of hydro–power projects generating more than 7,000 MW of power, out of a total of approximately 32,000 MW generated in India from hydro-power projects since Independence. There are very few participants in this sector who have the technological skills, experience, equipment and manpower to execute complex jobs involving tunneling in varied geology in difficult terrain such as Udhampur Project, Parbati Project. These projects offer significantly better margins, which has been reflected in the growth of our financial strength over the years.

Irrigation and Water Supply

The scope of work in our irrigation projects varies from project to project. The activities that we undertake are usually impounding the reservoir, construction of pump station, water conducting system and canals. Aware of the growing opportunity in developing agricultural infrastructure through lift irrigation, we have recently entered into Engineering Procurement and Construction (EPC) and/or Lump Sum Turnkey (LSTK) execution of lift-irrigation projects, primarily in the state of Andhra Pradesh. This strategy has been driven by our intention to replicate our expertise in hydropower projects to this sector.

Transportation

Our focus in transportation includes roads, bridges, railway or road tunnel contracts both in India and overseas. Our Company has undertaken significant projects in the transportation segment.

We have also undertaken marine engineering projects including construction of ports, jetties and dredging activities as well as projects involving the construction of thermal power plants, industrial structures and leisure complexes and other civil structures.

We are one of the few Indian construction companies with a presence in the US. We have two US incorporated subsidiaries, ASI RCC Inc. and Westcon Microtunnelling Inc. These two companies give us an added advantage in terms of access to use of sophisticated technology like Roller Compacted Concrete (RCC) and microtunnelling besides giving us business presence in the technologically advanced US and European markets. We are focusing on the use of this technology in the Indian markets since it is cost effective and gives us a competitive advantage.

With our engineering experience, trained and qualified manpower, financial strength and equipment capabilities, we can successfully execute and implement large projects independently. We also enter into project specific joint ventures/consortia for the bidding and execution of some projects when it is warranted because of the nature of the contract. Our Company has the key prerequisites to bid, execute and implement large and complex projects.

The estimated balance value of work as at December 31, 2005 is Rs. 43,390.17 million and Rs. 42,747.49 million on a consolidated and unconsolidated basis respectively, which is 5.58 times and 8.11 times the consolidated and unconsolidated revenues of March 31, 2005, respectively. Further, as at December 31, 2005 we have submitted a few applications for pre-qualification for projects totaling over Rs. 59,500 million, of which the hydro-power sector component constitutes 80%.

Our consolidated order book details as of December 31, 2005 and March 31, 2005 are as follows:-

	Consolidated Order Book as at December 31, 2005		**Consolidated Order Book as at March 31, 2005**	
Sectors	**Rs. in mn**	**%**	**Rs. in mn**	**%**
Hydro	17,000.02	39.18%	15,910.35	55.60%
Irrigation	16,332.55	37.64%	11,443.96	40.00%
Transport	9,801.45	22.59%	982.60	3.40%
Others*	256.15	0.59%	294.87	1.00%
Total	**43,390.17**	**100.00%**	**28,631.78**	**100.00%**

* Others includes microtunnelling jobs in US and India

The comparative figures for our unconsolidated order book as on December 31, 2005 and March 31, 2005 are as follows:

	Unconsolidated Order Book as at December 31, 2005		Unconsolidated Order Book as at March 31, 2005	
Sector	**Rs. in mn**	**%**	**Rs. in mn**	**%**
Hydro	16,534.67	38.68%	14,949.85	54.30%
Irrigation	16,332.55	38.21%	11,371.10	41.30%
Transport	9,801.45	22.93%	982.60	3.57%
Others	78.82	0.18%	227.03	0.82%
Total	**42,747.49**	**100.00%**	**27,530.58**	**100.00%**

In the nine months ended December 31, 2005, our order book grew by 55% over FY 2005. We have won new orders in the hydro and irrigation sectors and all our bids (where we were the lowest bidder in the financial bid stage) as at March 31, 2005 in the road sector have been converted into confirmed orders.

For the years ended March 31, 2003, 2004 and 2005, the unconsolidated revenues of the Company were Rs. 2,671.91 million, Rs. 3,782.34 million and Rs. 5,269.18 million respectively (ie a CAGR of 40.43%) and our consolidated revenues stood at Rs. 5,613.30 million, Rs. 7,586.19 million and Rs. 7,779.40 million respectively (ie a CAGR of 17.72%). For the nine months ended December 31, 2005, our unconsolidated revenue was Rs. 5,171.24 million and our consolidated revenue was Rs. 6,743.68 million.

In the years ended March 31, 2003, 2004 and 2005, we earned an unconsolidated profit of Rs. 179.91 million, Rs. 228.54 million and Rs. 389.62 million respectively and our consolidated profit was Rs. 144.60 million, Rs. 278.64 million and Rs. 415.53 million respectively. For the nine months ended December 31, 2005, our unconsolidated profit was Rs. 503.15 million and our consolidated profit was Rs. 508.07 million.

The following table summarizes our consolidated revenues in the segments in which we operate for the Fiscal years 2003, 2004, 2005 and for the 9 months ended December 31, 2005:

(Rs. million)

Sectors	FY 2003	FY 2004	FY 2005	9 months ended December 31 , 2005
Hydro Power	3,128.53	3,255.79	4,808.95	3,720.65
Roads and Transport	1,589.22	2,209.35	1,171.74	273.85
Irrigation and Water Supply	759.87	1,429.98	935.03	1,934.50
Others	135.68	691.07	863.68	814.68
Total	**5,613.30**	**7,586.19**	**7,779.40**	**6,743.68**

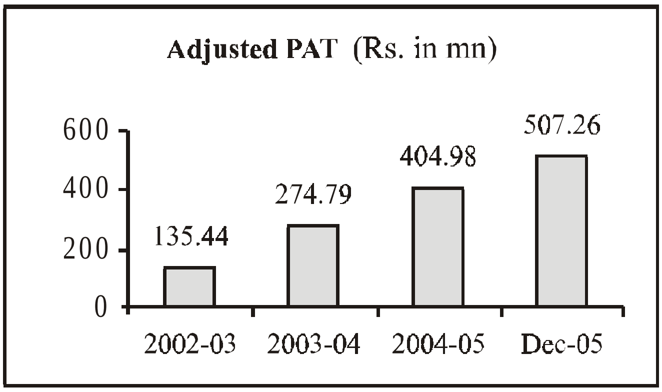
Our unconsolidated revenues for the Fiscal years 2003, 2004, 2005 and for the 9 months ended December 31, 2005:

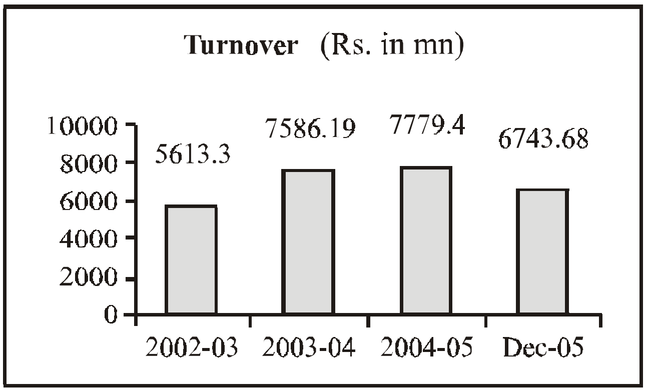
(Rs. million)

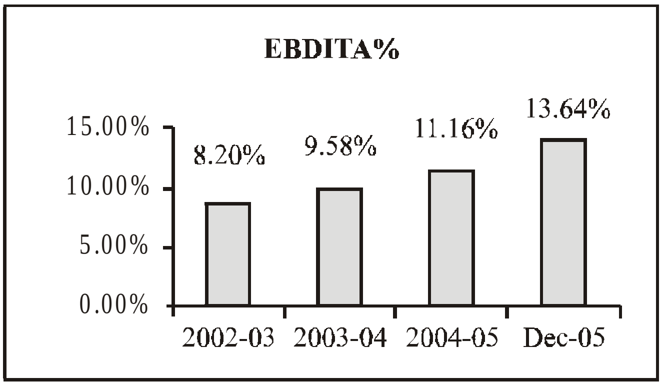
Sectors	FY 2003	FY 2004	FY 2005	9 months ended December 31, 2005
Hydro Power	1,608.98	2,197.94	3,863.14	2,663.87
Roads and Transport	915.43	1,422.40	779.37	148.55
Irrigation and Water Supply	-	-	128.00	1,934.50
Others	147.50	162.00	498.67	424.32
Total	**2,671.91**	**3,782.34**	**5,269.18**	**5,171.24**

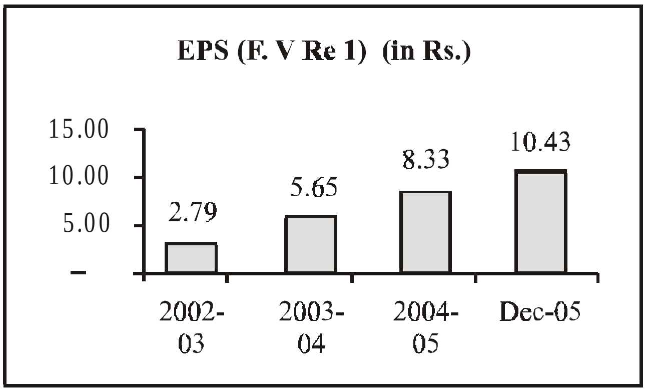
For the years ended March 31, 2003, 2004 and 2005, the unconsolidated revenues grew at a CAGR of 40.43% while our consolidated revenues grew at a CAGR of 17.72%. For the nine months ended December 31, 2005, our unconsolidated revenue was Rs.5,171.24 million and our consolidated revenue was Rs 6,743.68 million.

The following graph represents of our historical consolidated financials









OUR STRENGTHS

We believe our Company and the Subsidiaries have the following competitive strengths:

Key player with significant experience and strong track record in the civil construction of infrastructure projects.

Construction of hydro-power projects requires a significant amount of technical expertise and skill in execution. Pre-qualification for bidding of such projects is often based on past experience of execution of similar projects and financial strength.

In our 56 years of experience, we have been involved in the civil works of 75 dams and over 160 kms of tunneling in India and abroad. We operate in the hostile conditions and terrain of India including mountainous and forest areas. We have executed civil works for more than 7,000 MW of hydro-power projects out of the total of around 32,000 MW of projects in India since Independence. This gives us strategic advantage in winning new bids. Our track record enables us to be pre-qualified for bidding for hydro-power projects of varying size and magnitude. Our engineering expertise and dam construction capabilities enable us to undertake complex projects. We have track record of undertaking challenging engineering construction projects such as underwater lake tapping at the Koyna Hydro–Electric Project, which was the first of its kind in Asia.

Certain clients like NHAI, award contracts on the basis of the technical and the financial strength of the bidder. We are financially well qualified to bid for such projects with a consolidated net worth of Rs. 1,417.65 million as at March 31, 2005 and Rs. 1,915.95 million as at December 31, 2005 which is a significant advantage

Due to our use of innovative technology, our safe and timely completion of projects, we have won repeat orders from clients. For instance, our innovative execution of the Double Lake Tap project in Koyna led to the client choosing us for a second phase implementation for the project on extention of the contract.

Well positioned to take advantage on the Government's focus on hydro-power and irrigation

The Government of India has recognized the inherent benefits of hydro-power projects: namely the improved economics of operation, reduced pollution, ability to handle fluctuations in power requirements. Hence the Government is focusing on hydro-power projects to exploit the water resources of India. The state governments, especially those of Andhra Pradesh, Gujarat, Rajasthan and Maharashtra have been implementing irrigation programs to boost the agricultural infrastructure of their respective states. Our track record of execution of hydro and irrigation projects gives us a competitive advantage. We have submitted applications for for projects totaling over Rs. 59,500 million, of which the hydro-power sector component constitutes 80%.

Good customer base

Most of our customers are central Governmental bodies/public sector units like the National Highways Authority of India (NHAI) , North Eastern Electric Power Corporation Limited (NEEPCO) and National Hydroelectric Power Corporation (NHPC) and state governments like Andhra Pradesh and Maharashtra which we believe have the ability to adequately fund the projects. We have also secured projects like the Ghatghar Pumped Storage Scheme, Koyna Hydro Electric Project, Rehabilitation of Road from Alnavar to Yellapur in Belgaum and Uttar Kannada, strengthening of Santacruz-Chembur Link road etc. which have been funded by multilateral agencies like JBIC, World Bank and Asian Development Bank. These multilateral agencies regularly monitor the progress of the projects and ensure timely completion and payment to the contractors. The following table shows our funded projects:

	Bal value (Rs. million)	**% to total**
World bank/ADB/JBIC	3,763.34	8.80%
Central Government	1,698.23	3.97%
Central Government bodies like NHAI, NEEPCO, NHPC	18,482.83	43.24%
State Governments	18,803.09	43.99%
Total	42,747.49	100%

We ensure that we bid only for funded projects to minimize our exposure to bad debts. Our average bad debts in last three fiscal years were 0.01 % of consolidated revenues.

Qualified and experienced employee base and proven management team

We believe that a trained and experienced employee base is essential for the success of any company in our sector. As of December 31, 2005, we employed a work force of 1,087 full-time employees for our Indian operations, of which 77 % are technical staff. In addition, we have employed large number of temporary or contract workers at our project sites. Our U.S. subsidiaries employed 101 employees as on December 31, 2005. We are dedicated to the development of the expertise and knowledge base of our employees and continue to invest in them to ensure that they have the training and tools needed to be successful in the execution of our challenging projects. Our turnover per employee has been consistently increasing reflecting a robust increase in our order book, but outstripping the rise in our employee strength. This is a good indicator of the efficiency of our manpower in executing multiple jobs simultaneously. Our revenue per employee was Rs. 5.59 million in FY 2005 as compared with Rs. 3.92 million in FY 2004.

Consistent improvement in operational efficiencies through efficient use of capital equipment

Efficient management of capital equipment is a critical element of our project delivery and quality. We believe that owning and managing our equipment enables us to achieve higher operating margins. Our experience in efficiently sourcing and managing our equipment across projects enables us to bid competitively for projects and save costs.

As at December 31, 2005, the book value of our capital equipment was Rs. 1,692.31 million. The hire charges for similar high value equipment can result in a significant increase in the financial bid for a project. We have a cost advantage in this respect since we own most of the critical equipment, thereby giving us a cushion at the financial bidding stage.

We often have projects of a similar nature in close proximity to each other and therefore equipment can be used across multiple sites, allowing us to reduce redundant time in equipment transportation. We believe that this results in a significant cost reduction.

Use of sophisticated technology

Execution of projects in the hydro-power and irrigation sectors is time consuming, resource intensive and technically complex. We believe our use of sophisticated technology is an advantage as it enables superior execution at lower costs without compromising quality.

***Mass block Blasting* -** We are consistently innovating procedures and technologies for reducing costs. We have used the “mass block blasting” method instead of the conventional “bench blasting” method to create caverns in the Ghatghar Powerhouse project.

***Roller Compacted Concrete (RCC)* -** We have pioneered the use of RCC in our hydro-power projects. RCC technology is a superior technology of constructing dams using fly-ash and cement in the ratio of 70:30, instead of only cement, ensuring faster completion at cheaper rates, when compared with the conventional method of making dams, but without compromising on quality or client specifications. This technology has helped us in bidding competitively. The RCC technology was first used in Ghatghar Project in Maharashtra.

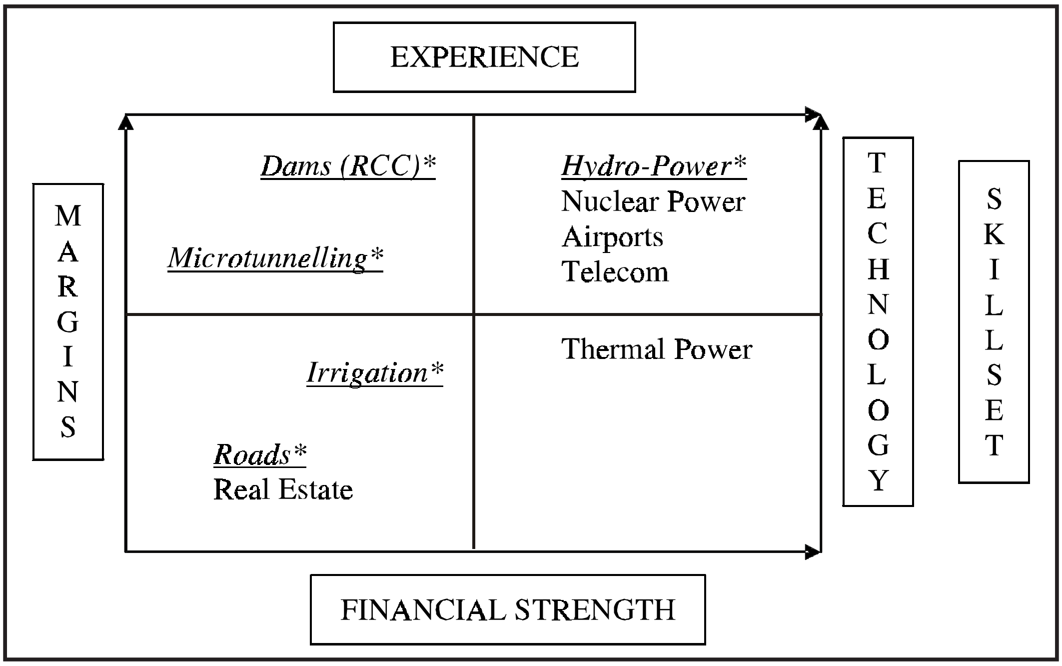
Microtunnelling and Horizontal Directional Drilling -We are the first Indian company to have used microtunnelling and horizontal directional drilling ("microtunnelling") technology in India. Microtunnelling technology entails mechanized tunneling of small diameter tunnels for applications such as water supply, underground cabling and drainage systems without the need to dig into concrete or other roads. This is useful where digging the surface such as concrete road would be expensive and time consuming. The conventional methods of laying huge pipelines under busy streets and railway tracks in the city results in blockages of traffic in a city, causing a huge loss of public money.

We are currently executing the first microtunnelling project in India for a value of Rs 191.90 million for Bombay Municipal Corporation. Although the market for micro tunneling is still nascent in India, we expect it to grow into a large market, with improving margins over the next few years. *["Source: Indian Institute of Trenchless Technology, New Delhi"]*

Further details of the sophisticated technology that we use are set out on page 60 in "Overview of sophisticated technology utilized in our operations".

OUR BUSINESS STRATEGY

In the table below, we have detailed the infrastructure sector and highlighted areas where we are a key player:



***Segments where we are a key player**

Indian GDP is likely to grow at a rate of 8.1% in 2005-06 (Union Budget 2006-07), which necessitates the support of key infrastructure segments within the country. Our business strategy flows out of the national need to create critical infrastructure in India, which includes power, irrigation and roads. The Government's focus on infrastructure development and specifically the power, water (irrigation) and road segments can clearly be seen in the five year plan documents for the Tenth and Eleventh Plans and more recently in the Union Budget for 2006-07. A major allocation of funds has gone to power sector. Within the power sector, it is the Government's intention to increase hydro-power capacity from the current level of 24% to about 40%. To achieve this, the Government is planning to add approximately 34,000 MW to the existing capacity in accordance with the Tenth and Eleventh Plans.

The Company will focus on segments where the central and states governments allocate major funds. Besides hydro-power, the key sectors of Government attention are road and irrigation. It is important to note that in these three segments, the construction component is quite substantial.

We intend to achieve our growth objectives by adopting the following strategies:

Continue our focus on domestic markets for development of hydro-power, irrigation and water supply

The recent thrust of the Government's focus to develop hydro-power can be seen form the current Five Year Plan (2002-07) which envisages an addition of 14,393 MW of hydro-power generating capacity. A further 20,000 MW is expected to be added in next plan period. The estimated addition to existing capacity is as set out below:

(in MW)

Sector	FY03	FY04	FY05	FY06E	FY07E	Total
Central	0	2,325	500	1,670	770	5,265
State	435	165	515	1,216	1,878	4,209
Private	200	100	0	0	400	700
Total	635	2,590	1,015	2,886	3,048	10,174

Source: Economic Survey of India

Hydro-power

We intend to capitalize on our experience in hydro-power projects to take advantage of the Government's decision to add power generation capacities in this sector. We intend to bid selectively for projects that are high-margin in nature and technically challenging to accomplish. We intend to increase these bids in the future. We have an unconsolidated order book of around Rs. 16,534.67 million in the hydro sector alone. We have executed civil works for more than 7,000 MW out of 32,000 MW of hydro-power projects executed in India since Independence, constituting around 22%. We have carved a niche for ourselves in developing hydro-power projects over the last five decades. Our strength lies in creating dams and tunnels as part of these projects and would like to consolidate our position as one of the top players in this segment. Strategically, we would like to focus on large contracts in hydro-power sector. In order to achieve this, we have started making joint bids along with other big players. For example, for Parbati Hydro-power project in Himachal Pradesh, where we have jointly bid with Larsen & Toubro, our share of the contract is 60% of the awarded contract value of Rs. 4,390.78 million.

Irrigation and Water Supply

We intend to capitalize on our experience in constructing dams, tunnels and pump houses to take advantage of lift-irrigation projects tendered in the market in this sector. We have bid for few lift irrigation projects announced by the Public Works Department of Andhra Pradesh worth Rs. 20,281 million in FY 2005 and have a bid success ratio of 75%, in winning contracts worth Rs 15,281 million.

Our focus will be on our domestic operations which contribute higher margins in the hydro-power and irrigation sectors. Our US operations were initially established to provide access to technology to be used in the domestic market. We continue to target a steady revenue growth from our US operations.

Leverage our relationships with joint venture partners

We have formed joint ventures for executing projects with an estimated order value of Rs. 11,375 million. These projects form 26.61 % of the current order book as at December 31, 2005. Further details of our joint venture relationship and strategic relationships are contained on page 82 of this Prospectus. Of these, projects with a backlog value of Rs. 5,773.49 million are being executed by our Company through back-to-back arrangement with our joint ventures.

Joint venture partnerships provide us with local logistics support and/or skill set requirement and/or strategic growth considering economies of scale. We intend to build on our existing relationships with our joint venture partners and to create new joint venture relationships for our future projects, particularly for large value projects. We also plan to form strategic alliances with other experienced and qualified contractors for leveraging on their particular areas of experience.

Selectively bid for projects with clear objectives like the minimization of risk of receivables, diversification of revenue base and securing projects of minimum margin and/or size and enhancement of pre qualification skills

Minimizing the risk of receivables

We prioritize the level of funding of a project to minimize the risk of bad debts.

We intend to bid for projects, which are well funded by either multilateral agencies like Japanese Bank for International Co-operation, World Bank, Asian Development Bank or central or state government. The advantage of bidding for projects, which have guaranteed funding by the multilateral agencies, is that, these agencies will regularly monitor the progress of the projects and ensure timely completion and payment to the contractors. Currently 8.8% of our order book contract value is funded by the multilateral agencies. Further, the states, central government and central government PSU's funded projects account for 91.2% of our order book as on December 31, 2005. We intend to bid for future projects taking into consideration the reputation of the funding partner. This will also provide a cushion to our recovery of outstanding payments incase of changes in government at the different state levels where we are executing our projects.

Diversification of revenue base

We are committed to diversifying our revenue base by being selective in our choice of areas of operation and client base. For example, we have bid for two dam projects in the Middle East to diversify our source of revenue beyond domestic markets.

Securing projects of minimum margin and/or size

We are currently executing hydro-power projects ranging between Rs. 608 million to Rs. 4,390 million in value. We intend to bid for projects of a minimum size of approximately Rs. 2000 million, taking cognizance of comparable benchmark industry margins. Our aim is to raise our benchmark execution capability in terms of the size and value of the projects we execute. However there may be exceptions for bidding, without meeting our benchmark execution capability when

- the project is innovative;
- the project could allow us to improve our skill set;
- the project provides us with an entry into a new territory;
- the project helps us to develop a good relationship with client;

In the irrigation sector, in terms of value, we will primarily focus on bidding for projects of minimum order value of approximately Rs 1500 million

To enhance our pre-qualification criteria

Since we are committed to improving the scope and variety of our operations especially in our core areas, we intend to bid for projects which will improve our pre-qualification skills.

Use sophisticated technology and knowledge base

We have access to sophisticated in-house technology and experience for the construction of RCC dams and microtunnelling projects. We will focus on bidding for projects which calls for the use of such technology.

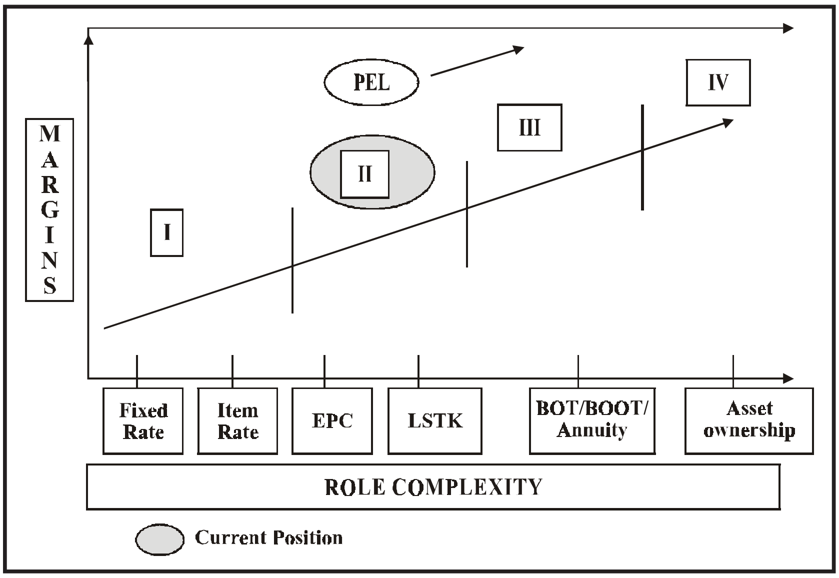
Our experience in giving innovative construction solutions to our clients in the past will be useful for our future projects as we will increasingly be able to replicate our acquired knowledge base.

Grow through inorganic means by acquisition of companies with niche technology, unique pre-qualification criteria or domain knowledge

We intend to acquire companies in developing economies like India and developed countries like the US so that we can equip ourselves with complementary skills like niche technology, unique pre-qualification skills or local territory knowledge. We have a history of successful acquisitions in the US, and have integrated the target operations to our benefit. We will build on our successful acquisitions by identifying and acquiring more targets in the US and other countries. We may also consider acquiring intellectual property rights and/or rights to use intellectual property for our core areas of operation.

Moving up the value chain

The following are the chief considerations in each of the phases:



I = Execution capability / Pure Civil construction

II = I + Design & Engineering expertise

III = II + Financial Strength

IV = III + Asset Ownership

The growth in terms of value and volume is determined by the nature of project any company undertakes namely, hydro-power, irrigation, roads etc. and where it lies in the value chain.

The value chain in any construction company starts with a fixed rate / item rate contract which resembles a pure construction play. It can scale up the chain by executing EPC orders. In this form of contract, contractors are responsible for entire execution of project including design engineering, procurement of materials and civil construction. Further in the value chain is the BOOT/ BOT/Annuity type of projects. Here the asset to be developed is conceded to the contractor. The contractor builds the superstructure on the asset and operates it for the period of the concession, following which the entire asset is transferred back to the owner.

At the top of the value chain come asset ownership projects such as IPP (Independent Power Project), where the superstructure is built and owned by the contractor itself. As the company moves along the value chain, it will witness ever increasing margin improvements.

We intend to enhance our technical and financial strength to be able to move up the value chain.

Move from pure contracting to EPC

In the hydro-power segment, we have moved from executing purely item rate/fixed rate contracts to EPC contracts. Currently, we are in the process of submitting bids for approximately Rs. 45,000 million worth of EPC contracts in hydro-power segment and we intend to focus on this.

We have taken steps to upwardly integrate in four of our irrigation projects in Andhra Pradesh, namely Bheema Lift Irrigation – Lift I, Kalwakurthy Lift Irrigation Project – Stage I, Jawahar Lift Irrigation Project - Stage I and Jawahar Lift Irrigation Project - Stage II where we have undertaken the designing as well. We intend to continue this, to increase our presence in blue print design.

Venture into BOT/ Annuity in the road sector

The Government intends to pursue the BOT strategy to encourage development of the Indian road infrastructure. The NHAI has been mandated to raise funds through BOT for the NHDP program. In the recent Union Budget for 2006-07, the Government expressed plans to develop 1,000 km of access-controlled expressways built on the Design, Build, Finance and Operate model. We are already pre-qualified for this segment and we plan to submit our financial bids for upcoming BOT projects in the road sector.

Venture as Independent Power Producer (IPP)

Some state and central governmental entities like Himachal Pradesh State Electricity Board and Uttranchal Jal Vidyut Nigam Limited etc. have begun to float contracts in the IPP mode rather than the traditional method of calling for bids as item rate/EPC contract. This has opened up new opportunities for venture capitalists and large construction companies to opt to set up hydro-power projects as IPP. We consider this an interesting development, which could be a business opportunity for the Company. In this regard, we have submitted applications for such projects of not more than 500 MW.

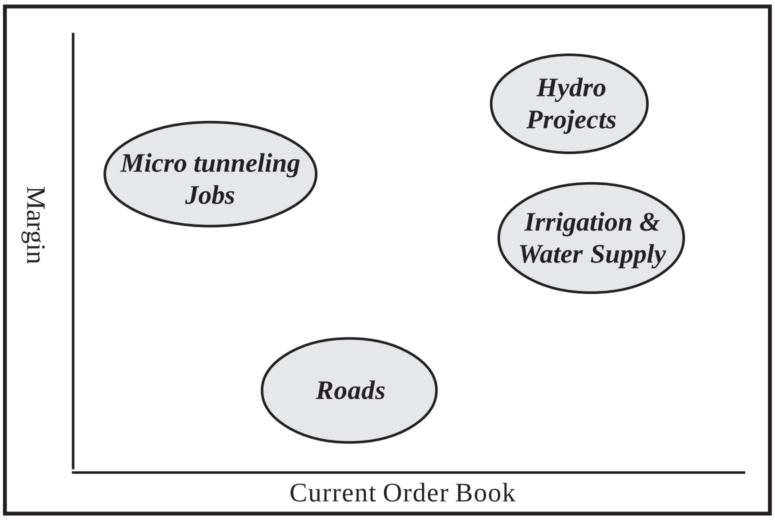
OUR OPERATIONS

We are one of the leading civil construction contractors in hydro-power, irrigation and water supply projects. A civil contract for a hydro-power project is typically executed in 4-5 years. An irrigation project is typically executed in 2 - 3 years. We generally execute projects in this segment directly but sub-contract our routine, less complex work to other contractors.

Civil construction is usually split into two or three contracts (called “lots” in the industry) and involve structures such as power house, dam, tunnels (diversion, head race and tail race), desilting chambers, intake structures, hydro mechanical works (sluice gates, spillways etc) and electro mechanical works. We provide all the services including civil works of various project components, installation of plant and comprehensive project management (including quality control, environmental management, safety services etc). We provide construction services for one or more “lots” in hydro-power and irrigation projects.

Whilst we do not bid for electro mechanical work, successful contractors for electro mechanical works work closely with us for the supply and installation of their services as part of an entire package. In EPC contracts, we ensure that the electro mechanical scope of the package is sub-contracted to the selected party. The selection of that party is sometimes the responsibility of the department which has invited tenders for the project. However, we may be responsible for ensuring that the subcontractee of the electro mechanical scope installs the equipment in the civil works undertaken by us.

A visual representation of the sectors where we operate is depicted in the graph below



Please note that the bubbles in the graph are representative and not to scale

- Our hydro-power projects are more complex and therefore there are very few players in this segment who can match the pre-qualification criteria thereby restricting intense competition in this segment and resulting in higher margins. They contributed 38.68% and 39.18% of our unconsolidated and consolidated order books, respectively, as on December 31, 2005.
- Our irrigation projects also provide healthy margins. We try to ensure judicious bidding for only those projects which offers higher margins. These projects contributed 38.21% and 37.64% of our unconsolidated and consolidated order books, respectively, as on December 31, 2005.
- Our road projects contributed 22.93% and 22.59% of our unconsolidated and consolidated order books, respectively, as on December 31, 2005.
- Other projects include microtunnelling, where we have a competitive advantage over other construction companies in India due to our ability to access sophisticated technology through our wholly owned US incorporated subsidiary, Westcon Microtunnelling Inc.

Since beginning, we have been present in the high technology civil engineering and construction segments, such as hydro-power. High technology projects such as these offer higher margins than other civil construction jobs. Since these segments are critical for the growth of the economy, with strong socio-political importance, their funding is generally out of budgetary allocations of central or state governments, ensuring minimal default risk. Our recent projects have been in the agricultural infrastructure space, such as in lift-irrigation projects. The strategy behind these these recent projects is the critical nature of these sectors to Indian economy, their funding and, size of contracts and business margins.

Hydro-power projects

Our core competency lies in the construction of civil structures, such as dams, powerhouse, surge chambers, intake structures, head race tunnel, etc. for hydro–power projects. We have been the major civil construction company to have participated in the construction of hydro–power projects generating more than 7,000 MW of power, out of a total of approximately 32,000 MW generated in India from hydro-power projects since Independence. There are very few participants in this sector who have the technological skills, experience, equipment and manpower to execute complex jobs in difficult terrain. These projects offer significantly better margins, which has been reflected in the growth of our financial strength over the years. Some of the projects which have been executed by us in India are set out below:

Project	MW	Location	Completion date
Koyna Hydro Electric (H.E) Project Stage IV (Contract I)	1,000	Maharashtra	1999
Srisailam Left Bank Hydro-power Station	900	Andhra Pradesh	2003
Srisailam Right Bank Hydro-power Station	770	Andhra Pradesh	2003
Teesta H.E Project, Stage V	510	West Bengal	2002
Balimela H.E Project	480	Orissa	1969
Tons H.E Project	375	Madhya Pradesh	1999
Koyna H.E Project, Stage III	320	Maharashtra	1975
Mettur H.E Project	200	Tamil Nadu	1964
Baira Sul H.E Project	180	Himachal Pradesh	1981

In the last five years, we have secured projects in this sector, which are significantly larger in size than those in the past. These larger projects allow us to fully utilize our resources, reduce idle time and improve turn around time, resulting in higher efficiency and margins. The table below provides details of some of the major projects recently won by us:

Region	Project Name	Year
Northern Region	• Parbati Hydro Electric (HE) Project Stage II & III • Sewa Hydro Electric Project	• 2002 • 2003
North East Region	• Teesta HE Project • Serlui- Low Dam B HE Power Project • Kameng HE Project	• 2003 • 2004 • 2004
Western Region	• Ghatghar Pumped Storage Scheme • Koyna HE Project	• 2001 • 2001
Southern Region	• Srisailam weir project • Priyadarshini Jurala HE project	• 2004 • 2005

For details on the above mentioned projects, please refer section titled "History and Other Corporate Matters" on page 78 of this Prospectus.

We construct our hydro-power projects in the water abundant, hilly terrains of varied geographies for our hydro-power projects namely, in Arunachal Pradesh, Himachal Pradesh, Maharashtra, Andhra Pradesh, Mizoram, Jammu and Kashmir and West Bengal.

We have been involved in the civil work of over 75 dams in the states of Maharashtra, Andhra Pradesh, Orissa, Tamil Nadu, Himachal Pradesh, West Bengal in India and in the U.S. We have been involved in the construction of approximately 160 kilometers of tunneling for various projects like Vaitarna Tansa Scheme, Koyna Hydro Electric Project, Nagarjunasagar Hydro Electric Project, Srisailam Hydro Electric Project, Chukha Hydro Electric Project and many others. We are currently involved in construction of more than 10 dams simultaneously under various stages of execution.

Scope of Hydro-power Projects

Our scope in any hydro-power project may include some or all of the items listed below. The decision to undertake some or all of these activities depends on the complexity, geological conditions, demographical and geographical conditions of the area, access to project site, political environment, technical and financial stipulations laid in the contract, the gestation period and margins. However, the client specifies the scope of work during the bidding stage. Since each project is unique in its merits, the scope of work varies accordingly.

(a) **Diversion tunnel:** Most projects have river diversion arrangement by tunnel. This activity accounts for about 5% of the project costs.

(b) **Dam Construction:** This activity accounts for roughly 25% of the project costs.

(c) **Power house:** The construction of power house complex accounts for about 30% of the project costs.

(d) **Others-Desilting arrangement:** We construct open or underground desilting chambers which are executed concurrently with other structures.

(e) **Head race tunnel/Tail race tunnel:** The time taken for this activity is about 2 to 3 years depending on length of tunnel.

(f) **Surge Chambers/Intake structures/Trash racks:** These three activities (d), (e) and (f) account for 40% of the project cost.

Irrigation Projects

Irrigation, specifically lift irrigation projects have been given impetus from FY 2005 by various states in India predominantly Andhra Pradesh, Gujarat, Maharashtra and Rajasthan.

Aware about the growing opportunity in developing agricultural infrastructure, through lift irrigation, we have recently entered into Engineering Procurement and Construction (EPC) and/or Lump Sum Turnkey (LSTK) execution of lift-irrigation projects, primarily in the state of Andhra Pradesh. This strategy has been driven by our intention to replicate our expertise in hydro-power projects to this sector.

Scope of Irrigation Projects

(a) **Impounding the reservoir:** In this a reservoir is built around the water source. This activity is done to ensure a steady supply of stationary water. However where the water resource is naturally shielded, there is no need for this.

(b) **Constructing the pump station:** We initially construct the civil structure for the pump station. The pumps and the electrical equipment (including installation) are outsourced to or bought from Original Equipment Manufacturers like Bharat Heavy Electricals Limited , Asia-Brown Boveri etc . We then construct the civil structure for the industrial building around the pump station.

(c) **Construction of water conducting system:** The next scope entails construction of a tunnel to lead the water from the pump station to a place where it can be distributed through canals. This activity can often be highly complex depending on the geography and geology of the location.

(d) **Construction of canal/open channel:** Once the water is pumped through the water conducting system, it is fed by canals to different areas.

Of the scope listed above, impounding the reservoir and construction of canal/open channel are fairly routine work. However, we are planning to undertake all the activities in all the irrigation projects we have bid for so far either independently, as in the Kalwakurthy and Bheema projects, or as a joint venture, in the other projects.

Transportation

Our focus in transportation includes roads, bridges, railway or road tunnel contracts both in India and overseas. Our Company has undertaken significant projects in the transportation segment.

The noteworthy projects completed within the agreed time frame by us are:

Name of the project	Contract period	Salient Features of Work
Construction of Fly-over-Bridge to cater four lane traffic on Ring Road at Surat	4/99 to 6/00	Length-1850m, Piers-180nos.
Four Laning of Hathipali Hosur Section of NH - 7 (Km. 33.015 - Km. 48.600)	12/99 to 8/02	Construction of 15 km Road
Plant Road Work for Simhadri Thermal Power Project	5/99 to 11/02	Construction of Plant Road
Udhampur – Katra Railway Project	Tunnel IV – 9/99 to 6/02 Tunnel V – 9/99 – 7/02	Construction of Tunnel No I, IV & V
Surat Manor Tollway Project (Package - II) Rehabilitation of Surat - Manor Section of NH - 8 (Km343.000 to km. 381.000)	9/00 to 02/04	Rehabilitation and Upgrading of NH-8 (Km343.000 to Km. 381.000)
Krishnagiri Vaniyambadi Section of NH-46 (KR-I) Package - 3 (Km. 0.00 to Km. 49.00)	9/01 to 11/04	Widening to 4-lanes and Rehabilitation of existing 2 lane carriageway of NH-46 Km. 0.00 to Km 49.00

Scope of Transportation Projects:

(a) **Roads:** Construction of National Highways/State Highways/NHAI roads consisting of bitumen or concrete roads.

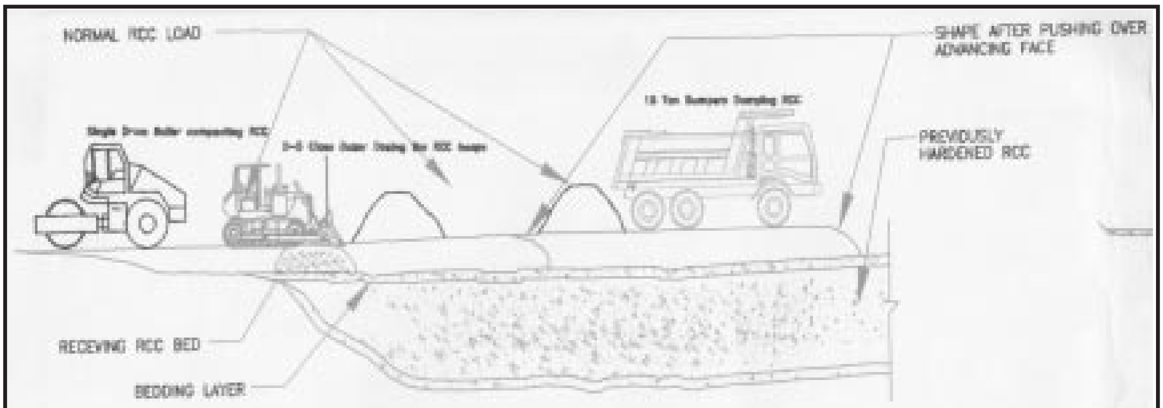
(b) **Anciliary Structures:** Construction of major/minor bridges/culverts, cross-drainages, earthen embankments.

(c) **Tunnels:** Construction of rail/road tunnels

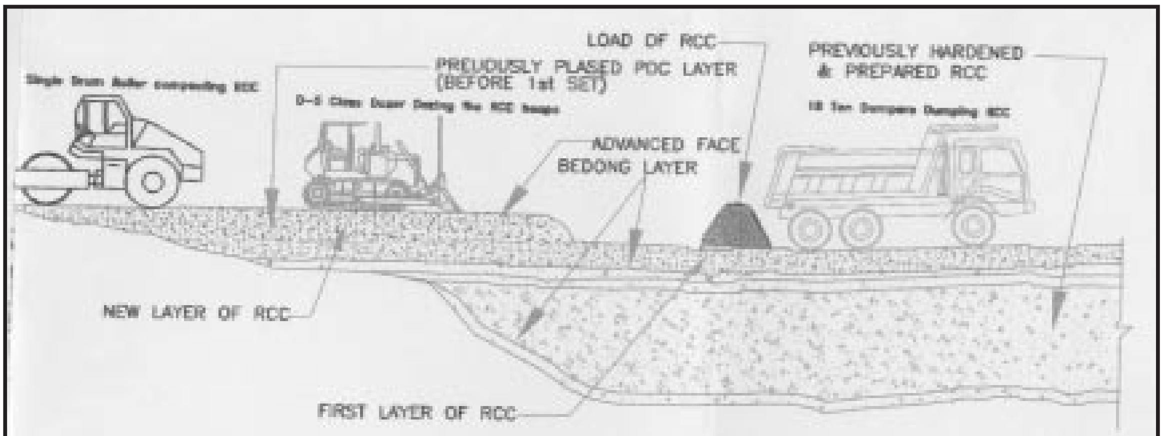
Overview of sophisticated technology utilized in our operations

Roller Compacted Concrete: A Process Overview

Dry mix concrete made from high capacity mixing plant is transported through series of belt conveyor system on the dam body. Unlike conventional method wherein Dam is raised in vertical blocks, under this technology concrete is laid across length and breadth of the dam body by placing horizontal layers. Dozer fitted with laser guidance system is used to spread the concrete of 300mm thickness. The concrete is then compacted by vibrating rollers. And the process repeated to lay next layer as shown in following sketches. Cement up-to 70% is replaced with fly-ash which helps in reducing heat of hydration and improves durability. Use of large quantity of fly-ash also helps in preserving environment near thermal plants which otherwise deploys large area for safe disposal.



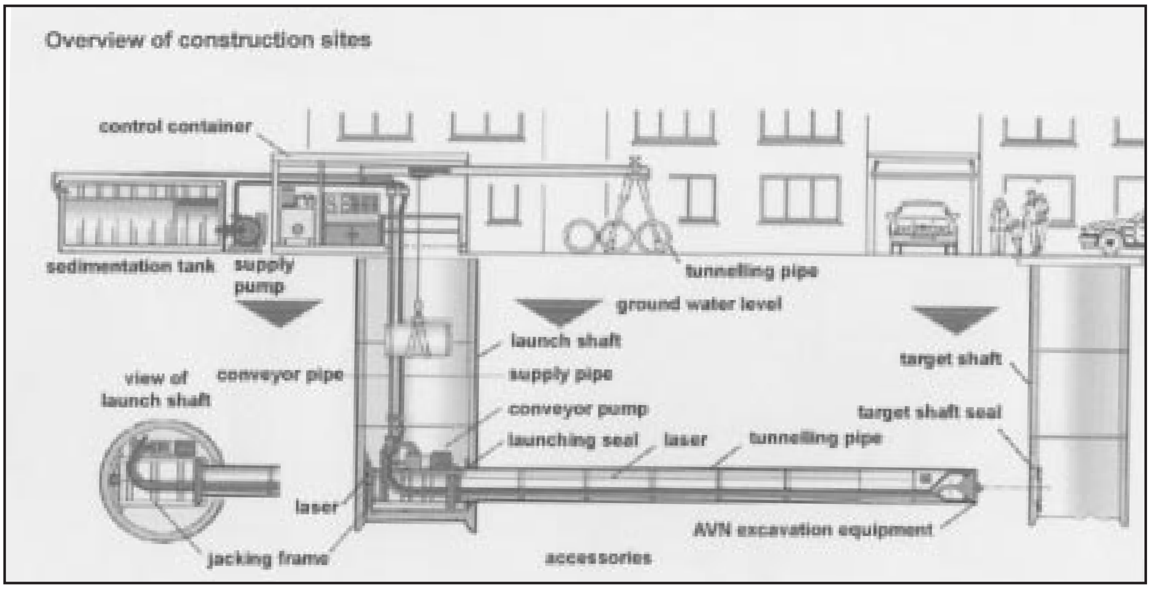
PLACING OF A FIRST RCC LAYER



PLACING FURTHER RCC LAYER

Micro tunneling: A Process Overview

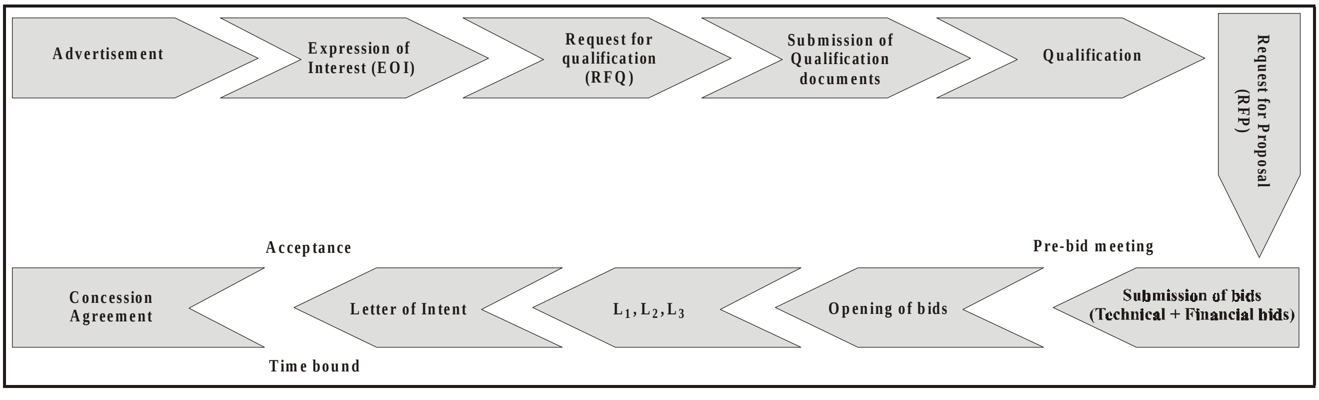
In Urban areas for augmentation of services such as water, sewage, and telecommunication etc. new pipelines have to be laid crossing concrete highway, busy railway lines or waterway. Under this method service pipelines are laid across without digging trenches. A launch shaft is made on one side of the crossing and the excavation equipment is inserted into the shaft, which burrows its way under the road to other end while inserting pipeline. The machine is then removed from target shaft across the road. The conventional methods of laying pipelines would result in digging trenches disrupting road or rail traffic thereby causing huge loss of public money.



Process of securing a contract in the construction space

- Projects in the hydro-power, irrigation and water supply and transportation are mainly taken up by central or state government or PSU's like NHPC, NTPC, NHAI, etc. Therefore selection of contractors and award of works are carried out on competitive bidding basis.
- Projects in these sectors are of large magnitude and their execution requires experience of execution of works of similar nature as well as strong financial capabilities (minimum net worth and turnover). Clients will generally pre-qualify the contractors based on these criteria.
- Generally only pre-qualified parties are allowed to bid for the project. Bidding is always techno-commercial in nature. Technical proposals of the parties are evaluated. Thereafter the price bids of those parties, whose technical proposals are acceptable are opened.
- The work is awarded to the party who has quoted lowest (referred to as the 'L1 Bidder'), who is then given the letter of intent.
- The bidder is given some time to formally accept the contract. Mobilization and project execution begin after the signing of the contract.

The Bidding Process in the Construction Sector



* Concession agreement comes into the picture if the project is a BOT project; Source: Company

Our contracts expose us to significant construction and cash flow risks. To mitigate these risks, we have developed a risk management system that includes screening the project during the bidding stage. This involves an analysis of the quality of the client, the contract value and nature of competition and efficient project management.

Pre-qualification

Pre-qualification criteria can be broadly classified as (a) technical capacity and (b) financial capacity. There is no fixed set of criteria that can be assigned to a particular sector. Broadly, pre-qualification criteria for a particular project would entail that the company must have done a minimum number of projects of a minimum value over a certain period. The specifications for the project will vary depending on the complexity and the duration of the project.

One of the parameters used to assess the financial capacity is bid capacity, which in turn is dependent on the turnover of the company and its present order book (as measured on the date when the company is going in for the pre-qualification.) Turnover is calculated either for the last financial year or on the average of a certain number of years. Depending on how bid capacity is defined we are pre-qualified for certain projects. Other financial criteria are based on minimum net worth and turnover considerations.

Business development and tendering

The Company has separate cells for Business Development and Tendering headed by two Deputy Directors.

The final decision relating to submission of a tender for a prospective project and other decisions related to business development are taken in the main office in Mumbai. However, we also have branch offices in Hyderabad, New Delhi and Kolkata, where the information for the business development is sourced. The Hyderabad office is responsible for the entire business in South India. Dissemination of this information happens on a systematic daily basis to the Head Office.

The personnel heading business development are assisted by team of skilled engineers who have knowledge about the market, local information and environment in the construction space and have themselves executed projects in different construction sectors.

We usually get the information regarding tenders from the leading newspapers in India and publications like “Tender World”, “Project Alert” etc.

The prospective projects of our interest are short-listed by the management on the basis of certain criteria like:

- Size of the project;
- Contract amount;
- Margins expected;
- Quality of the client (or the financial backing);
- Competition;
- Quantum of mobilization advance available;
- Our order book position at the time of the bid;
- Technical parameters like terrain and other conditions.

We have a separate Estimation team whose objective is to input the quantum of the parameters expected in the tender document. The estimation team contains around ten engineers who have diverse skill sets and have worked on different types of construction jobs in their career. This team is extremely important to our future prospects since the award of a contract is dependent on the inputs on the parameters, which go into the tender document.

The Estimation team consists of people who have experience in

- Purchasing
- Contract Execution
- Geological estimation
- Quantity survey
- Cost Estimation

Before preparation of bid and submission of the same, our Estimation team along with senior site engineers visit the site and gather information of site conditions.

We submit our bids in two packages: (i) technical; and (ii) price bid. The technical bid consist of details of past experience in executing a similar project of commensurate size and complexity, construction programmes, resource deployment. In short, the technical bid is complete overview of job under execution. There may be cases where we submit a technical bid and refrain from submitting a price bid after the assessment done by the Estimation team and the Management.

The final decision of preparation of price bid is governed by the decision of Management. Proper assessment of resource levels like capital equipment, materials and labour play an important role in price bid in order to qualify as the lowest bidder "L1" amidst competition. We also make an assessment of our competition especially parameters like

- Bench resources at their disposal in terms of labour, materials and equipment
- Their access to hired equipments
- Their financial resources
- Their order book
- Risk assessment

After opening of the price bid by Client, clarifications if any are addressed. Mutual modifications are appended for clients final selection. The agreement is then signed between both the parties.

The order value for a typical hydro-power or irrigation contract is subject to change due to variations in scope of work required by the client or difference in the estimated levels of the BOQ by the client. Our order book includes only our proportionate share in the projects where we have combined with contractors in a joint venture. To the extent that bills are realized against work done, these are progressively removed from the order book. Our consolidated order book was over Rs. 43,390 million as on December 31, 2005. Our order book is subject to the variations in scope and enhancement/ modification provisions contained in various contracts depending on:

- the requirements of the clients from time to time;
- the nature of the complexity of the projects; and
- the extent of variation from the client's estimates of the scope of the project at the bidding stage.

Our analysis reveals that 38.68% of our unconsolidated order book as at December 31, 2005 relates to projects in the hydro-power sector, 38.21% of our unconsolidated order book relates to projects in the irrigation and water supply sector, 22.93% of our unconsolidated order book relates to projects in transportation sector and the remainder of our unconsolidated order book relates to other civil construction and microtunnelling projects.

Project Execution

On the signing of the contract and award of the work, the project manager designated for that work takes over the site from the client. Mobilization activity like construction of site infrastructure like site camps, temporary office, warehouse, workshops etc.

Contract worker arrangements are accordingly done under the direction of the project manager. A detail construction programme with the aid of software – "Prima-Vera" or similar software is prepared with a linkage of various activities involved in the work. Based on this programme resource allocation is made and a monthly cash flow is prepared. Parallel to this cash flow, a controlled estimate is prepared, which acts as a guide for the project manager for assessing monthly expenses and its limits.

Procurement of materials, fixing of agencies for the same is finalized from the site. Preference to the local agencies in the vicinity is given both for supply as well as piece rate work. However for certain specialized works we import the labour either from other sites or particular state. We have regular database with us for the list of sub-contractors for different categories of work.

The progress of work, once the execution starts is continuously monitored by our project-monitoring cell from the head office who report to Vice President/General Manager. Corrective measures are immediately implemented if required, in consultation with project manager. Contractual matters, both technical and financial are dealt by vice president/general manager and project manager.

Type of Contracts

We typically enter into two basic types of engineering contracts in our core sectors. Engineering, Procurement and Constructions Contracts (EPC) and Item-rate or percentage Contracts. In addition we have lump sum turnkey contracts and build, operate, transfer contracts.

(A) EPC contracts

The typical scope of work includes overseeing all the stages of project implementation, including the engineering design, procurement of materials, the construction of the super structure and the post construction maintenance. The types of EPC contracts are: -

- **EPC Contracts with Cost escalation:** Most contracts have cost escalation clauses built in, whereby any variation in the prices of key raw materials (namely, steel, cement and fly ash) are reimbursed to us by the client. On an average, 81% of our EPC contracts have cost escalation clauses
- **EPC Contracts without Cost escalation:** There are some contracts in which the price variations in the key raw **materials** cannot be passed on to the client and must be borne by us. This makes management of raw material prices imperative. On an average, 19% of our EPC contracts have no cost escalation clauses

(B) Item-rate contracts or percentage rate Contracts

The bidding for these projects is on the price per unit of each of the BOQ items. Therefore, any escalation in the quantity of actual BOQ items as against the amount tendered will be compensated to us at the rates which we have bid at the tender stage. If we are able to correctly estimate any significant escalations in the BOQ items beyond what was stated in the tender documents, we would be compensated for the escalated quantities at the price quoted. As a result, the actual contract amount billable to the client will be altered as the order is executed.

In a percentage rate contract, the bidder has to bid a price per unit for each of the BOQ items as a certain percentage more or less than the base price quoted by the department.

EPC and item-rate contracts can be drafted either with or without cost escalation clauses. Most of our hydro-power projects are Item rate contracts - that is the project owner supplies all the information like design, drawings and BOQ and we are responsible for the execution of project based on the above information and technical stipulations laid by the client at our quoted rates for each respective item.

(C) Lump Sum Turnkey basis (LSTK)

The typical scope of work includes implementing the project on an EPC basis for a lump sum fee. LSTK projects are those projects where the contract value payable to the contractor is fixed irrespective of the any changes in the BOQ items. Unlike item rate contracts, where any variation in the BOQ quantities are reimbursed by the client at the price bid at in that tender, in an LSTK project, the onus of the contractor is to ensure that cost does not exceed the lump sum amount payable to him and the margins are also made on the work executed. In an LSTK, any cost escalation on key materials like steel and cement has to be borne by the contractor. “Bheema Lift irrigation” (contract value of Rs. 3833.50 million) and “Kalwakurthy Lift irrigation” contracts (contract value of Rs. 4952.06 million) are LSTK contracts. Together they represent 18.39% of the order book as at December 31, 2005.

(D) BOT/Annuity/IPP -

Build, Operate and Transfer (BOT) is increasingly seen as a method of executing projects. Here, the asset to be developed is conceded to the contractor, who builds the superstructure on the asset and operates it for the period of the concession, following which the use of the asset is transferred back to the owner. In India, this method is, however, increasingly relevant in road development. BOT projects especially in the road sector can generate revenues to the contractor in two forms:

a) Annuity based: The concessionaire pays a regular annual payment to the contractor. Therefore, the entire risk of the operation is on the owner. However, the operator/contractor does not share any profit in case of increase in traffic revenue collections by the owner.

b) Toll based: The contractor takes the risk by collecting tolls from the vehicles which use the road constructed by it. The contractor therefore has an incentive to increase its revenues when more traffic uses the roads constructed by it.

In BOT projects in the hydro sector, popularly known as Independent Power Producer projects (IPP), the contractor operates the hydro project after construction. It enters into a tariff agreement with the Government for the rate to be recovered for the units of power supplied by him.

BOT projects are usually undertaken through special purpose vehicles, which may have the involvement of a joint venture partner. Debt is separately raised in the special purpose vehicle on the strength of the future cash flows of the project or using the collateral of the existing assets of the parent. The main reason for incorporating a special purpose vehicle is to ringfence the high risk and return of these BOT projects, which generally have long periods of performance.

Advances, Retention Money and Bank Guarantees

- ***Contractee advances***

  On allotment of the contract, we are provided with a mobilization advance, which ranges from 10-15% of the project cost. This is intended to enable the contractor to mobilize resources such as labour, material and equipment. The advances are paid to the contractor in installments, depending upon the utilization of funds already disbursed. The advances may be interest free or interest bearing with, the interest rate ranging between 12-18%. For the Fiscal year 2005 and for the 9 months ended December 31, 2005, our unconsolidated contractee advances were Rs. 1,853.68 million and Rs. 1,511.63 million respectively. Of these, the total interest bearing contractee advances in the Fiscal year 2005 and for the nine months ended December 31, 2005 was 73.28% and 67.21% respectively, the rest being interest free. The advances are recovered by the client from interim payments at fixed percentage or as agreed upon by the contractor. As on December 31, 2005, the Company had around 46% of its contractee advances in the hydro-power sector, around 53% in the irrigation & water supply sector and the balance in the roads sector.

- ***Retention money:***

  The client often retains 5-10 % of interim payments out of the each interim bill raised by us to ensure that the work performed during the period is not at a variance to the client's specifications. The payment is released only after the client has verified that the work has been implemented as laid down in the contract. The contractor gives a bank guarantee to the client for the release of retention money.

- ***Bank Guarantees***

  We furnish bank guarantees (BG) for different purposes.

  - **Earnest Money Deposit BG**

    We have to give an Earnest Money Deposit (EMD), also called "Tender EMD", along with the submission of tender if required.

  - **Performance Guarantee BG**

    These are given after the contract is awarded at the time or prior to signing of the contract. Generally, it varies from 5 to 10% of the project cost.

  - **Contractee Advance BG**

    We take contractee advances to mobilize initial equipment and manpower for the execution of the project. Since the advance is given by the client before the project has reached a billable stage, we grant a bank guarantee securing the advances of the client.

  - **Retention Money BG**

    The client deducts and retains some percentage of the amount we bill. It will pay this retention money following defect liability period. In order to release the equivalent percentage of amount retained by the client, contractor provides a bank guarantee to the client.

Order Book Position

Our Order Book by Type of Contract

A breakdown of our current order book as at December 31, 2005 according to contract type is as follows:

	Balance value (Rs. in million)	% share
EPC contract	18,371.60	42.98%
Item rate contract	23,610.42	55.23%
Percentage rate contract	765.47	1.79%
Total	**42,747.49**	**100.0%**

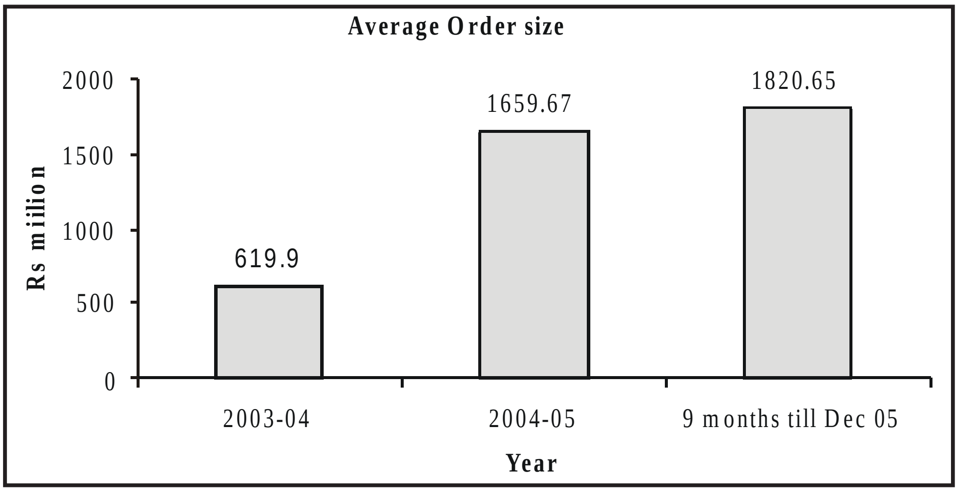
Geographical Composition of our Order Book

The geographical spread of our unconsolidated order book as at December 31, 2005 is shown in the table below-

Region	Order Book (Rs. in mn)	% of order book
South	23,801.80	55.68%
East and North East	12,251.43	28.66%
North	5,381.91	12.59%
West	1,312.35	3.07%
Total	**42,747.49**	**100.00%**

Hydro-power projects in	Order Book (Rs in mn)	% share (value)
Himachal Pradesh	4,660.46	28.19%
Arunachal Pradesh	3,748.00	22.67%
Mizoram	2,635.35	15.94%
West Bengal	2,107.76	12.75%
Andhra Pradesh	2,039.06	12.33%
Jammu & Kashmir	721.00	4.36%
Maharashtra	623.04	3.77%
Total	**16,534.67**	**100.00%**
Transportation projects in	**Order Book (Rs in mn)**	**% share (value)**
Tamilnadu	5,070.40	51.73%
Assam	3,611.70	36.85%
Maharashtra	610.47	6.23%
Karnataka	325.96	3.33%
Mizoram	150.01	1.53%
Andhra Pradesh	32.91	0.34%
Total	**9,801.45**	**100.00%**
Irrigation projects in	**Order Book (Rs in mn)**	**% share (value)**
Andhra Pradesh	16,332.55	100.00%
Total	**16,332.55**	**100.00%**
Other projects in	**Order Book (Rs in mn)**	**% share (value)**
Maharashtra	78.82	100.00%
	78.82	**100.00%**

Our average order size has been increasing, as shown below:



Segment Composition of the Order Book

The sector composition of our unconsolidated order book as at December 31, 2005 is shown in the table below:

	Bal value (Rs. in million)	**% share**
Hydro Projects		
NHPC	7,489.24	17.52%
NEEPCO	5,895.35	13.79%
ICAD, Andhra Pradesh	1,767.50	4.13%
ICAD ,Maharashtra State	623.04	1.46%
MECON Limited	488.00	1.14%
Andhra Pradesh Power Generation Corporation	271.56	0.64%
Total Hydro projects	**16,534.67**	**38.68%**
Irrigation projects		
ICAD, Andhra Pradesh	16,332.55	38.21%
Total Irrigation projects	**16,332.55**	**38.21%**
Transport		
NHAI	7,016.76	16.41%
Northeast Frontier Railway	1,698.23	3.97%
New Pune Municipal corporation	357.46	0.84%
Karnataka State Highways Implementation unit	325.96	0.76%
MSRDC	253.00	0.59%
NEEPCO	150.01	0.35%
Total Transport projects	**9,801.45**	**22.93%**
Others		
BrihanMumbai Mahanagarpalika	78.82	0.18%
Total Other projects	**78.82**	**0.18%**
Grand Total	**42,747.49**	**100%**

Details of our Order Book as at December 31, 2005

The following tables sets out certain information with regard to our unconsolidated order book as on December 31, 2005:

Hydro Sector

Project Name	State of execution	Type of contract	Client
Construction of RCC Dam for Ghatghar Pumped Storage Scheme	Maharashtra	Percentage rate	Irrigation Department of Maharashtra State
Koyna Hydro Electric Project, Stage IV – Extension of HRT	Maharashtra	Item rate	Irrigation Department of Maharashtra State
Civil and Hydro-mechanical works for Diversion Dam and Part Head Race Tunnel for Parbati H.E. Project – Lot PB.1 (4 x 200MW)	Himachal Pradesh	Item rate	NHPC
Sewa H.E. Project, Stage-II - Lot-SW.2 of 120MW (3 x 40MW)	Jammu & Kashmir	Item rate	NHPC
Teesta Low Dam H.E. Project, Stage-III - Lot TL-1 of 132 MW (4 x 33MW)	West Bengal	Item rate	NHPC
Kameng Hydro Electric Project, Package I, II and III,	Arunachal Pradesh	Item rate	NEEPCO
PB III : Lot 1:Construction of Diversion Cum Spillway Tunnels including Gates, Coffer dams, Rockfill dam, Spillway, Intake Structures and Part Head Race Tunnel, Stage III (4 x 130 MW)	Himachal Pradesh	Item rate	NHPC

Irrigation Sector

Project Name	State of execution	Type of contract	Client
Bhima Lift Irrigation Project, Lift-I,	Andhra Pradesh	EPC	Irrigation & CAD Department, Andhra Pradesh
Kalwakurthy Lift Irrigation Project, Stage-I Pumping Station with 5 x 30MW Pump Motors	Andhra Pradesh	EPC	Irrigation & CAD Department, Andhra Pradesh
Jawahar Lift Irrigation Project, Stage-I & II	Andhra Pradesh	EPC	Irrigation & CAD Department, Andhra Pradesh

Transport

Project Name	State of execution	Type of contract	Client
Rehabilitation of Road from Alnavar to Yellapur in Belgaum and Uttar Kannada	Karnataka	Item rate	Karnataka State highways,
East-West Corridor, Assam, Contract Package No. EW-II (AS-18)	Assam	Item rate	NHAI
Madurai to Kanyakumari Road, Contract Package NS-39 & 43 (TN)	Tamilnadu	Item rate	NHAI
Construction of Single Line BG Tunnel No. 7 & No 10	Assam	Item rate	Northeast Frontier Railway
Lumding to Lanka section I/c Lanka Bypass of NH-54 in Assam on East West Corridor under Phase-II (AS - 15)	Assam	Item rate	NHAI
Rehabilitation of Road from Pune Nagar Road Ramvadi Jakar Naka to New Pune Municipal Co. limit.	Maharashtra	Percentage Rate	New Pune Municipal Corporation

Others

Project Name	State of execution	Type of contract	Client
Microtunnelling, pipe jacking	Maharashtra	Item rate	Brihanmumbai Mahanagarpalika

Equipment

We own a large fleet of sophisticated heavy construction equipment, which can be mobilized within a short of span time. This gives an added advantage in this competitive market.

We have a fully-fledged central workshop for overhauling and maintaining the old and used equipment after the completion of project where they are deployed. Our practice is to dispose of equipment after its productive life. The equipment is kept in good condition to maximize the productive life.

The following is a list of the major equipment that the Company owns

Qty.	Category	Quantity
1	Air Compressors	89
2	Air Receiver Tank	9
3	Batching Plant	21
4	Blowers Fan & Propellers	64
5	Boomer	6
6	Bouzer	2
7	Chilling Plant	13
8	Compactors	29
9	Concrete Mixer	58
10	Concrete Placing Units	10
11	Concrete Pump	29
12	Concrete Transit Mixer	49
13	Cranes	44
14	Crawler Drill	14
15	Crushers	31
16	Crushing Plant	9
17	Dozers	16
18	Drifters	20
19	Drills	75
20	Dumpers	34
21	Excavators	94
22	Generators	148
23	Graders	8
24	Grouting Machines	49
25	Hot Mix Plant	4
26	Ice Plant	3
27	Jumbo Drill	5
28	Microtunnelling Equipments	2
29	Paver Finisher	19
30	Rollers	6
31	Scissor Lift	9
32	Sewage Treatment Plant	2
33	Shotcrete Machine	30
34	Shotcrete Pump	6
35	Shovel Loader	7
36	Tippers	348
37	Trucks	54
38	Wet Mix Plant	3

Specialized equipment

In addition to the normal equipment required for any heavy civil construction work, we own certain specialized equipments. Some of these equipments are:

- Tunnel Boring Machines for Microtunnelling works (TBMs).
- Twin Boom Hydraulic Boomers.
- High Capacity Concrete Batching plants
- High Capacity Dumpers
- Raise Climber
- Permeation Grouting Equipment

Maintenance of our equipments for high and continuous productivity is important. Initially, after we buy any new and specialized equipment, for its operation and maintenance, we use manufacturer's technicians to train our people on maintenance of a specific piece of equipment. We normally establish well-equipped workshop at all our sites, however we carry out any major overhauling at our Central Workshop at Panvel.

Competition

We operate in a competitive environment. Our competition depends on a host of factors such as the type of project (hydro-power or irrigation or water supply or roads and transport), contract value and potential margins, complexity and location of the project and reputation of the client. We mainly compete with domestic players in the different segments that we operate in. While service quality, technical capability, performance record and experience, health and safety records and availability of skilled personnel are key factors in client decisions, price often is the deciding factor when it comes to awarding contracts.

- **Hydro-power power segment**: Since the level of technical experience in execution of large complex projects is often a pre-qualifying criterion, we compete against relatively few players in the segment. We primarily compete against Jaiprakash Associates Limited, Gammon India Limited and Hindustan Construction Company Limited.

- **Irrigation and Water Supply segment**: We primarily face competition from players like Hindustan Construction Company Limited, Nagarjuna Construction Company Limited, and Gammon India Limited. There is also competition from regional players that have presence in particular regions or states in which the contracts or bids are awarded. To improve our competitive position, we may enter into joint ventures and strategic alliances with other contractors, who we believe have the necessary track record and capability to successfully execute the projects. We also enter into 100% back-to-back arrangements with other contractors. This is done with the primary objective of managing price risk often associated with such projects, since they are mainly LSTK projects.

- **Transport segment**: We compete against most of the construction players, including small regional players in this sector. Such intense competition results in price wars thereby impacting margins. However, since the development of roads is a key area of focus for the Government, the number of contracts presently available for bidding by the client is huge. Many participants in this market also enter into joint ventures with foreign companies to be pre-qualified for complex projects. We also ensure that we work on those projects that will give us adequate experience for future high value projects. We believe our judicious selection of projects and effective execution shall be a key strength, even in this very competitive segment.

  Moreover, considering the focus of the Government to award road contracts through BOT method, the competition is likely to be from fewer players having necessary technical and financial eligibility qualifications.

  We do not foresee major competitive threat from foreign companies. Most of the foreign competitors enter into joint ventures or strategic alliance with the local market participants, mainly to manage receivables risk. In addition, we believe that our local experience, established contacts with local clients and suppliers and familiarity with local working conditions enables us to provide more cost effective services than foreign competitors.

Our Achievements

Our achievements in our operations are summarized as follows:

- One of the few Indian companies which has actively participated in the development of 26 Hydro-power Projects (totaling more than 7,000 MW) out of 32,000 MW of hydro-power projects executed since Independence;
- Successfully completed under water tunneling by conventional method for Koyna Project;
- First construction company in Asia to execute Double Lake Tap works for Koyna Project;
- Constructed largest under ground Cavern (Surge Chamber) in Asia for Srisailam Project;
- Involved in the civil work of over 75 dams across the world;
- Involved in over 10 dams under execution currently;
- Completed over 160 kms of tunneling;
- First Indian Company to execute microtunnelling projects using Tunnel Boring machine in India;
- One of the few Indian companies with in- house expertise and technology to execute Roller Compacted Concrete (RCC) dams and microtunnelling projects;
- Pioneer in the use of RCC technology for construction of dams in India in the Ghatghar project;
- Among the first few companies to have secured lift irrigation contracts when the sector opened up in FY 2005 in the state of Andhra Pradesh;
- "Best Quality Construction" award for Konkan Railway tunneling in 1994; and
- Won National Award for maximum utilization of Fly Ash in Hydro Sector in FY 2006.

Our US subsidiaries have won the following awards:

- AON Build America Award for the construction of civil works for Loch Raven Dam in 2006;
- AON Build America Award in Federal & Heavy/renovation category by the Associated General Contractors of America for the Standley Lake Dam Improvement Project in 2005;
- National Rehabilitation Project of the Year award by the Association of State Dam Safety Officials for the Wesley Seale Dam Spillway Rehabilitation in 2001;
- Award for Excellence by American Concrete Institute for the Washakie Dam Safety Modifications in 2000;
- The Charles J. Pankow Award for Excellence by American Concrete Institute for the Little Rock Dam in 1995;
- Award for Excellence by American Concrete Institute for the Quail Creek Dam in 1991;
- Award for Excellence by American Concrete Institute for the Stagecoach Dam & Reservoir in 1991;
- Construction Industry Award by ENR (Engineering News Record) for the– Stagecoach Dam & Reservoir in 1989; and
- Award for Excellence by American Concrete Institute for the Middle Fork Dam in 1984.

We have quality accreditations like ISO – 9001: 2000 and have won awards for quality construction work like "Best Quality Construction" for the Konkan Railway tunneling. In 2005 we were awarded the "National Award for maximum utilization of Fly Ash" in the hydro-power sector.

Subsidiaries

We have a wholly owned subsidiary in the United States, Patel Engineering Inc. which in turn has two wholly owned subsidiaries, ASI RCC Inc. (ASI) and Westcon Microtunnelling Inc (Westcon). These subsidiaries have helped our access to the RCC and microtunnelling technologies. The Ghatghar hydroelectric project in Maharashtra uses the RCC technology and is the first of its kind in India. We are the first Indian construction company to use microtunnelling for small diameter tunnels and have commenced execution of a micro-tunneling project in India for Brihan Mumbai Mahanagar Palika.

ASI is a general contractor primarily focused on RCC dam construction and rehabilitation. ASI is also involved in construction management services for global projects. Projects undertaken by ASI RCC include dams, power and treatment plants, mines, tunnels, highways and environmental remediation.

Our other U.S. subsidiary, Westcon, is one among the first microtunnelling contractors in the U.S. Westcon specializes in mechanized tunneling of small diameter tunnel, which is used for sewage systems, underground cables and water supply without the need to dig the road, following concretization.

Some of the projects executed by our US subsidiaries are:

Project	Client	Country / Region
Randleman Lake Dam	Piedmont Triad Regional Water Authority	U.S.A
Bluestone Lake Dam Safety works, Phase I	US Army Corps of Engineers	U.S.A
Trout Creek Dam	Paul Moltz	U.S.A
Wesley Seale Dam Spillway	City of Boulder, Purchasing Division	U.S.A
Buckhorn Reservoir	City of Wilson, W.C	U.S.A
Platanovrissi Dam	Public Power Corp	Greece
Toker river Water Supply project	Government of Eritrea	North Africa
12th Street Pipeline projects	City of San Jose	U.S.A
Utoy Creek Combined Sewer Seperation, Part 4B & 4C	City of Atlanta	U.S.A
The New Saint James Avenue Interceptor	Boston Water & Sewer Commission	U.S.A

We have three other subsidiaries which have been incorporated recently, operations of which have not yet commenced. For more detail, please refer to our section titled "Our Subsidiaries" on page 101 of this Prospectus.

Single Project Joint Ventures and Strategic Alliances

Generally, we bid for projects as the sole contractor of the project with full responsibility for the entire project, including, if required, the overall responsibility and sole discretion to select and supervise sub-contractors. From time to time, on certain larger projects that require additional resources such as equipment, manpower or local content resources, or when we wish to share the risk on a particularly large project, we seek to make alliances through the formation of special purpose construction companies to share risks and combine financial, technical and other resources. For example, we recently formed a joint venture with L&T to work on Parbati Hydro-electric project in Himachal Pradesh. Similarly, we have been pre-qualified in joint-venture with Gammon India on Rampur Hydro-electric project in Himachal Pradesh. In both cases, we have lead partner role.

In a single project venture, each member of the joint venture shares the risks and revenues of the project according to a predetermined agreement. The agreements specifically assign the work to be performed by each party and the responsibilities of each party with respect to the joint venture, including how the joint venture will be managed and the equipment, personnel or other assets that each party will contribute or make available to the joint venture. The profits and losses of the joint venture are shared among the members according to a predetermined ratio. The fixed assets that are acquired by the joint venture are generally sold to the joint venture members at book value upon completion of the joint venture project. The agreements also set out the manner in which any disputes among the members will be resolved. The joint ventures typically impose joint and several liabilities on the members. The SPV or single project joint venture typically terminates at the completion of the defect liability period, at which point the SPV or single project joint venture liquidates and dissolves.

For further information on our Joint Ventures/Strategic Alliances, please refer to "Strategic Partnerships" on page 82 of the Prospectus.

Employees

We believe that a motivated and satisfied employee base is key to our competitive advantage. As at December 31, 2005, we employed 1,087 full-time employees, of which approximately 77 % were technical staff with 19% of them engineers. Additionally our subsidiaries employed 101 employees as at December 31, 2005. Of the total unconsolidated employee base of 1087 in India, 91.17 % of our employees were employed at our various project sites, with the remaining employed at our corporate office.

Category	Indian operations	US subsidiaries
Technical	837	65
Non Technical	250	36
Total	1087	101

In addition, as at December 31, 2005, we employed a large number of piece rate and temporary contract labour on our project sites.

We are committed to the development of the expertise and know-how of our employees. Our personnel policies are aimed towards recruiting the talent, which we need, encouraging the development of their skills in order to support the growth in our operations.

The following table sets out certain information related to the functional specialization of our employees in India:

Department	Total
Directors	4
Technical staff	
Managers	53
Engineers	203
Surveyors	22
Geologists	2
Foreman	97
Supervisors	63
Workmen & Other staff	393
Sub-Total (and % of total)	**833 (77%)**
Non – Technical staff	
Finance & Accounts	63
Stores	88
HRD, Administration & Secretarial	99
Sub-Total (and % of total)	**250 (23%)**
Grand Total	**1,087**

The Company is managed by a team of qualified key management personnel having proven track record with sound technical and managerial experience. They have been entrusted with responsibility to manage and operate the business of the Company independently under the guidance of Board of Directors. For details refer to the section titled “Key Managerial Personnel” in chapter titled “Our Management” beginning at page 94 of this Prospectus.

The Company ascribes to a “People First” policy and endeavors to recruit the best possible talent for its operations which is a mix of both fresh talent from institutes/regional engineering colleges and experienced professionals from the industry. The Company believes in a well-motivated work force and to this end lays considerable emphasis on motivating and retaining its human resources through their continuous training and development to which we devote significant resources.

The Company has in place a Performance Appraisal System, which is complemented by development through training and this is supported by a sound compensation package consisting of salary and allowances and other entitlements including, bonus, leave, travel assistance, medical reimbursement, leave encashment, provident fund and gratuity.

Employees emerging as outstanding performers are selected for career enhancement. Achievers are then identified as “Fast Track Performers” and groomed for higher positions in the Company, with greater responsibility.

The Provident Fund and Gratuity Schemes are administered through a Company managed trust and both these schemes are administered as statutorily laid down in the Employees’ Provident Fund and Miscellaneous Provisions Act, 1952 and Payment of Gratuity Act respectively. All employees of the Company are eligible for a gratuity payment even if their length of service is less than five years.

We have developed a structured incentive program, including a performance-linked variable pay structure for certain levels of employees. We also employ contract laborers. We enter into contracts with independent contractors to complete specified assignments.

Health, Safety and Environment

We regard health and safety at work as an essential ingredient of good management and a matter of the highest priority. We ensure that all project sites are healthy and safe working environments for our workers. We also take preventative action to reduce the likelihood of accidents that lead to loss of life, injury to personnel, loss or damage to property.

Hygienic and safe conditions are ensured by deploying safety officers and inspectors who are responsible for maintaining the safe and healthy working environment. Safety audits are one of the precautionary measures which helps to identify the potential health and safety hazards. Such safety audits are conducted on a yearly basis.

Environmental Management:

We recognize the need to manage and regulate business activities in an environmentally sensitive manner. We are committed to promoting protection and improvement of the environment by implementing effective management systems and taking appropriate measures to avoid threats to the ecological system.

Environmental issues are of increasing importance and impact the achievement by the Company of its objectives. Therefore, each project is designated with a project specific Environmental Management Plan, which provides a code of conduct for the execution of the whole project. A board member is entrusted with overall responsibility for framing, reviewing and managing the development and implementation of project specific Environmental Management Plan.

Careful project assessment and planning reduces potential environmental hazards. We possess experienced human resource to analyze the project and potential hazards that might arise in the due course of execution and suggest preventive and remedial measures. Assessments of alternative execution methodologies and exercising innovative and advanced technologies available in the industry radically reduces the ecological impact of our activities. Use of fly ash also helps the country preserving its environment.

Intellectual Property

As at date, we do not own any intellectual property. However, vide an application to the Registrar of Trademarks, Mumbai bearing no. 1422243 and dated February 16, 2006, we have filed for registration of the service mark “PATEL” in class 37.

Property

The following table sets forth the location and other details of our main freehold property in India.

Sr. No.	Description of Property	Purpose
Mumbai		
1	Patel Estate, Off S.V. Road, Jogeshwari (West), Mumbai	Registered and Administration Office
2	15 flats in various premises situated between Kandivli and Bandra, Mumbai	Residential accommodation for Sr. Managers
Raigad		
3	Land and Buildings on S. No.23/2A, 38/0, 30/0, 39/2 to 7 & 140/0 in Barvai Village, Taluka Panvel, Dist. Raigad	Central Stock Yard - cum -Machinery upgradation plant
Karjat		
4	S. Nos. 293A, 295, 296, & 305 to 308, Karjat Maharashtra	Guest House and Training Centre
Lonavala		
5	Land and structure on plot No.8 & 7 at Tungarli Village, Lonavala Maharshtra.	Guest house
6	Land and structure on plot No.8 & 7 at Tungarli Village, Lonavala Maharshtra.	Guest house
7	Land in Gut No.17, at Waksai, Lonavala, Maval Taluka	Proposed transit house
Khalapur		
8	Land in S.No. 9/3&4, 110/1&2, 111/2A-1&2, & 2B in Village Chowk Maniwali, Taluka Khalapur	Proposed training centre
Shahpur		
9	Land in S.No. 221/2 to 6 & in S. No. 222/2 & 3 (parts) in village Sakurli, Taluka Shahpur	Quarry – cum – batching plant for Ghatghar Project
Hyderabad		
10	House No. 6-3-635 & 637, Akash Ganga, Khairabad, Hyderabad	Branch office
Gurgaon		
11	Apt. No. F-902, HLF's Lagoon Residential Complex,. in Ambience Island, NH 8, Gurgaon	Transit-cum-Guest house
12	Flat No. 184, 1st, Sector 22, Opp. Rotary Public School, Gurgaon 122 015	Liaison Office for Northern Region.
Bangalore		
13	Apt. No.506, 5th Floor, Athens, Acropolis, 20 Hosur Road , Madiwala Bangalore,	Guest House
Kolkata		
14	Flat in Bldg. On 14/5, Bose Pukar Road, Kolkotta with a Built up of area of 108 .84 sq.mtr.	Transit house for N E regional operations

REGULATIONS AND POLICIES

There are no specific regulations in India governing the construction industry. Set forth below are certain significant legislations and regulations that generally govern this industry in India:

General

The Company is engaged in the business of providing integrated design, engineering, procurement, construction and project management services for energy industry and infrastructure sector projects. Contracts are executed in pursuance of tenders/quotations issued by the Government, Government agencies, Government companies, private companies, public companies and multinational companies or by orders placed by them. For the purpose of executing the work undertaken by the Company, we may be required to obtain licenses and approvals depending upon the prevailing laws and regulations applicable in the relevant state. For details of such approvals please see "Government/Statutory and Business Approvals" on page 192 of this Prospectus.

Foreign Ownership

Under the Industrial Policy and FEMA, foreign direct investment up to 100% is permitted in construction and related engineering services.

Further, the Industrial Policy now also permits foreign direct investment under the automatic route in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads and ports and harbors. Similarly up to 100% foreign direct investment is also allowed in projects for electricity generation, production, transmission, and distribution in hydroelectric power plants, coal/lignite based thermal plants and oil based thermal power plants.

Subject to certain conditions and guidelines, the Industrial Policy and FEMA further permit up to 100% foreign direct investment in townships, housing, built-up infrastructure and construction development projects which include, but are not restricted to, housing, commercial, premises, hotels, resorts, hospitals, educational institutions, recreational facilities and city and regional level infrastructure.

In respect of the companies in infrastructure/ service sector, where there is a prescribed cap for foreign investment, only the direct investment is considered for the prescribed cap and foreign investment in an investing company may not be set off against this cap provided the foreign direct investment in such investing company does not exceed 49% and the management of the investing company is with the Indian owners.

The RBI by its A.P. (DIR Series) circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares of an Indian company by Non-Residents to residents, subject to the terms and conditions, including pricing guidelines, specified in such circular.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The offer of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company or 5% of the total paid-up capital in case such sub-account is a foreign corporate or an individual. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

Environmental and Labor Regulations

Depending upon the nature of the projects undertaken by the Company, applicable environmental and labor laws and regulations include the following:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996;
- Inter State Migrant Workers Act, 1979;
- Factories Act, 1948.
- Payment of Wages Act, 1936.
- Payment of Bonus Act, 1965.
- Employees' State Insurance Act, 1948.
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
- Payment of Gratuity Act, 1972.
- Shops and Commercial Establishments Acts, where applicable.
- Environment Protection Act, 1986;
- Minimum Wages Act;
- Hazardous Waste (Management and Handling) Rules, 1989;
- Hazardous Chemicals Rules, 1989;
- Mines and Quarries Act, 1954;
- The Explosives Act, 1884;
- Workmen's Compensation Act, 1923;
- The Water (Prevention and Control of Pollution) Act, 1974 and
- The Air (Prevention and Control of Pollution) Act, 1981

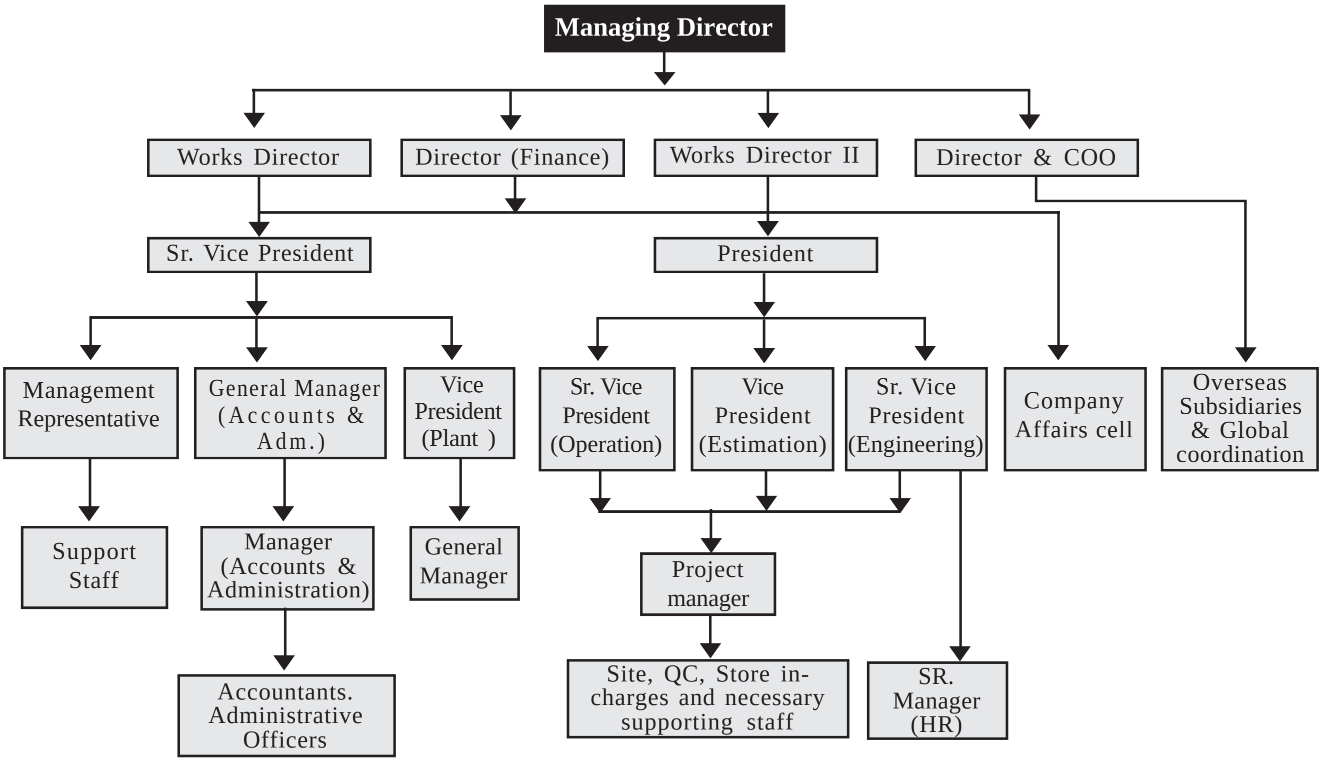
HISTORY AND OTHER CORPORATE MATTERS

HISTORY AND BACKGROUND OF OUR COMPANY:

Our Company was originally incorporated under the Indian Companies Act, 1913 as "Patel Engineering Company Limited" vide Certificate of Incorporation No. 7039 of 1949-50 dated April 2, 1949 issued by the Registrar of Companies, Maharashtra. Subsequently, the name of our Company was changed to "Patel Engineering Limited" with effect from December 9, 1999 and a fresh Certificate of Incorporation consequent on change of name was issued by the Registrar of Companies, Maharashtra at Mumbai.

At the time of incorporation, the registered office of our Company was at 45/47, Appollo Street, Fort, Mumbai – 400 023. Pursuant to a resolution passed in the meeting of our Board on September 12, 1950 the Registered Office of our Company was shifted to United India Building, 3, Sir Phirozshah Mehta Road, Fort, Mumbai – 400 023. Further vide a resolution passed in the meeting of our Board on April 27, 1961 the Registered Office of our Company was further shifted to Patel Estate Road, Jogeshwari (West), Mumbai – 400 102.

OUR CORPORATE STRUCTURE



HISTORY AND MAJOR EVENTS

Month/Year	Events
1983	The Company has successfully completed Yamuna HE Project for Construction of 7.5m Dia. 5.6km long HRT, 2 Penstock Tunnels, Circular Shaft Adit gallery, Inter Tunnel etc. Valuing Rs. 280.0 millions.
1984	The Company has successfully completed Construction of Forebay Dam, Power House, Tail Race Channel, Penstock etc, for Devighat HE Project Valuing Rs.40.248 millions.
February 1986	Initial Public Offer of shares
March 1986	Listing of shares in The Stock Exchange, Bombay.
1986	The Company has successfully completed Construction of Centuar Juhu Beach Hotel, 360 deluxe rooms of 10000 sqm & basement 50000 sqm. valuing Rs. 242 millions.
August 1988	The Company has executed the prestigious order of Chuka HE Project for Constructing 40m high Concrete Dam valuing Rs. 1110.7 millions
1988	The Company has successfully completed Kaling mini HE Project in Bhutan for Construction of Trench Weir, Control structure, Power Channel, Forebay, Steel Penstock, Power house, Tail Race etc. valuing Rs. 10 millions.
1988	The Company has successfully completed Construction of Gyesta mini HE Project in Bhutan valuing Rs. 22.5 millions.
1991	The Company has successfully completed Construction of Power House, HRT/TRT and allied works for Nagarjunasagar HE Project. Valuing Rs. 87.1 millions.
June 1991	The Company has executed the prestigious order of constructing the General Post Office Building in Doha, Qatar, for the Govt. of Qatar valuing Rs. 1560.9 millions.
October 1991	First Rights Issue of Shares
September 1993	The Company has executed the prestigious order of construction of Conference cum-Secretariat Complex (SAARC) for the Royal Govt. of Bhutan, for a value of Rs.184.8 millions.
January 1994	Outstanding Performance and Super Quality Construction Award for the year 1994 for Construction of Berdewadi Tunnel under Konkan Railway.
September 1995	The Company has successfully completed Construction of 4km long D-Shaped Single line Tunnel at Berdewadi for Konkan Railway, Maharashtra Valuing Rs. 68.1 millions.
November 1997	The Company has acquired ASI RCC Inc. in the State of Colorado, America
December 1998	The Company has successfully constructed the largest Indoor Stadium for Surat Municipal Corporation in Surat in the State of Gujarat valuing Rs.120 millions.
March 1999	The Company has successfully completed and also established a technological breakthrough by tapping of lake by making an underwater blast accurately and perfectly for generating hydro-power for Govt. of Maharashtra at Koyna Hydro Electric Project for a value of Rs. 2147.9 millions. Project was completed by Oct-1999.
June 1999	Successfully Completed Water Conductor System for Tons Hydel Project Value Rs. 453.3 millions
October 2000	Awarded work for Rehabilitation & Upgrading of Surat-Manor section of NH-8, Surat Manor Tollway Project, Package-II in JV with LG Limited
2001	ASI-RCC being awarded Colorado Grand Conceptor Award by ACEC in 2001 for Toker River Water Supply Project (North East Africa) , 74m high & 245m long RCC dam.
July 2001	The company for the first time introduced Employees' Share Option Scheme
November 2001	Awarded work for Construction of First RCC dam in India for Ghatghar Pumped Storage under Irrigation Department, Govt. of Maharashtra for a value of Rs.1987 millions.

Month/Year	Events
November 2001	Awarded work for Koyna HE Project Stage –IV – Extension of HRT for 2500 millions.
December 2001	Issue of bonus shares in the ratio of 1:2
February 2002	The Company has acquired another Corporate viz. Westcon Microtunnelling in the State of California, USA.
February 2002	Awarded work for Construction of Tuirial HE Power Station Project, Mizoram for NEEPCO, Shillong valuing Rs.2882.6 millions.
April 2002	The Company has successfully and timely constructed the first largest Fly over in Surat City for Surat Municipal Corporation valuing Rs.180 millions.
June 2002	Handing over of Tunnel No.4 for Prestigious Project for Udhampur-Katra-Baramulla Rail Link Project. Valuing Rs. 164.42 millions.
July 2002	Handing over of Tunnel No.5 for Prestigious Project for Udhampur-Katra-Baramulla Rail Link Project. Valuing Rs. 121.65 millions
September 2002	Awarded work for Construction of Parbati HE Project Lot-PB-I for NHPC valuing Rs.2950 millions.
October 2002	Successfully completed construction of River Diversion Tunnel for Parbati Stage – II (Lot-PBI) ahead of schedule.
November 2002	Successfully completed construction of Diversion Tunnel 2 nos. length 1040m dia. 12m finished for Teesta HE Project Stage-V valuing Rs.490 millions.
August 2003	Completion of Srisailam HE Project of 900 MW valuing Rs. 5480 millions.
September 2003	Awarded work for Construction of Sewa HE Project for NHPC valuing Rs. 100 millions.
October 2003	Awarded work for Construction of Teesta Low Dam HE Project for NHPC valuing Rs.2387.4 millions.
March 2004	Awarded work for Construction of Serlui HE Project at Mizoram in Consortium for Rs.608 millions.
April 2004	Awarded work for Construction of Upgradation of Road in Bagalkot District for Govt. of Karnataka for Rs. 676 millions
October 2004	Awarded work for Construction of Polavaram Right Main canal for Govt of Andhra Pradesh value Rs.2415 millions In Joint Venture.
October 2004	Awarded work for Construction of SRSP flood flow main canal for the Govt. of Andhra Pradesh Value Rs.1655 millions In Joint Venture.
November 2004	Issue of bonus shares in the ratio of 1:1
December 2004	Awarded work for Construction of Kameng HE Project Package I to III for Govt. of Arunachal Pradesh valuing Rs.3916 millions. Package I in Joint Venture.
February 2005	Awarded work for Construction of Kalwakurthy Lift Irrigation Project for Govt. of Andhra Pradesh valuing Rs.4952 millions.
February 2005	Awarded work for Construction of Bhima Lift Irrigation Project for Govt. of Andhra Pradesh Valuing Rs.3834 millions.
February 2005	Listing of Shares in National Stock Exchange of India Limited
March 2005	Awarded work for Construction of Indira Sagar Left Main Canal for Govt. of Andhra Pradesh valuing Rs. 2425 millions in Joint Venture.
March 2005	Awarded work for Construction of Vamsadhara project Stage II for Govt. of Andhra Pradesh valuing Rs.3535 millions in Joint Venture.
March 2005	ASI RCC Inc. was awarded the 2005 “Aon Build America” award in the Federal and Heavy Renovation Category for $31 millions Standley Lake Dam Project in Westminister. The award was presented at the Associated General Contactors 86th Annual Convention at Las Vegas.

Month/Year	Events
May 2005	Awarded work for Construction of East West Corridor for NHAI at Assam in JV for Rs.2387 millions.
June 2005	Awarded work for Construction of Madhurai-Kanyakumari road contract package 39 and 41 for Rs.5069.420 millions in JV.
August 2005	Awarded work for Construction of Jawahar Lift Irrigation project for the Govt. of Andhra Pradesh for Rs. 3375 millions.
September 2005	Awarded work for Construction of Tunnels for North East Frontier Railways for Rs. 1,698 millions.
September 2005	Awarded work for Construction of 4 laning of roadways NH-54 section in Assam for NHAI for Rs.1,439.68 millions in JV
December 2005	Awarded work for Construction of Rockfill Dam for Parbati HE Project for NHPC valuing Rs.4391.0 millions in JV with L&T.
December2005	Awarded work for Construction of road work for Pune Municipal Corporation for Rs.477 millions.
December 2005	National Award for Fly Ash Utilization in Hydro-power Construction.
February 2006	ASI-RCC was awarded “Aon Build America Award for the Construction of Civil works for Loch Raven Dam – USA.

Changes in Registered Office of our Company

The table below shows the changes in the Registered Office since incorporation:

Previous Address	New Address	Reasons for Change in Office	Date of Change
45/47, Appollo Street, Fort, Mumbai – 400 023	United India Building, 3, Sir Phirozshah Mehta Road, Fort, Mumbai – 400 023	Increased requirements for office space.	September 12, 1950
United India Building, 3, Sir Phirozshah Mehta Road, Fort, Mumbai – 400 023	Patel Estate Road, Jogeshwari (West), Mumbai – 400 102	Increased requirements for office space	April 27, 1961

The requisite Form 18 for change in Registered Office has been filed with ROC

MAIN OBJECTS OF THE COMPANY

The main objects of our Company as contained **inter alia** in our Memorandum of Association are as set forth below:

(a) “To purchase and carry on the business of Construction Engineers and Contractors now carried on by Messrs. Bhagwan Raja Patel, Hirji Thakersi Patel, Arjunbhai Kunverji Patel, Haribhai Bhagwan Patel, and Yashraj Govindbhai Patel under the name and style of Patel Engineering Company at Bombay and accordingly to enter into and carry into effect with or without modification an agreement with them in the terms of the Draft which has been for the purpose of Identification initialled by Messrs. Thakordas Daru Hemany & Co.;

(b) To carry on the business of construction engineers, building contractors and to buy and sell land, buildings, estates and immovable property of any tenure or description.

(c) To develop any lands or estates acquired by the Company or in which the Company is interested, and in particular and without prejudice to the generality of the said provision, by laying out building sites, and/ or preparing the same for building purposes, and/or by leveling, metalling, watering, irrigating, tilling, cultivating, paving, draining, sewering, leasing, letting on building lease or building agreement, selling or otherwise dealing with or disposing of any land or estate, and / or by building, altering, demolishing, re-building, decorating, maintaining, furnishing, fitting up, repairing, and improving any buildings or structures whatever thereon, and to turn to account, consolidate, connect, divide, sub divide or partition land, estate and/or properties.

(d) To construct and erect buildings, houses, tenements, bungalows etc. whether for the use of the owner or otherwise and to grant facilities to individuals, associations or institutions and others by advancing money repayable over a period of years for the purpose of construction, acquisition or erection of buildings, houses, tenements, bungalows etc., and generally to carry on business of a housing and / or building society in all its branches.

(e) To develop and work any Town Planning Schemes and to act as consultants, engineers, architects, builders and to do all things necessary for the habitation of town, including the constructing, maintaining, improving, developing, working, controlling, and managing water works, gas works, reservoirs, roads, tramways, electric power, heat and light supply works, telephone works, hotels, clubs, restaurants, baths, places of worship, places of amusement, pleasure grounds, parks, gardens, reading rooms, stores, shops, dairies and other works and conveniences, which the Company may think directly or indirectly conducive to these objects, and to contribute or otherwise assist or take part in the construction, maintenance, development, working, control and management thereof.

(f) To carry on the business of a water works company in all its branches and to sink wells and shafts, and to make, build and construct, lay down and maintain, dams, reservoirs, water works, cisterns, culverts, filter beds, mains and other pipes and appliances, and to execute and do all other acts and things necessary or convenient for obtaining, storing, selling, delivering, measuring, distributing and dealing in water."

The main objects clause of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

CHANGES IN MEMORANDUM OF ASSOCIATION

Date of Shareholders' Approval	Changes in the Memorandum of Association
General Meeting dated August 7, 1952	The authorized share capital was increased to Rs. 5.0 million divided into 15,000 preference shares of Rs. 100 each and 35,000 Equity Shares of Rs. 100 each.
General Meeting dated March 5, 1959	The authorized share capital was increased to Rs. 10 million divided into 100,000 Equity Shares of Rs. 100 each.
EGM dated January 8, 1968	The authorized share capital was increased to Rs. 15 million divided into 150,000 Equity Shares of Rs. 100 each.
EGM dated August 28, 1985	This was further increased to Rs. 30 million divided into 300,000 Equity Shares of Rs. 100 each.
AGM dated February 28, 1992	The authorized share capital was further increased to Rs. 150 million divided into 1,500,000 Equity Shares of Rs. 100 each
AGM dated January 12, 1995	The face value of the Equity Shares was sub-divided from Rs. 100 to Rs. 10 per Equity Share.
AGM dated September 30, 1999	The name of our Company was changed from "Patel Engineering Company Limited" to "Patel Engineering Limited".
AGM dated August 25, 2000	The face value of the Equity Shares was sub-divided from Rs. 10 to Rs. 5 per Equity Share.
AGM dated September 24, 2004	The face value of the Equity Shares was sub-divided from Rs. 5 to Re. 1 per Equity Share.

Shareholders agreements

There are no shareholders agreements involving our Company to which either our Promoters or our Company is a party as on the date of this Prospectus.

Strategic Partnerships

KNR-PATEL Joint Venture

KNR Constructions Limited entered into a joint venture agreement dated January 6, 2001 with our Company to establish a joint venture under the name and style of "Patel-KNR JV". Patel-KNR JV was formed for the work of rehabilitation and upgradation of the "Existing 2 Lane Road to 4/6 Lane divided carriage way confederation from Nellore to Kawali of National Highway in Andhra Pradesh" which was awarded by the NHAI. KNR-Patel is an unincorporated joint venture in the nature of partnership in the ratio of 51:49 and having its head office at 6-3-635, Akash Ganga, 3rd floor, Khairatabad, Hyderabad 500 001.

PATEL-KNR Joint Venture

Our Company and KNR Constructions Limited entered into a joint venture agreement dated January 12, 2001 to establish a joint venture under the name and style of "Patel-KNR JV". Patel-KNR JV was formed for the work of rehabilitation and upgradation of the "Widening of 2/4 Lanes and Rehabilitation of existing 2 lanes carriage work of Krishnagiri – Vaniyanbadi Road (NH-46), Easterly Bye Pass of NH-7 Package No. III: K.R.-1" which was awarded by the NHAI. Patel-KNR is an unincorporated joint venture in the nature of partnership in the ratio of 50:50 and having its head office at 6-3-635, Akash Ganga, 3rd floor, Khairathbad, Hyderabad 500 001.

AHCL-PEL Partnership

Our Company entered into a partnership understanding with Ace Housing Constructions Limited ("AHCL") vide a deed of partnership dated April 2, 2001 to undertake a project under Slum Rehabilitation and Development ("SRD") scheme, situated at Danda Khar, Mumbai 400 052. As per the terms thereof, the business of this partnership was to be carried under the name and style of "AHCL – PEL" with effect from April 1, 2004. Vide a supplemental deed of admission, Mr. Rajat Patel, one of our Directors was also admitted as a partner to the AHCL-PEL. As per the terms of the partnership, the share of profits in AHCL-PEL are as follows –

S. No.	Name of the Partners	Share of Profit
1.	AHCL	38.00%
2.	Patel Engineering Limited	50.00%
3.	Mr. Rajat Patel	12.00%

Patel-Soma Joint Venture

Our Company entered into a Joint Venture agreement with Soma Enterprises Limited vide an agreement dated July 9, 2004 between to establish a joint venture under the name and style of "Patel-Soma JV". "Patel-Soma JV" was formed for the work of rehabilitation and upgradation of the "Water Resources Development Projects" awarded by the Irrigation and Command Area Development Department, Government of Andhra Pradesh. As per the terms of this Agreement, the participation ratio of our Company and Soma Enterprises in this joint venture is 50:50.

Soma-Patel-ASI Joint Venture

Our Company, Soma Enterprises Limited and ASI RCC Inc. entered into a Joint Venture agreement vide an agreement dated August 17, 2005 to establish a joint venture under the name and style of "Soma-Patel-ASI JV". " Soma-Patel-ASI JV was formed for the work of rehabilitation and upgradation relating to "Mid-Manair Dam" across Manair river at Manwada awarded by the Irrigation and Command Area Development Department, Government of Andhra Pradesh. As per the terms of this Agreement, the participation ratio of Soma Enterprises Limited, our Company and ASI RCC Inc. in this joint venture is 50:25:25. .

PATEL-MICHIGAN Joint Venture

Our Company and Michigan Engineers Private Limited entered into a Joint Venture agreement dated February 21, 2005 to establish a joint venture under the name and style of "Patel-Michigan JV". Patel-Michigan JV was formed for the work of rehabilitation and upgradation of the "Works Of Installation of Sewer Lines and Water Mains at Various Locations in Mumbai by Micro Tunneling and Pipe Jacking and HDD Method" which was awarded by the Municipal Corporation of Greater Mumbai. Patel-Michigan is an unincorporated joint venture in the nature of partnership in the ratio of 50:50 and having its head office at C/o Michigan Engineers Private Limited, D/7, Commerce Center, 78 Javji Dadaji Road, Tardeo, Mumbai 400 034.

PATEL-L&T Joint Venture

Our Company and Larsen and Toubro Limited ("L&T") entered into a joint venture agreement dated January 2, 2006 to establish a joint venture under the name and style of "Patel - L&T JV". Patel-L&T JV was formed for submitting a bid to the NHPC for construction of the "Parbati Hydroelectric Project Stage – III (520MW) Lot-1 Civil Works" and which was later awarded to this Patel –L&T JV. Our participation in the Patel-L&T JV is on the 60:40 basis.

OUR MANAGEMENT

BOARD OF DIRECTORS

S. No.	Name, Designation, Father's Name, Address, Term and Occupation	Nationality	Age (in years)	Details of other Directorships/Partnerships
1.	**Mr. Pravin Patel** Non-Executive Chairman S/o Mr. Arjun Patel AK Patel Bungalow, 5-D, Dadabhai Road, Santacruz West, Mumbai – 400 054 Term: Director liable to retire by rotation Industrialist	Indian	70	1. ASI RCC Inc., USA 2. Patel Energy Limited 3. Praham Engineering Co. Private Limited 4. ASI RCC India Limited 5. Nadhal Lands Private Limited 6. Coral Construction Private Limited 7. Landview Construction Private Limited 8. Patel Patron Private Limited Partnerships 1. M/s. Phoebe Corporation 2. M/s. Patel Investment Trust 3. M/s. Patel Infotech
2.	**Mr. Rupen Patel** Managing Director S/o Mr. Pravin Patel AK Patel Bungalow, 5-D, Dadabhai Road, Santacruz West, Mumbai – 400 054 Term: 5 years with effect from September 1, 2004 Industrialist	Indian	39	1. Patel Engineering Inc. 2. ASI RCC Inc. 3. ASI RCC India Limited, Alternate Director to Mr. Jeffrey Allen 4. Advanced Magnetics Limited 5. Patel Realtors Private Limited 6. Praham Engineering Co. Private Limited 7. Patel Engineers Private Limited 8. Shreeanant Construction Private Limited 9. Patel Patron Private Limited Partnerships 1. Patel Investment Trust
3.	**Mr. K. Kannan** Non-Executive and Independent Director S/o Mr. M.V. Krishnamoorthy 576 B, 'Mahesh', Jame Jamshed Road, Matunga, Mumbai – 400 019 Term: Director liable to retire by rotation Retired Bank Executive	Indian	67	1. Kesar Enterprises Limited 2. Advani Hotels and Resorts (India) Limited 3. Indo-tech Transformers Limited 4. Consolidated Consortium Limited 5. Advani Pleasure Cruise Company Private Limited 6. Andhra Pradesh State Finance Corporation Limited (Special Director nominated by State Financial Corporation) 7. Murli Agro Products Limited **Member** 1. Takeover Panel of the Securities and Exchange Board of India

S. No.	Name, Designation, Father's Name, Address, Term and Occupation	Nationality	Age (in years)	Details of other Directorships/Partnerships
4.	**Mr. Khizer Ahmed** Non-Executive and Independent Director S/o Mr. C Abdur Razzak C-34, 2nd Floor, Malviyanagar New Delhi – 1001 017 Term: Director liable to retire by rotation Retired RBI Executive Director	Indian	66	1. Wall Street Finance Limited 2. The Memon Co-operative Bank
5.	**Mr. Rohit Patel** Non-Executive and Non-Independent Director S/o Mr. Arjun Patel Sharda, 51 Hatkesh Society, 7th Road, JVPD Scheme, Vile Parle Mumbai – 400 056 Term: Director liable to retire by rotation Business	Indian	67	1. Landview Construction Private Limited Partnership 1. M/s. Phoebe Corporation
6.	**Ms. Silloo Patel** Wholetime Director W/o. Mr. Yezdi Patel 5/A, Monisha Street Saint Andrews Road, Bandra (West) – 400 050 Term: 3 years with effect from September 1, 2005 Service	Indian	58	1. Patel Realtors Private Limited 2. Patel Energy Limited 3. Patel Engineers Private Limited Partnerships 1. M/s. Patel Plastics Corporation 2. M/s. Patel Infotech

S. No.	Name, Designation, Father's Name, Address, Term and Occupation	Nationality	Age (in years)	Details of other Directorships/Partnerships
7.	**Ms. Sonal Patel** Wholetime Director D/o Mr. Pravin Patel 12, Buell Mansion Parkway, Cherry Hills, Village Englewood, Colorado 80110 Term: 3 years with effect from September 1, 2003 Industrialist	U.S. Citizen	42	1. Patel Engineering Inc. 2. ASI RCC Inc. 3. ASI RCC India Limited 4. Landview Construction Private Limited 5. Westcon Microtunneling Inc.
8.	**Mr. Nimish Patel** Wholetime Director S/o Mr. Rohit Patel Sharda, 51 Hatkesh Society, 7th Road, JVPD Scheme, Vile Parle Mumbai – 400 056 Term: 3 years with effect from September 1, 2005 Service	Indian	36	None
9.	**Mr. Sumantrai Khandubhai Desai** Wholetime Director S/o Mr. Khandubhai Desai 405, Gayatri, Opp. Pratap Colony JP Road, Andheri (West) Mumbai – 400 058 Term: 3 years with effect from September 1, 2003 Service	Indian	76	None

S. No.	Name, Designation, Father's Name, Address, Term and Occupation	Nationality	Age (in years)	Details of other Directorships/Partnerships
10.	**Mr. Dinesh Velji Patel** Non- Executive and Independent Director S/o Mr. Veljibhai Patel Heera 1st Floor 17 Swastic Society 2nd Floor, JVPD Scheme Mumbai – 400 056 Term: Director liable to retire by rotation Business	Indian	61	None
11.	**Mr. Rajat Patel** Non- Executive and Non-Independent Director S/o Mr. Ramesh Patel Rajhem, 2nd Floor VL Mehta Road, JVPD Scheme Mumbai – 400 056 Term: Director liable to retire by rotation Business	Indian	39	1. Amrfina Constructions Limited 2. ACE ROCK Constructions Private Limited Partnerships 1. M/s. Siddhivinayak Construction 2. M/s. AHCL – PEL
12.	**Mr. Danish Merchant** Alternate Director to Ms. Sonal Patel S/o Mr. Mohammedali Merchant 1, Rockdale, St. Sebastian Road, Bandra (West), Mumbai – 400 050 Term: Director liable to retire by rotation Business	Indian	45	1. ASI RCC India Limited, Managing Director 2. Ace Housing and Construction Limited 3. Amrfina Constructions Limited 4. ACE ROCK Constructions Private Limited

S. No.	Name, Designation, Father's Name, Address, Term and Occupation	Nationality	Age (in years)	Details of other Directorships/Partnerships
13.	**Mr. Ajay Tuli** Non-Executive and Independent Director S/o Late Mr. Naresh Kumar Tuli 61, Violet Villa, West Avenue, Santacruz (West), Mumbai – 400 054 Term: Director liable to retire by rotation Business	Indian	40	1. Film Logic India Private Limited 2. Globe Side Cars India Private Limited

BRIEF BIOGRAPHY OF OUR DIRECTORS

Mr. Pravin Patel, Non-Executive Chairman

For details of Mr. Pravin Patel, please refer to the chapter titled "Our Promoters" on page 97 of this Prospectus.

Mr. Rupen Patel, Managing Director

For details of Mr. Rupen Patel, please refer to the chapter titled "Our Promoters" on page 97 of this Prospectus.

Mr. K. Kannan, Non-Executive and Independent Director

Mr. K. Kannan, aged 67 years, is a commerce graduate and a Fellow Member of the Institute of Chartered Accountants of India, Hon'ble Fellow of the Indian Institute of Bank and Finance, Associate Member of Indian Institute of Cost and Works Accountants of India. Mr. Kannan has a wide experience of 40 years in the field of banking. Mr. Kannan has retired as Chairman of the Bank of Baroda, after having a stint of Chairmanship with Dena Bank. He has joined our Board on August 4, 2005 as a Non-Executive and Independent Director. Currently, he is the Chairman of our Company's Audit Committee and the Share Transfer and Investor Grievance Committee.

Mr. Khizer Ahmed, Non-Executive and Independent Director

Mr. Khizer Ahmed, aged 66 years is a post graduate in Economics from the Osmania University, Hyderabad and also a Certified Associate of the Indian Institute of Bankers and has a wide experience of 42 years in the field of banking. Mr. Ahmed retired as an Executive Director of RBI and is instrumental in drafting of the Foreign Exchange Management Act, 1999. Mr. Ahmed is a respected personality in the banking sector. He has joined the Board on August 4, 2005 as a Non-Executive and Independent Director. Mr. Ahmed is the Chairman of our Company's Remuneration Committee and a member of the Audit Committee and the Employee Compensation Committee.

Mr. Rohit Patel, Non-Executive and Non-Independent Director

Mr. Rohit Patel, aged 67 years is a B.E. in Mechanical Engineering from the Technical Institute of Chicago and has an experience of 40 years in manufacturing equipments used in construction industry. Mr. Rohit Patel is a son of Mr. Arjun Patel, one of our initial promoters. He is a Non-Executive and Non-Independent Director on our Board since August 29, 1989 and assists the management in matters relating to the centralized stockyard, machinery upgradation plant etc. at Panvel.

Ms. Silloo Patel, Whole-time Director

Ms. Silloo Patel, aged 58 years is a graduate in Arts from the Bombay University and has a wide experience of 30 years in the field of business management and finance. She joined our Board on October 19, 1992 and was elevated as an Executive and Non-Independent Director in September 1999 and looks after the purchases, corporate finance and administration of our Company. She is also well versed in the the marketing of manufacturing moulded plastic goods and its financing.

Ms. Sonal Patel, Whole-time Director

For details of Ms. Sonal Patel, please refer to the chapter titled "Our Promoters" on page 97 of this Prospectus.

Mr. Nimish Patel, Whole-time Director

Mr. Nimish Patel, aged 36 years is a graduate in B.S. (Finance) from Bentley College, USA. He is a son of Mr. Rohit Patel, one of our Directors. Mr. Nimish Patel initially was working in various constructions projects of Kiewit Construction company in Boston & New York, USA, before joining the Board of Patel Engineering on February 1, 1999. Presently, he is a Whole-time Director. Mr. Nimish Patel looks after the execution of the projects, particularly in the North and North Eastern Region and handling the industrial relations, quality accredition and other matters.

Mr. Sumantrai Khandubhai Desai, Whole-time Director

Mr. Sumantrai Khandubhai Desai, aged 76 years is a graduate in Civil Engineering from the University of Gujarat and also a chartered engineer and has a wide experience of 50 years in the field of industrial designing. He joined our Company as a Junior Engineer in 1955 and became an Executive and Non-Independent Director in September 2003. He is responsible for timely execution of projects by attending and solving all the problems which are technical in nature. He has ably trained many engineers who have joined us in the last few decades.

Mr. Dinesh V. Patel, Non-Executive and Independent Director

Mr. Dinesh V. Patel, aged 61 years is a civil engineer from the Belgaum University. He has wide experience in the construction sector. He joined our Board on January 12, 1995 as a Non-Executive and Independent Director.

Mr. Rajat Patel, Non-Executive and Non-Independent Director

Mr. Rajat Patel, aged 39 years is a civil engineer from the Dharwad University. He has experience in the field of property development and is a Director on the Boards of Amrfina Constructions Limited, ACE ROCK Constructions Private Limited and is a partner in M/s. Siddhivinayak Construction and M/s. AHCL-PEL. He joined our Board on January 12, 1995 as a Non-Executive and Non-Independent Director.

Mr. Danish Merchant, Alternate Director

Mr. Danish Merchant, aged 45 years is an under-graduate and has a wide experience of 15 years in the field of liaisoning and public relations. He has been appointed as an Alternate Director to Ms. Sonal Patel with effect from October 4, 2004. Mr. Merchant has been assisting our Management in ensuring appropriate public relations.

Mr. Ajay Tuli, Non-Executive and Independent Director

Mr. Ajay Tuli, aged 40 years is a graduate in Commerce from the Mumbai University and has a wide experience of 16 years in the field of film logistics. He joined our Board as a Non-Executive and Independent Director on December 27, 2005. At present he is also a Member of our Employee Compensation Committee.

TERMS AND CONDITIONS OF APPOINTMENT OF OUR MANAGING DIRECTOR/WHOLE TIME DIRECTORS

Mr. Rupen Patel, Managing Director

Vide an agreement dated October 14, 2004 Mr. Patel was reappointed as the Managing Director of our Company for a term of 5 years. As per the said agreement Mr. Patel is eligible for the following perks besides his salary.

Salary: A monthly remuneration of Rs. 160,000 which is inclusive of all allowances other than specified elsewhere.

Perquisites : In addition to Salary, the following perquisites shall be allowed to Mr. Rupen Patel -

Part A:

- an unfurnished accommodation or 33% of his salary as house rent allowance, besides the reimbursement of utility charges;
- reimbursement of medical expenses subject to a ceiling of one month's salary for self and his family.
- personal accident insurance premium not exceeding Rs.0.1 million per annum.
- in case of his children studying in or outside India, the Company shall directly pay to the institution the amount of donation, educational fees etc.

Part B:

- contribution towards Provident Fund, Gratuity, Club Fees as per the provisions in the Act.
- also he is eligible for 28 days privilege leave for every completed 11 months of service.
- the provision of chauffer driven Car, residential telephone etc.
- the Managing Director is entitled to an allowance of $1000 per day or any other foreign currency equivalent thereto during his overseas travel. In case of his wife also accompanies him in such travel, he shall be paid additional allowance of US$ 250/- per day during that period.

Taxes on perquisites as per the provisions of the Indian Income Tax Act shall be borne by the Company.

Ms. Sonal Patel, Wholetime Director

Vide an agreement dated September 30, 2003 Ms. Patel was reappointed as a Wholetime Director and the Chief Operating Officer of our Company for a term of 3 years. As per the said agreement Ms. Patel is eligible for the following perks besides her salary.

Salary: A consolidated sum of US$ 5,000 in the scale of US$ 5,000-1,000-8,000-1,500- 12,000 per month which is inclusive of dearness allowance but exclusive of perquisites subject to the applicable provisions of the Act as mentioned below -

- an amount by way of commission payable annually subject to a ceiling of an amount equal to 100% of her annual salary;
- incentive @ 30% of salary;
- an amount equivalent to 20% of drawn salary payable as bonus subject to provisions of the Bonus Act;

Perquisites:

Part A:

- Our Company has hired an unfurnished accommodation for the branch office in U.S.A for a rent of US$ 3,000 per month and that our company may recover an amount of US$ 1,000 per month in compensation for the portion of such area utilized for her personal stay, besides the reimbursement of utility charges;
- reimbursement of medical expenses subject to a ceiling of one month's salary for self and her family;
- Club Fees subject to maximum of two clubs;
- Leave travel concession for herself and her family once in a year;
- personal accident insurance premium not exceeding Rs.4,000 per annum.

Part B:

- contribution towards Provident Fund, Gratuity as per the provisions in the Act.
- also she is eligible for 28 days privilege leave for every completed 11 months of service;
- the provision of chauffer driven car, residential telephone etc.

Ms. Silloo Patel, Wholetime Director

Vide an agreement dated October 1, 2005 Ms. Patel was reappointed as a Wholetime Director of our Company for a term of 3 years. As per the said agreement Ms. Patel is eligible for the following perks besides her salary.

Salary: A monthly remuneration of Rs. 135,000 per month which is inclusive of all allowances and upto a maximum of Rs. 500,000. She is also entitled to other benefits subject to a ceiling of an amount equivalent to 150% net of tax of her annual salary (bonus at the rate of 20% + 30% incentive and 100% as commission of her drawn salary).

Perquisites: In addition to Salary, the following perquisites shall be allowed to Ms. Patel -

Part A:

- furnished accommodation or 33% of her salary as house rent allowance, besides the reimbursement of utility charges;
- reimbursement of medical expenses subject to a ceiling of one month's salary for self and family.
- personal accident insurance premium not exceeding Rs. 4,000 per annum.
- Leave travel concession for self and family in a year to any destination in India.

Part B:

- contribution towards Provident Fund and Gratuity as per the provisions in the Act.
- also she is eligible for 28 days privilege leave for every completed 11 months of service.

Part C:

- the provision of chauffer driven Car, residential telephone etc.
- in case of children studying in or outside India, the Company shall directly pay to the institution the amount of donation, educational fees etc.

Taxes on perquisites as per the provisions of the Indian Income Tax Act shall be borne by the Company.

Mr. Nimish Patel, Wholetime Director

Vide an agreement dated October 1, 2005 Mr. Patel was reappointed as a Wholetime Director of our Company for a term of 3 years. As per the said agreement Mr. Patel is eligible for the following perks besides his salary.

Salary: A monthly remuneration of Rs. 135,000 per month which is inclusive of all allowances and upto a maximum of Rs. 500,000. He is also entitled to other benefits subject to a ceiling of an amount equivalent to 150% net of tax of his annual salary (bonus at the rate of 20% + 30% incentive and 100% as commission of his drawn salary).

Perquisites: In addition to Salary, the following perquisites shall be allowed to Mr. Patel -

Part A:

- an unfurnished accommodation or 33% of his salary as house rent allowance, besides the reimbursement of utility charges;
- reimbursement of medical expenses subject to a ceiling of one month's salary for self and family.
- personal accident insurance premium not exceeding Rs. 4,000 per annum.
- Leave travel concession for self and family in a year to any destination in India.

Part B:

- contribution towards Provident Fund and Gratuity as per the provisions in the Act.
- also he is eligible for 28 days privilege leave for every completed 11 months of service.

Part C:

- the provision of chauffer driven Car, residential telephone etc.
- in case of children studying in or outside India, the Company shall directly pay to the institution the amount of donation, educational fees etc.

Taxes on perquisites as per the provisions of the Indian Income Tax Act shall be borne by the Company.

Mr. Sumantrai Khandubhai Desai, Wholetime Director

Vide an agreement dated September 30, 2003 Mr. Desai was appointed as a Wholetime Director of our Company for a term of 3 years. As per the said agreement Mr. Desai is eligible for the following perks besides his salary.

Salary: His current remuneration is Rs. 50,000 per month. He is also entitled to a commission of Rs. 420,000 per annum and a bonus of Rs. 100,000 per annum which is exclusive of salary.

Part A:

- our Company will pay a house rent allowance of a maximum of Rs. 15,000 per month, besides the reimbursement of utility charges;
- reimbursement of medical expenses subject to a ceiling of one month's salary for self and family.
- Leave travel concession for self and family in a year to any destination in India or upto one month's salary.

Part B:

- contribution towards Provident Fund and Gratuity as per the provisions in the Act.
- also he is eligible for 28 days privilege leave for every completed 11 months of service.

Part C:

- the provision of car, residential telephone etc.

Taxes on perquisites as per the provisions of the Indian Income Tax Act shall be borne by the Company.

BORROWING POWERS OF DIRECTORS

The Articles of Association of our Company authorises our Board to borrow, the extract of which is as follows:

"Article 136(1): Subject to the provisions of the Act and these Articles but without the prejudice to the general powers conferred by the last preceding Article, and so as not in any way to limit or restrict those powers and without prejudice to the other powers conferred by these Articles, the Directors shall have power from time to time at their discretion to accept deposits from members of the Company either in advance of calls or otherwise and generally to raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company; provided that the total amount raised, borrowed or secured and outstanding at any time together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not without the consent of the Company in General Meeting exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

SHAREHOLDING OF OUR DIRECTORS

As per our Articles, our Directors are not required to hold any Equity Shares in our Company. Save and except as below, our Directors do not hold any Equity Shares in our Company as on the date of filing of this Prospectus.

S. No.	Name of Director	No. of Shares
1.	Mr. Pravin Patel	211,800
2.	Mr. Rupen Patel	1,344,600
3.	Ms. Sonal Patel	102,000
4.	Ms. Silloo Patel	639,165
5.	Mr. Rohit Patel	440,800
6.	Mr. Nimish Patel	214,500
7.	Mr. Rajat Patel	56,274
8.	Mr. Dinesh Patel	3,000
9.	Mr. Danish Merchant	1,480
10.	Mr. SK Desai	24,000

INTEREST OF PROMOTERS, DIRECTORS AND SIGNIFICANT SHAREHOLDERS

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association/shareholders' approval. The whole time directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our directors may also be deemed to be interested to the extent of equity shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Year	Name of the Director	Date of Appointment / Resignation	Reasons for change
2002	Mr. Shamit Tridesh Majmudar	September 27, 2002	Not elected by the Members
2003	Mr. Srichand Megchand Shroff	November 22, 2003	Death
2005	Mr. K. Kannan	August 4, 2005	Appointment as Additional Director
2005	Mr. Khizer Ahmed	August 4, 2005	Appointment as Additional Director
2005	Mr. Danish Merchant	August 16, 2005	Resignation
2005	Mr. Danish Merchant	October 24, 2005	Appointed as Alternate Director to Ms. Sonal Patel
2005	Mr. Ajay Tuli	December 27, 2005	Appointed as Additional Director

CORPORATE GOVERNANCE

The Equity Shares of our Company are listed on the BSE and the NSE and we have entered into listing agreements with the respective stock exchanges. The SEBI Guidelines are applicable to our Company. Our Company is compliant with the corporate governance code as per Clause 49 of the listing agreement(s). Our Company undertakes to continually comply with such provisions, including with respect to the appointment of independent directors to its Board and the constitution of the Audit Committee, the Remuneration/Compensation Committee and the Share Transfer and Investor Grievance Committee. At present the following committees have been formed:

Audit Committee

The Audit Committee was reconstituted by a meeting of the Board of Directors held on August 4, 2005 and presently comprises Mr. K. Kannan, Chairman, Mr. Khizer Ahmed and Mr. Pravin Patel.

The terms of reference of the Audit Committee are as follows:

(a) to oversee the Company's financial reporting process and to ensure that the financial statements are correct, sufficient and credible;

(b) to recommend appointment or removal of statutory and internal auditor and to recommend remuneration payable to the auditors;

(c) to review with management the financial statements before the board in the context of change in accounting policies, qualifications in the audit report, compliance of accounting standards, significant adjustments, arising out of audit and any related party transactions that may have the potential conflict with the interest of the Company;

(d) to review the adequacy of internal audit function including structure, staffing reporting structure, coverage and frequency of internal audit, discussion with the internal auditor for any significant findings and follow up thereof;

(e) to review a report on the results of the internal auditors work on a periodic basis; and

(f) to look into any other matters as may be required by the Companies Act, 1956 or by rules framed thereunder.

The Audit Committee met 6 times during the FY 2005.

Remuneration Committee

The Remuneration Committee was reconstituted by a meeting of the Board of Directors held on August 4, 2005 and presently comprises Mr. Khizer Ahmed, Chairman, Mr. Pravin Patel and Mr. Rohit Patel.

The broad terms of reference of the Remuneration Committee are as follows:

(a) "to recommend to the Board, the remuneration packages of the Company's Managing/ /Whole time/ Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);

(b) to be authorized at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference,

    i. to appraise and evaluate the staff members for promotion to management cadre;

    ii. to identify the members on a given yardstick and recommend the share options under the ESOP scheme;

    iii. to formulate the Company's policy on specific remuneration packages for Company's Managing/ Whole time/ Executive Directors, including pension rights and any compensation payment."

The Remuneration Committee met 2 times during the FY 2005.

Share Transfer and Investor Grievance Redressal Committee

The terms of the Share Transfer and Investor Grievance Redressal Committee includes approving the transfer/ transmission of securities of the Company and connected matters, issuing new certificates of securities of the Company upon a split or consolidation of the Equity Shares, deciding any matter relating to the securities of the Company and redressing investors' complaints relating to transfer of securities, non-receipt of balance sheet, non-receipt of declared dividends and other similar complaints.

The Share Transfer and Investor Grievance Redressal Committee met 8 times during the FY 2005.

Follow-on Public Issue ("FPO") Committee

The FPO Committee was constituted by the Board in its meeting held on December 27, 2005 and presently comprises Mr. Khizer Ahmed, Mr. Rupen Patel and Ms. Silloo Patel. This is a special purpose committee and its duration is till such time the Issue related matters are over.

The broad terms of reference of the FPO Committee inter alia are as follows:

(a) to decide on the actual size and form of the security(ies), timing, pricing and all the terms and conditions of the issue, including the price, and to accept any amendments, modifications, variations or alterations thereof;

(b) to appoint and enter into necessary arrangements to carry out the issue successfully;

(c) to finalize and settle and to execute agreement and all other documents, deeds and agreements and instruments as may be required or desirable in connection with the issue of securities; and

(d) to settle all questions, difficulties or doubts that may arise in regard to such issues or allotment as it may, in its absolute discretion deem fit.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 are applicable to our Company being a listed company and we are in compliance with the same.

OUR KEY MANAGERIAL PERSONNEL

The Key Managerial Personnel of our Company other than our Managing Director and our other Wholetime Directors are as follows:

Sr. No.	Name	Designation	Qualification	Experience
1	Mr. Bollampalli Sudaschandra Reddy	President	B.Sc., B.E. (Civil)	50
2	Mr. Vinodrai Ratilal Dhedhi	Dy. Director(Fin)/ Sr. Vice President	S.S.C	45
3	Mr. Laxman Narayan Apte	Sr. Vice President	B.Sc(Engg-Civil), F.I.E(I) ;M.I.E (I)	43
4	Mr. Subodh Kumar Saha	Dy. Director (Projects)/ Sr. Vice President	B.E. (Civil)	42
5	Mr. Kureekottil Pothen James	Dy. Director (Engineering) / Vice President	B.Sc., Engg. (Civil), M.I.E., A.M.I.S.	41
6	Mr. Bidyut Kumar Chakravorty	DY. Director (Equipment)/ Vice President	D.M.E.,B.E. (Mech).	38
7	Mr. R. Subramanyam	Vice President – Corporate Affairs	B.A.,B.Com,D.Com., T.T.D.	35
8	Mr. Sunil Dhananjay Sapre	Dy. Director (Projects)	B.E. (Civil), M.I.E., P.G.D.C.M	26
9	Mr. Ashwin Ramanlal Parmar	Dy. Director (Business Development) /G.M.	B.E.(Civil),P.G.D.C.M	24
10	Mr. Nitesh P. Vaghela	General Manager – Accounts & Administration	B.Com, A.C.A., C.P.A(USA)	10
11	Ms. Shobha Shetty	Company Secretary	B.Com, A.C.S.	3

Mr. Bollampalli Subashchandra Reddy

Mr. Reddy, aged 72 years is a B.Sc., B.E. (Civil) and is the President of our Company. He has about 50 years of varied experience in various fields. Before joining our Company on March 15, 1959 Mr. Reddy was working as the Junior Engineer, Chief Engineers Office, Nagarjuna Sagar Left Canal, Hyderabad. He has successfully completed various projects like Srisailam Left Bank H.E Project, Nagarjuna Left Main Canal project, Nellore – Kavali project etc. Presently he is supervising the Krishnagiri project, SRSP Nettempadu Scheme I and II, Kalwakurthy Lift Irrigation Scheme, Priyadarshini, Jurala Hydro Electric project etc. Mr. Reddy has received annual emoluments of Rs. 1,497,000 in year FY 2005-2006.

Mr. Vinodrai Rathilal Dhedhi

Mr. Dhedhi, aged 72 years is an undergraduate and has a varied experience of more than 50 years in the engineering and construction sector. He plays a very crucial role in the corporate structure of our Company and oversees the engineering, finance and human resources departments of our Company. Before joining our Company on June 15, 1962 Mr. Dhedhi was working as a Supervisor with Patel Juthabai Dhakji and Co., Rajkot. Mr. Dhedhi was actively involved in Srisailam Left Bank H.E Project etc. and at present, is handling general corporate matters like banking, insurance, human resource development, etc. Mr. Dhedhi has received annual emoluments of Rs. 1,216,764 in year FY 2006.

Mr. Laxman Narayan Apte

Mr. Apte, aged 66 years is B.E (Civil) and has membership of Professional services/ bodies such as Institution of Engineers (India), Indian Concrete Institute, Indian Institute of Bridge Engineers and National Center for Quality Management. He has an experience of over 43 years in various fields of the Construction industry. Before joining our Company on October 1, 2004 he has worked with many renowned organization such as Madhya Pradesh Electricity Board, Gammon India Limited, Maker development Services, V.M Jogs Cons. Limited, Construma Consultancy Private Limited etc. He is presently handling the Parbati H.E. project. Mr. Apte has received annual emoluments of Rs. 660,000 in year FY 2006

Mr. Subodh Kumar Saha

Mr. Saha, aged 64 years, is a B.E (Civil) and is currently employed as Senior Vice President/Deputy Director (Projects) in PEL. He has experience in construction of various structures such as Power Houses, Outlet Work of Tail Pool, Tail Race Tunnel, approach channel, intake structure and Surge Shaft. Before joining our Company on April 1, 1999 Mr. Saha was working with G.S.J. Eno, Calcutta. His responsibilities include operations in the entire Northeast region (mainly Turial and Kameng projects). Mr. Saha has received annual emoluments of Rs. 899,996 in year FY 2006

Mr. Kureekottil Pothen James

Mr. James, aged 61 years, is a B.Sc. Engineering (Civil) and is currently employed as Deputy Director (Engineering)/ Vice President (Estimation). From 1965-1980 he worked in Military Engineering Service as Superintendent with responsibility for tender and related matters for various types of works both Civil and Mechanical/ electrical evaluations of tenders, supervision of construction, certification of interim valuation and final account and matters concerning arbitration defense in our Company. Before joining our Company on June 9, 1983 he was working as a quality surveyor with the Hotel Corporation of India Limited. In our Company, he is in charge of estimation and matters concerning pre-qualification of our Company for various mega projects. He also participated in implementation of various projects such as Centaur Hotel, Juhu, Construction of Doha General Post Office and many other Multimillion Civil engineering Projects. Mr. James has received annual emoluments of Rs. 1,216,764 in year FY 2006

Mr. Bidyut Kumar Chakravorty

Mr. Chakravorty, aged 60 years, is a B.E. (Mechanical) and is currently employed as Deputy Director (Equip)/ Vice President. He has worked in almost all types of Construction works, earth moving machines like excavators, dozers, dumpers, Compressors, Loaders, Locos, Tunneling Equipments like tunnel boring machines, Granby cars, electric locos, batching plants. Concrete pumps, placer booms etc. Before joining our Company on June 15, 1992 he was working as a project client manager with Gammon India Limited. In the past he has also worked with the National mineral Development Corp. Limited, M/s Dempo Mining Corp. Limited etc. Mr. Chakravorty has received annual emoluments of Rs. 1,216,764 in year FY 2005-2006

Mr. R. Subramanyam

Mr. Subramanyam, aged 60 years is a B.A., B. Com, D. Com, T.T.D and is currently our Vice-President (Corporate Affairs). He has a wide experience of 35 years in various fields like finance, taxation, administration, secretarial etc. He has worked in senior management position for nearly two decades with highly reputed corporates, including multinational companies namely Indofil Chemicals, BASF India and Precision Fastners Limited. Presently, his responsibilities include corporate laws, FEMA and properties. Before joining our Company on January 1, 1997 Mr. Subramanyam was working as a Manager in Alpic Finance Limited, Mumbai. Mr. Subramanyam has received annual emoluments of Rs. 342,750 in year FY 2006.

Mr. Sunil Dhananjay Sapre

Mr. Sapre, aged 48 years, is B.E. (Civil) from V.J.T.I (Mumbai). In addition he has done Post Graduate Diploma In Construction Management from NICMAR, Bombay. He is well conversant with Project Planning –PERT/CPM, Project Materials Management, M.I.S. & Controls, Project Finance Management, Project Equipment Management, H.R.M and Indian labour Laws. His duties and responsibilities include planning and execution of projects in close co-ordination with clients, consultants, architects etc., quantity surveying and tendering, preparation and monitoring of bar charts and cash flow charts etc. Before joining our Company on February 18, 1991 he was working as the Project Incharge, Donato Concreting Company. Mr. Sapre has received annual emoluments of Rs. 1,418,199 in year FY 2006.

Mr. Ashwin Parmar

Mr. Parmar, aged 45 years, is a B.E. (Civil) from V.J.T.I. (Mumbai) and he is also a PGDCM. He is currently employed as Deputy Director (Business Development). He is involved in coordination for various ongoing Hydro-power and Water Supply Projects. He also has experience in Construction of Tunnels, Silos, Bridge, Dams, Powerhouse and Water Supply Project. Before joining our company on February 2, 2001 he was working as Principal Engineer, Tata Consulting Engineers. Mr. Parmar has received annual emoluments of Rs. 1,197,600 in year FY 2006

Mr. Nitesh Vaghela,

Mr. Vaghela, aged 33 years is B.Com, A.C.A, C.P.A (USA) is currently our General Manager (Accounts & Administration) having 10 years of experience in the field of finance. He is responsible for companies financial transaction, year end audit & tax compliance, facilitated conversion of financial statement to United states GAAP by working with C.P. Accountants. He also looks in day to day financial operation of the Company. He also coordinates with Bank and financial Institution for arranging various credit facilities.Before joining our company on August 1, 1997 he was working as Asst Accounts Manager, Jenburkt Pharmaceuticals Limited looking after day to day financial operation. Mr. Vaghela has received annual emoluments of Rs. 439,819 in year FY 2006.

Ms. Shobha Shetty,

Ms. Shetty, aged 29 year is a Bachelor of Commerce (Hons.) from Bombay University and an Associate Member of the Institute of Company Secretaries of India. At present, she is the Company Secretary of our Company. She joined our Company on October 1, 2003. Ms. Shetty has received annual emoluments of Rs. 299,400 in year FY 2006.

SHAREHOLDING OF OUR KEY MANAGERIAL PERSONNEL

Sr. No	Name	No. of Equity Shares
1	Mr. Bollampalli Sudaschandra Reddy	7,000
2	Mr. Vinodrai Ratilal Dhedhi	16,100
4	Mr. Subodh Kumar Saha	3,000
5	Mr. Kureekottil Pothen James	15000
6	Mr. Bidyut Kumar Chakravorty	3,500
7	Mr. R. Subramanyam	12,600
8	Mr. Sunil Dhananjay Sapre	8000
9	Mr. Ashwin Ramanlal Parmar	2,750

CHANGES IN OUR KEY MANAGERIAL PERSONNEL DURING THE LAST THREE YEARS

Save and except as follows there have no changes in our Key Managerial Personnel in the last three year preceding the date of this Prospectus:

Year	Name of the Key Managerial Personnel	Date of Appointment / Resignation	Reasons
2003	Ms. Shobha Shetty	October 1, 2003	Appointment
2004	Mr. Laxman Narayan Apte	October 1, 2004	Appointment

EMPLOYEE STOCK OPTION SCHEME

For details of the Employee Stock Option Scheme, please refer the heading “Patel Engineering Limited Employee Stock Option Scheme (“ESOP 2001”)” on page 28 of this Prospectus.

INTEREST OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Save and except as stated in section titled “Key Managerial Personnel” in chapter titled “Our Management” beginning on page 94 of this Prospectus, no amount or benefit has been paid or given within the two preceding years or are intended to be given to any of our Directors or key managerial personnel except the normal remuneration for services rendered as directors, officers or employees.

BONUS OR PROFIT SHARING PLAN FOR KEY MANAGERIAL PERSONNEL

There is no scheme for profit sharing or special bonus for our Key Managerial Personnel.

OUR PROMOTERS

The Promoters of our Company are Mr. Pravin Patel, Mr. Rupen Patel, Ms. Sonal Patel, Praham Engineering Co. Private Limited and Patel Realtors Private Limited.

Our Company was originally incorporated under the Indian Companies Act, 1913 as "Patel Engineering Company Limited" to purchase and carry on the business of the partnership firm, M/s. Patel Engineering. At the time of incorporation, the original promoters of our Company were , Mr. Arjun Kunverji Patel and Mr. Hirji Thakersey Patel. The first directors of our Company were – (i) Mr. Bhagwan Raja Patel; (ii) Mr. Hirji Thakersey Patel; (iii) Mr. Arjun Kunverji Patel; (iv) Mr. Haribhai Bhagwan Patel; and (v) Mr. Yashraj Govind Patel. Till the year 1991, the management of our Company was in the hands of a group of our shareholders led by Mr. Yashraj Govind Patel. However, in 1991 there was a change in the management of our Company and it passed over to the group of shareholders led by the present Promoters of our Company, i.e., Mr. Pravin Patel and Mr. Rupen Patel, son of Mr. Pravin Patel. Furthermore, vide a Consent Term Decree passed in January 1993 by the Company Law Board, New Delhi in the matter of Y.G. Patel and others v. Patel Engineering Company Limited (Company Petition number 28/1991), the Company Law Board ordered that all Equity Shares tendered by the group of shareholders led by Mr. Yashraj Govind Patel upon being surrendered to the Company shall be purchased at fair valuation and cancelled and the issued, subscribed and paid-up capital of our Company shall accordingly stand reduced. Pursuant to the said Consent Term Decree, 91,712 Equity Shares were purchased and accordingly cancelled on April 8, 1995.

The pre-Issue shareholding pattern of the Promoters, Promoter Group and persons acting in concert with our Promoters on the date of this Prospectus is as given below –

S. No.	Name of Shareholders	No. of Equity Shares	Percentage Holding (%)
	Promoters		
1	Mr. Pravin Patel	211,800	0.42
2	Mr. Rupen Patel	1,344,600	2.69
3	Ms. Sonal Patel	102,000	0.20
4	Praham Engineering Co. Limited	13,075,560	26.15
5	Patel Realtors Private Limited	13,569,160	27.14
	Persons Acting in Concert		
6	Ms. Silloo Patel	639,165	1.27
7	Mr. Rohit Patel	440,800	0.88
8	Mr. Nimish Patel	214,500	0.43
9	Mr. Rajat Patel	56,274	0.11
10	Mr. Dinesh Patel	3,000	0.00
11	Mr. Danish Merchant	1,480	0.00
12	Mr. SK Desai	24,000	0.04
13	Ms. Chandrika Patel	166,800	0.33
14	Ms. Jayshree Patel	120,000	0.24
15	Ms. Daksha Patel	123,000	0.25
16	Ms. Janki Patel	1,196,700	2.39
17	Baby Riana (through Ms. Sonal Patel)	197,100	0.39
18	Ms. Charu Patel	198,000	0.40
19	Mr. Yezdi Patel	4,800	0.01
20	Mr. Freny Mehta	4,320	0.01
21	Ms. Mamta Sharma	30,000	0.06
22	Ms. Kokila Patel	520,943	1.02
23	Mr. Biren Patel	9,784	0.02
24	Ms. Manjula Pedhdia	5,400	0.01
	Grand Total	**32,259,186**	**64.52**

Our Individual Promoters and their Background

Mr. Pravin Patel, Non-Executive Chairman

Mr. Pravin Patel, aged 70 years is our Non-Executive Chairman. He is graduated in Town Planning from USA and also studied Financial Management from the London School of Economics. He is the son of Mr. Arjun Patel, one of our initial promoters and has a wide experience of 45 years in financial management, town planning, architecture etc. Under his vision and erudite leadership our Company has acquired immense reputation as an engineering company. In addition to guiding our Company, Mr. Patel was instrumental in acquiring two companies in the United States as our Subsidiaries to establish a presence on global level. He has also been instrumental in introducing and implementing pioneering techniques into India in the field of construction industry.

Voter ID No.: Applied for.

Driving License No.: 86/W/BOM/3354

Mr. Rupen Patel, Managing Director

Mr. Rupen Patel, aged 39 years, is our Managing Director. He is a graduate in Commerce from A.M. Mithibai College, Mumbai and also holds an MBA degree from the Babson College, U.S.A. Mr. Patel has a wide experience of 14 years in the construction industry and he joined our Company as a Director with effect October 26, 1995. He was elevated to the post of an Executive and Non-Independent Director with effect from September 1996. He has been trained under the supervision of his visionary father, Mr. Pravin Patel, one of our Promoters. He is a very active member of the Board supervising all the sites in a planned and periodical manner and also in identifying and improving on our core competencies. He has been instrumental in motivating our employees through the formulation of our ESOP plan.

Voter ID No.: Applied for.

Driving License No.: Not available.

Ms. Sonal Patel, Executive and Non-Independent Director Ms. Sonal Patel, aged 42 years, is also one of our Directors. She is a graduate in Commerce in N.M. College and also a MBA from Babson College in USA. She is the daughter of Mr. Pravin Patel, one of our Promoters and looks after our Subsidiaries incorporated overseas. She joined the Board on August 19, 1993 and since September 1997 has been an Executive and Non-Independent Director. At present, she also holds the post of the Chief Operating Officer.

Voter ID No.: Not applicable.

Driving License No.: 97-276-0675

The Permanent Account Number ("PAN"), Bank Account Number and Passport Number of our Promoters has been submitted to the stock exchanges, on which we propose to list the Equity Shares issued pursuant to this Issue at the time of filing of this Prospectus.

Our Corporate Promoters and their Background

Praham Engineering Co. Private Limited ("Praham")

Praham is one of our corporate Promoters and has its registered office at Patel Estate Road, Jogeshwari (West), Mumbai – 400 102.

Praham was incorporated as a private limited company on March 28, 1973 under the provisions of the Companies Act, 1956. As per its memorandum of association, the main objects of Praham is to carry on the businesses of profession or vocation of civil engineering consultants and advisors. Also, as per its incidental and ancillary objects, Praham is permitted to invest and deal with the monies not immediately required besides to carry on the business as traders, agents and merchants etc.

Shareholding Pattern:

The equity shares of Praham are not listed on any stock exchange. The shareholding pattern of Praham as on the date of filing of this Prospectus is as given below –

Name of Shareholders	No. of equity shares	% of Shareholding
Mr. Pravin Patel	8,607	36.16
Mr. Rupen Patel	11,979	50.33
Ms. Sonal Patel	3,203	13.46
Patel Realtors Private Limited	10	0.04
Others	2	0.00
Total number of shares	**23,801**	**100.00**

Board of Directors:

The board of directors of Praham as on the date of this Prospectus comprises of the following:

1) Mr. Pravin Patel
2) Mr. Rupen Patel
3) Ms. Janki Patel

Financial Performance:

(Rs. in million, except per share data)

	As of March 31,		
	2005	2004	2003
Equity share capital	2.38	2.38	2.38
Reserves and surplus*	57.80	42.2	33.21
Total income	27.62	19.46	21.48
Profit after tax	18.27	9.00	7.18
Earnings per share (face value Rs. 100) ** Rs.)	768	378	302
Net Asset Value per share (in Rs.)	2528.51	1873.74	1459.31

* Excludes revaluation reserves
** Computed on the basis of earnings excluding extraordinary items

Patel Realtors Private Limited ("Patel Realtors")

Patel Realtors is one of our corporate Promoters and has its registered office at Patel Estate Road, Jogeshwari (West), Mumbai – 400 102.

Patel Realtors was incorporated as a private limited company on January 31, 1989 under the provisions of the Companies Act, 1956 and as per its memorandum of association, the main objects of Patel Realtors is to carry on the business of builders, contractors and to undertake and finance construction activities. Also, as per its incidental and ancillary objects, Patel Realtors is permitted to invest and deal with the monies not immediately required.

Shareholding Pattern:

The equity shares of Patel Realtors are not listed on any stock exchange. The shareholding pattern of Patel Realtors as on the date of filing of this Prospectus is as given below –

Name of Shareholders	No. of equity shares	% of Shareholding
Mr. Pravin Patel	502	5.12
*Mr. Pravin Patel *Mr. Rupen Patel *Praham Engineering Co. Private Limited	8,600	87.74
Ms. Sonal Patel	700	7.14
Total Capital	**9,802**	**100.00**

***These shares are being held jointly by the persons above-mentioned on behalf of Patel Investment Trust.

Board of Directors:

The board of directors of Patel Realtors as on the date of this Prospectus comprises of the following:

1) Mr. Rupen Patel

2) Ms. Silloo Patel

Financial Performance:

(Rs. in million, except per share data)

	As of March 31,		
	2005	**2004**	**2003**
Equity share capital	0.98	0.98	0.98
Reserves and surplus*	83.96	63.66	53.42
Total income	21.91	11.46	13.04
Profit after tax	20.29	10.24	8.06
Earnings per share (face value Rs. 100) ** (Rs.)	2,071	1,045	822
Net Asset Value per share (Rs.)	8,666.05	6,595.14	5,549.98

* Excludes revaluation reserves

** Computed on the basis of earnings excluding extraordinary items

Our corporate Promoters are not listed on any stock exchange and have not made any public or rights issue in the past. Our corporate Promoters have not become a sick company as defined in the Sick Industrial Companies Act, 1985 and are not under winding up.

We confirm that the Permanent Account Number, Bank Account Numbers, the Company Registration Numbers and the address of the Registrar of Companies where our corporate Promoters are registered have been submitted to the Stock Exchanges at the time of filing of this Prospectus.

Further, none of our Promoters or their relatives have been detained as willful defaulters by the Reserve Bank of India or any other Government authority and there are no violations of securities laws committed by our Promoters in the past or any such proceedings are pending against our Promoters.

Defunct Promoter Group companies

Except as described below, there are no Promoter Group companies that are defunct:

1) Apraulic Builders and Investments Private Limited

An application has been made on March 29, 2004, under Section 560 of the Companies Act, for striking off the name of Apraulic Builders and Investments Private Limited from the Registrar of Companies, Maharashtra at Mumbai. There is no pending litigation against this company.

2) Apraulic Exports Private Limited

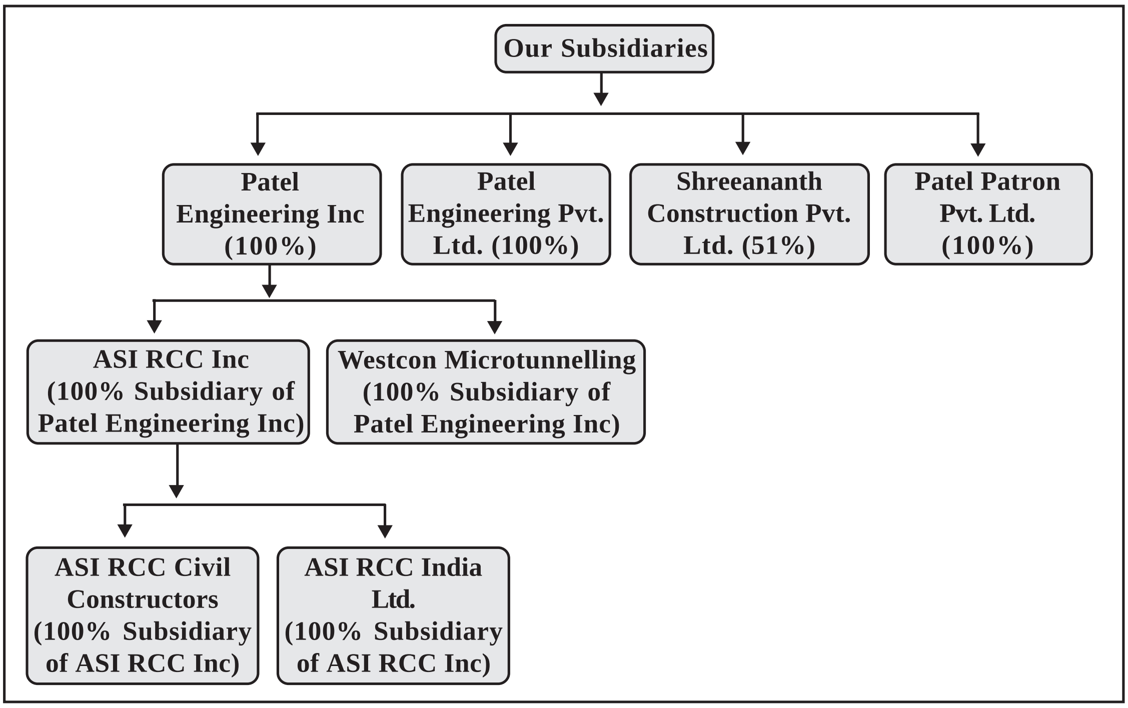
An application has been made on March 29, 2004, under Section 560 of the Companies Act, for striking off the name of Apraulic Exports Private Limited from the Registrar of Companies, Maharashtra at Mumbai. There is no pending litigation against this company.

Save and except as stated below, our Promoters have not disassociated themselves with any company in the past three years.

Apraulic Engineers Private Limited ("Apraulic")

One of our Promoters, Mr. Pravin Patel and his brother Mr. Rohit Patel, one of our Directors were the promoters of Apraulic Engineers Private Limited ("Apraulic"), a private limited company incorporated under the Companies Act, 1956 on May 12, 1970. As per its memorandum, the principal activity of Apraulic was to carry on the business of manufacturers of hydraulic machineries and other such equipments. Until November 24, 2005 Mr. Pravin Patel and Mr. Rohit Patel alongwith their family members held the entire shareholding of Apraulic. However, our Promoter, Mr. Pravin Patel disassociated from Apraulic when such entire shareholding was transferred by way of sale to unrelated entities. Mr. Pravin Patel disassociated himself from Apraulic as he was no longer interested in pursuing Apraulic's line of business.

OUR SUBSIDIARIES



Note: Patel Engineering Inc holds 100% of the voting stock in both ASI RCC Inc and Westcon Microtunneling Inc. However, the equity ownership of Patel Engineering Inc in ASI RCC Inc and Westcon Microtunneling Inc is 85% and 51% respectively.

A. Patel Engineering Inc.

Patel Engineering Inc. was incorporated under the laws of the State of Colorado in the United States of America in October 1999. This company was formed for the purposes of performing as a general construction contractor and to act as a holding company for other interests and businesses in the United States of America, primarily in the area of construction and real estate development.

Shareholding Pattern:

Patel Engineering Inc. is a wholly owned subsidiary of our Company.

Board of Directors:

The board of directors of Patel Engineering Inc. as on the date of this Prospectus comprises of the following:

1. Ms. Sonal Patel, President
2. Mr. Rupen Patel, Vice President
3. Mr. Robert Wiegand II, Secretary
4. Mr. Janet R. Dark, Assistant Secretary

Financial Performance:

Consolidated Financial Performance:

(Rs. in million, except per share data)

	As of March 31,					
	2005		2004		2003	
	$	Rs.	$	Rs.	$	Rs.
Equity share capital	6.19	271.30	1.68	73.76	4.56	216.88
Reserves and surplus*	1.05	45.80	0.50	21.89	(0.29)	(4.00)
Total income	49.06	2,153.76	66.67	3,052.01	53.12	2,558.98
Profit after tax	0.55	24.03	0.55	25.26	(0.44)	(20.99)
Earnings per share (face value of $ 0.001) (including extra-ordinary items)	1.81	79.52	6.87	314.43	(1.15)	(55.47)
Earnings per share (face value of $ 0.001) (excluding extra-ordinary items)	1.81	79.52	6.87	314.43	0.16	7.71
Net Asset Value per share	23.95	1,048.77	27.09	1,191.87	11.27	536.08

* Excludes revaluation reserves

A.1 ASI RCC Inc. ("ASI")

ASI was incorporated on April 28, 1987 under the laws of the state of Colorado, United States of America. ASI is a multi-state general contractor primarily focusing on Roller Compacted Concrete dam constructions and renovation and also provides construction management services in foreign countries.

ASI was acquired by our Company in the year 1997 and subsequently, was transferred to Patel Engineering Inc. in the year 2002.

Currently, the total investment by Patel Engineering Inc. in ASI RCC Inc. represents an 85% interest in the total outstanding equity in the latter. The minority interest non-voting shares of ASI RCC Inc. are held by directors and key employees of ASI RCC Inc.

The board of directors of ASI as on the date of this Prospectus comprises of the following:

1. Mr. Pravin Patel
2. Ms. Sonal Patel
3. Mr. Rupen Patel
4. Mr. Jeffrey Allen
5. Mr. Paul Moltz

Financial Performance

ASI RCC Inc.

Consolidated Financial Performance

Figures in million, except per share data)

	FY 2005		FY 2004		FY 2003		FY 2002		FY 2001	
	$	Rs.	$	Rs.	$	Rs.	$	Rs.	$	Rs.
Equity share capital	3.25	142.32	3.25	142.79	3.03	144.27	3.34	163.17	3.34	155.39
Reserves and surplus*	3.13	137.26	2.50	109.96	2.04	96.81	2.42	118.27	1.86	86.23
Total income	37.40	1,641.67	51.25	2,346.09	42.46	2,045.17	53.00	2,528.86	47.11	2,115.87
Profit after tax	0.75	32.84	0.75	34.29	(0.32)	(15.60)	0.63	30.16	0.70	31.62
Earnings per share** (face value $ 0.001)	3.24	142.28	3.25	148.58	(1.41)	(67.57)	2.57	122.76	2.87	128.70
Net Asset Value per share	27.65	1,210.76	24.92	1,096.33	22.01	1,046.58	23.48	1,145.47	21.16	983.42

* Excludes revaluation reserves
** Computed on the basis of earnings excluding extraordinary items

A.1.1 ASI RCC Civil Constructors ("ASI RCC Civil")

ASI RCC Civil is a wholly owned subsidiary of ASI RCC Inc. was incorporated under the laws of the state of California, United States of America. ASI RCC Civil is carrying on the business of general construction contractors.

The board of directors of ASI as on the date of this Prospectus comprises of the following:

1. Mr. Jeffrey Allen

Financial Performance

The financials of ASI RCC Civil are consolidated with the financials of ASI RCC Inc. and for details of the same please refer to the financial performance of ASI RCC Inc. disclosed hereinabove.

A.1.2 ASI RCC India Limited ("ASI India")

ASI India was incorporated as a limited company under the provisions of the Companies Act, on June 18, 1999 and its registered office is at Readymoney Mansion, Veer Nariman Road, Mumbai – 400 023. ASI India was incorporated to carry on the business of builders, contractors, developers, engineers, consultants in India and abroad and to undertake finance for construction of buildings, dams, bridges etc. and to invest and deal in securities.

ASI India is a wholly owned subsidiary of ASI RCC Inc.

The board of directors of ASI India as on the date of this Prospectus comprises of the following:

1. Mr. Pravin Patel;
2. Mr. Danish Merchant, Managing Director;
3. Ms. Sonal Patel;
4. Mr. Jeffrey C. Allen; and
5. Mr. Rupen Patel, (Alternate Director to Mr. Jeffrey C. Allen).

Shareholding Pattern:

The equity shares of ASI India are not listed on any stock exchange. The shareholding pattern of ASI India as on the date of filing of this Prospectus is as given below –

Name of Shareholders	No. of equity shares	% of holding
Mr. Pravin Patel	10	0.02
Ms. Sonal Patel	10	0.02
ASI - RCC Inc.	56,004	99.88
Others	50	0.09
Total number of shares	**56,074**	**100.00**

Financial Performance

(Rs. in million, except per share data)

	As of March 31,		
	2005	**2004**	**2003**
Equity share capital	0.56	0.56	0.56
Reserves and surplus*	-	-	-
Total income		-	0.37
Profit after tax	(0.0059)	(0.006)	0.004
Earnings per share (face value Rs. 10) ** (Rs.)	(0.105)	(0.107)	(0.086)
Net Asset Value per share (Rs.)	8.91	8.91	8.91

* Excludes revaluation reserves
** Computed on the basis of earnings excluding extraordinary items

A.2 Westcon Microtunnelling Inc. ("Westcon")

Westcon was incorporated under the laws of the state of Utah, United States of America and operates as a microtunnelling contractor and is also engaged in contracts and consulting in the Unites States and Canada. Westcon reorganized its equity pattern through a quasi-reorganization effective June 2001.

Currently, the total investment by Patel Engineering Inc. in Westcon represents an 51% interest in the total outstanding equity in the latter. The minority interest non-voting shares of Westcon are held by directors and key employees of Westcon.

The board of directors of Westcon as on the date of this Prospectus comprises of the following:

1. Ms. Sonal Patel
2. Mr. Mike Ellis

Financial Performance

Figures in million, except per share data)

	As at March 31					
	2005		**2004**		**2003**	
	In $	**In Rs.**	**In $**	**In Rs.**	**In $**	**In Rs.**
Equity share capital	0.51	22.19	0.51	22.26	0.51	24.09
Reserves and surplus*	(1.13)	(49.37)	(1.02)	(44.99)_	(0.92)	(43.61)
Total income	11.67	512.09	15.42	705.92	10.67	513.81
Profit after tax	0.04	1.82	0.06	2.65	(0.12)	(5.90)
Earnings per share (No Par Value) (including extra-ordinary items)	20.28	890.48	28.41	1,300.75	(60.02)	(2,890.96)
Earnings per share (No Par Value) (excluding extra-ordinary items)	20.28	890.48	28.41	1,300.75	87.93	4235.59
Net Asset Value per share	(304.25)	(13,312.81)	(253.36)	(11,147.80)	(201.08)	(9,561.53)

* Excludes revaluation reserves

B. Patel Engineers Private Limited ("Patel Engineers")

Patel Engineers was incorporated as a private limited company on November 25, 2005 and has its registered office at Patel Estate Road, Jogeshwari (West), Mumbai – 400 102. Patel Engineers is engaged in the business of purchasing, acquiring, holding and dealing in all kinds of immovable properties including land, building, commercial premises, houses etc. and to develop and construct the same to the best interests of the company.

Shareholding Pattern:

Patel Engineers is a wholly owned subsidiary of our Company and the equity shares of Patel Engineers are not listed on any stock exchange. The shareholding pattern of Patel Engineers as on the date of filing of this Prospectus is as given below –

Name of Shareholders	**No. of equity shares**	**% of Shareholding**
Patel Engineering Limited	1,099,980	100.00
Mr. Rupen Patel*	10	0.00
Ms. Silloo Patel*	10	0.00
Total number of shares	**1,100,000**	**100**

* (Nominee of Patel Engineering Limited)

Board of Directors:

The board of directors of Patel Engineers as on the date of this Prospectus comprises of the following:

1. Mr. Rupen Patel
2. Ms. Silloo Patel

Financial Performance:

There is no data on financial performance of Patel Engineers as it was incorporated only in November 2005.

C. Shreeanant Construction Private Limited ("Shreeanant Construction")

Shreeanant Construction was incorporated as a private limited company on December 15, 2005 and has its registered office at C-902, Sita Sadan, Opposite Dev Nagar, Borsapoda, Kandivli (West), Mumbai – 400 067. Shreeanant Construction is engaged in business activities of constructing, building, developing, maintaining, operating, owning and transferring of infrastructure facilities, including irrigation projects, hydro-power projects, projects for generation and/or distribution of power and other facilities of similar nature, business of builders and general construction contractors.

Shareholding Pattern:

The equity shares of Shreeanant Construction are not listed on any stock exchange. The shareholding pattern of Shreeanant Construction as on the date of filing of this Prospectus is as given below –

Name of Shareholders	No. of equity shares	% of Shareholding
Patel Engineering Limited	5,100	51.00
Mr. Sanjay Ladge	2,450	24.50
Mr. Sujay Ladge	2,450	24.50
Total number of shares	**10,000**	**100.00**

Board of Directors:

The board of directors of Shreeanant Construction as on the date of this Prospectus comprises of the following:

1. Mr. Rupen Patel
2. Mr. Sanjay Ladge
3. Mr. Sujay Ladge
4. Mr. Ashwin Parmar
5. Mr. Kishan Lal Daga

Financial Performance:

There is no data on financial performance of Shreeanant Construction as this company has been incorporated only on December 15, 2005.

D. Patel Patron Private Limited ("Patel Patron")

Patel Patron was incorporated as a private limited company on December 30, 2005 and has its registered office at Patel Estate Road, Jogeshwari (West), Mumbai – 400 102. Patel Patron is engaged in the business activities of managing, improving, developing, holding or acquiring or otherwise selling, disposing or dealing in India and abroad in lands, buildings, flats etc. or other landed properties of any tenure or description, deal in various types of construction jobs, works etc.

Shareholding Pattern:

Patel Patron is a wholly owned subsidiary of our Company and the equity shares of Patel Patron are not listed on any stock exchange. The shareholding pattern of Patel Patron as on the date of filing of this Prospectus is as given below –

Name of Shareholders	No. of equity shares	% of Shareholding
Patel Engineering Limited	49,980	99.96
Mr. Rupen Patel*	10	0.02
Ms. Silloo Patel*	10	0.02
Total number of shares	**50,000**	**100.00**

* (Nominee of Patel Engineering Limited)

Board of Directors:

The board of directors of Patel Patron as on the date of this Prospectus comprises of the following:

1. Mr. Pravin Patel
2. Mr. Rupen Patel

Financial Performance:

There is no data on financial performance of Patel Patron as it has yet not commenced any business activities.

None of our Subsidiaries are listed companies and none of them have made any public or rights issue in the preceding three years. None of our Subsidiaries have become a sick company under the meaning of SICA and are not under winding up.

PROMOTER GROUP COMPANIES

A. Enpro Limited

Enpro Limited was incorporated as a limited company in the name of “Engineering Products Limited” on December 27, 1958 with the object of carrying on the business of manufacturing equipments, electrical motors and machinery which are mostly used in construction industries. The name of the company was changed to “Enpro Finance Limited” on March 12, 2004 to acquire the whole or part of the business and goodwill including to carry on the business of builders, general construction contractors for complexes, malls, galaxies, auditoriums, townships, highways etc. and financiers to industrial enterprises, corporates or any other persons against securities of movable and immovable properties and to undertake, execute and to carry on all kinds of financial operations, including undertakers, guarantors or to lend money, negotiate loans etc. and also to subscribe, take, acquire and hold/deal in securities of government, local body corporates etc. The name of the Company was further changed to “Enpro Limited” on July 11, 2005 with the object to carry on the business of builders, general construction contractors, to own, purchase, sell, develop, construct, invest, mortgage or otherwise deal in land, buildings, transfer of development rights, flats, shops, commercials, tunnels, warehouses, townships etc. on freehold and leasehold properties in general. The registered office of the company is at Block No. 502, 5th Floor, Plot CTS No. 220/23A, Patel Estate Roard, Jogeshwari (West), Mumbai – 400 102.

Shareholding Pattern:

The equity shares of Enpro Limited are not listed on any of the stock exchanges. The present paid-up capital of Enpro Limited is Rs. 90 million divided into 9.0 million equity shares of Rs. 10 each. The shareholding pattern of Enpro Limited is as below –

Name of Shareholders	No. of equity shares	% of shareholding
Mr. Pravin Patel	45,000	0.50
Mr. Rupen Patel	90,000	1.00
Ms. Sonal Patel	70,000	0.78
Praham Engineering Co. Private Limited	3,404,785	37.83
Patel Realtors Private Limited	3,406,005	37.84
Others	1,984,210	22.05
Total number of shares	**9,000,000**	**100.00**

Board of Directors:

The board of directors of Enpro Limited as on the date of this Prospectus comprises of the following:

1. Mr. Vinodrai R. Dhedhi
2. Mr. Janak G. Patel
3. Mr. Dinesh G. Patel
4. Mr. Jimmy B. Vatcha

Financial Performance:

(Rs. in million, except per share data)

	As of March 31,		
	2005	**2004**	**2003**
Equity share capital	22.5	7.5	7.5
Reserves and surplus*	30.414	31.335	-
Total income	5.832	41.665	0.616
Profit after tax	0.362	32.155	0.288
Earnings per share (face value Rs. 10) (including extra-ordinary items) (Rs.)	0.16	42.87	0.38
Earnings per share (face value Rs. 10) (excluding extra-ordinary items) (Rs.)	0.16	(12.059)	0.38
Net Asset Value per share (Rs.)	53.18	38.34	6.68

* Excludes revaluation reserves

Details of public issue/ rights issue of capital in the last three years

There have been two rights issue in the year 2004 and 2005 respectively and the details of the same are as follows –

(a) a total of 1,500,000 equity shares of Rs. 10 each for cash at par aggregating to Rs. 15 million were issued to the existing shareholders vide a rights issue in the ratio of 2:1 in the year 2004;

(b) a total of 2,250,000 equity shares of Rs. 10 each for cash at par aggregating to Rs. 22.5 million were issued to the existing shareholders vide a rights issue in the ratio of 1:1 in the year 2005.

At present, Enpro Limited vide a rights issue in the ratio of 1:1 has offered a total of 2,250,000 equity shares of Rs. 10 each for cash at par aggregating to Rs. 22.5 million to the existing shareholders and this issue was closed on February 20, 2006.

Save and except as above, there have been no public issue/rights issue of equity shares of Enpro in the last three years preceding the date of this Prospectus.

B. Patel Energy Limited (“ Patel Energy”)

Patel Energy was originally incorporated as a Limited Company in the name of PEC Realtors Limited on September 17, 1996 with the object to carry on construction business. The name of the Company was changed to “PEC Infotech Limited” on February 11, 2004 to carry on business in the field of Computer including designing, developing, altering, making or otherwise dealing in computers, computer peripherals, spare parts, hardware etc. The name of the company was further changed to Patel Energy Limited, on November 18, 2004 with an object to carry on business of designing, erecting, constructing and administrating IPPs for generation and distribution of power of all kinds, (including, Hydro Electric, Biochem, Thermal, Diesel) either on turnkey basis or specific area for self or others on BOT, BOOT or other prevailing system including manufacturing required equipment and machinery used in generation and distribution in all sorts of powers.

The registered office of the Company is Patel Estate Road, Jogeshwari (West), Mumbai 400 102.

Shareholding pattern:

The equity shares of Patel Energy are not listed on any of the Stock Exchanges. The Paid-up capital of Patel Energy is Rs. 0.5 million divided into 0.05 million equity shares of Rs.10/- each.

The shareholding pattern of Patel Energy is as follows:

Name of Shareholder	No. of Equity Shares	Percentage of shareholding
Mr. Pravin Patel	5724	11.45
Mr. Rupen Patel	2500	5.00
Praham Engineering Co. Private Limited	15000	30.00
Patel Realtors Private Limited,	12450	24.90
Others	14326	28.65
Total	50000	100.00

Board of Directors:

The Board of Directors of Patel Energy as on date of this Prospectus comprises following:

1. Mr. Pravin Patel
2. Ms. Silloo Patel
3. Mr. V. R. Dhedhi

Financial Performance:

(Rs. in million, except per share data)

	As of March 31,		
	2005	2004	2003
Equity share capital	0.05	0.05	0.05
Reserves and surplus*	-	-	-
Total income	-	-	-
Profit after tax	(0.0166)	(0.013)	(0.012)
Earnings per share (face value Rs. 10) ** (Rs.)	(0.33)	(0.26)	(0.25)
Net Asset Value per share (Rs.)	(14.99)	0.37	3.79

* Excludes revaluation reserves

** Computed on the basis of earnings excluding extraordinary items

C. Landview Constructions Private Limited

The Company was incorporated as a Private Limited company on 13th September 2005 with the object of carrying on the business of dealing in all kinds of immoveable property including purchasing, holding, taking on lease, mortgaging, acquiring etc., and to develop the same and turn them in the best interest of the Company. The registered office of the company is at A.K. Patel Bungalow, 5D, Dadabhai Road, Santacruz (West) Mumbai 400054.

Shareholding Pattern:

The equity shares of Landview is not listed in any of the Stock Exchanges. The present paid up capital of Landview is Rs. 35 million equity shares of Rs.10/- each. The shareholding pattern of Landview is as under:

Name of the shareholder	No.of equity shares	Percentage of shareholding
Mr. Pravin Patel	750,000	18.75
Ms. Sonal Patel	500000	12.50
Praham Engineering Co. Private Limited	1250000	31.25
Patel Realtors Private Limited	1250000	31.25
Silloo Patel	250,000	6.25
Total	4,000,000	100.00

The Board of Directors of Landview as on date of this Prospectus comprises of the following:

1. Mr. Pravin Patel
2. Ms. Sonal Patel
3. Mr. Rohit Patel

There is no data on financial performance of Landview as this company has been incorporated only on September 13, 2005.

D. M/s. Patel Investment Trust

Patel Investment Trust is an unregistered Partnership firm formed vide Deed of Partnership dated 31st January 1986. This firm was reconstituted vide a Deed of Reconstitution with effect from February 10, 2000. The registered office of the firm is at Patel Estate Road, Jogeshwari (West), Mumbai 400 102. The main object of the firm is investment in shares and dealing in real estate.

The Partners in the reconstituted Trust and their profit (loss) sharing ratio are as under:

Name of Partner	Partner's share (%)
Mr. Pravin Patel	5%
Mr. Rupen Patel	5%
Praham Engineering Co. Private Limited	90%
Total	100%

Brief details of financial performance of Patel Investment are given below:

(Rs. in Million)

Particulars	Year Ended March 31		
	2003	2004	2005
Partners' Capital Account	(6.33)	(6.12)	0.49
Net Current Assets	3.12	0.14	0.03
Profit/(loss) after Tax	(0.18)	0.03	0.45

E. M/s. Phoebe Corporation

Phoebe Corporation is an unregistered Partnership firm vide Deed of Partnership dated 25th September 1984 to carry on the business of builders and / or dealers in real estate and as general merchants. The principal office of the firm is at National Tankiwala Industrial Estate, Marol Maroshi Road, Andheri (East), Mumbai 400 059. The Partners of Phoebe Corporation and their profit sharing ratio are as under:

Name of the Partner	Partner's share (%)
Mr. Pravin Patel (Karta of HUF)	50%
Mr. Rohit Patel (Karta of HUF)	50%
Total	100%

Brief details of financial performance of Phoebe Corporation are as given below:

(In Rs. million)

Particulars	Year ended 31st March		
	2005	2004	2003
Partner's capital Account	0.002	0.515	0.52
Net current asset	0.002	0.515	0.52
Profit / (Loss) after tax	(0.00037)	(0.002)	-

4. M/s. Patel Infotech

M/s. Patel Infotech is an unregistered Partnership firm formed with effect from January 2006. The registered office of the firm is at Patel Estate Road, Jogeshwari (West), Mumbai 400 102. The main object of the firm is manufacturing, marketing and servicing of computers, electronics articles and articles related to software, hardware etc.

The Partners in the reconstituted Trust and their profit(loss) sharing ratio are as under:

Name of Partner	Partner's share (%)
Mr. Pravin Patel	50%
Mr. Silloo Patel	50%
Total	100%

Financial Performance

Since this partnership has been formed only recently, the financial performance as on the date of this Prospectus is not available.

Other Ventures of our Promoters

AHCL-PEL Partnership

For details of AHCL-PEL Partnership please see the section titled "Strategic Partnerships" in the chapter titled "History and Corporate Matters" on page 82 of this Prospectus.

(In Rs. million)

S.No.	Particulars	Year ended 31st March		
		2005	2004	2003
1	Partners Capital Account	0.05	0.05	0.05
2	Partners Current Account	60.39	62.22	107.10
3	Sales	124.64	-	-
4	Profit after Tax	100.314	-	-
5.	Net Asset Value	84.957	58.122	102.997

KNR-PATEL Joint Venture

For details of KNR-Patel Joint Venture please see the section titled "Strategic Partnerships" in the chapter titled "History and Corporate Matters" on page 82 of this Prospectus.

Financial Performance

(In Rs. million)

S.No.	Particulars	Year ended 31st March		
		2005	2004	2003
1	Sales	258.95	605.74	598.81
2	Profit After tax	30.23	41.76	59.42
3	Partners' Current Account	65.75	12.90	(16.12)
4	Net Asset Value	65.75	12.90	(16.12)

Patel-Soma Joint Venture

For details of Patel-Soma Joint Venture please see the section titled “Strategic Partnerships” in the chapter titled “History and Corporate Matters” on page 82 of this Prospectus.

(In Rs. millions)

S.No.	Particulars	Year ended 31st March
		2005
1	Sales	-
2	Profit After tax	(0.04)
3	Partners’ Current Account	109.77
4	Net Asset Value	109.77

Soma-Patel-ASI Joint Venture

For details of Soma-Patel-ASI Joint Venture please see the section titled “Strategic Partnerships” in the chapter titled “History and Corporate Matters” on page 82 of this Prospectus.

Since this Joint Venture was formed in August 2005 there is no available financial data.

PATEL-KNR Joint Venture

For details of Patel – KNR Joint Venture please see the section titled “Strategic Partnerships” in the chapter titled “History and Corporate Matters” on page 82 of this Prospectus.

Financial performance:

(In Rs. million)

S.No.	Particulars	Year ended 31st March		
		2005	2004	2003
1	Sales & Other Income	443.22	993.23	318.10
2	Profit After tax	51.00	88.66	25.14
3	Partners’ Current Account	98.45	(11.15)	(105.10)
4.	Net Asset Value	98.45	(11.15)	(105.10)

PATEL-MICHIGAN Joint Venture

For details of Patel-Michigan Joint Venture please see the section titled “Strategic Partnerships” in the chapter titled “History and Corporate Matters” on page 82 of this Prospectus.

Since this Joint Venture was formed in the year 2005, the financial performance for the year ended March 2005 is not available.

PATEL-L&T Joint Venture

For details of Patel-L&T Joint Venture please see the section titled “Strategic Partnerships” in the chapter titled “History and Corporate Matters” on page 82 of this Prospectus.

Since this Joint Venture was formed in on January 2, 2006 financial data is not available.

Mechanism for redressal of investor grievance

None of our Promoter Group companies are listed on any of the stock exchanges.

Save and except as stated in the chapter titled “Our Promoters” on page 97, none of our Promoters have disassociated themselves from any venture or company in the last three years preceding the date of this Prospectus.

None of our Promoters or Promoter Group Companies or our Subsidiary have not been restrained or prohibited by SEBI or any other regulatory authority from accessing the capital markets for any reason.

None of the companies promoted by our Promoters have been struck off from the records of the Register of Companies.

Common Pursuits

Some of our Promoter/Promoter Group entities are enabled by their respective main objects of memorandums of association to undertake activities which may be appear to be similar in nature. However, all our Promoter/Promoter Group entities transact with each other strictly on an arms lengths basis and any details thereof is reflected in the chapter titled “Related Party Transactions” on page 113 of this Prospectus. Accordingly, our Promoter/Promoter Group companies ensure that conflict of interest situations do not arise.

Save as stated elsewhere in this Prospectus, none of our Promoters or Promoter Group Companies or our Subsidiaries are engaged in similar businesses as our Company.

Companies of the Promoter/Promoter Group referred to BIFR/ under winding up

None of the companies promoted by our Promoters or Promoter Group have been referred to BIFR or are under winding up.

Related Party Transactions

There have been no sales or purchases between companies in the Promoter Group exceeding in value the aggregate 10% of the total sales or purchases of our Company, except those transactions mentioned under the section titled “Related Party Transactions” on page 113 of this Prospectus.

Companies under the same management

We do not have any other company under the same management within the meaning of erstwhile Section 370(1B) of the Companies Act.

RELATED PARTY TRANSACTIONS

For details of our related party transactions, please see Annexure III.d of our Restated Financial Statements beginning on page 132 of this Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends is recommended by our Board, subject to approval by our shareholders and depends on a number of factors, including but not limited to our profits, capital requirements and overall financial performance. The dividend paid by our Company during the last five fiscal years is provided below.

Particulars	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 (as on the date of filing this Prospectus)
Number of Equity Shares Rs.10/-	1,543,010	-	-	-	-	-
Number of Equity Shares of face value of Rs. 5/-	-	2,430,240	2,430,240	2,430,240	-	-
Number of Equity Shares of face value of Re. 1/-	-	-	- -	-	48,604,800	48,604,800* 50,000,000**
Rate of Dividend on Equity (%)						
(a) Interim (1st)	50	-	-	-	40	50
(b) Interim (2nd)	-	-	-	-	-	50
(c) Final	200	100	100	100	60	-
Corporate dividend tax (In Rs. millions)	4.85	-	3.11	3.11	6.35	7.13

***** The number of Equity Shares at the time of Interim (1st) dividend was 48,604,800 Equity Shares.

** The number of Equity Shares at the time of Interim (2nd) dividend was 50,000,000 Equity Shares.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V: FINANCIAL STATEMENTS

REPORT OF OUR STATUTORY AUDITOR, M/S. VATSARAJ & CO., CHARTERED ACCOUNTANTS

AUDITOR'S REPORT FOR THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2005 AND FOR PREVIOUS FIVE YEARS ENDED MARCH 31.

The Board of Directors

Patel Engineering Limited
Patel Estate Road,
Jogeshwari (w),
Mumbai – 400 102

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report, which is proposed to be included in the Offer Document/ Red Herring Prospectus being issued by Patel Engineering Limited ("Company") in connection with its Public Issue of Equity Shares (referred to as "the Issue") which is in accordance to the requirements of: -

a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (' the Guidelines') issued by SEBI on January 19, 2000, as amended by notification SEBI/CFD/DIL/DIP/16/2005/19/9 dated September 19, 2005, in pursuance of Section 11 of the SEBI Act, 1992; and

c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Offer Document in connection with its proposed Public Issue of Equity Shares.

Financial information as per audited financial statements:

1. We have examined the attached restated summary statement of Profit and losses of the Company for the nine months ended December 31, 2005 and each of the years ended on March 31, 2001, 2002, 2003, 2004 and 2005 (Annexure - I) and the attached restated summary statement of assets and liabilities for each of the period/years ended on those dates (Annexure –II) together referred to as 'summary statements' as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure – III-B to this report. We have also audited the Profit and Loss Account for nine months ended on December 31, 2005 and Balance Sheet as at December 31, 2005. Based on the our examination of these summary statements, we state that:

   i. The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the year/period to which they are related.

   ii. The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at December 31, 2005, as stated vide Annexure- III-A to this report. The summary statements have to be read in conjunction with the notes given in Annexure- III-B to this report.

   iii. There are no qualifications in the auditors' report that require any adjustment to the summary statements.

   iv. There are no extra-ordinary items that need to be disclosed separately in the summary statements. Exceptional and non-recurring items, which are material, are given in Annexure – III-B.

2. The summary of Significant Accounting Policies adopted by the Company pertaining to the audited financial statements as at and for nine months ended December 31, 2005 are enclosed as Annexure- III-A to this report.

Other Financial Information:

3. We have examined the following financial information relating to the Company for the years ended March 31, 2005, 2004, 2003, 2002, 2001 and nine months ended December 31, 2005, proposed to be included in the Offer Document / Red Herring Prospectus as approved by the Board of Directors and annexed to this report:

1	Statement giving details of Other Income	Annexure – I. a
2	Cash Flow Statements	Annexure – II. a
3	Details of Secured Loan	Annexure – II. b
4	Details of Unsecured Loan	Annexure – II. b
5	Details of Loans & Advances	Annexure – II. c
6	Details of Other Current Assets	Annexure – II. d
7	Details of Sundry Debtors	Annexure – II. e
8	Details of Current Liabilities and Provisions	Annexure – II. f
9	Statement of summary of Investments	Annexure – II. g
10	Details of Contingent Liabilities	Annexure – III. a
11	Summary of accounting ratio based on adjusted profits relating to earning per share, net assets value and return on net worth	Annexure – III. b
12	Capitalization statement of the Company	Annexure – III. c
13	Related party disclosure	Annexure – III. d
14	Statement of Tax shelters	Annexure – III. e
15	Statement of Dividend paid	Annexure – III. f

Consolidated Group:

4. We have examined the 'Statement of Consolidated Profit and Losses – restated (Annexure- IV) and (Annexure IV a) for nine months ended on December 31, 2005 and each of the financial years ended on March 31, 2001, 2002, 2003, 2004 and 2005, the 'Statement of Consolidated Assets and Liabilities – restated (Annexure - V) as on those dates, the statement of Consolidated Cash Flows – restated (Annexure – V.a) for the period/ years ended on December 31, 2005 and each of the financial years ended on March 31, 2002, 2003, 2004 and 2005 and the related financial statements schedules (Annexure V. b to V. g) as prepared by the Company and approved by the Board of Directors of the Company in pursuance of Accounting Standard 21 – " Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The financial statements of the Subsidiaries for the year ended March 31, 2001, 2002, 2003, 2004, 2005 and nine months ended December, 31 2005 have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as they relate to the amounts included in respect of the subsidiaries and other entities audited by the other auditors, are based solely on the report of the other auditors.

   The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at December 31, 2005, as stated vide Annexure- VI-A to this report. The summary statements have to be read in conjunction with the notes given in Annexure-VI-B to this report.

5. In our view, the 'Financial information as per the audited financial statements' and ' other financial information' mentioned above has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

6. The sufficiency of the procedures performed, as set forth in the above paragraph of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

7. This report should not be in any way construed as a reissuance or redrafting of any of the previous audit reports issued by us or by other auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

8. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed issue of the Company and is not to be used, referred to or distributed for any purpose without our prior written consent.

For Vatsaraj & Co.
Chartered Accountants

Place: Mumbai — **(B. K. Vatsaraj)**
Date: 14th March 2006 — Partner

ANNEXURE - I
SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

The Profit and Loss statement of the company for five financial years ended March 31, 2001 to 2005 read with Significant Accounting Policies,(Annexure- IIIA) after making certain regroupings for comparability and making adjustments as stated in Notes to Accounts, (Annexure - IIIB)along with the Profit and Loss statement for the nine months ended December 31, 2005 are set out below

(Rs in millions)

Particulars	For the nine months ended December 31, 2005	For the Financial Years Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
INCOME						
Income from Operations	5,260.98	5,717.76	4,575.77	3,123.41	2,437.27	2,284.92
Less: Companies Share of Turnover in Joint Ventures	(89.74)	(448.58)	(793.43)	(451.50)	(63.34)	(50.98)
	5,171.24	**5,269.18**	**3,782.34**	**2,671.91**	**2,373.93**	**2,233.94**
Other Operating Income	81.38	180.99	143.26	114.65	41.15	32.68
Other Income	18.99	40.71	31.47	14.26	96.27	13.68
Total Revenue	**5,271.61**	**5,490.88**	**3,957.07**	**2,800.82**	**2,511.35**	**2,280.30**
EXPENDITURE						
Construction Expenditure	3,989.25	4,339.40	3,097.13	2,159.80	1,955.14	1,714.68
Employee Cost	138.89	149.72	116.04	86.10	63.54	88.09
Other Expenses	332.47	289.87	225.52	173.40	141.67	191.81
Interest Cost (Net)	68.42	64.31	55.28	26.46	27.46	7.41
Depreciation	185.16	209.61	180.24	119.26	71.08	67.61
Total Expenditure	**4,714.18**	**5,052.91**	**3,674.22**	**2,565.02**	**2,258.89**	**2,069.60**
Profit before Taxation and Extra Ordinary Items	557.43	437.97	282.85	235.80	252.46	210.70
Provision for Taxation - Current	47.50	35.00	17.50	16.50	20.50	18.25
Provision for Taxation - Deferred	4.28	13.35	36.81	39.39	-	-
Provision for Taxation - Fringe Benefit Tax	2.50	-	-	-	-	-
Tax Provisions For Earlier Years	-	-	-	-	75.00	-
Profit after Taxation before Extra Ordinary Items	503.15	389.62	228.54	179.91	156.96	192.45
Add: Depreciation of Earlier Years	-	-	-	-	-	0.88
Add: Provision of Retirement Benefits Written Back	-	-	-	-	-	7.90
Profit after Taxation and Extra Ordinary Items (A)	503.15	389.62	228.54	179.91	156.96	201.23
Impact of material adjustments for restatement in corresponding years (B)	(0.81)	(10.55)	(3.85)	(9.16)	23.93	(36.84)
Adjusted Profit (A+B)	502.34	379.07	224.69	170.75	180.89	164.39
Carry Forward Profit from Previous Year	206.15	38.27	(2.76)	25.15	(25.19)	3.84
Profit available for appropriation	708.49	417.34	221.93	195.90	155.70	168.23
APPROPRIATIONS						
Interim Dividend	24.30	19.44	-	-	-	7.71
Proposed Final Dividend	-	29.16	24.30	24.30	24.30	30.86
Corporate Dividend Tax	3.69	6.35	3.11	3.11	-	4.85
Transfer to Debenture Redemption Reserve	-	31.25	31.25	31.25	31.25	-
Transfer to General Reserve	100.00	125.00	125.00	140.00	75.00	150.00
	127.99	211.20	183.66	198.66	130.55	193.42
Surplus Carried to Balance Sheet	580.50	206.14	38.27	(2.76)	25.15	(25.19)

ANNEXURE - II
SUMMARY OF ASSETS & LIABILITIES, AS RESTATED

Assets & Liabilities of the Company as at the end of each financial year read with Significant Accounting Policies,(Annexure - IIIA) after making adjustments as stated in Notes to Accounts,(Annexure - IIIB) are set out below along with the Assets & Liabilities as at December, 31 2005:

(Rs in millions)

Particulars	For the nine months ended December 31, 2005	As at Financial Year Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
FIXED ASSETS						
Gross Block	2,922.08	2,491.09	2,116.77	1,809.80	1,140.66	797.86
Less: Depreciation	1,030.56	846.16	676.51	491.41	364.68	302.19
NET BLOCK	**1,891.52**	**1,644.93**	**1,440.26**	**1,318.39**	**775.98**	**495.67**
Capital Work in Progress	51.51	41.09	34.24	23.77	6.27	-
Total - A	**1,943.03**	**1,686.02**	**1,474.50**	**1,342.16**	**782.25**	**495.67**
INVESTMENTS - B	**279.68**	**281.79**	**76.57**	**24.65**	**1.65**	**98.84**
DEFERRED TAX ASSETS - C	-	-	-	-	**19.20**	-
CURRENT ASSETS, LOANS & ADVANCES						
Inventories	2,496.88	1,428.28	702.25	605.02	273.39	133.26
Sundry Debtors	1140.87	768.28	223.45	284.33	155.22	119.47
Cash & Bank Balances	624.41	917.15	319.06	579.59	256.08	247.19
Loans & Advances	2399.73	1,435.85	1,291.19	1,006.88	766.27	314.24
Other Current Assets	1.05	0.91	0.76	1.88	2.08	2.13
Total - D	**6,662.94**	**4,550.47**	**2,536.71**	**2,477.70**	**1,453.04**	**816.29**
Total Assets (A+B+C+D)=E	**8,885.65**	**6,518.28**	**4,087.78**	**3,844.51**	**2,256.14**	**1,410.80**
LESS: LIABILITIES & PROVISIONS						
Secured Loans	2,024.02	1,074.23	844.83	867.11	395.22	256.32
Unsecured Loans	652.31	129.00	25.30	-	11.95	50.00
Contractee Advances	1511.63	1,853.68	1,119.29	1,084.47	519.27	206.4 9
Deferred Tax Liability (Net)	69.69	66.54	50.35	16.78	-	-
Current Liabilities	2,767.13	1,978.27	959.59	989.17	537.22	332.09
Provisions	4.75	36.28	30.25	29.44	25.55	43.18
Total Liabilities - F	**7,029.53**	**5,138.00**	**3,029.61**	**2,986.97**	**1,489.21**	**888.08**
NET WORTH (E - F)	***1,856.11***	***1,380.28***	***1,058.17***	***857.54***	***766.93***	***522.72***
REPRESENTED BY						
Share Capital	50.00	48.60	24.30	24.30	24.30	15.43
Reserves & Surplus	1,806.11	1,331.68	1,033.87	833.24	742.63	507.29
NET WORTH	***1,856.11***	***1,380.28***	***1,058.17***	***857.54***	***766.93***	***522.72***

Annexure I. a

STATEMENT GIVING DETAILS OF OTHER INCOME FOR THE FOLLOWING YEARS / PERIOD

(Rs in millions)

SOURCES OF INCOME	December 31, 2005	Financial year / Period Ended					Nature of Income	Related or not related to business
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001		
Other Operating Income								
Share of profit in Joint Venture	25.53	40.31	64.80	41.69	0.24	0.92	Recurring	Related
Share of profit in Partnership	7.79	50.16					Recurring	Related
Lease & Service Charges	29.37	39.77	39.78	37.94	30.77	30.74	Recurring	Related
Excess Credit written back	1.34	9.48	1.26	7.00	1.31	0.98	Non recurring	Related
Refund of duty	15.49	25.86	-	-	-	-	Recurring	Related
Machinery hire charges	1.86	15.41	37.42	28.02	8.83	0.04	Non recurring	Related
Total Other Operating Income(A)	81.38	180.99	143.26	114.65	41.15	32.68		
Other Income:								
Dividend Income	0.11	-	-	-	-	-	Non recurring	Not related
Profit on sale of Assets (net)	0.29	-	0.67	0.02	59.18	4.42	Non recurring	Related
Miscellaneous Income	18.59	34.13	22.49	6.91	11.63	9.26	Recurring	Related
Exchange rate difference (net)	-	6.58	8.31	7.33	25.46	-	Recurring	Related
Total Other Income(B)	18.99	40.71	31.47	14.26	96.27	13.68		
Total (A + B)	**100.37**	**221.70**	**174.73**	**128.91**	**137.42**	**46.36**		

Note: The classification of income into recurring and non-recurring is based on the current operations and business activity of the company

ANNEXURE - II.a

SUMMARY OF CASH FLOW AS RESTATED

(Rs in millions)

		For the nine months ended December 31, 2005	As at Financial Year Ended				
			March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
A.	**CASH FLOW FROM OPERATING ACTIVITIES**						
	NET PROFIT BEFORE TAX AND EXTRA-ORDINARY ITEMS	555.51	430.27	275.78	223.22	243.17	215.91
	Adjustment for:						
	Depreciation	188.51	216.23	189.24	128.76	81.74	59.10
	Interest Charged	191.28	198.19	186.47	129.19	71.12	18.87
	Interest Received	(29.14)	(8.14)	(21.66)	(42.05)	(26.24)	(10.90)
	Foreign Exchange Loss / (Gain)	6.70	(6.58)	(8.31)	(7.32)	(25.46)	-
	Provision for Gratuity	-	-	-	-	-	0.08
	Provision for Leave Salary	1.44	0.48	3.00	0.78	1.20	0.10
	Provision for Bonus	1.97	5.19	0.80	2.88	0.13	1.50
	(Profit) / Loss on sale of assets	(0.43)	5.29	(0.59)	0.44	(59.09)	(3.08)
	Profit on Sale of Investments	-	-	-	-	(8.17)	-
	Loss on Sale of Investments	-	-	-	-	-	0.69
	Excess Credit written back	(1.34)	(9.49)	(1.26)	(7.00)	-	-
	Irrecoverable Debts & Advances written off	0.78	0.15	0.42	2.03	-	-
	ESOP compensation expenses	-	-	0.72	4.61	2.35	-
	Investment written off	-	-	-	1.25	-	-
	OPERATING PROFIT BEFORE WORKING CAPITAL	915.28	831.59	624.61	436.79	280.75	282.27
	Adjustment for changes in:						
	Trade & other receivables	(1165.35)	(595.54)	(146.56)	(462.32)	(349.88)	(191.51)
	Inventories	(955.29)	(604.29)	(273.53)	(402.17)	(163.71)	(95.21)
	Trade Payable, Liabilities and Provisions	680.48	898.31	168.77	503.53	225.54	(143.56)
	Cash Generated from operations	**(524.88)**	**530.07**	**373.29**	**75.83**	**(7.30)**	**(148.01)**
	Direct Tax paid	(16.46)	(129.10)	(94.79)	17.85	(74.37)	(65.64)
	NET CASH FROM OPERATING ACTIVITIES	**(541.34)**	**400.97**	**278.50**	**93.68**	**(81.67)**	**(213.65)**

(Rs in millions)

		For the nine months ended December 31, 2005	As at Financial Year Ended				
			March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
B.	**CASH FLOW FROM INVESTING ACTIVITIES**						
	Purchases of Fixed Assets	(452.80)	(499.98)	(322.93)	(684.67)	(416.81)	(236.23)
	Sale of Fixed Assets	7.27	74.58	2.38	1.09	107.57	36.65
	Purchase of Investments	(0.09)	(205.23)	(51.91)	(24.25)	(0.17)	(0.01)
	Sale of Investments	2.20	-	-	-	36.01	19.60
	Interest Received	28.99	7.98	22.79	42.25	26.28	9.97
	NET CASH USED IN INVESTING ACTIVITIES	**(414.43)**	**(622.65)**	**(349.67)**	**(665.58)**	**(247.12)**	**(170.02)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**						
	Issue of Equity Shares	1.39	-	-	-	0.77	-
	Loan Given	(205.44)	-	-	-	-	-
	Proceeds from Borrowings	1131.05	1059.85	37.83	1025.15	413.62	276.00
	Dividend Paid	(60.35)	(50.38)	(27.07)	(24.27)	(33.36)	(35.84)
	Interest Paid	(193.90)	(199.31)	(186.86)	(134.36)	(68.80)	(17.49)
	NET CASH USED IN FINANCING ACTIVITIES	**672.75**	**810.16**	**(176.10)**	**866.52**	**312.23**	**222.67**
	Net Increase/decrease in Cash & Cash Equivalent (A+B+C)	**(283.02)**	**588.48**	**(247.27)**	**294.62**	**(16.56)**	**(161.00)**
	Opening Balance of Cash & Cash Equivalents	**914.12**	**319.06**	**558.02**	**256.08**	**247.18**	**408.18**
	Balance of Cash & Cash Equivalents (Closing Balances)	**631.10**	**907.54**	**310.75**	**550.70**	**230.62**	**247.18**
Notes to Cash Flow Statement							
	1. Cash & Cash Equivalents						
	Cash on Hand & Balance with Banks	624.41	914.12	319.06	558.02	256.08	247.18
	Effect of exchange rate changes	6.69	(6.58)	(8.31)	(7.32)	(25.46)	-
	Closing Cash & Cash Equivalents as restated	***631.10***	***907.54***	***310.75***	***550.70***	***230.62***	***247.18***

Annexure - II.b
Unsecured Loans

(Rs in million)

Particulars	For the Financial Years ended					
	December, 31 2005	March, 31 2005	March, 31 2004	March, 31 2003	March, 31 2002	March, 31 2001
Inter Corporate Deposits	652.31	59.00	25.30	-	-	-
Loan from Banks	-	70.00	-	-	11.95	-
Unsecured Non convertible Debentures	-	-	-	-	-	50.00
Total Unsecured Loans	652.31	129.00	25.30	-	11.95	50.00

Details of Unsecured Loans outstanding as on December 31, 2005

(Rs in million)

Particulars of Loan	Bank/Parties Name	Outstanding Amount	Rate of Interest p.a.	Repayment terms
Inter Corporate Deposits (Promotor Group)	a) Praham Engineering Co Pvt.Ltd.	239.70	5%	2 years with the option for prepayments or rollover at the behest of the Company
	b) Patel Realtors Pvt. Ltd.	412.61	5%	2 years with the option for prepayments or rollover at the behest of the Company.
Total		**652.31**		

Annexure II b
Details of Secured Loan

(Rs in million)

Particulars	For the Financial Years ended					
	December, 31 2005	**March, 31 2005**	**March, 31 2004**	**March, 31 2003**	**March, 31 2002**	**March, 31 2001**
Non Convertible Debentures	125.00	125.00	125.00	125.00	125.00	-
Foreign currency Loan	600.20	549.12	428.73	234.87	-	-
Equipment finance loan						
1. From Banks	322.79	249.93	189.54	51.65	48.22	-
2. From Others	66.41	102.18	45.60	310.28	179.69	125.93
Cash Credit Account	56.95	48.00	55.96	145.31	42.31	130.39
Project Specific Working Capital Loan	102.67	-	-	-	-	-
Term Loan	750.00	-	-	-	-	-
Total Secured Loans	**2,024.02**	**1,074.23**	**844.83**	**867.11**	**395.22**	**256.32**

1. Debentures: Secured by exclusive charge by way of mortgage of immovable properties and hypothecation of movable properties in favor of UTI Bank ltd., the trustee to the debenture holder. The debentures are redeemable at the end of five years from the date of allotment viz. June 11, 2001. Interest rates have been changed w.e.f. June 11, 2004.
2. Foreign Currency Loan: Secured by first charge on the specific assets acquired out of the term loan along with unencumbered assets and guaranteed by Chairman and Managing Director.
3. Equipment Finance loan: Secured by first charge by way of hypothecation of equipment financed.
4. Cash / Packing Credit Account: Secured by way of hypothecation of construction materials like iron, steel cement, stores & spares work in progress, book debts.

Details of Secured Loans:

Our secured borrowings as of December 31, 2005 are as follows:

S.No	Nature of borrowing / debt	Sanction Amount (in Rs. Million)	Outstanding (in Rs. Million)	Repayment terms and Interest	Securities Offered
1.	Non convertible Debentures – UTI Bank Ltd	125.00	125.00	Bullet payment in June 2006 Rate – 8.50%	Equitable mortgage of flats located in Maharashtra and hypothecation of specific movable equipments.
2	Open Cash credit – ING VYSYA Bank Ltd.	240.00	102.67	Over the Project life Rate – 8%	Exclusive Hypothecation Charge on the Stocks, Receivables and other Current Assets pertaining to Kalwakurthy project. Also secured by way of Personal guarantee by Managing Director.
3	Cash Credit / Working Capital Demand Loan (WCDL)– ICICI Bank Ltd.	200.00	56.95	Cash credit - 10.50% WCDL – Will be stipulated by ICICI Bank at the time of disbursement of each drawal on the basis of the repayment schedule for that drawal	Refer note 1
4	Foreign Currency Loan – Bank of India	671.60 (USD 14.60 mn.)	600.20	Repayment not to exceed construction period. Repayment of 15% each in 3rd & 4th year and 35% each in 5th & 6th years linked with billing. Interest Rate – LIBOR + 225 bps	Hypothecation of all equipments acquired for the Turial project and assets at other project sites giving an Asset Cover of 1:1.
5	Term Loan – HDFC Bank Ltd.	650.00	650.00	2 years moratorium, repayment of 20%, 30% & 50% in 3rd, 4th, and 5th year respectively. Rate – 6.25% - 6.75% p.a.	Secured by way of Unconditional and Irrevocable Guarantee.
6.	Term Loan - ABN AMRO Bank Ltd	100.00	100.00	Moratorium for a period of 12 months from the date of disbursement and 4 half yearly installments of INR 11.11 million each and Last installment of Rs. 55.60 million Rate: BPLR – 6.50% (currently 6.25%)	Secured by way of Unconditional and irrevocable guarantee for the period of facility
7.	Equipment Finances (with Banks and Financial Institution)		389.20	Refer note 2	Secured by way of first charge and hypothecation of specified machinery,

Note 1. The Company had formed a Consortium of Bankers for its working capital requirements. The consortium is led by ICICI Bank Ltd with Dena Bank, Canara Bank, Bank of India, IDBI Bank, Bank of Baroda, Corporation Bank, Union Bank of India and State Bank of Patiala as the other member banks. The Working Capital Consortium Agreement was executed on 29th December 2005.

The security offered for the above consortium is as follows:

a) First charge by way of hypothecation of the Company's entire stock of raw materials, semi finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari passu with other participating banks.

b) Second charge on all the Company's movable fixed assets, both present and future, ranking pari passu with other participating banks.

c) First mortgage and charge, ranking pari passu with other participating banks, on immovable assets valued at Rs. 200.00 million for non-fund based facilities.

d) First mortgage and charge, ranking pari passu with other participating banks, on immovable assets valued at Rs. 100.00 million for fund based facilities.

The company had executed the Joint deed of Hypothecation with the Lead Bank on 29th December 2005.

Note 2. The rate of interest and repayment schedules for numerous equipment finances are as negotiated with the Banks and Financial Institutions for specific loans from time to time.

ANNEXURE - II.c
LOANS & ADVANCES

The details of Loans and Advances are as below:

(Rs. in Millions)

Particulars	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Balance in Current Account with Joint Venture	258.08	165.28	7.56	-	0.93	6.61
Balance in Current Account with Partnership firm	58.18	60.39	62.23	107.10	59.59	-
Advances to Subsidiaries	205.45	-	-	-	-	-
Other Advances	-	-	2.27	6.45	14.87	-
Advances to be received in cash or kind or for the value to be received	1,439.43	730.80	876.61	715.20	439.45	133.25
Deposits and Retentions	200.27	198.80	124.54	99.95	99.67	78.78
Prepayments	43.96	52.68	84.18	21.67	4.68	16.88
Advance Tax (Net of Provisions)	194.36	227.90	133.80	56.51	147.08	78.72
Total	**2,399.73**	**1,435.85**	**1,291.19**	**1,006.88**	**766.27**	**314.24**

Details of Loans and Advances with Related Parties

Related Parties	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
AHCL - PEL (Partnership firm)	58.18	60.39	62.23	107.10	59.59	-
KNR - PATEL JV	63.24	74.91	7.56	-	-	5.91
PATEL - KNR JV	182.51	90.16	-	-	-	
PATEL - MICHIGAN JV	5.74	0.08	-	-	-	
SOMA - PATEL - ASI JV	1.70	0.12	-	-	-	
PATEL - SOMA JV	4.89	-	-	-	-	-
Patel Engineering Inc	195.43	-	-	-	-	-
Shreeanant Construction Pvt. Ltd.	10.02	-	-	-	-	-
ASI RCC Inc	-	-	-	-	85.39	-
Total	**521.71**	**225.66**	**69.79**	**107.10**	**144.98**	**5.91**

ANNEXURE - II.d
OTHER CURRENT ASSETS

The details of Other Current Assets are as below:

(Rs. in Millions)

Particulars	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Accrued Interest	1.05	0.91	0.76	1.88	2.08	2.13
Total	**1.05**	**0.91**	**0.76**	**1.88**	**2.08**	**2.13**

ANNEXURE - II.e
SUNDRY DEBTORS

(Rs. in Millions)

Particulars	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Debts outstanding for a period exceeding six months	85.74	33.24	11.02	11.28	29.01	12.66
Other Debts	1,055.13	735.04	212.43	273.05	126.21	106.81
Total	**1,140.87**	**768.28**	**223.45**	**284.33**	**155.22**	**119.47**

The above includes the following debts due from Related Parties:

Particulars as at	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Westcon Micro Tunelling Inc	5.52	5.41	5.77	5.05		
Praham Eng Co P. Ltd	5.00					0.36
Patel Engineering Inc					2.49	
Total	**10.52**	**5.41**	**5.77**	**5.05**	**2.49**	**0.36**

ANNEXURE - II.f
Details of current Liabilities and Provision

(Rs. in Millions)

Particulars	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
CURRENT LIABILITIES						
Sundry Creditors	1,495.88	1,696.77	662.00	608.48	233.62	197.69
Deposits and Retention	280.87	250.13	220.82	204.15	96.46	127.71
Unpaid Dividends	1.70	1.09	2.07	1.72	1.70	1.05
Other Liabilities	988.68	27.28	57.25	11.50	5.23	4.26
Interest Accrued but not due	-	2.62	3.74	3.70	3.70	1.38
Balance in Current Account with Joint Venture	-	0.38	13.71	159.62	196.51	-
Total Current Liabilities	**2,767.13**	**1,978.27**	**959.59**	**989.17**	**537.22**	**332.09**
PROVISIONS						
Proposed Dividend	-	29.16	24.30	24.30	24.30	30.86
Dividend Tax on Proposed Dividend	-	3.81	3.11	3.11	-	3.15
Retirement Benefits	4.75	3.31	2.84	2.03	1.25	9.17
Total Provisions	**4.75**	**36.28**	**30.25**	**29.44**	**25.55**	**43.18**

ANNEXURE - II. g

SUMMARY OF INVESTMENTS

(Rs in Millions)

Particulars as at	As at December 31, 2005	Financial year / Period Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Subsidiary Companies - Unquoted	278.67	278.66	76.21	24.29	0.04	97.37
Associate/joint Venture/ - Unquoted	0.05	2.20	-	-	1.25	1.25
In Capital of Partnership Firm	0.03	0.03	0.03	0.03	0.03	-
Equity Shares - Quoted	0.79	0.76	-	-	-	-
In Government Securities	0.14	0.14	0.33	0.33	0.33	0.22
Total	**279.68**	**281.79**	**76.57**	**24.65**	**1.65**	**98.84**
Aggregate Book value of quoted investments	0.79	0.76	-	-	-	-
Aggregate Market value of quoted investments	0.92	0.93	-	-	-	-
Aggregate Book value of un-quoted investments	278.89	281.04	76.57	24.65	1.65	98.84

ANNEXURE III

(Rs in Millions)

RESTATED NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT DECEMBER 31, 2005.

A. SIGNIFICANT ACCOUNTING POLICIES:

a) 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 & Ship - 8½ years. Depreciation on additions and deletions to assets during the year is provided pro-rata.

b) Inventories:

Stores and spare parts and Work in progress are valued at cost (FIFO basis) and contract rates respectively. Stock in trade valued at cost or net realizable value whichever is lower.

c) 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 Gratuity & Leave encashment are made as per independent Actuarial valuation at the year end.

d) 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 as a result of the said translation are recognized in the Profit and Loss Account, except in case of fixed assets acquired form a country outside India and assets acquired in the years prior to the year in which the Revised AS 11 came into force which are adjusted to the cost of fixed assets.Revenue transactions at the Foreign Branch/projects are translated at average rate. Fixed Assets are translated at rate prevailing on the date of purchase. Depreciation is translated at rates used for respective assets. Net exchange rate difference is recognized in the Profit and Loss Account.

e) Investments: are valued at cost.

f) 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. In contracts where Company is bearing significant risks for ultimate responsibility of the project, customer furnished materials and resources at fixed cost or no cost are included as cost of construction and as construction revenue at market price**.** Claims & variations are recognized as revenue on clients' acceptance or on receipt of Arbitrator's Award or on evidence of its final acceptability. Other Revenues and expenses are accounted on accrual basis.

g) 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.

h) Taxation: Provision for current tax is made after taking into consideration benefits admissible under the provision of the Income Tax Act, 1961. 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.

i) (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 in 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.

j) 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 the option is amortized on a straight line basis over the vesting period.

B. NOTES TO ACCOUNTS

1. **Adjustments/RegroupingsImpact of changes in Accounting Policies/Prior Period Items:**

	For the nine months ended December 31, 2005	As at Financial Year Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Net Profit as per Audited statement of account (A)	503.15	389.62	228.54	179.91	156.96	201.23
Adjustments on Account of:						
Add:						
1. Prior Period items in respective	1.28	(0.53)	2.00	(2.61)	1.46	(1.14)
2. Change in depreciation policy:						
Increasing useful life of Machinery and motors truck fron 6 to 8 ½ years	(3.35)	(6.62)	(8.99)	(9.50)	(10.66)	8.51
3. Effect of change in depreciation policy on profit / (loss) on sale of assets	0.14	(0.56)	(0.08)	(0.46)	(0.09)	(2.16)
4. Excess / Short tax provision relating to earlier years	-	-	-	-	56.22	(33.27)
5. Depreciation of earlier years	-	-	-	-	-	(0.88)
6. Provision of Retirement Benefits written back	-	-	-	-	-	(7.90)
7. Deferred Tax Adjustment due to Depreciation	1.13	(2.84)	3.22	3.41	(23.00)	
Total (B)	(0.81)	(10.55)	(3.85)	(9.16)	23.93	(36.84)
Adjusted Profit (A + B)	**502.35**	**379.07**	**224.69**	**170.75**	**180.89**	**164.39**

Notes:

a) **Prior Period Items:**

These represents adjustments in respect of transaction items being material changes or credits which arise in a particular period as a result of errors or omission in the preparation of financial statements of one or more prior periods and/or material adjustments necessitated by circumstances which though related to previous periods are determined in the particular (current) period.

b) **Depreciation:**

The company has in the F.Y. 2001-02 re-estimated the useful life of Machineries and Motor Trucks at 8 ½ years from erstwhile 6 years. As a result, revised depreciation rate adopted was lower than the earlier depreciation rate. Depreciation charged during the year of such change was in accordance with AS-6 and the unamortised depreciable amount was charged over the revised remaining useful life of the asset. Such changes have been restated.

c) **Provision for Tax:**

The Income Tax Authorities have disallowed certain expenses of earlier years, for which Provision for Tax was made in F.Y.2001-02 which have been restated.

d) **Profit /(Loss) on Sale of Assets:**

Due to change in estimated life of Machineries and Motor Trucks at 8 ½ years from erstwhile 6 years, the profit/(loss) on sale of assets have been restated after taking into effect the revised rate of depreciation in the respective years.

e) **Deferred Tax:**

Deferred tax assets/liabilities was not provided in F.Y.2001-02. Accordingly the same has been restated.

2. **Non Adjustments/Regroupings**

The Company has entered into a joint venture in the name of LGE & C-Patel JV with LG Engineering & Construction,(LGE & C) Korea for the construction of Surat Manor Toll way Project during 2000-01. The Company has been executing its part of the work package in identified areas under work-sharing pattern as contracted upto September 2002 and accounted the same as its total turnover and cost of construction backed by legal opinion, which requires no restatement.

3. In accordance with AS-22 "Accounting for Taxes on Income" issued by ICAI, the Company has accounted deferred taxes during the year.

		As at December 31, 2005	**As at March 31, 2005**
a)	Deferred Tax Liability		
(i)	Related to depreciation on fixed assets	148.79	148.41
	(a)	148.79	148.41
b)	Deferred Tax Assets		
(i)	Disallowances under the Income Tax Act	1.59	1.53
	(b)	1.59	1.53
c)	Liability for Deferred Tax (net) (a – b)	147.20	146.88

4. The Company had entered into a partnership with ACE Housing and Construction Ltd in name of AHCL – PEL for a Project under Slum Redevelopment Scheme. The said partnership was reconstituted by admitting Mr. Rajat Patel as a partner on 1st April 2004 by allotting him 12% share from the 50% share of ACE Housing and Construction Ltd. The revised share of profit / loss of each partner is Patel Engineering Ltd -50%, ACE Housing and Construction Ltd - 38% and 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. Company's contribution towards the capital is Rs.0.03.

5. Cash and bank balance includes Rs.1.74 (P.Y. Rs. 0.40) as advance received towards proposed sale of land held in a separate bank account in the name of directors and their relatives, as the land being held in their name. Necessary affidavits / indemnities are taken from them by the Company.

6. 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. 2,530.03, contract costs incurred and recognized profit (less recognized losses) Rs. 4,774.71, advance received Rs. 15.10, retention deposit Rs.255.95 and gross amount due from clients for contract works included under current assets Rs. 1,001.65.

7. The Company has no amounts payable to Small Scale Industrial Undertaking in excess of Rs.0.10 and outstanding for a period of more than 30 days.

8. 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.

9. Previous year's figures have been rearranged / regrouped wherever necessary.

10. Current year's figures are for nine month ; therefore they are not comparable with previous years figures

ANNEXURE - III.a

Contingent Liabilities not provided for in respect of:

(Rs in millions)

Particulars	As at December 2005	Financial year / Period Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Commitment for Capital expenditure (Net of Advances)	35.65	56.72	27.03	23.03	30.71	31.54
Counter indemnities given to Banks 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	2,197.27	1,872.06	1,217.74	2,303.12	1,362.30	470.95
Outstanding Letters of Credit	13.52	24.92	8.41	-	-	-
Corporate Guarantees for third parties	71.66	-	-	-	-	-
Corporate Guarantees towards Custom Duty	71.62	-	-	-	-	-
Claims / Counter Claims against the Company	507.46	507.46	-	-	-	-
Income tax matters contested in Appeal	-	-	115.95	107.91	-	-
Total	**2,897.18**	**2,461.16**	**1,369.13**	**2,434.06**	**1,393.01**	**502.49**

ANNEXURE - III.b

SUMMARY OF ACCOUNTING RATIOS FOR THE FOLLOWING YEARS AND NINE MONTHS PERIOD ENDED

	Particulars	For the nine months ended December 31, 2005	Financial year / Period Ended				
			March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
1	Basic & Diluted EPS (Rs.)	10.33	7.80	4.62	3.51	3.75	3.55
2	Return on Net Worth (%) *annualized	27.06	27.46	21.23	19.91	23.59	31.45
3	Net Asset value per Share (Rs.)	38.17	28.40	21.77	17.64	15.78	11.29
4	Face Value per share (Rs.)	1.00	1.00	1.00	1.00	1.00	1.00
5	No. of Equity Shares (Basic & Diluted)	48,625,094	48,604,800	4,860,480	4,860,480	4,860,480	46,290,300

Notes to Acounting Ratio:

1. Earning per share represents earning per share calculated on the basis of Adjusted profit divided by the weighted average number of equity shares (Basic/Diluted) as at the end of the year.
2. Return on Net Worth as a percentage represents Adjusted profit after tax divided by Net Worth at the end of the each financial year.
3. Net Asset value has been computed on the basis of Net Equity Method (Net Worth at the end of each financial year divided by the weighted average number of Equity Shares at the end of the each financial year).
4. Profit & Loss as restated has been considered for the purpose of computing the above ratios.

ANNEXURE - III.c
CAPITALISATION STATEMENT

(Rs in millions)

Particulars	Pre-issue as at December 31, 2005	Post-issue as at
Borrowings:		(Refer note no.2)
Total Debts	**2,676.33**	**2,676.33**
Shareholders Funds:		
Share Capital - Equity	50.00	59.66
Reserves - Securities Premium	7.68	4,248.02
Other Reserves	1,798.43	1,798.43
Total Shareholders Fund	**1,856.11**	**6,106.11**
Total Capitalisation	4,532.44	8,782.44
Debt/Equity Ratio	1.44	0.44

Notes:

1. The above has been computed on the basis of restated statement of accounts.
2. The statement for the Post-issue period will be made on conclusion of the Book Building process.

Annexure III.d

A List of Related Parties

a) <u>Subsidiaries of the Company</u>

1 Patel Engineering Inc.
2 Patel Engineers Pvt. Ltd.
3 Patel Patron Pvt. Ltd.
4 Shreeanant Construction Pvt. Ltd.
5 ASI RCC Inc (Subsidary of Patel Engineering Inc)
6 Westcon Micro Tunneling Inc (Subsidary of Patel Engineering Inc)
7 ASI RCC India Ltd (Subsidary of ASI RCC Inc)

b) <u>Associate Companies</u>

1 Praham Engineering Pvt. Ltd
2 Patel Relators Pvt Ltd
3 Enpro Ltd
(Formerly Enpro Finance Ltd and earlier Engineering Products Ltd)

c) <u>Joint Ventures</u>

1 KNR - PATEL JV
2 PATEL - KNR JV
3 PATEL - SOMA JV
4 LGE & C - PATEL JV
5 SOMA - PATEL - ASI JV
6 PATEL - MICHIGAN JV

d) <u>Partnership firms</u>

1 AHCL - PEL

e) <u>Key Management Personnel</u>

1 Shri Rupen Patel - Managing Director
2 Smt Silloo Patel - Wholetime Director
3 Smt Sonal Patel - Wholetime Director
4 Shri Nimish Patel - Wholetime Director
5 Shri S. K Desai - Wholetime Director

B. The following transactions were carried out with the Related parties in the ordinary course of business:

Subsidiaries

S. No	Nature of Transactions	Nine months ended December 2005	2004-05	2003 - 04	2002 - 03	2001 - 02
1	Investment in Equity during the year	0.05	202.46	51.92	24.25	
2	Share Application Money (Pending Allotment)	1.00				
3	Reimbursement of Company formation	0.93				
4	Return of Capital (Equity)				84.61	121.35
5	Contractual Service Income			6.87		12.15
6	Rendering of Service			5.77	41.21	0.48
7	Receiving of Service				0.36	12.71
8	Loan given	200.87				
9	Interest on Loan given	4.58				
10	Purchase of Assets / Goods				1.42	
11	Bank guarantee outstanding at end of year	815.09	778.63	694.76	358.25	191.32
12	Outstanding Balance included in Current Assets	5.52	5.41	5.77	0.01	
13	Outstanding Balance included in Current Liabilities	-			11.89	

Joint Ventures/ Associates/ Partnership firm

S.No	Nature of Transactions	Nine months ended December 2005	2004-05	2003 - 04	2002 - 03	2001 - 02
1	Construction Revenue	841.68	50.93	1,146.63		
2	Investment in Equity during the year		2.20		47.29	0.03
3	Advances received towards Sale of Land	3.08				
4	Contractual Service Income		73.12	82.93	71.09	13.28
5	Share of Profit / (Loss)	33.33	89.99	64.80	41.69	
6	Miscellaneous Receipts	8.35	2.01			
7	Contractee Advance	70.00				
8	Rendering of Service		0.12	0.12		
9	Receipt/(Payment) from Current A/c (Net)	(6.59)	52.15	69.90	194.53	
10	Loans taken during the year	702.90	58.20	25.60		
11	Loans Repaid	113.90				
12	Interest paid on Loan taken	9.92	3.02	12.00		
13	Purchase of Assets / Goods					0.01
14	Sale of Assets					0.44
15	Capital written off				1.25	
16	Receivables written off				0.93	
17	Bank guarantee outstanding at end of year	1,764.50	1,255.76	1,005.30	779.99	694.83
18	Outstanding Balance included in Current Assets	321.26	225.67	69.79	107.10	59.59
19	Outstanding Balance included in Current Liabilities		13.78	13.71	159.63	196.51

Note: The related party disclosures for the year 2000 - 01 is not provided as Accounting standard - 18 " Related Party Disclosures" issued by the Institute of Chartered Accountants of Indiacame into effect w.e.f 01-04-2001

C Key Managerial Personnel:

	Nature of Transactions	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
	Managerial Remuneration	21.28	21.44	19.44	12.42	8.95

ANNEXURE - III.e

STATEMENT OF TAX SHELTER

(Rs in millions)

Particulars	As at December 31, 2005	Financial year / Period Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Profit/(Loss) after tax as per Profit & Loss A/c (A)	503.15	389.62	228.54	179.91	231.96	192.45
Tax thereon – rate (B)	33.66%	36.59%	35.88%	36.75%	35.70%	39.55%
Tax at the above rate Adjustments C (A * B)	**169.36**	**142.56**	**82.00**	**66.12**	**82.81**	**76.11**
Permanent Differences						
Loss/Profit on sale of Investments						0.60
Prior Period Expenses	1.28	0.75	2.75	0.14	1.60	0.46
Donations	1.00	1.32	0.82	1.96	0.64	0.82
Unrealised loss on Investments/Shares				1.25		0.08
Penalty & fines					0.01	0.00
Disallowance u/s.40 A (3)	0.12	0.03	0.03	0.02	0.03	0.15
One time vehicle tax						0.06
Expenditure not debited to P&L						(0.81)
Disallowances u/s 40(a)	54.28	54.81	54.42	56.00	20.50	18.25
ESOP Compensation			0.72	4.61		
Bonus Issue Expenses.		0.06				
Share of Loss/Profit in Joint Venture (Net)	(33.33)	(89.99)	(64.80)	(41.69)	1.11	(0.09)
Net effect of/ 80IA/80IB	(513.37)	(256.48)	(56.52)	(84.20)	(96.71)	(186.02)
Others					(24.02)	(0.01)
Total Permanent Difference (D)	**(490.01)**	**(289.52)**	**(62.58)**	**(61.93)**	**(96.85)**	**(166.50)**
Timing Differences						
Loss / Profit on sale of Fixed Assets(net)	(0.29)	4.73	(0.67)	(0.02)	(59.18)	(7.64)
Unpaid Gratuity					-	0.08
Depreciation	(12.85)	(73.49)	(102.40)	(109.19)	(76.32)	(18.73)
Disallowances u/s 43B (net)		1.98	1.14	0.65	0.39	0.34
Total Timing Differences (E)	**(13.14)**	**(66.78)**	**(101.93)**	**(108.56)**	**(135.11)**	**(25.94)**
Net Adjustments F (D+E)	**(503.15)**	**(356.30)**	**(164.51)**	**(170.48)**	**(231.96)**	**(192.45)**
Tax Expense / (Saving) thereon G (F * B)	**(169.36)**	**(130.37)**	**(59.03)**	**(62.65)**	**(82.81)**	**(76.11)**
Profit / (Loss) as per Income Tax as returned H (C – F)	(0.00)	33.32	64.04	9.43	**-**	**-**
Taxable Income / (Loss)	**-**	**33.32**	**64.04**	**9.43**	**4.97**	**-**
Taxable Income as per MAT	524.10	347.98		194.21	252.59	210.81
Tax as per Income Tax returned	44.10	27.29	22.97	15.29	19.32	17.87

Note:

1. The information pertaining to the years ended March 31, 2001 to 2005 are as per the return of the income filed by the company. The effect of assessment / appellate orders have not been considered above.
2. The statement of tax shelter has been prepared based on income tax return filed by the company, except for the nine months ended 31.12.2005 and not based on restated profits as annexure I. The statement of tax shelter for the nine month ended 31.12.2005 is based on computation of Tax, as the return of income is filed only for the whole year.

ANNEXURE - III.f
STATEMENT OF DIVIDEND

Particulars	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 (as on the date of filing this Prospectus)
Number of Equity Shares Rs.10/-	1,543,010	-	-	-	-	-
Number of Equity Shares of face value of Rs. 5/-	-	2,430,240	2,430,240	2,430,240	-	-
Number of Equity Shares of face value of Re. 1/-	-	-	- -	-	48,604,800	48,604,800* 50,000,000**
Rate of Dividend on Equity (%)						
(a) Interim (1st)	50	-	-	-	40	50
(b) Interim (2nd)	-	-	-	-	-	50
(c) Final	200	100	100	100	60	-
Corporate dividend tax (In Rs. millions)	4.85	-	3.11	3.11	6.35	7.13

*The number of Equity Shares at the time of Interim (1st) dividend was 48,604,800 Equity Shares.
** The number of Equity Shares at the time of Interim (2nd) dividend was 50,000,000 Equity Shares.

ANNEXURE – IV
SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT AS RESTATED

The profit and loss statement of the company for five financial years ended March 31, 2001 to 2005 read with significant accounting policies (Annexure – VI A), after making certain regroupings for comparability and making adjustments as stated in notes to accounts (Annexure – VI B), along with the profit and loss statement for the nine months ended December 31, 2005 are set out below:

(Rs in millions)

CONSOLIDATED PROFIT & LOSS ACCOUNT	For the nine months ended December 31, 2005	For the Financial Years Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
INCOME						
Income from Operations	6743.68	7779.40	7586.19	5613.30	5301.37	4361.08
Other Operating Income	69.09	142.33	185.55	106.79	354.21	34.71
Other Income	25.94	67.41	65.52	44.58	108.73	33.16
Total Revenue	**6838.71**	**7989.14**	**7837.26**	**5764.67**	**5764.32**	**4428.95**
EXPENDITURE						
Construction Expenditure	5248.05	6537.94	6560.46	4845.63	4768.00	3553.83
Employee Cost	243.51	230.78	234.03	240.45	304.65	217.38
Other Expenses	456.17	369.12	341.65	263.47	237.99	291.70
Interest Cost (Net)	109.41	96.16	92.50	38.14	33.84	11.86
Depreciation	204.31	266.11	251.75	185.46	124.40	73.86
Total Expenditure	**6261.45**	**7500.11**	**7480.39**	**5573.15**	**5468.88**	**4148.63**
Profit before Taxation	577.26	489.03	356.87	191.52	295.44	280.32

CONSOLIDATED PROFIT & LOSS ACCOUNT	For the nine months ended December 31, 2005	For the Financial Years Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Provision for Taxation - Current	51.10	35.34	18.09	7.41	34.96	34.62
Provision for Taxation - Deferred	11.28	32.46	53.82	39.39	0.00	0.00
Provision for Taxation – Fringe Benefit Tax	2.73					
Tax Provision for earlier years	0.00	0.00	0.00	0.00	75.00	0.00
	65.11	67.80	71.91	46.80	109.96	34.62
Profit after Taxation before Extra Ordinary Item	512.15	421.23	284.96	144.72	185.48	245.70
Add: Depreciation for earlier years						0.88
Add: Provision for Retirement Benefit written Back						7.90
Less: Loss on Insurance Claim	-	-	-	(23.84)	-	0.00
Profit after Taxation before Minority Interest	512.15	421.23	284.96	120.88	185.48	254.48
Less: Minority Interest (Loss)	4.08	5.70	6.32	(23.72)	14.11	17.22
Net Profit (A)	508.07	415.53	278.64	144.60	171.37	237.26
Impact of material adjustments for restatement in corresponding years (B)	(0.81)	(10.55)	(3.85)	(9.16)	23.93	(36.84)
Adjusted Profit (A+B)	507.26	404.98	274.80	135.44	195.30	200.42
Carry Forward Profit from Previous Year	309.91	116.14	35.57	64.27	(0.48)	(7.48)
Profit available for appropriation	817.17	521.12	310.37	199.71	194.82	192.94
APPROPRIATIONS						
Interim Dividend	24.30	19.44	-	-	-	7.72
Proposed Final Dividend	0.00	29.16	24.30	24.30	24.30	30.86
Corporate Dividend Tax	3.69	6.36	3.11	3.11	-	4.85
Transfer to Debenture Redemption Reserve	0.00	31.25	31.25	31.25	31.25	0.00
Transfer to Capital Reserve	0.00	-	10.57	-	-	0.00
Transfer to General Reserve	100.00	125.00	125.00	140.00	75.00	150.00
Less: Adjustment of appropriation in General Reserve on Consolidation	0.00	-	-	(34.52)		
	127.99	211.21	194.23	164.14	130.55	193.42
Surplus Carried to Balance Sheet	**689.18**	**309.91**	**116.14**	**35.57**	**64.27**	**(0.48)**

ANNEXURE – V
SUMMARY OF ASSETS & LIABILITIES, AS RESTATED

Assets & Liabilities of the company as at the end of each financial year read with significant accounting policies (Annexure – VIA), after making adjustments as stated in notes to accounts (Annexure - VIB), are set out below along with the assets & liabilities as at December, 31 2005:

(Rs in millions)

CONSOLIDATED BALANCE SHEET	For the nine months ended December 31, 2005	As at Financial Year Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
APPLICATION OF FUNDS						
FIXED ASSETS						
Gross Block	3620.56	3167.62	2863.76	2538.29	1805.02	1223.69
Less: Depreciation	1359.96	1159.14	991.77	749.30	594.14	564.24
NET BLOCK (A)	**2260.60**	**2008.48**	**1871.99**	**1788.99**	**1210.88**	**659.45**
Capital Work in Progress	51.51	41.09	34.24	23.77	6.27	0.00
TOTAL - (A)	**2312.11**	**2049.57**	**1906.23**	**1812.76**	**1217.15**	**659.45**
INVESTMENTS (B)	310.00	322.24	124.98	8.82	10.29	2.03
DEFERRED INCOME TAX (C)	3.99	9.68	13.07	15.20	26.66	0.00
CURRENT ASSETS, LOANS & ADVANCES (D)						
Inventories	2582.40	1793.51	1046.20	746.15	546.00	263.66
Sundry Debtors	2080.57	1349.49	719.06	725.22	464.70	342.57
Cash & Bank Balances	1003.93	1074.87	444.98	706.48	295.87	260.20
Loans & Advances	2414.61	1596.95	1652.25	1295.48	842.30	416.06
Other Current Assets	1.06	0.92	0.77	2.04	2.08	2.13
TOTAL	**8082.57**	**5815.74**	**3863.26**	**3475.37**	**2150.95**	**1284.62**
MISCELLANEOUS EXPENDITURE (E)						
(To the extent not written off or adjusted)						
Preliminary Expenses	0.00	0.00	0.04	0.05	0.05	0.00
Preparatory Works Expenses - Joint Venture	8.40	1.02	2.60	10.58	7.20	0.00
TOTAL	**8.40**	**1.02**	**2.64**	**10.63**	**7.25**	**0.00**
TOTAL ASSETS (A+B+C+D+E)=F	**10717.07**	**8198.25**	**5910.18**	**5322.78**	**3412.30**	**1946.10**

CONSOLIDATED BALANCE SHEET	For the nine months ended December 31, 2005	As at Financial Year Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
LIABILITIES, PROVISIONS & MINORITY INTEREST						
Deferred Tax Liability (Net)	98.80	97.02	65.12	17.84	0.00	0.00
Secured Loans	3016.41	1945.34	1546.45	1525.15	847.13	361.64
Unsecured Loans	652.31	130.31	25.32	9.51	12.04	141.70
Contractee Advances	1672.19	1887.49	1152.97	1244.29	690.88	206.49
Current Liabilities	3028.78	2368.80	1665.44	1359.22	752.38	576.02
Provisions	4.75	36.29	30.24	29.45	25.55	43.18
Minority Interest	327.88	315.35	314.48	315.37	316.55	124.56
TOTAL LIABILTIES (G)	**8801.12**	**6780.60**	**4800.02**	**4500.83**	**2644.53**	**1453.59**
NET WORTH (F-G)	**1915.95**	**1417.65**	**1110.16**	**821.95**	**767.77**	**492.51**
REPRESENTED BY						
Share Capital	50.00	48.60	24.30	24.30	24.30	15.43
Reserves & Surplus	1865.95	1369.05	1085.86	797.65	743.47	477.08
NET WORTH	**1915.95**	**1417.65**	**1110.16**	**821.95**	**767.77**	**492.51**

ANNEXURE - IV.a

STATEMENT GIVING DETAILS OF OTHER INCOME FOR THE FOLLOWING YEARS / PERIOD

(Rs in millions)

SOURCES OF INCOME	For the nine months ended December 31, 2005	Financial year / Period Ended					Nature of Income	Related or not related to business
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001		
Other Operating Income								
Share of profit in Joint Venture	13.12	-	-	-	0.24	0.84	Recurring	Related
Share of profit from Partnership firm	7.79	50.16	-	-	-	0.09	Recurring	Related
Lease & Service Charges	29.37	39.77	39.78	37.94	30.77	30.73	Recurring	Related
Excess Credit wriitten back	1.38	9.71	1.42	7.04	166.45	0.98	Recurring	Related
Refund of duty	15.49	25.86	-	-		-	Recurring	Related
Machinery hire charges	1.94	16.83	144.34	61.81	156.76	2.07	Recurring	Related
Total Other Operating Income(A)	**69.09**	**142.33**	**185.54**	**106.79**	**354.22**	**34.71**		

Other Income :

SOURCES OF INCOME	For the nine months ended December 31, 2005	Financial year / Period Ended					Nature of Income	Related or not related to business
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001		
Profit on sale of Investments	-	0.07	-	-	-		Non recurring	Not related
Profit on sale of Assets	5.40	9.88	2.31	3.08	67.20	4.68	Non recurring	Related
Miscellaneous Income	16.93	47.02	23.87	32.82	11.96	9.87	Recurring	Related
Exchange rate difference (net)	-	6.58	35.09	5.83	26.38	18.61	Recurring	Related
Dividend on shares	3.61	3.87	4.25	2.85	3.19	-	Non recurring	Not related
Total Other Income(B)	**25.94**	**67.42**	**65.52**	**44.58**	**108.73**	**33.16**		
Total (A + B)	**95.03**	**209.75**	**251.06**	**151.37**	**462.95**	**67.87**		

Note: The classification of income into recurring and non-recurring is based on the current operations and business activity of the company

ANNEXURE - V.a
SUMMARY OF CASH FLOW AS RESTATED

(Rs. in Millions)

	Particulars	For the nine months ended December 31, 2005	As at Financial Year Ended			
			March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A.	**CASH FLOW FROM OPERATING ACTIVITIES**	577.26	481.32	349.80	178.95	286.15
	NET PROFIT BEFORE TAX AND EXTRA-ORDINARY ITEMS					
	Adjustment for:					
	Depreciation	204.31	272.73	260.74	194.96	135.06
	Interest Charged	232.41	238.80	227.97	143.97	77.64
	Interest Received	(28.77)	(16.91)	(25.94)	(45.16)	(26.38)
	Foreign Exchange Loss / (Gain)	6.62	(6.58)	(35.09)	(5.83)	(26.38)
	Provision for Leave Salary	1.97	0.48	0.80	0.79	0.13
	Provision for Bonus	1.43	5.19	3.00	2.88	1.20
	(Profit)/Loss on Assets Exhausted	(5.40)	(4.58)	(2.22)	(2.30)	(66.36)
	Excess Credit written back	(1.38)	(9.71)	(1.42)	(7.04)	(166.45)
	Irrecoverable Debts & Advances written off	2.05	0.17	0.42	2.13	0.20
	Capital Reserve	-	-	1.91	1.25	0.00
	Dividend Received	(3.61)	(3.87)	(4.25)	(2.85)	(3.19)
	ESOP compensation expenses	-	-	0.72	4.61	2.35
	Preliminary Expenses written off	-	-	0.01	0.01	0.00
	Minority Interest	8.46	(4.83)	(7.21)	22.53	88.73
	Profit on Sales of Investments	(0.00)	(0.07)	-	-	
	Loss on Insurance Claim		-	-	(23.84)	
	Adjustment on Consolidation		-	34.53	-	
	Deferred Tax	(2.69)	(0.003)	(0.11)	-	
	Preparatory Work Expenses Written Off		2.64	8.69	4.62	0.57
	Investment written off		-	-	-	
	OPERATING PROFIT BEFORE WORKING CAPITAL	**992.67**	**954.78**	**812.38**	**469.68**	**303.27**

	Particulars	For the nine months ended December 31, 2005	As at Financial Year Ended March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
	Adjustment for changes in:					
	Trade & other receivables	(1607.48)	(507.48)	(232.91)	(809.43)	(483.78)
	Inventories	(756.66)	(620.25)	(460.59)	(271.62)	(326.07)
	Trade Payable, Liabilities and Provisions (Excluding Proposed Dividend & Income Tax)	628.40	567.67	467.63	1234.46	380.25
	Cash Generated from operations	**(743.08)**	**394.72**	**586.48**	**623.09**	**(126.33)**
	Direct Tax paid	(4.51)	(103.80)	(136.93)	14.27	(100.54)
	NET CASH FROM OPERATING ACTIVITIES	**(747.59)**	**290.92**	**449.55**	**637.36**	**(226.87)**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchases of Fixed Assets	(516.03)	(535.16)	(378.15)	(831.10)	(661.77)
	Sale of Fixed Assets	50.92	123.68	26.61	32.60	117.58
	Purchase of Investments		(197.19)	(116.16)	(0.01)	(9.01)
	Sale of Investments	12.24	-	-	0.22	0.00
	Interest / Dividend Received	32.24	20.63	31.46	48.02	29.62
	NET CASH USED IN INVESTING ACTIVITIES	**(420.63)**	**(588.04)**	**(436.24)**	**(750.27)**	**(523.58)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Issue of Equity Shares	1.40	-	-	-	0.77
	Proceeds from Short Term Borrowings				545.74	840.23
	Proceeds from Long Term Borrowings	1377.78	1238.40	(54.22)	141.70	
	Repayment of Short Term Borrowings		-	-	(11.95)	
	Dividend Paid	(56.45)	(47.28)	(27.30)	(24.35)	(5.95)
	Interest Paid	(236.37)	(230.13)	(228.36)	(143.97)	(75.31)
	NET CASH USED IN FINANCING ACTIVITIES	**1086.36**	**960.99**	**(309.88)**	**507.17**	**759.74**
Net Increase/decrease in Cash & Cash Equivalent (A+B+C)		**(81.87)**	**663.87**	**(296.58)**	**394.27**	**9.29**
Opening Balance of Cash & Cash Equivalents		**1074.87**	**444.98**	**706.48**	**295.87**	**260.20**
Closing Balance of Cash & Cash Equivalents		**993.00**	**1108.85**	**409.90**	**690.14**	**269.49**
Notes to Cash Flow Statement						
1.	Cash & Cash Equivalents					
	Cash on Hand & Balance with Banks	1003.93	1074.87	444.98	706.48	295.87
	Foreign Exchange Translation Reserve	(17.55)	40.56	-	(16.34)	(26.38)
	Effect of exchange rate changes	6.62	(6.58)	(35.08)	-	
	Closing Cash & Cash Equivalents as restated	**993.00**	**1108.85**	**409.90**	**690.14**	**269.49**

ANNEXURE - V. b

SECURED LOANS

The details of Secured Loans are as below:

(Rs. in Millions)

Particulars	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Foreign Currency Loan	600.20	549.12	428.73	234.87	196.58	
8.5% Secured Non Convertiable Debenture	125.00	125.00	125.00	125.00	125.00	
Equipment finance loan						
1. From Banks	324.52	249.93	174.91	51.65	48.22	173.71
2. From Others	140.08	235.66	120.17	535.00	435.03	
Term Loan	750.00					34.23
Cash Credit Account						
Working Capital Loans from Bank	1076.61	785.63	697.64	578.62	42.31	153.70
Total Secured Loans	**3016.41**	**1,945.34**	**1,546.45**	**1,525.14**	**847.14**	**361.64**

1. Debenture : Secured by exclusive charged by way of mortgage of immovable properties and hyphothication of movable properties in favor of UTI Bank Ltd., the trustee to the Debentureholder. The debnture are redeemable at the end of five years from the date of allotment viz June 11, 2001. Interest rates have been changed w.e.f june 11, 2004
2. Foreign Currency Loan: Secured by first charge on the specific assets acquired out of the term loan alongwith unencumbered assets and guaranteed by Chairman and Managing Director.
3. Equipement Finance loan: Secured by first charge by way of hypothecation of equipment financed.
4. Cash / Packing Credit Account: Secured by way of hypothecation of construction materials like iron, steel, cement, stores & spares, work in progress, book debts.

UNSECURED LOANS

The details of unsecured Loans are as below: **(Rs. in Millions)**

Particulars	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
12.50% Unsecured Non Convertible Debenture form UTI Bank						50.00
Loans from Banks	-	70.00	-	-	11.95	
From Others	652.31	60.31	25.32	9.52	0.09	91.70
Total Unsecured Loans	**652.31**	**130.31**	**25.32**	**9.52**	**12.04**	**141.70**

ANNEXURE - V.c

LOANS & ADVANCES

The details of Loans and Advances are as below:

(Rs. in Millions)

Particulars	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Balance in Current Account with Joint Venture	132.36	83.49	3.86	56.61	0.93	6.61
Balance in Current Capital Account with Partnership firm	58.18	60.39	62.23	107.10	59.59	
Advances to subsidaries	10.02					
Advances recoverable in cash or kind or for the value to be received	1677.02	843.78	1,003.01	810.25	373.61	233.58
Deposits and Retention	271.27	269.29	271.91	200.73	230.25	80.39
Prepayments	55.03	79.96	119.67	41.60	12.41	17.46
Other Advances	-	-	-	6.45	14.88	
Advance Tax (Net of Provisions)	210.73	260.04	191.58	72.74	150.64	78.02
Total	**2414.61**	**1,596.95**	**1,652.26**	**1,295.48**	**842.31**	**416.06**

Detail of Loans and Advances with Related Parties:

Related Parties	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
AHCL - PEL (Partnership firm)	58.18	60.39	62.23	107.10	59.59	
KNR - PATEL JV	2.25	38.20	3.86	-	-	5.91
PATEL - KNR JV	120.66	45.08	-	-	-	
PATEL - MICHIGAN JV	2.87	0.08	-	-	-	
SOMA - PATEL - ASI JV	1.69	0.12	-	-	-	
PATEL - SOMA JV	4.89					
Shreeanant Construction Pvt. Ltd.	10.02					
ASI RCC Inc					85.39	
Total	**200.56**	**143.87**	**66.09**	**107.10**	**144.98**	**5.91**

ANNEXURE - V.d

OTHER CURRENT ASSETS

The details of Other Current Assets are as below:

(Rs. in Millions)

Particulars	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Interest accrued on Fixed Deposit & Others	1.06	0.92	0.77	2.04	2.08	2.13
Total	**1.06**	**0.92**	**0.77**	**2.04**	**2.08**	**2.13**

ANNEXURE - V.e

SUNDRY DEBTORS

The details of Sundry Debtors are as below:

(Rs. in Millions)

Particulars	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Debts outstanding for a period exceeding six months						
Considered Good	635.90	112.19	93.86	284.56	47.28	12.66
Debts outstanding for a period not exceeding six months						
Considered Good	1444.67	1,237.30	625.20	440.66	417.42	329.91
TOTAL SUNDRY DEBTORS	**2080.57**	**1,349.49**	**719.06**	**725.22**	**464.70**	**342.57**

ANNEXURE - V.f

SUMMARY OF INVESTMENTS

(Rs in Million)

Particulars as at	As at December 31, 2005	Financial year / Period Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
In Governments Securities	0.15	0.15	0.34	0.34	0.33	0.22
Equity Shares - Quoted	0.79	0.86	-	-		
Equity Shares - Unquoted	8.65	10.52	7.83	8.46	8.68	0.56
In Capital of Partnership Firm	270.32	261.63	56.79	0.03	0.03	
In Joint Venture	30.09	49.08	60.02	-	1.25	1.25
Total	**310.00**	**322.24**	**124.98**	**8.83**	**10.29**	**2.03**
Aggregate Book value of quoted investments	0.79	0.86	0.00	0.00	0.00	0.00
Aggregate Market value of quoted investments	0.92	1.03	0.00			0.00
Aggregate Book value of un-quoted investments	309.23	321.38	124.98	8.82	10.29	2.03

ANNEXURE - V.g

CURRENT LIABILITIES

Details of Current Liabilities

(Rs. In Millions)

Particulars	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Sundry Creditors	1685.28	2,035.22	1,275.15	1,015.63	611.31	417.15
Deposites & Retention	291.36	274.32	267.76	214.99	132.56	141.82
Unpaid Dividends	4.59	3.89	4.88	4.76	4.81	1.05
Other Liabilities	1039.10	42.21	107.05	39.90	-	14.62
Interest Accrued but not due	8.45	12.41	3.74	3.70	3.70	1.38
Balance in Current Account with Joint Venture	-	0.75	6.85	80.23	-	
TOTAL	**3028.78**	**2,368.80**	**1,665.43**	**1,359.21**	**752.38**	**576.02**

PROVISIONS

Details of Provisions

(Rs in millions)

Particulars	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Proposed Dividend	-	29.16	24.30	24.30	24.30	30.86
Dividend Tax on Proposed Dividend	-	3.81	3.11	3.11	-	3.15
Retirement Benefits	4.75	3.31	2.83	2.03	1.24	9.17
Total Provisions	**4.75**	**36.28**	**30.24**	**29.44**	**25.54**	**43.18**

ANNEXURE VI

(Rs in Millions)

RESTATED NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT 31 ST DECEMBER 2005.

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 & 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 and financially controlled Integrated Joint Ventures. The consolidated Financial Statements of Patel Engineering Inc., includes accounts of Patel Engineering Inc. and its Subsidiaries and Joint Ventures of Subsidiaries, prepared as per the accounting principles generally accepted in United States of America.

   ii) The financial statements of financially controlled integrated Joint Ventures (i.e. sharing profit) are consolidated to the extent of PEL’s 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 intra group balances and intra group transactions.

   The consolidated Financial Statement have been prepared by the company in accordance with the requirements of Accounting Standards (AS 21), Consolidated Financial Statements and Accounting Standards (AS27), Financial Reporting of Interest in Joint Ventures, issued by Institute of Chartered Accountants of India. However, the subsidiary’s joint ventures are consolidated as per U.S. GAAP.

   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. Patel Engineering Inc. and its U.S.A subsidiaries maintains its accounts based on Generally Accepted Accounting Standards in U.S.A.

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.

5. **Inventories:**

   Stores and spare parts and Work in Progress for long-term construction contracts are valued at cost (FIFO basis) and contract rates respectively. Inventory in U.S.A. consisting of forms, pipe and small tools are stated at lower of cost or market value. Stock-in-trade are valued at cost or net realizable value.

6 **Investments are stated at cost**.

Everest Venture Partners, LP – During the year ended December 31, 2005, the Company invested Rs.270.30 (P.Y.261.60) in this partnership representing approximately a 75% limited partner interest. The partnership operates as a venture capital investment company focusing on technology and software development companies. The investment is accounted for using the cost method. As of December 31, 2005, no earnings or losses have been reported by the partnership to the Company and management and the general partner believe that the underlying investments made by the partnership in other enterprises have a fair value in excess of their cost and have concluded that, there is no impairment to the recorded cost of the investment as of December 31,2005 and March 31,2005.

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. Provision for incremental liability in respect Gratuity & Leave encashment are made as per independent Actuarial Valuation at the year end.

The indirect subsidiary ASI RCC Inc. has adopted a 401K-employee benefit plan. All employees who are at least 21 years of age and have half years of service are eligible to participate.

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 as a result of the said translation are recognized in the Profit and Loss Account, except in case of fixed assets acquired form a country outside India and assets acquired in the years prior to the year in which the Revised AS 11 came into force which are adjusted to the cost of fixed assets. Revenue transactions at the Foreign Branch/projects are translated at average rate. Fixed Assets are translated at rate prevailing on the date of purchase. Depreciation is translated at rates used for respective assets. Net exchange rate difference is recognized in the Profit and Loss Account.

Revenue items of subsidiary companies 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 Exchange 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. In contracts where Company is bearing significant risks for ultimate responsibility of the project, customer furnished materials and resources at fixed cost or no cost are included as cost of construction and as construction revenue at market price**.** Claims & variations are recognized as revenue on clients acceptance or on receipt of Arbitrator's Award or on evidence of its final acceptability. Other Revenue and expenses are accounted on accrual basis.

In respect of its subsidiaries in USA changes in job performances, estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined by the company.

Profits on short term contracts are recorded on the substantial completion of each contract. Revenues from time and material contracts are recognized currently as the work is performed.

10. In respect of Joint Ventures in India, preparatory work expenses are written off in profit & loss A/c. on deferred basis in proportion of construction.

B. NOTES TO ACCOUNTS

1 Adjustments/RegroupingsImpact of changes in Accounting Policies/Prior Period Items:

	For this nine months ended December 31, 2005	As at Financial Year Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Net Profit as per Audited statement of accounts (A)	508.07	415.53	278.64	144.60	171.37	237.26
Adjustments on Account of:						
Add:						
1. Prior Period items in respective	1.28	(0.53)	2.00	(2.61)	1.46	(1.14)
2. Change in depreciation policy						
Increasing useful life of Machinery and motor truck from 6 to 8 ½ years	(3.35)	(6.62)	(8.99)	(9.50)	(10.66)	8.51
3. Effect of change in depreciation policy on profit / (Loss) on sale of assets.	0.14	(0.56)	(0.08)	(0.46)	(0.09)	(2.16)
4. Excess / Short tax provision relating to earlier year restated	-	-	-	-	56.22	(33.27)
5. Depreciation of earlier years						(0.88)
6. Provision of Retirement Benefits written Back						(7.90)
7. Deferred Tax Adjustment due to Depreciation	1.13	(2.84)	3.22	3.41	(23.00)	
8. Non Elimanation of Machinery hire charges received			(106.04)			
9. Non Elimanation of Machinery hire charges paid			106.04			
Total (B)	(0.81)	(10.55)	(3.85)	(9.16)	23.93	(36.84)
Adjusted Profit (A + B)	**507.26**	**404.98**	**274.79**	**135.44**	**195.30**	**200.42**

a) Prior Period Items:

These represents adjustments in respect of transaction items being material changes or credits which arise in a particular period as a result of errors or omission in the preparation of financial statements of one or more prior periods and/or material adjustments necessitated by circumstances which though related to previous periods are determined in the particular (current) period.

b) Depreciation:

The company has in the F.Y. 2001-02 re-estimated the useful life of Machineries and Motor Trucks at 8 ½ years from erstwhile 6 years. As a result, revised depreciation rate adopted was lower than the earlier depreciation rate. Depreciation charged during the year of such change was in accordance with AS-6 and the unamortised depreciable amount was charged over the revised remaining useful life of the asset. Such changes have been restated.

c) **Provision for Tax:**

The Income Tax Authorities have disallowed certain expenses of earlier years, for which Provision for Tax was made in F.Y.2001-02 which have been restated.

d) **Profit /(Loss) on Sale of Assets:**

Due to change in estimated life of Machineries and Motor Trucks at 8 ½ years from erstwhile 6 years, the profit/(loss) on sale of assets have been restated after taking into effect the revised rate of depreciation in the respective years.

e) **Deferred Tax:**

Deferred tax assets/liabilities was not provided in F.Y.2001-02. Accordingly the same has been restated.

2 Non Adjustments/Regroupings

a) The Company has entered into a joint venture in the name of LGE & C-Patel JV with LG Engineering & Construction, (LGE & C) Korea for the construction of Surat Manor Toll way Project during 2000-01. The Company has been executing its part of the work package in identified areas under work-sharing pattern as contracted upto September 2002 and accounted the same as its total turnover and cost of construction backed by legal opinion, which requires no restatement.

b) The company has in the F.Y 2003-04 not eliminated the machinery hire charges received and machinery hire charges paid internally in between the projects. The same has been regrouped in the restated accounts having no impact on the profit/ loss for the year.

3. a) The details of financially controlled Integrated Joint Ventures along with share of Interest s given hereunder:

Name of the Venture	**Name of the Venture partner**	**Share of Interest**
KNR- Patel	M/s. KNR Construction	49%
Patel-KNR	M/s. KNR Construction	50%
Patel-Michigan	M/s. Michigan Engineers Pvt. Ltd.	50%

b) **Details of Subsidiaries**:

Name of the Subsidiary	**Percentage of Holding**
Patel Engineering Inc.	100%
Indirect Subsidiaries:	
ASI RCC Inc.	100%
Westcon Micro tunneling Inc.	100%
ASI Civil Constructors Inc.	100%
Joint Venture of ASI RCC Inc.	
ASI Cianbro	55%

4. Deferred Tax Liability / Assets:

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 December 31, 2005	As at March 31, 2005
a)	Deferred Tax Liability		
(i)	Related to depreciation on fixed assets	148.79	148.41
	(a)	148.79	148.41
b)	Deferred Tax Assets		
(i)	Disallowances under the Income Tax Act	1.59	1.53
	(b)	1.59	1.53
c)	Liability for Deferred Tax (net) (a – b)	147.20	146.88

Patel Engineering Inc.

The component of Deferred Tax Assets and Liabilities are as follows:

	As at December 31, 2005	As at March 31, 2005
Deferred Tax Assets	9.30	1.64
Deferred Tax Liabilities	6.54	3.64

ASI RCC Inc.

The component of Deferred Tax assets and liabilities are as follows:

	As at December 31, 2005	As at March 31, 2005
Deferred Tax Assets	3.99	9.68
Deferred Tax Liabilities	50.47	47.79

Westcon Microtunneling Inc.

The component of Deferred Tax assets and liabilities are as follows:

	As at December 31, 2005	As at March 31, 2005
Deferred Tax Assets	58.08	60.69
Deferred Tax Liabilities	39.48	41.41

5. Taxation:

Parent company (PEL)

Income-tax assessments are completed up to A.Y. 2002-2003. Several appeals for the earlier years are pending before the Appellate Authorities. Based on legal opinion, the Company does not envisage any Income-tax liability. However, the Company would be liable for Minimum Alternate Tax on book profit under Section 115 JB of the Income Tax Act for which a provision for Rs.44.80 (P. Y. Rs.35.00) has been made. The Company has been legally advised that it is not liable to Wealth-Tax except on Motor Cars. Accordingly Wealth Tax of Rs.0.60 (P.Y. Rs.0.50) has been provided. The company is entitled to deductions under the Income Tax Act, which are in nature of permanent benefits.

Patel Engineering Inc.

Increase in deferred Income Tax of Rs. 4.75 (P.Y. Rs. 4.32).

ASI RCC Inc.

Current income Taxes of Rs.6.44 (P.Y. Rs0..34) & Increase in deferred Income Taxes of Rs 7.00 (P.Y. 13.59).

Westcon Microtunneling Inc.

Increase in deferred Income Taxes (Net) of Rs.1.32 (P.Y. Rs.1.16).

6. To reflect the true economic value, turnover & construction cost for the year includes Rs. 62.90 (P.Y. Rs. 83.98) in respect of materials / hire charges of equipment furnished by customers at fixed rate / no cost, valued at market price, as contra, in the Profit & Loss Account for the year, having no impact on Profit or Loss for the year as per accounting policy No. 9.

7. RELATED PARTY TRANSACTIONS

A **List of Related Parties**

a) Subsidiaries of the Company

1 Patel Engineering Inc.

2 Patel Engineers Pvt. Ltd.

3 Patel Patron Pvt. Ltd.

4 Shreeanant Construction Pvt. Ltd.

5 ASI RCC Inc (Subsidary of Patel Engineering Inc)

6 Westcon Micro Tunneling Inc (Subsidary of Patel Engineering Inc)

7 ASI RCC India Ltd (Subsidary of ASI RCC Inc)

b) Associate Companies

1 Praham Engineering Pvt. Ltd

2 Patel Relators Pvt Ltd

3 Enpro Ltd

(Formerly Enpro Finance Ltd and earlier Engineering Products Ltd)

c) Joint Ventures

1 KNR - PATEL JV

2 PATEL - KNR JV

3 PATEL - SOMA JV

4 LGE & C - PATEL JV

5 SOMA - PATEL - ASI JV

6 PATEL - MICHIGAN JV

d) Partnership firms

1 AHCL - PEL

e) Key Management Personnel

1 Shri Rupen Patel - Managing Director

2 Smt Silloo Patel - Wholetime Director

3 Smt Sonal Patel - Wholetime Director

4 Shri Nimish Patel - Wholetime Director

5 Shri S. K Desai - Wholetime Director

6 Shri Jalandhar Reddy – Project Manager

B The following transactions were carried out with the Related parties in the ordinary course of business:

Subsidiaries/Others

S.No	Nature of Transactions	Nine months ended December 2005	2004 - 05	2003 - 04	2002 - 03	2001 - 02
1	**Patel Engineering Ltd.**					
	Share application money (pending allotment)	1.00				
	Reimbursement of company formation expenses	0.93				
	Outstanding Balance included in Current Liabilities	0.11	0.11	0.11		
2	**Patel Engineering Inc**					
	consulting & commission to a relative of an officer		0	2.06	2.85	
	Due from related party / Stock holder	17.81	3.37	7.09	9.46	
	Due to related party / Stock holder	201.37	1.31	0		
3	**ASI RCC Inc**					
	Notes receivable from a stock holder		2.45	0.5	0.48	
	Amounts due from related party		0	1.89	2.09	
	Investment in Equity during the year	0.53	0.53	0.53		
	Balance due from stock holder	2.54			2.33	
4	**Westcon Micro Tunneling Inc**					
	Due from company under common control	110.41	103.2	80.08	54.68	
	Due from related parties	1.47				

Joint Venture / Associates / Partnership

S.No	Nature of Transactions	Nine months ended December 2005	2004 - 05	2003 - 04	2002 - 03	2001 - 02
1	**Patel Engineering Ltd.**					
	Loan taken	702.90	58.2	25.6		
	Loan repaid	113.90				
	Interest on Loan	9.92	3.02	12.00		
	Advance received against sale of land	3.08				
	Receipt/(Payment) from Current A/c (Net)	0.80	52.03	35.37	194.53	
	Bank guarantee outstanding at end of year	1085.54	883.11	1005.3	779.99	
	Outstanding Balance included in Current Assets	196.14	0.75	66.09	107.1	59.59
	Outstanding Balance included in Current Liabilities	0.00	83.49	6.85	189.63	
	Contractual Service Income	0.00	36.93	41.88		
	Rendering of Service	0.00	6.82	0.12		
	Construction Revenue	841.68	296.91	0		
	Investment in Equity during the year	0.00	2.2	0		
	Share of Profit / (Loss)	20.92	49.68	0		
	Capital Contributed				47.29	0.025
	Capital written off				1.25	
	Receivables written off				0.93	
	Purchase of Goods					0.011
	Sale of Assets					0.44

C. Key Managerial Personnel:

	As at December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Managerial Remuneration	21.28	21.44	19.44	12.42	8.95
Consultancy Fees	0.90	0.47	0.60	0.60	0

Note: The related party disclosures for the year 2000-01 is not provided as Accounting Standard – 18 " Related Party Disclosures" issued by the Institute of Chartered Accountants of India came into effect w.e.f. 01.04.2001.

8. The Company had entered into a partnership with ACE Housing and Construction Ltd in name of AHCL – PEL for a project under Slum Redevlopment Scheme. The said partnership was reconstituted by admitting Mr. Rajat Patel as a partner on 1st April 2004 by allotting him 12% share from the 50% share of ACE Housing and Construction Ltd. The revised share of profit / loss of each partner is Patel Engineering Ltd -50%, ACE Housing and Construction Ltd - 38% and 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. Company's contribution towards the capital is Rs. 0.03'

9. **Segment Reporting**:

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

Geographical Segment

	As at December 31, 2005		
Particulars	Domestic **Operations**	**International Operations**	Total
Segment Revenue	5,313.68	1,430.00	6,743.68
Carrying Cost of Segment Assets	1,958.22	347.85	2,306.07
Addition to fixed & intangible Asset	460.19	55.84	516.03
	As at March 31, 2005		
Particulars	Domestic **Operations**	**International Operations**	Total
Segment Revenue	5,625.55	2,153.85	7,779.40
Carrying Cost of Segment Assets	1,693.40	346.47	2,039.87
Addition to fixed & intangible Asset	508.73	26.44	535.17

10. Contingent Liabilities not provided for in respect of:

(Rs. In Millions)

Particulars	For the nine months ended December 31, 2005	Financial year / Period Ended				
		March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Commitment for Capital expenditure (Net of Advances)	35.65	56.72	27.03	23.03	30.71	31.54
Counter indemnities given to Banks 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	2197.23	1,872.06	1,217.74	2,303.12	1,362.30	470.95
Outstanding Letters of Credit	13.52	24.92	8.41	14.12	-	
Corporate Guarantees for third parties	71.66					
Corporate Guarantees towards Custom Duty	71.62					
Income tax matters contested in Appeal	-		115.95	107.91	-	
Claims and counter claims against the company	570.80	675.21	-			
Suit filed by former employee		2.19	2.19			
Partially self-insured medical plan		1.22	1.22			
Promissory Note				15.69	15.69	15.69
Total	**2960.48**	**2,632.32**	**1,372.54**	**2,463.87**	**1,408.70**	**518.18**

11. Disclosure required in accordance with Accounting Standard – 7. In respect of contract entered into on or after 1st April 2003, by Patel Engineering Ltd and its Joint Ventures. contract revenue recognized on construction Rs.2,595.33, Contract cost incurred and recognized profit (can recognized losses) Rs.4,887.55, advance received Rs.16.88, retention deposit Rs.260.67 and gross amount due from clients for Contract Works included under current assets Rs.1,036.90.

Costs and Estimated Earnings on uncompleted Contracts of Subsidiaries.

Uncompleted contracts at December 31, 2005 are summarized as follows:

		Total
Costs incurred to date		1,971.63
Gross profit recognized to date		205.54
Total cost plus gross profit recognized to date		2,177.17
Billings to date		2,230.07
		(52.90)

12. Stock options and warrants:

<u>ASI RCC Inc.</u>

During the year ended March 31st 2002, the company issued stock warrants to six employees to puchase an aggregate of 16,000 shares of the company's Class B Non voting common shares. The option price is $1 (Rs.45.24) for 3,400 shares and $20 (Rs.1') for 12,600 shares.

During the nine month period ending December 31st 2005, 2 employees exercised their warrants to purchase a total of 1,350 shares for $1 per share. The market value per share at the exercise date was $27.65 (Rs.1.2') for a total issue price of $37,327 (Rs.1.69) which resulted in an increase to Class B Non voting common stock of $2 (Rs.90.48) and increase to additional paid in capital of $37,325 (Rs.1.69)

All remaining unexercised warrants expired on September 30,2005.

13. Patel Engineering Inc.

Goodwill:

In accordance with the purchase acquisition and consolidation of the voting stock interest in Westcon Microtunneling Inc. Patel Engineering Inc. has recorded goodwill in the amount of $241,686(Rs.10.93). As of December 31st 2005, the company management estimates that there is no impairment to the recorded value of the goodwill in accordance with financial Accounting Standard # 142 of U.S. GAAP.

14. Operating Leases:

ASI RCC Inc. currently leases two copiers under operating lease agreements. Following are future minimum lease payments due under these leases for the years ending–

March 31, 2006	0.24
March 31, 2007	0.09
	0.33

15. SUMMARY OF ACCOUNTING RATIOS FOR THE FOLLOWING YEARS AND NINE MONTHS PERIOD ENDED

	Particulars	For the nine months ended December 31, 2005	Financial year / Period Ended				
			March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
1	Basic & Diluted EPS (Rs.)	10.43	8.33	5.65	2.79	4.02	4.33
2	Return on Net Worth (%) *annualized	26.48	28.57	24.75	16.48	25.44	40.69
3	Net Asset value per Share (Rs.)	39.40	29.17	22.84	16.91	15.80	10.64
4	Face Value per share (Rs.)*	1.00	1.00	1.00	1.00	1.00	1.00
5	No. of Equity Shares (Basic & Diluted)	48,625,094	48,604,800	48,604,800	48,604,800	48,604,800	46,290,300

* Restated as per December 2005 Face value 1/-

Notes to Accounting Ratios:

1 Earning per share represents earning per share calculated on the basis of Adjusted profit divided by the weighted average number of equity shares (Basic/Diluted) as at the end of the year.

2 Return on Net Worth as a percentage represents Adjusted profit after tax divided by Net Worth at the end of the each financial year.

3 Net Asset value has been computed on the basis of Net Equity Method (Net Worth at the end of each financial year divided by the weighted average number of Equity Shares at the end of the each financial year).

4 Profit & Loss as restated has been considered for the purpose of computing the above ratios.

16. 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.

17. Previous years figures have been regrouped/rearranged/recasted wherever necessary to make them comparable.

18. Current year's figures are for Nine months; therefore they are not comparable with previous year figures.

For Vatsaraj & Co.
Chartered Accountants

Place: Mumbai **(B. K. Vatsaraj)**
Date: 14th March 2006 Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS PER CONSOLIDATED FINANCIAL STATEMENTS

You *should read the following discussion of our financial condition and results of operations together with our consolidated financial statements, as restated, under Indian GAAP for the Fiscal years ended March 31, 2002, 2003, 2004 and 2005, and for the nine month period ended December 31, 2005, including the significant accounting policies and notes and annexures thereto which begin on page 144 . The following discussion relates to our Company and is based on our consolidated restated financial statements.*

Our restated financial statements have been derived from our consolidated financial statements prepared in accordance with India GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act and Indian Securities regulations. The following discussion is also based on internally prepared statistical information and publicly available information. You are also advised to read the section titled "Risk Factors" beginning on page xii of this Prospectus, which discusses a number of factors and contingencies that could affect our financial condition, results of operations and cash flows. For a discussion of our financial condition and results of operation on the basis of our unconsolidated financial statements as restated for the same periods, please refer to Chapter title "Management's Discussion and Analysis" beginning on page 165 of this Prospectus.

The following discussion does not relate to our results of operations after the nine months ended December 31, 2005. Our Fiscal year ends on March 31, so all references to a particular Fiscal year are to the twelve month period ended March 31.

Certain industry, technical and financial terms with initial capitals used in this discussion shall have the meanings ascribed to them in the section entitled "Definitions and Abbreviations" beginning on page iii of this Prospectus.

1. OVERVIEW

We are one of India's leading civil engineering and construction companies engaged primarily in the civil construction of:-

- Hydro–power projects, including dams, tunnels, power-houses, barrages etc.;
- Irrigation and water supply projects including dams, weirs and pump house; and
- Transportation projects, including roads, railways, bridges and tunnels.

We are one of the few Indian construction companies with a presence in the US through our wholly owned subsidiary Patel Engineering Inc. Patel Engineering Inc has two subsidiaries in ASI RCC Inc. and Westcon Microtunneling Inc. These subsidiaries give us an added advantage in terms of access to sophisticated technologies like RCC and microtunneling as well as giving us business presence in the technologically advanced US and European markets. We are focusing on the use of technology from these companies in the Indian markets since it is cost effective and gives us a competitive advantage.

We have two wholly-owned subsidiaries in India, i.e., Patel Engineers Private Limited and Patel Patron Private Limited which were incorporated on November 25, 2005 and December 30, 2005 respectively. In addition, we have another subsidiary, Shreeanant Construction Private Limited (in which our shareholding is 51%) which was incorporated on December 15, 2005. Since these subsidiaries have been incorporated recently, there is no data on financial performance in respect of these companies.

2. FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and the results of operations are affected by numerous factors and the following are of particular importance:

Performance in the hydro-power sector. The recent thrust of the Government's focus to develop hydro-power can be seen from the current five year plan (2002-07) which envisages an addition of 14,393 MW of hydro-power generating capacity. Around 61.82% of the revenue in FY 2005 was from the hydro-power sector. Hydro-power projects including dams constitutes major portion of our order backlog.

Growth in the infrastructure sector. The Government of India's focus on and sustained increase in budgetary allocation for the infrastructure sector and the development of a structured and comprehensive infrastructure policy that encourages greater private sector participation as well as increased funding by international and multilateral development financial institutions for infrastructure projects in India has resulted in several large infrastructure projects in this region. which have been key to our results of operations.

Competition. We compete against major companies like Hindustan Construction Company Limited, Gammon India Limited, Nagarjuna Construction Company Limited, Jaiprakash Associates Limited etc. Our competition varies depending on the size, nature and complexity of the project and on the geographical region in which the project is executed. In selecting contractors for major projects, clients generally invite the tenders from contractors that have pre-qualified based on several criteria including experience, technological capability, capacity, performance, reputation for quality, safety record, financial strength and bonding capacity and size of previous contracts in similar projects, although price competitiveness of the bid is, the most important selection criterion. Pre-qualification is one of the key factors to our winning major projects.

Ability to attract and retain skilled personnel. A significant number of our employees are skilled engineers and we face competitive pressures in recruiting and retaining skilled and professionally qualified staff. The loss of key personnel or any inability to manage the attrition levels in different employee categories may materially and adversely impact our results of operations.

Weather conditions. Our business operations may be adversely affected by severe weather, which may require us to evacuate personnel or curtail services and it may result in damage to a portion of our fleet of equipment or facilities resulting in the suspension of operations and may prevent us from delivering materials to our jobsites in accordance with contract schedules or generally reduce our productivity. Our operations are also adversely affected by difficult working conditions and extremely high temperatures during summer months and heavy rains during monsoon which restrict our ability to carry on construction activities and fully utilize our resources. Revenues are accounted on accrual basis. Revenue from contracts is recognized on the percentage completion method based on billing schedules agreed with the client on a progressive completion basis. Our operations are also adversely affected during monsoons which restricts our ability to carry out construction activities and fully utilize our resources. Accordingly, revenues recorded in the second quarter of our financial year between July and September are traditionally lower than revenues recorded during the other quarters of our financial year.

Fluctuations in currency exchange rates. To the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to grow higher than the proportionate revenues on a given contract or could also result in some of our costs falling below budget resulting in higher profitability. As of December 31, 2005, we had foreign currency borrowings aggregating Rs. 600.20 million. However, against this we have receivables in the corresponding currency from certain projects which more than adequately covers the entire amount of such foreign currency borrowings. Our future capital expenditure may include imported equipment and machinery which may be denominated in currencies other than Indian rupees. Therefore, any decline in the value of the rupee against such other currencies could increase the rupee cost of servicing our debt or purchasing such equipment

Our Significant Accounting Policies

The consolidated Financial Statements are prepared in accordance with the requirements of Accounting Standard 21 (AS 21) – Consolidated Financial Statements and Accounting Standard 27 (AS 27) – Financial Reporting of Interest in Joint Ventures issued by The Institute of Chartered Accountants of India. For details refer “Financial Statements significant Accounting Policies” on page 128 of this Prospectus.

Fixed Assets: 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: Depreciation is provided using straight-line method based on useful lives as estimated by the management. Depreciation on additions and deletions to assets during the year is provided pro-rata.

Inventories: Stores and spare parts and Work in progress are valued at cost (FIFO basis) and contract rates respectively.

Recognition of Income: Revenue from contracts is recognized on the percentage completion method based on billing schedules agreed with the client on a progressive completion basis. Claims & variations are recognized as revenue on clients acceptance or on receipt of Arbitrator’s Award or on evidence of its final acceptability.

In respect of our US subsidiaries, changes in job performance, estimated profitability and final contract settlements may result in revision of costs and income and are recognised in the period in which the revisions are determined by the company. Profits on short term contracts are recorded on the substantial completion of each contract. Revenues from time and material contracts are recognized currently as the work is performed.

Foreign Currency transactions: All monetary assets and liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end and recognized in profit and loss account. Revenue transaction at the foreign branch / projects are translated at average rate. Fixed assets are translated at the rate prevailing on the date of purchase.

3. **INCOME**

We derive our income from (i) operations; (ii) other operating income; and (iii) other income.

The following table sets forth our net construction income from different sectors during the years ended March 31, 2003, 2004 and 2005 and in the nine months ended December 31, 2005:

Rs in million

Sectors	FY 2003	FY 2004	FY 2005	9 months ended December 31 , 2005
Hydro Power	3,128.53	3,255.79	4,808.95	3,720.65
Roads and Transport	1,589.22	2,209.35	1,171.74	273.85
Irrigation and Water Supply	759.87	1,429.98	935.03	1,934.50
Others	135.68	691.07	863.68	814.68
Total	5,613.30	7,586.19	7,779.40	6,743.68

Our other operating income include (i) rent received on our properties and facilities that we have leased to third parties, (ii) excess credit balance in the books in respect of construction contracts written back (iii) refund of duty for deemed exports (iv) machinery hire charges (v) share of profit from joint venture entities and partnerships.

Other income includes income (i) from our investments, (ii) profits on sale of investments / assets (iii) other miscellaneous income including scrap sales, insurance claim settled etc and gains from foreign exchange fluctuations are recorded as other income.

4. **EXPENDITURE**

Our expenditure comprises of (i) construction expenses; (ii) employee cost; (iii) other expenses; (iv) interest cost (net); and (iv) depreciation and amortization;

Construction expenditure includes: (i) materials consumed relating to expenditure for construction materials used in our projects such as steel, cement, equipment and materials used for construction, consumable stores, steel plates, spares for the equipments etc.; (ii) contractor charges paid to sub-contractors to whom we have contracted a part of our project responsibilities, piece rate workers' payments and labour borrow wages; (iii) hire charges paid for hire of equipment from third parties; (iv) interest to clients. It is customary in our business to accept around 10%– 15% of the project cost as an advance on which we have to pay interest of up to 18%.; (v) repair and maintenance costs of our equipment and facilities; (vi) power, electricity and water charges; and (vii) freight, octroi and transportation cost etc. Construction expenditure is dependent on the type of project being executed and is also influenced by the nature of work being carried out such as labor intensive or mechanized job being carried out.

Employee costs include: (i) salaries, wages, gratuity and bonus payments to our employees; (ii) contributions made to provident fund and other fund and iii) expenses relating to workmen and staff.

Other expenses includes:, (i) rent paid for office space and facilities utilized by us; (ii) insurance charges,;(iii) traveling and conveyance charges; (iv) fees and taxes paid; (v) consultancy and professional charges paid; and (vi) other miscellaneous administrative and establishment expenses such as office expenses, printing and stationary, communication expenses, postage and advertisement expenses, donation, bank guarantee and bank commission charges etc. We also record any bad debts or advances that are written off, and any loss on sale of fixed assets (net) during a fiscal period under administration expenses.

Interest costs include (i) interest payable on term loans, debentures issued, interest payable on hire purchase arrangements for equipment and interest on unsecured loans. The interest received from banks on our fixed and short term deposits, interest on loan given, if any and interest on income tax refund is reduced from the interest cost.

The nature of expenditure incurred by us on a given project is significantly dependent on the nature of the project. For example, for our construction activities, we may consider using varying proportions of manual or mechanized labor depending on the project specifications and conditions, or decide to sub-contract parts of such construction activities, resulting in, for example, a varying proportion of labor, fuel and/or sub-contractor costs. In addition, in EPC projects, expenditure relating to procurement of equipment and materials constitute a significantly higher proportion of the total expenditure incurred in comparison with other infrastructure projects, where fuel and labor costs constitute a significantly higher proportion of the expenditure.

5. RESULTS OF OPERATIONS- CONSOLIDATED

As a result of the various factors discussed above that affect our income and expenditure on specific projects, our consolidated results of operations may vary from period to period depending on the nature of projects undertaken by us, their completion schedules, the nature of expenditure involved in a particular project and the specific terms of the contract, including payment terms. The following table sets forth certain information with respect to our consolidated results of operations for the periods indicated:

Rs. in million

	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
INCOME					
Income from Operations:	6,743.68	7,779.40	7,586.19	5,613.30	5,301.37
% to Total Revenue	98.61%	97.37%	96.80%	97.37%	91.97%
Other Operating Income	69.09	142.33	185.55	106.79	354.22
% to Total Revenue	1.01%	1.78%	2.37%	1.85%	6.15%
Other Income	25.94	67.41	65.52	44.58	108.73
% to Total Revenue	0.38%	0.84%	0.84%	0.77%	1.89%
Total Revenue	6,838.71	7,989.14	7,837.26	5,764.67	5,764.32
EXPENDITURE					
Construction Expenditure	5,248.05	6,537.94	6,560.46	4,845.63	4,768.00
% to Total Revenue	76.74%	81.84%	83.71%	84.06%	82.72%
Employee Cost	243.51	230.78	234.03	240.45	304.65
% to Total Revenue	3.56%	2.89%	2.99%	4.17%	5.29%
Other Expenses	456.17	369.12	341.65	263.47	237.99
% to Total Revenue	6.67%	4.62%	4.36%	4.57%	4.13%
Interest paid	138.18	113.06	118.44	83.30	60.23
Less: Interest Received	28.77	16.90	25.94	45.16	26.39
Interest Cost (Net)	109.41	96.16	92.50	38.14	33.84
% to Total Revenue	1.60%	1.20%	1.18%	0.66%	0.59%
Depreciation	204.31	266.11	251.75	185.46	124.40
% to Total Revenue	2.99%	3.33%	3.21%	3.22%	2.16%
Total Expenditure	6,261.45	7,500.11	7,480.39	5,573.15	5,468.88
% to Total Revenue	91.56%	93.88%	95.45%	96.68%	94.87%
Profit before Taxation and Extra Ordinary Items	577.26	489.03	356.87	191.52	295.44
% to Total Revenue	8.44%	6.12%	4.55%	3.32%	5.13%
Provision for Taxation - Current	51.10	35.34	18.09	7.41	34.96
Provision for Taxation - Deferred	11.28	32.46	53.82	39.39	-
Provision for Taxation - Fringe Benefit Tax	2.73	-	-	-	-
Tax Provisions For Earlier Years	-	-	-	-	75.00

	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Profit after Taxation before Extra Ordinary items	512.15	421.23	284.96	144.72	185.48
% to Total Revenue	7.49%	5.27%	3.64%	2.51%	3.22%
Less : Loss on Insurance claim				23.84	
Profit after Taxation and Extra Ordinary Items (A)	512.15	421.23	284.96	120.88	185.48
% to Total Revenue	7.49%	5.27%	3.64%	2.10%	3.22%
Impact of material adjustments for restatement in corresponding years (B)	(0.81)	(10.55)	(3.85)	(9.16)	23.93
Adjusted Profit before minority interest	511.34	410.68	281.11	111.72	209.41
% to Total Revenue	7.48%	5.14%	3.59%	1.94%	3.63%
Minority Interest	4.08	5.70	6.32	(23.72)	14.11
Adjusted Profit	507.26	404.98	274.79	135.44	195.30
% to Total Revenue	7.42%	5.07%	3.51%	2.35%	3.39%

Nine Months Ended December 31, 2005

Our operations in the nine months ended December 31, 2005 can be attributed to the following factors:

Total Revenue: We recorded a total revenue of Rs. 6,838.71 million in the nine months ended December 31, 2005, comprising of Rs. 6,743.68 million of contract revenue, Rs. 69.09 million of other operating income and other income of Rs. 25.94 million.

Income from operations: Our total income from operations in the nine months ended December 31, 2005 comprised of Rs. 6,743.68 million. US operations contributed 21.21% of the total contract revenue and the balance derived from our Indian operations.

Other operating income: Our operating income consisted of share of profit from joint ventures Rs. 13.12 million, Rs. 7.79 million from share of profit from partnership. Rs. 29.37 million as lease and service charges, Rs. 15.49 million from refund of duty in respect of deemed exports, Rs. 1.38 million as excess credit written back and Rs. 1.94 million as machinery hire charges.

Expenditure: We incurred total expenditure of Rs. 6,261.45 million in the nine months ended December 31, 2005. Of this, Rs. 1,159.49 million was incurred by our subsidiaries.

Construction expenditure: We incurred expenditure on materials and stores consumed of Rs. 1,094.73 million. We incurred Rs. 3,634.08 million towards sub contract charges, piece worker charges and labour borrow charges, freight and transportation charges amounted to Rs 37.61 million. In the nine months ended December 31, 2005, we incurred hire charges of Rs. 164.50 million. The interest cost on the advances taken from the clients amounted to Rs. 94.22 million.

Employee costs: In the nine months ended December 31, 2005, we incurred personnel expenses of Rs. 243.51 million, including salaries, wages, gratuity and bonus, contribution to provident funds and other statutory employee welfare funds.

Other Expenses: Our other administrative expenses for the nine months ended December 31,2005 amounted to Rs. 456.17 million.

EBIDTA: Our earnings before providing for depreciation and amortisation charges and interest was Rs 919.75 million and the EBIDTA margin was 13.64 %.

Interest (net): We incurred expenditure on account of interest on borrowings of Rs. 138.18 million which is net of interest received of Rs. 28.77 million.

Depreciation: We recorded depreciation charges of Rs. 204.31 million in the nine months ended December 31, 2005.

Profit before tax: For the reasons discussed above, profit before taxes in the nine months ended December 31, 2005 was Rs. 577.26 million.

Provision for taxes: Provision for taxes includes current tax liabilities, fringe benefit tax and deferred tax liabilities. Provision for taxes in the nine months ended December 31, 2005 was Rs. 65.11 million.

Profit after tax before minority interest: The profit was Rs. 512.15 million in the nine months ended December 31, 2005. Minority interest refers to that part of the equity stake not owned by the Company. Although Patel Engineering Inc holds 100% of the voting stock in both ASI RCC Inc and Westcon Microtunneling Inc., the equity ownership of Patel Engineering Inc in ASI RCC Inc and Westcon Microtunneling Inc is 85% and 51% respectively.

Year ended March 31, 2005 compared to year ended March 31, 2004

Our results of operations in the year ended March 31, 2004 and 2005 can be summarised as follows:

Total Revenue: Our total revenue increased by 1.94% from Rs. 7,837.26 million in the year ended March 31, 2004 to Rs. 7,989.14 million in the year ended March 31, 2005. The percentage growth in total revenue is smaller than the percentage growth in unconsolidated revenue due to decrease in turnover of subsidiaries from FY 2004 to FY 2005.

Income from operations: Our income from operations increased by 2.55% from Rs. 7,586.19 million in the year ended March 31, 2004 to Rs. 7,779.40 million in the year ended March 31, 2005. Our revenues from our subsidiaries accounted for around 27.82 % of our consolidated revenues and the balance being derived from our Indian operations.

Other operating income: Other operating income decreased by 23.29% from Rs. 185.55 million in the year ended March 31, 2004 to Rs. 142.33 million in the year ended March 31, 2005. Income from lease and service charges declined marginally from Rs. 39.78 million in FY 2004 to Rs 39.77 million in FY 2005 The writing back of old credit balances outstanding and which were no longer payable increased by 583.80% from Rs. 1.42 million in FY 2004 to Rs 9.71 million in FY 2005. However, income from machinery hire charges declined by 88.34% from Rs. 144.34 million in FY 2004 to Rs. 16.83 million in FY 2005 primarily because of the decrease in machinery hired due to substantial completion of work. During the year ended March 31, 2005 we earned a profit of Rs. 50.16 million as our share of profit form our partnership AHCL - PEL.

Other Income: Our other income increased by 2.90% from Rs. 65.52 million in the year ended March 31, 2004 to Rs. 67.41 million in the year-ended March 31, 2005 due to increase in miscellaneous income and increase in profit on sale of fixed assets.

Expenditure: Our expenditure consists of construction expenses, employee cost, operating and administrative expenses, interest cost and depreciation and amortization charges. Our expenditure increased by 0.26% from Rs. 7,480.39 million in FY 2004 to Rs. 7,500.11 million in FY 2005.

Construction expenditure: Expenditure relating to stores and spares consumed decreased by 22.88% from Rs. 1,905.99 million in FY 2004 to Rs. 1,469.98 million in FY 2005. This decrease is due to the nature of work performed which was more labor intensive in FY 2005. The piece workers' wages and labour charges, comprising 70.11% of the construction expenditure, increased by 13.83% from Rs. 4,027.00 million in FY 2004 to Rs. 4,583.75 million in FY 2005. However, the total cost of piece workers and stores and spares consumed as a percentage to the income from operations in FY 2005 remains more or less the same as compared to that of FY 2004. Hire charges paid for hire of equipment from third parties decreased substantially by 42.32% from Rs. 59.24 million in FY 2004 to Rs. 34.17 million in FY 2005. Interest on advances from clients increased by 14.79 % from Rs. 109.53 million in FY 2004 to Rs. 125.73 million FY 2005.

Employee costs: Employee costs which consists of salaries, gratuity, wages and bonus payments to employees, contributions to providend funds and other funds and expenses incurred in connection with workmen and staff welfare, decreased by 1.39 % from Rs. 234.03 million in FY 2004 to Rs 230.78 million in FY 2005 due to a decrease in the employee cost of our joint venture entities and our subsidiaries.

Other Expenses: Other expenses increased by 8.03% from Rs. 341.65 million in FY 2004 to Rs. 369.12 million in FY 2005. There was a substantial increase in professional and technical consultancy fees by 70.71 % from Rs. 57.32 million in FY 2004 to Rs. 97.85 million in FY 2005 due to mix of projects that were under execution. The Company was awarded EPC contracts during the year which required specialized consulting and market expertise. Repairs and renovation charges increased by 76.35% from Rs. 2.41 million in FY 2004 to Rs. 4.25 million in FY 2005. Insurance charges decreased by 13.28% from Rs. 24.17 million in FY 2004 to Rs. 20.96 million in FY 2005 primarily due to reduction in insurance expenses of US subsidiaries. In the year ended March 31, 2005, we incurred a loss of Rs. 4.73 million on account of sale of fixed assets. The loss on account of sale/written off of fixed assets in the year ended March 31, 2005 related primarily due to flash floods at one of our project which resulted in the loss of equipment.

EBIDTA: Our earnings before providing for tax, interest and depreciation and amortisation charges was Rs. 868.20 million and the EBIDTA margin was 11.16% in FY 2005 as compared to Rs. 727.06 million constituting 9.58 % in FY 2004. The increase in EBDITA margin was due to the decrease in the construction cost as a % to income from operations.

Interest cost (Net): Our net interest cost increased by 3.97% from Rs. 92.50 million in FY 2004 to Rs. 96.16 million in FY 2005. Interest paid to banks increased by 86.72% from Rs. 31.48 million in FY 2004 to Rs. 58.78 million in FY 2005, primarily due to increase in our bank borrowings. Interest paid on debentures decreased by 23.60 % from Rs. 15.04 million in FY 2004 to Rs. 11.49 million in FY 2005 due to reduction in interest rate to 8.50% from earlier 12%.

Depreciation: Depreciation expenses increased by 5.70% from Rs. 251.75 million in FY 2004 to Rs. 266.11 million in FY 2005, primarily due to the acquisition of additional equipment.

Profit before tax: Profit before taxes increased by 24.08% to Rs. 489.03 million in FY 2005 from Rs. 356.87 million in FY 2004.

Provision for taxes: Provision for taxes includes current tax liabilities and deferred tax liabilities. Provision for taxes decreased by 2.60% to Rs. 67.80 million in FY 2005 from Rs. 71.91 million in FY 2004 primarily because of the impact of deferred tax

Profit after tax before minority interest: The profit increased by 47.83% from Rs. 284.96 million in FY 2004 to Rs. 421.23 million in FY 2005. Minority Interest refers to that part of the equity stake not owned by the Company. Although Patel Engineering Inc. holds 100% of the voting stock in both ASI RCC Inc and Westcon Microtunneling Inc., the equity ownership of Patel Engineering Inc in ASI RCC Inc and Westcon Microtunneling Inc is 85% and 51% respectively.

Adjusted profit: The restated profit for FY 2005 was Rs. 404.98 million as compared to Rs. 274.79 million in FY 2004 depicting a 47.39 % increase. The restatement is mainly due to prior period expenses/income, change in the useful life of depreciable asset in FY 2002 and the resultant change in the profit/loss on sale of assets.

Year ended March 31, 2004 compared to year ended March 31, 2003

Our results of operations in the year ended March 31, 2004 and 2003 can be summarised as follows :

Total Revenue: Our total revenue increased by 35.95% from Rs. 5,764.67 million in the year ended March 31, 2003 to Rs. 7,837.26 million in the year ended March 31, 2004, primarily owing to increased construction activities.

Income from operations: Our income from operations increased by 35.15% from Rs. 5631.30 million in the year ended March 31, 2003 to Rs. 7586.19 million in the year ended March 31, 2004. Our revenues from our subsidiaries accounted for 40.62 % of our consolidated revenues and the balance coming from our Indian operations.

Other operating income: Other operating income increased by 73.74% from Rs. 106.79 million in the year ended March 31, 2003 to Rs. 185.55 million in the year ended March 31, 2004, primarily because of increase in machinery hire charges by 133.52% from Rs. 61.81 million in FY 2003 to Rs. 144.34 million in FY 2005. Income from lease and service charges increased marginally by 4.85% from Rs. 37.94 million in FY 2003 to Rs. 39.78 million in FY 2004

Other Income: Our other income increased by 46.97% from Rs. 44.58 million in the year ended March 31, 2003 to Rs. 65.52 million in the year ended March 31, 2004 primarily because of gain from exchange rate differences to the tune of Rs. 35.09 million.

Expenditure: Our expenditure consists of construction expenses, employee cost, operating and administrative expenses, interest cost, depreciation and amortization charges. Our expenditure increased by 34.22% from Rs. 5,573.15 million in FY 2003 to Rs. 7,480.39 million in FY 2004 primarily due to an increase in construction expenses and interest costs.

Construction expenditure: Expenditure relating to stores and spares consumed increased by 137.60% from Rs. 802.20 million on FY 2003 to Rs. 1,905.99 million FY 2004 which was due to the increase in turnover. Piece workers wages and labour charges increased by 7.08% from Rs. 3,760.70 million in FY 2003 to Rs. 4,027.00 million in FY 2004. However, the combined total of the above two as a percentage to income form operations remains comparable. Hire charges paid for hire of equipment from third parties increased by 70.82% from Rs. 34.68 million in FY 2003 to Rs. 59.24 million FY 2004 which was because of the increase in the hire charges in our US operations. Interest on advances from clients increased substantially by 80.53% from Rs. 60.67 million in FY 2003 to Rs. 109.53 million FY 2004. The main reason for the increase in interest bearing advances from clients is due to the increased value of projects awarded during FY 2004.

Employee costs: Employee costs which consists of salaries, wages, gratuity and bonus payments to employees, contributions to providend funds and other funds and expenses incurred in connection with workmen and staff welfare, decreased by 2.67% from Rs. 240.45 million in FY 2003 to Rs. 234.03 million in FY 2004 because of a decrease in the staff welfare expenses.

Other expenses: increased by 29.69% from Rs. 263.47 million in FY 2003 to Rs. 341.65 million in FY 2004. There was a substantial increase in insurance charges, which increased by 223.56% from Rs. 7.47 million in FY 2003 to Rs. 24.17 million in FY 2004 primarily due to an increase in the insurable value for project works undertaken by us and of our fleet of equipment. Motor car and truck expenses increased by 277.76% from Rs. 5.08 million in FY 2003 to Rs. 19.19 million in FY 2004 due to increase in the number of projects under execution in FY 2004.

EBIDTA: Our earnings before providing for tax, interest and depreciation and amortisation charges was Rs. 727.06 million and the EBIDTA margin was 9.58% in FY 2004 as compared to Rs. 460.28 million constituting 8.20% in FY 2003.

Interest cost (net): Our net interest cost increased by 142.59 % from Rs. 38.14 million in FY 2003 to Rs. 92.50 million in FY 2004. Interest paid to banks increased by 45.67% from Rs. 21.61 million in FY 2003 to Rs. 31.48 million in FY 2004, primarily due to higher average balance of loans outstanding during the year. Further, interest received decreased substantially by 49.69% from Rs. 8.03 million in FY 2003 to Rs. 4.04 million in FY 2004. This was due to the reduction in the advances given in the normal course of business.

Depreciation: Depreciation expenses increased by 35.72% from Rs. 185.46 million in FY 2003 to Rs. 251.75 million in FY 2004, primarily due to the acquisition of additional equipment.

Profit before tax: Profit before taxes increased by 86.35% to Rs 356.87 million in FY 2004 from Rs. 191.52 million in FY 2003.

Provision for taxes: Provision for taxes includes current tax liabilities and deferred tax liabilities. Provision for taxes increased by 53.65 % to Rs. 71.91 million in FY 2004 from Rs. 46.80 million in FY 2003, primarily due to increase in taxable profit.

Profit after tax before minority interest: The profit increased by 135.74% from Rs. 120.85 million in FY 2003 to Rs. 284.96 million in FY 2004.

Adjusted profit: The restated profit for FY 2004 was Rs. 274.79 million as compared to Rs. 135.44 million in FY 2003 depicting a 102.92 % increase. The restatement is mainly due to prior period expenses/income, change in the useful life of depreciable asset in FY 2002 and the resultant change in the profit / loss on sale of assets

Year ended March 31, 2003 compared to year ended March 31, 2002

Our results of operations in the year ended March 31, 2004 and 2003 can be summarised as follows:

Total Revenue: Our total revenue increased by marginally from Rs. 5,764.32 million in the year ended March 31, 2002 to Rs. 5,764.67 million in the year ended March 31, 2003.

Income from operations: Our income from operations increased by 5.88% from Rs. 5,301.37 million in the year ended March 31, 2002 to Rs. 5,613.30 million in the year ended March 31, 2003. Our revenues form our subsidiaries accounted for around 45.97 % of our consolidated revenues and the balance coming from our Indian operations.

Other operating income: Other operating income decreased by 69.85% from Rs. 354.22 million in the year ended March 31, 2002 to Rs. 106.79 million in the year ended March 31, 2003, primarily because of reduction in machinery hire charges from Rs. 156.76 million on FY 2003 to Rs. 61.81 million in FY 2003.

Other Income: Our other income decreased significantly by 59.00% from Rs. 108.73 million in the year ended March 31, 2002 to Rs 44.58 million in the year ended March 31, 2003 due to exchange rate difference gain being less in FY 2003 by 77.90 % as compared to FY 2002. Further in FY 2002 there was a gain of Rs. 67.20 million on sale of fixed assets as compared to Rs 3.08 million in FY 2003.

Expenditure. Our expenditure consists of construction expenses, employee cost, operating and administrative expenses, interest cost, depreciation and amortization charges. Our expenditure increased by 1.91% from Rs 5,468.88 million in FY 2002 to Rs. 5,573.15 million in FY 2003.

Construction expenditure: Expenditure relating to stores and spares consumed decreased by 48.12% from Rs. 1,546.32 million in FY 2002 to Rs. 802.30 million in FY 2003. Piece workers' wages and labour charges increased by 46.06% from Rs. 2,574.83 million in FY 2002 to Rs. 3,760.70 million in FY 2003 owing to an increase in turnover attributable to work given on sub contract/piece rate basis. Hire charges paid for hire of equipment from third parties decreased substantially by 93.50 % from Rs. 533.22 million in FY 2002 to Rs. 34.68 million in FY 2003, which was because of acquisition of equipment. Interest on advances from clients increased significantly by 248.28 % from Rs. 17.42 million in FY 2002 to Rs. 60.67 million FY 2003 because of increase in the interest bearing advances taken from clients on the new projects awarded to the company.

Employee costs: Employee costs which consists of salaries, wages, gratuity and bonus payments to employees, contributions to providend funds and other funds and expenses incurred in connection with workmen and staff welfare, decreased by 21.07 % from Rs. 304.64 million in FY 2002 to Rs. 240.45 million in FY 2003.

Other expenses: Other administrative and general expenses increased by 10.70 % from Rs. 237.99 million in FY 2002 to Rs. 263.47 million in FY 2003. There was a substantial increase in professional and technical consultancy fees from Rs 14.66 million in FY 2002 to Rs. 59.53 million in FY 2003 due to nature of the projects that were under execution.

EBIDTA: Our earnings before providing for tax, interest cost and depreciation and amortisation charges was Rs. 460.28 million and the EBIDTA margin was 8.20% in FY 2003 as compared to Rs. 480.07 million constituting 9.06% in FY 2002. The decline in EBDITA margin is attributed to an increase in general administrative overheads.

Interest cost (net): Our net interest cost increased by 12.71 % from Rs. 33.84 million in FY 2002 to Rs. 38.13 million in FY 2003 because of increased borrowing in the subsidiaries.

Depreciation: Depreciation expenses increased by 49.11% from Rs. 124.40 million in FY 2002 to Rs. 185.46 million in FY 2003 due to additions to the equipments

Profit before tax: Profit before taxes decreased by 35.17% to Rs 191.52 million in FY 2003 from Rs. 295.44 million in FY 2002.

Provision for taxes: Provision for taxes includes current tax liabilities and tax provision for earlier years. Provision for taxes increased to Rs 46.80 million in FY 2003 from Rs. 34.96 million in FY 2002.

Profit after taxes before minority interest: The profit decreased by 34.83% from Rs. 185.48 Million in FY 2002 to Rs. 120.88 million in FY 2003.

Adjusted profit: The restated profit for FY 2003 was Rs. 135.44 million as compared to Rs. 195.30 million in FY 2002 depicting a 30.68 % decrease. The restatement is mainly due to prior period expenses/income, change in the useful life of depreciable asset in FY 2002, the resultant change in the profit/loss on sale of assets, charge of deferred tax and adjustment of earlier years tax provisions.

Liquidity and Capital Resources

Liquidity

Historically, our primary liquidity requirements have been to finance our working capital needs and our capital expenditures. We meet this requirement from cash flows from generations as well as from borrowings. In certain cases, we are contractually obligated to our clients to fund for mobilization and machinery on our projects.

Cash Flows

The table below summarizes our cash flows in the years ended March 31, 2004 and 2005 and in the nine months ended December 31, 2005:

(In Rupees million)

	Year ended March 31,		**Nine months ended December 31,**
	2004	**2005**	**2005**
Net cash from (used in) operating activities	449.55	290.92	(747.59)
Net cash from (used in) investing activities	(436.24)	(588.04)	(420.63)
Net cash from (used in) financing activities	(309.88)	960.99	1,086.36
Net increase (decrease) in cash and cash equivalents	(296.57)	663.87	(81.86)

Operating Activities

Net cash used in operating activities in the nine months ended December 31, 2005 was Rs. 747.59 million although our profit before tax for nine months ended December 31, 2005 was Rs. 577.26 million. The difference was primarily attributable to increase in trade and other receivables of Rs. 1,607.48 million and increase in inventory by Rs. 756.66 million. These were primarily offset by increase in current liabilities and provisions by Rs. 628.40 million.

Net cash generated from operating activities in the year ended March 31, 2005 was Rs. 290.92 million although our profit before taxes for the year ended March 31, 2005 was Rs. 481.32 million. The difference was primarily attributable to an increase in trade receivables of Rs. 507.48 million and an increase in inventory of Rs. 620.25 million coupled with the increased current liabilities and provisions at Rs. 567.67 million.

Net cash generated from operating activities in the year ended March 31, 2004 was Rs. 449.55 million although our profit before taxes for the year ended March 31, 2004 was Rs. 349.80 million. The difference was primarily attributable to an increase in trade receivables of Rs. 378.15 million and an increase in inventory of Rs 460.59 million coupled with the increased current liabilities and provisions at Rs. 467.63 million.

Investing Activities

Net cash used in investing activities for the nine months ended December 31, 2005 was Rs. 420.63 million while net cash used in investing activities for the year ended March 31, 2005 was Rs. 588.04 million. Our expenditure for investing activities primarily relates to the purchase of fixed assets comprising property, plant and equipment used in our construction business and offset in each fiscal by minor disposal of such fixed assets, disposal of investments and interest and dividends & interest received. Net cash used in investing activities for the year ended March 31, 2004 was Rs. 436.24 million. The significant amount of net cash used in investing activities in the year ended March 31, 2005 and 2004 primarily resulted from capital expenditure relating to additional assets purchased and investment made in our wholly owned subsidiary in FY 2005.

Financing Activities

Net cash provided by financing activities in the nine months ended December 31, 2005 was Rs. 1,086.36 million, comprising of Rs. 290.98 million increase in working capital loans, Rs 780.09 million increase in secured term loan, Rs. 522.00 million increase in unsecured loan, which were offset by decrease in contractee advances by Rs. 215.30 million and payment of dividend and interest to the tune of Rs. 56.45 million and Rs. 236.37 million respectively. Further the company issued additional capital to ESOP trust to the extent of Rs. 1.40 million.

Net cash provided by financing activities in the year ended March 31, 2005 was Rs 960.99 million, comprising Rs. 1,238.40 million of borrowings comprising of Rs. 87.99 million increase in working capital loans, Rs. 310.89 million increase in secured loan, Rs 105.00 million increase in unsecured loans, Rs 734.52 million increase in contractee advances which was marginally offset by payment of dividend and interest to the tune of Rs. 47.28 million and Rs. 230.13 million respectively.

Net cash used in financing activities in the year ended March 31, 2004 was Rs. 309.88 million, Repayment of borrowings to the tune of Rs. 54.22 million, and payment of dividend and interest to the tune of Rs. 27.29 million and Rs. 228.36 million respectively.

Historical and Planned Capital Expenditures

We need to make investments in capital equipment on a recurring basis. In the year ended March 31, 2005, we invested Rs. 499.98 million in fixed assets. We intend to use up to Rs. 700 million from the net proceeds of the Fresh Issue for purchase of capital equipment. To meet the requirements of our various projects, we have projected a capital expenditure plan on capital equipment of Rs. 500.00 million and Rs. 200.00 million in the FY 2007 and FY 2008 respectively.

Foreign currency risk

To the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to grow higher than the proportionate revenues on a given contract or could also result in some of our costs falling below budget resulting in higher profitability. As of December 31, 2005, we had foreign currency borrowings aggregating Rs. 600.20 million. However, against this, we have receivables in the corresponding currency from certain projects, which more than adequately covers the entire amount of such foreign currency borrowings. Our future capital expenditure may include imported equipment and machinery which may be denominated in currencies other than Indian rupees. Therefore, declines in the value of the rupee against such other currencies could increase the rupee cost of servicing our debt or purchasing such equipment.

Interest rate risk

Changes in interest rates could affect our financial condition and results of operations. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows.

However, our exposure to changes in the interest rates is not material to our financial position or results of operations.

Inflation

In recent years, although India has experienced fluctuation in inflation rates, inflation has not had material impact on our business and results of operations. According to CMIE, inflation in India was approximately 3.7%, 6.5%, 4.6% and 5.1% in fiscal 2002, 2003, 2004 and 2005 respectively. In most of our project work sites, the major material requirement that is steel and cement are supplied by the client at fixed rate, hence we are less affected by inflation on these materials. Although GoI has initiated several economic measures to curb the rise in inflation rates, it is unclear at this stage whether these measures will have the desired effect.

Unusual or Infrequent Events or Transactions

Except as described in this Prospectus, there have been no events or transactions to our knowledge which may be described as "unusual" or "infrequent".

Known trends or uncertainties

Other than as described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", on page xii and 154 of this Prospectus respectively, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between costs and income

Other than as described in the sections entitled "Risk Factors", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of our Company.

Business Segments

Other than as described in section titled "Our Business" on page 49 of this Prospectus, there are no new business segments in which we operate.

Seasonality of business

Our revenues are also dependent on the stage of the project and the nature and level of activity involved during each stage. In addition, our operations are also adversely affected during monsoons, which restricts our ability to carry out construction activities and fully utilize our resources. Accordingly, revenues recorded in the second quarter of our financial year between July and September are traditionally lower than revenues recorded during the other quarters of our financial year.

Competitive conditions

For details please refer to the discussions of our competition in the sections entitled "Risk Factors" and "Our Business" beginning on pages xii and 49 of this Prospectus.

Significant developments after December 31, 2005 that may affect our future results of operations

Except as stated in this Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Prospectus which materially and adversely affects or is likely to affect, the operations or profitability of our Company, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

Except as stated in this Prospectus, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on the reserves, profits, earnings per share and book value of our Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS PER UNCONSOLIDATED FINANCIAL STATEMENTS

You should read the following discussion of our financial condition and results of operations together with our unconsolidated financial statements, as restated, under Indian GAAP for the Fiscal years ended March 31, 2002, 2003, 2004 and 2005, and for the nine month period ended December 31, 2005, including the significant accounting policies and notes and annexures thereto which begin on page 128 of this Prospectus.

For discussion of our financial condition and results of operation on the basis of our consolidated financial statements, as restated, for the same periods, please see page 135. The following discussion relates to our Company and is based on our unconsolidated restated financial statements. Our unconsolidated restated financial statements have been derived from our financial statements prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act and Indian securities regulations. The following discussion is also based on internally prepared statistical information and publicly available information. You are also advised to read the section titled "Risk Factors" beginning on page xii, which discusses a number of factors and contingencies that could affect our financial condition, results of operations and cash flows.

The sections entitled "Overview", "Factors Affecting our Results of Operations and Financial Conditions" and "Our Significant Accounting Policies" from page 154 of the Management Discussion and Analysis of Financial Conditions and Results of Operations as per Consolidated Financial Statements apply equally to the discussion of the Unconsolidated Financial Statements. You are advised to read these sections in your review of the Management Discussion and Analysis as per the Unconsolidated Financial Statements.

The following discussion does not relate to our results of operations after the nine months ended December 31, 2005. Our Fiscal year ends on March 31, so all references to a particular Fiscal year are to the twelve-month period ended March 31.

Certain industry, technical and financial terms with initial capitals used in this discussion shall have the meanings ascribed to them in the section entitled "Definitions and Abbreviations" beginning on page iii of this Prospectus.

1. INCOME

The following table sets forth our net construction income from different sectors during the years ended March 31, 2003, 2004 and 2005 and in the nine months ended December 31, 2005:

Rs. in Million

	FY 2003	**FY 2004**	**FY 2005**	**9 months ended 31st December , 2005**
Hydro Power	1,608.98	2,197.94	3,863.14	2,663.87
Roads and Transport	915.43	1,422.40	779.37	148.55
Irrigation and Water Supply	-	-	128.00	1,934.50
Others	147.50	162.00	498.67	424.32
Total	2,671.91	3,782.34	5,269.18	5171.24

2. RESULTS OF OPERATIONS- UNCONSOLIDATED

As a result of the various factors discussed above that affect our income and expenditure on specific projects, our results of operations may vary from period to period depending on the nature of projects undertaken by us, their completion schedules, the nature of expenditure involved in a particular project and the specific terms of the contract, including payment terms. The following table sets forth certain information with respect to our unconsolidated results of operations for the periods indicated:

(Rs. in Million)

	Dec-05	2005	2004	2003	2002
INCOME					
Income from Operations:	5,171.24	5,269.18	3,782.34	2,671.91	2,373.93
% of Total Revenue	98.10%	95.96%	95.58%	95.40%	94.53%
Other Operating Income	81.38	180.99	143.26	114.65	41.15
% of Total Revenue	1.54%	3.30%	3.62%	4.09%	1.64%
Other Income	18.99	40.71	31.46	14.26	96.27
% of Total Revenue	0.36%	0.74%	0.80%	0.51%	3.83%
Total Revenue	5,271.61	5,490.88	3,957.06	2,800.82	2,511.35
EXPENDITURE					
Construction Expenditure	3,989.25	4,339.40	3,097.13	2,159.80	1,955.14
% of Total Revenue	75.67%	79.03%	78.27%	77.11%	77.85%
Employee Cost	138.89	149.72	116.04	86.10	63.54
% of Total Revenue	2.63%	2.73%	2.93%	3.07%	2.53%
Other Expenses	332.47	289.87	225.52	173.40	141.67
% of Total Revenue	6.31%	5.28%	5.70%	6.19%	5.64%
Interest paid	97.56	72.44	76.94	68.51	53.70
Less : Interest Received	29.14	8.13	21.66	42.05	26.24
Interest Cost (Net)	68.42	64.31	55.28	26.46	27.46
% of Total Revenue	1.30%	1.17%	1.40%	0.94%	1.09%
Depreciation	185.16	209.61	180.24	119.26	71.08
% of Total Revenue	3.51%	3.82%	4.55%	4.26%	2.83%
Total Expenditure	4,714.19	5,052.91	3,674.21	2,565.02	2,258.89
% of Total Revenue	89.43%	92.02%	92.85%	91.58%	89.95%
Profit before Taxation and Extraordinary items	557.43	437.97	282.85	235.80	252.46
% of Total Revenue	10.57%	7.98%	7.15%	8.42%	10.05%
Provision for Taxation – Current	47.50	35.00	17.50	16.50	20.50
Provision for Taxation – Deferred	4.28	13.35	36.81	39.39	-
Provision for Taxation - Fringe Benefit Tax	2.50				
Tax Provisions For Earlier Years		-	-	-	75

Profit after Taxation before Extraordinary items	503.15	389.62	228.54	179.91	156.96
% of Total Revenue	9.54%	7.10%	5.78%	6.42%	6.25%
Add: Depreciation of Earlier Years	-	-	-	-	-
Add: Provision of Retirement Benefits written back	-	-	-	-	-
Profit after Taxation and Extra Ordinary Items (A)	503.15	389.62	228.54	179.91	156.96
Impact of material adjustments for restatement in corresponding years (B)	(0.81)	(10.55)	(3.85)	(9.16)	23.93
Adjusted Profit (A+B)	502.34	379.07	224.69	170.75	180.89
% of Total Revenue	9.53%	6.90%	5.68%	6.10%	7.20%

Nine Months Ended December 31, 2005

Our operations in the nine months ended December 31, 2005 can be attributed to the following factors:

Total Revenue: We recorded a total revenue of Rs. 5,271.61 million in the nine months ended December 31, 2005, comprising of Rs. 5,171.24 million of contract revenue, Rs. 81.38 million of other operating income and other income of Rs. 18.99 million. During the period ending December, 2005 the Company recorded the turnover from its first microtunelling job in India. During the nine months ending December 2005, amongst other projects, the Company was awarded Jawahar lift irrigation project I & II worth Rs. 6,533.57 million in Andhra Pradesh.

Income from Operations: Our total income from operations for the nine-month ended December 31, 2005 was Rs. 5,171.24 million.

Other operating income: Our operating income consisted of share of profit from joint ventures Rs. 25.53 million, Rs. 7.79 million from our share of profit from partnership. Rs. 29.37 million as lease and service charges, Rs. 15.49 million from refund of duty in respect of deemed exports, Rs. 1.34 million as excess credit written back and Rs. 1.86 million as machinery hire charges.

Expenditure: We incurred total expenditure of Rs. 4,714.18 million in the nine months ended December 31, 2005.

Construction expenses: We incurred expenditure on materials and stores consumed of Rs. 623.46 million. We incurred Rs. 3,026.71 million towards sub contract charges, piece worker charges and labour borrow charges, diesel and fuel costs used for operating our construction and other equipment amounted to Rs. 18.49 million, freight and transportation charges amounted to Rs 37.08 million. In the nine months ended December 31, 2005, we incurred hire charges of Rs. 19.12 million. The interest cost on the advances taken from the clients amounted to Rs. 93.72 million.

Employee Costs: In the nine months ended December 31, 2005, we incurred personnel expenses of Rs. 138.89 million, including salaries, wages, gratuity and bonus of Rs. 109.79 million,, contribution to provident funds and other statutory employee welfare funds of Rs. 6.09 million and workmen and staff welfare costs of Rs. 23.01 million.

Other Expenses: We incurred Rs. 332.47 million of administrative and establishment expenses in the nine months ended December 31, 2005, including, among others, rent paid for office space and facilities of Rs. 6.90 million, insurance charges of Rs 32.79 million; travelling and conveyance expenses of Rs. 29.64 million, fees and taxes of Rs. 27.27 million, consultancy and professional charges of Rs. 81.34 million and other miscellaneous administrative and establishment expenses relating to office expenses of Rs. 154.53 million.

EBIDTA: Our earnings before providing for depreciation and amortisation charges and interest (net) was Rs. 840.15 million and the EBIDTA margin was 16.25%.

Interest cost (net): We incurred expenditure on account of interest on borrowings Rs. 68.42 million which is net of interest received Rs. 29.14 million.

Depreciation: We recorded depreciation/amortization charges of Rs.185.16 million in the nine months ended December 31, 2005.

Profit before tax: For the reasons discussed above, profit before taxes in the nine months ended December 31, 2005 was Rs 557.43 million.

Provision for taxes: Provision for taxes includes current tax liabilities, fringe benefit tax and deferred tax liabilities. Provision for taxes in the nine months ended December 31, 2005 was Rs 54.23 million.

Profit after taxes: Profit after tax was Rs 503.15 million. in the nine months ended December 31, 2005.

Year ended March 31, 2005 compared to year ended March 31, 2004

Our results of operations in the year ended March 31, 2004 and 2005 can be attributed to the following factors:

Total Revenue: Our total revenue increased by 38.76% from Rs. 3,957.06 million in the year ended March 31, 2004 to Rs. 5,490.88 million in the year ended March 31, 2005, primarily owing to increased construction activities.

Income from operations: Our income from operations increased by 39.31% from Rs. 3,782.34 million in the year ended March 31, 2004 to Rs. 5,269.18 million in the year ended March 31, 2005.

Other operating income: Other operating income increased by 26.34% from Rs. 143.26 million in the year ended March 31, 2004 to Rs. 180.99 million in the year ended March 31, 2005, primarily because of refund of duty to the extent of Rs. 25.86 million and share of profit from partnership firm of Rs. 50.16 million. This share of profit in the amount of Rs 50.16 million is from the partnership firm AHCL-PEL wherein our share of profit/loss is to the extent of 50%. Income from lease and service charges declined marginally from Rs. 39.78 million in FY 2004 to Rs 39.77 million in FY 2005 The writing back of old credit balances outstanding and which were no longer payable increased by 652.38% from Rs. 1.26 million in FY 2004 to Rs. 9.48 million in FY 2005. However, income from machinery hire charges declined by 58.82% from Rs. 37.42 million in FY 2004 to Rs. 15.41 million in FY 2005 primarily because of decrease in machinery given on hire due to the substantial completion of the work where machinery was given on hire. During the year ended March 31, 2005 we earned a profit of Rs. 50.16 million as our share of profit form our partnership firm AHCL -PEL and Rs 40.31 million as our share of profit from our joint venture entities.

Other income: Our other income increased by 29.36% from Rs. 31.46 million in the year ended March 31, 2004 to Rs. 40.71 million in the year ended March 31, 2005. The increase in mainly due to increase in miscellaneous income by 51.75% from Rs. 22.49 million in FY 2004 to Rs. 34.13 million in FY 2005. Miscellaneous income mainly relates to income from scrap sales and insurance claim settled among other things.

Expenditure: Our expenditure consists of construction expenses, employee cost, operating and administrative expenses, interest cost and depreciation and amortization charges. Our expenditure increased by 37.52% from Rs 3,674.21 million in FY 2004 to Rs. 5,052.91 million in FY 2005 primarily due to increase in construction expenses by 40.11%.

Construction expenditure: Expenditure relating to stores and spares consumed increased by 29.39% from Rs. 514.21 million in FY 2004 to Rs. 665.36 million in FY 2005, which was due to the corresponding increase in the construction turnover. Piece workers wages and labour charges comprising of 77.38% of the construction expenditure increased by 41.83% from Rs. 2,367.49 million in FY 2004 to Rs. 3,357.71 million in FY 2005 owing to increase in the number of projects and corresponding increase in piece rate worker and unskilled labor requirement. However, the total cost of piece workers and stores and spares consumed as a percentage to the income from operations in FY 2005, which is 76.35%, remains more or less the same as compare to that of FY 2004 which was 76.19%. Hire charges paid for hire of equipment from third parties increased by 109.33 % from Rs. 9.54 million in FY 2004 to Rs. 19.97 million in FY 2005. Interest on advances form clients increased by 14.79 % from Rs. 109.53 million in FY 2004 to Rs. 125.73 million FY 2005.

Employee costs: Employee costs which consists of salaries, gratuity, wages and bonus payments to employees, contributions to provident funds and other funds and expenses incurred in connection with workmen and staff welfare, increased by 29.02 % from Rs. 116.04 million in FY 2004 to Rs. 149.72 million in FY 2005 The increase in salaries, wages and bonus paid to our employees was 34.95%, owing to rise in the salary of all employees.

Other Expenses: Other expenses increased by 28.53% from Rs. 225.52 million in FY 2004 to Rs. 289.87 million in FY 2005. There was a substantial increase in professional and technical consultancy fees by 72.01 % from Rs. 43.84 million in FY 2004 to Rs. 75.41 million in FY 2005 due to the mix of projects that were under execution. The company was awarded EPC contracts during the year, which required specialized consulting and market expertise. Repairs and renovation charges increased by 76.35% from Rs. 2.41 million in FY 2004 to Rs. 4.25 million in FY 2005. Insurance charges increased by 51.01% from Rs. 11.94 million in FY 2004 to Rs. 18.03 million in FY 2005 primarily due to an increase in the insurable value for project works undertaken by us and of our fleet of equipment. Rent costs increased by 14.95% from Rs. 6.02 million in FY 2004 to Rs. 6.92 million in FY 2005. Traveling and conveyance costs increased by 10.07% from Rs. 27.70 million in FY 2004 to Rs. 30.49 million in FY 2005 primarily due to increase in number of projects in FY 2005.

In the year ended March 31, 2005, we wrote off irrecoverable debt and/or advances of Rs. 0.15 million from earlier years, as compared to Rs. 0.42 million in the year ended March 31, 2004. In the year ended March 31, 2005, we incurred a loss of Rs 4.73 million on account of sale of fixed assets. The loss on account of sale / written off of fixed assets in the year ended March 31, 2005 related primarily due to flash floods at one of our project which resulted in the loss of equipments.

EBIDTA: Our earnings before providing for tax, interest and depreciation and amortisation charges was Rs. 720.02 million and the EBIDTA margin was 13.66% in FY 2005 as compared to Rs. 540.03 million constituting 14.28 % in FY 2004. The decline in EBDITA margin can be due to the increased construction cost as a percentage to income from operations. The construction expenses, as a precentage to income from operations were 82.35% in FY 2005 as compared to 81.88% in FY 2004.

Interest cost (Net): Our net interest cost increased by 16.34% from Rs. 55.28 million in FY 2004 to Rs. 64.31 million in FY 2005. Interest paid to banks increased by 35.09% from Rs. 27.53 million in FY 2004 to Rs. 37.19 million in FY 2005, primarily due to increase in bank borrowings. Interest paid on debentures decreased by 23.67 % from Rs.15.04 million in FY 2004 to Rs. 11.48 million in FY 2005 due to reduction in interest rate to 8.50% from earlier 12 %.

Depreciation: Depreciation expenses increased by 16.29% from Rs. 180.24 million in FY 2004 to Rs. 209.61 million in FY 2005, primarily due to the acquisition of additional equipment.

Profit before tax: Profit before taxes increased by 54.84% to Rs.437.97 million in FY 2005 from Rs. 282.85 million in FY 2004.

Provision for taxes: Provision for taxes includes current tax liabilities and deferred tax liabilities. Provision for taxes decreased by 10.97% to Rs. 48.35 million in FY 2005 from Rs. 54. 31 million in FY 2004.

Profit after tax: Profit after tax increased by 70.48% from Rs. 228.54 million in FY 2004 to Rs. 389.62 million in FY 2005.

Adjusted profit: The restated profit for FY 2005 was Rs. 379.07 million as compared to Rs. 224.69 million in FY 2004 depicting a 68.71 % increase. The restatement is mainly due to prior period expenses / income, change in the useful life of depreciable asset in FY 2002 and the resultant change in the profit / loss on sale of assets.

Year ended March 31, 2004 compared to year ended March 31, 2003

Our results of operations in the year ended March 31, 2004 and 2003 can be attributed to the following factors:

Total Revenue: Our total revenue increased by 41.28% from Rs .2,800.82 million in the year ended March 31, 2003 to Rs .3,957.06 million in the year ended March 31, 2004, primarily owing to increased construction activities.

Income from operations: Our income from operations increased by 41.56% from Rs. 2,671.91 million in the year ended March 31, 2003 to Rs. 3,782.34 million in the year ended March 31, 2004.

Other operating income: Other operating income increased by 24.95% from Rs. 114.65 million in the year ended March 31, 2003 to Rs. 143.26 million in the year ended March 31, 2004, primarily because of increase in share of profit by 55.43% from joint venture entities. Income from lease and service charges increased marginally by 4.85% from Rs. 37.94 million in FY 2003 to Rs 39.78 million in FY 2004. The unspent liabilities written back decreased by 82% from Rs 7.00 million in FY 2003 to Rs. 1.26 million in FY 2004. However, income from machinery hire charges increased by 33.55% from Rs. 28.02 million in FY 2003 to Rs. 37.42 million in FY 2004 primarily because of huge demand for these machinery as the project for which they were hired were at their peak stage. During the year ended March 31, 2004 we earned made a profit of Rs. 64.80 million as our share of profit from our joint venture entities.

Other Income: Our other income increased by 120.69% from Rs. 14.26 million in the year ended March 31, 2003 to Rs. 31.46 million in the year ended March 31, 2004. In the year ended March 31, 2004, we recorded income from sale of assets of Rs 0.67 million as compared to Rs. 0.03 million in FY 2003. We also recorded income from gains on foreign exchange fluctuations of Rs 8.31 million in FY 2004 as compared to Rs. 7.32 million in FY 2003. The increase in other income is mainly due to increase in miscellaneous income from Rs. 22.49 million in FY 2003 to Rs. 34.13 million in FY 2004

Expenditure: Our expenditure consists of construction expenses, employee cost, operating and administrative expenses, interest cost , depreciation and amortization charges. Our expenditure increased by 43.24% from Rs. 2,565.02 million in FY 2003 to Rs. 3,674.21 million in FY 2004.

Construction expenditure: Expenditure relating to stores and spares consumed increased by 19.99% from Rs. 428.55 million in FY 2003 to Rs. 514.21 million in FY 2004 which was due to the increase in turnover. Piece workers wages and labour charges increased by 50.36% from Rs. 1,574.51 million in FY 2003 to Rs. 2,367.49 million in FY 2004 owing to increase in the number of projects and corresponding increase in piece rate worker and unskilled labor requirement. However, the total cost of piece workers and stores and spares consumed as a percentage to the income from operations increased marginally from 74.97% in FY 2004 to 76.19% in FY 2004. Hire charges paid for hire of equipment from third parties decreased substantially by 69.31 % from Rs. 31.09 million in FY 2003 to Rs. 9.54 million in FY 2004 which was because of acquisition of the required equipments. Interest on advances form clients increased substantially by 80.53 % from Rs. 60.67 million in FY 2003 to Rs. 109.53 million FY 2004. The main reason for the increase in interest bearing advances from clients is due to the increased value of projects awarded during

FY 2004

Employee costs: Employee costs which consists of salaries, wages, gratuity and bonus payments to employees, contributions to provident funds and other funds and expenses incurred in connection with workmen and staff welfare, increased by 34.77% from Rs. 86.10 million in FY 2003 to Rs. 116.04 million in FY 2004 The increase in salaries, wages, gratuity and bonus paid to our employees was 44.51%, owing to recruitment of new personnel.

Other Expenses: Other expenses increased by 30.06% from Rs. 173.40 million in FY 2003 to Rs. 225.52 million in FY 2004. There was a marginal increase in professional and technical consultancy fees by 3.45 % from Rs 42.38 million in FY 2003 to Rs. 43.84 million in FY 2004. Insurance charges increased by 124.86% from Rs. 5.31 million in FY 2003 to Rs. 11.94 million in FY 2004 primarily due to an increase in the insurable value for project works undertaken by us and of our fleet of equipment. Increase in administrative expenses is due to miscellaneous expenses which increased by 70.66% from Rs. 45.23 million in FY 2003 to Rs. 77.19 million in FY 2004. The main reason for increase in miscellaneous expenses is the increase in royalty charges and bank guarantee & commission charges.

In the year ended March 31, 2004, we wrote off irrecoverable debt and/or advances of Rs 0.42 million from earlier years, as compared to Rs. 2.03 million in the year ended March 31, 2003.

EBIDTA: Our earnings before providing for tax, interest and depreciation and amortisation charges was Rs. 540.03 million and the EBIDTA margin was 14.28% in FY 2004 as compared to Rs. 423.57 million constituting 15.85% in FY 2003. The decrease in EBDITA margin is primarily due to increase in the construction cost as a percentage to income from operations which was 80.83% in FY 2003 and 81.88% in FY 2004

Interest cost (Net): Our net interest cost increased by 108.92% from Rs. 26.46 million in FY 2003 to Rs. 55.28 million in FY 2004. Interest paid to banks increased by 27.39% from Rs. 21.61 million in FY 2003 to Rs. 27.53 million in FY 2004, primarily due to higher average balance of loans outstanding during the year. Further, interest received decreased substantially by 48.49% from Rs. 42.05 million in FY 2003 to Rs. 21.66 million in FY 2004.

Depreciation: Depreciation expenses increased by 51.13% from Rs. 119.26 million in FY 2003 to Rs. 180.24 million in FY 2004 primarily due to the acquisition of additional equipment.

Profit before tax. Profit before taxes increased by 19.95% to Rs. 282.85 million in FY 2004 from Rs. 235.80 million in FY 2003.

Provision for taxes. Provision for taxes includes current tax liabilities and deferred tax liabilities. Provision for taxes decreased by 2.83% to Rs. 54.31 million in FY 2004 from Rs. 55.89 million in FY 2003.

Profit after tax: Profit after tax increased by 27.03% from Rs. 179.91 million in FY 2003 to Rs. 228.54 million in FY 2004.

Adjusted profit: The restated profit for FY 2004 was Rs. 224.69 million as compared to Rs. 170.75 million in FY 2003 depicting a 31.59 % increase. The restatement is mainly due to prior period expenses/income, change in the useful life of depreciable asset in FY 2002 and the resultant change in the profit/loss on sale of assets

Year ended March 31, 2003 compared to year ended March 31, 2002

Our results of operations in the year ended March 31, 2004 and 2003 can be attributed to the following factors:

Total Revenue: Our total revenue increased by 11.53% from Rs. 2,511.35 million in the year ended March 31, 2002 to Rs. 2,800.82 million in the year ended March 31, 2003.

Income from operations: Our income from operations increased by 12.55% from Rs. 2,373.93 million in the year ended March 31, 2002 to Rs. 2,671.91 million in the year ended March 31, 2003.

Other operating income: Other operating income increased by 178.61% from Rs. 41.15 million in the year ended March 31, 2002 to Rs. 114.65 million in the year ended March 31, 2003, primarily because of increased share of profit in joint venture activities. During the year ended March 31, 2003 we earned made a profit of Rs. 41.69 million as our share of profit from our joint venture entities as compared to Rs. 0.24 million in FY 2002. The excess credit written back increased from Rs 1.31 million in FY 2002 to Rs 7.00 million in FY 2003. Income from machinery hire charges increased substantially Rs. 8.83 million in FY 2002 to Rs. 28.02 million in FY 2003.

Other Income: Our other income decreased significantly by 85.19% from Rs. 96.27 million in the year ended March 31, 2002 to Rs. 14.26 million in the year ended March 31, 2003. In the year ended March 31, 2002, we recorded income from sale of assets of Rs 59.18 million, however in year ended March 31, 2003 we recorded only Rs. 0.03 million. We also recorded income from gains on foreign exchange fluctuations of only Rs 7.32 million in FY 2003 as compared to Rs. 25.46 million in FY 2002.

Expenditure: Our expenditure consists of construction expenses, employee cost, operating and administrative expenses, interest cost, depreciation and amortization charges. Our expenditure increased by 13.55% from Rs 2,258.89 million in FY 2002 to Rs. 2,565.02 million in FY 2003 primarily due to increase in employee cost and depreciation charge.

Construction expenditure: Expenditure relating to stores and spares consumed decreased by 10.33% from Rs. 477.90 million in FY 2002 to Rs. 428.55 million in FY 2003. Piece workers wages and labour charges increased by 30.08% from Rs. 1210.43 million in FY 2002 to Rs. 1574.51 million in FY 2003 owing to higher value of work given on sub contract / piece rate basis. However, the total cost of piece workers and stores and spares consumed as a percentage to the income from operations increased marginally from 71.12% in FY 2003 to 74.97% in FY 2004. Hire charges paid for hire of equipment from third parties decreased substantially by 80.10 % from Rs. 156.24 million in FY 2002 to Rs.31.09 million in FY 2003 which was because of acquisition of equipments. Interest on advances from clients increased significantly by 248.28 % from Rs. 17.42 million in FY 2002 to Rs. 60.67 million FY 2003 because of increase in the interest bearing advances taken from clients on the new projects awarded to the Company.

Employee costs: Employee costs which consists of salaries, wages, gratuity and bonus payments to employees, contributions to provident funds and other funds and expenses incurred in connection with workmen and staff welfare, increased by 35.51 % from Rs. 63.54 million in FY 2002 to Rs. 86.10 million in FY 2003 The increase in salaries, wages, gratuity and bonus paid to our employees was 31.62%, owing to recruitment of new personnel and revision in the salary of the existing employees

Other expenses: Other expenses increased by 22.40% from Rs. 141.67 million in FY 2002 to Rs. 173.40 million in FY 2003. There was a substantial increase in professional and technical consultancy fees from Rs 13.96 million in FY 2002 to Rs. 42.38 million in FY 2003 due to the mix of projects that were under execution. Insurance charges increased by 59.94% from Rs. 3.32 million in FY 2002 to Rs. 5.31 million in FY 2003. Rent costs increased by 58.47% from Rs. 2.48 million in FY 2002 to Rs. 3.93 million in FY 2003 Traveling and conveyance costs increased by 66.07% from Rs. 16.83 million in FY 2002 to Rs 27.95 million in FY 2003.

In the year ended March 31, 2003, we wrote off irrecoverable debt and/or advances of Rs. 2.03 million from earlier years, as compared to Rs. 0.19 million in the year ended March 31, 2002. .

EBIDTA: Our earnings before providing for tax, interest cost and depreciation and amortisation charges was Rs. 423.57 million and the EBIDTA margin was 15.85% in FY 2003 as compared to Rs. 377.24 million constituting 15.89% in FY 2002. The slight decline in EBDITA margin can be attributed to increase in employee cost and increase in general administrative overheads.

Interest cost (Net): Our net interest cost decreased by 3.64% from Rs. 27.46 million in FY 2002 to Rs. 26.46 million in FY 2003. Although the interest cost incurred increased by 27.58% from Rs. 53.70 million in FY 2002 to Rs. 68.51 million, the interest income increased sharply by 60.25% from Rs. 26.46 million in FY 2002 to Rs. 42.05 million in FY 2003 thereby resulting in the decline in the net interest cost.

Depreciation: Depreciation expenses increased by 67.78% from Rs. 71.08 million in FY 2002 to Rs. 119.26 million in FY 2003 due to additions to the equipments

Profit before tax: Profit before taxes decreased by 19.51% to Rs. 235.80 million in FY 2003 from Rs. 252.46 million in FY 2002 primarily due to increase in employee cost, administrative cost and depreciation charges.

Provision for taxes: Provision for taxes includes current tax liabilities and tax provision for earlier years. Provision for taxes decreased by 41.48% to Rs. 55.89 million in FY 2003 from Rs. 95.50 million in FY 2002.

Profit after tax: Profit after tax increased by 14.62% from Rs. 156.96 million in FY 2002 to Rs. 179.91 million in FY 2003.

Adjusted profit: The restated profit for FY 2003 was Rs. 170.75 million as compared to Rs. 180.89 million in FY 2002 depicting a 5.61 % decrease. The restatement is mainly due to prior period expenses / income, change in the useful life of depreciable asset in FY 2002, the resultant change in the profit / loss on sale of assets, charge of deferred tax and adjustment of earlier years tax provisions.

Liquidity and Capital Resources

Liquidity

Historically, our primary liquidity requirements have been to finance our working capital needs and our capital expenditures. We meet this requirement from cash flows from operations as well as from borrowings. In certain cases, we are contractually obligated to our clients to fund for mobilization and machinery on our projects.

Cash Flows

The table below summarizes our cash flows in the years ended March 31, 2004 and 2005 and in the nine months ended December 31, 2005:

(In Rupees million)

	Year ended March 31,		Nine months ended December 31,
	2004	**2005**	**2005**
Net cash from (used in) operating activities	278.50	400.97	(541.34)
Net cash from (used in) investing activities	(349.67)	(622.65)	(414.43)
Net cash from (used in) financing activities	(176.10)	810.16	672.75
Net increase (decrease) in cash and cash equivalents	(247.27)	588.48	(283.02)

Operating Activities

Net cash used in operating activities in the nine months ended December 31, 2005 was Rs. 541.35 million although our profit before tax for nine months ended December 31, 2005 was Rs. 555.51 million. The difference was primarily attributable to increase in trade and other receivables of Rs. 1165.35 million and increase in inventory by Rs. 955.29 million. These were primariliy offset by increase in current liabilities and provisions by Rs. 680.48 million.

Net cash used in operating activities in the year ended March 31, 2005 was Rs. 400.97 million although our profit before taxes for the year ended March 31, 2005 was Rs. 430.27 million. The difference was primarily attributable to an increase in trade receivables of Rs. 595.54 million and an increase in inventory of Rs. 604.29 million coupled with the increased current liabilities and provisions at Rs. 898.31 million.

Net cash generated from operating activities in the year ended March 31, 2004 was Rs. 278.50 million although our profit before taxes for the year ended March 31, 2004 was Rs. 275.78 million. The difference was primarily attributable to an increase in trade receivables of Rs. 146.56 million and an increase in inventory of Rs 273.53 million coupled with the increased current liabilities and provisions at Rs. 168.77 million.

Investing Activities

Net cash used in investing activities for the nine months ended December 31, 2005 was Rs. 414.43 million while net cash used in investing activities for the year ended March 31, 2005 was Rs. 622.65 million. Our expenditure for investing activities primarily relates to the purchase of fixed assets comprising property, plant and equipment used in our construction business and offset in each fiscal by minor disposal of such fixed assets, disposal of investments and interest and dividends & interest received. Net cash used in investing activities for the year ended March 31, 2004 was Rs. 349.67 million. The significant amount of net cash used in investing activities in the year ended March 31, 2005 and 2004 primarily resulted from capital expenditure relating to additional assets purchased and investment made in our wholly owned subsidiary in FY 2005 to the extent of Rs. 205.23 million.

Financing Activities

Net cash provided by financing activities in the nine months ended December 31, 2005 was Rs. 672.75 million, comprising of Rs. 111.62 million increase in working capital loans, Rs 838.17 million increase in secured term loan, Rs. 523.31 million increase in unsecured loan, which were offset by decrease in contractee advances by Rs. 342.05 million and Rs. 205.44 million as loan given to subsidiaries and payment of dividend and interest to the tune of Rs. 60.35 million and Rs. 193.90 million respectively. Further the company issued additional capital to ESOP trust to the extent of Rs. 1.40 million.

Net cash provided by financing activities in the year ended March 31, 2005 was Rs. 810.16 million, comprising Rs. 1,059.85 million of borrowings comprising of Rs. 229.40 million increase in secured loan, Rs. 103.70 million increase in unsecured loans, Rs 734.39 million increase in contractee advances which was marginally offset by decrease in working capital loan Rs. 7.95 million and payment of dividend and interest to the tune of Rs. 50.38 million and Rs. 199.31 million respectively.

Net cash used in financing activities in the year ended March 31, 2004 was Rs. 176.10 million, comprising Rs. 37.83 million of borrowings comprising of Rs. 89.35 million decrease in working capital loan, Rs 67.07 million increase in secured loans, Rs. 25.30 million increase in usecured loans, increase in contractee advances Rs. 34.82 million which was slightly offset by payment of dividend and interest to the tune of Rs. 27.07 million and Rs. 186.86 million respectively.

FINANCIAL INDEBTEDNESS

Details of Secured Loans

Our secured borrowings as of December 31, 2005 are as follows:

S.No	Nature of borrowing / debt	Sanction Amount (in Rs. Million)	Outstanding (in Rs. Million)	Repayment terms and Interest	Securities Offered
1.	Non convertible Debentures – UTI Bank Limited	125.00	125.00	Bullet payment in June 2006 Rate – 8.50%	Equitable mortgage of flats located in Maharashtra and hypothecation of specific movable equipments.
2	Open Cash credit – ING VYSYA Bank Limited	240.00	102.67	Over the Project life Rate – 8%	Exclusive Hypothecation Charge on the Stocks, Receivables and other Current Assets pertaining to Kalwakurthy project. Also secured by way of Personal guarantee by Managing Director.
3	Cash Credit / Working Capital Demand Loan (WCDL)– ICICI Bank Limited	200.00	56.95	Cash credit -10.50% WCDL – Will be stipulated by ICICI Bank at the time of disbursement of each drawal on the basis of the repayment schedule for that drawal	Refer note 1
4	Foreign Currency Loan – Bank of India	671.60 (USD 14.60 mn.)	600.20	Repayment not to exceed construction period. Repayment of 15% each in 3rd & 4th year and 35% each in 5th & 6th years with a moratorium of two years from the draw down date linked with billing. Interest Rate – LIBOR + 225 bps	Hypothecation of all equipments acquired for the Turial project and assets at other project sites giving an Asset Cover of 1:1;
5	Term Loan – HDFC Bank Limited	650.00	650.00	2 years moratorium, repayment of 20%, 30% & 50% in 3rd, 4th, and 5th year respectively. Rate – 6.25% - 6.75% p.a.	Secured by way of Unconditional and Irrevocable guarantee
6.	Term Loan - ABN AMRO Bank Limited	100.00	100.00	Moratorium for a period of 12 months from the date of disbursement and 4 half yearly installments of INR 11.11 million each and Last installment of Rs. 55.60 million Rate: BPLR – 6.50% (currently 6.25%)	Secured by way of Unconditional and irrevocable guarantee
6.	Equipment Finances		389.20	Refer note 2	Secured by way of first charge and hypothecation of specified machinery, equipment and vehicles.

Note1. The company had formed a Consortium of Bankers for its working capital requirements. The consortium is led by ICICI Bank Limited with Dena Bank, Canara Bank, Bank of India, IDBI Bank, Bank of Baroda, Corporation Bank, Union Bank of India and State Bank of Patiala as the other member banks. The Working Capital Consortium Agreement was executed on 29th December 2005.

The security offered for the above consortium is as follows:

First charge by way of hypothecation of the company's entire stock of raw materials, semi finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari passu with other participating banks.

Second charge on all the company's movable fixed assets, both present and future, ranking pari passu with other participating banks.

First mortgage and charge, ranking pari passu with other participating banks, on immovable assets valued at Rs. 200.00 million for non-fund based facilities.

First mortgage and charge, ranking pari passu with other participating banks, on immovable assets valued at Rs. 100.00 million for fund based facilities.

The company had executed the Joint deed of Hypothecation with the Lead Bank on 29th December 2005.

Note2. The rate of interest and repayment schedules for numerous financial arrangements vary from financiers/ bankers/lenders. However, the equipment machineries so acquired out of the finance are given as exclusive charge/security for the facilities availed of.

Particulars of Loan	Parties name	Outstanding Amount (In Rs. Millions)	Rate of Interest	Repayments Terms
Inter Corporate Deposits (Promoter Group)	Praham Engineering Co. Private Limited	239.70	5.00%	Two years with the option for prepayment or roll-over at the behest of the Company.
	Patel Realtors Private Limited	412.61	5.00%	

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

Our financial statements are prepared in conformity with Indian GAAP, which differs in certain significant respects from U.S. GAAP. Such differences involve methods for measuring the amounts shown in the financial statements of the Issuer, as well as additional disclosures required by U.S. GAAP.

The following is a general summary of certain significant differences between Indian GAAP and U.S. GAAP.

The differences identified below are limited to those significant differences that are appropriate to our financial statements. However, they should not be construed as exhaustive as no attempt has been made to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP to U.S.GAAP been undertaken by our management. Had any such quantification or reconciliation been undertaken by our management, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto

We have not prepared financial statements in accordance with U.S. GAAP. Accordingly, there can be no assurance that the table below is complete or that the differences described would give rise to the most material differences between Indian and U.S. GAAP. In addition, the Company cannot presently estimate the net effect of applying U.S. GAAP on its results of operations or financial position.

Further, no attempt has been made to identify future differences between Indian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards. Various U.S. GAAP and Indian GAAP pronouncements, including guidance provided by the U.S. Securities and Exchange Commission, have been issued for which the mandatory application date is later than March 31, 2005. Regulatory bodies that promulgate Indian GAAP and U.S. GAAP have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between Indian GAAP and U.S. GAAP that may affect the financial information as a result of transactions or events that may occur in the future.

Potential investors should consult their own potential advisors for an understanding of the principal differences between Indian GAAP and U.S. GAAP and how these differences might affect the Financial Statements beginning on page 115 of this Prospectus.

S.No.	Particulars	Indian GAAP	US GAAP
1.	Contents and Form of financial statements	Companies are required to present balance sheets and profit and loss accounts for two years along with the relevant accounting policies and notes. Additionally all listed companies (including companies in the process of getting listed) and or having turnover greater than Rs. 500 million are required to present cash flow statements. A statement of stockholder's equity is not presented. There is no standard or requirement for a comprehensive income statement. The format of the financial statements especially the Balance sheet and Profit and loss account are generally in accordance with the norms as per Schedule VI of The Companies Act,1956.	Companies are required to present balance sheets, statements of operations, statements of cash flows and statements of changes in stockholders equity for two years along with the relevant accounting policies and notes. Public companies are required to present statements of operations, statements of cash flows and statements of changes in stockholders equity for three years. They need not present the balance sheet for the third year. A statement of comprehensive income (comprising primarily of unrealized gains and losses) is required and is generally presented as part of stockholder's equity. No specific format for the financial statements is mandated items of balance sheet are generally presented in the decreasing order of liquidity with current and non-current classification. Income statement are presented as single or multi-step format where expenditures are presented by function.
2.	Changes in accounting policies	The effect of a change in accounting policy must be recorded in the income statement of the period in which the change is made except as specified in certain standards where the change resulting from adoption of the standard has to be adjusted against opening retained earnings.	The effect of a change in accounting policy is generally included (net of taxes) in the current year income statement, after extraordinary items. Pro-forma comparatives reflecting the impact of the change is generally disclosed.
3.	Correction of errors	The effect of correction of errors must be included in the current year income statement with appropriate disclosure as a prior period item.	The correction of material errors usually results in the restatement of relevant prior periods.

S.No.	Particulars	Indian GAAP	US GAAP
4.	Consolidation and Joint Ventures	In accordance with AS 27, "Financial reporting of Interests in joint ventures" the venturer recognizes in its separate and consolidated financial statements its share of jointly controlled assets, any liabilities it has incurred, its share of any liabilities incurred jointly with other venturers in relation to the joint venture, any income from sale or use of its share of output of the joint venture, together with its share of expenses incurred by joint venture and any expenses which it has incurred in respect of interest in joint venture. There is no specific guidance with respect to Variable Interest Entities. For financial statements, disclosure is required for the share of interest in the Joint Venture.	Investment in Joint Ventures is generally accounted for under the equity method of accounting. Companies are required to evaluate if they have any interest in Variable Interest Entities, as defined by the standard. Consolidation of such entities may be required if certain conditions are met.
5.	Business Combinations	Restricts the use of pooling of interest method to circumstances which meet the criteria listed for an amalgamation in the nature of a merger. In all other cases, the purchase method is used.	Business combinations are accounted for by the purchase method only (except as discussed below). Several differences can arise in terms of date of combination, calculation of share value to use for purchase price, especially if the Indian GAAP method is 'amalgamation' or pooling. In the event of combinations of entities under common control, the accounting for the combination is done on a historical cost basis in a manner similar to a pooling of interests for all periods presented.
6.	Goodwill	Goodwill is computed as the excess of the purchase price over the carrying value of the net assets acquired. Goodwill is tested for impairment annually for the following categories of enterprises- a) Enterprises whose equity or debt securities are listed on a recognized stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognized stock exchange in India as evidenced by the board of directors' resolution in this regard, or b) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 500 million (Applicable for financial years beginning on April 1, 2005 for other than listed companies). In all other cases, Goodwill is capitalized and amortized over its useful life.	Goodwill is computed as the excess of the purchase price over the fair value of the net assets acquired. Goodwill is not amortized but, tested for impairment annually.

S.No.	Particulars	Indian GAAP	US GAAP
7.	Negative Goodwill (i.e., the excess of the fair value of net assets acquired over the aggregate purchase consideration)	Negative goodwill is computed based on the book value of assets (not the fair value) of assets taken over / acquired and is credited to the capital reserve account, which is a component of shareholders' funds.	Negative goodwill is allocated to reduce proportionately the fair value assigned to non-monetary assets. Any remaining excess is considered to be an extraordinary gain.
8.	Intangible assets	Intangible assets are capitalized if specific criteria are met and are amortized over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortized over a period exceeding 10 years should be reviewed at least at each financial year end even if there is no indication that the asset is impaired.	When allocating purchase price of a business combination, companies need identify and allocate such purchase price to intangible assets, based on specific criteria. Intangibles that have an indefinite useful life are required to be tested, at least annually, for impairment. Intangible assets that have finite useful life are required to be amortized over their estimated useful lives.
9.	Construction Contracts	Contract revenue and contract costs of a construction contract should be recognized as revenue and expenses by reference to the stage of completion of the contract, when the outcome of that contract can be estimated reliably, i.e. the percentage-of-completion method. If the outcome of a contract cannot be estimated reliably, revenue should be recognized only to the extent that it is probable the contract costs incurred will be recoverable. Contract costs should be recognized as an expense in the period in which they are incurred, and any expected excess of total contract costs over total revenue for the contract should be recognized as an expense immediately. Requires contracts to be combined when part of a package, or segregated when each contract is part of a separate proposal and when revenues & costs can be clearly identified.	The percentage-of-completion method and the completed-contract method are acceptable methods of accounting. The percentage-of-completion method is recommended when estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable. Where estimates of costs to completion and the extent of progress towards completion cannot be determined with reasonable certainty, revenue is recognized only when the contract is completed or substantially completed. Losses are recognized when incurred or when the expected contract costs exceed the expected contract revenue, regardless of which accounting method is used. Combining contracts is permitted but not required
10.	Segment Information	Segmental disclosures are required to be given by all public companies (listed or in the process of getting listed), banks, financial institutions, entities carrying on insurance business and enterprises having turnover above Rs 500 million or borrowings above Rs 100 million. Specific requirements govern the format and content of a reportable segment and the basis of identification of a reportable segment. The information for disclosure is to be prepared in conformity with the accounting standards used for the company as a whole.	Public companies are required to report information about operating segments in annual financial statements and selected information about operating segments in interim financial reports issued to shareholders. There are requirements for related disclosures about products and services, geographic areas, and major customers. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker in deciding how

S.No.	Particulars	Indian GAAP	US GAAP
11.	Dividends	Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.	Dividends are accounted for when approved by the board / shareholders. If the approval is after year end, the dividend is not considered to be a subsequent event that needs to be reflected in the financial statements.
12.	Property, Plant and Equipment, Depreciation and Capitalization of borrowing costs.	Fixed assets are recorded at the historical costs or revalued amounts. Foreign exchange gains or losses relating to the procurement of property, plant and equipment can be capitalized as part of the asset. Depreciation is recorded over the asset's useful life. Schedule XIV of the Companies Act prescribes minimum rates of depreciation and typically companies use these as the basis for useful life. Interest cost on specified or identifiable borrowings is capitalized to qualifying assets during its construction period.	Revaluation of fixed assets is not permitted under US GAAP. All foreign exchange gains or losses relating to the payables for the procurement of property, plant and equipment are recorded in the income statement. Depreciation is recorded over the asset's useful life. Therefore the useful life may be different from the useful life based on Schedule XIV. The interest cost, if material, eligible for capitalization shall be the interest cost recognized on borrowings and other obligations. The amount capitalized is an allocation of the interest cost incurred during the period required to complete the asset. The interest rate for capitalization purposes is to be based on the rates on the company's outstanding borrowings.
13.	Investment in Marketable Securities	Unrealized appreciation on available for sale securities or trading securities is not recognized. Unrealized depreciation on available for sale securities and trading securities is recognized in the income statement.	Unrealized gains and losses on available for sale securities are recorded as other comprehensive income, which is a component of stockholders' equity. Unrealized gains and losses on trading securities are recognized in the income statement.
14.	Inventory	Measured at cost or net realizable value whichever is lower. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Reversal (limited to the amount of original write down) is required for a subsequent increase in value of inventory previously written down.	Measurement is done at lower of cost or market. Market value is defined as being current replacement cost subject to an upper limit of net realizable value (i.e. estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal) and a lower limit of net realizable value less a normal profit margin. Reversal of a write down is prohibited, as a write down creates a new cost basis.

S.No.	Particulars	Indian GAAP	US GAAP
15.	Impairment of assets, other than goodwill	Applicable for accounting periods beginning from April 1, 2004 onwards for: a) Enterprises whose equity or debt securities are listed on a recognized stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognized stock exchange in India as evidenced by the board of directors' resolution in this regard, or b) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 500,000 thousand (Applicable for financial years beginning on April 1, 2005 for other than listed companies). If impairment is indicated, the assets must be written down to higher of net selling price and the value in use based on discounted cash flows.	An impairment analysis is performed if impairment indicators exist. An impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value (which is determined based on discounted cash flows).
16.	Pension / Gratuity / Post Retirement Benefits	The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. There is no defined method of expense determination, the discount rate determination criteria, and guidance for valuation of plan assets and the choice is left to the discretion of actuary. Actuarial gains or losses are recognized immediately in the statement of income.	The liability for defined benefit schemes is determined using the projected unit credit actuarial method. The discount rate for obligations is based on market yields of high quality corporate bonds. The plan assets are measured using fair value or using discounted cash flows if market prices are unavailable. If at the beginning of the year, the actuarial gains or losses exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets, then such amount is not recognized immediately, but amortized over the average remaining service period of active employees expected to receive benefits under the plan.
17.	Leases	Leases are classified as finance or operating in accordance with specific criteria. Judgment is required to determine if the criteria are met or not.	The criteria to classify leases as capital or operating include specific quantitative thresholds.

S.No.	Particulars	Indian GAAP	US GAAP
18.	Derivatives and other financial instruments – measurement of derivative instruments and hedging activities	The accounting for derivative instruments has not clearly emerged in the Indian context. Currently what is applicable is the Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options are the pronouncements, which address the accounting for derivatives. However, the accounting treatment recommended in the guidance note is applicable to all contracts entered into for Equity Derivative Instruments irrespective of the motive. The impact of derivative instruments are correlated with the movement of the underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. The related amount receivable from and payable to the swap counter parties is included in the other assets or liabilities in the balance sheet. When there is no correlation of movements between derivatives and the underlying asset or liability, or if the underlying asset or liability specifically related to the derivative instrument is matured, sold or terminated, the derivative instrument is closed out or marked to market as an element of non interest income on an outgoing basis. There is no specific guidance with respect to the documentation that must be maintained for hedge accounting.	There is specific accounting guidance required for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge), (b) a hedge of the exposure to variable cash flows of a forecasted transaction (cash flow hedge), or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction (net investment hedge). The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. a) Fair value hedge: the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. b) Cash Flow hedge and Net investment hedge: the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. c) For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change. An entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk

S.No.	Particulars	Indian GAAP	US GAAP
19.	Deferred Taxes	Deferred tax asset / liability is distinguished from assets and liabilities representing current tax and is classified as long term. The tax rate applied on deferred tax items is the substantively enacted tax rate.	Deferred tax asset / liability is classified as current and long-term depending upon the timing difference and the nature of the underlying asset or liability. The tax rate applied on deferred tax items is the enacted tax rate.
20.	Revenue recognition	Revenues are recognized when all significant risks and rewards of ownership are transferred.	US GAAP has extensive literature on revenue recognition topics and application of these guidelines could result in revenue recognition that is different from Indian GAAP.
21.	Stock based compensation	There is no specific guidance on accounting for employee stock compensation under Indian GAAP. SEBI has issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, which are effective for listed companies for all stock-option schemes established after 19 June, 1999. In accordance with these guidelines, the excess of the market price / fair valuation of underlying equity shares as of the date of grant of the options over the exercise price of the options, including up-front payments, if any, is to be recognized and amortized on a straight-line basis over the vesting period	Entities have a choice of accounting methods for determining the costs of benefits arising from employees stock compensation plans. They may either follow an intrinsic value method or a fair value method. Under the intrinsic value method, the compensation cost is the difference between the market price of the stock at the measurement date and the price to be contributed by the employee (exercise price). The measurement date is typically the date of the grant, on which date, both the number of shares and the exercise price would be known. This method is widely used in practice. The fair value method is based on the fair value of the option at the grant date. This is estimated using an option-pricing model. If an entity chooses to follow the intrinsic value method, it must make pro-forma disclosures of net income and earnings per share as if the fair value method had been applied. There is a new standard, which requires a fair value method to be used for all options (June 15, 2005 for Public companies and December 15, 2005 for Private companies).
22.	Options to Non-employees	No specific guidance.	Complex guidance with respect to measurement date and timing of recognition of expense. All options to non-employees are recognized at fair value.
23.	Start up costs and organization costs	No specific guidance. Companies expense start up costs.	Requires costs of start-up activities and organization costs to be expensed as incurred.
24.	Mandatorily redeemable preferred shares	Instruments characterized as preferred shares are recorded as equity, even if they are mandatorily redeemable.	Mandatorily redeemable preferred shares are classified as a liability and any payments related to them, even if characterized as a dividend, are recorded as interest expense.

SECTION VI : LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATION, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

There are no outstanding litigations against our Company, our Subsidiary, our Directors, our Promoters and our Promoter group or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company, our Subsidiaries, our Directors, our Promoters and our Promoter Group companies, except the following:

Contigent liabilities as on December 31, 2005

As on December 31, 2005, contingent liabilities appearing in our unconsolidated financial statements aggregated to Rs. 2,897.18 million.

In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected. For further information, please refer to Annexure III.a of our unconsolidated financial statements as of and for the nine months ended December 31, 2005, beginning on page 131 of this Prospectus.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
Cases against our Managing Director							
1.	Workmen's Compensation Application No. 26/2003	June 18, 2003	Ganesh Dora	The Project Manager, Katra Railway Tunnel and the Managing Director, Patel Engineering Limited	Court of Commissioner for Workmen's Compensation, Ganjan-Gajapati at Berhampur, Orissa	Rs. 351,000/- and interest @12% per annum	The Applicant claimed for suffering injuries and disabilities at workplace on April 26, 2002. under the Workmen's Compensation Act, 1923. The next date of hearing is May 29, 2006.
2.	Workmen's Compensation Application No. 28/2003	June 24, 2003	Fakira Nayak	The Project Manager, Shahpur and the Managing Director, Patel Engineering Limited	Court of Commissioner for Workmen's Compensation, Ganjan-Gajapati at Berhampur, Orissa	(a) Rs. 300,000/- as compensation under Workmen's Compensation Act, 1923 and interest @12% per annum; and (b) Rs. 50,000/- as compensation for non-intimation of accident as per Inter-State Migrant Workmen's (Regulation of Employment and Conditions of Service) Act, 1979.	The Applicant claimed for suffering injuries and disabilities at workplace on May 21, 2002. Under the Workmen's Compensation Act, 1923 The cross examination have taken place and the company has stated that the applicant confimed receipt of Rs. 10000/- as compensation. The next date of hearing in the said matter is July 3, 2006.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
Criminal Cases and Complaints against our Company							
3.	Criminal Complaint No. 56/04	January 14, 2004	State of Maharashtra (through Mr. MH More, Labour Enforcement Officer (Central), Mumbai)	Patel Engineering Limited (through Mr. Sujit Sen, Project Manager), Ghatghar Hydro Electric Project	Court of Judicial Magistrate, First Class, Shahpur	Imprisonment for a term which may extend to 3 months or with a fine which may extend to Rs. 1,000 or both, punishable under Contract Labour (Regulation & Abolition) Act, 1970.	A criminal complaint has been filed under Contract Labour (Regulation and Abolition) Act, 1970 on grounds that our Company was not showing certain information at its work place even though it were statutorily prescribed. The next date of hearing in this matter has been fixed on August 8, 2006.
4.	Police Case Res. No. FIR No. II – 3/2002 dated March 31, 2002	March 31, 2002	Sub-Inspector of Police, Kilovani Police Station, Thane	G.C. Retarekar, Project Manager, Ghatghar Project	Judicial Magistrate, Shahpur Court, District Thane		The complainant has filed an FIR against the respondent for alleged theft of electricity. Our Company was ordered to pay a sum of Rs. 117,381. Our Company has already paid Rs. 121,500 and it has been duly acknowledged by the Maharashtra State Electricity Board. The next date of hearing is May 22, 2006.
Civil Cases filed against our Company							
5.	Appeal No. 219 of 2004 in Company Application No. 405 of 2002 (in Company Petition No. 1125 of 2001 in BIFR case No. 186 of 1989)		Bhartiya Kamgar Morcha	Patel Engineering Limited and others	Bombay High Court		The appellants intervened in a case which involved the release of our Company's premises in Company application no. 405 of 2002 leased to a company now wound up.The Bombay High Court *vide* an order dated February 27, 2004 disposed off company application by directing the Official Liquidator to hand over the possession of the premises to our Company. The appellants have filed the present appeal that till the final disposal of the same, the execution and implementation of the Order dated February 27, 2004 in Company Application No. 405 of 2004 be stayed.The appeal is still pending hearing and final disposal.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
6.	Civil Appeal No. 4168 of 2003 Civil Appeal No. 4169 of 2003		M/s. S.B.P. & Co.; and M/s. B.T. Patil	Patel Engineering Limited Patel Engineering Limited	Supreme Court of India Supreme Court of India Madhya Pradesh Arbitration Tribunal	Rs. 288.45 millionMPSEB has prayed that our Company pay a total sum of Rs. 5.689 millions alongwith interest @12%.	We sub-contracted certain portion of Koyna Project to the Appellants who raised certain claims against our Company and jointly invoked arbitration. The arbitrator, whom we appointed, unfortunately, recused himself after indicating his inability to act as an Arbitrator in the matter. Upon our attempts of appointing another Arbitrator, the appellants contended that such appointment was invalid and their appointee was entitled to proceed as Sole Arbitrator. This dispute was decided in our favour by two orders of the Bombay High Court. However, appellants preferred appeals to the Supreme Court against the said orders. By an order dated 26th October, 2005, a Constitution Bench consisting of 7 Learned Judges has, held that issues including existence of a dispute, validity of an arbitration agreement, etc were required to be finally determined under Section 11 of the Arbitration Act. These matters have now been referred back to the regular bench for decision, and are still pending.
7.	38/2005	October 29, 2004	Madhya Pradesh State Electricity Board ("MPSEB")	Patel Engineering Limited	Madhya Pradesh Arbitration Tribunal		MSEPB initiated arbitration proceedings in relation to the works executed by us in reapect of "Bansagar-Tones Hydel Project". Since the said works could not be completed in time because of certain delays, our Company had to ask for extension of time.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
							MPSEB contended that due to delay of over 8 years, the extension was subject to penalty @2.5% of the estimated value; and even after adjustment, a balance amount of Rs. 5.689 millions was recoverable. It may be mentioned that aggrieved by the demands of MPSEB, our Company has also filed a Writ Petition before the High Court of Madhya Pradesh, Jabalpur. In writ Petition No. 1007 of 2005, the High Cout of Madhya Pradesh. Jabalpur has ordered on January 9, 2006 that the Arbitration Tribunal shall complete the proceeding in a period of six months from the date of the order. The next date of hearing for the matter before the arbitration tribunal is May 26, 2006.
8.	Appeal No. 1145 of 2005 in Arbitration Petition No. 472 of 2003		Municipal Corporation of Greater Mumbai (“MCGM”)	Patel Engineering Limited	Bombay High Court	Rs. 213.32 million	Our Company filed Arbitration Petition No. 472 of 2003 in the Bombay High Court when MCGM threatened wrongful invocation of a non-existent arbitration agreement in a contract relating to the Bombay III Water Supply Project, despite of a final arbitration award dated April 22, 1997 passed by the Learned Sole Arbitrator Mr. Justice D. M. Rege (Retd.) pursuant to a consent order dated 17th October, 1992 passed by the Bombay High Court. Vide a letter dated February 24,

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
							2003 MCGM illegally asked our Company to pay an amount of Rs. 213.318 million together with interest thereon at 18% per annum being the alleged loss suffered by it in view of the Company's alleged failure to complete the works in time. On our petition the Bombay High Court allowed our application and declared that the said arbitration agreement between the parties had come to an end and/or had exhausted itself and there was no arbitration agreement in existence between the parties. By an order dated 2nd February, 2006 the Hon'ble Court has admitted this appeal and it is pending hearing and final disposal.
Cases filed by our Company							
9.		Statement of Claims filed on April 10, 2003 and May 30, 2005	Patel Engineering Limited	Executive Engineer, Koyna Construction Division No. 1, Government of Maharashtra	Arbitration Tribunal comprising Mr. A.K. Mohanty, Mr. V.P. Shimpi and Mr. R.G. Kulkarni	As per the statement of claims filed before the said arbitration panel on April 10, 2003 and May 30, 2005, our Company has claimed an aggregate of Rs. 280 millions and 1,128.3 millions alongwith interest at the rate of 24% per annum respectively from the respondents	"During the progress of Koyna Project – Contract No. 1", certain differences arose between us and the respondents in respect of claims for excess expenditure incurred on raw materials etc. In response thereto, the respondents decided to initiate arbitration proceedings. In respect of the statement of claims filed on April 10, 2003 the tribunal has completed the hearings and the award is awaited. In respect of the statement of claims filed on May 30, 2005 the hearing before the tribunal is still under process and the next dates of hearing in the said matter are June 4 -6, 2006.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
10.		Statement of Claims filed on August 9, 2004	Patel Engineering Limited	Government of Meghalaya, (through Public Health Engineering Department)	Arbitration Tribunal comprising Mr. J.N. Sharma, Mr. S.N. Phukan and Mr. R.G. Kulkarni	Our Company has demanded an aggregate sum of Rs. 203.126 millions and financing charges.	The said arbitration proceedings relate to the works performed by our Company relating to the "Greater Shillong Water Supply Scheme, Meghalaya". As per the terms of the contract, the contract price was Rs. 329.728 millions and said works were to be completed by our Company in 42 months. However, due to certain delaying factors beyond our control, the completion took 76 months and accordingly and there was significant cost overruns. The arbitration proceedings before the tribunal are still underway and the next date of hearing in the said matter July 21-23, 2006.
11.	63/2005	October 2005	Patel Engineering Limited	Madhya Pradesh State Electricity Board (MPSEB)	Madhya Pradesh Arbitration Tribunal	Rs. 40.83 million	The Company filed a claim before the Arbitration Tribunal against the intial claim of MPSEB of Rs. 5.689 crores. (For detals please refer sr. no. 7 mentioned above in this chapter. The reason for the claim being – no opportunity given to company for representation the case. Therefore the orders passed by MPSEB. Also the order passed was passed for penalizing the company after the work was completed more then 4 years ago. The next date of the hearing is May 15, 2006. The company requested the Tribunal to club both the case since it is the same matter and before the same tribunal.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
12.		Statement of claims dated October 21, 2003 and November 1, 2003	Patel Engineering Limited	Surat Municipal Corporation	Arbitration Panel comprising Mr. T.M. Naik, sole arbitrator	Claim of Rs. 43.62 millions alongwith interest @25% thereon	These arbitration proceedings arise out of works performed by us in relation to "Construction of an indoor stadium at Surat". In respect thereof, though a final bill of Rs. 104.44 millions was paid, the respondents disputed four claims amounting to Rs. 43.62 millions. Upon failure to resolve, the matter was referred to the present arbitration tribunal. Thereafter, our Company *vide* a statement of claims dated October 21, 2003 and November 1, 2003 claimed Rs. 43.62 millions alongwith interest @25% thereon. In response, the respondents filed a total of 11 counter claims amounting to Rs. 220.238 millions alongwith interest. *Vide* an award dated June 21, 2005 the tribunal has directed the respondents to pay Rs. 28.58 million to us. This award has been challenged by the Surat Municipal Corporation in the District Court of Surat, Gujarat. On our pleading, the Corporation has deposited approximately Rs. 49 million together with interest. We have also made an application to the District Court for the release of the said amount in our favor. The next date of hearing in this matter is June 15, 2006.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
13.	Statements of Claims	March 15, 2006	Patel Engineering Limited	North Eastern Electric Power Corporation Limited	Arbitration Panel comprising of Mr. D.K. Mohanty, Mr. H. C. Bhardwaj, Mr. G. Kulkarni	Rs. 1,390 million alongwith applicable interest	The dispute arose out of additional expenses incurred by our Company in respect of Turial Project Lot I, II, & III, due to delay in alleged non-payment of contractual obligation by Respondent and suspension of work by the Respondent. Vide the said Statements of Claims, the said matter is referred to the Arbitration Panel.
14.	Appeal No. 799 of 2004 in Arbitration Petition No. 493 of 2003		Patel Engineering Limited	Konkan Railway Corporation Limited (“KRCL”)	Bombay High Court	Rs. 30.471 million together with interest thereon @18% per annum from 10th May, 1997	In an Arbitration proceedings between us and KRCL an award was passed on May 19, 2003 awarding an amount of Rs. 30.471 million together with interest. In KRCL’s appeal (Arbitration Petition No. 493 of 2003 in the Bombay High Court) by an order and judgment dated 19th August, 2004 the Learned Single Judge has set aside the said final award, in certain respects. Aggrieved by the said order and judgment dated 19th August, 2004, the Company has preferred the above-mentioned appeal.By an order dated 21st December, 2004 the above-mentioned appeal has been admitted by the Hon’ble Appeal Court. The above-mentioned appeal is still pending hearing and final disposal. Similarly, Konkan Railway Corporation Limited has filed a Cross Appeal (Lodging) No.3 of 2005.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
Cases filed against our Subsidiaries							
There are no cases, litigations, proceedings, claims etc. against our Subsidiaries against our Subsidiaries that are pending adjudication as on the date of this Prospectus.							
Cases filed by our Subsidiaries							
15.		October 11, 2005	Westcon Microtunnelling Inc.	City of Los Angeles, California	Federal District Court for Central California	US$ 13 millions	This litigation arises out of the contract issued to Westcon by the City of Los Angeles, California for the works in the port of Los Angeles. Westcon has brought this suit against the City of Los Angeles for unpaid contract amounts, delays, extra work, differing site conditions, and interferences. The litigation has been initiated however, no trial date has been set.
16.		April 26, 2005	ASI RCC Inc.	Piedmont Triad Regional Water Authority	Civil Court, Guilford County, North Carolina	US$ 825,000	ASI RCC Inc. has initiated proceedings against the Piedmont authorities for payments in excess of US$ 825,000 that have been held back by Piedmont. Though the Court has set a date of late 2006 for hearing, however, efforts are being made to settle the issue via mediation.
17.		October and December 2004	ASI RCC Inc.	Colorado Department of Transportation, State of Colorado	Civil Court, Colorado		ASI has initiated these proceedings to recover aggregate claims of US$ 7.5 million from the respondents in respect of expenses incurred while concrete lining the Wolf Creek roadway tunnel. Though the Colorado Department of Transportation has made determinations on such claims and paid a corresponding amount, it is not aggreable to ASI RCC Inc. The hearing is scheduled to begin in April 2006.

Sr No.	Appeal No./ Case No.	Date	Complainant/ Applicant/ Plaintiff, Appellant	Respondents	Name & Address of the Court/ Arbitration Panel	Relief Claimed/ Amount/ Punishment	Nature of Case & Status
18	1998		ASI RCC Inc.	Platanovryssi Utility Company, Greece	Civil Court, Greece		ASI was a minority joint venture partner formed to build an RCC dam at Platanovryssi, Greece. The said dam was completed in 1997, however, several claims arose of this construction which are not at various forms of negotiation/litigation. The total amount of claim outstanding is Euro 5.6 millions of which ASI joint venture interest total upto 750,000 Euros. Such claims are in various stages of hearing, i.e., two of them are at the deposition stage and two before the Court of Appeals. No dates have scheduled for the two cases at deposition stage and the rest are scheduled for late 2006.
Cases against our Promoter Group companies/ventures							
There are no cases, litigations, proceedings, claims etc. against our Promoter Group Companies / ventures that are pending adjudication as on the date of this Prospectus.							
Cases against our Subsidiaries							
There are no cases, litigations, proceedings, claims etc. against our Subsidiaries that are pending adjudication as on the date of this Prospectus.							
Cases filed by Promoter Group companies/ventures							
19.		June 2005	KNR-Patel JV	National Highways Authority of India, Ministry of Surface Transport	Arbitration Tribunal comprising Mr. KK Singhal, Mr. NK Sinha and Mr. Jagmohan Lal	Rs. 2,009.278 million.	The said arbitration proceedings arise out of works performed by KNR-Patel JV in relation to certain road works from Nellore to Kavalli, Andhra Pradesh that were awarded by NHAI. In respect thereof, the respondents paid only such amounts that were not in dispute. However, our Company had 20 disputed claims aggregating to Rs. 2,009.278 millions. The arbitration proceedings before the tribunal are still underway and the next date of hearing in the said matter is May 15, 2006

Penalties imposed on our Company / Directors / Promoter Group Companies

There have been no penalties imposed on our Company or our Directors or our Promoter Group Companies in the preceeding five years.

GOVERNMENT/STATUTORY AND BUSINESS APPROVALS

In view of the approvals listed below, the Company can undertake this Issue and its current business activities.

Our Company has received the necessary consents, licenses, permissions and approvals from the government and various government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business save and except as mentioned below.

Our Company has received the following Government approvals / licenses / permissions:

A. Incorporation

1. Certificate of Incorporation No. 7039 of 1949-50 dated April 2, 1949 issued by the Registrar of Companies, Maharashtra.

B. Industrial/Labour/Tax

2. Tax Deduction Number ("TAN") MUMP02050G under the Income Tax Act, 1961 allotted by the Income Tax Department.

3. Permanent Account Number ("PAN") AAACP2567L under the Income Tax Act, 1961 allotted by the Income Tax Department.

4. Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 received on March 2, 1981. The code number allotted to the Company is MH / 20119.

5. Details of registrations for Service Tax under the Finance Act, 1994

Sr. No.	Name of the sites	Issuing Authority	Nature of Taxable Services	Service Tax Registration No.
1	Registered office	Central Excise, Mumbai	Construction Services	AAACP2567LST001
2	Koyna	Central Excise, Satara	Goods Transport By Road	AAACP2567LST002
3	Ghatghar Dam	Central Excise, Pune	-Goods Transport By Road -Construction Services	AAACP2567LST001
4	Kameng	Central Excise, Ushanagar, Tenzpur	-Goods Transport By Road -Construction Services	01/RPA/ST/05
5	Serlui	Central Excise, Silchar	-Goods Transport By Road -Construction Services	AAACP2567LST004
6	Hyderabad	Central Excise, Hyderabad	-Goods Transport By Road -Construction Services -Installation & Commissioning -Maintenance or Repair -Testing, Inspection & Certification	AAACP2567LST005

6. Details of region-wise registrations of sales tax.

Sr. No.	Name of the Company	Issuing Authority	License No.	Nature of the License	Validity
1	Patel Engineering Limited (Head Office) Patel Estate, Off S.V.Road Jogeshwari (West), Mumbai 400 102., Maharashtra	Sales Tax Department, Maharashtra, Mumbai.	C.S.T.No.400102/C/1277 Dt. 01/04/1996	Certificate of Registration Under Section 7(1)/7(2) of The Central Sales Tax Act, 1956	Till cancellation

Sr. No.	Name of the Company	Issuing Authority	License No.	Nature of the License	Validity
2	Patel Engineering Limited (Head Office) Patel Estate, Off S.V.Road Jogeshwari (West), Mumbai 400 102., Maharashtra	Sales Tax Department, Maharashtra, Mumbai.	B.S.T.No.400102/S/1478 Dt. 01/04/1996	Certificate of Registration Under Section 22/22A of The Bombay Sales Tax Act, 1959	Till cancellation
3	Patel Engineering Limited Koyna Hydro Electric Project, Stage IV, Navja Colony, P.O.Koyna Nagar, Taluka : Patan, Dist : Satara 415 207, Maharashtra	Sales Tax Department, Maharashtra, Satara.	CST-415207/C/2 Dt.16/07/2002	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Till cancellation
4	Patel Engineering Limited Koyna Hydro Electric Project, Stage IV, Navja Colony, P.O.Koyna Nagar, Taluka : Patan, Dist : Satara 415 207, Maharashtra	Sales Tax Department, Maharashtra, Satara.	415207/S/23 Dt.02/09/1999	Certificate of Registration Under Section 22/22A of The Bombay Sales Tax Act, 1959	Till cancellation
5	Patel Engineering Limited Ghatgar Pumped Storage Scheme, Village Chonde, Taluka - Sahapur, Dist : Thane 421 601. Maharashtra.	Sales Tax Department, Maharashtra, Kalyan., Dist-Thane.	C.S.T.No.421601-C-428 Dt.20/07/2000	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Till cancellation
6	Patel Engineering Limited Ghatgar Pumped Storage Scheme, Village Chonde, Taluka - Sahapur, Dist : Thane 421 601. Maharashtra.	Sales Tax Departmant, Maharashtra, Kalyan., Dist-Thane.	421601-S-642 Dt.20/07/2000	Certificate of Registration Under Section 22/22A of The Bombay Sales Tax Act, 1959	Till cancellation

Sr. No.	Name of the Company	Issuing Authority	License No.	Nature of the License	Validity
7	Patel Engineering Limited Shillong Branch C/o. Dr.L.N.Chintey, Lower Nongrim Hills, Op Mess Complex, Shillong 793 003 Meghalaya.	Sales Tax Department, Shillong, Meghalaya.	KH/CST7866 Dt.27/05/1997	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Till cancellation
8	Patel Engineering Limited Shillong Branch C/o. Dr.L.N.Chintey, Lower Nongrim Hills, Op Mess Complex, Shillong 793 003 Meghalaya.	Sales Tax Department, Shillong, Meghalaya.	KH/FST/7769 Dt.27/05/1997	Certificate of Registration Under Section 5/6 of the Meghalaya Finance (Sales-Tax) Act.	Till cancellation
9	Patel Engineering Limited Udhampur Branch 68, Adarsh Coloy, Near Ramlila Ground, Ward No.II Udhampur 182 101, Jammu & Kashmir.	Sales Tax Department, Udhampur, J & K.	C.S.T.No.5090757 Dt.29/09/1999	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	03.11.2006
10	Patel Engineering Limited Udhampur Branch 68, Adarsh Coloy, Near Ramlila Ground, Ward No.II Udhampur 182 101, Jammu & Kashmir.	Sales Tax Department, Udhampur, J & K.	G.S.T.No.108805 Dt.29/09/1999	Certificate of Registration under Section 6 of Jammu and Kashmir General Sales Tax Act.1962	03.11.2006
11	Patel Engineering Limited Ghatgar RCC Dam, Post : Bhandardara, Taluka : Akola, Dist : Ahamednagar, Maharashtra.	Sales Tax Department, Maharashtra, Kalyan., Dist-Thane.	C.S.T.No.421601-C-428 Dt.20/07/2000	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Till cancellation
12	Patel Engineering Limited Ghatgar RCC Dam, Post : Bhandardara, Taluka : Akola, Dist : Ahamednagar, Maharashtra.	Sales Tax Department, Maharashtra, Kalyan., Dist-Thane.	421601-S-642 Dt.20/07/2000	Certificate of Registration Under Section 22/22A of The Bombay Sales Tax Act, 1959	Till cancellation

Sr. No.	Name of the Company	Issuing Authority	License No.	Nature of the License	Validity
13	Patel Engineering Limited Surat Manor Tollway Package II, 1st Foor, Dharti Chambers, Plot No.CM/13, N.H.No.08, GIDC, Vapi 396 195, Gujarat.	Sales Tax Department, Gujarat, SARIGAM, Valsad, VAPI.	C.S.T.No.GUJ 18N 3274 Dt.13/03/2001	Certificate of Registration under Section 7(2) of The Central Sales Tax Act. 1956	Till cancellation
14	Patel Engineering Limited Surat Manor Tollway Package II, 1st Foor, Dharti Chambers, Plot No.CM/13, N.H.No.08, GIDC, Vapi 396 195, Gujarat.	Sales Tax Department, Gujarat, SARIGAM, Valsad, VAPI.	S.T.No.2505010476 Dt.13/03/2001	Certificate of Registration Under Section 28 of The Gujarat Sales Tax Act, 1969	Till cancellation
15	Patel Engineering Limited Tuirial Hydro Electric Project Lot - I, II & III, NEEPCO TrHEP, P.O. : Saiphum, Dist : Aizawal, Mizoram.	Sales Tax Department, Aizawl North, Mizoram.	MIZ / 3683 (central) Dt.05/11/2002	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956.	08.10.2006
16	Patel Engineering Limited Tuirial Hydro Electric Project Lot - I, II & III, NEEPCO TrHEP, P.O. : Saiphum,	Sales Tax Department, Aizawl North, Mizoram.	867/MST/ANZ Dt.05/02/2003	Certificate of Registration under Section 9 and 10 of The Mizoram Sales Tax Act, 1989	Till expiry based on Mizoram Value Added Tax Rules, 2005.
17	Patel Engineering Limited Sewa Hydro Electric Project, Post : Hutt - Mashka, Tehsil : Basohli, Dist : Kathua, Jammu & Kashmir 184 210.	Sales Tax Department, Udhampur, J & K.	C.S.T.No.5090757 Dt.29/09/1999	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	03.11.2006

Sr. No.	Name of the Company	Issuing Authority	License No.	Nature of the License	Validity
18	Patel Engineering Limited Sewa Hydro Electric Project, Post : Hutt - Mashka, Tehsil : Basohli, Dist : Kathua, Jammu & Kashmir 184 210.	Sales Tax Department, Udhampur, J & K.	G.S.T.No.108805 Dt.29/09/1999	Certificate of Registration under Section 6 of Jammu and Kashmir General Sales Tax Act.1962	03.11.2006
19	Patel Engineering Limited Hyderabad Branch 6-3-635, Akash Ganga Complex, 4th Floor, Khairatabad, Hyderabad 500 004 A.P.	Sales Tax Department, Khairatabad, Andhra Pradesh.	VAT NO. 28330199001		
20	Patel Engineering Limited Karnataka Highway Improvement Project, Banglore	Asst.Commissioner of Commercial Taxes VI Cirle, Banglore	TIN : 29860200232 Dt.01.04.2005	Provisional VAT Registration under Karnataka Value Added Tax Act,2003.	Till cancellation
21	Patel Engineering Limited Kameng H.E.Project, Bhalukpong P.O., P.S. Bhalukpong, West Kameng, Dist : Arunachal Pradesh.	Sales Tax Department, West Kameng District, Bomdila (A.P.)	CST/BDL/3 (central) Dt.29/12/2004	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Till cancellation
22	Patel Engineering Limited Kameng H.E.Project, Bhalukpong P.O., P.S. Bhalukpong, West Kameng, Dist : Arunachal Pradesh.	Sales Tax Department, West Kameng District, Bomdila (A.P.)	(342) Dtd. 29.12.2004	Certificate of Registration under Section 10 of the Arunachal Pradesh Sales Tax act, 1999.	Till cancellation
23	Patel Engineering Limited Parbati Hydro Electric Project Op Hotel Sea Rock, Village Hathithan, Post : Jia, Manikaran Road, Bhuntar, Dist : Kullu 175 125, H.P.	Sales Tax Department, Kullu, H.P.	C.S.T.No. 2207 Dt.21/08/2002	Certificate of Registration under the Himachal Pradesh General Sales Tax Act, 1968	Till cancellation

Sr. No.	Name of the Company	Issuing Authority	License No.	Nature of the License	Validity
24	Patel Engineering Limited Parbati Hydro Electric Project Op Hotel Sea Rock, Village Hathithan, Post : Jia, Manikaran Road, Bhuntar, Dist : Kullu 175 125, H.P.	Sales Tax Department, Kullu, H.P.	HP/GST No.KUL III 2359 Dt.08/08/2002	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Till cancellation
25	Patel Engineering Limited Teesta Low Dam Hydro Electric Project Burdwan Road, Near Iskon House, Siliguri 734405, West Bengal.	Sales Tax Department, SILIGURI	C.S.T.No.19893930209 (central) Dt.27/06/2003	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Till cancellation
26	Patel Engineering Limited Teesta Low Dam Hydro Electric Project Burdwan Road, Near Iskon House, Siliguri 734405, West Bengal.	Sales Tax Department, SILIGURI	WBST No.19893930112 Dt.27/06/2003	Certificate of Registration under Section 26/ Section 27 of the West Bengal Sales Tax Act, 1994.	Till cancellation
27	Patel Engineering Limited Indoor Stadium 5, Athwa Lines, Surat 395 007, Gujarat.	Sales Tax Department, Surat, Gujarat.	486 19371	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Applied for cancellation of Registration
28	Patel Engineering Limited Indoor Stadium 5, Athwa Lines, Surat 395 007, Gujarat.	Sales Tax Department, Surat, Gujarat.	GJ16/546	Certificate of Registration Under Section 28 of The Gujarat Sales Tax Act, 1969	Applied for cancellation of Registration
29	Patel Engineering Limited Rewa Branch Op. Samaan Police Post, Behind Old Samaan Naka, Allahabad Road (NH.7), Rewa 486 001, M.P.	Sales Tax Department, Madhyapradesh, Jabalpur.	REWA/HZR/1/1453	Certificate of Registration under section 22 of Madhya Pradesh Commercial Tax Act,1994.	Applied for cancellation of Registration

Sr. No.	Name of the Company	Issuing Authority	License No.	Nature of the License	Validity
30	Patel Engineering Limited Teesta Hydro Electric Project Stage V, Dam Site Complex, P.O.Dikchu, East Sikkim, SIKKIM 737 107.	Sales Tax Department, Dikchu, East Sikkim, SIKKIM 737 107.	80/CT/RPO Dt.21/09/2000	Certificate of Registration under Section 7(1)/7(2) of The Central Sales Tax Act. 1956	Till cancellation
31	Patel Engineering Limited Teesta Hydro Electric Project Stage V, Dam Site Complex, P.O.Dikchu, East Sikkim, SIKKIM 737 107.	Sales Tax Department, Dikchu, East Sikkim, SIKKIM 737 107.	83/CT/RPO Dt.21/09/2000	Certificate of Registration under The Sikkim Sales Tax Act,1983.	Till cancellation

Approvals applied for but not received:

Vide an application no. 1422243 dated February 16, 2006 our Company has applied to the Registrar of Trademarks, Mumbai for registration of the service mark “Patel” in class 37 and this registration is awaited.

Our Company has received all the necessary approvals and licenses for conducting its present business and the proposed business except those mentioned above.

Our Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI and various government agencies required for carrying on the present as well as the proposed business of our Company. It must, however, be distinctly understood that in granting the above consents/licenses/permissions/approvals, the Government does not take any responsibility for the financial soundness of our Company or for the correctness of any of the statements or any commitments made or opinions expressed.

SECTION VII -OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE ISSUE

The Issue has been authorized pursuant to a resolution passed by the Board of Directors at its meeting held on December 27, 2005 and approved by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on January 30, 2006. The Board of Directors has authorized a committee of its Directors referred to as the FPO Committee to take decisions on behalf of the Board in relation to the Issue. The Board of Directors pursuant to its resolution passed at its meeting held on March 14, 2006 has approved the Issue structure. The FPO Committee vide its resolution passed at its meeting held on May 13, 2006 has apprvoed this Prospectus.

PROHIBITION BY SEBI / RBI

Our Company, our Directors, our Promoters, the Directors or the person(s) in control of our Promoter, firms and companies with which our Company's Directors are associated as directors or promoter have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Neither the Company, its Promoters, its Directors, nor the companies promoted by the Promoters, have been declared as willful defaulter by RBI or any other government authority and there have been no violations of securities laws committed by them in the past or no such proceedings are pending against the Company or them.

ELIGIBILITY FOR THE ISSUE

Our Company is eligible for the Issue in accordance with Clause 2.3 of the SEBI Guidelines as explained under:

"2.3 Public Issue by Listed Companies

2.1.1 A listed company shall be eligible to make a public issue of equity shares or any other security which may be converted into or exchanged with equity shares at a later date.

Provided that the aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document), Issue size does not exceed 5 times its pre-Issue networth as per the audited balance sheet of the last financial year. Provided that in case there is a change in the name of the issuer company within the last 1 year (reckoned from the date of filing of the offer document), the revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding 1 full-year period)."

The details of such Eligibility Criteria are as follows:

- The Aggregate of the proposed Issue in terms of size does not exceed 5 times the pre-Issue net worth.
- Net Worth as per 31-03-2005: Rs. 1,380.28 million
- Net Worth as per 31-12-2005: Rs. 1,856.11 million
- Five times Pre-Issue Net Worth: Rs. 6,901.40 million
- Proposed Issue Size: Rs. 4,250.00 million

For a complete explanation of the above figures please refer to the section entitled "Financial Statements" beginning on page 115 of this Prospectus.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY

ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 17, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITTERS TO FULFIL THEIR UNDERWRITING COMMITTMENTS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI, MAHARASHTRA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

DISCLAIMER CLAUSE FROM OUR COMPANY AND THE BRLMs

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site, www.pateleng.com would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and us dated March 17, 2006 and the Underwriting Agreement to be entered into between the Underwriters and us dated May 13, 2006.

All information shall be made available by us and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to non-residents including NRIs and FIIs. The Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession the Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

DISCLAIMER CLAUSE OF BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. BSE has given *vide* its letter dated April 7, 2006, permission to this Company to use BSE's name in this Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
- warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

DISCLAIMER CLAUSE OF NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given *vide* its letter NSE/LIST/21392-T dated April 10, 2006, permission to the Company to use the NSE's name in this Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. NSE has scrutinised the Draft Red Herring Prospectus for it's limited internal purpose of deciding on the manner of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

FILING

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies at Mumbai, Maharashtra. A copy of the Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Mittal Court, "B" Wing, First Floor, 224, Nariman Point, Mumbai 400 021.

LISTING

The Equity Shares of our Company are listed on the BSE and NSE. Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of the Equity Shares forming part of this Issue. BSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

CONSENTS

Consents in writing of:(a) the Directors, our Company Secretary and Compliance Officer, the Statutory Auditors, Bankers to our Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Maharashtra located at Mumbai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s Vatsaraj & Co., Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

EXPERT OPINION

Except as stated in the sections titled "Objects of the Issue", "Statement of Tax Benefits" and "Financial Statements" beginning on pages 31, 39 and 115 respectively, of this Prospectus, we have not obtained any expert opinions.

EXPENSES OF THE ISSUE

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

Category	Estimated expenses (Rs. in million)
Lead management fee and underwriting commissions	110.00
Advertising & Marketing Costs	45.00
Printing & stationery	38.00
Others (Registrar's fees, legal fees, fees for auditors and bankers to the issue, stamp duty, initial listing fees and annual listing fees, SEBI filing fees, other statutory fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	57.00
Total	250

FEES PAYABLE TO THE BRLMs

The total fees payable by us to the Book Running Lead Managers (including underwriting commission and selling commission) will be as per the engagement letters dated January 24, 2006 with ICICI Securities Limited and dated January 23, 2006 with Enam Financials Consultants Private Limited, a copy of which is available for inspection at our Registered Office.

FEES PAYABLE TO THE REGISTRAR TO THE ISSUE

The fees payable by us to the Registrar to the Issue will be as per the Memorandum of Understanding signed by our Company with the Registrar dated February 15, 2006 issued by our Company, a copy of which is available for inspection at our Registered Office.

Adequate funds will be provided by us to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/ speed post/ under certificate of posting.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and brokerage for the Issue is set out in the Underwriting Agreement and the Syndicate Agreement.

Promise v. Performance

Save and except the following, our Company has not done any public or rights issue in the past –

(a) Public issue of 67,000 Equity Shares of Rs. 100 each for cash at par in the year 1986

In the year 1985, our Company made a public issue of 67,000 Equity Shares of Rs. 100 each for cash at par and aggregating to Rs. 6.7 million. The said issue opened on January 6, 1986 and closed on January 20, 1986. Subsequent to completion of all formalities with regard to the said issue, 67,000 Equity Shares were allotted to the applicants on February 14, 1986.

The objects of the said public issue were to raise long term funds for financing the operations of our Company, to obtain listing of the Equity Shares at the BSE and meet the expenses of the said public issue.

There were no projections given in the prospectus of the said public issue and the issue proceeds were utilized towards meeting the objects of the issue. In the prospectus, it was mentioned that our Company would pay a reasonable dividend on the increased capital and a dividend at the rate of 10% was declared.

(b) Rights issue of 83,500 Equity Shares of Rs. 100 each for cash at par in the ratio of 1 Equity Share of Rs. 100 each for every 2 Equity Shares of Rs. 100 each

Vide a letter of offer issued in the year 1989, our Company made a rights issue of 83,500 Equity Shares of Rs. 100 each for cash at par in the ratio of 1 Equity Share of Rs. 100 each for every 2 Equity Shares of Rs. 100 each aggregating to Rs. 8.35 million. As per the terms, the said rights issue opened on June 20, 1989 and closed on July 20, 1989. Pursuant to the said rights issue, 79,013 Equity Shares were allotted.

The objects of the said rights issue were to meet increased working capital requirements. No projections had been made in the letter of offer.

PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH

We have not issued any Equity Shares for consideration other than cash except as stated in the section titled "Capital Structure" beginning on page 21 of this Prospectus.

COMMISSION AND BROKERAGE ON PREVIOUS ISSUES

The underwriting commission and the brokerage on the said public issue in 1986 were 2.5% and 1.5% of said issue size respectively.

COMPANIES UNDER THE SAME MANAGEMENT

We do not have any other company under the same management within the meaning of erstwhile Section 370(1B) of the Companies Act.

Promise vis-à-vis performance

None of our group/associate companies are listed on any of the stock exchanges in India or abroad.

Outstanding debentures, bonds, redeemable preference shares and other instruments issued by our Company

Save and except as stated in the section titled "Capital Structure" beginning on page 21 of this Prospectus our Company has no outstanding debentures, bonds or redeemable preference shares as on the date of this Prospectus.

Stock Market Data for our Equity Shares

The Equity Shares of our Company are listed on the NSE and BSE.

The stock market date for NSE and BSE is as under –

The following table sets forth, the high and low of daily closing prices of our Equity Shares on BSE, for a period of three years, for the periods indicated:

	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003-04	364.00	Dec 22, 03	4732	125.00	April 29, 03	100	200.64
April 1, 2004 – Oct 21 2004*	607.70	Oct 21, 04	1171	220.15	April 4, 04	551	352.12
Oct 22, 2004 – Mar 31, 2005*	230.75	Mar 18, 05	92,831	61.95	Oct 25, 04	1,005	106.51
April 1, 2005 – Mar 31, 2006	503.00	Mar 29, 06	20,793	156.50	May 6, 05	9150	267.26

** The high & low in the year 2004-2005 is after sub-division of shares from face value of Rs. 5/- to Re. 1/- and issue of bonus shares @1:1.*

The Board of Director vide its meeting dated December, 27,2005 approved the issue. The Market Price of the shares on December 28, 2005 was Rs. 349.50.

The following table sets forth, the high and low of daily closing prices of our Equity Shares on NSE, for a period of three years, for the periods indicated: (Our Equity Shares were listed on the NSE in February 2005)

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2005	232.90	March 18, 2005	132,891	125.50	February 25, 2005	7,268	176.27
2006	499.00	March 29, 2006	32,602	156.45	May 6, 2005	15,123	266.77

The following table sets forth, the high and low prices of our Equity Shares on BSE and the number of Shares traded, in the last six months, for the periods indicated:

Months	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
October 2005	242.45	Oct 4, 05	4,96,348	198.25	Oct 21, 05	29,093
November 2005	239.40	Nov 17, 05	61,774	212.60	Nov 7, 05	17,358
December 2005	368.80	Dec 28, 05	1,80,482	220.10	Dec 1, 05	6,880
January 2006	438.95	Jan 24, 2006	13,292	348.65	Jan 2, 06	15,371
February 2006	458.80	February 10, 2006	15,359	395.05	February 1, 2006	15,729
March 2006	503.00	March 29, 2006	20,793	429.05	March 16, 2006	36,568

The following table sets forth, the number of Shares traded on the days when the high and low prices were recorded of our Equity Shares on NSE, in the past six months, on the dates indicated:

Months	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
October 2005	248.80	Oct 5, 2005	72600	201.60	Oct 20, 2005	11,993
November 2005	237.50	Nov 17 & 18, 2005	54,317 & 40,084	211.25	Nov 2, 2005	3,643
December 2005	369.00	Dec 28, 2005	208,306	222.00	Dec 1, 2005	17,261
January 2006	437.00	Jan 24, 2006	10,190	350.00	Jan 2, 2006	18,159
February 2006	468.70	February 10, 2006	29,229	395.00	February 2, 2006	27,426
March 2006	499.00	Mar 29, 06	32,602	429.05	Mar 16, 06	29,458

Sale / Purchase of Equity Shares by Promoters / Directors / Directors of our Promoter/Promoter Group entites is as follows:

Name	Nature of Transaction	Maximum Price (in Rs.)	Date	Minimum Price (in Rs.)	Date	Aggregate Sale (No. of Equity Shares)
Ms. Silloo Patel	Sale through Stock Exchange	425.34	January 20, 2006	224.25	September 28, 2005	15,736

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, serial number of the application, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have a Shareholders/Investors Grievances and Share Transfer Committee. For details, please refer section titled "Our Management" beginning on page 84 of this Prospectus. We have also appointed Ms. Shobha Shetty as the Compliance Officer for this Issue. Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems, such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary accounts or refund orders etc. The contact details of the Compliance Officer are as follows:

Ms. Shobha Shetty
Patel Estate Road, Jogeshwari (West),
Mumbai – 400 102
Tel: +91 22 2678 2916;
Fax: +91 22 2678 2455
Email: patelfpo@pateleng.com

The details of investors' grievances and complaints received and disposed off during the last two fiscals is as follows –

Period	Complaints Received	Complaints Disposed off	Complaints Pending
April 2004 to March 2005	2	2	Nil
April 2005 to March 2006	3	3	Nil

As on the date of filing this Prospectus with RoC, there are no pending nvestor grievances and complaints pending with the Company.

Change in Statutory Auditors

There has been no change in our Statutory Auditor in last three years.

Capitalization of Reserves or Profits

Save and except as mentioned in Notes to the Chapter titled "Capital Structure" on page 21 of this Prospectus, our Company has not capitalized its reserves or profits since inception.

Revaluation of Assets

We have not revalued our assets since in the last five years preceding the date of this Prospectus.

ISSUE STRUCTURE

The present Issue of 9,659,090 Equity Shares of Re. 1 each at a price of Rs. 440 for cash aggregating Rs. 4,250 million through the 100% Book Building Process. It includes reservation for Existing Retail Shareholders of 482,955 Equity Shares of face value of Re. 1 each at a price of Rs. 440 for cash aggregating Rs. 212.50 million. The Net Issue to the public is of 9,176,135 Equity Shares of face value of Re. 1 each at a price of Rs. 440 aggregating Rs. 4,037.50 million. This Issue will constitute 16.2% of the Post Issue Paid-up capital of our Company.

The Issue Structure is as follows –

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Existing Retail Shareholders
Number of Equity Shares*	Not more 4,588,066 Equity Shares aggregating Rs. 2,018.75 million must be allotted to QIBs.	Not less than 1,376,421 Equity Shares aggregating Rs. 605.625 million shall be available for allocation.	Not less than 3,211,648 Equity Shares aggregating Rs. 1,413.125 million shall be available for allocation.	Upto 482,955 Equity Shares aggregating Rs. 212.50 million shall be available for allocation.
Percentage of Issue Size available for allocation	Not more 50 % of the Net Issue (of which 5% shall be reserved for Mutual Funds) less allocation to Non-Institutional Bidders and Retail Individual Bidders* Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of the Net Issue less allocation to QIBs and Retail Portion*	Not less than 35% of the Net Issue less allocation to QIBs and Non-Institutional Portion*	Upto 5% of this Issue
Basis of allotment if respective category is oversub-scribed	Proportionate (a) 229,404 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and (b) 4,588,066 Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in the multiples of 15 Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 15 Equity Shares thereafter.	Such number of Equity Shares in the multiples of 15 Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 15 Equity Shares thereafter.	15 Equity Shares and in multiples of 15 Equity Share thereafter	15 Equity Shares and in multiples of 15 Equity Shares thereafter

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Existing Retail Shareholders
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares in multiples of 15 Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 100,000	Such number of Equity Shares in multiples of 15 Equity Shares such that the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.	Resident Indian individuals, HUFs (in the name of karta), NRIs, companies, corporate bodies, societies and trusts.	Individuals (including HUFs in the name of karta) applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed Rs. 100,000 in value.	Existing Retail Shareholders as on April 21, 2006
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on bidding.

* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in any category would be allowed to be met with spillover inter-se from any of the other categories, at the sole discretion of the Company, the BRLMs and subject to applicable provisions of the SEBI Guidelines**.**

** In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

If the aggregate demand by Mutual Funds is less than 229,404 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Existing Retail Shareholders will be added back to the Net Issue and proportionate allocation of the same would be at the sole discretion of the Company in consultation with the BRLMs.

Withdrawal of this Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with this Issue at any time, including after the Bid/ Issue Opening Date without assigning any reason therefor.

Bidding Period / Issue Period

BID / ISSUE OPENED ON	Wednesday, May 3, 2006
BID / ISSUE CLOSED ON	Tuesday, May 9, 2006

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

The Price Band will be decided by the Company in consultation with the BRLMs.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band, subject to the Bidding Period / Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE by issuing a press release, and also by indicating the change on the web site and at the terminals of the members of the Syndicate.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Registrar of Companies, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

AUTHORITY FOR THE ISSUE

The Issue has been authorized pursuant to a resolution passed by the Board of Directors at its meeting held on December 27, 2005 and approved by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on January 30, 2006. The Board of Directors has authorized a committee of its Directors referred to as the FPO Committee to take decisions on behalf of the Board in relation to the Issue. The Board of Directors pursuant to its resolution passed at its meeting held on March 14, 2006 has approved the Issue structure. The FPO Committee vide its resolution passed at its meeting held on May 13, 2006 has approved this Prospectus

RANKING OF EQUITY SHARES

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari-passu with the existing Equity Shares of our company including rights in respect of dividend. The person in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of allotment.

MODE OF PAYMENT OF DIVIDEND

Payment of dividend by our Company, if recommended by our Board and declared at our general meeting, would be in any of the modes specified or permitted by the Act from time to time.

FACE VALUE AND ISSUE PRICE

The face value of our Equity Shares is Re. 1/- each are being offered as part of the Issue at a total price of Rs. 440 per Equity Share (including share premium of Rs. 439 per Equity Share). At any given point of time there shall be only one denomination for the Equity Shares.

RIGHTS OF THE EQUITY SHAREHOLDER

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the terms of the listing agreements with the Stock Exchanges and
- Such other rights as may be available to our shareholders under our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of our Articles of Association" beginning on page 235 of this Prospectus.

MARKET LOT

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per existing SEBI DIP Guidelines, the trading of our Equity Shares shall only be in dematerialised form.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of 15 Equity Shares.

JURISDICTION

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Mumbai.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

MINIMUM SUBSCRIPTION

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

Since the market lot for our Equity Shares will be one, no arrangements for disposal of odd lots is required.

RESTRICTIONS ON TRANSFER OF SHARES AND ALTERATION OF CAPITAL STRUCTURE

The restrictions, if any, on the transfer of our Equity Shares are contained in the section titled "Main provisions of the Articles of Association" beginning on page 235 of this Prospectus.

Except for this Issue, we presently do not have any intention or proposal to alter our capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may, subject to necessary approvals, undertake an issue of shares or securities linked to equity shares to finance an acquisition, merger, or joint venture by us or as consideration for such acquisition, merger or joint venture, or to capitalize upon any business opportunities, or for regulatory compliance if an opportunity of such nature is determined by our Board to be in our interest.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, including upto 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. It may be noted that the bids received in the Reservation for Existing Retail Shareholders Portion shall not be considered for the purpose of determining the Issue Price through Book Building Process.

Bidders are required to submit their Bids through the Syndicate. Our Company, in consultation with the BRLMs, may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

BID CUM APPLICATION FORM

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public, NRIs applying on a non-repatriation basis	White
Non-Residents, NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
Existing Retail Shareholders	Pink

WHO CAN BID

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;

- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;
- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

APPLICATION BY MUTUAL FUNDS

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund portion. In the event that the demand is greater than 229,404 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Fund portion

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company’s paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

APPLICATION BY NRIs

Bid cum Application Forms have been made available for NRIs at the Registered Office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai only.

APPLICATION BY FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs*:*

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

BIDS BY NRIs OR FIIs ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

- On the Bid cum Application Form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).

- Bids by NRIs for a Bid Amount of up to less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than or equal to Rs. 100,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 15 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000; for further details, please refer to the sub-section titled "Maximum and Minimum Bid Size" beginning on page 214 of this Prospectus.
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCBs.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

APPLICATION BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors*:*

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

MAXIMUM AND MINIMUM BID SIZE

(a) For Retail Individual Bidders: The Bid must be for a minimum of 15 Equity Shares and in multiples of 15 Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders and Existing Retail Shareholders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Other Bidders (Non-Institutional Bidders and QIBs): The Bid must be for a minimum of such number of Equity Shares in multiples of 15 Equity Share such that the Bid Amount exceeds Rs. 100,000 and in multiples of 15 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

(c) For Bidders in the Reservation for Existing Retail Shareholders Portion: The Bid must be for a minimum of 15 Equity Shares and in multiples of 15 Equity Share thereafter. The maximum Bid in this portion cannot exceed 482,955 Equity Shares. Bidders in the Reservation for Existing Retail Shareholders Portion applying for the maximum Bid in any of the Bidding options not exceeding Rs. 100,000 may bid at Cut-off.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

INFORMATION FOR THE BIDDERS

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

METHOD AND PROCESS OF BIDDING

(a) Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and one regional newspaper in Marathi. Our Company and the BRLMs shall declare the Price Band at least one day prior to the Issue Opening date and also publish the same in two widely circulated newspapers [one each in English (Financial Express – all editions) and Hindi (Jansatta – all editions)] and one regional newspaper in Marathi (Navshakti). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended *vide* SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005. Till the announcement of the Price Band, the investors may be guided by the secondary market prices. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional newspaper in Marathi and the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding working 10 days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page 216 of this Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Build up of the Book and Revision of Bids" beginning on page 218 of this Prospectus.

(f) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled “Terms of Payment and Payment into the Escrow Accounts” beginning on page 217 of this Prospectus.

BIDS AT DIFFERENT PRICE LEVELS

(a) The Price Band has been fixed at Rs. 400 to Rs. 440 per Equity Share of Re. 1 each, Rs 440 being the lower end of the Price Band and Rs. 440 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1 (One).

(b) Our Company, in consultation with the BRLMs, reserves the right to revise the Price Band, during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three working days, subject to the total Bidding Period not exceeding ten working days. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper in Marathi, and also by indicating the change on the websites of the BRLMs, and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three working days, subject to the total Bidding Period not exceeding thirteen days.

(d) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders under the Reservation for Existing Retail Shareholders Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(e) Retail Individual Bidders and Bidders under the Reservation for Existing Retail Shareholders Portion who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined, which will be a price within the Price Band. Retail Individual Bidders and Existing Retail Shareholders bidding at Cut-Off Price shall deposit the Bid Amount based on the cap of the Price Band in the Escrow Account. In the event the Bid Amount is higher than the Allocation Amount payable by the Retail Individual Bidders and Bidders under the Reservation for Existing Retail Shareholders Portion, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Bidders under the Reservation for Existing Retail Shareholders Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Bidders under the Reservation for Existing Retail Shareholders Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders and Bidders under the Reservation for Existing Retail Shareholders Portion, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000 the Bid will be considered for allocation under the Non-Institutional portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(h) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 15 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

ESCROW MECHANISM

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account are per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

TERMS OF PAYMENT AND PAYMENT INTO THE ESCROW COLLECTION ACCOUNTS

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the sub-section titled “Payment Instructions” beginning on page 224 of this Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through RTGS mechanism. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders and Bidders under the Reservation for Existing Retail Shareholders Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled “Issue Structure” beginning on page 207 of this Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

ELECTRONIC REGISTRATION OF BIDS

a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor (Investors should ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.)
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid Amount
- Bid cum Application Form number.
- Whether payment is made upon submission of Bid cum Application Form.
- Margin Amount; and
- Depository Participant Identification Number and Client Identification Number of the demat account of the Bidder.

e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

g) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.

h) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

BUILD UP OF THE BOOK AND REVISION OF BIDS

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(i) In case of discrepancy of data between BSE or NSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

PRICE DISCOVERY AND ALLOCATION

(a) After the Bid Closing Date /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with the Company.

(b) Our Company, in consultation with the BRLMs, shall finalise the “Issue Price”, the number of Equity Shares to be allotted in each category to Bidders.

(c) The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue respectively, the allocation to QIBs for up to 50% of the Net Issue and to Employees Bidding under the Reservation for Existing Retail Shareholders Portion, would be on proportionate basis, in the manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 229,404 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spillover from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange.

(e) Allocation to NRIs, FIIs, foreign venture capital funds Multilateral and Bilateral Development Financial Institutions registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by RBI while granting permission for allotment of Equity Shares to them.

(f) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) Our Company reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING

Our Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

After signing the Underwriting Agreement, our Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

FILING OF THE PROSPECTUS WITH THE ROC

We will file a copy of the Prospectus with the Registrar of Companies, Mumbai at Maharashtra in terms of Section 56, Section 60 and Section 60B of the Companies Act.

ANNOUNCEMENT OF PRE-ISSUE ADVERTISEMENT

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on the Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at Mumbai.

ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (CAN)

Subject to "Notice to QIBs: Allotment Reconcialation and Revised CANs" as set forth in the subsequent paragraph below:

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allotment for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.

(b) The BRLMs or members of the Syndicate would despatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the Allocation Amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would allot the Equity Shares to the allottees. Our Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

(b) In accordance with the SEBI DIP Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) and Reservation for Existing Retail Shareholders Portion Bid cum application form (pink in colour) as the case may be;

(c) Ensure that the details about Depository Participant and beneficiary account are correct as allotment of Equity Shares will be in the dematerialized form only;

(d) Investor must ensure that the name given in the Bid cum Application Form is exactly the same as the Name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;

(e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(f) Ensure that you have been given a TRS for all your Bid options;

(g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(h) Ensure that the Bid is within the Price Band;

(i) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. The copy of the PAN card or the PAN allotment letter should be submitted with the application form; and

(j) If you have mentioned "Applied For" or "Not Applicable" in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

(k) Ensure that Demographic details (as defined herein below) are updated true and correct in all respects.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid Amount to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut Off Price (for QIB Bidders, Non-Institutional Bidders) ;

(g) Do not Bid at Bid Amount exceeding Rs 100,000 (for Retail Individual Bidders and Existing Retail Shareholders);

(h) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(i) Do not submit Bid accompanied with Stockinvest.

(j) Do not submit GIR number instead of PAN as Bid is liable to be rejected on this ground.

(k) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

BIDS AND REVISIONS OF BIDS

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRI, FII or foreign venture capital fund registered with SEBI applying on repatriation basis).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 15 Equity Shares and in multiples of 15 thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Bidders under the Reservation for Existing Retail Shareholders Portion, the Bid must be for a minimum of 15 Equity Shares and in multiples of 15 thereafter subject to a maximum of 482,955 Equity Shares

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 15 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Existing Retail Shareholders

For the sake of clarity, the term "Existing Retail Shareholders" shall mean the persons, who are holders of Equity Shares of the Company on April 21, 2006 and who hold Equity Shares worth up to Rs. 100,000 determined on the basis of closing price of the Equity Shares in the NSE on the previous day.

1. Bids by Existing Retail Shareholders shall be made only in the prescribed pre-printed Bid cum Application Form or Revision Form.
2. Existing Retail Shareholders should mention their Registered Folio Number/DP and Client ID number at the relevant place in the Bid cum Application Form.
3. The sole/First Bidder should be an Existing Retail Shareholder. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.
4. Only Existing Retail Shareholders of the Company as on April 21, 2006 would be eligible to apply in this Issue under reservation for Existing Retail Shareholders on a competitive basis.
5. Existing Retail Shareholders will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Existing Retail Shareholders Reservation Portion.
6. The maximum Bid in this category can be for Rs. 100,000.
7. If the aggregate demand in this category is less than or equal to 482,955 Equity Shares at or above the Issue Price, full allocation shall be made to the Existing Retail Shareholders to the extent of their demand.
8. If the aggregate demand in this category is greater than 482,955 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 15 Equity Shares. For the method of proportionate basis of allotment, refer to section titled "Statutory and other Information - Basis of allotment" on page 229 of this Prospectus.
9. Bidding at Cut-off Price is allowed only for Existing Retail Shareholders whose Bid Amount is less than or equal to Rs. 100,000.

BIDDER'S BANK DETAILS

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit or ECS. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.

BIDDER'S DEPOSITORY ACCOUNT DETAILS

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or giving credit through ECS or Direct Credit and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/allocation advices and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue. Hence Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure despatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

BIDS BY NON RESIDENTS, NRIS, FIIS AND FOREIGN VENTURE CAPITAL FUNDS REGISTERED WITH SEBI ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

(a) On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

(b) In a single name or joint names (not more than three).

(c) NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of 15 thereafter that the Bid Amount exceeds Rs. 100,000.For further details, please refer to the sub-section titled 'Maximum and Minimum Bid Size' beginning on page 214 of this Prospectus. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(d) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

(e) Our Company does not require approvals from FIPB for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

(f) There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act ") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons "(as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

BIDS UNDER POWER OF ATTORNEY

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Our Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/ or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT

1. The applicable Margin Amount for Non Institutional and Retail Individual Bidders is equal to 100% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

   In case of Resident QIB Bidders: **"Escrow Account - PEL Public Issue - QIB - R"**

   In case of Resident Retail Individual and Non-Institutional Bidders: **"Escrow Account - PEL Public Issue - R"**

   In case of Non-Resident QIB: "**Escrow Account - PEL Public Issue – QIB – NR"**

   In case of Non-Resident Retail Individual and Non-Institutional Bidders applying on a repatriation basis**: " Escrow Account - PEL Public Issue -NR"**

   In case of Resident Existing Shareholders: **"Escrow Account - PEL Public Issue – Shareholder - R"**

   In case of Non-Resident Existing Shareholders: **"Escrow Account - PEL Public Issue – Shareholder - NR"**
4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of our Company.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
9. On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
10. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted. Investors in the QIB category may also make payments by RTGS.

PAYMENT BY STOCKINVEST

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003 the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Shareholders bidding under the Reservation for Existing Retail Shareholders Portion can also Bid in the Net Issue to the Public category, and such Bids will not be considered as multiple Bids.

Our Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PERMANENT ACCOUNT NUMBER OR PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended *vide* a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 by its circular bearing number MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore, MAPIN is not required to be quoted with the Bids.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company, in consultation with the BRLMs may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Bidders under the Reservation for Existing Retail Shareholders Portion, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. Bids made under the Reservation for Existing Retail Shareholders Portion by any person who is not a shareholder on April 21, 2006 are also liable to be rejected.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at Cut Off Price by Non-Institutional and QIB Bidders;
10. Bids for number of Equity Shares which are not in multiples of 15;
11. Category not ticked;
12. Multiple Bids as defined in the Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stockinvest/money order/postal order/cash;
15. Signature of sole and / or joint Bidders missing;
16. Bid cum Application Forms does not have the stamp of the BRLMs, or Syndicate Members;
17. Bid cum Application Forms does not have Bidder's depository account details;
18. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
19. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;
20. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
21. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;
22. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations, see the details regarding the same at page 213 of this Prospectus;
23. Bids not duly signed by the sole/joint Bidders;
24. Bids accompanied with Stockinvests;
25. Bids by OCBs; or

26. Bids by U.S. residents or U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

27. If GIR number is mentioned instead of PAN Number.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

(a) Agreement dated April 13, 2006 with NSDL, our Company and the Registrar to the Issue;

(b) Agreement dated March 24, 2006 with CDSL, our Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

(d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrars to the Issue.

(g) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(h) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(i) The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository account details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

The Company agrees that as far as possible allotment of securities offered to the public shall be made within 15 days of the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the date of closure of the Issue. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

The Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this category is less than or equal to 3,211,648 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.

If the aggregate demand in this category is greater than 3,211,648 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 15 Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non-Institutional Bidders

Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this category is less than or equal to 1,376,421 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than 1,376,421 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 15 Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.

The Issue size less allotment to Non-Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.

Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

(b) In the second instance allocation to all QIBs shall be determined as follows:

  (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

  (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

  (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 4,588,066 Equity Shares and in multiples of 15 Equity Shares thereafter. For the method of proportionate basis of allotment refer below.

Undersubscription, if any in any category would be allowed to be met with spill over from any other category at the sole discretion of our Company and the BRLMs.

D. For Existing Retail Shareholders

Bids received from the Existing Retail Shareholders at or above the Issue Price shall be grouped together to determine the total demand in this portion. The Allotment to all the Existing Retail Shareholders who Bid successfully will be made at the Issue Price.

If the aggregate demand in this portion is less than or equal to 482,955 Equity Shares at or above the Issue Price, full Allotment shall be made to the Existing Retail Shareholders to the extent of their demand.

If the aggregate demand in this portion is greater than 482,955 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 15 Equity Shares. For the method of proportionate basis of allotment, please refer below.

PROCEDURE AND TIME OF SCHEDULE FOR ALLOTMENT

The Issue will be conducted through a "100% book building process" pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period commenced on May 3, 2006 and expired on May 9, 2006. Following the expiration of the Bidding Period, our Company, in consultation with the BRLMs, will determine the issue price, and, in consultation with the BRLMs, the basis of allotment and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor's demat account, subject to final approval by the Stock Exchanges.

METHOD OF PROPORTIONATE BASIS OF ALLOTMENT

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than 15 Equity Shares per Bidder, the allotment shall be made as follows:

Each successful Bidder shall be allotted a minimum of 15 Equity Shares; and

The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate allotment to a Bidder is a number that is more than 15 but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the beneficiary account with Depositary Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, we shall despatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder`s sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through “Under Certificate of Posting” within 15 days of closure of Issue, intimating them about the mode of credit of refund**,** the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

The Company shall ensure despatch of refund orders / refund advice, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole of First Bidder’s sole risk within 15 days of the Bid Closing Date / Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we undertake that:

a. Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;

b. Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;

c. We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders / credit intimation are not despatched and in case the where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15 day time prescribed above provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Refund Bank nor the Company nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

(a) ECS - Payment of refund would be done through ECS for applicants having an account at one of the 15 centers, where clearing houses for ECS are managed by Reserve Bank of India namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This would be subject to availability of complete Bank Account Details including MICR code from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centres named herein above, except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit or RTGS. .

(b) Direct Credit – Investors having their Bank Account with the Escrow Bankers, i.e. ICICI Bank Limited, HDFC Bank Limited and Standard Chartered Bank, shall be eligible to receive funds, if any, through Direct Credit. The refund amount, if any, would be credited directly to their Bank Account with the Escrow Banker.

(c) RTGS – Applicants having a bank account at any of the 15 centres detailed above, and whose bid amount exceeds Rs. 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Applicatio form, the refund shall be made through the ECS or Direct Credit, if eligibilty is disclosed.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by RBI are eligible to receive refunds through the modes detailed in (a), (b) and (c) hereinabove. For all the other applicants, including applicants who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.

For all the other applicants excepts for whom payment of refund is possible through (a), (b) and (c) the refund orders would be despatched "Under Certificate of Posting" for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the Bid/Issue Closing Date or if in a case where refund or postion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid / Issue Closing Date, provided that the beneficiary particualars relating to such Bidders as given by the Bidders is valid at the time of the uplaod of the eliectronic transfer.

ISSUE PROGRAM

BID/ISSUE OPENED ON:	Wednesday, May 3, 2006
BID/ISSUE CLOSED ON:	Tuesday, May 9, 2006

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

UNDERTAKINGS BY OUR COMPANY

Our Company undertakes as follows:

(a) that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;

(b) that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;

(c) that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading "Mode of making refunds" on page 232 of this Prospectus, shall be made available to the Registrar to the issue by the Issuer;

(d) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicany within 15 working days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

(e) that the refund orders or allotment advice to the Non Residents shall be dispatched within specified time; and

(f) that no further of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

We will provide adequate funds required for dispatch of refund orders / electronic transfer of funds for refunds or allotment advice to the Registrar to the Issue.

UTILISATION OF ISSUE PROCEEDS

Our Board of Directors certifies that:

(a) all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act; details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;

(b) details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;

(c) the details of all unutilised monies out of the funds received from the portion reserved as the Existing Retail Shareholders' Portion shall be disclosed under a separate head in the balance sheet of the issuer company, indicating the form in which such unutilised monies have been invested.

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued thereunder. While the policy of the Government prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total issued share capital.

Subscription by NRIs/ FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of our Company. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Pre-Issue and Post-Issue related problems

We have appointed Ms. Shobha Shetty as the Compliance Officer for this Issue. Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems, such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary accounts or refund orders etc. The contact details of the Compliance Officer are as follows:

Ms. Shobha Shetty
Company Secretary & Compliance Officer
Patel Engineering Limited
Patel Estate Road, Jogeshwari (West),
Mumbai – 400 102
Tel: +91 22 2678 2916;
Fax: +91 22 2678 2455
Email: patelfpo@pateleng.com

SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Capitalized terms used in this section shall have the same meaning that has been given to such terms in the Articles of Association of Patel Engineering Limited.

No regulations contained in Table "A" in the First Schedule to the Companies Act, 1956, or in the Schedule to any previous Companies Act, shall apply to. However, the regulations for the management of our Company and for the observance of the members thereof and their representatives, shall subject to any exercise of the statutory powers of the Company with reference to the repeal or alteration or additions to its regulations by Special Resolution, as prescribed by the said Companies Act, 1956 be such as are contained in the Articles of our Company.

SHARE CAPITAL

Article 4 provides as follows :

The Authorized Capital of the Company is Rs.15,00,00,000 (Rupees Fifteen Crores only)) divided into 15,00,00,000 (Rupees Fifteen Crores) Ordinary (Equity) Shares of Re.1/- each.

Article 7 (1) provides as follows :

The Company may from time to time by Ordinary Resolution increase its Share Capital by the creation of new shares of such amount as it thinks expedient. Subject to the provisions of the Act the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting shall direct, and if no direction be given as the Directors shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company, provided always that any preference shares may be issued on the terms that they are, or at the option of the Company are, to be liable to be redeemed. Notwithstanding anything in this clause contained, the rights or privileges attached to the Preference Shares in the Capital for the time being of the Company shall not be modified except in manner hereinafter provided.

Article 7A provides as follows :

Notwithstanding anything contained in these Articles, the Company may from time to time increase the subscribed capital of the Company by offer, issue and allotment of further shares, whether equity or preference, or by issue of warrants, fully/partly convertible debentures or any other instruments which may entitle the holders thereof to subscribe to or receive equity shares of the Company, or which may be convertible into equity shares of the Company, in each case, on such terms and conditions and on such price as may be decided by the Company, or by the Board of Directors, if so authorized by the Company, to any person(s) or any class or group of person(s)/ body(ies) corporate, whether or not they are the members of the Company, by way of preferential allotment, that is to say that the invitation or offer shall not result, directly or indirectly in the securities and/or shares mentioned above becoming available for subscription or purchase by person(s)/body(ies) corporate other than those receiving the offer or invitation.

Article 9 provides as follows:

Except so far as otherwise provided by the conditions of issue or by these Articles, any capital, raised by the creation of new shares, shall be considered part of the initial capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

Article 10 provides as follows :

The Company may from time to time by Special Resolution reduce its capital in any manner for the time being authorized by law, and in particular, capital may be paid off on the footing that it may be called up again or otherwise.

Article 10A provides as follows:

The Company may from time to time by Special Resolution buy its own shares, if any, for the time being, either from the existing holders of shares/stock and/or from the open market including the shares issued to the employees, if any, as and when issued by both in marketable lots and lots smaller than the marketable lots (i.e. odd lots).

Further issue of shares :

Article 7. (2) provides as follows:

Subject to the provisions of Section 81 and other applicable provisions, if any, of the Act, where it is proposed to increase the subscribed capital of the Company by the issue of new shares, then subject to any directions to the contrary which may be given by the Company in General Meeting and subject only to these directions.

(a) Such new shares shall be offered to the persons who, on the date of the offer are holders of equity shares of the Company, in proportion as nearly as circumstances admit, to the capital paid up on these shares at that date;

(b) The offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time not being less than 15 days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person; and the notice referred to in sub-clause (b) shall contain a statement of this right;

(d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.

Shares under the control of Directors

Article 5 provides as follows:

Subject to the provisions of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may allot or otherwise dispose of the same or any of them to such persons in such proportions and on such terms and conditions and either at premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such times as they may from time to time think fit and with the sanction of the Company in General Meeting to give any person the option to call for or be allotted shares of any class of the Company and either at par or at a premium or subject aforesaid at a discount such option being exercisable at such times and for such consideration as the Directors think fit.

Commission

Article 20 provides as follows :

The Company may subject to the provisions of Section 76 and other applicable provisions (if any) of the Act at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe or his procuring or agreeing to procure subscriptions, whether absolutely or conditionally, for any shares in or debentures of the Company but so that the amount or rate of commission does not exceed in the case of shares 5% of the price at which the shares are issued and in the case of debentures 2-1/2% of the price at which the debentures are issued. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or debentures or partly in the one way and partly in the other. The Company may also on any issue or shares or debentures pay such brokerage as may be lawful.

Division and sub-division of shares

Article 11 provides as follows:

The Company may in General Meeting alter the conditions of its Memorandum as follows:

(a) Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.

(b) Sub-divide its shares or any of them into shares of smaller amounts than originally fixed by the Memorandum subject nevertheless to the provisions of the Act and of these articles.

(c) Cancel shares which at the date of such General Meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

SHARE CERTIFICATES

Article 22 provides as follows:

(1) Every member is entitled without payment to one or more certificates as the Directors may from time to time determine for all the Shares of each class registered in his name.

(2) A large number of Certificates may be issued to a shareholder by Directors on payment of a fee of fee of rs.25/- or such smaller fee as the Directors may from time to time determine for each additional Certificate.

(3) Every Certificate shall specify : (i) the name(s) of the person(s) in whose favour the Certificate is issued, (ii) the number and distinctive numbers of shares in respect of which it is issued, and (iii) the amount paid thereon.

(4) Every Certificate shall be under the Seal of the Company which shall be affixed in the presence of at least two Directors one of whom will be a Managing or whole-time director, if there is such Managing, whole-time or other Director , and the Secretary or some other person appointed by the Board and all the said three persons shall sign by autograph on each such certificate.

(5) Share Certificate shall be issued in pursuance of a Resolution passed by the Board and on surrender to the Company of its letter making allotment. In case the letter of Allotment is lost or destroyed all the provisions applicable in similar case to a Share Certificate shall apply.

Article 23 provides as follows:

(1) The Company shall within Three Months after the allotment of any of its shares or debentures and within One Month after the application for the registration of transfer of any such shares or debentures, complete and have ready for delivery the Certificates for all shares and debentures allotted or transferred, unless conditions of issue of the shares or debentures provide for a longer time.

(2) Every endorsement upon the Certificate of any share in favour of any transfers thereof shall be signed by a Director or the Secretary if specially authorized in that behalf by the Board of Directors.

Article 24 provides as follows:

If a Share Certificate is lost, destroyed or defaced or if there is no further space on the back thereof for endorsements of transfer, a new Certificate in lieu thereof shall be issued only under a Resolution of the Board and on payment of a fee of Rs.25/- (Rupees twenty five only) per Certificate. In case of a Certificate which is defaced or on the back of which there is no further space for endorsement, a new Certificate shall be issued only on the production and surrender of the old Certificate. In case of a Certificate which is lost or destroyed, the Directors shall issue a new Certificate only if they are satisfied by adequate proof of loss or destruction and on indemnity as required by the Directors being furnished and all out of pocket expenses incurred by the Company in investigating evidence being paid .

Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers are fully utilized.

Dematerialisation of Securities

Article 39(a) provides as follows:

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing shares, rematerialize its shares held in the Depositories and/or to offer its fresh securities in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed there under ,if any.

TRANSFER AND TRANSMISSION OF SHARES

Article 34 provides as follows:

The instrument of transfer shall be in writing and all the provisions of Section 108 of the Companies Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof.

Article 35 provides as follows:

The Company shall not register a transfer of shares in the Company unless a proper Instrument of Transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee, has been delivered to the Company along with the certificates relating to the share, or if no such share certificate is in existence, along with the letter of allotment of the shares; Provided that where, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnify as the Board may think fit; Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any share in the Company has been transmitted by operation of law.

Article 36 provides as follows:

Subject to the provisions of Section 111 of the Act, the Board may, at their own absolute and uncontrolled discretion, decline to register or acknowledge any transfer of shares and in particular may so decline in any case in which the Company has a lien upon the shares or any of them, or whilst any moneys in respect of the share desired to be transferred or any of them remain unpaid or unless the transfer is approved by the Board. The registration of a transfer shall be conclusive evidence of the approval by the Directors of the transferee. Provided that registration of a transfer shall not br refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company or any account whatsoever except a lien on shares;

Article 36A. provides as follows:

I) Without in any way derogating the powers conferred on the Board elsewhere in the articles, the Board shall, in its absolute discretion be entitled to refuse an application for transfer except in the following cases –

ii) Transfer of shares not made in pursuance of any approval of law or statutory order or an order of Competent Court of Law.

iii) Transfer the entire holding of shares by an existing shareholder of the Company by a single transfer to an individual or collectively to any body where the Board foresee any forceful takeover of the management and control of the Company and likely resulting in undue hardship or prejudice to any shareholder.

Article 37 provides as follows:

If the Company refuses to register the transfer of any shares or transmission of any right therein, the Company shall within one month from the date on which the instrument of transfer or intimation of transmission was lodged with the Company send notice of refusal to the transferee and transferor or to the person giving intimation of the transmission, as the case may be, and thereupon the provisions of Section 111 of the Act shall apply

(1) An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee.

(2) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

(3) For the purpose of sub-clause (2) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

Article 39 provides as follows:

A transfer of the share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer.

DIVIDENDS

Article 146 provide as follows:

The profits of the Company subject to any special right relating thereto created or authorized to be created by these Articles shall be divisible among the members in proportion to the amount of Capital paid up on the Shares held by them.

Article 152 provides as follows:

No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares, or otherwise howsoever, either alone or jointly with any other person or persons; and the Directors may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

MEETINGS OF MEMBERS

Annual General Meetings

Article 62 (2) provides as follows:

Every Annual General Meeting shall be called for a time during business hours and on such day (not being a public holiday) as the Directors may from time to time determine and it shall be held either at the Registered Office of the Company or at some other place within the City of Bombay. The Notice calling the Meeting shall specify it as the Annual General Meeting.

Extraordinary General Meeting

Article 65 provides as follows:

The Board of Directors shall, on the requisition of such number of members of the Company as hold in regard to any matter at the date of deposit of the requisition, not less than one-tenth of such of the paid-up capital of the Company as at that date carried the right of voting in regard to that matter, forthwith proceed duly to call an Extraordinary General Meeting of the Company and the provisions of Section 169 of the Act shall be applicable.

Quorum

Article 72 provides as follows:

Five members personally present shall form a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum requisite be present at the commencement of the business.

Chairman

Article 75 provides as follows:

The Chairman (if any) of the Board of Directors shall, if willing, preside as Chairman at every General Meeting, whether Ordinary or Extraordinary, but if there be no such Chairman or in case of his absence or refusal, some one of the Directors (if any be present) shall be chosen to be Chairman of the Meeting.

Article 76 provides as follows:

If at any meeting quorum of members shall be present, and the chair shall not be taken by the Chairman of the Board or by a Director at the expiration of half an hour from the time appointed for holding the meeting or if before the expiration of that time all the Directors shall decline to take chair, the members present shall choose one of their own member to the Chairman of the meeting.

VOTE OF MEMBERS

Article 90 provides as follows:

(1) Subject to the provisions of the Act and these Articles upon a show of hands every member entitled to vote and present in person (including a body corporate present by a representative duly authorized in accordance with the provisions of Section 187 of the Act and Article 91) shall have one vote.

(2) Subject to the provisions of the Act and these Articles upon a poll every member entitled to vote and present in person (including a body corporate present as aforesaid) or by attorney or by proxy shall be entitled to vote and shall have one vote for a fully paid share, and in respect of partly paid shares his voting right shall be in the same proportion as the capital paid-up on such share bears to the total paid-up capital in respect of such partly paid shares.

Article 91 provides as follows:

No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by a representative duly authorized under Section 187 of the Act in which case such representative may vote on a show of hands as if he were a member of the Company.

Nature of business at adjourned meeting

Article 74 provides as follows:

If at any adjourned meeting also a quorum is not present within half an hour of the time appointed for holding the meeting, the members present, whatever their number or the amount of shares held by them, shall be a quorum and shall have power to decide upon all the matters which could properly have been disposed of at the meeting from which the adjournment t took place.

Demand of Poll

Article 81 provides as follows:

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by at least five members having the right to vote on the resolution and present in person or by proxy, or by any member or members present in person or by proxy and having not less than one-tenth of the total voting power in respect of the resolution or by any member or members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid-up which is not less than one-tenth of the total sum paid-up on all the shares conferring that right. The demand for a poll may be withdrawn at any time by a person or persons who make the demand.

VOTING RIGHTS OF MEMBERS

No member to vote unless the calls are paid up

Article 89 provides as follows:

Subject to the provisions of the Act, no members shall be entitled to be present or vote at any General Meeting either personally or by proxy or attorney or be reckoned in a quorum unless all calls or other sum presently payable by him in respect of shares in the Company have been paid.

Right of member to use his votes differently.

Article 92 provides as follows:

On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy, or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

Deposit of instrument of appointing proxy.

Article 99 provides as follows:

The Instrument appointing a proxy under the Power of Attorney or other authority, if any, shall be deposited at the office of the Company not less than 48 hours before the time for holding the meeting at which the person named in the instrument proposes to vote. No instrument off proxy shall be valid after the expiration of twelve months from the date of execution.

BOARD OF DIRECTORS

Number of Directors

Article 101 provides as follows:

Until otherwise determined by a General Meeting the number of Directors shall be not less than three nor more than fifteen.

Special Director

Article 106A provides as follows

Any agreement/arrangement/consent term (by whatever name called) for subscribing to the securities that may be issued by the Company from time to time by way of equity shares, preference shares, warrants, fully/partly convertible debentures and/or any other instruments which may entitle the holders thereof to subscribe to equity shares of the Company, or which may be convertible into equity shares of the Company, may provide for the appointment from time to time by the investor(s)/subscriber(s) of any person(s) nominated by them as director(s) on the Board of the Company and for the removal of the director(s) so appointed, so long as the concerned investor(s)/subscriber(s) is the holder of the instrument or securities so issued. A director so appointed under this Article shall be referred to as a ***"Special Director"***. The Special Director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation and the provisions in such agreement/arrangement/consent terms pertaining to the Special Director(s) would be deemed to be a part of the Articles of Association of the Company."

Remuneration of Directors

Article 107(1) provides as follows:

The remuneration of a Director for his services shall be such a sum as may be fixed and as approved by the Board of Directors subject to the ceilings provided in the Companies Act 1956 for each meeting of the Board or of a Committee thereof attended by him and subject to the limitation provided by the Act. The Directors shall be paid such further remuneration (if any) as the Company in General Meeting shall from time to time determine and such further remuneration shall be divided among the Directors in such proportion and manner as the Directors may from time to time determine. Subject as aforesaid, the Directors may allow and pay to any Director, who is not a bona fide resident in Bombay and who shall come to Bombay for the purpose of attending a meeting of the Board of Directors or any committee thereof, such sum as the Directors or any committee thereof, such sum as the Directors may consider fair compensation for his expenses and loss of time in connection therewith, in addition to his fee for attending such meeting as above specified.

Article 107(2) provides as follows:

Subject to the limitations provided by the Act and these Articles, if any Directors shall be called upon to go or reside out of Mumbai on the Company's business, or otherwise perform extra services the Board may arrange with such Director for such special remuneration for such services, either by way of salary, commission, or the payment of a stated sum as they shall think fit, in addition to or in substitution for his remuneration above provided, and all the Directors shall be entitled to be repaid any traveling or other expenses incurred in connection with the business of the Company.

Directors may contract with the Company

Article 110 provides as follows:

Subject to the provisions of the Act and the observance and fulfillment thereof, no Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser, agent broker, or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested, be voided nor shall any Director, so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office, or of the fiduciary relation thereby established, but it is declared that the nature of interest must be disclosed by him as required by the various provisions of the Act.

Disclosure by Director of his appointments

Article 111(2) provides as follows:

A Director shall within twenty days of his appointment as director, managing director, manager or secretary in any other body corporate disclose to the Company the particulars relating to his office, in the other body corporate which are required to be specified under section 303(1) of the Act. The Company shall enter the aforesaid particulars in a register kept for that purpose in conformity with Section 303 of the Act.

Retirement and Rotation of Directors

Article 113 provides as follows:

Subject to the provisions of the Act and these Articles, the Directors to retire by rotation under the foregoing Article at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those are to retire shall, in default of and subject to any agreement amongst themselves, be determined by lot. Subject to the provisions of the Act, a retiring Director shall retain office until the dissolution of the meeting at which re-appointment is decided or his successor is appointed.

Directors to retire annually

Article 114 provides as follows:

Subject to provisions of the Act and these Articles, a retiring Director shall be eligible for re-appointment.

MANAGING DIRECTOR

Article 141(1) provides as follows:

The Board of Director shall have power to appoint from time to time one or more of the Directors as Managing Directors of the Company subject to the provisions of the Act.

Article 141(2) provides as follows:

The remuneration and term of office of the Managing Directors shall be determined by the Board of Directors either by resolution or by contract appointing the Managing Directors subject to the provisions of the Act. During such period of office, the Managing Director shall not be liable to retire by rotation.

Article 141(3) provides as follows:

A Managing Director shall exercise such powers as may have been or may from time to time be entrusted to him by the Board of Directors.

Proceedings of the Board of Directors

Article 122 provides as follows:

The Directors may meet together as a Board for the dispatch of business from time to time and shall so meet at such intervals of time not exceeding three calendar months from the last meeting and they may adjourn and otherwise regulate their meetings and proceedings as they may deem fit.

Article 124 provides as follows:

Subject to the provision of Section 287 of the Act, the quorum for a meeting of the Board of Directors shall be one-third of the total strength (excluding directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher; Provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength , the number of the remaining Directors, that is to say, the number of Directors who are not interested shall be the quorum during such time. A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the Act or the Articles of the Company, for the time being vested in or exercisable by the Board of Directors generally.

Directors may appoint a Chairman

Article 126 provides as follows:

The Directors may elect a Chairman of their meetings, and determine the period for which is to hold office.

Article 127 provides as follows:

All meetings of the Directors shall be presided over by the Chairman, if present. In the absence of the Chairman, the Directors shall choose one of the directors then present to preside at the meeting.

POWERS OF THE DIRECTORS

Article 135(1) provides as follows:

Subject to the provisions of the Act and these Articles, the Board of Directors of the Company shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorized to exercise and do ; Provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other Act or by the Memorandum or these Articles or otherwise, to be exercised or done by the Company in General Meetings; Provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions contained in that behalf in the Act or in the Memorandum or in these Articles or in any regulations not inconsistent therewith duly made thereunder including regulations made by the Company in General Meeting.

Directors may appoint Committee

Article 129 provides as follows:

Subject to the provisions of Section 292 of the Act, the Directors may delegate any of their powers to Committees consisting of such member or members of their body as they think fit, and they may from time to time revoke and discharge any such Committee, either wholly or in part, and either as to persons or purposes; but every Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Directors. All acts done by any such Committee in conformity with such regulations and in fulfillment of the purposes of their appointment but no otherwise, shall have the like force and effect as if done by the Board. Subject to the provisions of the Act the Board may from time to time fix the remuneration to be paid to any member or members of their body constituting a committee appointed by theBoard in terms of these Articles, and may pay the same.

DIVIDENDS

Article 146 provides as follows:

The profits of the Company subject to any special right relating thereto created or authorized to be created by these Articles shall be divisible among the members in proportion to the amount of Capital paid up on the Shares held by them.

Article 148 provides as follows:

The Company may pay dividends in proportion to the amount paid up or credited as paid up on each share, where a larger amount is paid up or credited as paid up on some shares than on others.

Interim Dividend

Article 150 provides as follows

Subject to the provision of the Act the Directors may from time to time pay to the members on account of the next forthcoming dividend such interim dividends as in their judgement the position of the Company justifies.

Article 151 provides as follows:

Subject to the provisions of the Act the Directors may retain the dividends payable upon shares in respect of which any person in, under Article 42 hereof, entitled to become a member, or which any person under that Article is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.

Article 152 provides as follows:

No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares, or otherwise howsoever, either alone or jointly with any other person or persons; and the Directors may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Prospectus have been delivered to the Registrar of Companies, Maharashtra for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at Patel Estate Road, Jogeshwari (West), Mumbai 400 102, from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of the Red Herring Prospectus until the Bid Closing Date / Issue Closing Date of this Issue.

Material Contracts for Inspection

1. Letter of Engagements dated January 24, 2006 from ICICI Securities Limited and Enam Financial Consultants Private Limited dated January 23, 2006 respectively offering their services to act as BRLMs and Company's acceptance thereto.
2. Memorandum of Understanding dated March 17, 2006 between the Company, the BRLMs to this Issue.
3. Memorandum of Understanding dated February 15, 2006 between the Company and Intime Spectrum Registry Limited as Registrars to this Issue.
4. Escrow Agreement dated April 28, 2006 between the Company, the BRLMs, Escrow Collection Bank and the Registrar to this Issue will be submitted to RoC at the time of filing the Prospectus.
5. Underwriting Agreement dated May 13, 2006 between the Company, BRLMs and the Syndicate Member will be submitted to RoC at the time of filing the Prospectus.
6. Syndicate Agreement dated April 28, 2006 between the Company, BRLMs and the Syndicate Member will be submitted to RoC at the time of filing the Prospectus.

Material Documents for Inspection

1. Certified true copies of the Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certified true copies of the Memorandum and Articles of Association of Patel Engineers Private Limited, as amended from time to time.
3. Certified true copies of the Memorandum and Articles of Association of Shreeanant Construction Private Limited, as amended from time to time.
4. Certified true copies of the Memorandum and Articles of Association of Patel Patron Private Limited, as amended from time to time.
5. Certified true copies of the Memorandum and Articles of Association of ASI RCC India Limited, as amended from time to time.
6. Certificate of Incorporation of the Company as contained in the Memorandum and Articles of Association of the Company.
7. Certificate of Incorporation of Patel Engineers Private Limited as contained in the Memorandum and Articles of Association of the company.
8. Certificate of Incorporation of Shreeanant Construction Limited as contained in the Memorandum and Articles of Association of the company.
9. Certificate of Incorporation of Patel Patron Private Limited as contained in the Memorandum and Articles of Association of the company.
10. Certificate of Incorporation of ASI RCC India Limited as contained in the Memorandum and Articles of Association of the company.
11. Agreement dated October 14, 2004 for the appointment of Mr. Rupen Patel, our Managing Director, Agreement dated September 30, 2003 for the appointment of Ms. Sonal Patel as Whole-Time Director and our Chief Operating Officer, Agreement dated October 1, 2005 for the appointment of Ms. Silloo Patel as Whole-Time Director, Agreement dated October 1, 2005 for the appointment of Mr. Nimish Patel as Whole-Time Director and Agreement dated September 30, 2003 for the appointment of Mr. Sumantrai Desai as Whole-Time Director.

12. Extraordinary General Meeting resolution dated January 30, 2006, the resolution of the Board dated December 27, 2005 and resolution of the Board dated March 14, 2006 authorizing the Issue. Resolution of the FPO Committee dated April 13, 2006 approving the Red Herring Prospectus.
13. Copies of the Annual Reports of the Company for the years ended March 31, 2001; March 31, 2002; March 31, 2003; March 31, 2004 and March 31, 2005.
14. Copy of the Statement of Tax Benefits report dated March 14, 2006 issued by M/s. Vatsaraj & Co., Chartered Accountants.
15. Report of the Statutory Auditors dated March 14, 2006 for FY 2001 to FY 2005 and the period of nine months ended December 31, 2005.
16. General Powers of Attorney executed by the Directors of the Company in favour of Mr. Rupen Patel, our Managing Director for signing and making necessary changes to the Red Herring Prospectus and other related documents.
17. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Legal Advisors to this Issue, International Legal Counsel to this Issue, Directors, Company Secretary, Registrar to this Issue, Escrow Collection Bank(s), Bankers to this Issue, Compliance Officer as referred to, in their respective capacities.
18. Consent letter dated April 12, 2006 from Union Bank of India for monitoring the utilisation of Issue Proceeds.
19. Applications dated March 17, 2006 seeking In-principle listing approval from BSE and NSE and In-principle listing approvals dated April 7, 2006 and April 10, 2006 from BSE and NSE, respectively.
20. Tripartite agreement between the NSDL, our Company and the Registrar dated April 13, 2006.
21. Tripartite agreement between the CDSL, our Company and the Registrar dated March 24, 2006.
22. Due diligence Certificate dated March 17, 2006 to SEBI from ICICI Securities and Enam.
23. SEBI observation letter no. CFD/DIL/SM/ 64613/ 2006 dated April 12, 2006.
24. In-seriatim reply to SEBI's observations vide letter dated April 13, 2006.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures and statements made in this Prospectus are true and correct.

Signed by all the Directors of Patel Engineering Limited

Mr. Pravin Patel, Chairman

Mr. Rupen Patel, Managing Director

Mr. K. Kannan

Mr. Khizer Ahmed

Mr. Rohit Patel

Ms. Silloo Patel

Ms. Sonal Patel*

Mr. Nimish Patel

Mr. Sumantrai K. Desai

Mr. Dinesh V. Patel

Mr. Rajat Patel

Mr. Danish Merchant

Mr. Ajay Tuli

Signed by the Chief Executive Officer – Mr. Rupen Patel (Managing Director)

Signed by the Chief Financial Officer – Ms. Silloo Patel (Director Finance)

Place: Mumbai

Date: May 15, 2006

* Signed through her constituted Attorney Mr. Pravin Patel