

Essar Constructions Limited

Annual Report 2005-2006





The Company

The Essar Group was founded more than three decades ago by the Ruia family and is headed by Chairman Shashi Ruia and Vice Chairman Ravi Ruia. Essar Constructions Limited was one of the first Companies to be started by the group and has close to forty years' experience in diverse construction related activities

The Company's core areas have been cross country pipe laying, marine construction, industrial and infrastructure projects of national importance. Undeniably India's partner in progress, Essar Constructions Limited plays a major role in linking the country's with canals and cross country as well as undersea pipeline for water, oil and gas.

Vision

To be a global Engineering, Procurement and Constructions contracting Company.

Mission

To achieve excellence in the field of Engineering, Procurement and Construction through world class practice and standards in quality, Safety and Project Management.

The Company's core competency lies in :

1. Project conceptualization and design
2. Projects Management
3. Project Execution
4. State of the art equipment for speedy execution of projects
5. A commitment to quality and world class standards



Expertise

1. Pipelines

Essar Constructions Limited has created for itself a niche market in the pipeline business and is the only Company in India with more than two decades of experience in Cross Country Onshore and Offshore Pipeline from Constructions to Commissioning. This pipelines transport Oil, Gas, Water and Iron Ore slurry.

2. Industrial Plants

As a turnkey contractor, major Industrial Projects have been executed for Steel Plants, Refineries,





Power Plants and infrastructure Projects in India and overseas. As with every project that rolls out of ECL, stringent quality controls norms are maintained and followed during design, engineering, procurement and construction as to enable trouble free and smooth operations.

3. Marine Constructions

Essar has over three decades of experience in Marine Projects. It has undertaken diverse and challenging projects such as break water construction, construction of Ports and Jetties, wharves, sea water intakes, sheet pile jetties, trenches for underwater pipelines and pipe burials and sea bunds. It has also undertaken underwater drilling and blasting and dredging both in India and overseas. Every marine project has posed unique challenges and Essar Constructions has overcome them by using its expertise, ingenuity and pioneering path breaking solutions.

4. Civil Works

Essar Constructions Limited is in a position to undertake complex high value and high technology civil projects having executed a wide range of

projects covering construction of canals, townships, intelligent buildings, heavy concrete work amongst others.

Resources

1. Construction Equipments

Essar Constructions Limited has emerged as a leading EPC Company and today it has its own large fleet of constructions equipments. This helps in smooth execution of projects while keeping the execution cost to minimum. Pipe Layers, Piling Rigs, Heavy Duty Cranes, Excavators, Bending Machines, High Capacity Crawler Cranes, Dumpers, Tippers including India's largest mobile crane are some of the cream equipment owned by the Company as on date. The best quality equipment with proven design and track record are used in all turnkey projects. Not only does



Essar Constructions Limited has state of the art equipment spread over several major projects sites in India, it is always maintained in top class condition by a special equipment service division.

2. Manpower

The Company has multi skilled and multi disciplined people power including well qualified engineer and project managers with manifold years

of deeply embedded hands on expertise and experience. They have the ability to holistically visualize large and complex projects, carry out techno-commercial evaluation, terrain assessment, selection of the right people, select and source equipment and materials, work out finer details and complete the entire project well within the stipulated time and budget.

Snap Shot - 2005-2006

During the year, the Company has bagged some of the prestigious EPC Contracts worth mentioning herein below :

The Company has bagged three new pipeline projects worth Rs. 368.39 Crore in Gujarat that demand extracting execution and matchless expertise. Two of the projects involve laying gas pipelines for Gujarat State Petronet Limited (GSPL). Essar Constructions



Limited will lay cross country pipeline for GSPL that will connect Rajkot and Morbi industrial areas to the existing Baroda-Ahmedabad-Kalol pipeline. This contract for 24" buried trunk pipeline stretching 168 KMs and the second project involving 30 KMs of 18" pipeline from Ankjav to Dhuvaran in Gujarat are valued at around Rs. 250 Crore. Both the projects involves the strenuous task of laying pipeline across Railways, Minor rivers, Roads and Canal Crossings etc.



Additionally, a project from Gujarat Water Resources Development Corporation Limited has been bagged by ECL. This will involve construction of a Pumping Station at Adundara and supplying and laying of 23.5 cm wide and 1.4 cm thick MS pipeline from Adundara to Sujlam Suflam Spreading Canal.

GAIL (India) Limited has awarded EPC Contract to the consortium formed between DQE International, Peoples Republic of China and the Company for laying of pipeline and associated facilities of Spread II between Jalalpur (SV7) to Bhoirpada (IP Station 3) covering a distance of 147 KM and overall commissioning of the total pipeline system for Dahej – Uran Pipeline Project of GAIL (India) Limited for a total consideration of Rs. 130 Crore.

Essar Constructions Limited has also entered into a sub-contract Agreement with JSC Stroytransgas, Russia for laying of Pipeline and Associated Facilities (Part I & Part II) for Mundra – Delhi Pipeline Project of Hindustan Petroleum Corporation Limited for a total consideration of Rs. 117 Crore.

Essar Constructions Limited has also secured an EPC Contract for setting up of 140 MW Gas Fired Combined Cycle Power Plant in Hazira, Gujarat for Bhandar Power Limited for a total contract value of Rs. 300 Crore.



Associations

Essar Constructions Limited has long term relationship with certain multinational construction and engineering companies from all around the world. Currently, the Company is having a consortium arrangement with JSC Stroytransgaz (STG) of Russia, DQE International of China, Harbin Power Engineering Company Limited, China and SEPCO Electric Power Construction Corporation, China for doing the pipeline and Power Plant Projects. For Mass Rapid Transport System (MRTS) Projects, the Company has been short listed as one of the qualified bidders for the Hyderabad Mass Rapid Transport System by bringing the consortium of Singaporean Companies comprising of Sembcorp Engineers & Construction PTE Limited, Singapore Technologies Electronics Limited, SMRT Engineering PTE Limited who have proven track record for developing the Mass Rapid Transportation System in far east countries.



Road Ahead

Essar Constructions Limited is planning to concentrate on following five key sectors: -

1. **Infrastructure** :- Ports, Airports, Mass Rapid Transport, Light Rail Transport
2. **Industrial** :- Metallurgical, Petrochemical, Power
3. **Cross country pipelines** :- Oil, Gas, Water, Slurry
4. **Real Estate** : - High Rise Building, SEZs, Townships
5. **Offshore** : - Subsea pipelines

Essar Constructions Limited has a strong order book position and is working on a number of proposals



and is hopeful of bagging some new projects in the Gulf Region. ECL has the expertise and a large pool of highly skilled engineers, backed by some of the most modern and sophisticated equipments in the Industry. Add to this, other national and international projects and our associations with internationally renowned EPC organizations, our growth is limited only to the opportunities.

BOARD OF DIRECTORS

S. N. Ruia	Director
S. V. Venkatesan	Director
T. K. Nagaraj	Director
V. N. Paradkar	Whole-time Director

AUDIT COMMITTEE

S. V. Venkatesan	Chairman
T. K. Nagaraj	
V. N. Paradkar	

COMPANY SECRETARY

B. R. Deb Purakayastha

BANKERS

Dena Bank
Uco Bank
United Bank of India
Central Bank
ICICI Bank Limited
Union Bank of India

AUDITORS

M/s. B. P. Jain & Co.
Chartered Accountants
A-16, Everest,
156, Tardeo Road,
Tardeo, Mumbai 400 034.

SOLICITORS

M/s. Rajani Associates
F-4, Panchsheel,
53, "C" Road, Churchgate,
Mumbai - 400 020

REGISTERED & CORPORATE OFFICE

Essar House,
11, Keshavrao Khadye Marg,
Mahalaxmi,
Mumbai - 400 034

NOTICE

Notice is hereby given that 17th Annual General Meeting of the Members of Essar Constructions Limited will be held on Friday, the 25th August 2006 at 11.00 A.M. at the Registered Office of the Company at Essar House, 11, K. K. Marg, Mahalaxmi, Mumbai – 400 034 to transact following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Accounts for the financial year ended on 31st March 2006 and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri. S. V. Venkatesan, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution: -

“RESOLVED THAT in accordance with the provisions of Section 16, 31, 94 and other applicable provisions of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs. 15,00,00,000/- (Rupees fifteen crore) divided into 1,50,00,000 Equity Shares of Rs. 10/- each to Rs. 50,00,00,000 (Rupees fifty crore) divided into 5,00,00,000/- Equity Shares of Rs. 10/- each by creation of further 3,50,00,000 Equity Shares of Rs. 10/- each ranking *pari passu* with the existing shares of the Company and that Clause V of the Memorandum of Association and Clause 3 of the Articles of Association of the Company be altered accordingly.

FURTHER RESOLVED THAT Mr. B. R. Deb Purakayastha, Company Secretary of the Company be and is hereby authorised to take necessary steps including intimation to the Office of the Registrar of Companies and to do all acts, deeds and things as considered necessary to give effect to the resolution.”

5. To consider and if thought fit, to pass with or without modification, the following resolution a Special resolution: -

“RESOLVED THAT in accordance with the provisions of Section 81, 81 (1A) and other applicable provisions of the Companies Act, 1956 and subject to such approvals and consents as may be required in this connection from the statutory authorities, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to create, offer, issue and allot in one or more tranches, such number of equity shares of Rs. 10/- each for cash, within the overall limit of authorised share capital, to any members, strategic investors, non-resident Indians, overseas Bodies-corporate, companies-private or public or corporate bodies or any other person or one or more combinations thereof, on such terms and conditions including pricing, amount of premium and matters incidental thereto as the Board may in its absolute discretion think.

RESOLVED FURTHER THAT the equity shares to be so issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank *pari-passu* with the existing equity shares of the Company except that for the financial year in which they are issued and allotted, they shall rank only for pro-rata dividend for the period during which such capital is so paid-up.

RESOLVED FURTHER THAT the Board be and is hereby authorised to accept any modification(s) to or to modify the terms of issue of the said new equity shares subject to the provisions of the Companies Act, 1956 and Unlisted Public Companies (Preferential Allotment) Rules 2003, without being required to seek any further consent or approval of the Company in General Meeting.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and matters and things as the Board may in its absolute discretion, consider necessary, proper, expedient, desirable or appropriate for making the said issue as aforesaid and to settle any questions, query, doubt or difficulty that may arise in this regard including the power to allot under-subscribed portion, if any, in such manner and to such person(s) as the Board may deem fit and proper in its absolute discretion to be most beneficial to the Company.”

6. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution: -

“**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the said Act as amended from time to time, the Company hereby approves the re-appointment and terms of remuneration of Mr. V. N. Paradkar as a whole-time Director of the Company for a period of five years with effect from 1st April 2006, not liable to retire by rotation, upon the terms and conditions as set out in explanatory statement with a liberty and power to the Board of Directors to grant increments and to alter and vary from time to time the terms and conditions of the said re-appointment and remuneration in such manner as may be agreed between the Board and Mr. V. N. Paradkar.

RESOLVED THAT where in any financial year during the currency of the tenure of Mr. V. N. Paradkar as Whole-time Director, the Company has no profits or its profits are inadequate, the Company will pay Mr. V. N. Paradkar all the remuneration by way of Salary and allowances and perquisites not exceeding the limit stipulated in Part II of Schedule XIII of the Act.

RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, matters and things as may be necessary and desirable to give effect to this resolution or as may be deemed to be in the best interest of the Company.”

By Order of the Board

Place: - Mumbai
Dated: - August 10, 2006

B. R. Deb Purakayastha
Sr. Vice President – Finance &
Company Secretary

NOTES: -

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE DULY STAMPED, COMPLETED, SIGNED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

Explanatory Statement

(Pursuant to Section 173 (2) of the Companies Act, 1956)

ITEM NO: - 4

The Company, in order to meet its growth objectives and to strengthen its financial position, may be required to generate long term resources by issuing securities. It is therefore deemed appropriate to increase the Authorised Share Capital of the Company from Rs. 15 crore to Rs. 50 crore and for that purpose, the Memorandum of Association and the Articles of Association of the Company are proposed to be suitably altered as set out at Item Nos. 4 of the accompanying Notice.

The provisions of the Companies Act, 1956 require the Company to seek the approval of the Members for increase in the authorised share capital and consequential alteration of capital clause of the Memorandum of Association and the Articles of Association of the Company.

The Board of Directors accordingly recommends the resolution set out at Item No. 4 of the accompanying notice for the approval of the Members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

ITEM NO: - 5

In line with the proposed resolution at Item No: - 4 of the notice and with the increasing number of Central & State sponsored investments coming up in Ports, Pipeline and Highway construction sector, the Management of the Company have decided to raise long term financial resources by issuing further equity shares to exploit the growth opportunities coming up in the construction industry. Accordingly, It is proposed to issue equity shares within the overall limit of authorised share capital as and when required, from any of the persons as more particularly described in the resolution that may or may not be a Member of the Company.

As required pursuant to the Unlisted Public Companies (Preferential Allotment) Rules, 2003, It is proposed to issue equity shares of Rs. 10/- each at a minimum price band of Rs. 130/- per equity share which has been derived on the basis of guideline stipulated under Capital Issues (Control) Act, 1947 for valuation of equity shares of the Company. The Board of Directors of the Company intends to issue and allot the equity shares within a period of twelve months.

Essar Investments Limited, the holding company along with other associate company holds the entire share capital of the Company which depending upon further allotment of equity shares to them or to other person as specifically mentioned in the resolution will further lead to increase or decrease their stake in the Company respectively.

The proposed allotment to any of the persons as identified in the resolution does not intend to effect any change in the control or management of the Company. According to the provisions of section 81(1A) of the Companies Act, 1956 when it is proposed to increase the issued capital of the Company by allotment of further shares, such shares shall be first offered to the existing shareholders of the company for subscription unless the shareholders decide otherwise in a General Meeting.

The consent of the Members is therefore sought to authorise the Board of Directors to create, offer, issue and allot equity shares in the manner set-out in the above resolution

The Directors accordingly recommend the resolution for your approval. None of the Directors are concerned or interested in the aforesaid resolution.

ITEM No: - 6

The Board of Directors of the Company at their meeting held on 4th May 2006 have decided to re-appoint Shri. V. N. Paradkar as a whole-time Director of the Company for a further period of five years with effect from 1st April 2006 subject to approval of the Members of the Company.

The qualification and experience of Shri. V. N. Paradkar together with the responsibilities entrusted to him has been taken into consideration while recommending the following remuneration for Member's approval:

Salary:

Such amount in the scale of Rs. 2,00,000/- to Rs. 3,00,000/- per month as may be decided by the Board of Directors of the Company with a liberty to the Board of Directors of the Company to decide about the quantum of annual increment which will be effective from 1st April every year.

Perquisites & Allowances:

In addition to the basic salary, the appointee would also be entitled to the following by way of perquisites, performance incentives and allowance within the overall limit of 5 % of the net profit of the Company, in such form and manner as the Board of Directors of the Company may decide.

- ▲ Leave Travel Allowance for self and family.
- ▲ Medical Expenses and Medical Insurance for Self and family.
- ▲ Such other perquisites, incentives and allowances in accordance with the rules of the Company or as may be agreed by the Board of Directors of the Company and the Appointee.
- ▲ Contributions to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act, Gratuity payable and encashment of earned leave at the end of the Tenure shall not be included in the computation of limits of remuneration or perquisites as aforesaid.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such rules, perquisites shall be evaluated at actual cost.

Minimum Remuneration:

Notwithstanding anything herein, where in any financial year, during the currency of the tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration to Mr. V. N. Paradkar as specified above by way of Salary, Perquisites, Allowances in accordance with Part II of Schedule XIII to the Companies Act, 1956 or any amendment thereof.

None of the Directors, except Shri. V. N. Paradkar is interested or concerned in this resolution.

Keeping in view of the qualifications and experience of Mr. V. N. Paradkar, the Board of Directors of the Company is of the view that their re-appointment as Whole-time Director will be beneficial to the operations of the Company.

Your Directors recommends this resolution for approval of the Members.

By Order of the Board

Place: - Mumbai
Dated: - August 10, 2006

B. R. Deb Purakayastha
Sr. Vice President – Finance &
Company Secretary

DIRECTORS' REPORT

Your Directors are pleased to present the 17th Annual Report along with the Audited Statement of Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS	Rs. in Million	
	2005-2006	2004-2005
Turnover i.e. Contract Receipt & Other Income	12435.30	7417.21
Profit before Depreciation, Interest & Tax	994.22	503.59
Less: - Interest and Finance Charges	388.26	123.32
Profit before Depreciation & Tax	605.96	380.27
Less: - Depreciation	203.95	85.41
Profit before Taxation	402.01	294.86
Less: - Provision for Tax		
- Current Tax	110.00	78.00
- Deferred Tax	(44.33)	87.00
- Wealth Tax	0.07	-
- Fringe Benefit Tax	5.90	-
- Excess / (Short) provision for Income Tax for earlier years	-	1.22
Profit after Tax	330.37	131.08
Add: - Balance from previous year	441.02	309.94
Total amount available for appropriation	771.39	441.02
Balance Carried forward to Balance Sheet	771.39	441.02

REVIEW OF OPERATIONS

During the year under review, the turnover of the Company has shown a phenomenal increase as compared to that of the previous year figure by 67%.

The increase was mainly on account of substantial EPC Contracts, in terms of value, undertaken and completed during the year by the Company covering industrial plants, Steel Plants, Power Plants, Supplying and laying of Gas Pipeline and Water Pipelines. The Company has managed to sustain its growth pattern in highly competitive market, by continuously focusing on enhancing its operational competence and cost reduction.

Your Directors are happy to inform you that the Company's EBIDTA for the year under review has increased to 8.00 % as compared to that of the previous year of 6.79% thereby substantiating the claims of the Management for working towards improvement of operational efficiency and reduction of operating costs.

DIVIDEND

Keeping in mind the need to conserve the resources and to strengthen the financial position of the Company, your Directors do not recommend any dividend on Equity Shares of the Company for the financial year under review

CONTRACTS

Your Company continued its strong presence in Pipeline Sectors and has bagged number of prestigious pipeline contract during the year under review from the Public Sector Undertakings like Hindustan Petroleum Corporation Limited, GAIL (India) Limited and Gujarat State Petronets Limited.

The following contracts have been completed during the year under review;

- Construction and Indigenous procurement for Iron Ore Beneficiation Plant and laying of Iron Ore Fines Slurry Pipeline from Bailadia to Vizag.
- Contracts for laying of cross country pipeline of approximately 680 KMs connecting Madras Refinery at Chennai with Trichy via Madurai in the state of Tamilnadu.
- Construction of Cold Rolled Mill Steel Complex at Hazira.
- Construction, Supply of Equipment & Commissioning of plant for expansion of Pelletisation Plant at Vizag.
- Contracts for expansion of Pellet Plant of 3.3 MTPA to 4 MTPA at Vizag.
- Contracts for supply of indigenous machinery and equipment as well as construction, erection of 150 MW combined cycle power plant at Hazira, Gujarat

The total value of the revenue generated, during the year, for the aforesaid completed contracts is Rs. 257.09 Crore.

CONTRACTS IN HAND UNDER EXECUTION

The turnover of the Company during the year, as reported also includes construction work undertaken for the following ongoing projects.

- Contract for indigenous supply, construction and erection of 30 MW Coal Fired Captive Power Plant at Vizag.
- Contract for Engineering, Civil Works, Erection and commissioning of various structures for expansion of HRC Steel Plant capacity from 2.4 MTPA to 4.5 MTPA.
- Widening and up-gradation of a portion of National Highway 4 in the State of Karnataka between Chitradurga and Haveri.
- Supply & laying of 10 KM Offshore Effluent Treatment Steel Pipeline from Kantiajal Landfall Point in Gulf of Khambhat in Arabian Sea near Bharuch.
- Construction and laying of MS Pipes and PSCC Pipes at Rajasthan.
- Contracts for operation and maintenance of Heavy Duty Equipments at Hazira, Gujarat.

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- Contract for local procurement, fabrication, erection and commissioning of 1.50 MTPA capacity Plate Manufacturing Plant at Hazira, Gujarat.
- Contract for supply, erection and commissioning of 200MW Power Plant at Hazira, Gujarat.

CONTRACTS SECURED DURING THE YEAR

The Company has also secured the following major contracts during the year under review.

- EPC Contract awarded by Gujarat State Petronet Limited for laying of pipeline between Anklaav – Dhuvaran in the state of Gujarat for a total contract value of Rs. 37.33 Crore which has already been completed before 31st March 2006.
- EPC Contracts awarded by Gujarat Water Resources Development Corporation Limited for providing and laying 2350 mm dia M. S. Pipe line from Narmada Main Canal Channel 218.10 (Adundra) to Sujlam Sufalam Spreading Canal including civil, mechanical, electrical and instrumentation of pumping station at Adundra for a total contract value of Rs. 120.50 Crore.
- EPC Contract awarded to the Consortium formed between JSC Stroytransgaz, Russia and the Company for Anand – Rajkot Section – B Pipeline Project i.e. from IPS-1 at Chuda to Rajkot, Gujarat (24" X 100 KM approx.) including Morbi Spur line (18" X 68 KM approx.) awarded by Gujarat State Petronet Limited for a total contract value of Rs. 210.57 Crore
- Drilling Contract worth of Rs. 9.50 Crore from Larsen & Toubro Limited – ECC Construction Division (L&T-ECCD) for Horizontal Directional Drilling Works associated with mainline of 30" & OFC 6" for three rivers namely Daman Ganga River, Kolak River and Par River of Mora-Vapi Pipeline Project awarded to L&T-ECCD by Gujarat State Petronet Limited.
- Work Order from Essar Steel Limited for Engineering, Civil Work, Fabrication, Erection and Commissioning of various Structures including technological structures, Plant and Machinery for Steel Plant upgradation for a total contract value Rs. 32 Crore.
- Work order from Essar Steel Limited for OBL Project, Civil Work, Erection and Commissioning of various outside Battery Limit Project covering the following consisting of Civil Construction Work and other works of New Administrative Building at Hazira, Flats at Nand-Niketani Colony and renovation of coil club at Hazira, Gujarat for a total contract value of Rs. 34 Crore.
- Work order from Steel Corporation of Gujarat Limited for Civil Works, Construction and Erection of the project facilities and certain expansion activities namely Packaging Line, Electrolytic Cleaning Line, EDT Line, 5th Stand for Continuous Mill, FIMI Cut to length line, Roll Grinder, Recoiling and Trimming Line and other miscellaneous work for a total contract value of Rs. 55 Crore.
- Sub-Contract Agreement with JSC Stroytransgaz, Russia for laying of Pipeline and Associated Facilities (Part I & Part II) for Mundra – Delhi Pipeline Project of Hindustan Petroleum Corporation Limited for a total contract value of Rs. 116.26 Crore.
- EPC Contract awarded to the Consortium formed between DQE International, Peoples Republic of China and the Company for laying of pipeline and associated facilities of Spread II between Jalalpur (SV7) to Bhoirpada (IP Station 3) covering distance of 147 KM and overall commissioning of the total pipeline system for Dehaj – Uran Pipeline Project of GAIL (India) Limited for a total contract value of Rs. 129.88 Crore.

- EPC Contract for Bhandar Power Limited for 140 MW Gas Fired Combined Cycle Power Plant in Hazira, Gujarat for a total contract value of Rs. 300.05 Crore

During the year under the review, the total value of the work executed for the ongoing projects and also the new contracts secured during the year is Rs. 939.86 Crore

CONSTRUCTION EQUIPMENTS & MACHINERY

During the year under review, the Company continued to acquire large fleet of Construction Equipments and Machinery consisting of most modern construction equipments namely Pipe layers, Excavators, Pile Drilling Rigs, Bending Machines, High Capacity Crawler Cranes, Heavy Capacity Vehicles etc. The latest project execution techniques are deployed towards improving efficiency and quality resulting in decrease in operational cost and equipment hire charges. The net assets base of the construction equipments and machinery has substantially been increased to Rs. 209 Crore as compared to the previous year figure of Rs. 121 Crore.

BUSINESS PROSPECTS

The growth of Indian Economy has thrown challenges for creating proper Infrastructure to sustain the growth envisaged. Government of India has realized the importance of developing Infrastructure Sectors which has been reflected by its increased focus on clearing investments in developing Road & Expressways, Telecommunication Systems, Urban Infrastructures by way of promoting Mass Rapid Transportation Systems (MRTS), Privatizing and Opening of Sea Ports and Air Ports. To meet with the growing energy demand, numbers of incentives have been offered for Mega Power Projects as well as the development of Mines as a part of backward integration of Power Projects. The recent findings of oil & gas fields in India have offered tremendous opportunities for Pipeline Laying Companies for executing Cross Country Pipelines which would be used for evacuating oil & gas and would avoid decongestion of surface transport.

The consistent increase in crude oil price in International Market has created a boom in the Middle East Market, as numbers of new green field projects in the Refinery and Petro-Chemical Sectors are coming up with the latest technological inputs.

The firming up of steel prices in the international markets and the growing demands of Hot Rolled Coils, world over, has resulted in a number of existing steel making companies, setting up of green field projects, mainly in the eastern part of India, as well as overseas having close proximity of mines.

The Company has got its unique experience which can cater to most of the business opportunities stated above, as it has demonstrated the ability to lay cross country Oil & Gas Pipelines, setting up of Power Plants, setting up of Steel Manufacturing facilities on EPC basis. It has already submitted a number of Expression of Interest (EOI) to get qualified with the prospective clients by providing expression of interest for the projects in the above fields. In certain cases, it is joining hands with the International Leading Construction Companies on Project to Project basis, for getting qualified for doing the projects in Pipe Laying Sectors, Petro-chemical Sectors, Power Plants and Steel Plants.

Currently, the Company is having consortium arrangements with JSC Stroystransgaz [STG] of Russia, DQE International of China, Harbin Power Engineering Company Limited, China and SEPCO Electric Power Construction Corporation, China for doing the Pipeline jobs and Power Plant Projects. For MRTS Project, it has been short listed as one of the qualified bidders for the Hyderabad Mass Rapid Transit System by bringing the Consortium of Singaporean Companies comprising of Sembcorp Engineers & Constructions PTE Limited, Singapore Technologies Engineering Limited, SMRT Engineering PTE Limited, who have experience in the MRTS fields.

During the year, the Company has done an exploratory business trip to Iran where the opportunities for associating with construction of green fields Steel & Power Projects are immense. One of the Essar Group

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Company is in discussions with the local Iranian Investment Company to set up a Steel Plant in Iran and accordingly, a company by the name of Essar Pars Steel Company (EPSC) was created in Iran with the participation of Iranian company and Essar Group. Pending finalization of scope and EPC price, the client, EPSC has requested Essar Constructions Limited to undertake some preliminary civil work and survey at Iran for a contract value of US \$ 1 Million which has been successfully completed by the Company during the year under review.

ACQUISITION OF CONSTRUCTION BUSINESS OF ESSAR PROJECTS LIMITED

Essar Projects Limited [EPL] has been in existence from 1990, which is a part of Essar Group. It has the distinction of completing a number of mega projects namely Pelletization Plant at Vizag, 515 MW Power Plant for Essar Power Limited at Hazira, 2.3 MT capacity HRC Plant for Essar Steel Limited at Hazira, Sponge Iron Plant for Essar Steel Limited, on Engineering, Procurement and Construction basis. Currently, EPL is also engaged in undertaking the total Erectioning, Commissioning and Domestic Procurement of 12 MMTPA Grass Route Refinery for Essar Oil Limited at Jamnagar, Gujarat which is at the advanced stage of completion with first oil in by October 2006.

The Board of Directors of Essar Constructions Limited (ECL) were of the opinion that there is a lot of synergy available between EPL and the Company as both are associated with undertaking projects on EPC basis. It was felt that, to capture the value of EPL's capabilities, the existing construction business of EPL, if transferred to ECL, would be of great advantage for the company as, the company can continue to get qualified and execute the Contracts for Refinery and Petro-chemical Sectors which has tremendous growth potential in the current scenario. With this aim in view, the Company has decided to acquire the Construction Division of EPL, on a going concern basis, with effect from the closing hour of 30th June, 2006 for a net consideration of Rs. 1 Crore. As a result of this transfer of business, as a going concern, the ongoing business of EPL i.e. Oil Refinery of Essar Oil Limited, Terminal Project of Vadinar Oil Terminal Limited, Road Construction Project of National Highways Authority of India (NHAI), Davangere, Karnataka and Water Pipeline Project in Rajasthan has been transferred to the Company with all its rights and obligations including the experience, equipments, manpower and assets associated with the EPL's Construction Division.

Acquisition of Construction Division of EPL, by way of a going concern basis, will substantially enhance the Company's business potentials and the execution capabilities in the years to come and it can be on a competitive platform for bidding for any projects of Oil Refinery, Petro-chemical Sectors, Power Sectors, Road and Expressway Sectors, globally.

FINANCIAL RESOURCES

During the year under review, the Company has been successful in enhancing the working capital facilities of Rs. 613 Crore from the Consortium of Working Capital Bankers by inducting ICICI Bank Limited into the existing consortium of working capital bankers comprising Dena Bank, UCO Bank, United Bank of India, Central Bank of India to meet with the working capital requirements for the execution of the various ongoing EPC Contracts.

Besides, working capital facilities, the Company has also been successful in securing following line of credit facilities from the Banks.

1. Rupee Term Loan / Foreign Currency Term Loan to the extent of Rs. 63 Crore from Union Bank of India for acquisition of Plant and Machinery, Vehicles, Capital Goods etc.
2. Capex Line of Credit facilities to the extent of Rs. 50 Crores from ICICI Bank Limited for procurement of Capital Goods, Machinery and Construction Equipments.

ALLOTMENT OF EQUITY SHARES

During the year under review, equity base of the Company has been increased further to Rs.10,25,00,070/- (Rupees ten crore twenty-five lacs seventy only) divided into 1,02,50,007 Equity Shares of Rs. 10/- each by allotment of 10,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 90/- per share to Essar Investments Limited, holding company of the Company.

As already set out in the accompanying notice, the Company, in order to meet with its growth objectives and to strengthen its financial position, may be required to generate long term resources by way of issuing further securities and accordingly, approval of the members is being sought at the ensuing general meeting of the Company for further issue of equity shares of the Company to the person who may or may not be a members of the Company.

AUDIT COMMITTEE

The Audit Committee as required under Section 292A of the Companies Act, 1956 is already in place conforming to the requirements of the aforesaid provisions. The Committee has met and has discussed and reviewed the operations of the Company from time to time.

DIRECTORS

As per the provisions of the Companies Act, 1956 read with Articles of Association of the Company, Shri. S. V. Venkatesan, Director of the Company retires by rotation and being eligible offers himself for re-appointment.

The Board of Directors of the Company have re-appointed, subject to the approval of the Members, Mr. V. N. Paradkar as a whole-time Director of the Company for a further period of five years with effect from 1st April 2006

Keeping in view of the qualifications and experience of Mr. V. N. Paradkar, the Board of Directors of the Company recommend his re-appointment at the ensuing Annual General Meeting of the Company and accordingly, approval of the Members is being sought for his re-appointment as a Whole-time Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors confirms that

1. In the preparation of annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
2. Such accounting policies have been selected and applied consistently and such judgments and estimates have been made as are reasonable and prudent so far as to give a true and fair view of state of affairs of the Company at the end of the financial year ended 31st March 2006 and of the Profit of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The statements of accounts for the year ended on 31st March 2006 have been prepared on a going concern basis.

AUDITORS

M/s. B. P. Jain & Company, Chartered Accountants, Statutory Auditors of the Company, retires at the ensuing Annual General Meeting of the Company and is eligible for re-appointment. They have furnished a certificate

to the effect that their proposed appointment, if made, will be within the limits specified under Section 224 (1-B) of the Companies Act, 1956. You are requested to appoint Auditors and fix their remuneration.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

As the Company's operation does not involve manufacturing or processing activities, the particulars as per the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption are not applicable to the Company.

Total Foreign Exchange Used and Earned

(Rs. in Million)

	Year ended 31-3-06	Year ended 31-3-05
(A) Total Foreign Exchange Used		
(i) On Royalty / Equipment Rental / Professional and Consultancy Fees	50.54	17.22
(ii) On Interest, Business Traveling and others	32.24	4.76
(B) Total Foreign Exchange Earned		
(i) FOB Value of Exports	-	0.22
(ii) Contract Receipts	44.81	-

PARTICULARS OF EMPLOYEE AND OTHER ADDITIONAL INFORMATION

The information required under Section 217 (2A) of the Companies Act, 1956 and the rules framed there under is annexed hereto and forms part of this report.

INDUSTRIAL RELATIONS

The Industrial relations continue to be generally peaceful and cordial.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation to the Financial Institutions, Banks, various Ministries of the Government of India for their continuous co-operation and support. Your Directors also thanks all the Customers, Associates and Contractors for their continued support without which the Company would not have achieved the desired results.

Your Directors also take the opportunity to acknowledge the dedicated efforts made by workers, staff, officers, Managers at all level for their continued cooperation and unstinted support extended to the Company.

On behalf of the Board

Place: - Mumbai
Dated: - August 10, 2006.

V. N. Paradkar
Whole-time Director

T. K. Nagaraj
Director

Annexure to the Directors' Report

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employee) Rules, 1975, as amended and forming part of the Directors' Report for the financial year ended 31st March 2006.

A. Employed throughout the financial year under review and were in receipt of remuneration, in aggregate, of not less than Rs. 2,00,000/- per month.

Sr. No.	Name	Designation	Total Remuneration (In Rupees)	Qualification	Exp. In Years	Date of Commencement of Employment	Age	Last Employment held
1	Mr. V. N. Paradkar	CEO & Whole time Director	38,00,838/-	B. E. (Mech) MAM, MIE	35	01/03/2001	57	Essar Projects Limited
2	Mr. Anand Sonthalia	CEO – F&A (Roadways)	33,08,311/-	B.Com, A.C.A.	32	01/04/2004	53	Essar Investments Limited
3	Mr. M. S.Ambegaonkar	Head – Pipeline Division	27,49,295/-	B.Tech (Mech)	39	22/04/1987	60	Dodsal Pte Limited
4	Mr. D. A. Subramanian	Head – Projects (Civil)	24,17,532/-	B.Tech (Civil)	35	01/08/1990	59	-
5	Mr. P. K. Gupta	Project Manager – HBI	26,37,065/-	B.E (Mech)	21	06/07/1991	43	-

B. Employed for a part of the financial year under review and were in receipt of remuneration in the aggregate not less than Rs. 2,00,000/- per month.

— NIL —

Notes:

- Gross Remuneration includes Salary, Allowances, Company's contribution to Provident and Superannuation Fund, Leave Encashment, Leave Travel Allowances, Reimbursement of Medical Expenses and Monetary value of other perquisites evaluated in accordance with the Income Tax Rules.
- All appointments are contractual and are subject to rules and regulations of the Company in force from time to time.
- The above mentioned employee is not related to any Directors of the Company.

On behalf of the Board

Place: - Mumbai
Dated: - August 10, 2006.

V. N. Paradkar
Whole-time Director

T. K. Nagaraj
Director

AUDITOR'S REPORT TO THE MEMBERS OF ESSAR CONSTRUCTIONS LIMITED

We have audited the attached Balance Sheet of Essar Constructions Limited as at 31st March 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- c. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors as at 31st March 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006; and
 - (ii) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Mumbai
Date: August 10, 2006

For B. P. Jain & Co.
Chartered Accountants

M. N. Ahmed
Partner
M. No. 18380

**ANNEXURE REFERRED TO THE REPORT OF EVEN DATE FOR
THE YEAR ENDED 31ST MARCH 2006 OF ESSAR CONSTRUCTIONS LIMITED**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) All the assets have been physically verified by the management during the year as per its programme which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed between book records and physical inventory;
 - (c) During the year, the Company has not disposed off major part of Fixed Assets.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) As informed, during the year under audit, the Company has not granted any loans to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956:
 - (b) In view of (iii) (a) above, this clause is not applicable;
 - (c) In view of (iii) (a) above, this clause is not applicable;
 - (d) In view of (iii) (a) above, this clause is not applicable;
 - (e) As informed, during the year under audit, the Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956;
 - (f) In view of (iii) (e) above, this clause is not applicable
 - (g) In view of (iii) (e) above, this clause is not applicable
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.

- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- (vi) During the year the Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) As informed to us, the maintenance of cost records have not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- (ix) (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund (there are no such dues), employees' state insurance (as informed to us employees' state insurance scheme is not applicable to the company), income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty (there are no such dues during the year), cess (there are no such dues during the year) and other statutory dues applicable to it. There are no arrears of statutory dues as at 31st March 2006 outstanding for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us by the management of the Company and based on the records provided to us by the Company, the following are the dues in respect of sales tax which have not been deposited on account of dispute.

Name of the Statute	Nature of Dues	Amount (Rs. in "000")	Period to which it relates	Forum where dispute is pending
Gujarat Sales Tax Act 1969	Sales Tax	95,341	F.Y. 2001-02	Sales Tax
		10,471	F.Y. 2002-03	Tribunal –Ahmedabad

- (x) The Company does not have accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to Financial Institutions / Banks.
- (xii) Based on our examination of documents and records, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Provisions of Chit Fund Nidhi / Mutual Benefit Fund / Societies are not applicable.
- (xiv) Since the Company is not engaged in trading shares, securities, debentures and other securities, the related reporting requirement does not arise.
- (xv) According to the information and explanations given to us, the Company has given guarantees for loans taken by others from bank or financial institutions, the terms and conditions, whereof are not prejudicial to the interest of Company.

- (xvi) The term loans received during the year have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us, no funds raised on short term basis by the Company during the year under audit have been used for long-term investments.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act.
- (xix) The Company has not issued debentures during the year.
- (xx) During the year, the Company has not raised money by public issues.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Place: Mumbai
Date: August 10, 2006

For B. P. Jain & Co.
Chartered Accountants

M. N. Ahmed
Partner
M. No. 18380

BALANCE SHEET AS AT 31ST MARCH, 2006

(Rupees in "000")

	Schedule No.	Rupees	Rupees	As At 31st March 2005 Rupees
I SOURCES OF FUNDS				
1) Shareholders' Funds				
a) Capital	1	102,500		92,500
b) Reserves and Surplus	2	1,288,712		868,308
			1,391,212	960,808
2) Loan Funds				
a) Secured Loans	3	1,940,615		692,048
b) Unsecured Loans	4	303,222		279,828
			2,243,837	971,876
3) Deferred Liabilities				
4) Deferred Tax				
			26,735	64,820
			100,093	144,421
TOTAL			3,761,877	2,141,925
II APPLICATION OF FUNDS				
1) Fixed Assets				
a) Gross Block	5	2,583,820		1,513,337
b) Less : Depreciation		499,336		303,489
c) Net Block		2,084,484		1,209,848
d) Capital Work in Progress (including advances)		118,006		152,673
			2,202,490	1,362,521
2) Current Assets, Loans & Advances				
a) Inventories	6	2,820,662		1,802,212
b) Sundry Debtors	7	829,422		673,283
c) Cash and Bank balances	8	717,402		359,309
d) Loans and Advances	9	3,770,406		945,055
		8,137,892		3,779,859
Less : Current Liabilities & Provisions				
a) Current Liabilities	10	6,550,022		2,916,071
b) Provisions	11	28,483		84,384
		6,578,505		3,000,455
NET CURRENT ASSETS			1,559,387	779,404
TOTAL			3,761,877	2,141,925
Significant Accounting Policies and notes forming part of accounts	18			

As per our report of even date

For and on behalf of the Board

For B. P. Jain & Co.
Chartered Accountants

M. N. Ahmed
Partner
Mumbai, Dated : August 10, 2006

B. R. Deb Purakayastha
Company Secretary

T. K. Nagaraj
Director

V. N. Paradkar
Wholetime Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006

(Rupees in "000")

	Schedule No.	Rupees	Rupees	For the year ended 31st March 2005 Rupees
I INCOME				
a) Contract Income	12		12,004,997	7,123,011
b) Sale of Goods			284,399	262,387
c) Other Income	13		145,905	31,812
TOTAL			12,435,301	7,417,210
II EXPENDITURE				
a) Construction and Operation Expenses	14		10,189,090	5,988,428
b) Purchase of Goods			270,703	260,672
c) Payments to Employees	15		472,075	351,290
d) Administrative & Establishment Expenses	16		509,201	313,237
e) Interest and Finance Charges	17		388,265	123,323
f) Depreciation			203,953	85,409
TOTAL			12,033,287	7,122,359
PROFIT BEFORE TAX			402,014	294,851
Taxation :				
Current Tax			110,000	78,000
Deferred Tax (Credit) / Liability			(44,328)	86,996
Wealth Tax			69	-
Fringe Benefit Tax			5,900	-
Excess / Short Provision for Income Tax for earlier years			-	1,216
PROFIT AFTER TAX			330,373	131,071
Balance brought forward from previous year			441,017	309,946
BALANCE CARRIED TO BALANCE SHEET			771,390	441,017
Basic / Diluted earnings per Share (Refer Note No.18 of Schedule 18)			33.02	16.19
Significant Accounting Policies and Notes to Accounts.	18			

As per our report of even date

For and on behalf of the Board

For B. P. Jain & Co.
Chartered Accountants

M. N. Ahmed
Partner

B. R. Deb Purakayastha
Company Secretary

T. K. Nagaraj
Director

V. N. Paradkar
Wholetime Director

Mumbai, Dated : August 10, 2006

**SCHEDULES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AS AT 31ST MARCH, 2006**

(Rupees in "000")

	Rupees	Rupees	As At 31st March 2005 Rupees
SCHEDULE - 1			
SHARE CAPITAL			
Authorised			
15,000,000 (Previous Year 15,000,000) Equity Shares of Rs.10/- each.		150,000	150,000
Issued and Subscribed			
10,250,007 (Previous Year 9,250,007) Equity Shares of Rs.10/- each fully paid up. of the above, 10,250,000 (Previous Year 9,250,000) Equity Shares are held by Essar Investments Ltd., the holding company		102,500	92,500
TOTAL		102,500	92,500
SCHEDULE - 2			
RESERVES AND SURPLUS			
(a) Securities Premium Account			
Balance as per last Balance Sheet		407,500	320,000
Add : received during the year		90,000	87,500
		497,500	407,500
(b) Capital Reserve		9,791	9,791
(c) General Reserve		10,000	10,000
(d) Foreign Currency Translation Reserve		31	-
(e) Profit and Loss Account		771,390	441,017
TOTAL		1,288,712	868,308
SCHEDULE - 3			
SECURED LOANS			
(a) Foreign Currency Term Loan from a Bank		226,101	-
(b) Rupee Term Loan from			
i) Financial Institution		132,004	90,574
ii) Bank		75,269	-
(c) Cash Credit facilities from Banks		764,487	601,474
(d) Buyers Credit facilities from Bank		565,907	-
(e) Hire Purchase Finance secured by the assets acquired on hire purchase		176,160	-
(f) Interest Accrued and Due		687	-
TOTAL		1,940,615	692,048

**SCHEDULES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AS AT 31ST MARCH, 2006**

Notes:

- (a) Foreign Currency Term Loans and Rupee Term Loan from a Bank are secured by:
- i) Plant & Machinery, Vehicles, Capital Goods and Moveable Fixed Assets acquired / to be acquired out of these loans.
 - ii) Collateral security by way of a Corporate Guarantee of Essar Projects Limited
- (b) Rupee Term Loan from Financial Institution is secured by first pari passu charge of all its current assets other than related to certain banks.
- (c) Cash Credit from Banks is secured by first pari passu charge with a financial institution by way of hypothecation of all the current assets of the Company namely Stock of Raw Materials, Work in Progress, Stores and Spares, Packing Materials used for Manufacturing, Bills Receivables and Book Debts and first and exclusive charge on all other movable fixed assets of the Company including Plant and Machinery, Furnitures and Fixtures, Office Equipments and Commercial Vehicles but exclusive of specific equipments / fixed assets acquired under lease finance / term loan availed / to be availed by the Company from Banks / Financial Institutions
- (d) Buyers Credit from Bank is secured by pari passu charge on rigs imported under this facility

(Rupees in "000")

	Rupees	Rupees	AsAt 31st March 2005 Rupees
SCHEDULE - 4			
UNSECURED LOANS			
(a) Lease Finance from a Company		181,386	164,688
(b) Loan from a Bank		121,836	115,140
TOTAL		<u><u>303,222</u></u>	<u><u>279,828</u></u>

SCHEDULE - 5

FIXED ASSETS

(Rupees in "000")

Description of Asset	Description of Asset				Depreciation				Net Block	
	As at 01.04.2005	Additions During the year	Deletions During the year	As at 31.03.2006	As at 01.04.2005	for the year	Deductions/ Adjustments	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
Plant and Machinery	1,227,017	880,082	39,414	2,067,685	238,992	157,341	7,281	389,052	1,678,633	988,024
Furniture & Fixtures	15,937	5,155	28	21,063	9,645	4,154	18	13,781	7,282	6,292
Office Equipments	23,891	10,939	130	34,700	10,664	5,596	89	16,171	18,529	13,227
Specialised Software	-	2,692	-	2,692	-	897	-	897	1,795	-
Commercial Vehicles	52,326	76,887	-	129,213	32,845	11,409	-	44,254	84,959	19,481
Motor Cars, Jeeps etc.	12,662	10,833	934	22,561	7,358	1,959	718	8,599	13,962	5,303
Assets taken on Lease										
Plant and Machinery	177,739	124,400	-	302,139	3,589	21,586	-	25,175	276,964	174,150
Commercial Vehicles	3,767	-	-	3,767	396	1,011	-	1,407	2,360	3,371
TOTAL	1,513,339	1,110,988	40,506	2,583,820	303,489	203,953	8,106	499,336	2,084,484	1,209,848
PREVIOUS YEAR	636,126	885,751	8,540	1,513,337	221,022	85,409	2,942	303,489	1,209,848	

Notes :

1. Additions to Plant & Machinery includes Rs. 52,01,048/- Exchange gain arising on conversion of Foreign currency loan obtained for acquiring Fixed Assets from outside India.
2. Gross Block includes plant & Machinery costing Rs. 148,564,081/- purchased on Hire Purchase basis, on which lenders have a lien.

**SCHEDULES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AS AT 31ST MARCH, 2006**

(Rupees in "000")

	Rupees	Rupees	As At 31st March 2005 Rupees
SCHEDULE - 6			
INVENTORIES			
(a) Stores and Spare Parts		228,254	83,962
(b) Construction Materials		190,504	90,092
(c) Fuel and Lubricants		1,938	1,010
(d) Contract Work-in-progress		2,399,966	1,627,148
TOTAL		2,820,662	1,802,212
SCHEDULE - 7			
SUNDRY DEBTORS			
(unsecured and considered good)			
(a) Outstanding for period exceeding six months		441,346	78,095
(b) Others		171,220	476,815
(c) Retention Money Receivable		216,856	118,373
TOTAL		829,422	673,283
SCHEDULE - 8			
CASH AND BANK BALANCES			
(a) Cash on hand		693	1,866
(b) Cheques on hand		-	18
(c) Balances with Scheduled Banks			
In Current Accounts	153,296		101,978
In Deposit Accounts	549,126	702,422	250,895
			352,873
(d) Interest accrued on Deposits with Banks		14,287	4,552
TOTAL		717,402	359,309
SCHEDULE - 9			
LOANS AND ADVANCES			
(Unsecured & Considered Good)			
(a) Advances recoverable in cash or in kind or for value to be received		3,706,059	814,533
(b) Prepaid Expenses		17,651	9,981
(c) Deposits		46,696	46,584
(d) Tax Deducted at Source		-	73,957
TOTAL		3,770,406	945,055

**SCHEDULES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AS AT 31ST MARCH, 2006**

(Rupees in "000")

	Rupees	Rupees	As At 31st March 2005 Rupees
SCHEDULE - 10			
CURRENT LIABILITIES			
(a) Acceptances		1,107,366	404,991
(b) Sundry Creditors		2,267,068	1,837,271
Due to Small Scale Industries Rs. NIL (Previous year Rs.3,132,354)			
(c) Advances from customers		3,091,819	621,042
(d) Other Liabilities		81,437	52,767
(e) Interest accrued but not due on Loans		2,332	-
TOTAL		6,550,022	2,916,071
SCHEDULE - 11			
PROVISIONS			
Provision for Tax (net of taxes paid)		21,271	78,000
Provision for Leave Encashment		7,212	6,384
TOTAL		28,483	84,384

**SCHEDULES ATTACHED TO AND FORMING PART OF
PROFIT & LOSS ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006**

(Rupees in "000")

	Rupees	Rupees	As At 31st March 2005 Rupees
SCHEDULE - 12			
INCOME FROM OPERATIONS			
Contract Receipts	11,196,711		6,666,858
Add : Work-in-Progress at the end of the year	2,399,965		1,627,148
Less : Work-in-Progress at the beginning of the year	<u>1,627,148</u>		<u>1,183,401</u>
		11,969,528	7,110,605
Other Receipts		35,469	12,406
TOTAL		<u>12,004,997</u>	<u>7,123,011</u>
SCHEDULE - 13			
OTHER INCOME			
(a) Interest on Deposits with banks, etc. [Including Tax deducted at source Rs 5,024,991/- (Previous Year Rs.3,576,666/-)]		22,979	18,490
(b) Miscellaneous Receipts [(includes foreign exchange variation (gain) Rs.149813/- (Previous Year Rs.36717/-)]		13,736	13,284
(c) Equipment Hire Charges		108,964	-
(d) Sundry Creditors no longer payable written back		226	38
TOTAL		<u>145,905</u>	<u>31,812</u>

**SCHEDULES ATTACHED TO AND FORMING PART OF
PROFIT & LOSS ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006**

(Rupees in "000")

	Rupees	Rupees	As At 31st March 2005 Rupees
SCHEDULE - 14			
CONSTRUCTION AND OPERATION EXPENSES			
(a) Materials Consumed			
Stock at the beginning of the year	174,054		157,036
Add : Purchased during the year	7,155,763		3,020,204
Less : Stock at the end of the year	<u>418,758</u>		<u>174,054</u>
		6,911,059	3,003,186
(b) Fuel, Oil and Lubricants Consumed			
Stock at the beginning of the year	1,010		1,001
Add : Purchased during the year	183,537		138,757
Less : Stock at the end of the year	<u>1,938</u>		<u>1,010</u>
		182,609	138,748
(c) Freight and Forwarding Charges		187,928	175,316
(d) Power Consumed		5,409	10,000
(e) Sub-Contracting Expenses		2,520,048	2,200,891
(f) Plant and Equipment Maintenance		58,989	18,405
(g) Equipment Hire Charges		262,382	323,920
(h) Equipment Lease Rentals		37,239	100,035
(i) Service Charges and Water Charges		1,643	2,780
(j) Insurance Expenses		21,784	15,147
TOTAL		<u>10,189,090</u>	<u>5,988,428</u>
SCHEDULE - 15			
PAYMENTS TO EMPLOYEES			
(a) Salaries, Wages and Bonus		349,151	263,337
(b) Contribution to Provident and other funds		24,964	22,079
(c) Staff Welfare Expenses		97,960	65,874
TOTAL		<u>472,075</u>	<u>351,290</u>

**SCHEDULES ATTACHED TO AND FORMING PART OF
PROFIT & LOSS ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006**

(Rupees in "000")

	Rupees	Rupees	As At 31st March 2005 Rupees
SCHEDULE - 16			
ADMINISTRATIVE AND ESTABLISHMENT EXPENSES			
(a) Travelling and Conveyance		60,489	50,438
(b) Communication Expenses		24,576	19,312
(c) Professional and other Fees		115,013	71,411
(d) Printing and Stationery		6,571	8,958
(e) Rent		15,088	30,708
(f) Rates and Taxes		154,132	78,987
(g) Advertisement and Recruitment Charges		6,711	5,160
(h) Repairs and Maintenance - Others		3,625	12,399
(i) Vehicle Hire and Maintenance		51,069	24,696
(j) Insurance		19,333	674
(k) <u>Payments to Auditors</u>			
Audit Fees (including service tax)		561	551
Tax Audit Fees (including service tax)		112	110
(l) Loss on Sale / discarding of Fixed Assets (Net)		30,021	3,197
(m) Donations and Charities		41	85
(n) Sundry Expenses		21,859	6,551
TOTAL		509,201	313,237
SCHEDULE - 17			
INTEREST AND FINANCE CHARGES			
(a) Guarantees processing and other charges to Banks		212,896	47,859
(b) Interest on Term Loans		35,283	18,489
(c) Interest on Cash Credits		95,622	50,996
(d) Bill Discounting Charges		44,464	5,979
TOTAL		388,265	123,323

SCHEDULE – 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006.

I. SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting

The accounts of the Company have been prepared on historical cost convention using accrual basis of accounting.

2. Fixed Assets

Fixed Assets are recorded at cost of acquisition / construction.

3. Depreciation

Depreciation on Plant and machinery is provided under Straight Line Method in accordance with rates specified in Schedule XIV to the Companies Act, 1956.

All other assets are depreciated under Written Down Value Method in accordance with rates specified in Schedule XIV to the Companies Act, 1956.

Depreciation on addition / deletion to Fixed Assets during the year is provided on pro-rata basis from / up to the date of such addition / deletion as the case may be.

4. Intangible Assets and Amortisation

Intangible assets are recognized as per the criteria specified in Accounting Standard – 26 “Intangible Assets” issued by the Institute of Chartered Accountants of India. Specialised Software is amortised over a period of three years.

5. Impairment of Assets

Impairment of cash generating fixed assets is evaluated as per the Accounting Standard – 28 “Impairment of Fixed Assets” issued by the Institute of Chartered Accountants of India.

6. Inventories

Construction materials, stores, spares and oil and lubricants are valued at weighted average cost. Wherever necessary, provision is made for obsolete, slow moving and defective stocks. Contract work-in-progress is valued at cost.

7. Revenue Recognition

- a) The Company follows percentage completion method for accounting of construction contracts. The revenue under a contract is recognised with reference to the stage of completion of the contract activity at the end of each accounting period. The stage of completion is determined as a proportion of cost incurred-to-date to the total estimated contract cost. Provision is made for foreseeable losses when current estimates of total contract costs and revenues indicate a loss.
- b) Revenue from construction and project-related activity and contracts executed in Joint Ventures under work-sharing arrangement (Jointly Controlled Operations, in terms of Accounting Standard

(AS) 27 “Financial Reporting of Interests in Joint Ventures”) is recognised on the same basis as similar contracts independently executed by the company.

- c) Sale of Goods is recognised on transfer of property in goods as per agreed terms. Sales represent the invoice value of goods sold.

8. Foreign Currency Transactions / Foreign Operations

- a) Transactions in foreign currencies are recorded at the prevailing rate of exchange at the date of transaction.
- b) Monetary items denominated in foreign currencies at the year-end are translated at year end rates.
- c) Exchange gain / (loss) on conversion of foreign currency loans / liabilities at the year end is being adjusted to the cost of Fixed Assets acquired from outside India, out of such loans / liabilities as per the clarification on Accounting Standard – 11 “The Effects of Changes in Foreign Exchange Rates” issued by The Institute of Chartered Accountants of India. Exchange gain / (loss) other than pertaining to Fixed Assets are recognised in profit & loss account.
- d) Financial Statements of foreign operations are treated as Non-Integral operations. The items of Profit & Loss Account of foreign operations are translated at the average rate and items of Balance Sheet are converted at closing rate.

9. Claims

Expenditure incurred in respect of additional costs / delays are accounted in the year in which they are incurred. Claims made in respect thereof are accounted as income in the year of receipt of Arbitration Award or acceptance by client or evidence of acceptance received from the client.

- 10. Material known liabilities are provided for on the basis of available information / estimates. Material items of prior period expenses / income, non-recurring and extra-ordinary items are disclosed separately.

11. Treatment of Contingent liabilities

Contingent liabilities are disclosed in the Financial Statements. Provision is made in accounts for those liabilities which are likely to materialise after the year end and having effect on the position stated in the Balance Sheet as at the year end.

12. Retirement benefits

- a) The Provident Fund Contributions as required under the statute are made to the Government Provident Fund.
- b) Gratuity is charged to revenue on the basis of actuarial valuation under Group Gratuity-Cum-Life Assurance (cash accumulation) Scheme carried out by Life Insurance Corporation of India.
- c) Superannuation Contribution in respect of management cadre staff is made under Group Superannuation Scheme of Life Insurance Corporation of India.
- d) Provision for leave encashment for eligible employees is made as estimated by the management.

13. Leases

Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as Finance Lease. Such assets are capitalised at the inception of the lease at the lower

of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis as per terms of lease agreement.

14. Taxation

The provision for current tax, if any, is computed in accordance with the Income Tax Act, 1961. Deferred tax is recognised on timing differences between accounting and taxable income for the year by applying applicable tax rates as per Accounting Standard 22 on “Accounting for taxes on income” issued by The Institute of Chartered Accountants of India.

Deferred Tax Asset is recognised wherever there is virtual certainty that there will be sufficient future taxable income.

II. NOTES TO ACCOUNTS

1 Pursuant to take over of certain business, assets and liabilities of Essar Projects Limited (the Transferor Company) as on 30th September, 2000, pending completion of documentation and assignment formalities, some of the Assets and Liabilities are standing in the name of the Transferor company.

2 Contingent liabilities in respect of :

(Rupees in “000”)

Particulars	Current Year	Previous Year
i) Entry tax demand pending in appeal.	-	488
ii) Sales tax demand pending in appeal	105,812	-
iii) Guarantees given by the company on behalf of other companies.	165,100	765,100
iv) Bills Discounted	132,304	-
v) Capital Commitment	127,614	-

3 Payments to employees includes Managerial Remuneration to a Whole Time Director as per details given below:

(Rupees in “000”)

Particulars	Current Year	Previous Year
i) Salary including allowances	3,207	2,789
ii) Contribution to Provident and Other Funds	594	687
TOTAL	3,801	3,476

4 CIF Value of Imports:

(Rupees in "000")

Particulars	Current Year	Previous Year
i) Capital Goods	819,309	231,752
ii) Spare Parts and Components	1,136,627	308,723

5 Expenditure incurred in Foreign Currency:

(Rupees in "000")

Particulars	Current Year	Previous Year
i) Royalty / Equipment Rental	26,135	-
ii) Interest	18,993	-
iii) Travelling	11,165	3,384
iv) Professional and Consultancy fees	24,402	17,221
v) Others	2,081	1,375

6 Value of construction material and stores and spare parts consumed :-

Particulars	Current Year		Previous Year	
	Rupees in '000'	% of total Consumption	Rupees in '000'	% of total Consumption
(i) Project Equipment's / Materials				
- Imported	841,750	40.04%	276,077	15.50%
- Indigenous	1,260,267	59.96%	1,505,046	84.50%
TOTAL	2,102,017	100.00%	1,781,123	100.00%
(ii) Construction Materials				
- Imported	1,476	0.16%	27,557	20.66%
- Indigenous	910,841	99.84%	105,847	79.34%
TOTAL	912,317	100.00%	133,404	100.00 %
(iii) Stores and spares				
- Imported	293,401	7.53%	5,088	0.47%
- Indigenous	3,603,162	92.47%	1,083,569	99.53%
TOTAL	3,896,563	100.00%	1,088,657	100.00%

7 Quantitative information in respect of goods traded:

Particulars	Opening Stock		Purchases		Closing Stock		Sales	
	Qty.(MT)	Rupees in '000'	Qty.(MT)	Rupees in '000'	Qty.(MT)	Rupees in '000'	Qty.(MT)	Rupees in "000"
Current Year								
Hot Rolled Coils	-	-	-	-	-	-	-	-
Others	-	-	*	270,703	-	-	*	284,399
Previous Year								
Hot Rolled Coils	-	-	7,999.35	228,905	-	-	7,999.35	229,374
Others	-	-	-	31,767	-	-	-	33,013

* Quantity of CS Pipes - 8058.57 Meters and Flanges – 21,448 Kgs.

- 8 Deferred Liabilities includes Rs.26,735 thousand (Previous year Rs.37,040 thousand) due for repayment within one year from the Balance Sheet date.
- 9 Bank balances includes balances of Rs.4,894 thousand (Previous year NIL) [maximum balance outstanding during the year Rs.45,840 thousand (Previous year NIL)] with The Mili Bank, Iran, a non-scheduled bank.
- 10 Loans and advances include Rs.62 thousand (Previous year Rs.96 thousand) in respect of Housing Loan, due from a Whole-Time Director of the Company. Maximum amount due during the year was Rs.96 thousand (Previous year Rs.129 thousand). The said amount was given prior to his appointment as Wholetime Director.
- 11 Earnings in Foreign Exchange –
- i) FOB Value of Export Rs. Nil (previous year Rs.216,213 thousand)
 - ii) Contract Receipts Rs. 44,810 thousand (previous year Nil)
- 12 Segment Accounting

In accordance with Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the Company has identified Construction activity as Primary Business Segment with Trading activity as a Residual Business Segment, as per the details given below:

Particulars	Construction Segment Rupees in "000"	Residual Segment Rupees in "000"	Total 31 st March 2006 Rupees in "000"
Segment Revenue	12,150,902	284,399	12,435,301
Segment Results (Profit Before Tax)	388,318	13,696	402,014
Provision for Tax (Including FBT)	-	-	115,970
Deferred Tax Credit	(44,328)		(44,328)
Profit After Tax			330,372
Segment Assets	10,131,130	319,252	10,450,382
Segment Liabilities	8,949,170		8,949,170
Unallocated Liabilities			110,000

The Company has identified Geographical Segment as Secondary Segment comprising of activities within India and outside India. The Geographical Segment details are given below:

Particulars	Within India Rupees in "000"	Outside India Rupees in "000"	Total Rupees in "000"
Revenue	12,106,092	44,810	12,150,902

There are no Tangible Fixed Assets located outside India.

- 13 Balances of Sundry Debtors, Sundry Creditors, Advances and Deposits in some cases are subject to confirmation and adjustments, if any.
- 14 Disclosure pursuant to Accounting Standard (AS) 7 (Revised) for the contracts entered into on or after 1st April 2003:

Particulars	Rupees in "000"
Contract revenue for the Year	8,326,286
Contract costs incurred and recognised profits (less recognised losses) up to 31/03/06	11,107,062
Advances received as at 31/03/06	2,954,299
Retention Money as at 31/03/06	98,356
Gross amount due from customer for Contract Work	1,929,618
Gross amount due to customer for Contract Work	-

15 Related Party Transactions:

- a) Holding Company : Essar Investments Limited
- b) Fellow Subsidiaries
 - 1. Essar World Trade Limited
 - 2. India Securities Limited
 - 3. Bhandar Power Limited
 - 4. Essar Properties Limited
 - 5. Essar Information Technology Limited
- c) Joint Venture - EPL – ECL JV
- d) Individuals owning directly or indirectly an interest in the voting powers that gives them control or significant influence - Shri Shashi Ruia , Director
- e) Key Management Personnel - Mr. V.N.Paradkar (Wholetime Director)
- f) Other related parties commonly controlled or influenced by major Shareholders / Directors of the Company, where there have been transactions:
 - 1. Essar Steel Limited
 - 2. Essar House Limited
 - 3. Essar Oil Limited
 - 4. Essar Projects Limited
 - 5. Essar Shipping Limited
 - 6. Essar Power Limited
 - 7. Clickforsteel Services Limited
 - 8. Essar Agrotech Limited
 - 9. Futura Travels Limited
 - 10. Vadinar Oil Terminal Limited

Summary of related party transactions for the year are as under:

(Rupees in “000”)

Nature of transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Others	Total
Contract receipts		2,045,603 (539,568)		7,466,316 (1,743,921)	9,511,919 (2,283,489)
<i>Essar Projects Limited</i>				312,188 (425,949)	312,188 (425,949)
<i>Essar Steel Limited</i>				7,106,887 (965,417)	7,106,887 (965,417)
<i>Essar Power Limited</i>				- (315,616)	- (315,616)
<i>Bhandar Power Limited</i>		2,045,603 (539,568)			2,045,603 (539,568)

(Rupees in "000")

Nature of transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Others	Total
Income from Services / Hire charges				109,683 (10,193)	109,683 (10,193)
<i>Essar Projects Limited</i>				35,469 (10,193)	35,469 (10,193)
<i>Essar Oil Limited</i>				74,214 (-)	74,214 (-)
Sale of Goods				284,399 (33,013)	284,399 (33,013)
<i>Essar Oil Limited</i>				270,668 (33,013)	270,668 (33,013)
Sale of Fixed Assets				2,184 (-)	2,184 (-)
<i>Essar Projects Limited</i>				12,184 (-)	2,184 (-)
Issue of Equity Shares	100,000 (100,000)				100,000 (100,000)
<i>Essar Investments Limited</i>	100,000 (100,000)				100,000 (100,000)
Purchase of goods				- (228,905)	- 228,905
<i>Essar Steel Ltd</i>				- (228,905)	- (228,905)
Construction Material Purchase				2,219,901 (415,784)	2,219,901 (415,784)
<i>Essar Steel Limited</i>				2,148,752 (220,383)	2,148,752 (220,383)
<i>Clickforsteel Services Limited</i>				71,149 (192,975)	71,149 (192,975)
Purchase of Oil				45,142 (24,405)	45,142 (24,405)
<i>Essar Oil Limited</i>				45,142 (24,405)	45,142 (24,405)
Travelling Expenses				15,134 (13,427)	15,134 (13,427)
<i>Futura Travels Limited</i>				15,134 (13,427)	15,134 (13,427)

ESSAR CONSTRUCTIONS LIMITED

(Rupees in "000")

Nature of transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Others	Total
Equipment Hire Charges				10,110 (6,642)	10,110 (6,642)
<i>Essar Oil Limited</i>				1,560 (2,730)	1,560 (2,730)
<i>Essar Shipping Limited</i>				8,550 (3,912)	8,550 (3,912)
Managerial Remuneration			3,801 (3,476)		3,801 (3,476)
Expenses reimbursed				219,058 (2,100)	219,058 (2,100)
<i>Essar Steel Limited</i>				218,558 (99)	218,588 (99)
<i>Essar House Limited</i>				500 (1,951)	500 (1,951)
Computer Maintenance		642 (-)			642 (-)
<i>Essar Information Technology Limited</i>		642 (-)			642 (-)
Advances Received		2,380,620 (-)			2,380,620 (-)
<i>Bhander Power Limited</i>		2,370,620 (-)			2,370,620 (-)
Advances Paid				1,821,233 (-)	1,821,233 (-)
<i>Essar Projects Limited</i>				1,821,233 (-)	1,821,233 (-)
Outstanding Balances					
Debit Balances	80 (-)	1,802 (-)	62 (96)	2,890,822 (744,233)	2,892,766 (744,329)
Credit Balances		2,380,844 (-)		578,442 (898,028)	2,959,286 (898,028)
Guarantees					
<i>Provided by the company</i>				165,100 (765,100)	165,100 (765,100)
<i>Provided on behalf of the company</i>		6,127,500 (2,400,000)		6,027,500 (1,750,000)	12,155,000 (4,150,000)

Notes:

- Figures in bracket relates to previous years
- The names of the related parties are disclosed under each nature of transaction where the transaction with single party is 10% or more of relevant nature of transaction.

16 In accordance with the Accounting Standard 22 "Accounting for Taxes on Income", the Company has recognised deferred tax credit of Rs.44,328 thousand (Previous year liability of Rs.86,996 thousand), by way of charge to profit and loss account. The deferred tax liability recognised in accounts represents timing difference on account of depreciation.

17 Lease

a) Operating Leases:

The Company has taken some of the Construction Equipment under operating leases. The future minimum lease payments of the above equipment, as on 31st March 2006 are as follows:

Minimum Lease Payments	(Rupees in "000")
Payable not later than one year	41,822
Payable later than one year but not later than 5 years	68,420
Payable later than 5 years	-
Total Minimum Lease Payments	110,242

b) Finance Leases:

Assets acquired under finance leases have been accounted in accordance with Accounting standard 19 "Leases", issued by the Institute of Chartered Accountants of India.

- i. Assets acquired on finance lease, mainly comprise Heavy Construction & Earth Moving Equipment. These leases are non-cancellable and the agreements provide for revision of lease rentals in the event of changes in taxes, if any, leviable on the lease rentals.
- ii. The minimum lease rentals and the present value of minimum lease payments in respect of assets acquired under finance lease are as follows:

(Rupees in "000")

Period	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	Current Year	Previous Year	Current Year	Previous Year
i. Payable not later than 1 year	60,834	38,220	41,288	23,079
ii. Payable later than 1 year and not later than 5 years	164,879	140,919	140,098	113,584
iii Payable later than 5 years	-	-	-	-
Total	225,713	179,139	181,386	136,663
Less: Future finance charges	44,327	42,476	-	-
Present Value of Minimum Lease Payments	181,386	136,663	-	-

18 Earning Per Share:

There are no potential equity shares and hence basic and diluted earning per share are same. The calculation of basic and diluted earning per share is based on the following data:

	Current Year	Previous Year
Earning for the purpose of basic and diluted earnings per share (net profit for the year) (Rupees in '000')	330,373	131,071
Number of Equity Shares outstanding at the beginning of the year	9,250,007	8,000,007
Number of Equity Shares issued during the year	1,000,000	1,250,000
Number of Equity Shares at the end of the year	10,250,007	9,250,007
Weighted Average number of Equity Shares outstanding during the year	10,006,171	8,095,897
Nominal Value of Equity Share (Rupees)	10	10
Earning Per Share (Rupees)	33.02	16.19

19 Figures for the previous year have been regrouped / recast, wherever necessary.

Signature to Schedules 1 to 18

As per our report of even date

For B. P. Jain & Co.
Chartered Accountants

For and on behalf of the Board

M. N. Ahmed
Partner

B. R. Deb Purakayastha
Company Secretary

T. K. Nagaraj
Director

V. N. Paradkar
Wholetime Director

Mumbai, Dated : August 10, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2006

(Rupees in "000")

	Current Year Rupees	Previous Year Rupees
A Cashflows from Operating Activities :		
Net Profit before Taxation	402,014	294,851
Add / (Less) : Adjustment for		
Depreciation	203,953	85,410
Interest and Finance Charges	388,265	123,323
Loss / (Profit) on Sale of Fixed Assets	30,021	3,196
Foreign Exchange variation	(181)	(37)
Interest receipts	(22,979)	(18,490)
Amounts Written back		
Operating Profits before Working Capital Changes	1,001,093	488,253
(Increase) / Decrease in Sundry Debtors	(155,959)	(212,773)
(Increase) / Decrease in Inventories	(1,018,418)	(460,774)
(Increase) / Decrease in Other Current Assets	(7,782)	(31,225)
(Increase) / Decrease in Loans & Advances	(2,891,525)	39,420
Increase / (Decrease) in Current Liabilities & Provisions	3,593,314	626,878
Cash from Operations	520,723	449,779
Income Tax Paid (net of taxes refund)	(98,741)	(68,972)
Net Cash from Operating Activities (A)	421,982	380,807
B Cash flows from Investing Activities :		
Purchase of Fixed Assets	(1,073,093)	(970,099)
Sale of Fixed Assets	2,380	2,400
Net Cash used in Investing Activities (B)	(1,070,713)	(967,699)
C Cash flows from Financing Activities :		
Loans Taken (net)	1,269,092	494,296
Interest received	13,244	20,304
Issue of shares	100,000	100,000
Interest and Financing Charges paid	(385,246)	(124,566)
Net Cash from / (used) in Financing Activities (C)	997,090	490,034
Net Increase in Cash and Cash equivalents (A+B+C)	348,359	(96,858)
Cash and Cash equivalents at the beginning of the year	354,757	451,615
Cash and Cashequivalents at the end of the year	703,116	354,757
Net Increase in Cash and Cash equivalents	348,359	(96,858)

Notes:

1. Cash flow statement has been prepared as per Indirect Method prescribed in Accounting Standard- 3. "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
2. Previous years figures have been regrouped / rearranged, wherever necessary.

As per our report of even date

For and on behalf of the Board

For B. P. Jain & Co.
Chartered Accountants

M. N. Ahmed
Partner

B. R. Deb Purakayastha
Company Secretary

T. K. Nagaraj
Director

V. N. Paradkar
Wholetime Director

Mumbai, Dated : August 10, 2006

**STATEMENT PURSUANT TO PART - IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
Balance Sheet Abstract and Company's General Business Profile**

I. REGISTRATION DETAILS

Registration No

State Code

Balance Sheet
Date Month Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN THOUSANDS)

Public Issue

Rights Issue

Bonus Shares

Private Placement

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS.(AMOUNT IN THOUSANDS)

Total Liabilities

Total Assets

SOURCES OF FUNDS

Paid-up-Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

APPLICATION OF FUNDS

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN THOUSANDS)

Turnover

Total Expenditure

+ - Profit/(Loss) Before Tax

+ - Profit/(Loss) After Tax

Earning Per Share

Dividend Rate (%)

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item Code No (ITC Code)

Product Description

As per our report of even date

For and on behalf of the Board

For B. P. Jain & Co.
Chartered Accountants

M. N. Ahmed
Partner

B. R. Deb Purakayastha
Company Secretary

T. K. Nagaraj
Director

V. N. Paradkar
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Mumbai, Dated : August 10, 2006



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