Triveni Engineering & Industries Limited

Annual Report 2005-06

Power unleashed!

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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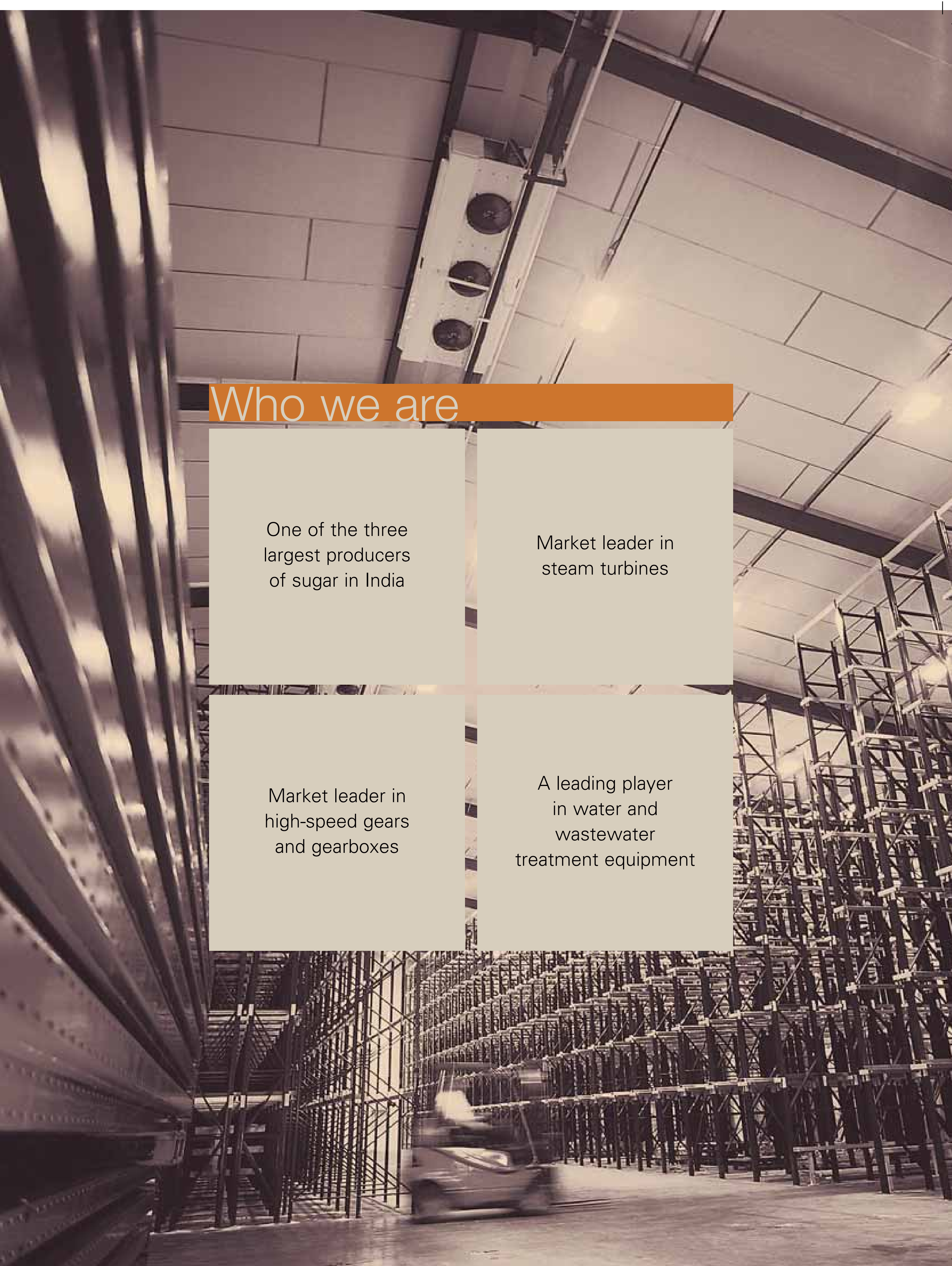


Who we are

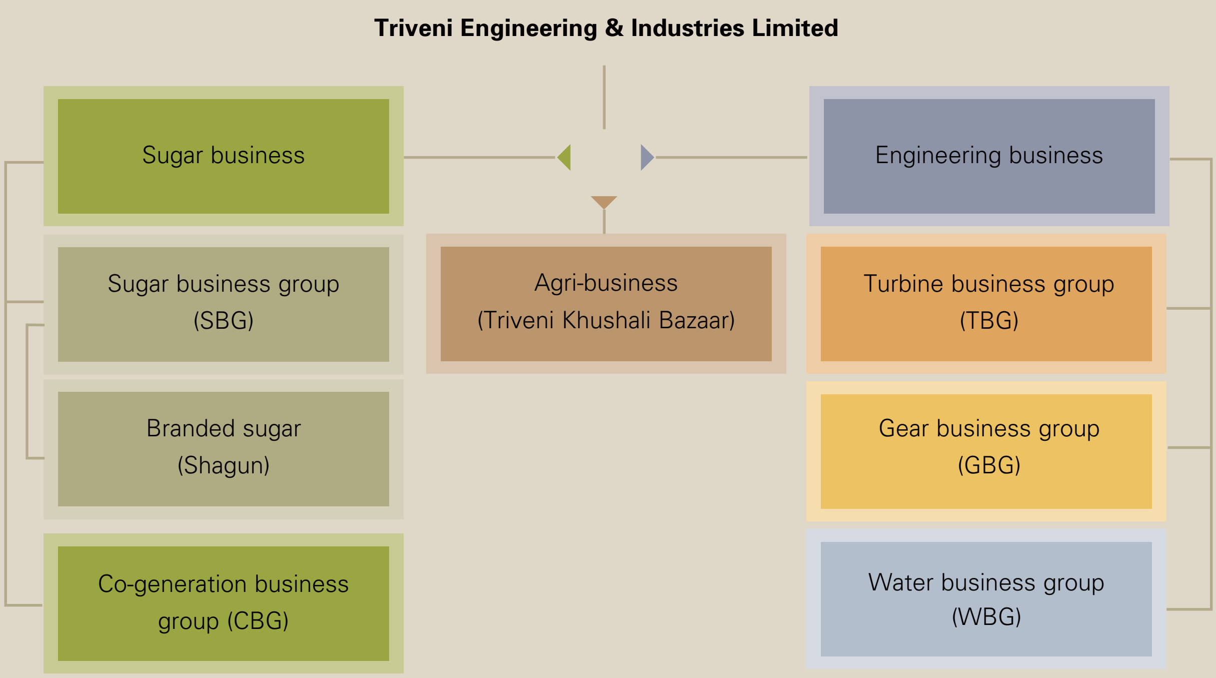
One of the three largest producers of sugar in India

Market leader in steam turbines

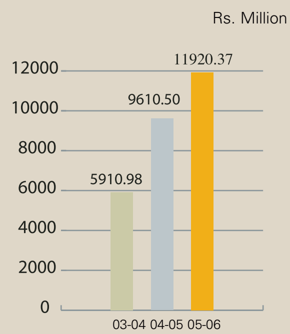
Market leader in high-speed gears and gearboxes

A leading player in water and wastewater treatment equipment

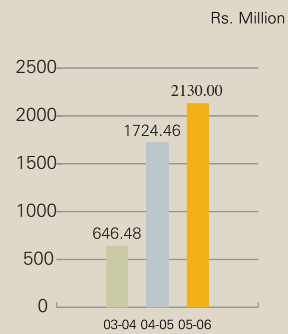
Triveni Engineering & Industries Limited defines the dynamism, growth and diversity of business operations through its de-risked business portfolio in the agri-commodity and engineering fields.



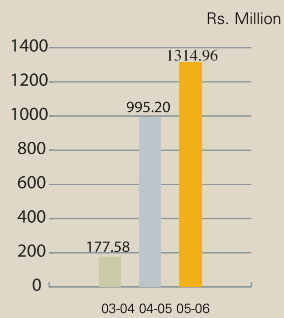
Financial and operational highlights



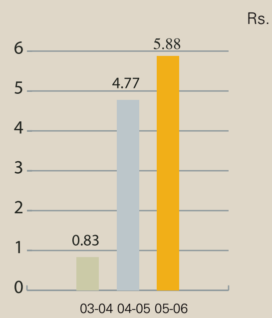
Net sales



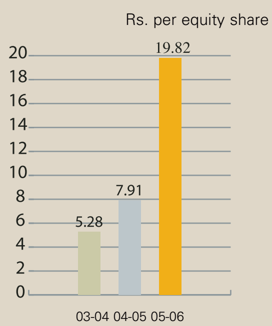
EBIDTA



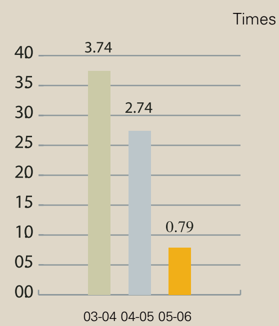
Profit after tax



Earnings per share
(post bonus issue)



Book value
(post bonus issue)



Total debt/equity ratio

24%

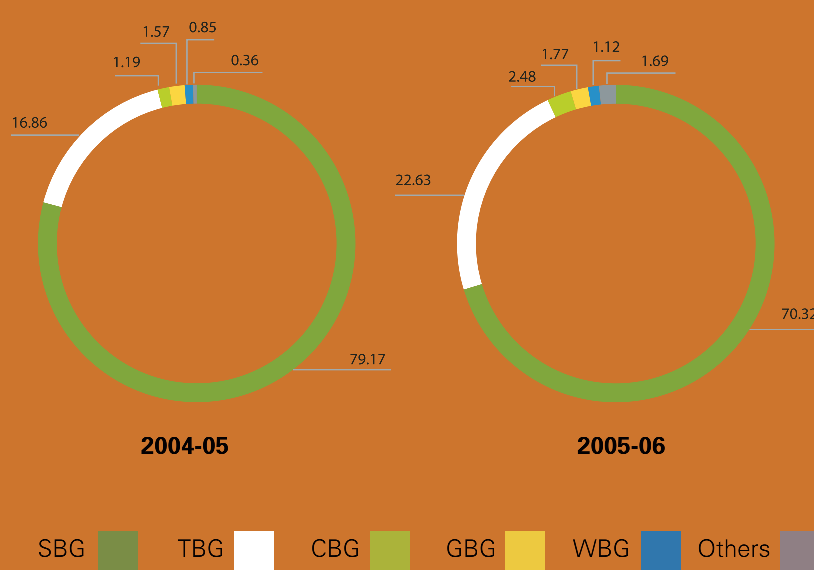
increase in net turnover to Rs. 11920.37 mn

The power to look ahead

At Triveni, our principal achievement is that we started with one business, but leveraged our engineering knowledge to extend into four other growing and profitable businesses.

- The company, established as a sugar company more than seven decades ago, gradually diversified to the manufacture of turbines that served as a backward integration for its sugar business and also a standalone business opportunity.
- The company also extended to the manufacture of gearboxes that served as a backward integration for its turbine business in addition to an attractive independent business opportunity.
- Besides, the company diversified into futuristic businesses like water & waste-water treatment and rural retail.
- This complement of sugar and engineering as traditional and futuristic businesses has helped create a blend of cyclicality and consistency.

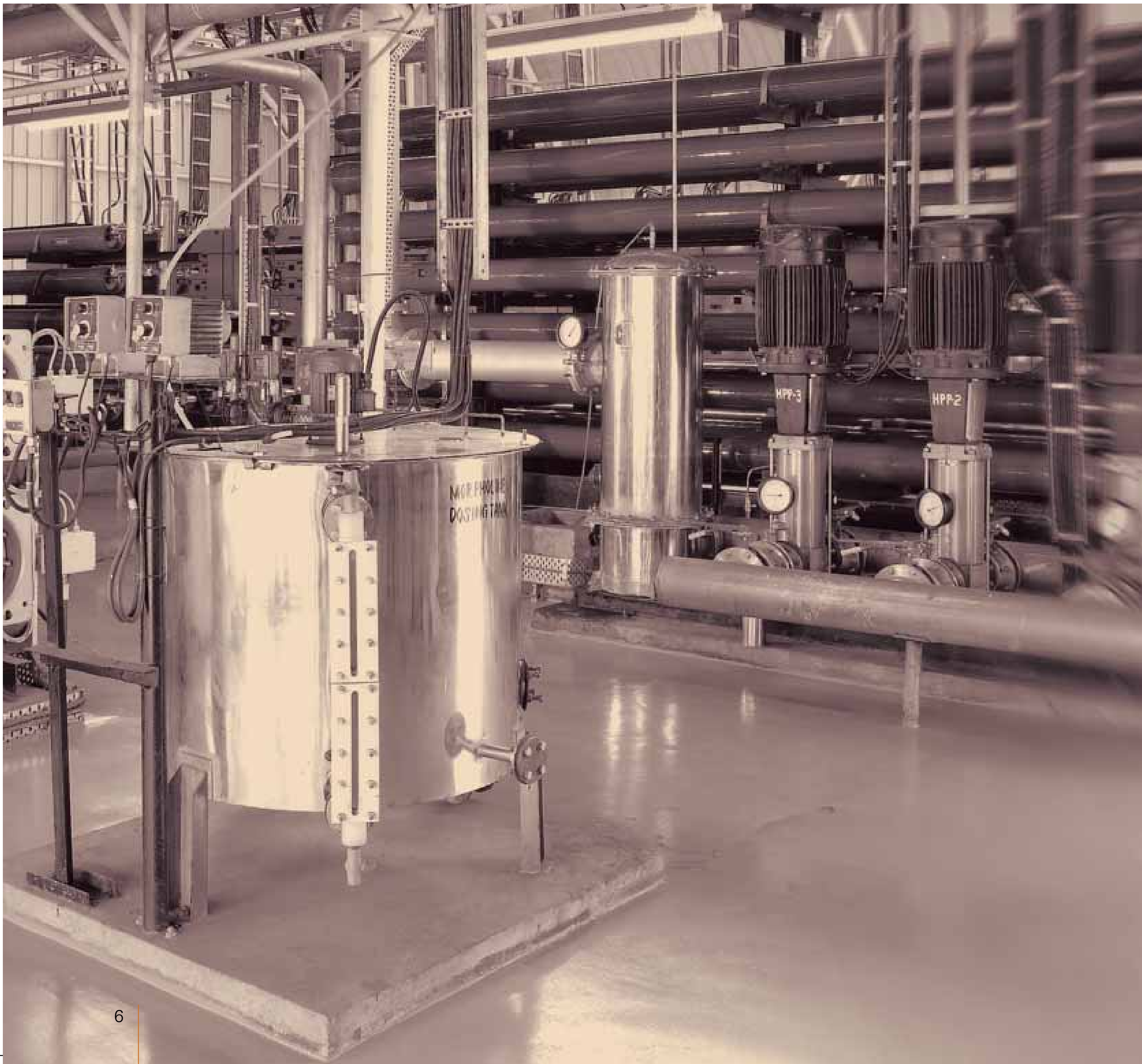
Divisionwise breakup of total external sales (%)



32%

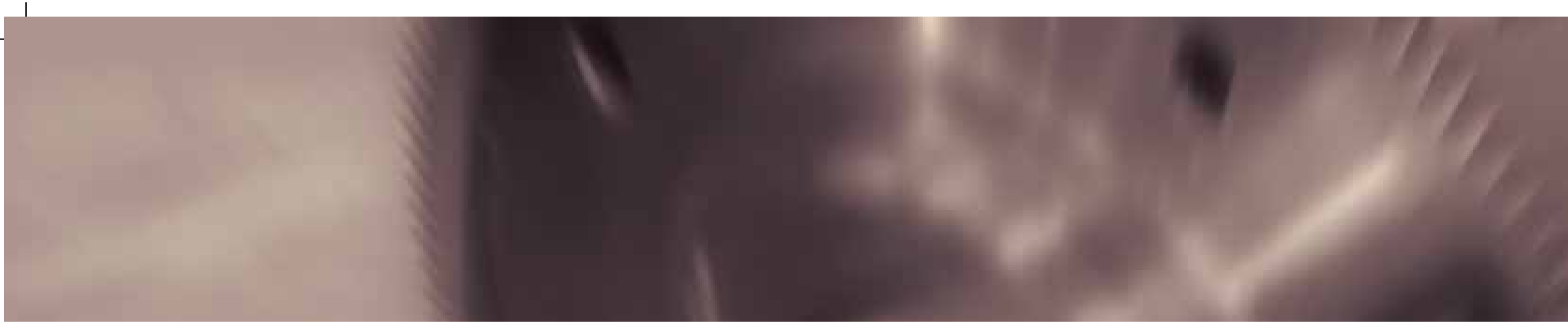
increase in net profit to Rs. 1314.96 mn

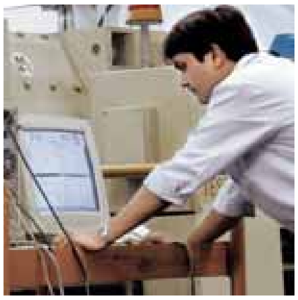
The power to excel



At Triveni, we are proud to have leveraged our deep understanding of engineering developments to provide cutting-edge products and services and emerge as the leading entity across our respective business space.

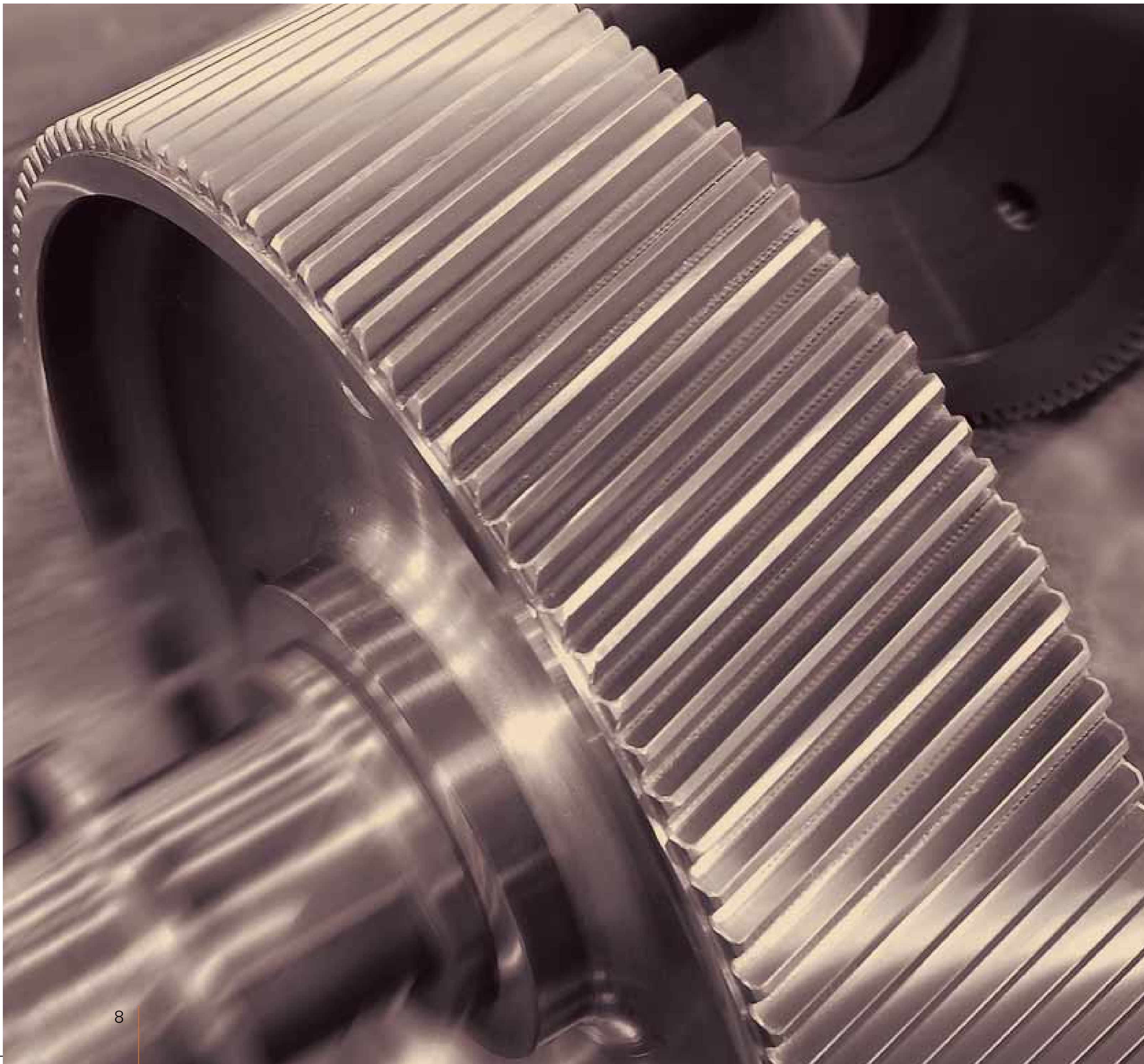
- The company is proud to be a leader in each of its business space, marked by growing revenues and margins.
- This visibility is the result of the captive development of cutting-edge technology or a relevant collaboration with some of the most specialised technology providers the world over.
- The company has entered into technology collaborations with global leaders like Lufkin Inc. for the design and manufacture of high speed gears, with Sugar Research Institute (SRI) for the manufacture and design of sugar processing equipment, with Fincantieri Cantieri Navali s.p.a. for the manufacture of value-added mechanical equipment for marine applications, with Waukesha Engines for gas engines and with US Filter group companies (*Envirex, Ionpure, Memcor* and *Zimpro*) for water and waste-water treatment equipment and solutions.
- The company's technology competence is reflected in its ability to research, develop, absorb and replicate cutting-edge technologies into winning products and services; be it SRI continuous vacuum pans, self-designed twisted tapered blades, Ionpure CEDI modules or Memcor membrane systems.
- The company has complemented these cutting-edge products with timely service, resulting in an unmatched value proposition in India and a growing presence in the international markets.
- The result is that the company is one of the three largest sugar manufacturers in India, an established leader in steam turbines and high-speed gears and gearboxes and a leading player in the country's water and waste-water treatment equipment industry.





Rs. 5.88
EPS on a nominal value of Re 1 per share

The power to change a paradigm

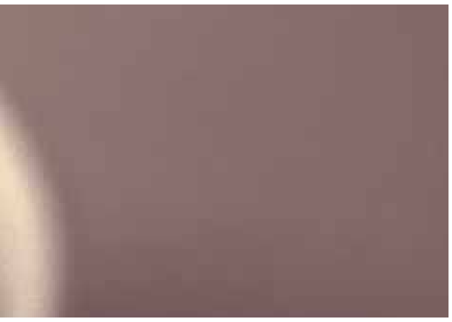


At Triveni, we are not just absorbing various technologies; we are leveraging them to extend backwards and forwards with the objective of creating a value chain that makes us one of the most profitable companies across our respective businesses.

- Not only are we significantly creating new sugar manufacturing capacities, we are also investing in technology leading to enhanced efficiency.
- The company created a synergistic business model: today, through the prudent leverage of technology, its sugar business uses turbines manufactured inhouse; its turbine business uses gears and gear boxes manufactured inhouse and the company also cross-sells its water treatment equipment to its steam turbine.
- The company reported 6.83% of captive consumption of various products, a high proportion of captive reliability and stability.
- The company has also made relevant business extensions: from the manufacture of sugar to co-generation of power and proposed manufacture of ethanol.
- As a result, the company generated income from five different revenue streams, resulting in enhanced profitability during the good markets and protected downside during the troughs.

151%
increase in book value per share to Rs. 19.82

The power to think bigger, better and quicker



At Triveni, we are reinforcing our technology advantage with a scale that is clearly one of the largest in our respective businesses, translating into a growing surplus ready for reinvestment and a virtuous cycle.

- The company expanded capacity across all its businesses in the last two years, indicating the seriousness of its intent to reinforce its position as a leader in each of its businesses.
- The expansion of the sugar division from 25250 TCD in 2004-05 to 40500 TCD in 2005-06 and to 61000 TCD by 2006-07, will be implemented in a compressed period, enabling the company to capitalise on the incentives of the UP Sugar Policy.
- The company concurrently strengthened its product portfolio as well; it increased co-generation capacity from 22 MW to 45 MW. It will further be increased to 68 MW as the company is setting up another 23 MW co-generation power plant at Khatauli, which is expected to be commissioned during 2006-07 sugar season.
- The company is also investing in a 160 KLPD distillery to manufacture ethanol, which will be operational from the fourth quarter of the financial year 2006-07.
- The company doubled the capacity of its turbines division in 9 months as against a targeted 12 months and will double capacity again in 2006-07 – effectively quadrupling in just 15 months. Besides, it extended from a longstanding manufacture of low pressure turbines (probably the largest or second largest manufacturer of steam turbines upto 12MW globally, to high-pressure equivalents upto 18 MW.
- The company expanded its gear manufacturing production capability by investing in equipment that will allow the business unit to report a seven-fold increase in productivity.
- The company is also investing in a manufacturing workshop for its water business to address the growing demand and manage intellectual property and quality better. This facility will be operational by the fourth quarter of financial year 2006-07.
- This aggressive increase in scale will enable the company to enter new markets with a competitive proposition resulting in a growing market share.

Rs. 32480 mn

Market capitalisation
as on 31 March 2006

The power
to partner growth

At Triveni, we are not just manufacturers; since we customise our products around our customer needs and follow it up with timely service, we are trusted and comprehensive solution providers.

- The company is a mechanical equipment solution provider, reflected in an ability to comprehend the typical complexities of a customer's industry and backed by the ability to deliver what is required – engineered-to-order.
- The company has evolved from a supplier of products and services into a solution provider, assuming the responsibility of taking the customer's business ahead.
- The company has demonstrated this capability in India and in some of the most challenging global markets; its turbines were exported to brand-enhancing clients like Wartsila AB in Finland and supported by Triveni's on-site service personnel; besides, the company reported exports to OEMs in Japan as well.
- The company generated a growing proportion of income in the engineered-to-order products from referrals and repeat business from existing customers.

Eagle vision

"At Triveni, our optimism comes from the fact that we have strengthened our capability to encash the robust growth coming out of India's capital goods sector"

Mr. Dhruv. M. Sawhney,
Chairman and Managing Director,
reviews the company's performance in 2005-06.

Evolution in the DNA

Q: What makes Triveni Engineering an exciting company today?

Triveni Engineering is one of the most exciting companies in India today as it is successfully evolving from being a sugar-driven business into a technology oriented, capital goods-driven conglomerate.

If you look at the transition in the company's size, income and profit mix, they all point to the fact that Triveni is evolving from a commodity proxy into a sugar cum knowledge-led technology player, driven by the huge potential coming out of India's development across all industries.

Q: What makes you say that?

Numbers from Triveni's turbine division in 2005-06 afford us with a glimpse into this rich potential:

- Revenues from our turbines division grew 71% in 2005-06 and bottomline jumped 226%; going ahead, we expect this division to be around Rs. 5 billion in the fiscal 2007 with the bottomline expected to more than double, making it another year of exceptionally rapid growth.
- Correspondingly, the proportion of our company's revenues derived from the turbines business increased from 17% in 2004-5 to 23% in 2005-06.
- The proportion of the pretax profit contributed by the turbines division more than doubled from a mere 9% of our overall pre-tax bottomline in 2004-05 to a over 23% in 2005-06, highlighting the fact that Triveni's growth is being increasingly driven by prospects coming out of India's manufacturing industry.
- The turbine division's EBIDTA margin strengthened by over 500 basis points to over 16% in 2005-06, highlighting the increase in topline and margins – an attractive double-play.

Q: What is the qualitative content behind this quantitative transition?

The broad messages that we at Triveni want to send out to our stakeholders is that we have grown as fast as this because we patiently invested in this business with a long-term objective, which is now getting realised. For instance, consider:

- We are already one of the largest steam turbine manufacturers in the world, in the 1-12 MW segment.
- We possess a rich insight into technology, service, commercialisation and cost-competitiveness to make 'engineered to order' products capable of taking on competition from anywhere in the world.

Q: Is this optimism based on any definite reality or only on the prospect of some events that may or may not happen?

Good question. What I want to impress upon shareholders is that currently our turbines division possesses confirmed order book of Rs.4.44 billion, which is about 159% of the revenues earned by the division during the year under review. In other words, this order book – revenues, margins and profits - was already locked in at the start of the new financial year at attractively higher rates than in the previous year.

Q: How is the turbines division equipped to extend this competitive edge to other geographies?

Our optimism with regard to this division is derived from the fact that having established a strong footprint in India, we expect to go global through a prudent leverage of our significant competitive edge. We have already embarked on relevant proactive initiatives:

- We doubled the capacity of our turbine unit in 2005-06 and will have effectively quadrupled our capacity by 2006-07 in preparation of this growth.
- We extended our range of turbines above 18 MW by indigenously developing the 18-25 MW turbine using twisted tapered blades, which will be launched in 2006-07.
- We expect to enter into strategic partnership with renowned turbine technology leaders that will help us address the rich potential in the 18-45 MW range, which is nearly one-and-a-half times the size of the segment below 18 MW.
- We are investing in world-class manufacturing and design technologies such as the installation of a Full-Speed Balancing Machine, which will facilitate the accurate balancing of rotor blades in the turbine and open up another revenue stream for us – refurbishment and retrofitting.

The growth in the product sales from this business segment will be complemented by an increased growth in the servicing and spares supply for our steam turbines. From 2008 onwards, once our newly commissioned turbines have been in the market for a few years, we expect this segment to significantly contribute to our profitability.

Q: How does the company expect to insulate itself from growing competition?

At Triveni, we have reinforced our

We are one of the largest steam turbine manufacturers in the world, in the 1-12 MW segment.

competitive position through the introduction of innovative products as well as reliable and comprehensive service. I must expand on the latter: at Triveni, we not only commission turbines for our customers with speed, but we also provide them with the assurance that our trained engineers will always be at hand when required – to address queries or emergencies. As a result, we have evolved the delivery of 'hardware' into a comprehensive solution, leading to extended relationships with our customers and repeat business from a number of them. If you ask me, it is this complement of a highly technical product, meeting global efficiency levels, manufactured at a low cost, with a technically competent and dependable service that represents our competitive edge and assurance of sustainable growth.

Gears

Q: How will the company's deep technology strengths translate into growth for its gears division?

Triveni is one of the largest producers of high-speed gears, serving the back-end integration need of our turbine business group. This positioning is partly reflected in our performance during the year under review: topline increase of 89% to Rs.450 million in 2005-06 and CAGR of 41% from 2001-02 to 2005-06. We expect further improvement by around 30-35% in our topline and bottomline in the fiscal 2007.

We are optimistic about the performance of this division for the following reasons:

- We enjoy an in-licensing technology arrangement (in excess of 7.5 MW) with Lufkin Inc., one of the world's largest manufacturer of high speed gears.
- We have established our credentials through increasing supplies to OEMs like BHEL and Siemens whom we compete with in the turbine space.
- We will focus on niche segments in the high-end range of low speed gears.
- We are providing gears to DIN3 quality on an automated mode and manually we can go down to DIN 2, which is the US NASA standard.

Water and waste-water division

Q: The water and waste-water division is regarded as a business of the future. Investors would want to know what makes it attractive?

Admittedly, our water and waste-water treatment business is currently small, but I must state that it is one of the most promising. Our topline increased by 69% from Rs. 82 million in 2004-05 to Rs. 138 million in 2005-06, while EBIDTA quadrupled from Rs. 5.4 million in 2004-05 to Rs.22.5 million in 2005-06. We expect three digit growth in the fiscal 2007.

We are highly optimistic about this business for the following reasons:

- We provide the entire gamut of hi-tech solutions in water and waste-water treatment.
- Currently we have an order book of around Rs. 130 million which will be executed by June 2006.
- We enjoy a strategic alliance with US Filter Water and Wastewater

In 2006-07, we will increase cane crushing by 50% to almost 6 million tonnes

group, enabling us to provide the best and most advanced technology solutions like CEDI and Memcor membrane filtration technology.

- We will expand in 2006-07 with a manufacturing unit, which will enable us to provide cost-effective solutions.

- We are addressing increasing demand for the product and service due to increasing regulatory requirements and environmental concerns; our existing presence in the segment will help us leverage demand faster than any new player.

Sugar

Q: Nearly all the sugar mills in India are expanding their capacities, which could create a glut for the end product a few years down the road. Besides, an increase in the company's capacity may not be commensurate with an increase in the cane availability, resulting in lower utilisation and higher production cost.

At Triveni, we embarked on a number of initiatives to strengthen our resistance to any industry downtrend, whenever that happens.

Size: We are engaged in the most aggressive expansion programme in our existence: from 25250 TCD in 2004-05 to 40500 TCD in 2005-06 and a proposed 61000 TCD in 2006-07, an expansion of over 140% in two years. In 2006-07, we will increase cane crushing by 50% to almost 6 million tonnes and by 2007-08 we would be manufacturing over 750,000 tonnes of sugar annually which will help preserve our position in the Indian sugar industry.

Products: We are diversifying our product mix through a total power generation capacity of 76.5 MW, including co-generation capacity of 45 MW from where power is exported after meeting part requirement of sugar factory. This will be enhanced in 2006-07 by a further 23 MW of co-generation capacity and 30.5 MW of captive capacity. We are also setting up a 160 KLPD distillery for the manufacture of ethanol. This distillery size is one of the largest in the country. Almost the entire raw material requirement of this large-scale distillery will be met by our own molasses.

Incentives: We would have invested around Rs. 10 billion since April 2004, and by March 31, 2007, in projects which are eligible for incentives under the UP Sugar Promotion Policy 2004. We are entitled to incentives for ten years commencing from FY 07 subject to a ceiling of Rs. 10 billion.

Raw material: We are synchronizing our capacity expansion with cane procurement. For instance, we expect the allotment of specific command areas on the basis of our growing installed capacity; the recognition of our capacity growth in 2006-07 will result in a higher allotment of cane. Besides, the company is investing substantially in cane development in the command areas of its Greenfield units, where there is limited or low competition, and this will result in an increased supply of quality cane in the subsequent years.

In the unforeseen event of a cyclical adversity, I must assure shareholders that our large increase in sugar manufacturing capacity and our significant diversification into exporting power and ethanol, for blending with petrol, would be adequate to offset any decline in margins.

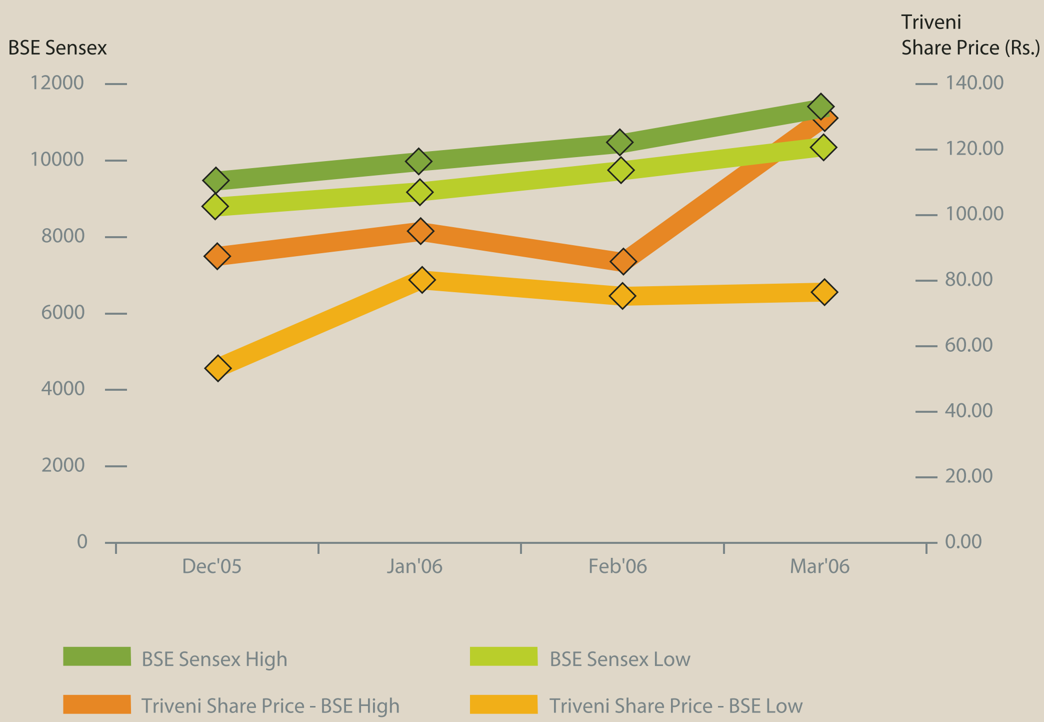
Enhancing shareholder value

The Triveni public issue

The shares of Triveni Engineering & Industries Limited are listed on the Bombay Stock Exchange and National Stock Exchange, the major stock exchanges of India.

The company issued 50 million equity shares in November 2005 and the issue was oversubscribed more than ten times reflecting investor confidence. The equity shares of Re. 1 each were issued through a book building process within a price range of Rs. 42-50. While 97% of the demand was for shares in the upper band, the company prudently fixed the issue price at Rs. 48 in general investor interest. Consequent to this issue, the equity shares of the company were listed on NSE and BSE on 13 December 2005. As on 31 March 2006, reputed institutional investors including mutual funds, foreign institutional investors and domestic banks held 21.53% of the company's shareholding. The closing price of Triveni share at NSE on 31 March 2006 was Rs. 125.95, implying a market capitalisation of Rs. 32480 million. The company has increased the limit of investment by FIIs to 49%, which will enable more international investors to participate in its growth story.

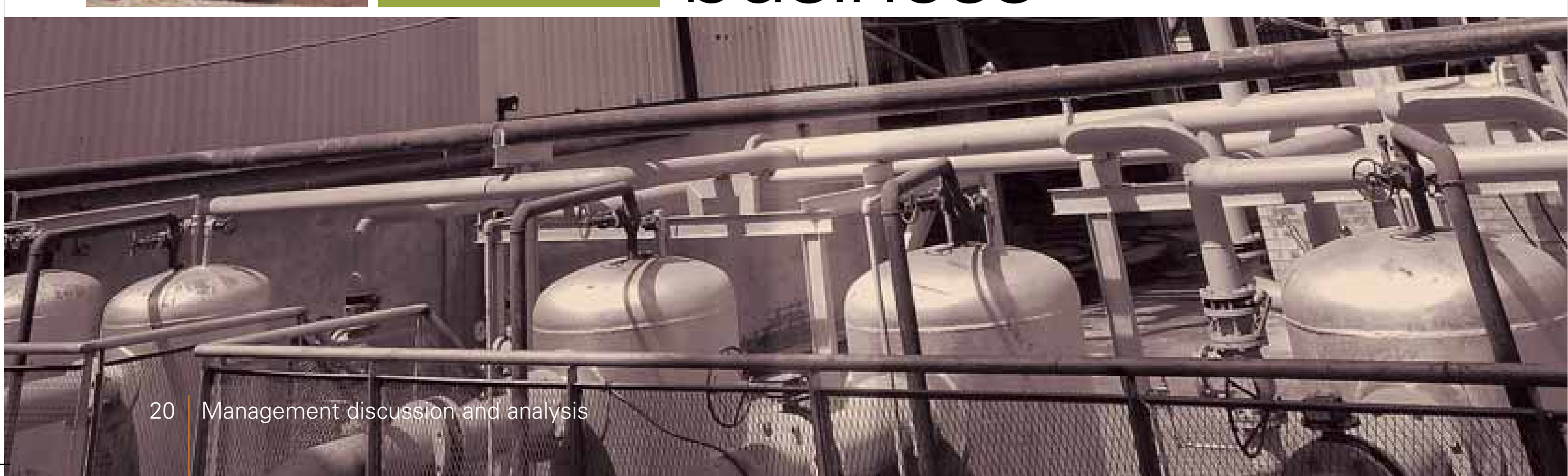
Share performance of Triveni vs. BSE Sensex



Global sugar production is expected to increase from 144.05 MMT in 2004-05 to 148.80 MMT in 2005-06

Industry overview

The sugar business



This section comprises:

- *Sugar business group and*
- *Cogeneration business group*

These business groups contribute 73% to the company's turnover.

Global overview and outlook

World sugar balance

(October / September) *1000 tonnes, raw value*

Sugar	2001-02	2002-03	2003-04	2004-05	2005-06
Opening stocks	58443.1	58526.1	67104.7	65105.0	59501.4
Production	138456.8	150516.5	143711.4	144047.8	148796.3
Imports	45134.6	48086.0	49006.1	50290.8	49625.4
Disappearance	134713.8	140120.9	142184.8	145275.4	147548.9
Exports	48794.6	49903.0	52532.4	54667.0	52537.3
Ending stocks	58526.1	67104.7	65105.0	59501.4	57836.9
Cl. Stock/ Consumption (%)	43.44	47.89	45.79	40.96	39.20

Source: F.O. Licht

Global sugar production is expected to increase from 144.05 MMT in 2004-05 to 148.80 MMT in 2005-06 while consumption is expected to increase from 145.28 MMT in 2004-05 to 147.55 MMT in 2005-06. The convergence of production and consumption is primarily the result of a lower production in the major sugar producing countries like India and Thailand. Brazil continues to be the largest producer of sugar with a production of 23 MMT in 2004-05, while India remains the largest consumer.

The global export trade is dominated by Brazil, European Union, Thailand and Australia. Although international sugar realisations should serve as a reliable indicator of prices and trends, they appear partly distorted due to the protectionist trade policies adopted by the developed countries.

In the sugar year 2004-05, world sugar production for export was 54.66 MMT due to the excellent sugarcane crop yields in Europe and South America, which compensated for the decline in Asia; however, world sugar production for exports is expected to be lower at 52.53 MMT in the sugar year 2005-06. In Asia, India's production is expected to remain lower than its consumption, and Thailand's sugarcane crop is expected to be lower than in the previous year. As the decline in the sugar production in several key sugar producing nations is not being offset by a production increase in the other parts of the world, global sugar availability may actually be lower compared to the previous years.

Interestingly, the global sugar industry is at a significant structural inflection point with respect to pricing and trade. This is on account of the increased diversion of cane towards the manufacture of bio-fuels and the reduction in exports by the European Union countries. Despite an increase in sugar production in the sugar year 2005-06, global sugar stocks are likely to be at a four-year low due to a higher sugar demand in India and China where demand growth, at approximately 4% per annum, continues to be approximately double the corresponding global average.

Domestic overview

Performance

MMT

	2002-03	2003-04	2004-05	2005-06 (P)	2006-07(P)	2007-08 (P)
Opening stock	11.3	11.6	8.5	4.8	4.2	5.6
Production	20.2	14.0	12.7	19.0	23.0	24.0
Imports	0.0	0.4	2.1	0.0	0.0	0.0
Total available	31.5	26.0	23.3	23.8	27.2	29.6
Local consumption	18.3	17.3	18.5	19.1	19.6	20.2
Exports	1.5	0.2	0.0	0.5	2.0	2.5
Total dispatches	19.8	17.5	18.5	19.6	21.6	22.7
Closing stock	11.6	8.5	4.8	4.2	5.6	6.9
Closing Stock/ Consumption (%)	63.4	49.1	25.9	22.0	28.6	34.2

Source : ISMA, Ministry of Food & Company forecasts

India's sugar production declined 10% from 14 MMT in 2003-04 to 12.7 MMT in 2004-05. The total import of raw sugar for tolling increased 425% from 0.4 MMT in 2003-04 to 2.1 MMT in 2004-05. However, the total consumption of sugar increased by 1.2 MMT from 17.3 MMT in 2003-04 to 18.5 MMT in 2004-05. This translated into a significant decline in the closing stock/consumption ratio, which on 30 September 2005 stood at 25.9%. The decline in production was mainly on account of a poor crop due to a severe drought in southern and western India and a pest attack in North India.

As a consequence of the low production over the past few years and a declining closing stock/consumption ratio, there was a sharp increase in sugar realisations. Even as sugar production is likely to increase, it will be difficult for the closing stock to revert to the earlier levels. In this situation, it is prudent to assume that sugar prices will remain buoyant for the next few years provided there are no supply side shocks or changes in government policy.

Government measures

The government, both at the central and state level, plays a critical role in the fortunes of India's sugar industry. Sugarcane has emerged as one of the most attractive cash crops in the country today mainly because unlike other crops, farmers are assured of a statutorily enforced minimum price by the government (as opposed to a minimum support price).

As a result, the price of sugarcane is announced by the central and state governments. The purchase price of sugarcane declared annually by the Central Government is referred to as the statutory minimum price (SMP). In 2005-06, the SMP declared by the Government was Rs. 795 per metric tonnes for an average recovery of 9.0% plus Rs.8.8 for every 0.1% increase in recovery. The SAP, which is a fixed price paid by all Uttar Pradesh sugar factories, was announced at Rs.1150 per metric tonnes for the sugar year of 2005-06.

UP sugar policy, 2005-06

Background: The UP Sugar Policy recognises the need to attract new private mills and investment in the sugar sector with incentives, in the light of the fact that the Government and co-operative sugar mills may not be able to increase capacity. The central requirement of the policy is that entrepreneurs must make a minimum capital investment of Rs. 3.5 billion between the financial years 2004-05 and 2006-07; these new units must commence commercial production by 31 March 2007; in addition to the establishment of new sugar mills (greenfield expansion) and the expansion of existing sugar mills (brownfield expansion), any investment connected with the sugar industry (ethanol/alcohol from molasses and co-generation from bagasse) will also be calculated for eligibility under the UP Sugar Policy.

The total consumption of sugar increased by 1.2 MMT from 17.3 MMT in 2003-04 to 18.5 MMT in 2004-05.

Benefits: Under this policy, the state government decided to issue special incentives in the form of a capital subsidy, reimbursement of sugar transportation costs, refund of cane society commission, etc. to private entrepreneurs to set up new sugar mills or expand existing ones. For investments over Rs. 3.5 billion, the incentives will be available for five years; for investments over Rs. 5 billion, the incentives will be available for 10 years. The incentives are capped at the total amount of investment.

Status: Notifications from the Uttar Pradesh Government regarding the Incentive Policy have been issued and incentives can be availed with immediate effect upon crossing the minimum investment threshold.

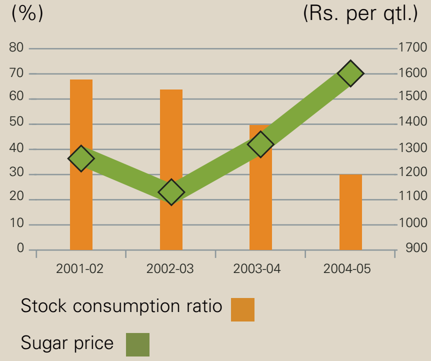
Sugar pricing

The Indian Government follows a dual pricing policy, under which a fixed proportion of production is to be sold by the sugar companies to the Public Distribution System at a fixed price (levy sugar). This price varies from region to region and the Sugar Directorate (under the Ministry of Consumer Affairs, Food and Public Distribution) releases this quantity in favour of the various States.

Interestingly, there has been a decline in sales through the Public Distribution System as the levy sugar has declined from 60% in the early 1980s to 10% effective from March 2002 (according to the Government's Revitalisation Report). The balance of sugar (free sugar) can be sold in the open market. Although sugar, which may be sold in the open market, is not subject to a levy, the Government continues to regulate sales through a release mechanism, determining the amount of sugar that can be sold each month.

Outlook

Stock consumption ratio vs. sugar price



The domestic price of sugar is expected to stay firm over the foreseeable future on account of the following factors: inventory is expected to stay under control due to increased consumption and rising exports; international sugar prices are expected to remain buoyant.

Byproduct: Ethanol

Ethanol is an oxidant and has a good potential as an environment-friendly and economical fuel additive. Rising environmental concern and changes in the prescribed emission levels under the Kyoto Protocol are expected to contribute significantly to the increase in demand for fuel ethanol.

The Government of India is encouraging the blending of 5% ethanol in motor vehicle fuel and is proposing to make it compulsory.

With increased global fuel prices, ethanol holds attractive potential. The above is an emerging use of ethanol, which is in addition to its conventional uses in industrial and potable purposes. Further a 5% ethanol blend on an all-India basis would require around 550 – 600 million liters. Considering that India is the second largest producer of sugar in the world, the abundant availability of molasses will adequately service the growing demand for ethanol.

The production of ethanol will complement the fortunes of the Indian sugar industry for an important reason: in India, ethanol is produced from molasses (sugar by-product), unlike Brazil and USA where ethanol is produced from sugarcane and maize. Therefore, ethanol production will reinforce the performance of Indian sugar companies in the event of a downturn.

Sugar business group (SBG)

- *One of the three largest sugar companies in India.*
- *Crushing capacity of 40,500 TCD in FY 06.*
- *Units situated in Khatauli, Deoband, Sabitgarh (Western UP); Ramkola in Eastern UP.*
- *Manufactures plantation white sugar.*
- *Contributed 70% to the company's turnover in 2005-06.*
- *Technical association with Sugar Research Institute, Australia, through a wholly owned subsidiary.*

Sugar Business

Khatauli
(Western UP)
- Sugar – 16000 TCD
- Branded sugar
- Cogen Power – 23 MW

Cogen power capacity is being increased by 23 MW in 2006-07

Deoband
(Western UP)
- Sugar – 14000 TCD
- Co gen Power – 22 MW

Sabitgarh
(Western UP)
- Sugar – 7000 TCD

Ramkola
(Eastern UP)
- Sugar – 3500 TCD

To be expanded to 6500 TCD in 2006-07

Narainpur
(Central UP)
- Sugar – 6000 TCD

To be commissioned in 2006-07

Chandanpur
(Central UP)
- Sugar – 6000 TCD

To be commissioned in 2006-07

Raninagal
(Central UP)
- Sugar – 5500 TCD

To be commissioned in 2006-07

Muzaffarnagar
(Western UP)
- Distillery –160 KLPD

To be commissioned in 2006-07

All the sugar units are with captive steam and power capacities. In the sugar units where Cogeneration facilities are installed, the sugar units source steam and power from the cogeneration facilities as well as from its captive steam and power capacities.

Rationale for presence

The company initiated sugar manufacture in 1933 at its Deoband sugar factory. Today, it is one of the three largest producers of sugar in India - total crushing capacity of 40500 TCD - with a majority of its manufacturing facilities located in Western UP.

Highlights, 2005-06

- 13% increase in turnover from Rs. 7676.07 million in 2004-05 to Rs. 8663.25 million.
- Recovery of the Deoband sugar unit, one of the highest in western UP during the 2005-06 sugar season.
- 60% increase in sugar capacity from 25250 TCD in 2004-05 to 40500 TCD.
- Commissioning of the 7000 TCD greenfield sugar unit in Sabitgarh in January 2006.

Outlook, 2006-07

- Sugar prices are expected to stay firm for the next two years on account of domestic demand and supply, high crude price influencing higher ethanol production as well as due to other international factors
- The company will expand capacity from 40500 TCD to 61000 TCD in 2006-07.
- It will commission three greenfield units in Chandanpur (6000 TCD) and Rani Nagal (5500 TCD) by the start of the 2006-07 sugar season; the third plant in Narainpur (6000 TCD) will be completed in the fourth quarter of 2006-07; capacity expansion of the Ramkola sugar unit from 3500 TCD to 6500 TCD will be complete by the start of the 2006-07 sugar season.
- The company is setting up a captive 160 KLPD distillery for ethanol production that will be commissioned in the fourth quarter of 2006-07.

Segments of presence

Sugar: Triveni produces plantation white sugar through the double sulphitation process. Sugar accounted for 70% of the company's revenue in 2005-06. The company possesses a capacity of 40500 TCD spread across its Khatauli, Deoband, Ramkola and Sabitgarh units

The company expects cane supply to be based on mill capacity and therefore expects cane allocation to be increased from the 2006-07 sugar season.

Branded sugar: The company's branded sugar is manufactured in Khatauli and marketed under the Shagun brand. During the year under review, the offtake of branded sugar increased by 44% to 6522 MT. While the market for branded sugar is not large, demand is increasing due to increased urbanisation and lifestyle changes.

Performance

The company achieved 7% higher crush in 2005-06, a good performance as it competed successfully with producers of alternative sweeteners to reduce cane diversion and increase drawal of sugarcane. Further, the company produced Rs. 0.38 million tonnes of white sugar in 2005-06 . Due to late rains, winter frost and overfertilisation, the sugar recoveries in western UP were lower by around 0.6-0.7% than what had been achieved in 2004-05. Average recovery for our sugar units declined from 10.08% in 2004-05 to 9.59% in 2005-06 due to the reasons aforesaid. It is to the company's credit that despite poor weather, the Deoband unit reported one of the highest recoveries among all western UP sugar factories during the season under review.

Strengths

Integration: The company's sugar division makes an excellent case for business de-risking. In addition to an installed capacity of 40,500 TCD, it possessed a co-generation capacity of

Recovery of the Deoband sugar unit was one of the highest in western UP during the 2005-06 sugar season.

45 MW and is setting up another 23 MW co-generation power plant at Khatauli. The company is also setting up a 160 kilolitres per day (KLPD) distillery for the production of rectified spirit, Extra Neutral Alcohol (ENA), absolute alcohol (fuel ethanol) and industrial alcohol. This complement of downstream products will reinforce the company's ability to withstand commodity cycles.

Location: The company possesses four sugar mills with an aggregate capacity of 40,500 TCD. Three of the four - Khatauli, Deoband and Sabitgarh - are located in the fertile Doab of Western UP, accounting for about 40% of the total sugarcane production in UP. The strong cane growing culture in the region ensures an abundant availability of cane; besides, the area is canal-irrigated to the extent of 82%, resulting in a reduced dependence on rainfall. The company's three greenfield projects at Chandanpur, Raninagal and Narainpur are situated in the Gangetic plain with similar agro-climatic conditions.

Farmer relations: Farmer relations are important for the following reasons:

- Getting the required amount of cane for the mill's capacity
- Deriving a better quality of cane leading to higher recoveries
- Improving farm yields of sugar cane

The company deals with approximately 200,000 farmers across its four units. Each sugar mill has appointed dedicated cane development staff in addition to a cane procurement team, helping farmers imbibe the best farm practices and achieve a desired varietal mix with the objective to maximise recovery and yield.

Marketing and distribution

The company markets a major part of its output across Gujarat, Rajasthan, Punjab, Uttar Pradesh, Delhi and West Bengal through a network of 23 agents, each enjoying an average relationship of over 25 years with the company.

Expansion

In 2005-06, the company added sugar capacities of 15250 TCD.

Unit	Capacity added during 05-06	Capacity as on 31.03.2006
Khatauli	4250 TCD	16000 TCD
Deoband	4000 TCD	14000 TCD
Sabitgarh (new unit)	7000 TCD	7000 TCD

The company commissioned a greenfield sugar unit at Sabitgarh, western UP, during the year under review. The expansion was largely funded by the proceeds of the company's IPO of equity shares during the year under review. The company also completed the expansion well within the specified time, reflecting its ability to execute projects faster.

The company will undertake the commissioning of its three greenfield units during the current financial year - in Chandanpur, Raninagal and Narainpur with capacities of 6000, 5500 and 6000 TCD respectively. These areas are fertile with reference to their cane growing potential and relatively virgin presence of sugar units. Besides, the company will expand the sugar unit at Ramkola from 3500 TCD to 6500 TCD. The expansion at Ramkola and the units at Chandanpur and Raninagal will be operational by the start of the 2006-07 crushing season while the unit at Narainpur will be operational during the fourth quarter of 2006-07.

Fuel for the future

Cogeneration business group (CBG)

• *The company's co-generation group supplies power to the grid and addresses captive power and steam requirements of the sugar factory.*

• *The new cogen units at Khatauli and Deoband possess an aggregate installed capacity of 45 MW (in addition to captive steam and power capacity dedicated exclusively to the sugar factory), Power supply to the grid at current sugar cane crush level is around 32 MW (crushing season) and around 39 MW (off-season).*

• *Turnover increased 222% to Rs. 605.50 million in 2005-06.*

Rationale for presence

The company entered power co-generation to de-risk itself from the cyclicality of the sugar business. The captive availability of raw material bagasse coupled with the company's technological expertise makes it a leading co-generation player. The company not only invested in state-of-the-art co-generation plants, but also commissioned them in record time. In the face of an increased power shortage, co-generation provides an opportunity for sustainable long-term revenues with the potential of availing carbon credits for reduced emissions and clean energy. Further the sale of carbon credits in the form of Certified Emission Reductions (CERs) will also strengthen the profitability of the company.

Performance, 2005-06

• 222% increase in the division's revenue from Rs. 188.03 million in 2004-05 to Rs. 605.5 million.

• 304% increase in EBIDTA from Rs. 58.6 million in 2004-05 to Rs. 237 million.

• Commissioning of a new 23 MW co-generation plant in Khatauli; reported PLF of over 98% in March 2006.

• 92% plant load factor for the Deoband unit across 207 days of working (99% and 100% PLF in February and March 2006 respectively).

• Power purchase agreement with Uttar Pradesh Power Corporation Ltd. (UPPCL), the buyer for the power supplied to the grid; timely payments from UPPCL for the power supplied.

Drivers

• Ready market for power in Uttar Pradesh reflected in a significant shortage.

• Prudent de-risking initiative, sustaining revenues counter-cyclical to the fortunes of the sugar business.

• Active encouragement by the government for co-generation through the Electricity Act 2003 and National Electricity Policy.

• Announcement of a detailed tariff and regulatory order in 2005 for the next five years by the U.P. Electricity Regulatory Commission (UPERC), mitigating commercial and regulatory uncertainties.

• Attractive ten year tax holiday out of a block of 15 years for the profits of the co-generation division, u/s 80 IA of the Income Tax Act.

• Eligibility under the Clean Development Mechanism (CDM), entitling the company to carbon credits, by selling certified emission reductions (CERs).

Triveni's co-generation units

Deoband

State-of the art, bagasse-based co-generation unit with a capacity of 22 MW.

- 31% of the electricity produced by this plant was captively consumed by the company and the rest was supplied to the Uttar Pradesh Power Corporation Limited, secured by a 10-year power purchase agreement.
- Plant operated at an average plant load factor of 92% for the 207 days it was operational in 2005-06; PLF could have been higher but for fuel shortage during the start of the sugar season and high grid disturbances in January 2006. Plant achieved 99% and 100% PLF in February 2006 and March 2006 respectively.

Khatauli

State-of-the-art and energy efficient, bagasse-based 23 MW cogeneration power plant (commenced operations during 2005-06 sugar season).

- 25% of the electricity produced by this plant was captively consumed by the company and the rest was supplied to the Uttar Pradesh Power Corporation Limited, secured through a ten-year power purchase agreement.
- One of the quickest commissioning schedules for co-generation plants in India.
- Commenced the export of power in October 2005. After an initial period of stabilisation, the cogen plant has achieved full capacity; PLF was over 98% for March 2006.
- Additionally utilises continuous electro de-ionisation (CEDI) process in its boiler feed water system (installed through the company's Water Business Group) with the objective to rationalise bulk acid and alkali handling as well as improve water quality. This is the largest CEDI-based water treatment module in India and the first in a power plant in the country.

Outlook

- The company's co-generation plants are expected to report a better PLF (especially at Khatauli), operate for a longer period in 2006-07, generate more units and export more to the grid.
- Triveni has two operating bagasse-based cogeneration units (22 MW at Deoband and 23 MW at Khatauli) that will be eligible for carbon credits. The company is the process of registration of its cogen plants under CDM and following verification, plans to sell the CERs.
- The company is setting up a new co-generation capacity of 23 MW at Khatauli which is expected to be operational in 2006-07.

Cogen plant at Khautali was one of the quickest commissioning schedules for co-generation plants in India.

Carbon credits

The concept of carbon trading seeks to encourage countries to reduce their green house gas emissions like carbon dioxide, methane, nitrous oxide, sulfur hexafluoride, HFCs, and PFCs.

A carbon credit is earned for every tonne of carbon dioxide (CO2) reduced by a company or a country. Carbon credits are available for companies engaged in developing renewable energy projects that offset the use of fossil fuels and which meet certain criteria. Companies in the developing countries earn these credits by implementing 'green projects' under a Clean Development Mechanism, validated and registered with the United Nations Framework Convention on Climate Control (UNFCCC), which also issues carbon credits following verification.

Triveni has two operating bagasse-based cogeneration units (22 MW at Deoband and 23 MW at Khatauli). Since the power generated from these plants is produced from a renewable source like bagasse and meets the other required criteria, both co-gen units are eligible for carbon credits. The company has already hired the services of Ernst & Young as a consultant and TUV South Asia (TUV SUD Group) as a Designated Operational Entity (DOE) for both plants.

The company received Host Country Approval (from Ministry of Environment & Forest) for these projects. Presently the process of validation is underway, which is likely to be completed by July 2006. Following validation, the company will apply for the registration of both projects with the Executive Board of UNFCCC. The registration is expected by September 2006. Following registration, the verification of carbon credits will be conducted by an independent DOE (other than a validator DOE) and is likely to be completed by October / November 2006. Following verification, these carbon credits will become certified emission reductions.

The company expects to cumulatively generate about 150000 to 160000 CERs per annum, expected to rise to 200,000 CERs subsequently following an increase in the duration of off-season operations. The company will sell the CERs following the process of verification. At this stage the risk from the buyer's perspective has been mitigated to the maximum extent and hence the company shall derive the best possible realisation. The company shall also be entitled to sell CERs from the date of commencement of the export of power from its cogeneration plants (from retrospective effect viz. 2004 for Deoband and 2005 for Khatauli).

The company is investing in a 23 MW bagasse-based cogeneration power plant in Khatauli, which shall also be eligible for CERs. These CERs will be in addition to the CERs stated above.

India consumes almost 3% of the world's commercial energy and is the sixth largest consumer of energy in the world.

Industry overview

The engineering businesses

This section comprises:

- *Turbines business group,*
- *Gear business group and*
- *Water and waste-water treatment business group.*

Overview

GDP growth increased from 6.9% in 2004-05 to 8.1% in 2005-06, driven by the manufacturing and power sector. The Index of Industrial production for February 2006 rose to 227.3, up 8.8% against the corresponding month of the previous year.

According to figures available, the IIP for mining, manufacturing and electricity sectors stood at 153.9, 242.3 and 186 respectively in February 2006 against 152.5, 221.3 and 170.7 in February 2005. The cumulative growth during April-February 2005-06 in these three sectors was 0.5%, 9% and 5.3%, respectively.

Power sector (including IPP and co-generation units)

India consumes almost 3% of the world's commercial energy and is the sixth largest consumer of energy in the world. During 2005, the recorded energy requirement was 626 billion units whereas energy available was only 546 billion units, reflecting a shortage of 80 billion units (13%). *(Source: CME, CMIE, E&Y sector report)*

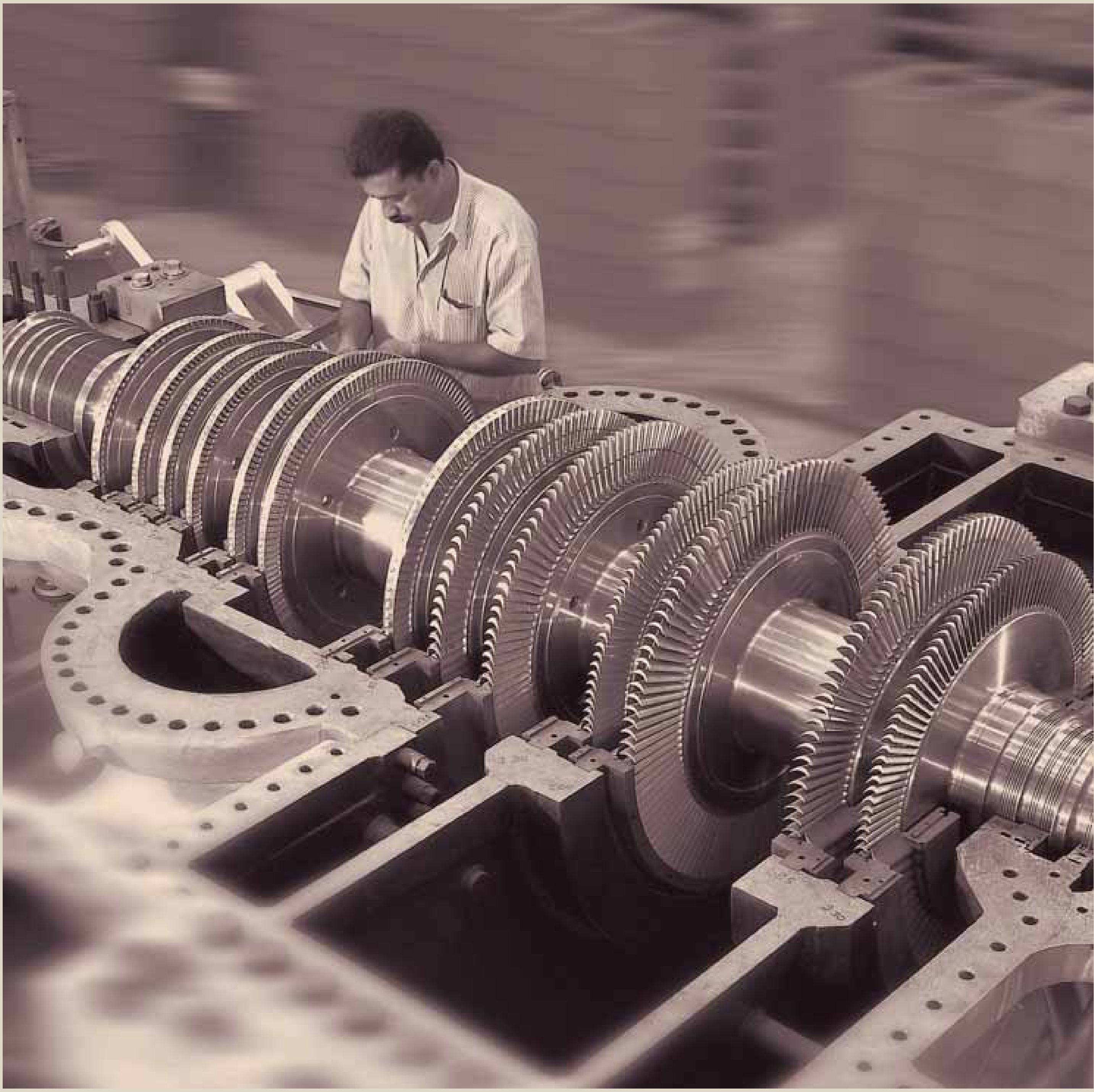
It is estimated that a capacity addition of around 100,000 MW will be required by 2012 to bridge the supply deficit. Electricity generation will have to grow at a minimum of 10% per annum in order to support the targeted industrial and economic growth. The government expects to bring around 5000 MW of electricity (by 2008) to the grid through the captive generation route to supplement capacity addition.

Captive power

Out of the country's installed captive power generation capacity of 18740 MW, steam generated power accounted for 46%, followed by diesel-based power generation. With the prices of oil increasing at a rapid pace and shortage of gas, steam-based utilities and renewable facilities will continue to be the biggest beneficiary. Much of the growth will be driven by captive power plants within industrial units up to 45 MW leveraging co-generation.

A customised, engineered-to-order product group

Turbine business group (TBG)



- *Core of TEIL's engineering division; contributed 22.6% to the company's turnover in 2005-06.*
- *Manufactures steam turbines and packages gas engines.*
- *Manufacturing capacity of 650 MW, being expanded to 1100 MW in 2006-07.*
- *Unit in Bangalore; employs about 444 people.*

Rationale for presence

The turbine business unit was commissioned as a backward integration of the company's sugar business. Since then, the division has outgrown its role and emerged as a profitable independent entity, having manufactured and installed about 1800 turbines. It is one of the largest manufacturers of 1-12 MW steam turbines in the world with a 68% market share in India's high and low pressure turbines upto 18 MW. The company's ability to provide high-tech precision engineered-to-order solutions has made it one of the most trusted names within its space in India today.

Highlights, 2005-06

- 71% increase in topline from Rs. 1626.4 million in 2004-05 to Rs. 2779.9 million; 226% increase in divisional profit from Rs. 114.3 million in 2004-05 to Rs. 373.1 million.

- More than 500 basis point increase in EBIDTA margin from 11.1% in 2004-05 to 16.2%.

- Current order book of Rs. 4.44 billion (159% of the division's turnover in 2005-06).

- Capacity increase from 300 MW in 2004-05 to 650 MW in 2005-06 in record time.

Growth drivers

- The domestic demand of turbines will ride industrial growth; cement, paper, textiles, steel, sugar, independent power producers and pharmaceutical industries are expanding, driving turbine orders; co-generation plants and IPPs will increase capacities, resulting in higher turbine demand.

- The market for 18-45 MW turbines is expected to touch 1500 MW by 2007-08, an exciting prospect considering that it is 50% larger than the 1-18 MW segment.

- Exports to Europe and Asia.

Outlook, 2006-07

- The company will expand its capacity by 70% effective from fourth quarter 2006-07.

- Sales are expected to increase to over Rs. 5 billion in 2006-07, based on the strong domestic demand and exports.

- Increased exports to Europe and Asia, riding on the company's world-class technology, low production cost and committed service. TBG exports are expected to increase to 20% of turnover in two years.

Segments of presence

Steam turbine: The company provides comprehensive solutions in steam-based power generation from 1-18 MW. It manufactures high pressure steam turbines (power and drive turbines), refurbishes turbines of all makes, and reverse-engineers sophisticated equipment at a fraction of the prevailing cost. The company can also provide solutions for clients for power ranges up to 45 MW through its international partnership network.

Gas engine: The company has partnered Waukesha Engines, a business unit of Dresser Inc.,USA, to market gas engines in India.

After-sales service: The spare business generally generates incremental revenues only after 2-3 years of turbine installation. The recent ramp up in turbine sales will generate substantial incremental spares business in the next few years. The company has 13 service centers across India offering emergency support, routine repair service and spare parts to customers. Turbine spare parts can sometimes be hard to procure and often these spares may be required at a short notice and may not be instantly available. The absence of an ability to procure the right quality and specifications of spares can lead to a disrupted business activity.

Refurbishing: Refurbishment relates to the repairs and rehabilitation of old turbines that are non-operational due to technical faults, inefficiency and outdated technology. The company provides refurbishment services for old turbines - of its own make as well as those made by other manufacturers. In 2006-07, the company will complete the installation of a facility that will enable the vacuum balancing of turbine rotors upto 30 MW, a critical process in refurbishment of turbines, especially of higher ratings.

Performance

The company's turbine division posted an increase of 71% in its turnover from Rs. 1626.4 million in 2004-05 to Rs. 2779.9 million in 2005-06. During the year under review, the division's performance in terms of supply of turbines, increased from 228 MW in 2004-05 to 425 MW in 2005-06 on account of a growing power sector (co-generation and IPP) and growth in user industries (sugar, cement, paper, pharmaceuticals and textiles etc.).

The contribution of the division to the company's revenue increased from 16.9% in 2004-05 to 22.6% in 2005-06, indicating its growing importance.

Expansion

During 2005-06, the turbine unit at Bangalore doubled its capacity to address the increased domestic demand. The expansion was completed in a record nine months by 31 December 2005 for an additional investment of only Rs. 180 million. Going ahead, the company intends to increase its steam turbine production capacity by around 70%, scheduled to be completed in the fourth quarter of 2006-07 at a cost of around Rs. 430 million. It will also install a world-class Full Speed Balancing Machine for the dynamic balancing of rotors up to 30 MW. This expansion is aimed at increasing production to cater to a growing domestic market and achieve shorter delivery tenure for exports. The current order of Rs. 4.44 billion is to be fully liquidated by February 2007.

Strengths

Engineered-to-order: The company's turbine division manufactures customised high and low pressure steam turbines suited to varying conditions, establishing its leadership with a market share of 68% in the 1-18 MW steam turbines segment. The company also provided complete, end-to-end high-tech precision engineering solutions in steam turbines and expected to commence turbine sales in the 18-25 MW segment in 2006-07.

Customer service: One of the critical elements of the company's value proposition is its ability to ensure a prompt, effective and reliable service. The company has a base of about 1800 turbines, installed and fully functional, one of the largest in the world. The role of a turbine is crucial in the process of manufacture; any downtime can result in an operational loss. As a result, the company has extended from product delivery to service commitment comprising the following features:

- Unmatched product quality as a result of rigorous testing and reflected in an average uptime of over 99%.
- Unmatched service reflected in a commitment to attend to breakdowns at the customer's end within 48 hours; in 90% of the reported breakdowns the company serviced the customer within 24 hours and resolved 97% of the problems within 48 hours. The company services an average of more than 700 turbines a year including turbines made by other manufacturers.

Low production cost: The company's turbines enjoy one of the lowest production costs in the world due to the following factors:

- Value-engineering at the design stage.
- Cost reduction across all organisation levels.
- Economies of scale derived from a large production capacity.
- Use of high tech precision technology and active research & development.

Research, development and design: A team of research and design professionals ensures the development of robust and compact turbine designs based on client specifications using precision engineering analytical tools like CAD and 3D-based parametric design tools, including contemporary

The contribution of the division to the company's revenue increased from 16.9% in 2004-05 to 22.6% in 2005-06

versions of the sophisticated Pro-E and solid modeling packages. The company's turbines are fitted with mono-block forged rotors, making them robust. The company's advanced design skills are reflected in an ability to manufacture the complete turbine range (condensing, passout condensing, back pressure, passout back pressure etc.) in the 1 to 18 MW segment. The development of the higher range turbines (18 to 25 MW) will be completed by 30 September 2006.

The ability to perform complex analyses coupled with knowledge of the customer's industry space has evolved the company into a reliable manufacturer of customised turbines. It has also empowered the company to emerge as the only OEM to provide turbine refurbishment as a service across any brand. Triveni not only possesses the design backup for reverse engineering of existing turbines but also an in-depth consultancy skill to add value to old turbines.

The role of design in cost management from the conceptual stage is significant. In 2005-06, the company undertook a value-engineering exercise, wherein every part of the turbine was tested for cost and benefit implications. This involved a holistic understanding of material composition, design analysis, stress analysis, electrical system analysis and space analysis with the objective to reduce turbine cost without affecting operational efficiency or reliability - a saving of around Rs. 50 million

In 2005-06, the company also refined turbine aesthetics; it commissioned a team of non-engineers to rate the turbine on the parameters of looks, space and compactness.

During 2004-05, the company developed low pressure twisted and tapered blades in collaboration with consulting professors from Indian Institute of Science, Indian Institute of Technology and Impact Technologies (USA).

Quality: The company's Quality Assurance Control department ensures that the company's products meet national as well as international quality benchmarks like ISI, CE specifications and IEC. The quality initiatives also comprise extensive in-house testing, including a mechanical run test at 110% of the design speed with an accompanying gearbox. This demonstrates smooth running, safety trips, vibration levels and modest sound levels before turbine delivery.

The company's quality assurance control department conducts quality checks across the manufacturing process cycle: from the design stage to material purchase to manufacturing process to final turbine inspection. In 2005-06, the company conducted Six Sigma training to inculcate a deeper sense of quality consciousness as a result of which 24 six sigma black belts were awarded.

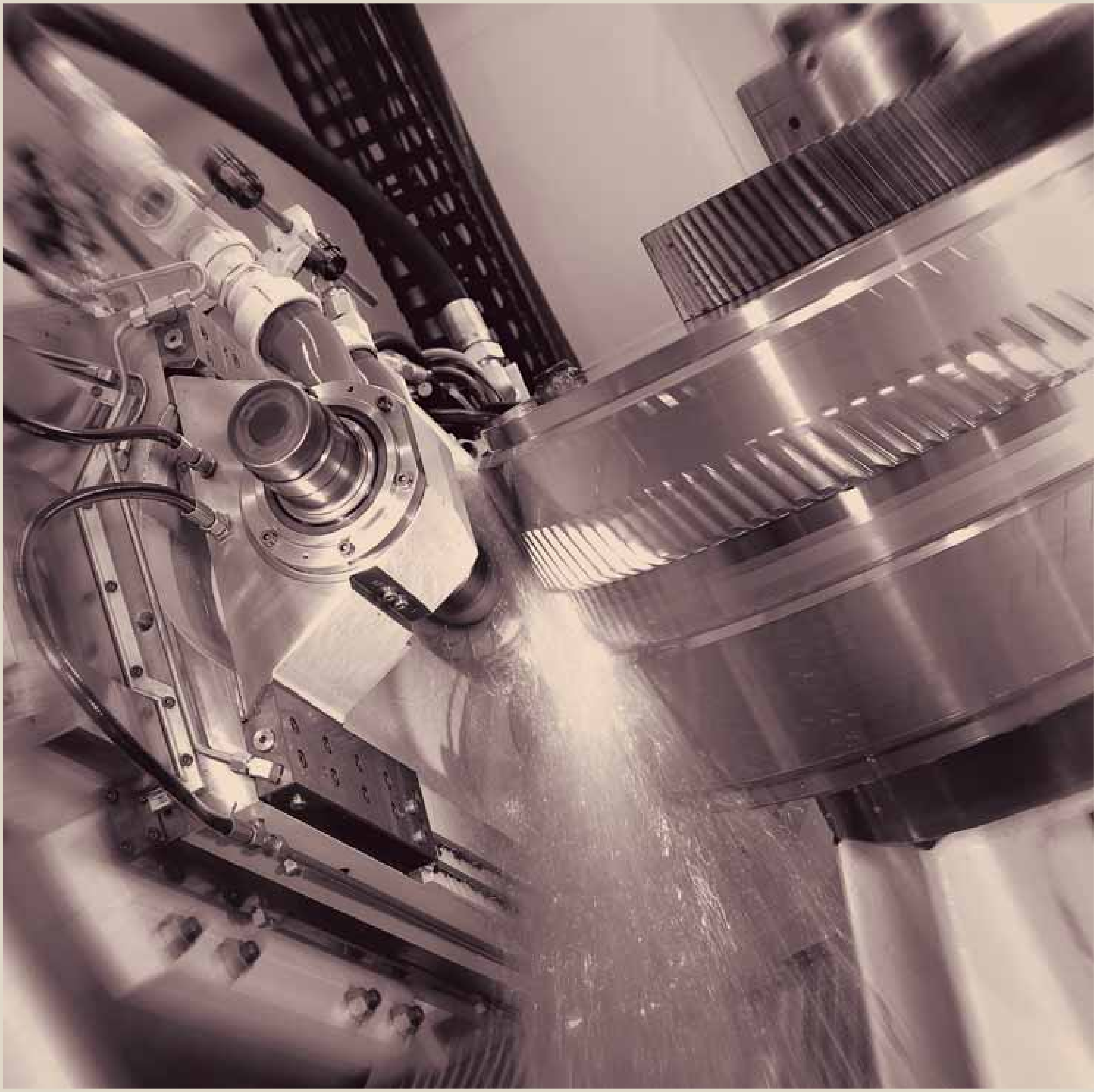
The company's turbine manufacturing facility in Bangalore is ISO 9001-2000 and ISO 14001 certified, the first steam turbine manufacturer in India to possess these confidence-enhancing certifications.

Customers

The company has a functional base of about 1800 turbines. The company has delivered turbines to renowned clients like Bajaj Hindustan, Philips Carbon Black Ltd., Shree Gopal Paper Mills, Indian Rayon, Sesa Goa, Madras Refineries, Usha Martin, Monnet Power, Sangam Spinners, Kesoram Rayon, Aurobindo Agro Energy, Raymonds, West Coast Paper Mills, Dwarikesh Sugar, MSP Steels, India Glycols and Parle Biscuits. As a result of the company's ability to customise solutions, the proportion of repeat and referral business accounted for about 80% of the division's turnover during the year under review.

The largest one-stop shop for high-speed gears and gearboxes in India

Gear business group (GBG)



- *Manufactures high-speed gears and gearboxes upto 70 MW capacity and speeds of 50,000 rpm.*
- *Products conform to the engineered-to-order space.*
- *Unit situated in Mysore; employs about 116 people.*
- *Contributed 1.8% to the company's turnover in 2005-06.*

Rationale for presence

The company's gears division was started in 1976 to manufacture gears and gear boxes for the turbine business group. Since then, this division has emerged as a standalone business, supplying high-speed gears and gearboxes to the Triveni TBG and also to other prominent OEMs like Siemens and BHEL. The competitiveness of this business has been reinforced through a technology license agreement with Lufkin, the world leader in high-speed gears. As a result, the company offers world-class engineering solutions in high-speed gears and gearboxes using indigenous technology up to 7.5 MW and leveraging Lufkin designs and technology above 7.5 MW.

Highlights, 2005-06

- 89% increase in divisional revenue from Rs. 238.8 million in 2004-05 to Rs. 450.3 million.
- Increase in EBIDTA margin from 15.24% in 2004-05 to 20.85%, reflecting the twin-impact of cost-reduction and value-addition.
- Increased share of income from refurbishment/replacement activities from 25% of the total revenue in 2004-05 to 28% of the total revenue.
- A contract with Lufkin Inc., the world-leader in gear design, manufacture and servicing for the next seven years; extension of the contract to cover products and geographic presence.
- Manufacture of gear internals in the 15–25 MW segment under the terms of the new license agreement.
- Manufacture of several 50000 rpm speed gearboxes for ISRO for onward use in the testing of cryogenic engine pumps for satellites.
- Emergence as the first company in India to manufacture a 36 MW high speed gear box.
- Current order book of Rs. 325 million.

Outlook, 2006-07

- The company expects to enhance its presence in product segments like hydel gears and provide high-end technical solutions in the low-speed gearboxes segment.
- It expects to diversify its customer base, de-risking from cyclicality in any particular industry.
- Further growth of 30-35% expected in 2006-07.

Performance

The company's gear division posted an 89% increase in divisional revenues from Rs. 238.8 million in 2004-05 to Rs. 450.3 million in 2005-06 and also EBIDTA margins improved from 15% in 2004-05 to 21% in 2005-06. It was protected from price increases in raw material due to long-term fixed price supply agreements with vendors. Besides, the company streamlined its manufacturing and supply-chain processes, rationalizing overheads and production costs.

Strengths

Solution provider: The company is not only a manufacturer, it is a solution provider. It is the only Indian high speed gearbox manufacturer above 10 MW, providing the entire range up to 70 MW. The company has been a market leader in high-speed gears and gearboxes with a market share of about 48% (factoring imports), and accounts for a market share of 88% in the segment below 7.5 MW.

The company's ability to provide engineering solutions is not only limited to high-speed gearboxes but extends to niche applications in the lower speed segment. Besides, the company provides retrofitting and refurbishment services for old turbines of other makes, enabling it to emerge as a one-stop solution provider in this business.

Prestigious order from ISRO

In 2005-06, the company received an order from the Department of Defence for the development of an increasing high-speed gearbox for ISRO. This gearbox was required to test the cryogenic engine pumps used in satellites and was required to revolve at 50000 rpm. The company successfully customised the gearbox within five months, becoming the only private sector company to successfully manufacture a high-speed gearbox of such a nature.

Association with Lufkin: The company enjoys a technological relationship with Lufkin Inc., a US-based company. This $524 million company is a world leader in gears and gearboxes, possessing manufacturing facilities in US and France. GBG enjoyed an eight year association with Lufkin following which the license agreement was renewed for seven years from May 2005, extending the scope of partnership in terms of product and geographical range. As a result, the new contract with Lufkin has extended the GBG right to manufacture gears from 15 MW to 25 MW using Lufkin-approved design, and the manufacture of gears and gearboxes above 25 MW under a joint manufacturing programme with Lufkin. The GBG may shortly commence the manufacture of gears above 25 MW as well. This association has strengthened the company's capability to provide world-class end-to-end solutions in gearboxes and compressors.

Service ability: The division's engineering business is driven by technology and service capabilities. While the division has maintained its world-class technological support with indigenous research as well as technological absorption from its overseas partners, it used its superior service as a differentiator. As a result, on the one hand, it provides customers with a peace of mind leading to referrals and repeat business, and on the other, it enables the company to strengthen its brand among OEMs and the refurbishment and retrofitting market through the servicing/ repairing/ remaking/ supplying of spares for old gearboxes of all makes. During the year under review, the division's revenues derived from refurbishment and retrofitting increased to 28% of its total revenues compared with 25% in 2004-05.

Helping a customer in a time of crisis

In September 2004, a leading cement manufacturer faced a crisis. It was fitted with a sophisticated 70 tonne vertical roller mill gearbox to facilitate grinding but a technical snag developed into downtime. The company initially approached service personnel sent by manufacturers of its installed gear box, but was eventually compelled to call in Triveni's GBG. Their faith was not misplaced: in July 2005, the GBG commissioned the retrofitted gearbox at the cement manufacturer's site, leading to resumption in operations.

Quality: The GBG's production conformed to world-class DIN, API, AGMA and ISO standards; besides, the manufacturing facility at Mysore is ISO 9001-2000 and ISO 14000 certified, the first such instance in the gear industry. During the year under review, the company conducted six-sigma projects to eliminate design errors, improve raw material quality and improve noise performance. As a result, the company achieved the

During 2005-06, 51% of the GBG's sales comprised products upto 7.5 MW, the rest above 7.5 MW.

DIN3 quality standard in noise performance, setting a new national standard. As a result of this uncompromising standard, the company also supplies gearboxes to its turbine competitors like Siemens and BHEL.

Design: The design department makes gear and gearbox designs conforming to customer specifications and requirements. The design and development department at Mysore is adequately equipped with relevant hardware and software aligned with Lufkin's design centers in France and USA for error-free design review and approval. The design team comprises competent and experienced engineers. Ongoing training and development ensures adaptability to changing technological evolution at the client's end. Strict quality controls ensure that the gears conform to international quality standards like DIN, API and AGMA. This strong design ability has on one hand enabled the company to foray into the value-added segment of high wattage turbines and on the other, enabled it to establish itself in the retrofitting, refurbishment and spares segment.

State-of-the-art manufacturing: The division's manufacturing facility in Mysore is fully integrated with production facilities for gear hobbing, gear grinding and test bays. During the year under review, 51% of the GBG's sales comprised products upto 7.5 MW, the rest above 7.5 MW. The division manufactures critical items like gear blades, gear wheels and can perform any activity that requires control like hobbing, grinding and testing. The efficiency of standard processes increased from 89% in 2004-05 to 94% in 2005-06. Machine breakdown hours were limited to less than 5%.

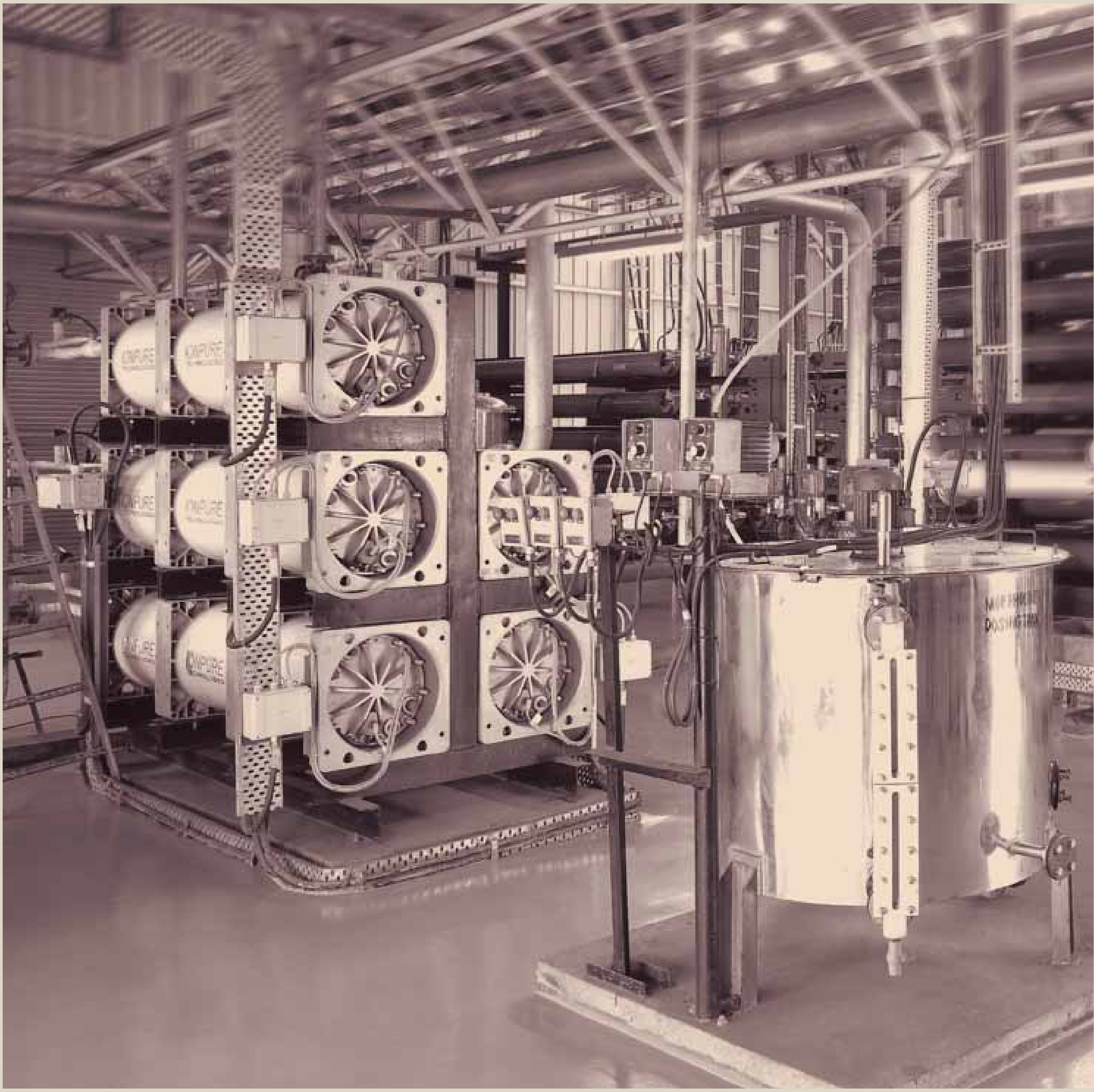
Marketing and distribution

Original equipment manufacturers: This segment comprised major turbine, pump and compressor manufacturers like Triveni Turbine Division, Siemens, BHEL, Elliot, Dresser Rand, Sulzer, KSB and L&T etc. The division generated about 68% of its revenue from this segment in 2005-06. Revenues from sales to the TBG group comprised 59% of the OEM sales and 40.5% of the division's sales. With an increased capacity of the TBG Bangalore unit, the GBG is likely to see an increase in total revenues in 2006-07. The GBG caters to 100% of the TBG demand with transfers made at market prices.

Retrofitting: The retrofitting service holds out an attractive potential in the refinery, cement, sugar, paper and fertiliser industries. It accounted for 28% of the division's sales in 2005-06 as against 25% in 2004-05. The company's competent service team possessed a vast experience in the service and repair of all makes and models of gear units, including units built by manufacturers other than the GBG. The GBG unit will expand capacity in 2006-07 with a proposed outlay of Rs. 100 million, allowing it to focus on exports and the manufacture of large gearboxes.

Providing world class solutions in water and waste-water treatment

Water business group (WBG)



- *Provides the entire gamut of water and waste-water treatment solutions.*
- *World-class standards in cost, technology and product quality.*
- *Currently contributes 1.12% of the company's total turnover but has promising potential in future in view of vast opportunities offered by the industry.*
- *Enjoys technical tie-ups, strategic alliance and license agreements with US Filter, a Siemens business.*
- *Current order book is Rs. 130.2 million.*

Rationale for presence

While the demand for water is increasing rapidly, its availability is limited. Therefore, the use of water needs to be judicious with an emphasis on reuse wherever possible.

The company entered the business of water and waste-water treatment in 1984 as a turnkey manufacturer. The division was restructured in 2003 to manufacture and package equipment aligned with its other engineering businesses. Today, the company fabricates and assembles equipment based on proprietary or licensed designs for water treatment plants.

The company provides technological solutions for water and waste-water treatment. In the municipal segment the company works with water authorities to provide localised solutions, while in the industrial segment it provides life-cycle solutions to the water and waste-water requirements of customers.

Highlights, 2005-06

- The division's revenue increased 69% from Rs. 81.6 million in 2004-05 to Rs. 138.1 million
- EBIDTA increased 317% from Rs.5.4 million in 2004-05 to Rs. 22.5 million in 2005-06
- EBIDTA margin strengthened from 6.6% in 2004-05 to 16.3% in 2005-06, reflecting the impact of cost reduction.
- The division successfully commissioned a water treatment plant for boiler feed water using the double-pass reverse osmosis system corresponding to the CEDI technology used in the company's Khatauli sugar factory. This is one of the largest plants in the world using this technology in the power sector.
- The WBG exported components like the clarifier drive head to Envirex.
- The unit has currently an order book of Rs. 130 million, which is an increase of over 140% over the order book as on March 31, 2005.

Growth drivers

- Water is increasingly perceived as a raw material in production, a paradigm change from the time it was considered as a free abundant resource of no value.

- Machines, products and processes require water of a suitable quality in terms of ph level and purity etc, making it imperative to treat available water to a desired level.

- Treated water is now increasingly critical in the pharmaceuticals, paper, steel and fertiliser industries.

- A paucity of space requires water treatment machines to be compact and efficient. The CEDI technology used by the WBG is a next generation technology, requiring less space, lower running cost and less of civil work.

- Increasingly stringent environment laws require companies to treat contaminated water prior to its release in public water bodies.

- There is also an incidence of high pollution in drinking water; a greater health consciousness is resulting in a greater demand for water treatment equipment in housing complexes and from the municipal sector.

Outlook, 2006-07

- The division's proposed Rs. 150 million expansion will comprise the setting up of an office and workshop for the WBG.

- Following this expansion, the company will initiate the manufacture of critical components, reducing its dependence on the capacity of subcontractors and enhancing cost efficiency.

- The WBG expects three digit growth in its top and bottom line in 2006-07.

Performance

The company's WBG posted a 69% increase in revenues from Rs. 81.60 million in 2004-05 to Rs. 138.1 million in 2005-06. The division's EBIDTA increased 317% from Rs. 5.4 million in 2004-05 to Rs. 22.5 million in 2005-06.

The highlights of the year's performance comprised:

- A focus on team-building; an increase in manpower from 45 on 31.03.05 to 56 on 31.03.06.

- Successful commissioning of a double-pass reverse osmosis system with a CEDI polishing stage, as well as pilot for a wastewater-reuse system using the advanced Memcor technology.

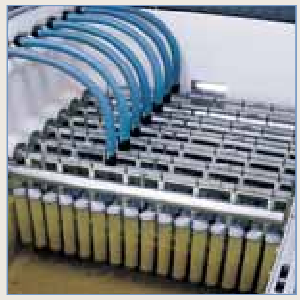
Strengths

Solution provider: The WBG provided end-to-end innovative technology solutions to address the specific needs. It offered customised solutions through integrated treatment processes in:

- Water treatment: Industrial process water and municipal water.

- Waste-water treatment: Industrial, municipal, recycle and reuse.

- Sludge handling and intake water works.



Water business group posted a 69% increase in revenues from Rs. 81.60 million in 2004-05 to Rs. 138.1 million in 2005-06.

The division offered a gamut of services including analyzing processes, system conceptualisation and engineering, project management, customer support and after-sales service.

The division also provided a range of product lines including physical / chemical / biological pre-treatment through clarifiers, aerators and filters followed by post treatment through various process options including membrane solutions. It also provided a range of de-watering equipment and high purity water systems.

The division offered vertical and horizontal solutions in the water and waste-water treatment segments.

Alliances: The company is associated with $1.2 billion US Filter (a Seimens AG company) through its group companies like Memcor, Envirex, Ionpure and Zimpro. This company is the largest water and waste-water treatment equipment and solution provider in the world.

Memcor provides high technology micro-filtration solutions for drinking water, process water and reuse applications.

Envirex provides design support for a range of water/ waste-water treatment equipment for physical and biological processes.

Ionpure has been associated in providing electro-deionising equipment (CEDI technology).

Zimpro provides PACT/WAR treatment processes for most complex waste-water treatment applications in oil refinery, petrochemicals & similar applications.

In 2005-06, Triveni also entered into a license arrangement with another US Filter group company, Memcor, for membrane bio reactor & low pressure micro-filteration membrane solutions and equipment.

The company's association with the world's best companies enabled WBG to provide world-class technology, a competitive advantage and provides partners with a ready Indian market for their products.

World class technology and service: The company provides world-class solutions based on contemporary technologies like screens and clarifiers as well as continuous electro de-ionisation (CEDI) and membrane filtration for high-purity systems. This technology is superior and environment friendly than the legacy resin-based technology; it eliminates the use of chemicals, offers tertiary treatment, zero discharge technologies for the treatment of waste-water and a combination of technologies that enable it to resolve complex customer specifications. This technological excellence is complemented by a superior service capability (including after-sales), establishing the company's brand in a competitive market.

Empowering rural India with a wider choice

Triveni Khushali Bazaar

- *Flagship business of subsidiary Triveni SRI Ltd.*
- *Comprising 11 stores situated across 6 districts of Uttar Pradesh; added 10 stores in 2005-06.*
- *Range of average format size from 2000 sq ft to 8000 sq. ft.*

Rationale for presence

The company has been in the retail business for just over one year, addressing the daily needs of about 400,000 farmers across its locations. While its retail initiative was started by the company with the objective to improve farmer relations and curb exploitation by local retailers, Khushali Bazaar has evolved to a point where it empowers farmers and villagers through a wider choice. Hence, for better management focus, the business since October 2005 is being carried out by a wholly owned subsidiary, Triveni SRI limited

This choice is not limited to agri-products like fertilisers, seeds and farming equipment; but also extends to FMCG goods like soaps, edibles, insurance plans, financial loans and petroleum products like diesel and petrol. As a result, Triveni Khushali Bazaar has evolved from a single retail store to a retail chain in just a year.

Performance

For Triveni Khushali Bazaar, 2005-06 was the first complete year in existence. The division's strength increased from one store in 2004-05 to 11 stores in 2005-06 corresponding to an addition of 22,000 sq ft. The division's topline stood at Rs. 162 million during the year under review (including the period during which the business was carried out by the subsidiary).

Strengths

Long-standing rural presence: The company's sugar business has translated into a long-standing rural presence and insight into customer needs. This insight has translated into a varied stocking of goods and services in its retail shops.

Choice of best quality: Triveni Khushali Bazaar provides the rural customer with the advantage of choice reflected in the varied stocking of multi-brands. The products are not only genuine but also priced attractively.

Low cost: Some of the company's retail outlets have been commissioned on leased land thereby requiring low capital cost. In addition, the company's decision to procure goods in bulk has translated into attractive pricing. The combination of a large throughput and low operational cost has translated into attractive margins.

The company will expand its retail presence from 11 stores to 43 stores in 2006-07, will extend its product profile to vegetables and perishable goods under its Shagun brand and expects the agri-division's revenues to grow significantly.

The social and community service initiatives taken by Triveni in 2005-06

Sustainability beyond business

Triveni Engineering & Industries Limited recognises that business growth is linked with societal progress, resulting in social obligations being reconciled with business decisions.

Educational initiatives

- **Schools:** The company's units at Khatauli, Deoband and Ramkola run schools, where the admission is open to all community sections with negligible fees.
- Awareness programmes and workshops on literacy improvement, girl child education and the abolition of dowry system were undertaken in sugar units in 2005-06.
- The Deoband sugar unit conducted workshops in spreading awareness and educating the community at large on safe drinking water.
- The Khatauli sugar unit organised a programme in career counselling for students passing out of school; it organised a sewing programme for ladies residing in the mill vicinity.
- The Ramkola unit sponsored an inter-school sports tournament.

Health initiatives

- **Dispensary and hospital:** Each of the company's sugar units at Khatauli, Deoband and Ramkola run a charitable dispensary and small hospital.
- **Eye camps:** The company's Deoband unit organised two eye camps through the District Eye Society for villagers; the sugar unit at Khatauli also organised an eye camp in 2005-06.
- **Blood donation camps:** The company's Khatauli unit organised blood donation camps.

Other social initiatives

- **Road repairs:** The Khatauli unit helped repair roads around the factory premises.
- **Trees:** The Ramkola unit undertook a programme of aggressive tree plantation in and around the factory as a result of which 1100 trees were planted.
- **Food:** The Deoband unit organised an annual langar and Gurugobind Sahib Path.
- **Culture:** The Khatauli unit organised an Akhil Bhyartiya Kavi Sammelan in which prominent national poets participated.

Risks review

1 Climatic risk

Cane is monsoon-dependent and monsoon failure could lead to a decline in cane availability.

Risk mitigation

The company's units are situated in locations that enjoy abundant rainfall reinforced by adequate irrigation facilities. High degree of irrigation in the western UP areas, where the company's three units are located, substantially insulates the cane crop from a monsoon failure. The sugar units in western UP are situated in the Doab, considered as one of the best regions in India for cane cultivation, due to a fertile soil and adequate canal irrigation.

2 Raw material risk

Cane is the main raw material for a sugar mill. Lower cane realisations may force farmers to shift to other crops.

Risk mitigation

Cane is a rewarding crop over other cash crops. Further, cane prices announced by the Central and State Governments ensure a reasonable return. The sugar mills help the growers to increase yield and propagate premium varieties, contributing to additional farmer income.

3 Regulatory risk

The sugar industry is influenced by the government's sugar policy. Populist measures may influence profitability.

Risk mitigation

The Government has been pragmatic of late with respect to sugar policies. During the last two years, when production was low, the Government allowed the import of raw sugar under an Advance License with corresponding export obligations. This ensured that the immediate demands were met and the exports could then take place from subsequent surplus stocks. There are currently only few restrictions on the sugar industry, most important being the fixation of the cane price by the Government. Lately, the sugar mills in western UP are paying a cane price higher than the Government's recommended price and hence, this risk is only minimal.

4 Competition risk

An increasing number of sugar mills in the company's vicinity could increase the war for cane and affect utilisation and growth.

Risk mitigation

The company's units have taken the following initiatives to ensure an adequate supply of required cane from its command areas:

- Maintaining strong farmer relations through timely payments
- Active involvement in cane development to increase cane yield and quality.
- Reduce the diversion of cane for the manufacture of alternative sweeteners.

5 Liquidity risk

The company requires ready funds to meet working capital requirements. A lack of funds could lead to a loss of raw material while a high cost could result in loss in profitability.

Risk mitigation

The company enjoys an excellent relationship with its bankers and has been able to mobilise its working capital at competitive rates. The company also uses foreign currency loans and short term instruments like commercial paper to reduce overall cost. The company is rated A1+ (signifying highest safety) by ICRA with respect to short-term loans, permitting it to access cheap funds.

6 Realisations risk

Any decline in sugar realisations could affect the company's performance.

Risk mitigation

The sugar units of the company are located in the vicinity of sugar deficit areas, like Delhi, Haryana, Punjab and Rajasthan. As a result, it is able to earn relatively higher realisations. Further, the sugar units produce substantial large crystal sugar and brands its output, maximizing realisations.

To insulate against adverse realisations, the company commissioned a large cogeneration capacity and has plans to set up a distillery, which are counter-cyclical to the sugar industry cycle leading to stable earnings.

7 Costs risk

An inefficient fiscal control may threaten margins and profitability, especially during an industry downturn.

Risk mitigation

The company employs strict internal and budgetary controls adequately supported with an effective management information system to keep costs low. The company has a centralised procurement cell to meet the requirements of all its sugar units; it is able to source large volumes at the best terms.

8 Funding risk

The company may not be able to complete its ongoing projects on schedule in the absence of adequate financial resources.

Risk mitigation

The company maximises the equity contribution for its expansion. Its gearing of less than one allows it to borrow prudently and maximise the mobilisation of low cost borrowing from the Sugar Development Fund.

9 Default risk

The company provides customised solutions in its engineering businesses. Any default in receivables could skew its financial structure.

Risk mitigation

The company mitigates this risk through the following measures:

- Appraisal of customer liquidity, both before initiating a contractual relationship with them and also at different stages during the project.
- Arranging timely receipts, both in terms of the advance at the initiation of the contract and at various stages during the course of the project.
- In the case of default, the company, after forfeiting the advance, can re-engineer the product and supply it to another buyer after making suitable changes.

10

Cyclicality risk

As the turbine and gear divisions derive a higher share of their revenues from industries like paper, sugar, steel and pharmaceuticals, a downturn in more than one can affect profitability.

Risk mitigation

The turbine and gear divisions supply their products to diversified sectors such as sugar, cogeneration, independent power plants, paper and steel etc. which mitigate the risk of cyclicality. Further, there is an endeavour to enhance the product range with a view to enlarge the market size. There is a focus to maximise the sourcing of profitable business from the supply of spares, servicing, retrofitment and maintenance.

11

Technology obsolescence risk

In a precision cum heavy engineering business, a company has to be quick to respond to technology changes. Any delay could lead to a loss in market share.

Risk mitigation

The company's divisions are technology-conscious. Constant R&D initiatives, in-house product development, extensive training programmes coupled with technology absorption from foreign partners have made it possible for the company to upgrade its products. There is a system of benchmarking product efficiencies with the best global standards.

12

Foreign competition risk

A number of international entrants could enhance competition.

Risk mitigation

The company enjoys an established brand equity in the domestic and international markets in terms of superior products and servicing, technology and refurbishment solutions, which will enable it to withstand competition. The turbines division faces competition from imported products and yet has maintained its market share at around 70%. The company is focused on servicing customers in innovative and efficient ways at a reasonable cost leading to a prompt and reliable service.

Financial review

Key parameters

	2004-05	2005-06
Return on net worth (RONW) (%)	72.59	38.92
Return on capital employed (ROCE) (%)	43.52	29.34
Total debt equity ratio (times)	2.74	0.79
EBDITA margin (%)	17.94	17.87
PAT margin (%)	10.36	11.03
Interest cover (times)	4.89	8.60
Book value (Rs. per equity share of Re. 1, post bonus)	7.91	19.82

Accounting Policies

Our company follows mercantile system of accounting to present credible reports to the shareholders. The significant accounting policies followed by the company are stated in Note 28(1) to the Accounts.

Performance

The company followed landmark growth in FY 2004-05 with significant growth in FY 2005-06.

- Net turnover was higher by 24% at Rs.11920.37 million.
- EBIDTA was higher by 24% at Rs.2130.00 million.
- PBT was higher by 30% at Rs.1611.79 million.
- PAT was higher by 32% at Rs.1314.96 million.
- EPS strengthened to Rs.5.88 from Rs.4.77 in the previous financial year.

As a result of this improved financial performance and substantial equity infusion, the financial condition of the company has strengthened as indicated by the various financial ratios:

Revenue

Net turnover was 24% higher at Rs.11920.37 million.

There was an increase in turnover in all the business segments. The turnover of the sugar operations increased by 13% and that of cogeneration by 222%. The turbine, gear and water divisions recorded an increase in turnover by 71%, 89% and 69% respectively. The revenue of the various business segments are provided below :

Rs. million

Business segments	**2004-05**	**2005-06**
Sugar	7676.07	8663.25
Co-generation	188.03	605.50
Total – Sugar	*7864.10*	*9268.75*
Turbines	1626.41	2779.93
Gears	238.78	450.35
Water / waste-water treatment	81.57	138.07
Total – Engineering	*1946.76*	*3368.35*
Others	*21.16*	*157.79*

The net segment revenue provided herein is prior to the inter-unit adjustments and further "Others" include operations of the agri-centres upto October 25, 2005; following this date, the business was carried out by a wholly owned subsidiary.

Expenditure

Rs. Million

Expenses	2004-05	2005-06	% increase
Raw material	6014.59	7621.63	26.72
Manufacturing cost	521.41	614.70	17.89
Personnel cost	531.77	676.22	27.16
Administration & selling	395.33	511.58	29.41
Depreciation and amortisation	178.73	288.25	61.29
Finance cost	304.67	229.96	(24.52)

Expenses as a % to Sales

The various expenses are explained here below:

Raw materials: With respect to the sugar operations, the increase was 18.74% due to an increase in crush and cane procurement price. In the case of the engineering divisions, the increase was 55.66% as against an increase in net turnover by 73.02%.

Manufacturing expenses: In terms of the percentage to net sales, manufacturing expenses were marginally lower than 2004-05. In the case of sugar operations, the expense per unit of crush was Rs.131.11 per MT of cane crushed as against Rs.125.47 per MT in 2004-05. In respect to the engineering units, the total expenses were 2.36% of the net sales whereas these were at 2.33% of the net sales in 2004-05.

Personnel expenses: The increase in personnel cost was higher due to normal salary increase and on account of the operations of the new cogeneration plant at Khatauli and new sugar unit at Sabitgarh. In the case of the turbine, gear and water divisions, the personnel cost was also on account of increased activity and expansion

Administration and selling expenses: With respect to the engineering divisions, expenses increased commensurately with increased activity There were additional expenses on account of the Sabitgarh sugar unit and the Khatauli cogeneration plant which were set up during the year

Depreciation and amortisation: There was an increase in depreciation to the extent of Rs.112.92 million on account of various projects capitalised during the year, namely the Khatauli cogeneration unit, modernisation and expansion of the Khatauli unit, expansion of Deoband and the expansion of infrastructure at the turbine and gear divisions.

Finance cost (net): The reduction was primarily due to decline in the finance cost on working capital due to a lower bank limit utilisation by 37% owing to lower inventories carried as well as due to the surplus funds including unutilised IPO proceeds. However, in the case of term loans, there was an increased utilisation by 62.50% on account of various loans contracted for new projects. Finance cost also reduced due to the overall cost of funds being lower.

Margins

The PBIT margins of the company were 15.45% higher at Rs. 1841.75

Reserves as on 31st March, 2006 increased by 174.41% from Rs.1838.27 million as on 31st March, 2005 to Rs.5044.48 million

million. The major contributories of the increase were the turbine and cogeneration operations where the margins increased by 173% and 265% respectively.

The margins of the gear and water businesses also increased substantially and the margins of the sugar operations declined marginally to Rs. 2925 PMT of sugar sold as against Rs.2959 PMT in FY 2004-05.

Share capital

The share capital increased from Rs.103.02 million to Rs.257.88 million. Outstanding preference shares of Rs.19.87 million were fully redeemed on April 1, 2005. The equity share capital increased due to an issue of bonus shares (in the ratio 3:2), which were allotted on 17.6.2005 and a fresh issue of Rs.50 million equity shares in the recently concluded public issue which were allotted on 7 December, 2005.

Reserves

Reserves as on 31 March, 2006 increased by 174.41% from Rs.1838.27 million as on 31 March, 2005 to Rs.5044.48 million due to improved financials for the year under review as well as due to an accretion of share premium of Rs. 2350 million relating to the public issue. The free reserves accounted for 96.27% of the total reserves as on 31.3. 2006.

Loans

The total loans of the company declined by 10.55% from Rs.4500.93 million to Rs.4026.04 million. Working capital limits reduced substantially by 38.41% to Rs.1837.93 million whereas other loans increased by 44.25% to Rs.2188.11 million. The utilisation of the working capital loans was lower due to lower average inventories during the year as well as due to a parking of surplus funds (including unutilised public issue proceeds) in the cash credit account. The increase in other loans was due to various funding availed for capital projects executed in FY 2005-06.

Fixed assets

During the year under review, there were additions to the fixed assets to the extent of Rs.3268.37 million owing to various projects executed during the year.

Investments

During the year, total investments reduced from Rs.229.75 million to Rs.18.64 million. Investment in the preference shares of group companies aggregating to Rs.211.50 million were redeemed and accordingly all such investments were realised during the year.

Working capital management

Net current assets marginally increased by 1.57% to Rs. 3572.68 million in spite of a new sugar unit and a cogeneration plant set up during the year.

Inventories reduced 7% mainly on account of lower sugar stocks. However, receivables increased by 50.55% to Rs.1003.44 million mainly on account of year-end dispatches, which could not be realised by the year-end. The excise duty deposit substantially increased from Rs.75.18 million to Rs.251.70 million in view of Cenvat availed on capital goods, 50% of which would be available in the next accounting year. Current liabilities were higher as advances from customers (mainly in the turbine division) increased from Rs.511.43 million to Rs.798.63 million.

Foreign exchange management

The Company did not have significant foreign exchange exposure. The foreign exchange exposure during the year was managed through forward covers as well as through derivatives. As at the year-end, the amount involved in foreign currency in respect of payables and receivables was equivalent to Rs.26.80 million and Rs.35.77 million respectively at the exchange rates that prevailed at the year-end.

Directors' report

Your Directors have pleasure in presenting the 71st Annual Report and the audited accounts for the Financial Year ended March 31, 2006

Rs. Million

Particulars	2005-06	2004-05	% increase
Sales (Gross)	12702.96	10212.92	24.38
Sales (Net)	11920.37	9610.50	24.04
Operating profit (EBIDTA)	2130.00	1724.46	23.52
Interest and other financial charges	229.96	304.67	(24.52)
Depreciation and amortisation	288.25	178.73	61.29
Profit before tax (PBT)	1611.79	1241.06	29.87
Tax liability – Normal	165.32	235.29	
- Net deferred tax charge	131.51	10.57	
Profit after tax (PAT)	1314.96	995.20	32.13
Surplus brought forward	82.40	44.55	
Available for appropriation	1397.36	1039.75	
APPROPRIATIONS			
Provision for dividend (including dividend distribution tax)			
- Equity	147.54	93.95	57.04
- Preference	–	2.70	–
Transfer to Molasses Reserves	1.27	0.83	
Transfer to Capital Redemption Reserves	19.87	19.87	
Transfer to General Reserves	1150.00	840.00	
Surplus carried forward	78.68	82.40	
Earning per equity share of Re.1 each (in Rs.)	5.88	4.77	23.27

Performance

During the year under review, the company reported a record performance across the following parameters:

- Net sales increased 24.04% to Rs.11920.37 million
- Profit after tax increased 32.13% to Rs.1314.96 million.

There was a remarkable growth in turnover in all the engineering units accompanied by an attractive increase in their respective margins. The company is optimistic of a similar or higher growth in turnover and profit of all businesses in FY 2006-07.

On account of substantial sugar capacity expansion and new capacities, costing around Rs. 10 billion between April 2004 and March 2007, your company is entitled to all the prescribed incentives under the UP Sugar Promotion Policy, 2004 for ten years commencing from FY 07, subject to a ceiling of Rs. 10 billion.

The segment wise reporting of the various business segments has been provided in Note 16 of the 'Notes to Accounts' to the audited statement and detailed comments on the performance of the various divisions are given in the Management Discussion and Analysis.

Dividend

Directors take pleasure in recommending a dividend of Re. 0.50 per equity share (50%) on the enhanced capital for the financial year ended March 31, 2006. Total outgo on account of dividend for the financial year 2005-06 will be Rs. 147.54 million (including Dividend Distribution Tax) as against Rs. 93.95 million in 2004-05, an increase of 57.04%.

Increase in authorised capital

The shareholders of the company passed a resolution at the Extraordinary General Meeting on 19th May 2005 and increased the authorised capital to Rs. 700 million comprising 500 million equity shares of Re 1 each and 20 million preference shares of Rs. 10 each.

Public issue and listing

With a view to fund ongoing capital expansion and comply with the directions of the Bombay Stock Exchange for resuming trading in our equity shares, the Company came out with a public issue of 50 million equity shares of Re.1 each in November 2005 through a 100% book building process (price band Rs.42 to Rs.50 per share). The issue was subscribed over ten times. As an investor friendly gesture, the Board fixed the final issue price of Rs. 48 per share.

Following the allotment of 124,728,090 bonus shares and 50,000,000 fresh equity shares through the public issue, the paid-up equity capital of the Company increased to Rs.257,880,150 consisting of 257,880,150 fully paid-up equity shares of Re.1 each.

Following the completion of all formalities, trading in the Company's equity shares commenced on the BSE and NSE with effect from 13th December, 2005.

Redemption of investment in Preference Shares

The Company held an investment of 1,249,129 and 865,828 6% Redeemable Non-Cumulative Preference Shares of Rs.100 each of The Engineering & Technical Services Ltd. and TOFSL Trading & Investments Ltd. respectively. These preference shares were fully redeemed by both companies during the year ended 31st March, 2006 following payment of the principal and dividend for the year 2005-06.

Business outlook and strategy

In line with our corporate vision, we continue to be a leader in each of our businesses. We are in the midst of an aggressive programme to significantly expand operations in all our core businesses and in 2006-07 will be undertaking even larger investments in technology, plant and machinery and manpower. In our engineering business, we continue to use technology and services as our key differentiators and are gearing to rapidly expand into the international market in 2007. In steam turbines, we plan to expand our range of products and technology upto 45 MW and are engaged in dialogue with few strategic partners to source technology. These partnerships will help us in leveraging the global market for our current range of products and services. Our in-house Research and Development is continuing and a new 20/25 MW steam turbine model with our recently developed state-of-the-art low pressure high efficiency blades, will be ready for manufacture in the next few months.

We are substantially expanding our sugar manufacturing capacities in the current year and will commission three new plants at Chandanpur, Raninagal and Narainpur with capacities of 6000, 5500 and 6000 TCD capacity respectively in the J.P. Nagar, Moradabad and Rampur districts of U.P. A 160 kilolitre per day distillery in Muzaffarnagar and a 23 MW co-generation plant at Khatauli will also be commissioned in the current financial year.

Technology

Our engineering platforms in the steam turbine and high speed gear segments are comparable with global best practices, and we continue to update our software and training programmes to keep abreast of new developments. In our Water Business Group, India's first electro de-ionisation (CEDI-VNX) plant was successfully commissioned and our high technology membrane filtration solutions now find increased acceptance. We are also installing the latest technologies in our existing sugar plants to substantially reduce steam consumption and enhance the viability of our co-generation units.

Human resources

The company believes in the philosophy that competent human resources drive successful businesses. To enhance productivity and creativity, the company encourages employees to strengthen their entrepreneurial skills. In 2005-06, 1316.5 man-days of training were organised for officers in technical and managerial functions. Accordingly, 2.4 man-days of training were imparted per officer on an average across all our units. Industrial relations at all our units remained cordial.

Consolidated financial statement

In accordance with the Accounting Standard 21 on Consolidated Financial statement read with Accounting Standard 'AS-23' on Accounting for investment associates, your Directors have pleasure in attaching the consolidated financial statement which form a part of the Annual Report and Accounts.

Subsidiaries

Upper Bari Power Generation Ltd. became at subsidiary of the company with effect from 29th April 2005. Another wholly owned subsidiary, Triveni SRI Ltd. started the business of rural retailing (Kushali Bazaar) with effect from 25th October, 2005, and took over this business from our company with the objective to provide focused growth. Information on subsidiary companies required under Section 212 of the Companies Act, 1956 is provided in Annexure B of this Report.

Corporate governance

A separate report on Corporate Governance is given in Annexure C along with the Auditors' statement on its compliance in Annexure D.

Auditors

M/s J.C. Bhalla & Co., Chartered Accountants, Auditors of the Company, who retire at the conclusion of the forthcoming Annual General Meeting, have consented to continue in office, if appointed. They have confirmed that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :

i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

ii. Appropriate accounting policies have been selected and applied consistently, and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the statement of affairs of the company as on March 31, 2006 and of the profit of the Company for the financial year April 1, 2005 to March 31, 2006.

iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding and detecting fraud and other irregularities.

iv. The Annual Accounts have been prepared on a going concern basis.

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

The particulars required under Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules, 1988 are given in Annexure A to this Report.

Particulars of employees

As required under the provision of sub-section (2A) of the section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of employees are set out in the annexure to the Directors' Report. However, as per provision of section 219(1) (b) (iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder desirous of obtaining the same may write to the Company Secretary at the registered/corporate office of the Company.

Directors

Mr R C Sharma and Mr M K Daga retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment.

During the year under report, IDBI withdrew the nomination of Mr V Venkateswarlu from the Board of this Company and appointed Mr R K Kapoor as its Nominee Director in his place with effect from 28th July, 2005.

The Board of Directors of the Company appointed Mr Venkateswarlu as an Additional Director with effect from 28th July, 2005. As per the provisions of Section 260 of the Companies Act, 1956, Mr Venkateswarlu shall vacate office at the forthcoming Annual General Meeting. The Company has received a notice in writing from a member under Section 257 of the Companies Act 1956, signifying his intention to propose the appointment of Mr V Venkateswarlu as a Director of the Company.

Deposits

Fixed deposits accepted from shareholders and the public stood at Rs. 145.77 million as on March 31, 2006 against Rs.170.79 million in the previous year. Deposits amounting to Rs. 6.30 million remained unpaid out of which Rs. 1.10 million were repaid/renewed as on April 29, 2006.

Appreciation

Your Directors gratefully acknowledge the support given by our customers, shareholders, employees, farmers, the Central, Uttar Pradesh and Karnataka Governments, financial institutions and banks, and all other stakeholders, and we look forward to their continued support and encouragement.

For and on behalf of the Board of Directors,

DHRUV M SAWHNEY
Chairman & Managing Director

Place: Noida, Uttar Pradesh.
Date: 29th April, 2006

Annexure – A

Additional Information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

(A) Conservation of energy

(a) Energy conservation measures

1) A 23 MW high pressure, fuel efficient Co-generation plant at Khatauli commenced operations during the year. Under this project the company installed a 120 TPH 87 ata 5150C Boiler which replaced the existing low pressure inefficient boilers and resulted in considerable energy savings.

2) One new fully automated efficient, electrically driven milling tandem was installed at Khatauli which consumes lesser energy. Also, a new mill with efficient electrical drive and three GRPF's were installed at Deoband to reduce energy consumption.

3) Installation of a continuous vacuum pan for boiling 'C' massecuite and a 1750 Kg/charge DC motor driven fully automatic centrifugal machine for 'A' massecuite at Khatauli and Deoband reduced power consumption.

(b) Additional investments and proposals for reducing energy consumption

1) 23 MW Co-generation Plant at Khatauli, 1750 Kg/charge centrifugal machines at Khatauli and Deoband.

2) Installation of AC VFD at the ID and FD fans of the 65 TPH boiler at Deoband and planetary gear boxes at the crystallizers, to further reduce power consumption.

(c) Impact of above measures

With the above measures, conservation of energy, steam, and water will improve and increase the efficiency of the sugar plants.

FORM A

Disclosure of particulars with respect to conservation of Energy

I. Power and fuel consumption

1. Electricity	**2005-06**	**2004-05**
a) Purchased		
Units (000's KWH)	4299	3566
Total Amount (Rs. in million)	23.95	21.06
Rate (Rs./Unit)	5.57	5.90
b) Own generation		
i) Through Diesel Generators		
Units (000's KWH)	4268	3130
Unit per litre of Diesel Oil	3.29	2.88
Cost/Unit (Rs.)	9.30	8.46

I. Power and fuel consumption (Continued)	2005-06	2004-05
ii) Through Steam Turbine/ Generator		
by use of own bagasse.		
Units (000's KWH)	108227	84166
2 Furnace Oil		
Quantity (K Ltrs)	299	195
Rate (Rs./K Ltrs)	20505	17789
Total Amount (Rs. million)	6.13	3.47
II. Consumption per unit of production	**2005-06**	**2004-05**
Sugar		
Electricity (KWH)/MT	256.28	233.42

In the case of the other business groups no standard products are manufactured, and hence their figures have not been incorporated.

FORM B

Disclosure of particulars with respect to technology absorption

(A) RESEARCH & DEVELOPMENT (R&D)

1. Specific Areas in which R&D was carried out by the company
   a) Development of highly efficient and reliable extraction cum condensing steam turbine upto 18 MW capacity for process Co-generation integrating newly developed twisted and tapered blades into the turbines.
   b) Development of automated bottom entry stop and emergency valve and a high temperature (5100C) inlet design for steam turbine operations
   c) Development and promotion of new early maturing high sugared varieties in our cane farms, and primary and secondary nurseries in the farmer's fields.
2. Benefits as a result of the above R&D
   a) Enhancing capacity range of turbines with improved efficiencies and reliability.
   b) Meeting specific requirements of customers for our turbine customers.
   c) Higher yield and recovery at our sugar units.
3. Future Plan of action
   a) Enhancing the capacity range of turbine models upto 25 MW.

b) Adding value proposition for customers by providing customised turbine designs.

c) To achieve cane yields and sugar recoveries which are amongst the best in our zone.

4. Expenditure on R&D

Rs. in million

a)	Capital	:	4.32
b)	Recurring	:	45.28
c)	Total	:	49.60
d)	Total R&D expenditure as a percentage of turnover	:	0.42%

(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts made and the benefits derived have already been given under Technology Absorption earlier in this Annexure
Information regarding technology imported during the last 5 years

	Technology Imported	Year of Import	Has Technology been fully Absorbed
A)	15MW extraction condensing turbine	2003	Yes
	15MW back pressure turbine	2005	Yes
B)	Manufacture and process engineering for Low Pressure Membrane Filtration system for Water/ Waste Water/Recycle Projects	2005-06	Partially

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Rs. in million

		2005-06
1) Earnings in Foreign Exchange		
Value of exports on F.O.B. basis	:	189.57
Others	:	9.19
2) Foreign Exchange Outgo	**:**	
(Includes raw materials,capital goods,components, spare parts, and other expenditure in foreign currency including royalty).		178.97

ANNEXURE -B
STATEMENT PURSUANT TO SECTION 212 OF COMPANIES ACT, 1956

Rs.in million

SUBSIDIARY COMPANIES	Triveni SRI Ltd	Abohar Power Generation Ltd	Upper Bari Power Generation Ltd*1
1. Financial Year ended	31st March 2006	31st March 2006	31st March 2006
2. Extent of holding Company's interest at the end of financial year of the subsidiary	100%	100%	100%
3. The net aggregate amount of the subsidiaries Profit/(Loss), so far as it, concerns the members of the holding Company and is not dealt with in the Company's accounts (Rs. in million)			
a) For the financial year ended 31.3.2006 of the subsidiary company	0.96	(0.02)	0.00
b) For the previous financial years of the subsidiaries since these became the holding Company's subsidiary	(0.74)	(0.09)	0.00
4. a) The net aggregate amount of the subsidiary's Profit/(Loss), for the financial year or years of the subsidiary so far as those Profit/(Loss) are dealt within the holding Company's accounts	NIL	NIL	NIL
b) The net aggregate amount of the subsidiary's Profit /(Loss), for the previous financial years of the subsidiary since it became the holding Company's subsidiary so far as those Profit/(Loss) are dealt within the holding Company's accounts	NIL	NIL	NIL
5. Changes in the holding Company's interest in the subsidiary between the end of the financial year of the subsidiary and holding Company	NA*	NA*	NA*
6. Material changes which have occurred between the end of the subsidiary Company's financial year and at the end of the holding Company's financial year in respect of :			
i) The subsidiary's fixed assets	NA*	NA*	NA*
ii) Its investments	NA*	NA*	NA*
iii) The money lent by it	NA*	NA*	NA*
iv) The money borrowed by it for any purpose	NA*	NA*	NA*

* Accounting year of the three subsidiary Companies and the holding Company ends on 31st March, 2006.

*1 This is being the first year of the Company.

ANNEXURE - C

CORPORATE GOVERNANCE

As per the requirement for providing a Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, your Directors present the Company's Report on Corporate Governance as under :

1) Company's Philosophy on Code of Governance

The Company believes in and has consistently practiced good corporate governance. The Company creates an environment for the efficient, just and ethical conduct of the business and to enable the Management to meet its obligations in a fair, transparent and equitable manner to all stakeholders viz. its customers, shareholders, farmers, suppliers, employees and the community in which the Company operates. The Board of Directors believe in managing the Company's affairs efficiently and in a responsible manner. The Company envisages the attainment of a high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally.

2) Board of Directors

The business of the Company is managed by the Board of Directors. The Board formulates the strategy and regularly reviews the performance of the Company against previously agreed objectives. The Chairman and Managing Director along with the senior executives manages the day to day operations of the Company.

The present strength of the Board of Directors is seven. Excepting the Chairman & Managing Director, all are Independent Non-Executive Directors. The Non-Executive Directors are eminent industrialists and professionals with valuable experience in management, administration, finance and they bring with them a wide range of skills and experience to the Board. The Company did not have any pecuniary relationship or transaction with the Non-Executive Directors during the year under review except for the payment of meeting fees.

None of the Directors on the Board is a Member on more than 10 Committees, and Chairman of more than 5 Committees (as specified in Clause-49) across the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The constitution of the Board and the number of Directorships and Committee Memberships held in other companies as on date are given below :-

Name of Director	Category	No. of Directorships in other companies (*)	No. of Committee positions held in other companies (*)	
			Chairman	Member
Shri Dhruv M. Sawhney Chairman & Managing Director	Promoter & Executive Director	2	NIL	1
Dr. F.C.Kohli	Non-Promoter Independent Non-Executive Director	6	1	NIL
Lt. Gen. K.K. Hazari (Retd.)	Non-Promoter Independent Non-Executive Director	2	NIL	NIL
Shri M.K. Daga	Non-Promoter Independent Non-Executive Director	3	NIL	2
Shri R.C. Sharma	Non-Promoter Independent Non-Executive Director	NIL	NIL	NIL
Shri V. Venkateswarlu *1	Non-Promoter Independent Non-Executive Director	1	NIL	NIL
Shri R. K. Kapoor *2 (IDBI Nominee as lender)	Non-Promoter Independent Non-Executive Director	1	NIL	NIL

(*) excludes Directorships in Indian Private Limited Companies, Section 25 Companies, Alternate Directorships and membership of various Chambers and other non-corporate organisations.

*1 Shri V. Venkateswarlu was earlier a nominee director of IDBI. His nomination was withdrawn by IDBI w.e.f. 28th July 2005. The Board of Directors appointed Shri Venkateswarlu as an Additional Director w.e.f. 28th July 2005 to hold office upto the date of the ensuing Annual General Meeting.

*2 Appointed by IDBI as its Nominee Director on the Board of this Company w.e.f. 28th July, 2005 in the place of Shri V. Venkateswarlu.

Details of Directors seeking appointment/reappointment at the ensuing Annual General Meeting

In respect of Directors seeking appointment or reappointment, the Notice for the AGM contains the relevant information, like, brief resume of the Directors, nature of their expertise in specific functional areas, names of the companies in which they hold Directorship and membership of any Committee of the Board.

Board Procedures

The Board and its Committees meet at regular intervals for discussion on agenda items circulated in advance. The senior management of the Company is invited to attend Board meetings, make presentations and provide clarifications as and when necessary. The Directors help bring an independent judgement on the Board's deliberations. They have complete and unfettered access to any information and to all employees of the Company. The agenda items include information such as strategy and business plans, annual operating & capital expenditure budgets, investment and exposure limits, adoption of quarterly and annual results of the Company and its operating divisions, review of major legal issues, compliance with statutory/regulatory requirements, HR related issues, purchase and disposal of equipment or property and major provisions and write offs.

Attendance Record of the Directors

The Board of Directors met ten times during the financial year 2005-2006. The interval between any two successive meetings did not exceed four months. Boards Meetings were held on 16th April '05, 2nd May '05, 17th June '05, 16th July '05, 16th September '05, 11th October '05, 24th October '05, 8th November '05, 26th November '05 and 30th January '06. The attendance record of all Directors at Board meetings and the last Annual General Meeting (AGM) and Extra-Ordinary General Meeting (EGM) during the year 2005-06 is as under:-

Name of Director	No. of Board Meetings Attended	Attendance at last AGM held on 27.06.2005	Attendance at the last EGM held on 19.05.2005
Shri Dhruv M. Sawhney Chairman & Managing Director	8	Yes	No
Dr. F.C.Kohli	5	No	No
Lt. Gen. K.K. Hazari (Retd.)	9	Yes	Yes
Shri M.K. Daga	8	No	No
Shri R.C. Sharma	10	Yes	Yes
Shri V. Venkateswarlu	7	Yes	No
Shri R. K. Kapoor (IDBI Nominee) (Nominated w.e.f. 28.07.2005)	4	No	No

Executive Sub-Committee

The Executive Sub-Committee of the Board comprises of two Non-Executive Independent Directors viz. Lt. Gen. K.K. Hazari (Retd.) and Mr. R.C. Sharma. Lt. Gen. Hazari is acting as Chairman of the Executive Sub-Committee. The Chairman & Managing Director is not on the Executive Sub-Committee but he and other senior executives are called to the meetings as & when required. The Board has delegated powers to the Executive Sub-Committee in accordance with the provisions of the Companies Act, 1956 to facilitate the working of the Board. The Executive Committee met eight times during the year 2005-2006.

Public Offer Committee

During the year, the Board constituted a Public Offer Committee comprising of Mr Dhruv M. Sawhney, Chairman & Managing Director, Lt. Gen. K.K. Hazari (Retd.) and Mr R.C. Sharma, both Non-Executive Independent Directors to take all decisions relating to the Company's Public Issue of 50 million equity shares of Re.1/- each through 100% book building process. The Committee met twice during the year 2005-2006.

3) Audit Committee

The Committee consists of three Non-Executive Independent Directors viz. Lt. Gen. K.K. Hazari (Retd.), Mr R.C. Sharma and Mr. V. Venkateswarlu. The Chairman of the Committee is Lt. Gen. K.K. Hazari (Retd.). These members have the requisite financial, accounting, administrative and management expertise. Vice President & Chief Finance Officer, Senior Manager (Internal Audit) along with the Internal Auditors, Statutory Auditors and the respective unit heads and the unit finance chiefs are invitees at the meetings of the Committee. The meetings are generally held at Corporate Office but some are held at the units so as to provide for closer interaction. The Company Secretary acts as the Secretary to the Audit Committee meetings and the Vice President & Chief Finance Officer acts as the coordinator.

The powers and role of the Audit Committee are as specified in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. However, the broad terms of reference of the Committee including:

- to review the Company's financial reporting process and its financial statements.
- to review the accounting and financial policies and practices and compliance with applicable accounting standards.
- to review the efficacy of the internal control mechanism, monitor risk management policies adopted by the Company and its units, and ensure compliance with regulatory guidelines.
- to review reports furnished by the internal and statutory auditors, and ensure that suitable action is taken.
- to examine the accounting and disclosure aspects of all significant transactions.
- to review with management the annual, quarterly & half yearly financial statements including review of qualifications, if any, in the audit report before submission to the Board.
- to recommend appointment of external and internal auditors and fixation of audit fees.
- to seek legal or professional advice, if required.

Meetings & Attendance

The Audit Committee met nine times during the financial year 2005-2006 on 2nd May '05, 16th July '05, 12th September '05, 16th September '05, 11th October'05, 30th

January'06, 1st February '06, 27th February '06 and 28th February '06. The attendance of each Audit Committee Member is as under :

Name of the Member	No. of meetings Attended
Lt. Gen, K.K. Hazari (Retd.), Chairman	9
Mr R.C. Sharma	9
Mr. V. Venkateswarlu	8

4) Share Transfer / Transmission Committee

The Committee consists of two Non-Executive Independent Directors viz. Lt.Gen. K.K. Hazari (Retd.) and Mr R.C. Sharma. Lt. Gen. Hazari is acting as Chairman of the Committee. Mr V.P. Ghuliani, Vice President (Legal) & Company Secretary has been designated as the Compliance Officer. The Committee is responsible for approval of share transfers/transmissions, approval of requests for dematerialisation/ rematerialisation of shares and other related activities.

Meetings & Attendance

The Share Transfer/Transmission Committee met 17 times during the financial year 2005-2006 on 14th April '05, 9th May '05, 27th May '05, 13th June '05, 15th June '05, 16th July '05, 11th August '05, 11th October '05, 8th November '05, 5th December '05, 9th December '05, 19th December '05, 3rd January '06, 27th January '06, 9th February '06, 2nd March '06 and 16th March '06. The attendance of each Committee Member is as under:-

Name of the Member	No. of meetings Attended
Lt.Gen. K.K. Hazari (Retd.), Chairman	15
Mr R.C. Sharma	17

5) Investors' Grievance Committee

The Committee consists of two Non-Executive Independent Directors viz. Lt.Gen. K.K. Hazari (Retd.) and Mr R.C. Sharma. Lt. Gen. Hazari is acting as Chairman of the Committee. Mr. V.P. Ghuliani, Vice President (Legal) & Company Secretary has been designated as the Compliance Officer. The Committee is responsible for redressal of shareholders and investors grievances such as non-receipt of transferred/transmitted share certificates/balance sheet/dividend warrants etc.

During the year ended 31st March 2006, 1562 complaints/queries were received from shareholders directly and/or through the Stock Exchanges/SEBI, and all of them were resolved/replied suitably by furnishing the requisite information/documents. Majority of the complaints/queries were received at the time of our public issue and related to the implementation of the scheme of arrangement which was approved by the shareholders with the requisite majority and sanctioned by the Hon'ble High Court of Juricature at Allahabad vide its order dated 27th March, 2003. Several complaints were of the nature of post public issue queries. There were no investor complaints pending as on 31st March 2006. Further there were no pending share transfers and requests for dematerisation as on 31st March, 2006.

Meetings and Attendance

The Investors' Grievance Committee met four times during the financial year 2005-2006 on 17th June '05, 16th July '05, 11th October '05 and 30th January '06. The attendance of each Committee Member is as under:

Name of the Member	No. of meetings Attended
Lt.Gen. K.K. Hazari (Retd.), Chairman	3
Mr R.C. Sharma	4

6) Remuneration Committee

The Committee consists of three Non-Executive independent Directors viz. Dr. F.C. Kohli, Lt.Gen. K.K. Hazari (Retd.) and Mr R.C. Sharma. The Chairman of the Committee is Dr. F.C. Kohli. The broad terms of reference of the Committee remain unchanged.

The Company has only one Executive Director viz. Mr Dhruv M. Sawhney, CMD on the Board. During the year 2005-2006, necessity did not arise to hold any meeting of the Remuneration Committee as revision in the remuneration of managerial personnel was not considered.

The remuneration policy is directed towards rewarding performance, based on review of achievements. The remuneration policy is in consonance with the existing industry practice.

Details of remuneration paid to Directors

Presently the Company is not paying any remuneration to its Non-Executive Independent Directors except sitting fees for attending meetings of the Board and its Committees. Remuneration paid to all the Directors of the Company during the financial year ended 31st March'2006 is as under :

Name of the Executive Director	
Mr. Dhruv M. Sawhney Chairman & Managing Director Service Period	31.03.2005 to 30.03.2010
Remuneration paid (01.04.2005 to 31.03.2006)	**In Rupees**
Salary	1,20,32,258*
Performance Bonus/Commission	2,35,00,000*
Contribution to PF & Other Funds	16,24,354
Gratuity	3,08,438
Other Perquisites	20,75,610
Total	**3,95,40,660**

*These include Rs.36,612/- and Rs.1,35,00,000/- paid during the year 2005-2006 towards one day salary and commission respectively for the year 2004-05.

In Rupees

Name of the Non-Executive Independent Directors	Sitting Fees
Dr.. F.C. Kohli	1,00,000
Lt. Gen. K.K. Hazari (Retd.)	5,30,000
Mr. M.K. Daga	1,60,000
Mr. R.C. Sharma	5,35,000
Mr. V. Venkateswarlu	2,90,000
Mr. R. K. Kapoor*	80,000

* *The sitting fees of Mr. R. K. Kapoor, Nominee Director of IDBI, were paid to IDBI.*

The Company has not issued any Stock Options to any of its Directors.

Except Mr R.C.Sharma and Mr M.K.Daga, who hold 4,59,900 equity shares and 800 equity shares of Re.1/- each respectively, none of the non-executive directors hold any equity shares/convertible instruments of the Company.

7) General Body Meetings

Location & time where last three AGMs were held:

Date	Location	Time
27th June' 2005	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	2.30 P.M.
18th August' 2004	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	3.00 P.M.
14th August' 2003	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	2.00 P.M.

Location & time where last EGM was held during 2005-06 :

Date	Location	Time
19th May '2005	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	2.00 P.M.

All the resolutions including special resolutions, set out in the respective notices were unanimously passed by the shareholders. No resolution was put through postal ballot last year as per provisions of Section 192A of the Companies Act, 1956 and the rules framed thereunder. No special resolution on matters requiring postal ballot is proposed to be placed at the forthcoming Annual General Meeting for shareholders' approval.

8) Disclosures

Disclosures on materially significant related party transactions

There is no significant or material related party transaction that have taken place during the year which have any potential conflict with the interest of the company at large. The detailed related party information and transactions have been provided in Note 14 of Schedule 28 - Notes to Accounts.

Details of Non-Compliance by the Company, penalties, stricture imposed on the Company by the Stock Exchanges, SEBI or any statutory authorities or any matter related to capital markets.

The Company has complied with all the requirements of the listing agreement with the Stock Exchanges and the regulations and guidelines of SEBI. No penalties or strictures have been imposed by SEBI, Stock Exchanges or any statutory authorities on matters relating to capital markets during the last three years.

Code of Conduct for Directors and Senior Executives

In line with the amended Clause 49 of the Listing Agreement which came into effect from 1st January, 2006, the Company adopted a Code of Conduct for its Directors and Senior Executives. The Code has also been posted on the Company's website. The Chairman & Managing Director has given a diclaration that all the Directors and concerned Executives have affirmed compliance with the Code of Conduct

CEO/CFO certification

A certificate duly signed by the Chairman & Managing Director and Vice President & CFO relating to financial statements and internal controls and internal control systems for financial reporting as per the format provided in amended Clause 49 of the Listing Agreement was placed before the Board, who took the same on record.

Subsidiary Companies

There are three unlisted Indian subsidiary companies viz. Triveni SRI Limited, Abohar Power Generation Limited and Upper Bari Power Generation Limited. None of them is covered under the Material Non-Listed Indian Subsidiary.

It is confirmed that the mandatory requirements are complied with and the non-mandatory provisions are adopted wherever necessary.

Non-Mandatory Requirements

The Company has constituted a Remuneration Committee as described at point (6) above.

9) Means of Communication

The quarterly and half yearly unaudited financial results, and the annual audited financial results of the Company were sent to all the Stock Exchanges where its equity shares are listed, and the same were published in The Economic Times, Business Standard and The Pioneer (English) and Navbharat Times and Veer Arjun (Hindi) newspapers. The results are also displayed on Comp any's website **www.trivenigroup.com**

Detailed information on the Company's business and products is also displayed on the website. The Management Discussion & Analysis Report forms part of the annual report.

10) General Shareholder Information

Annual General Meeting

Day, Date & Time	**Friday, 30th June, 2006 at 1.30 p.m.**
Venue	Company's Guest House at Deoband Sugar Unit Complex, Deoband, Distt. Saharanpur, U.P.–247 554.
Financial Calendar	2006-2007
- Financial Year	April to March
- First Quarterly Results	By 31st July'2006
- Half Yearly Results	By 31st October'2006
- Third Quarterly Results	By 31st January'2007
- Audited Annual Results	By 30th June'2007
Dates of Book Closure	.28th June, 2006 to 30th June, 2006 (both days inclusive)
Dividend Payment Date	Within 30 days of declaration.

Listing on Stock Exchanges

The Company's entire equity share capital comprising of 25,78,80,150 equity shares of Re. 1 each is listed at the following Stock Exchanges:

Sl. No.	Name and Address of Stock Exchanges	Stock Code
01.	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai – 400 023.	532356
02.	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No. C/1, G Block, Bandra (E) Mumbai – 400 051.	TRIVENI

The Company has paid listing fees for the Financial Year 2006-2007 to both the aforesaid Stock Exchanges.

Stock Price Data/Stock Performance : Year 2005-2006

Market Price Data (Rs.)

Trading in Company's equity shares recommenced on BSE & NSE w.e.f. 13th December, 2005. Hence the data given below is for the months of December 2005 to March 2006.

Registered Office

Deoband, Distt. Saharanpur, Uttar Pradesh – 247 554
Tel. :- 01336-222185, 222497 Fax :- 01336-222220

Registrar and Share Transfer Agents

M/s. Karvy Computershare Pvt. Ltd.
Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.
Tel. 040-23312454-23320751-2, Fax 040-23311968
Email :- mailmanager@karvy.com

Share Department

Triveni Engineering & Industries Ltd.
8th Floor, Express Trade Towers,
15-16, Sector-16A, Noida-201 301.
Tel. :- 0120 - 4308000; Fax :- 0120-4311010-11
Email :- shares@trivenigroup.com

Share Transfer System

The share transfer/transmission committee of the Board does the approval of transfer of shares in the physical mode. The Committee meets frequently for approving share transfers and other related activities. The shares for transfers received in physical mode, are transferred expeditiously. The share certificates duly endorsed are returned immediately to the shareholders. Confirmation in respect of the requests for dematerialisation of shares is

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)		BSE - Sensex	
	High	Low	High	Low	High	Low
December '2005	87.25	53.25	87.15	52.15	9442.98	8769.56
January '2006	94.80	80.05	94.80	80.10	9945.19	9158.44
February '2006	85.35	75.00	85.45	75.25	10422.65	9713.51
March '2006	129.95	76.30	130.50	76.10	11356.95	10344.26

Note: The stock performance graph is carried on page no. 19 of this annual report.

sent to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 15 days.

During the year 2005-06 the Company appointed M/s Karvy Computershare Pvt. Ltd. as its Registrar & Share Transfer Agent (RTA) for equity shares held in both physical and electronic mode in place of M/s Alankit Assignments Limited.

Distribution of Equity Shareholding as on 31st March, 2006

Group of Shares	Number of Share Holders	% to total Shareholders	Number of Shares held	% to Total Shares
1-500	22794	85.91	3977556	1.54
501-1000	1785	6.73	1272394	0.49
1001-2000	1120	4.22	1371482	0.53
2001-3000	209	0.79	538119	0.21
3001-4000	82	0.31	290971	0.11
4001-5000	95	0.36	439652	0.17
5001-10000	140	0.53	1039600	0.41
10001 & higher	306	1.15	248950376	96.54
Total	**26531**	**100.00**	**257880150**	**100.00**

Shareholding Pattern of Equity Shares as on 31st March, 2006

Category	Number of Shares held	% Shareholding
Indian Promoters	179108220	69.45
Persons acting in concert	2961825	1.15
Mutual Funds & UTI	21362362	8.29
Banks, Financial Institutions, Insurance Cos.	4200043	1.62
FIIs	29955042	11.62
Private Corporate Bodies	3564986	1.38
Indian Public	14337029	5.56
NRIs/OCBs	353098	0.14
Others - Clearing Members & Trust	2037545	0.79
Total	**257880150**	**100.00**

Dematerialisation of Shares & Liquidity

The Company's equity shares are compulsorily traded in the demat form with effect from 26th December'2000. The Company entered into an Agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of shares. As on 31.03.2006, 69.03% of total equity share capital of the Company had been dematerialised. The ISIN allotted by NSDL/CDSL is INE256C01024.

Unclaimed Dividends

Pursuant to Section 205C of the Companies Act, 1956, all unclaimed dividends upto the financial years 1997-99 (Interim Dividend) have been transferred to the Investor Education and Protection Fund (IEPF), administered by the Central Government. The dividends for the succeeding years remaining unclaimed for 7 years will be transferred by the Company to the said Investor Education and Protection Fund on the due dates as given hereunder :

Financial Year / Period	Whether Interim / Final	Date of payment of Dividend	Due date for transfer to IEPF
1997-99	Final	14.9.1999	13.9.2006
1999-2000	Interim (approved as Final at AGM)	27.5.2000	26.5.2007
2000-2001	Final	8.8.2001	7.8.2008
2001-2002	Final	7.8.2002	6.8.2009
2002-2003	Final	14.8.2003	13.8.2010
2003-2004	1st Instalment Redemption cum Interim Dividend on Pref. Shares(redeemed)	1.4.2004	31.3.2011
2003-2004	Final	18.8.2004	17.8.2011
2004-2005	Interim	21.7.2004	20.7.2011
2004-2005	2nd & Final Instalment Redemption cum InterimDividend on Pref. Shares(redeemed)	1.4.2005	31.3.2012
2004-2005	Final	27.6.2005	26.6.2012

Shareholders who have not so far encashed their dividend warrant(s) or have not received the same are requested to seek issuance of duplicate warrant(s) by writing to the Company confirming non-encashment/ non-receipt of dividend warrant(s).

Outstanding GDR/ADR or Warrants

As on date there are no Global Depository Receipts (GDR), American Depository Receipt (ADR) or any convertible instruments pending conversion or any other instrument likely to impact the equity share capital of the Company. However during the current year, the Company proposes to issue GDR/Convertible Instrument.

Plant/Business Locations

Sugar and Cogeneration Business	Khatauli, Distt. Muzaffarnagar, U.P. – 251 201 Deoband, Distt. Saharanpur, U.P. – 247 554
Sugar Business	Ramkola, Distt. Kushinagar, U.P. – 274 305 Sabitgarh, Distt. Bulandshahr, U.P.- 203 129
Turbine Business	12-A, Peenya Industrial Area, Peenya, Bangalore – 560 058
Gears Business	1,2,3, Belagola Industrial Area, Metagalli K.R.S. Road Mysore – 570 016
Water Business	8th Floor, Express Trade Towers, 15-16, Sector 16A, Noida-201 301.

Address for Correspondence

Please contact the compliance officer of the company at the following address regarding any questions or concerns :
Mr. V.P. Ghuliani, Vice President (Legal) & Company Secretary
Triveni Engineering & Industries Ltd., 8th Floor, Express Trade Towers, 15-16, Sector 16A, Noida-201 301.
Tel : 0120-4308000, Fax :- 0120-4311011

ANNEXURE - D

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

Auditors' Certificate on Compliance of Conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges.

To The Members of Triveni Engineering & Industries Limited

We have examined the compliance of conditions of corporate governance by Triveni Engineering & Industries Ltd for the year ended 31st March 2006 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchange(s).

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

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

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

For and on behalf of

J C BHALLA & COMPANY

Chartered accountants

Place : Noida(U.P.)

Date : 29th April, 2006

(SUDHIR MALLICK)

Partner

Membership No.80051

DECLARATION BY THE CHAIRMAN AND MANAGING DIRECTOR

To,
The Members of
Triveni Engineering & Industries Limited

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges relating to Corporate Governance, I confirm that, on the basis of confirmations/declarations received, all the Directors and senior management personnel of the company have complied with the Code of Conduct framed by the company.

For Triveni Engineering & Industries Limited,

Place: Noida (U.P.)

Dated: 29th April, 2006

Dhruv M. Sawhney

Chairman and Managing Director

Financial Section

Auditors' Report

To
The Members of
Triveni Engineering and Industries Limited

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

We 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.

We report that:

1. As required by Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of Companies Act, 1956 and on the basis of such checks of the books and records of the company as we considered appropriate after considering the reports of the other auditors of the Company's Engineering Units, we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

2. Further to our comments in the Annexure referred to in paragraph "1" above: -

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from the examination of the books and according to the reports of the Engineering Units auditors where such audit has not been conducted by us.

   c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of accounts.

   d) The reports of the Engineering Units auditors have been forwarded to us and have been considered in preparing our report.

   e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   f) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors of the company 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.

In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;

b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and

c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
J C Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Membership No.80051

Place : Noida (U.P.)
Date : April 29, 2006

Annexure to Auditors' Report

Referred to in Paragraph "1" of our report of even date on the accounts for the year ended on 31st March 2006 of Triveni Engineering & Industries Limited.

1. (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) Fixed assets have been physically verified by the management during the year as per information given to us. As explained to us, no material discrepancies were noticed on such verification as compared to the available book records.

   (c) In our opinion, the company has not disposed off substantial part of fixed assets during the year and hence, going concern status of the company is not affected.

2. (a) Inventories have been physically verified by the Management to the extent practicable at reasonable intervals during the year or at the year-end at all locations of the company.

   (b) According to information given to us, the procedures for physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.

   (c) The company is maintaining proper records of inventory. The discrepancies noticed on such verification as compared to the book records were not material having regard to the size and nature of the operations of the company and have been properly adjusted in the books of account.

3. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.

   (b) In our opinion and according to the information and explanations given to us, the company has taken unsecured loan by way of fixed deposit under public fixed deposit scheme of the Company from one party covered in the register maintained under section 301 of the Act. The maximum amount of the loan involved during the year and the year end balance of the loan taken from such party was Rs.0.20 Million.

   (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which loan has been taken from a party covered in the register maintained under section 301 of the Companies Act, 1956 are as applicable to public deposits accepted by the company and are thus not prima facie, prejudicial to the interest of the company.

   (d) In respect of the loan taken, the company is repaying the principal amount and paying the interest as stipulated.

4. According to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts

Annexure to Auditors' Report *(Contd.)*

or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding the value of Rupees Half Million or more in respect of any party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of Act, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. As per the information and explanations given to us, no order under the aforesaid sections has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal on the Company in respect of deposits accepted.

7. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the books of accounts maintained by the company pursuant to the order made by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of Sugar Units at Khatauli, Deoband, Ramkola, Sabitgarh and Co-Gen Plants at Deoband and Khatauli and are of the opinion that prima facie the prescribed accounts and records have been maintained. However, we are not required to carry out and have not carried out a detailed examination of the records with a view to determine whether they are accurate or complete. The company is not required to maintain any cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of activities carried out at other units of the company.

9. (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid dues were in arrears as at 31st March 2006 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of custom duty, wealth tax, service tax and cess, which have not been deposited on account of any dispute. Disputed income tax, sales tax and excise duty which have not been deposited on account of matters pending before appropriate authorities are as under:

Sl. No.	Name of the Statue	Nature of Dues	Forum where Dispute is Pending	Amount * (Rs.Million)	Year
1.	Income Tax Act, 1961	Income Tax	Commissioner of Income Tax Appeal	2.11	1995-96 2003-04
2.	Central Sales Tax Act & Sales Tax Acts of various states	Sales Tax	Assessing Officer	0.03	1990-91 1991-92
			Deputy Commissioner/ Commissioner Appeals	14.16	1977-78, 1991-92, 1993 – 94 to 1995-96 1997-98 1998-99 2001-02 to 2003-04
			Appellate Tribunal	25.19	1987-88, 1992-93 to 1995-96 1997-98 1999-2000 2004-05
			High Court	1.34	1975-76, 1976-77, 1979-80, 1980-81, 1983-84, 1984-85, 1986-87 1994-95 to 1996-97,
3.	Excise Act 1944	Excise Duty	Assessing Officer	0.05	1981-82 2005-06
			Deputy Commissioner/ Commissioner Appeals	17.59	1994-95 to 2004-05
			Appellate Tribunal	46.70	1993-94 1995-96 to 2003-04
			High Court	2.31	1996-97 2002-03
			Supreme Court	1.70	2000-01 to 2003-04

*Net of amounts paid under protest or otherwise.

10. The company has no accumulated losses as on 31st March, 2006 and has not incurred any cash losses in the financial year covered by our audit and immediately preceding financial year.

11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debentureholders during the year.

12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.

14. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, Clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the company.

15. The company has not given any guarantee for loans taken by others from banks or financial institutions.

16. In our opinion, the term loans raised during the year have been applied for the purpose for which they were raised.

17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short term basis have been used for long term investments.

18. 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, 1956.

19. According to the information and explanations given to us, during the period covered by our audit, the company has not issued debentures requiring creation of any security or charge.

20. We have verified the end use of money raised by the public issue as declared by the management in the prospectus filed with the The Securities and Exchange Board of India and as appearing in Note No.12 of Schedule 28 Notes to Account forming part of financial statements.

21. During the course of our examination of the books of accounts and records carried out in accordance with the generally accepted auditing practice and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year nor have we been informed of such case by the management that causes the financial statements to be materially misstated.

For and on behalf of
J C Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Membership No.80051

Place : Noida (U.P.)
Date : April 29, 2006

Balance Sheet

(Rs. Million)

As at 31st March	Schedules	2006	2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	257.88	103.02
Reserves & Surplus	2	5,044.49	1,838.27
		5,302.37	1,941.29
Loan Funds			
Secured Loans	3	3,697.95	4,299.64
Unsecured Loans	4	328.09	201.29
		4,026.04	4,500.93
Deferred Tax Liability (Net) (Refer Note-9 of Schedule 28)		443.10	344.14
Total Funds Employed		**9,771.51**	**6,786.36**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		6,877.76	3,634.33
Less : Depreciation		1,397.76	1,169.18
Net Block		5,480.00	2,465.15
Capital Work-in-Progress		467.42	300.40
Intangible Assets	5A	20.85	26.46
Discarded Fixed Assets Pending Disposal/Sale		0.19	2.22
Plant & Machinery acquired under Lease		202.10	216.02
		6,170.56	3,010.25
Investments	6	18.64	229.75
Current Assets, Loans and Advances			
Inventories	7	4,047.90	4,352.78
Sundry Debtors	8	1,003.44	666.49
Cash and Bank Balances	9	259.19	227.87
Other Current Assets	10	2.74	8.98
Loans and Advances	11	870.66	676.43
		6,183.93	5,932.55
Less : Current Liabilities and Provisions			
Current Liabilities	12	2,123.65	1,877.91
Provisions	13	487.60	537.06
		2,611.25	2,414.97
Net Current Assets		3,572.68	3,517.58
Miscellaneous Expenditure	14	9.63	28.78
Total Assets (Net)		**9,771.51**	**6,786.36**
Notes to Accounts	28		

This is the Balance Sheet referred to in our report of even date.
For and on behalf of
J. C. Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Place: Noida (UP)
Date: April 29, 2006

Dhruv M. Sawhney
Chairman & Managing Director

Lt. Gen. K. K. Hazari (Retd.)
Director & Chairman Audit Committee

V.P. Ghuliani
Vice President (Legal) & Company Secretary

Suresh Taneja
Vice President & C.F.O.

Profit and Loss Account

(Rs. Million)

For the year ended 31st March	Schedules	2006	2005
INCOME			
Gross Sales	15	12,702.96	10,212.92
Less : Excise Duty		782.59	602.42
Net Sales		11,920.37	9,610.50
Other Income	16	63.64	35.50
Increase/Decrease in Work-in-Progress/Finished Goods	17	(423.29)	(454.03)
		11,560.72	**9,191.97**
EXPENDITURE			
Materials	18	7,621.63	6,014.59
Manufacturing/Operating	19	614.70	521.41
Personnel	20	676.22	531.77
Administration	21	355.37	287.38
Financing	22	229.96	304.67
Selling	23	156.21	107.96
Depreciation *1		236.38	123.46
Amortisation	24	51.87	55.27
Off-season Expenses charged (Net)	25	6.59	4.40
		9,948.93	7,950.91
Profit before Extra-Ordinary Charge & Taxation		1,611.79	1,241.06
Extra -Ordinary Charge	26	–	–
Profit before Taxation		1,611.79	1,241.06
Provision for Taxation	27	296.83	245.86
Profit after Taxation		1,314.96	995.20
Surplus Brought Forward *2		82.40	44.55
AVAILABLE FOR APPROPRIATION		**1,397.36**	**1,039.75**
APPROPRIATIONS			
Dividend Adjustment of Previous Year		0.00	–
Tax on Distributed Profits (Earlier Years)		0.52	–
Dividend Paid - Preference Shares		–	2.39
Tax on Distributed Profits of Preference Shares		–	0.31
Interim Dividend Paid - Equity Shares		–	29.10
Tax on Distributed Profits of Equity Shares		–	3.73
Final Dividend Proposed on Equity shares		128.94	54.05
Provision for Tax on Dividend on Equity Shares		18.08	7.07
Transfer to Molasses Storage Fund Reserve		1.27	0.83
Transfer to Capital Redemption Reserve		19.87	19.87
Transfer to General Reserve		1,150.00	840.00
Surplus Carried Forward		78.68	82.40
		1,397.36	**1,039.75**
Earning per equity share of Rs.1/- each (Note - 15 of Schedule - 28) - Basic/Diluted		5.88	4.77
Notes to Accounts	28		

*1 Net of Rs.3.37 Million (Rs.3.54 Million) additional depreciation on revalued assets transferred from Revaluation Reserve.

* 2 Net of Rs.Nil (Rs.32.68 Million) adjusted against Extra-Ordinary Charge

This is the Profit and Loss Account referred to in our report of even date.
For and on behalf of
J. C. Bhalla & Company
Chartered Accountants

Sudhir Mallick	**Dhruv M. Sawhney**	**Lt. Gen. K. K. Hazari (Retd.)**	**V.P. Ghuliani**	**Suresh Taneja**
Partner	*Chairman &*	*Director & Chairman*	*Vice President (Legal) &*	*Vice President &*
Place: Noida (UP)	*Managing Director*	*Audit Committee*	*Company Secretary*	*C.F.O.*
Date: April 29, 2006				

Schedules to Accounts

(Rs. Million)

As at 31st March	2006	2005
1 SHARE CAPITAL		
Authorised		
500,000,000 (200,000,000) Equity Shares of Rs.1/- each	500.00	200.00
20,000,000 Preference Shares of Rs.10/- each	200.00	200.00
	700.00	**400.00**
Issued		
257,888,150 (83,160,060) Equity Shares of Rs.1/- each *1 & *2	257.88	83.16
Nil (3,973,995) Redeemable Cumulative Preference Shares of Rs.10/- each *3	–	39.74
	257.88	**122.90**
Subscribed & Paid Up		
257,880,150 (83,152,060) Equity Shares of Rs.1/- each *1 & *2	257.88	83.15
Nil (3,973,995) Redeemable Cumulative Preference Shares of Rs.10/- each *3	–	19.87
	257.88	103.02
Add :Paid up value of 8,000 Equity Shares of Rs.1/- each forfeited Rs.1,600/- (Rs.1,600/-)	0.00	0.00
	257.88	**103.02**

*1 Before the Approval of Scheme of Arrangement, Issued Share Capital includes:-

– 562,315 Equity Shares of Rs.10/-each allotted as fully paid up Bonus Shares by capitalisation of General Reserve and Preference Capital Redemption Reserve.

– 9,390,001 Equity Shares of Rs.10/- each fully paid issued, pursuant to amalgamation, to the Shareholders of erstwhile Triveni Engineering & Industries Ltd.

*2 124,728,090 Equity Shares of Rs.1/- each allotted as fully paid up Bonus Shares by capitalisation of Share Premium Account during the year.

*3 Pursuant to a Scheme of Arrangement duly sanctioned by the Hon'ble High Court of Judicature at Allahabad vide its order dated 27th March 2003, the paid up capital of the Company was restructured with effect from the Appointed Date i.e.1.4.2003. Preference Shares are redeemable at a premium of Rs.32/- per share in two equal instalments on 1st April 2004 and 1st April 2005 and accordingly were fully redeemed during the year.

2 RESERVES & SURPLUS

	1.4.2005	Additions	Deductions	31.3.2006
Capital Reserve	1.29	–	–	1.29
Revaluation Reserve - Fixed Assets	184.20	–	*1 3.37	180.83
Molasses Storage Fund Reserve	6.19	*1 1.27	–	7.46
Share Premium Account	611.68	*3 2,350.00	*2 307.83	2,653.85
General Reserve	840.00	*1 1,150.00	–	1,990.00
Surplus	82.40	*1 78.68	*1 82.40	78.68
Capital Redemption Reserve	19.87	*1 19.87	–	39.74
Amalgamation Reserve	92.64	–	–	92.64
	1,838.27	**3,599.82**	**393.60**	**5,044.49**

*1 Transfer from/to Profit & Loss Account.

*2 Includes:

a) Rs. 63.58 Million Premium towards part redemption of Cumulative Preference Shares during the year.

b) Rs.124.73 Million towards allotment of Fully Paid Up Bonus Equity Shares of Rs.1/- each in the ratio of 3:2

c) Rs.119.52 Million towards expenses incurred on Public Issue during the year. (Net of Tax benefit of Rs. 40.69 Million)

*3 Represents Premium towards issue of 50,000,000 Equity Shares of Rs.1/- each @ Rs.47/- per share.

Schedules to Accounts (Contd.)

(Rs. Million)

As at 31st March	2006		2005
3 SECURED LOANS			
From Banks -			
Cash Credit/WCDL/Overdraft *1	1,837.93		2,984.01
Term Loans *2	1,047.85		1,065.58
From Others *3	812.17		250.05
	3,697.95		**4,299.64**

***1** Secured by pledge/hypothecation of the stock-in-trade, raw material, stores & spare parts,work-in-progress and receivable and second charge created/to be created over Ramkola properties and third charge on Deoband, Khatauli, Naini, Bangalore and Mysore properties other than raw sugar and related sugar stocks. Additionally these are guaranteed by the Managing Director in his personal capacity. Include Rs.Nil (Rs.385.09 Million) towards FCNR (B) account and Rs.Nil (Rs.1,450.00 Million) towards Commercial Paper issued.

***2 Includes**

(a) Rs.789.20 Million (Rs.854.39 Million) due to banks and secured by charges created/to be created by equitable mortgage and hypothecation of all moveable both present & future and immoveable assets of the Company subject to bankers prior charges created/to be created on current assets for providing Working Capital facilities and excluding assets purchased under vehicle loan scheme. Due within one year Rs.206.49 Million (Rs.222.50 Million).

(b) Rs.Nil (Rs.38.10 Million) due to a bank and secured by second pari-passu charge created/to be created over Ramkola's immoveable properties and third pari-passu charge on Deoband, Khatauli, Naini, Bangalore & Mysore's immoveable properties. Additionally these are guaranteed by the Managing Director in his personal capacity. Due within one year Rs.Nil (Rs.16.60 Million).

(c) Rs.Nil (Rs.2.90 Million) due to a bank and secured by first pari-passu charge created/to be created on block of assets of sugar unit Ramkola due within one year Rs.Nil (Rs.2.90 Million).

(d) Rs.8.65 Million (Rs.6.94 Million) due to banks secured by hypothecation of vehicles acquired under Vehicle Loan Scheme. Due within one year Rs.4.25 Million (Rs.2.88 Million).

(e) Rs.Nil (Rs.163.25 Million) secured by first pari-passu charge on the raw sugar/specific sugar stocks produced from the raw sugar. Due within one year Rs.Nil (Rs.163.25 Million)

(f) Rs.250.00 Million (Rs.Nil) Short Term Loan due to a bank and secured by charge on the moveable assets of the company subject to bankers prior charges created/to be created on current assets for providing Working Capital facilities and excluding assets purchased under vehicle loan scheme. Additionally this is guaranteed by the Managing Director in his personal capacity. Due within one year Rs.250.00 Million (Rs.Nil)

***3 Includes**

(a) Rs.589.40 Million (Rs.211.70 Million) due to Sugar Development Fund, Government of India, secured by exclusive second charge created over moveable/immoveable assets of Deoband & Khatauli units. Due within one year Rs.15.50 Million (Rs.15.50 Million)

(b) Rs.20.94 Million (Rs.36.16 Million) due to HDFC Ltd and secured by charges created/to be created by equitable mortgage of land measuring 5760 Sq. Mts. and 4990 Sq. Mts. located at Deoband and land measuring 13 bighas, 11 biswa located at Khatauli and construction thereon present and future. Due within one year Rs.11.69 Million (Rs.15.22 Million)

(c) Rs.1.83 Million (Rs.2.19 Million) secured by hypothecation of vehicles acquired under Vehicle Loan Scheme.Due within one year Rs.1.05 Million (Rs.0.79 Million).

(d) Rs.200.00 Million (Rs.Nil) due to Rabo India Finance and secured by charges created/to be created by equitable mortgage and hypothecation of all moveable both present & future and immoveable assets of the Company subject to bankers prior charges created/to be created on current assets for providing Working Capital facilities and excluding assets purchased under vehicle loan scheme. Due within one year Rs.44.44 Million (Rs.Nil).

Schedules to Accounts (Contd.)

(Rs. Million)

As at 31st March	2006	2005
4 UNSECURED LOANS		
Fixed Deposits	139.47	164.86
Short Term Loan :-		
From Banks	150.00	–
Other Loans :-		
From Other than Banks *1	11.30	13.60
Interest accrued and due thereon	27.32	22.83
	328.09	**201.29**

*1 Due within one year Rs.2.19 Million (Rs.2.19 Million).

5 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 1.4.2005	Additions	Deductions/ adjustments	Total as at 31.3.2006	Upto 31.3.2005	During the Year*1	Adjustment/ sale	To date as at 31.3.2006	As at 31.3.2006	As at 31.3.2005
Land										
-Free Hold*2	188.35	182.30	5.59	365.06	–	–	–	–	365.06	188.35
-Lease hold	0.10	–	–	0.10	0.00	0.00	–	0.00	0.10	0.10
Buildings & Roads	674.52	324.58	1.25	997.85	107.05	20.01	–	127.06	870.79	567.47
Railway Siding	0.02	–	–	0.02	0.02	–	–	0.02	0.00	0.00
Plant & Machinery	2,613.48	2,715.45	1.53	5,327.40	988.83	201.93	(0.06)	1,190.82	4,136.58	1,624.65
Furniture & Fixture	65.18	18.44	11.28	72.34	27.96	5.90	7.82	26.04	46.30	37.22
Computers	55.94	18.19	4.05	70.08	33.48	8.82	3.19	39.11	30.97	22.46
Vehicles	36.74	9.41	1.24	44.91	11.84	3.71	0.84	14.71	30.20	24.90
This Year	**3,634.33**	**3,268.37**	**24.94**	**6,877.76**	**1,169.18**	**240.37**	**11.79**	**1,397.76**	**5,480.00**	**2,465.15**
Previous Year	2,467.76	1,195.91	29.34	3,634.33	1,065.82	127.06	23.70	1,169.18	2,465.15	–
Capital Work-in-Progress*3									467.42	300.40

*1 Includes Rs.3.37 Million (Rs.3.54 Million) transferred to Revaluation Reserve, Rs.0.25 Million (Rs.Nil) relates to prior period & Rs.0.37 Million (Rs.0.06 Million) capitalised during the year.

*2 Includes land valuing Rs.4.65 Million (Rs.89.07 Million) pending transfer in the name of the Company.

*3 Inclusive of pre-operative expenditure pending allocation Rs.1.63 Million (Rs.12.46 Million) and advance against capital expenditure Rs.312.28 Million (Rs.94.42 Million).

Note: The Exchange rate difference (gain) amounting to Rs.1.02 Million (Rs.1.22 Million)(Net) in connection with acquiring fixed assets has been adjusted in the carrying amount of relevant fixed assets.

5A INTANGIBLE ASSETS (OTHER THAN INTERNALLY GENERATED)

	GROSS BLOCK				AMORTISATION				NET BLOCK	
	Cost as at 1.4.2005	Additions	Retirement/ & disposal/ Adjustments	Total as at 31.3.2006	Upto 31.3.2005	During the Year	Retirement & disposal/ Adjustments	To date as at 31.3.2006	As at 31.3.2006	As at 31.3.2005
Computer Software	75.08	3.70	0.38	78.40	54.12	14.13	0.10	68.15	10.25	20.96
Design & Drawings	12.65	4.16	–	16.81	7.15	2.10	–	9.25	7.56	5.50
Technical Know How	–	3.08	–	3.08	–	0.04	–	0.04	3.04	–
This Year	**87.73**	**10.94**	**0.38**	**98.29**	**61.27**	**16.27**	**0.10**	**77.44**	**20.85**	**26.46**
Previous Year	72.73	15.05	0.05	87.73	43.44	17.89	0.06	61.27	26.46	

Note: Intangible assets have not incurred any impairment during the year.

Schedules to Accounts (Contd.)

(Rs. Million)

As at 31st March	2006		2005
6 INVESTMENTS			
LONG TERM			
OTHER THAN TRADE			
Government Securities			
Unquoted			
National Saving Certificates *1	0.01		0.13
Other Securities			
Quoted			
Shares - Fully paid-up			
2,700 Equity shares of Rs.10/- each of Housing Development Finance Corporation Ltd	0.02		0.02
500 Equity shares of Rs.10/- each of HDFC Bank Ltd.	0.01		0.01
4,835 Equity shares of Rs.10/- each of Punjab National Bank	0.23		0.23
Unquoted			
1,821 Ordinary shares in NBI Industrial Finance Co. Ltd. of Rs.10/- each	0.01		0.01
TRADE			
Other Securities			
Unquoted			
Equity Shares - Fully paid-up			
434,730 Equity shares of Rs.10/- each of Triveni Entertainment Ltd	4.35		4.35
99,993 Equity shares of Rs.10/- each of The Engineering & Technical Services Ltd	1.00		1.00
400,060 Equity shares of Rs.10/- each of TOFSL Trading & Investments Ltd	4.00		4.00
500,000 Equity shares of Rs.10/-each of Carvanserai Ltd.	5.00		5.00
Preference Shares - Fully paid-up *			
Nil (865,828) 6% Non Cumulative Redeemable Preference Shares of Rs.100/- each of TOFSL Trading & Investments Ltd.	–		86.58
Nil (1,249,129) 6% Non Cumulative Redeemable Preference Shares of Rs.100/- each of The Engineering & Technical Services Ltd	–		124.91
Subsidiary Companies (Wholly owned) - Unquoted - Fully paid-up			
299,840 Equity shares of Rs.10/- each of Triveni SRI Ltd.	3.01		3.01
50,000 Equity shares of Rs.10/- each of Abohar Power Generation Ltd.	0.50		0.50
50,000 (Nil) Equity Shares of Rs.10/- each of Upper Bari Power Generation Ltd	0.50		–
	18.64		**229.75**
Book Value			
Aggregate amount of quoted investments	0.26		0.26
Aggregate amount of unquoted investments	18.38		229.49
	18.64		**229.75**
Market value of quoted investments	6.27		4.14

* Redeemed during the year.

* 1 Includes Rs.0.01 Million (Rs.0.01 Million) kept as security.

Note: In respect of unutilised public issue proceeds, please refer to Note 12 of Schedule 28

Schedules to Accounts (Contd.)

(Rs. Million)

As at 31st March	2006	2005
7 INVENTORIES		
Patterns	7.74	3.81
Loose Tools, Jigs & Fixtures	4.71	7.44
Stocks *1		
– Stores & Spares	136.75	132.95
– Finished Goods	3,042.82	3,624.79
– Raw Materials & Components *2	421.00	256.04
Less : Provision for obsolescence/slow moving stock	(1.45)	(1.45)
– Work-in-Progress *3	430.56	326.20
– Scrap *4	5.77	3.00
	4,047.90	**4,352.78**

*1 As per inventory taken (including material at site) and certified by the officials of the company and valued at lower of cost and net realisable value.

*2 Includes Stock in Transit Rs.11.04 Million (Rs. 3.17 Milllion) and lying at port Rs.Nil (Rs.0.95 Million)

*3 Net of cost of completion of Rs.2.16 Million (Rs.11.31 Million)

*4 At estimated realisable value.

8 SUNDRY DEBTORS - (Unsecured)		
Over Six Months		
Considered Good *1	153.00	151.44
Considered Doubtful	0.75	7.37
	153.75	158.81
Less : Provision for doubtful debts	0.75	7.37
	153.00	151.44
Other Debts - Considered Good	850.44	515.05
	1,003.44	**666.49**

*1 Due from a Subsidiary Company Rs.11.39 Million (Rs.Nil)

9 CASH AND BANK BALANCES		
Cash, Stamps & Cheques in hand *1	64.44	50.28
Balance with Post Office in		
– Saving Account *2	1.06	0.87
Balance with Scheduled Banks in		
– Current Accounts	137.92	122.29
– Savings Accounts	0.13	0.19
– Fixed and Margin Deposits *3	55.64	54.24
	259.19	**227.87**

*1 Includes Cheques in hand of Rs.53.61 Million (Rs.46.85 Million) and Stamps in hand Rs.0.04 Million- (Rs.0.01 Million)

*2 Includes Rs.1.06 Million (Rs.0.87Million) lying with Government Department as security.

*3 Includes deposits of Rs.35.71 Million (Rs.35.37 Million) kept as security with banks/Government against advances and guarantees.

10 OTHER CURRENT ASSETS		
Interest accrued on deposits and investments	**2.74**	**8.98**

Schedules to Accounts (Contd.)

(Rs. Million)

As at 31st March	2006		2005
11 LOANS AND ADVANCES			
(Unsecured, Considered Good unless otherwise stated)			
Due from Subsidiary Companies (Wholly Owned)	0.09		0.05
Advances, pre-payments and other recoverable in cash or in kind or for value to be received			
– Considered Good	575.42		601.20
– Considered Doubtful	7.61		7.52
	583.03		608.72
Less : Provision for doubtful advances	7.61		7.52
	575.42		601.20
Deposit - Excise Duty	251.70		75.18
Advance Payment of Tax *1	43.45		–
	870.66		**676.43**

*1 Net after adjustment of Provision for Taxation of Rs.438.86 Million (Rs.Nil)

12 CURRENT LIABILITIES			
Trade & Other Creditors *1 & *2	1,255.37		1,292.28
Advance from customers	798.63		511.43
Investors Education & Protection Fund shall be credited by the following amounts (not due as at the year end)			
– Unclaimed Dividend	4.24		8.56
– Unclaimed Matured Deposits	6.30		5.93
– Unclaimed Matured Debenture	1.04		1.04
– Interest Accrued on above	1.97		2.07
– Unclaimed Preference Share Redemption	9.55		5.27
Interest Accrued but Not Due	46.55		51.33
	2,123.65		**1,877.91**

*1 Includes Due to Directors Rs.0.05 Million (Rs.0.02 Million) & Subsidiary Company Rs.Nil (Rs.2.09 Million)

*2 Includes Due to Small Scale Industrial Undertakings Rs.27.79 Million (Rs.24.30 Million).

13 PROVISIONS			
Proposed Dividend	128.94		54.05
Income Tax on Distributed Profits	18.08		7.06
Gratuity	106.40		127.60
Leave Encashment	27.06		21.11
Provision for Warranty Cost	16.82		–
Provision for Income Tax (Net) *1	–		63.80
Excise Duty on Closing Stock	190.30		263.44
	487.60		**537.06**

*1 Net after adjustment of Advance payment of Tax of Rs.Nil (Rs.230.71 Million)

14 MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Cost of feasibility studies for new projects	–		0.55
Voluntary Retirement Scheme & Closure Compensation	9.42		27.87
Training Expenses	0.21		0.36
	9.63		**28.78**

Schedules to Accounts (Contd.)

(Rs. Million)

Year ended 31st March		2006	2005
15 GROSS SALES			
Sales *1			
– Domestic		12,500.90	10,077.88
– Exports *2		202.06	135.04
		12,702.96	**10,212.92**

*1 Inclusive of service charges and contract receipts Rs.117.66 Million (Rs.94.75 Million)

*2 Inclusive of export incentives.

16 OTHER INCOME			
Dividend (Gross)			
– Long Term Investments – Other than Trade	0.11		0.06
– Trade	12.69		
– Current Investments – Other than Trade	9.27	22.07	
Rent		0.75	0.28
Credit Balances/Amount written back *1		–	2.26
Exchange Rate Fluctuation		0.13	2.83
Buffer Stock Subsidy		–	2.71
Profit on Sale of Investment (Current Investment - Other than Trade)		0.08	–
Miscellaneous *2		40.61	27.36
		63.64	**35.50**

*1 Includes Rs.Nil (Rs.0.06 Million) Bad Debts Recovered and Net off Bad Debts & Amount Written Off of Rs.Nil (Rs.5.60 Million)

*2 Income tax deducted at source Rs.0.02 Million (Rs.0.02 Million).

17 INCREASE/ DECREASE IN WORK-IN-PROGRESS/ FINISHED GOODS		
Stock At Commencement		
– Work-In-Progress	337.51	161.76
– Finished Goods	3,618.24	4,049.88
	3,955.75	4,211.64
Add : Adjustment to Stock due to Differential Cane Price	–	219.03
	3,955.75	4,430.67
Stock At Close		
– Work-In-Progress	432.72	337.51
– Finished Goods	3,026.60	3,618.24
	3,459.32	3,955.75
Add/(Less) :Impact of Excise Duty on Finished Goods	73.14	20.89
Net Increase/(Decrease)	**(423.29)**	**(454.03)**

18 MATERIALS		
Raw Material & Components		
– Stock at Commencement	256.04	166.31
Purchases	7,738.49	6,095.42
	7,994.53	6,261.73
Less : Amount Capitalised	80.23	3.07
: Stock at Close	421.00	256.04
	7,493.30	**6,002.62**
Cost of Trading Goods Sold		
– Stock at Commencement	6.55	–
Purchases	138.00	18.52
	144.55	18.52
Less : Stock at Close	16.22	6.55
	128.33	**11.97**
	7,621.63	**6,014.59**

Schedules to Accounts (Contd.)

(Rs. Million)

Year ended 31st March	2006	2005
19 MANUFACTURING/ OPERATING		
Stores, Spares & Tools	161.36	128.41
Power & Fuel	99.05	51.43
Machining/Erection Charges	2.56	1.53
Designing & Consultancy	8.95	0.33
Machinery Lease Rent	0.31	0.50
Cane Development Charges	36.81	22.97
Repairs & Maintenance:		
– Plant & Machinery	163.50	133.85
– Building *1	20.28	16.24
– General	11.95	13.55
Factory/Operational Expenses	16.39	9.64
Packing & Forwarding	178.81	160.48
	699.97	538.93
Less : Amount Capitalised	78.20	12.49
Less : Cost of Completion for earlier years adjusted	7.07	5.03
	614.70	**521.41**

*1 Includes repairs to rented premises.

	2006	2005
20 PERSONNEL		
Salaries, Wages & Bonus	572.75	434.72
Gratuity	38.40	21.84
Contribution to Provident & Other Funds	58.75	46.75
Welfare	52.52	38.23
	722.42	541.54
Less : Amount Capitalised	46.20	9.77
	676.22	**531.77**

	2006	2005
21 ADMINISTRATION		
Travelling & Conveyance *1	92.37	78.26
Rent *2	29.45	29.66
Insurance	21.95	23.08
Rates & Taxes	14.66	11.17
Directors` Fee	1.69	0.45
Bad Debts & Amount Written Off *3	7.15	–
Loss on Sale/written off Fixed Assets *4	2.88	11.31
Loss on Sale/written off Stores & Spares *5	2.15	2.78
Provision for Bad & Doubtful Debts/Advances *6	–	6.34
Prior Period Adjustments (Net) - Note 7 of Schedule 28	0.89	1.05
Office & Other Administration Expenses *7	228.94	142.65
	402.13	306.75
Less : Amount Capitalised	46.76	19.37
	355.37	**287.38**

*1 Includes Directors' Travelling Rs.4.97 Million (Rs.5.80 Million).

*2 Includes Rs.0.48 Million (Rs.0.39 Million) paid to the Managing Director.

*3 Net off Credit Balances written back of Rs.4.09 Million (Rs.Nil) , Bad Debts Recovered of Rs.0.01 Million (Rs.Nil) and Provision for Doubtful Debts & Advances written back (Net) of Rs.6.53 Million (Rs.Nil)

*4 Net off Profit on sale of Fixed Assets of Rs.0.98 Million (Rs.0.07 Million)

*5 Includes Rs.Nil (Rs.1.45 Million) towards provision for non moving inventory and Rs.0.69 Million (Rs.Nil) towards diminution in value of stock.

*6 Net off Provision for Doubtful Debts & Advances Written Back of Rs.Nil (Rs.0.54 Million)

*7 Net off Excess provision of expenses written back of Rs.2.18 Million (Rs.1.14 Million) & Includes Rs.16.82 Million (Rs.Nil) towards Provision for Warranty.

Schedules to Accounts (Contd.)

(Rs. Million)

Year ended 31st March	2006	2005
22 FINANCING		
Interest on		
– Debentures	2.91	–
– Fixed Loans	180.58	140.53
– Others	116.80	194.25
Other Finance charges	3.68	2.90
	303.97	337.68
Less : Interest received on deposits and other accounts	42.98	14.63
[Tax deducted at source Rs.9.16 Million (Rs.0.54 Million)]		
Less : Interest Subsidy on Buffer Stock	–	17.87
Less : Exchange Rate Fluctuation on Foreign Currency Denomination Loan	1.69	(24.45)
	259.30	329.63
Less : Amount Capitalised	29.34	24.96
	229.96	**304.67**
23 SELLING		
Commission	74.30	45.98
Royalty	8.17	5.12
Packing & Forwarding	30.77	33.12
Rebate & Discount	7.40	2.84
After Sales Expenses & Others	35.57	20.90
	156.21	**107.96**
24 AMORTISATION		
Voluntary Retirement Scheme & Closure Compensation	21.65	21.77
Capitalised Lease Assets	13.30	13.38
Intangible Assets	16.27	17.89
Others	0.69	2.23
	51.91	55.27
Less : Amount Capitalised	0.04	–
	51.87	**55.27**
25 OFF SEASON EXPENSES CHARGED (NET)		
Opening off - season deferred expenses	43.39	47.79
Closing off - season deferred expenses	36.80	43.39
Net off - season expenses charged	**6.59**	**4.40**
26 EXTRA-ORDINARY CHARGE		
Differential Cane Price	–	368.57
Less:Withdrawn from		
– Amalgamation Reserve	–	26.46
– General Reserve	–	309.43
– Opening Surplus	–	32.68
	–	**–**
27 PROVISION FOR TAXATION		
For Current Year		
– Current Tax (incl.Wealth Tax Rs.0.40 Million (Previous Year Rs.0.45 Million)	153.72	230.45
– Deferred Tax	131.51	10.57
– Fringe Benefit Tax	12.50	–
	297.73	241.02
For Earlier Years (Net)		
– Tax (incl.Wealth Tax (Rs.0.12 Million) (Previous Year Rs.0.25 Million)	(0.90)	4.84
	296.83	**245.86**

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of Financial Statements

These financial statements have been prepared on the accrual basis of accounting, under the historical cost convention, except for revaluation of certain fixed assets, and in accordance with the Companies Act, 1956 and the applicable accounting standards issued by the Institute of Chartered Accountants of India.

b) Fixed Assets

i. Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes taxes, duties (excluding excise duty for which cenvat claim is available), freight and other incidental expenses relating to acquisition and installation. In the case of sugar units, administrative and personnel expenses, estimated at 3% of the cost of machinery/building are also capitalised alongwith the cost of equipments and building under installation/construction and/or put to use during the year. Plant & machinery at Deoband unit existing as on 1st November, 1986 are stated at revalued amount less accumulated depreciation thereon. The revaluation of such assets was conducted during financial year 1986-87 by an approved valuer, to reflect the assets at their present values. Further, a property at Delhi, earlier held as stock-in-trade was revalued at estimated market value and converted to fixed assets during the financial year 1999-00. The increase in the value of the assets on such revaluation over their book values have been credited to the revaluation reserve in the respective years and the additional depreciation charge on such increased value over the original cost has been adjusted against the revaluation reserve in each year.

ii. Discarded fixed assets are stated at lower of net book value (at the time of discarding of assets) and net realisable value. Wherever, the net book value of the assets can not be reasonably determined, it is stated at net realisable value.

c) Recognition of Income/Expenditure

i. Sale of products and services are recognised on despatch of goods or when the services are rendered. Gross sales are stated at contractual realisable values inclusive of excise duty and net of sales tax and trade discounts.

ii. Off-season expenses relating to sugar units, other than interest, selling and non-operating expenses/income earned during off-season, are deferred and are absorbed over the duration of the ensuing crushing season.

iii. Income/Expenditure relating to prior period and prepaid expenses which do not exceed Rs.0.01 Million in each case, are treated as Income/Expenditure of current year.

iv. Deferred Revenue Expenditure

a) Front End Fee on loan is amortised over the tenure of the loan.

b) Compensation under Voluntary Retirement Scheme is amortised over 36 months.

c) Deferred revenue expenditure, other than above not qualifying as Intangible assets, incurred after 31st March 2003, is written off in the period in which it is incurred. However, such expenditure incurred prior to 1st April 2003 is amortised as per following norms:

		Months over which amortised
1.	Restructuring fee towards cost and operation efficiency	36 months
2.	Compensation to employees on closure	60 months
3.	Technical know-how fee and training expenses of personnel with Foreign Collaborators	72 Months
4.	Cost of feasibility studies for new projects	36 Months
5.	Market Survey Expenses (before launch)	36 Months

d) Foreign Currency Transactions

i. Transactions denominated in foreign currencies are recorded at exchange rate prevailing at the date of transaction.

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

ii. Foreign currency monetary items (including forward contracts) are translated at year end rates. Exchange differences arising on settlement of transactions and translation of monetary items(including forward contracts) are recognised as income or expense in the year in which they arise, except those relating to acquisition of fixed assets from outside India where such exchange difference is adjusted to the carrying amount of the said fixed assets.

iii. The premium or discount on forward exchange contracts not relating to firm commitments or highly probable forecast transactions and not intended for trading or speculative purpose is amortised as expense or income over the lift of the contract.

e) Inventories

i. Inventories of raw materials, components, stores and spares are valued at lower of cost and net realisable value. Cost for the purpose of valuation of raw materials (including By Products used as raw material) and components, stores and spares is considered on following basis :

Raw Materials & Components

Manufacturing units	Basis
Sugar	First in first out
Turbine, Gears and Co-generation	Weighted Average
Water Business Group (incl. Projects division)	Specific Cost

Stores and Spares

Manufacturing units	Basis
Sugar	Weighted Average
Turbine, Gears and Co-generation	Weighted Average
Water Business Group (incl. Projects division)	Specific Cost

ii. Finished goods and Work-in-progress are valued at lower of cost and net realisable value. The cost of finished goods and work-in-progress include raw material costs, direct cost of conversion and proportionate allocation of indirect costs incurred in bringing the inventories to their present location and condition. Excise duty is included in the value of finished goods.

iii. Patterns, Loose tools, Jigs and Fixtures are written off equally over three years.

iv. By-products and scrap are valued at estimated net realisable value.

f) Depreciation

i) Depreciation on fixed assets is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 as amended by notification No.GSR 756E dated 16.12.1993 except for the following assets which are depreciated on the straight line basis over their estimated useful economic life as follows :

	Rates adopted
a) Plant & Machinery used in Co-Generation Plants (including captive Co-Generation plants) installed after 1.4.2004	6.33%
b) Mobile phone costing above Rs.5,000/-	50%

ii) Cost of Leasehold Land is amortised over the lease period

iii) Fixture and Fittings and improvement to Leasehold building not owned by the Company are amortised over the lease period or estimated life which ever is lower.

iv) The additional depreciation, on increase in cost on account of revaluation is transferred to the Profit & Loss Account from the Revaluation Reserve and is thus not charged to Profit & Loss Account for the year.

g) Research & Development

Revenue expenditure on research & development is charged under respective heads of account. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

h) Investments

Investments are valued at cost inclusive of expenses incidental to their acquisition. Long term investments are carried at cost and any diminution in value, though material, is not recognised if such diminution in value, in the opinion of the management, is temporary in nature. Current investments are valued at lower of cost or fair value.

i) Retirement Benefits

Provision is made in the accounts on account of Company's liability in respect of Gratuity and Leave Encashment benefits payable to its employees, on the basis of actuarial valuation of the liability at the end of the financial year. Company's contribution to Superannuation Scheme, recognised by the Income Tax authorities, is accounted and charged to Profit & Loss Account on accrual basis.

j) Borrowing costs

Borrowing cost that are attributable to the acquisition of qualifying assets are capitalised upto the period such assets are ready for its intended use. All other borrowing costs are charged to Profit & Loss Account.

k) Government Grants

Recognition

Governments grants are recognised where:

i) there is reasonable assurance of complying with the conditions attached to the grant.

ii) Such grant/benefit have been earned and it is reasonably certain that the ultimate collection will be made.

Presentation in Financial Statements :

i) Government grants related to specific fixed assets are adjusted with the value of the fixed assets.

ii) Government grants in the nature of promoters' contribution, i.e. which have reference to the total investment in an undertaking or by way of contribution towards total capital outlay, are credited to capital reserve.

iii) Government grants related to revenue items are either adjusted with the related expenditure or shown under the schedule "Other Income", in case direct linkage with cost is not determinable.

l) Accounting of assets acquired under lease

In respect of plant & machinery acquired on lease before 1st April 2001, the principal value of the lease (including sale value on the expiry of lease), representing fair value of the assets, is amortised over technically estimated lives of such assets and unamortised value of such lease rentals are stated separately under the "Fixed Assets". Portion of the lease rentals representing finance cost are charged off in the period in which these accrue. Lease rentals of other assets, acquired before 1st April 2001 are charged off in the period in which these accrue.

m) Taxes on Income

i) Tax on income for the current period is determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

ii) Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

iii) Deferred tax assets are recognised only to the extent that there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain(as the case may be) to be realised.

n) Intangible Assets

Intangible assets are recognised as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" issued by the Institute of Chartered Accountants of India and are amortised as follows :

	Period of amortisation
Computer Software	36 months
Design & Drawings	72 months
Technical Know-how fees	72 months

28 **NOTES TO ACCOUNTS** (Contd.)

o) Impairment of Assets

Impairment of individual assets/cash generating unit (a group of assets that generates identified independent cash flows) are identified using external and internal sources of information and impairment loss if any, is determined and recognised in accordance with the Accounting Standard (AS)28 issued in this regard by the Institute of Chartered Accountants of India.

p) Provisions, Contingent liabilities and Contingent Assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

a) the Company has a present obligation as a result of a past event.
b) a probable outflow of resources is expected to settle the obligation and
c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised nor disclosed.

2. CONTINGENT LIABILITIES (to the extent not provided for)

(a) Guarantees/Surety given on behalf of subsidiary company Triveni SRI Ltd Rs.0.10 million (Rs.0.10 million) and on behalf of other companies Rs.8.77 million (Rs.4.77 Million).

(b) Claims against the Company not acknowledged as debts (as certified by the Management)

(Rs. Million)

		2006	2005
i)	Claims which are being contested by the company and in respect of which the company has paid amounts aggregating to Rs.40.95 Million (Rs.36.63 Million) under protest pending final adjudication of the cases:	181.20	161.23

Sl. No.	Particulars	Amount of Contingent Liability	Amount Paid
01.	Sales Tax	56.15 (55.77)	34.66 (33.64)
02.	Excise Duty	40.49 (32.45)	2.80 (1.83)
03.	Cane Commission	40.49 (33.92)	– –
04.	Others	44.07 (39.09)	3.49 (1.16)

The outflow arising from these claims is uncertain and is after adjusting likelihood reimbursement of Rs.9.08 Million (Rs.9.08 Million) from customers in respect of Central Excise demands on account of denial of benefit under Notification No.6/2000.

		2006	2005
ii)	The Company is contingently liable in respect of short provision against disputed income tax liabilities of Rs.19.13 Million (Previous Year Rs.9.40 Million). The amounts have not been provided in the accounts in view of reliefs expected in appeals.	19.13	9.40

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

(Rs. Million)

	2006		2005
iii) Excise duty paid by the Company under protest in respect of certificates issued by the Project Implementing Authority (PIA) under Notifications 108/95 CE dated 28.8.1995 (as amended) and 84/97 Cus dated 11.11.1997 (as amended) which were later found to be invalid and based on which, the suppliers had despatched the capital goods to Cogeneration Project at Deoband without payment of duty. In accordance with the direction obtained by the company from the Hon'ble Allahabad High Court, Ministry of Finance has now nominated the line ministry and the company has filed with the line ministry certified true copies of the earlier certificates from the PIA with a view to cure the procedural defect and to have the exemption restored.	26.64		26.64
iv) In respect of levy price differential claim for 1973-74 including interest, after the Supreme Court has remanded the matter back to the High Court of Delhi and restored the interim order, the petition was dismissed by the High Court on account of non-appearance. An application for restoration has been filed with the High Court.	13.09		12.42
v) Indeterminate liability arising from claims / counter claims/ Interest in arbitration/ Court cases, claims of some employees/ex-employees and in respect of service tax, if any, on certain activities of the Company which are being contested by the Company.			

(c) Encashment of Bank Guarantees and amount withheld by the customers in earlier years, against which the Company has filed recovery suits / appeals in the Courts or made representation to the customer – Rs.109.17 Million (Rs.105.83 Million). Pending final decision, the amount of Rs.104.44 Million (Rs.104.09 Million) paid against above (including cheque for Rs.2.00 Million yet to be encashed) are included under "Advance Recoverable in Cash or in Kind" and Sundry Debtors and are considered good and no account are taken for claims by or against the Company.

(d) Rs.20.03 Million (Rs.25.63 Million) paid to defaulting suppliers and contractors of the molasses based chemical project. The cases are subjudice and pending final outcome, such balances as appearing in Loans & Advances have been considered good and no account has been taken of claims by or against the Company.

3. ADVANCES RECOVERABLE IN CASH OR IN KIND INCLUDE

a) Due from the Company Secretary-Rs.0.10 Million (Rs.0.14 Million). Maximum amount due at any time during the year Rs.0.49 Million (Rs.0.25 Million).

b) Rs.0.02 Million (Rs.0.02 Million) and Rs.0.34 Million (Rs.0.29 Million) on account of Security Deposit paid to the Managing Director and Company Secretary respectively against leased property.

4. Outstanding commitments for capital expenditure amounting to Rs.1,527.49 Million (Rs.898.50 Million) after adjusting advance amounting to Rs.380.50 Million (Rs.182.09 Million).

5. Name of the Small scale undertakings where the amount of outstanding for more than 30 days are at the year end are as per details given below:-

Arya Machine Tools, Uttam Fabricators & A.N. Instruments Pvt. Limited

6. (i) The Company has taken assets under lease of the value of Rs.Nil (Rs.46.02 Million) before 31.3.2002. The future rental obligation as per the contracts is Rs.Nil (Rs.1.36 Million).

(ii) (a) The Company has taken various residential, office and godown premises under operating lease. These are generally not non-cancelable and range between 11 months to 6 years and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

(b) Lease payments under operating lease are recognised in the Profit & Loss Account under "Rent" in Schedule 21.

(c) The future minimum lease payments under non-cancelable operating lease :
– Not later than one year Rs.13.08 Million (Rs.13.08 Million).
– Later than one year and not later than five years Rs.9.81 Million(Rs.22.88 Million).

7. DETAILS OF PRIOR PERIOD ADJUSTMENTS (NET) IN SCHEDULE 21 IS AS UNDER :

(Rs. Million)

Sl No.	Particulars	2005-2006		2004-2005
A.	**EXPENDITURE**			
1.	Purchases (Raw Material)	–		0.09
2	Cane Development Expenses	(0.07)		–
3.	Stores, Spares & Tools	(1.71)		0.06
4.	Repairs & Maintenance – Plant & Machinery	(0.03)		0.02
5.	Salaries, Wages & Bonus	(0.12)		0.01
6.	Contribution to Provident Fund & Other Funds	0.04		–
7.	Welfare	2.29		–
8.	Travelling & Conveyance	0.03		–
9.	Rates & Taxes	–		1.02
10.	Insurance	(0.29)		–
11.	Rent	(0.01)		–
12.	Office & Other Administration Expenses	0.00		(0.15)
13.	Royalty	0.05		0.02
14.	Packing & Forwarding	(0.01)		0.11
15.	Other Selling Expenses	(0.04)		(0.02)
16.	Interest on Cash Credit	–		(0.13)
17.	Interest on Others	–		0.37
18.	Depreciation	0.25		(0.44)
	Total Expenditure (A)	**0.38**		**0.96**
B.	**INCOME**			
1.	Sales	–		(0.15)
2.	Buffer Stock Subsidy	(0.51)		–
3.	Interest Received	–		0.06
	Total Income (B)	**(0.51)**		**(0.09)**
	Prior period adjustment (Net)(A-B)	**0.89**		**1.05**

8. Pursuant to compliance of clause 32 of the Listing Agreement, on disclosure of Loans/Advances in the nature of loans, the relevant information is provided hereunder:

(Rs. Million)

Sl No.	Particulars	As on 31.3.2006		maximum amount due during the year
1	Loans & Advances to Subsidiaries (Note1)			
	– Triveni SRI Ltd	Nil		2.02
		(Nil)		(9.81)
	– Abohar Power Generation Ltd	0.06		0.06
		(0.05)		(0.17)
	– Upper Bari Power Generation Ltd	0.03		0.03
		(Nil)		(Nil)

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

(Rs. Million)

Sl No.	Particulars	As on 31.3.2006		maximum amount due during the year
2	Loans & Advances to Associates (Note1)			
	– TOFSL Trading & Investments Ltd	Nil		0.00
		(0.00)		(0.14)
	– The Engineering & Technical Services Ltd	Nil		0.01
		(Nil)		(Nil)
	– Carvanserai Ltd	Nil		39.34
		(39.34)		(65.73)
	– Triveni Entertainment Limited	0.00		0.00
		(Nil)		(Nil)

		Rs. Million			No. of Shares	
		As on 31.3.2006	Maximum During the year		As on 31.3.2006	Maximum During the year
3	Investments by the loanee in the shares of Triveni Engineering & Industries Ltd				Rs.1/- each (Rs.1/- each)	Rs.1/- each (Rs.1/- each)
	– TOFSL Trading & Investments Ltd	19.30 (24.13)	24.13 (94.79)		81,92,500 (40,97,000)	1,02,42,500 (40,97,000)
	– The Engineering & Technical Services Ltd	22.38 (33.05)	33.05 (126.24)		54,03,750 (31,91,500)	79,78,750 (31,91,500)
	– Carvanserai Ltd	4.12 (14.63)	14.63 (57.46)		13,22,750 (18,79,100)	46,97,750 (18,79,100)

Note : 1. There are no repayment schedule for the above loans and advances as these are in the nature of current account and repayable on demand.

2. Loans to employees as per Company's policy are not considered.

9. In compliance with the Accounting Standard on (AS)22 "Accounting for taxes on Income" issued by Institute of Chartered Accountants of India the breakup of net deferred tax liability is provided below :

(Rs. Million)

Particulars	Deferred tax liability (deferred tax asset)		
	2006		2005
Difference in Net Book values of Fixed Assets as per accounts & tax	516.91		391.60
Share Issue Expenses	(32.55)		–
Expenses deferred in books but Claimed in tax	12.46		16.21
Gratuity	(35.82)		(42.22)
Other Provisions disallowable u/s 43-B	(21.79)		(26.19)
Others (net)	3.89		4.74
Net deferred tax liability	**443.10**		**344.14**

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

10. Purchase and sale of current investments in various schemes of mutual funds during the year is as under:

Sl.No	Description	Purchases		Sales	
		Units	Amount (Rs.Million)	Units	Amount (Rs. Million)
1	ABN Amro Asset Management	10,010,157.347	100.10	10,010,157.347	100.10
2	Birla Sun Life Mutual Fund	20,110,247.574	201.49	20,110,247.574	201.49
3	DSP Merrill Lynch Mutual Fund	201,788.541	201.83	201,788.541	201.83
4	HDFC Mutual Fund	4,705,879.270	50.05	4,705,879.270	50.05
5	HSBC Mutual Fund	10,021,630.775	100.27	10,021,630.775	100.27
6	ING Vyasa Mutual Fund	30,080,473.588	300.88	30,080,473.588	300.88
7	J M Financial Mutual Fund	10,050,010.995	100.67	10,050,010.995	100.67
8	Kotak Mahindra Mutual Fund	8,200,707.265	100.28	8,200,707.265	100.28
9	Prudentail ICICI Mutual Fund	25,082,627.855	250.83	25,082,627.855	250.83
10	Reliance Mutual Fund	3,273,043.134	50.00	3,273,043.134	50.00
11	Reliance Mutual Fund	5,003,965.910	50.05	5,003,965.910	50.05
12	SBI Mutual Fund	9,978,251.052	100.11	9,978,251.052	100.11
13	Standard Chartered Fund	10,010,591.775	100.11	10,010,591.775	100.11
14	Standard Chartered Fund	15,057,566.690	150.59	15,057,566.690	150.59
15	Tata Mutual Fund	180,132.851	200.76	180,132.851	200.76
16	UTI Mutual Fund	197,998.687	201.26	197,998.687	201.34
	Total	**162,165,073.309**	**2,259.28**	**162,165,073.309**	**2,259.36**

11. a) During the year, the company has made provision of Rs.16.82 Million in respect of estimated warranty obligations for the subsequent period relating to its turbine and gear business. Accordingly, the profit before tax for the year is lower by Rs.16.82 Million.

b) Disclosures required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by The Institute of Chartered Accountant of India:

i) Movement in provisions :

(Rs. Million)

Sl No.	Particulars of disclosure	Nature of Provision Warranty
1.	Balance as at April 1, 2005	Nil
2.	Provision during 2005-2006	16.82
3.	Provision used during 2005-2006	Nil
4.	Balance as at March 31, 2006	16.82

ii) Nature of provisions :

Warranties: The Company gives warranties on certain products and services, undertaking to repair the items that fail to perform satisfactorily during warranty period. Provision made as at March 31, 2006 represents the amount of the expected cost of meeting such as obligations of rectification/replacement. The timing of the outflows is expected to be within a period of one to two years.

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

12. During the year, the company raised proceeds of Rs.2400 Million by way of 50 Million equity shares of Rs.1/- each at a premium of Rs.47/- per share through public issue and the issue proceeds have been utilised for the following purposes as stated in the Prospectus.

	(Rs. Million)
New Sugar unit at Sabitgarh	1355.00
Co-Generation plant at Khatauli	198.60
Expansion of infrastructural facilities at the Turbine division	142.72
Expansion of the infrastructural facilities at the Gear division	74.88
Issue expenses	148.00
General corporate purposes	337.82
Total	**2257.02**

The balance unspent issue proceeds of Rs.142.98 Million has been temporarily parked in the Cash Credit account to reduce interest cost.

13. Share Issue expenses of Rs.119.52 Million (Net of Rs.40.69 Million representing tax benefit that would be available to the company) pertaining to the public issue have been fully adjusted against Share Premium Account in accordance with the Section 78 of the Companies Act, 1956.

14. Pursuant to compliance of Accounting Standard (AS)18 on Related Party disclosures, the relevant information is provided here below :

a) Related party where control exists

(i) Mr D. M. Sawhney, Chairman & Managing Director (Key Management person).

(ii) Wholly owned subsidiaries

Triveni SRI Limited
Abohar Power Generation Limited
Upper Bari Power Generation Limited

b) The details of related parties with whom transactions have taken place during the Year :

i) Wholly owned Subsidiaries (Group A)

Triveni SRI Limited
Abohar Power Generation Ltd
Upper Bari Power Generation Limited

ii) Associates (Group B)

TOFSL Trading & Investments Limited
The Engineering & Technical Services Limited
Triveni Entertainment Limited
Carvanserai Limited

iii) Key Management Person (Group C)

Mr D M Sawhney, Chairman & Managing Director

iv) Key Management person relatives (Group D)

Mrs Rati Sawhney (Wife)
Mr Tarun Sawhney (Son)
Mr Nikhil Sawhney (Son)

v) Companies/Parties in which key management person or his relatives have substantial interest/significant influence (Group E)

Kameni Upaskar Limited
Tirath Ram Shah Charitable Trust

Schedules to Accounts (Contd.)

c) Details of transactions with the related parties during the year

(Rs. Million)

Nature of Transaction	GROUP					TOTAL
	A	B	C	D	E	
1. Sales and rendering of Services	9.49 (0.83)	0.20 (318.80)	– –	– –	– –	9.69 (319.63)
2. Purchases and receiving Services	3.60 (0.07)	– (–)	– (–)	– (–)	– (–)	3.60 (0.07)
3. Purchase of Fixed Assets	36.53 (43.38)	– (0.20)	– (–)	– (–)	– (–)	36.53 (43.58)
4. Sale of Fixed Assets	1.79 (–)	– (–)	– (–)	– (–)	– (–)	1.79 (–)
5. Rent Paid	– (–)	– (–)	0.48 (0.40)	– (–)	2.28 (1.99)	2.76 (2.39)
6. Rent & Other Charges received	0.26 (–)	0.34 (0.24)	– (–)	– (–)	– (–)	0.60 (0.24)
7. Amount Advanced / Refunded on Expense incurred (Net)	31.76 (1.05)	–38.16 (–24.92)	– (–)	– (–)	–0.01 (–)	–6.41 (–23.87)
8. Interest Received	0.09 (0.45)	38.59 (2.04)	– (–)	– (–)	– (–)	38.68 (2.49)
9. Interest Paid	– (–)	– (0.16)	– (–)	0.02 (0.02)	– (0.01)	0.02 (0.19)
10. Remuneration	– (–)	– (–)	39.54 (5.40)	7.42 (5.48)	– (–)	46.96 (10.88)
11. Misc. Income	– (–)	– (–)	– (–)	– (–)	– (0.01)	– (0.01)
12. Redemption of Preference shares	– (–)	211.50 (–)	– (–)	– (–)	– (–)	211.50 (–)
13. Dividend from Preference share	– (–)	12.69 (–)	– (–)	– (–)	– (–)	12.69 (–)
14. Investment in Shares	0.50 (–)	– (–)	– (–)	– (–)	– (–)	0.50 (–)
15. Surety Given	– (–)	4.00 (–)	– (–)	– (–)	– (–)	4.00 (–)
16. Charity & Donation	– (–)	– (–)	– (–)	– (–)	6.54 (–)	6.54 (–)
17. Outstanding balances as on 31.3.2006						
A) Receivable	11.48 (0.05)	0.07 (241.09)	0.02 (0.02)	– (–)	0.90 (0.91)	12.47 (242.07)
B) Payable	– (2.09)	2.39 (2.59)	0.05 (0.02)	0.20 (0.15)	– –	2.64 (4.85)
C) Guarantees/Surety Outstanding	0.10 (0.10)	4.00 (–)	– (–)	– (–)	– (–)	4.10 (0.10)

1. Figures for previous year are regrouped and rearranged wherever necessary to make them comparable.
2. Figures given in brackets relate to previous year.

15. (a) Pursuant to compliance of Accounting Standard (AS)20 on Earning per Share, the relevant information is provided here below:

			2005-2006	2004-2005
1	Net profit after tax as per Profit & Loss Account (Rs. Million)		1314.96	995.20
2	Preference Dividend (including Income Tax thereon) (Rs. Million)		–	2.70
3	Net Profit after tax and Preference Dividend (1) – (2) (Rs. Million)		1314.96	992.50
4	No. of Equity Shares of Rs.1/- during the year (weighted average)	Nos.	22,36,33,575	20,78,80,150
5	**Earning per equity share of Rs.1/- each Basic/Diluted (3)/(4)**	**Rs.**	**5.88**	**4.77**

(b) The Company has allotted bonus shares in the ratio of 3:2 by capitalizing Securities Premium Account. The earnings

Schedules to Accounts (Contd.)

per share for the current as well as previous year has been stated based on the enhanced equity share capital after bonus issue. Further in respect of year ended 31st March, 2006 weighted average of share capital before and after the public issue has been considered in accordance with Accounting Standard (AS)20 issued by the Institute of Chartered Accountants of India.

16. Information on Segment Reporting of the Group for the year ended 31.3.2006 (Rs. Million)

	Sugar		Steam Turbines		Power (Co-generation)		Other Operations		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue												
External Sales	8915.81	8063.54	2919.68	1744.03	295.31	114.84	572.16	290.51	–	–	12702.96	10212.92
Less : Excise Duty	532.65	455.52	222.44	123.66	–	–	70.88	36.71	(43.38)	(13.47)	782.59	602.42
External Sales (Net)	8383.16	7608.02	2697.24	1620.37	295.31	114.84	501.28	253.8	–	–	11920.37	9610.50
Inter-segment Sales	280.10	68.05	82.69	6.04	310.19	73.19	244.93	87.72	(917.91)	(235.00)	–	–
Other Income	21.59	20.98	13.00	12.76	0.02	–	2.67	0.92			37.28	34.66
Total Revenue	**8684.85**	**7697.05**	**2792.93**	**1639.17**	**605.52**	**188.03**	**748.88**	**342.44**	**–**	**–**	**11957.65**	**9645.16**
Result												
Segment result	1350.57	1404.07	418.44	153.25	164.75	45.20	97.42	19.59	(56.91)	0.55	1974.27	1622.66
Unallocated expenses (Net)											(154.59)	(76.99)
Operating Profit											**1819.68**	**1545.66**
Interest expenses											(272.94)	(337.17)
Interest/ Dividend Income											65.05	32.56
Income Taxes (including Deferred tax)											(296.83)	(245.86)
Net Profit											**1314.96**	**995.20**
Other Information												
Segment assets	7575.58	5804.09	1303.92	848.63	1916.46	885.34	697.88	764.86			11493.84	8302.92
Unallocated assets											879.29	869.64
Total assets											**12373.13**	**9172.56**
Segment liabilities	980.82	1235.31	1211.82	712.15	46.15	47.88	164.09	217.59			2402.88	2212.93
Unallocated liabilities											4677.51	5047.11
Total liabilities											**7080.39**	**7260.04**
Capital expenditure	2226.26	341.18	168.79	17.16	857.71	580.44	35.98	292.35				
Depreciation	128.12	92.53	10.98	7.65	72.23	13.37	17.70	5.08				
Amortisation	26.98	30.16	20.30	18.85	–	–	2.65	3.72				

Notes :

i) The Company's operations have been categorised into three major business segments in accordance with the Accounting Standard (AS)17 "Segment Reporting" – these constitute 94% (96.38%) of the total turnover of the company. These segments are briefly described hereunder :

a) Sugar : The Company is a manufacturer of white crystal sugar, having an aggregate manufacturing Capacity of 40,500 TCD (Tonnes crushed per day) spread over four manufacturing plants situated in Western UP and Eastern UP. Along with sale of bulk & branded sugar, the company also sells molasses which is produced as by product.

b) Steam Turbines : The Company is engaged in the manufacture of Steam turbines at manufacturing facilities located at Bangalore, Karnataka. The range of turbines manufactured is up to 18 MW.

c) Co-generation : The business segment, apart from meeting some power and steam requirement of the sugar unit, also exports power to the grid. It has installed capacity of 45 MW spread over Khatauli and Deoband sugar mills.

ii) The 'other operation' include mechanical equipments related to Water/Waste Water Treatment and manufacture of High Speed Gear.

iii) There are no geographical segments as the volume of exports is minimal and the major turnover of the group takes place indigenously. There is further no major reliance on few customers or suppliers.

iv) Inter segment transfers have been priced based on competitive market prices charged to external customers for similar goods. These are then eliminated on consolidation.

v) Segment result is segment revenue less segment expense. Segment expense include all expenses directly attributable to the segments and some portion of enterprise expenses that can be allocated on a reasonable basis to the segments. Interest expense, even on working capital facilities, is not included in segment expenses and accordingly, segment liabilities do not include any corresponding borrowings

17. Amount paid/payable to Auditors

(a) Included under Office and other administration expenses in Schedule 21 :

(Rs. Million)

	Statutory Auditors		Branch Auditors		Cost Auditors	
	2006	2005	2006	2005	2006	2005
Audit Fees	1.38	1.17	0.42	0.30	0.05	0.05
Fees for tax matters including tax audit	0.47	0.41	0.15	0.11	–	–
Management & Other Services	0.75	0.54	0.32	0.17	–	–
Reimbursement of Expenses	0.13	0.09	0.82	0.75	–	–
Total	**2.73**	**2.21**	**1.71**	**1.33**	**0.05**	**0.05**

(b) Included under Share Issue Expenses (charged to Share Premium Account) Rs.1.02 Million.

18. (a) **Managing Director's Remuneration :**

	2005-2006		2004-2005
Salary	12.03 *1		2.99
Performance Bonus/Commission	23.50*2		–
Contribution to PF & Other Funds	1.62		0.81
Gratuity	0.31		0.14
Other Perquisites	2.08		1.46
Total	**39.54**		**5.40**

*1 Includes Rs.0.04 Million - towards one day salary pertaining to the year 2004-2005.

*2 Includes Rs.13.50 Million towards Commission pertaining to the year 2004-2005

(b) **Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956.**

	2005-2006		2004-2005
Profit before Tax as per Profit & Loss Account	1611.79		1241.06
Add			
Remuneration paid/payable to Managing Director	39.54		5.40
Director's Fees	1.69		0.45
Loss on sale/write off fixed assets	2.88		11.31
	1655.90		**1258.22**
Less			
Excess of expenses over income in earlier years	–		241.20
Differential Cane price adjusted from reserves	–		368.57
Profit on Sale of Investment	0.08		–
Net Profit for the purpose of calculation of Managing Director's Remuneration	**1655.82**		**648.45**
Remuneration @ 1.60% (3%) on Net Profits	26.49		19.45
Less : Already Paid	16.00		5.40
Balance payable as Performance Bonus/Commission	10.49		14.05
Restricted to	**10.00**		**13.50**

19. Amount involved in respect of foreign currency in respect of payables and receivables is equivalent to Rs.26.80 Million and Rs.35.77 Million respectively at the exchange rates prevailed at the year end. Hedging through foreign cover has been taken to the extent of USD 0.10 Million (Rs.4.45 Million) in respect of receivables.

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

20. Statement of additional information

(Rs. Million)

		2005-2006	2004-2005
a)	**Value of imports on CIF basis :**		
	Raw Materials	149.31	125.59
	Components & spare parts	0.32	1.91
	Capital Goods [includes advance against		
	Capital Goods Rs.Nil (Rs.Nil)]	–	178.75
b)	**Expenditure in foreign currency**		
	i) Travelling	8.80	10.67
	ii) Royalty	8.17	5.12
	iii) Technical know-how	3.56	2.88
	iv) Others	8.75	7.38
	v) Dividend to NRIs	–	–
	Final Dividend on Equity Shares		
	Amount remitted	–	–
	No. of shareholders	–	–
	No. of shares held	–	–
	Year for Dividend Paid	–	–
	Preference Dividend on Preference Shares		
	Amount remitted	0.00	0.00
	No. of shareholders	39	39
	No. of shares held	2719	2652
	Year for Dividend Paid	2005-2006	2004-2005
	vi) Redemption of Preference Shares to NRI		
	Amount remitted	0.06	0.06
	No. of shareholders	39	39
	No. of shares held	2719	2652
	Year for Redemption	2005-2006	2004-2005
c)	**Earnings in foreign exchange :**		
	Exports of goods on F.O.B. basis	189.57	102.41
	Service Charges	9.19	9.50

d) Consumption of raw material, spare parts, components and stores :

Class of Goods	2005-2006		2004-2005	
	Rs.Million	%	Rs.Million	%
i) Raw Material				
– Directly imported	149.21	2.00%	123.71	2.06%
– Indigenous	7,344.09	98.00%	5,878.91	97.94%
ii) Spare Parts				
– Directly imported	0.32	0.20%	2.72	2.12%
– Indigenous	161.04	99.80%	125.69	97.88%

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

e) Licensed and Installed Capacities & Actual Production:

Class of goods	Units	Licensed Capacity		Installed Capacity*1		Actual Production*2	
		2005-2006	2004-2005	2005-2006	2004-2005	2005-2006	2004-2005
Sugar	MT	NA	NA	40,500 TCD	25,250 TCD	382,131.20	384,292.10
Molasses	MT	NA	NA	NA	NA	207,286.09	182,262.05
Mechnical Equipment - Water/ Waste Water *3	(Rs.in Million)	NA	NA	NA	NA	142.52	90.26
Steam Turbines	Nos.	NA	NA	96	96	69	40
High Speed Reduction Gears	Nos.	NA	NA	450	450	313	267
Power (Cogeneration Plant)	000'KWH	NA	NA	45 MW	22 MW	145,964.45	50,711

*1 As certified by officials of the company.

*2 Includes capital/captive production.

*3 Manufacturing outsourced, product range is varying and is not capable of being expressed in common units.

N.A. - Not Applicable

TCD - Metric Tons of cane crushed per day.

MT - Metric Tons

KWH - Kilo Watt per hour

MW - Mega Watt

f) Opening Stock, Closing Stock & Sales

i) Manufactured Goods

Class of goods	Units	Opening Stock		Closing Stock		Sales (Gross)	
		Qty	Value (Rs. Million)	Qty	Value (Rs. Million)	Qty	Value (Rs. Million)
Sugar *1	MT	252,934.50	3,394.20	173,477.70	2,833.17	461,533.80	8,264.46
		(343,274.50)	(4,014.94)	(252,934.50)	(3,394.20)	(474,576.10)	(7,461.79)
Molasses *2	MT	52,206.44	209.10	58,166.32	190.00	200,990.49	632.86
		(10,182.39)	(14.60)	(52,206.44)	(209.10)	(139,739.41)	(526.93)
Steam Turbines *3	Nos	–	–	–	–	68	1,680.40
		(1)	(15.93)	(–)	(–)	(41)	(789.82)
Boughtout, Spares & Others *4	Rs.in	–	14.94	–	2.78	–	1,297.17
	Million	–	(4.42)	–	(14.94)	–	(1,042.98)
High Speed Reduction Gears *3	Nos	–	–	–	–	210	241.95
	(–)	(–)	(–)	(–)	(–)	(209)	(173.92)
Mechnical Equipment -	Rs.in	–	–	–	–	–	142.52
Water/ Waste Water	Million	(–)	(–)	(–)	(–)	(–)	(90.26)
Power *3	000' KWH	–	–	345.35	0.65	103,145.45	295.31
(Cogeneration Plant)		(–)	(–)	(–)	(–)	(40,914)	(114.83)

Note:

*1 Closing stock of sugar is after adjusting 54.20 MT (56MT) on account reprocessing loss.

*2 Closing stock of molasses is after adjusting wastage 335.73 MT (498.59MT)

*3 Excludes 1(NIL) Steam Turbine, 103(58) High Speed Reduction Gears and 42473.654 000'KWH (9,797 000'KWH) Power for Captive consumption.

*4 Product being diverse, is not feasable to give quantitative details

Schedules to Accounts (Contd.)

28 NOTES TO ACCOUNTS (Contd.)

ii) Trading Goods

Class of Goods	Units	Opening Stock		Purchases		Closing Stock		Sales (Gross)	
		Qty	Value (Rs. Million)	Qty	Value (Rs. Million)	Qty	Value (Rs. Million)	Qty	Value (Rs. Million)
Sugar	MT	–	–	750	14.97	750	14.97	–	–
		(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Fertilizers	MT	11628	3.34	363,259.00	103.53	–	–	374,887.00	109.12
		(–)	(–)	(43,010.00)	(11.81)	(11628.00)	(3.34)	(31382.00)	(8.93)
Pesticides	MT	23697	2.18	71,122.00	5.90	–	–	94,819.00	10.64
		(–)	(–)	(28,581.00)	(3.23)	(23,697.00)	(2.18)	(4,884.00)	(1.07)
Others	Nos		1.03	–	13.61	–	1.25	–	28.53
		–	(–)	–	(3.47)	–	(1.03)	–	(2.39)

MT - Metric Tonnes

KWH - Kilo Watt per hour

g) Break up of Raw Material and Components Consumed

Class of Goods	Unit	2005-2006			2004-2005	
		Qty.	Rs. Million		Qty.	Rs. Million
Sugar Cane	MT	3,937,852	5,268.34		3,696,252	4,343.33
Raw Sugar	MT	288,954	60.71		755,003	173.57
Brought outs *1		–	1,504.04		–	1,045.96
Others *1		–	660.21		–	439.76
			7,493.30			**6,002.62**

*1 Quantitative data has not been furnished as purchases are made in different Units i.e. weight, number etc.

21. Figures for the previous year are regrouped and rearranged wherever necessary. Figures given in brackets relate to previous year.

22. Schedule '1' to '28' form an integral part of the Balance Sheet and Profit & Loss Account

	Dhruv M. Sawhney	**Lt. Gen. K. K. Hazari (Retd.)**	**V.P. Ghuliani**	**Suresh Taneja**
Place: Noida (UP)	*Chairman &*	*Director & Chairman*	*Vice President (Legal) &*	*Vice President &*
Date: April 29, 2006	*Managing Director*	*Audit Committee*	*Company Secretary*	*C.F.O.*

Cash Flow Statement

(Rs. Million)

For the year ended 31st March	2006		2005
A. CASH FLOW FROM OPERATING ACTIVITIES	1,611.79		1,241.06
Add : Extra-ordinary charge in respect of earlier years adjusted with reserves	–		(368.57)
Add : Depreciation	236.63		123.02
: Amortisation			
– Machinery Lease Rentals	13.30		13.38
– Intangible Assets	16.23		17.89
– Miscellaneous Expenditure	22.34		23.99
Less : Incomes/Expenses treated separately			
Dividend Income	22.07		0.06
Profit/(Loss) on sale of Fixed Assets	(2.88)		(11.31)
Profit on sale of Investments	0.08		–
Interest Expenses	(272.94)		(337.17)
Interest Income	42.98		32.50
Deferred Revenue Expenditure Incurred	3.20		6.25
Operating Profit before Working Capital changes	**2,107.78**		**1,360.44**
Changes in Working Capital			
Changes in Inventories	304.87		79.09
Changes in Receivables	(336.95)		(82.79)
Changes in Other Trade Receivables	(184.06)		(145.92)
Changes in Current Liabilities	179.28		355.74
Direct Taxes Paid (Net) including wealth tax	(264.43)		(145.28)
Net Changes in Working Capital	**(301.29)**		**60.84**
Cash Flow from operating activities	**1,806.49**		**1,421.28**
B. CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of Fixed/Intangible Assets	(3,445.64)		(1,328.95)
Sale of Fixed/Intangible Assets	12.49		1.64
Purchase of Investments – Subsidiary Company	(0.50)		–
– Others	(2,259.28)		(0.10)
Sale of Investments	2,259.48		–
Redemption of Investments in Preference Shares	211.50		–
Changes in Loans & Advances	32.56		24.05
Interest Income	49.22		44.95
Dividend Income	22.07		0.06
Net Cash Flow in Investment Activities	**(3,118.10)**		**(1,258.35)**

Cash Flow Statement (Contd.)

(Rs. Million)

For the year ended 31st March	2006	2005
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Public Issue	2,400.00	–
Share Issue expenses	(160.21)	–
Decrease/Increase in Short Term Borrowings (Net)	122.32	(41.86)
Increase in Long Term Borrowings (Net)	544.39	556.02
Decrease/Increase in Cash Credit	(1,146.07)	(120.83)
Interest Paid	(273.34)	(347.35)
Machinery Lease Rentals	0.43	(1.37)
Redemption of Preference Shares (including premium)	(79.17)	(78.19)
Dividend Paid (Including Tax on Distributed Profit)	(65.95)	(66.20)
Net Cash Flow used in Financing Activities	**1,342.40**	**(99.78)**
Net Increase/Decrease in Cash & Cash Equivalents	30.79	63.15
Opening Cash & Cash Equivalents *	191.63	128.48
Closing Cash & Cash Equivalents *	**222.42**	**191.63**

* Excludes balances with banks on margin account.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of

J. C. Bhalla & Company

Chartered Accountants

Sudhir Mallick
Partner
Place: Noida (UP)
Date: April 29, 2006

Dhruv M. Sawhney
Chairman &
Managing Director

Lt. Gen. K. K. Hazari (Retd.)
Director & Chairman
Audit Committee

V.P. Ghuliani
Vice President (Legal) &
Company Secretary

Suresh Taneja
Vice President &
C.F.O.

Balance Sheet Abstract

Balance Sheet Abstract and Company's General business profile

I. Registration Details

Registration No.	0 2 2 1 7 4	State Code	2 0
Balance Sheet Date	31 (Date) 03 (Month) 2006 (Year)		

II. Capital Raised during the year (Rs. Million)

Public Issue	50.00	Rights Issue	NIL
Bonus Issue	124.73	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Rs. Million)

Total Liabilities	9771.51	Total Assets	9771.51
Sources of Funds			
Paid-up Capital	257.88	Reserves & Surplus	5044.49
Secured Loans	3697.95	Unsecured Loans	328.09
Deferred Tax Liability	443.10		
Application of Funds			
Net Fixed Assets*	6170.56	Investments	18.64
Net Current Assets	3572.68	Misc. Expenditure	9.63

* Include Plant & Machinery acquired under lease.

IV. Performance of Company (Rs. Million)

Turnover (Gross) (incl. other income)	12766.60	Total Expenditure	11154.81
Profit before Tax	1611.79	Profit after Tax	1314.96
Earning per share in Rs.	5.88	Dividend Rate %	50

V. Generic Names of Three Principal Products / Services of Company

Item Code No. (ITC Code)	Product Description
17011100	MANUFACTURE OF SUGAR
N.A.	CO-GENERATION
00008406	MANUFACTURE OF STEAM TURBINE

Auditors' Report

To
The Board of Directors of
Triveni Engineering and Industries Limited

We have examined the attached Consolidated Balance Sheet of Triveni Engineering & Industries Limited and its Subsidiaries Triveni SRI Limited, Abohar Power Generation Ltd and Upper Bari Power Generation Ltd as at 31st March 2006 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended. 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.

We did not audit the financial statements of Abohar Power Generation Ltd and Upper Bari Power Generation Ltd which have been audited by the other auditor and whose report has been forwarded to us and considered by us in preparing our report.

The investments in Associates are accounted in these consolidated financial statements in accordance with the requirements of Accounting Standard (AS) – 23 – "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

We did not audit the financial statements of Indian Associates TOFSL Trading & Investments Ltd and Carvanserai Limited which have been audited by other auditors and whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these associates is based solely on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiaries and its associates included in the consolidated financial statement.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its subsidiaries and its associates, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company, its subsidiaries and its interest in associates as at 31st March, 2006;

b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company, its subsidiaries and its interest in associates for the year then ended and

c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company, its subsidiaries and its interest in associates for the year then ended.

For and on behalf of
J C Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Membership No.80051

Place : Noida (U.P.)
Date : April 29, 2006

Consolidated Financial Statements of Triveni Engineering & Industries Limited and its Subsidiary Companies

Consolidated Balance Sheet

(Rs. Million)

As at 31st March		2006	2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital		257.88	103.02
Reserves & Surplus		5,265.87	1,825.98
		5,523.75	1,929.00
Loan Funds			
Secured Loans		3,697.95	4,299.63
Unsecured Loans		328.09	201.29
		4,026.04	4,500.92
Deferred Tax Liability (Net)		443.06	343.60
Total Funds employed		**9,992.85**	**6,773.52**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		6,872.94	3,634.41
Less : Depreciation		1,398.01	1,169.24
Net Block		5,474.93	2,465.17
Capital Work-in-Progress		467.42	300.40
Intangible Assets		22.02	27.81
Discarded Fixed Assets Pending Disposal/Sale		0.19	2.22
Plant & Machinery acquired under Lease		202.10	216.02
Goodwill		0.01	0.01
		6,166.67	3,011.63
Long Term Investments			
In Associates			
– Equity Shares at original cost [including Rs. 5.19 million (P.Y. Rs. 5.19 Million) of Goodwill (Net of Capital Reserve) arising on acquisition of associates as per equity method]	14.35		
Add/(Less) : Accumulated Income/(Loss) from Associates	230.09	244.44	3.61
– Preference Shares		–	211.50
Others		0.28	0.43
		244.72	215.54
Current Assets, Loans and advances			
Inventories		4,059.52	4,354.53
Sundry Debtors		995.33	671.54
Cash and Bank Balances		264.95	228.41
Other Current Assets		2.76	8.98
Loans and Advances		873.13	676.80
		6,195.69	5,940.26
Less: Current Liabilities and Provisions			
Current Liabilities		2,136.29	1,885.63
Provisions		487.60	537.06
		2,623.89	2,422.69
Net Current Assets		3,571.80	3,517.57
Miscellaneous Expenditue		9.66	28.78
Total Assets (Net)		**9,992.85**	**6,773.52**

Notes attached thereto form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.
For and on behalf of
J. C. Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Place: Noida (UP)
Date: April 29, 2006

Dhruv M. Sawhney
Chairman & Managing Director

Lt. Gen. K. K. Hazari (Retd.)
Director & Chairman Audit Committee

V.P. Ghuliani
Vice President (Legal) & Company Secretary

Suresh Taneja
Vice President & C.F.O.

Consolidated Financial Statements of Triveni Engineering & Industries Limited and its Subsidiary Companies

Consolidated Profit and Loss Account

(Rs. Million)

For the year ended 31st March	2006	2005
INCOME		
Gross Sales	12,702.41	10,251.51
Less : Excise Duty	782.59	602.42
Net Sales	11,919.82	9,649.09
Other Income	62.82	35.50
Increase/Decrease in Work-in-Progress/Finished Goods	(422.98)	(452.30)
Income from Associates	240.83	–
	11,800.49	**9,232.29**
EXPENDITURE		
Materials	7,620.70	6,044.33
Manufacturing/Operating	614.70	526.63
Personnel	678.05	534.09
Administration	357.56	288.17
Financing	230.02	305.11
Selling	157.68	108.84
Depreciation	236.49	123.46
Amortisation	51.95	55.98
Off-season Expenses charged (Net)	6.59	4.40
Loss from Associates	–	0.82
	9,953.74	**7,991.83**
Profit before Extra- Ordinary Charge & Taxation	1,846.75	1,240.46
Extra - Ordinary Charge		
Differential Cane Price	–	368.57
Less:Withdrawn from Reserves & Surplus	–	(368.57)
Profit before Taxation	1,846.75	1,240.46
Provision for Taxation	298.11	245.89
Profit after Taxation	**1,548.64**	**994.57**
Surplus Brought Forward *1	71.80	34.58
AVAILABLE FOR APPROPRIATION	**1,620.44**	**1,029.15**
APPROPRIATIONS		
Dividend Adjustment of Previous Year	–	–
Tax on Distributed Profits (Earlier Years)	0.52	–
Dividend Paid - Preference Shares	–	2.39
Tax on Distributed Profits of Preference Shares	–	0.31
Interim Dividend Paid - Equity Shares	–	29.10
Tax on Distributed Profits of Equity Shares	–	3.73
Final Dividend Proposed on Equity Shares	128.94	54.05
Provision for Tax on Dividend on Equity Shares	18.08	7.06
Transfer to Molasses Storage Fund Reserve	1.27	0.84
Transfer to Capital Redemption Reserve	19.87	19.87
Transfer to General Reserve	1,150.00	840.00
Surplus Carried Forward	301.76	71.80
	1,620.44	**1,029.15**
Earning per equity share of Rs.1/- each - Basic/Diluted	6.92	4.77

*1 Net of Rs.Nil (Rs.32.68 million) adjusted against Extra -Ordinary Charge

Notes attached thereto form an integral part of the Consolidated Profit & Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.
For and on behalf of
J. C. Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Place: Noida (UP)
Date: April 29, 2006

Dhruv M. Sawhney
Chairman & Managing Director

Lt. Gen. K. K. Hazari (Retd.)
Director & Chairman Audit Committee

V.P. Ghuliani
Vice President (Legal) & Company Secretary

Suresh Taneja
Vice President & C.F.O.

Consolidated Cash Flow Statement

(Rs. Million)

For the year ended 31st March	2006	2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	1,846.75	1,240.46
Add : Extra-ordinary charge in respect of earlier years adjusted with reserves	–	(368.57)
Add : Depreciation	236.83	123.02
: Amortisation	–	–
– Machinery Lease Rentals	13.30	13.39
– Intangible Assets	16.92	18.60
– Miscellaneous Expenditure	22.35	24.00
Less : Incomes/(Losses) from Associates	240.83	(0.82)
Less : Incomes/Expenses treated separately		
Dividend Income	22.07	0.06
Profit/(Loss) on sale of assets	(2.88)	(11.31)
Profit on sale of Investments	0.08	–
Interest Expenses	(272.94)	(337.17)
Interest Income	42.92	32.06
Deferred Revenue Expenditure Incurred	3.23	6.25
Operating Profit before Working Capital changes	**2,102.84**	**1,361.83**
Changes in Working Capital		
Changes in Inventories	295.06	80.82
Changes in Receivables	(321.70)	(73.21)
Changes in Other Trade Receivables	(186.90)	(146.06)
Changes in Current Liabilities	182.07	341.83
Direct Taxes Paid (Net) including wealth tax	(264.53)	(145.28)
Net Changes in Working Capital	**(296.00)**	**58.10**
Cash Flow from operating activities	**1,806.84**	**1,419.93**
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed/Intangible Assets	(3,441.26)	(1,328.95)
Sale of Fixed/Intangible Assets	12.49	1.64
Purchase of Investments		
– Others	(2,259.28)	(0.10)
Sale of Investments	2,259.51	–
Redemption of Investments in Preference Shares	211.50	–
Changes in Loans & Advances	32.46	23.99
Interest Income	49.16	44.51
Dividend Income	22.07	0.06
Net Cash Flow in Investment Activities	**(3,113.35)**	**(1,258.85)**

Consolidated Cash Flow Statement *(Contd.)*

(Rs. Million)

For the year ended 31st March	2006		2005
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Public Issue	2,400.00		–
Share Issue expenses	(160.21)		–
Increase/Decrease in Short Term Borrowings (Net)	122.45		(41.86)
Increase/Decrease in Long Term Borrowings (Net)	544.39		556.02
Increase/Decrease in Cash Credit	(1,146.07)		(120.83)
Interest Paid	(273.34)		(347.35)
Machinery Lease Rentals	0.43		(1.37)
Redemption of Preference Shares (including premium)	(79.17)		(78.19)
Dividend Paid (Including Tax on Distributed Profit)	(65.95)		(66.20)
Net Cash Flow used in Financing Activities	**1,342.53**		**(99.78)**
Net Increase in Cash & Cash Equivalents	**36.02**		**61.30**
Opening Cash & Cash Equivalents *	192.16		130.86
Closing Cash & Cash Equivalents *	**228.18**		**192.16**

* Excludes balances with banks on margin account.

Notes attched thereto form an integral part of the Consolidated Cash Flow Statement.

This is the Consolidated Cash Flow Statement referred to in our report of even date. For and on behalf of

J. C. Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Place: Noida (UP)
Date: April 29, 2006

Dhruv M. Sawhney
Chairman &
Managing Director

Lt. Gen. K. K. Hazari (Retd.)
Director & Chairman
Audit Committee

V.P. Ghuliani
Vice President (Legal) &
Company Secretary

Suresh Taneja
Vice President &
C.F.O.

Notes to the Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) The consolidated financial statements have been prepared to comply with the requirements of Clause 32 of the Listing Agreement and has been prepared in accordance with Accounting Standard (AS)21 on Consolidated Financial Statements, Accounting Standard (AS)23 on Accounting for Investments in Associates and Accounting Standard (AS)3 on Cash Flow Statements issued by Institute of Chartered Accountants of India.

(b) The consolidated financial statements comprise the financial statements of Triveni Engineeirng & Industries Ltd (Holding Company) incorporated in India, its 100% subsidiaries Triveni SRI Limited, Abohar Power Generation Limited and Upper Bari Power Generation Limited incorporated in India and proportionate accumulated income/(expenses) of Associates TOFSL Trading & Investments Ltd, The Engineering & Technical Services Ltd, Triveni Entertainment Ltd and Carvanserai Ltd.

(c) The consolidated financial statements have been prepared based on a line-by-line consolidation using uniform accounting policies. The effects of inter company transactions are eliminated in consolidation.

(d) The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statement as Goodwill or Capital Reserve as the case may be.

(e) Investments other than in associates have been accounted as per Accounting Standard (AS)13 on Accounting for Investments.

(f) Other significant accounting policies

These are set out under "Significant Accounting Policies" as given in the respective Financial Statements of Triveni Engineering & Industries Limited and its subsidiaries.

2. The contingent liabilities of the group are predominantly that of the parent Company. Besides, there is a contingent liability of Rs.Nil lacs (Rs.0.21 Million) in the subsidiaries. Further, the group is contingently liable for Rs.0.38 Million (Rs.0.56 Million) in respect of Associates, being pro-rata to the investments in associates, excluding the cases where the amount is not quantifiable.

3. During the year, provision has been made of Rs.16.82 Million in respect of estimated warranty obligations for the subsequent period relating to its turbine and gear business. Accordingly, the profit before tax for the year is lower by Rs.16.82 Million.

4. During the year, the company raised proceeds of Rs.2400 Million by way of 50 Million equity shares of Rs.1/- each at a premium of Rs.47/- per share through public issue and the issue proceeds have been utilised for the following purposes as stated in the Prospectus.

(Rs. Million)

New Sugar unit at Sabitgarh	1355.00
Co-Generation plant at Khatauli	198.60
Expansion of infrastructural facilities at the Turbine division	142.72
Expansion of the infrastructural facilities at the Gear division	74.88
Issue expenses	148.00
General corporate purposes	337.82
Total	**2257.02**

The balance unspent issue proceeds of Rs.142.98 Million has been temporarily parked in the Cash Credit account to reduce interest cost.

5. Share Issue expenses of Rs.119.52 Million (Net of Rs.40.69 Million representing tax benefit that would be available to the company) pertaining to the public issue have been fully adjusted against Share Premium Account in accordance with the Section 78 of the Companies Act, 1956.

6. (a) Pursuant to compliance of Accounting Standard (AS) 20 on Earning per Share, the relevant information is provided here below:

			2005-2006	**2004-2005**
1.	Net profit after tax as per Profit & Loss Account	(Rs.Million)	1548.64	994.57
2.	Preference Dividend (including Income Tax thereon)	(Rs.Million)	–	2.70
3.	Net Profit after tax and Preference Dividend (1) – (2)	(Rs.Million)	1548.64	991.87
4.	No. of Equity Shares of Rs.1/- during the year (weighted average)		22,36,33,575	20,78,80,150
5.	Earning per equity share of Rs.1/- each Basic/Diluted (3)/(4)	Rs.	6.92	4.77

Notes to the Consolidated Financial Statements *(Contd.)*

(b) The Company has allotted bonus shares in the ratio of 3:2 by capitalizing Securities Premium Account. The earnings per share for the current as well as previous year has been stated based on the enhanced equity share capital after bonus issue. Further in respect of year ended March 31, 2006 weighted average of share capital before and after the public issue has been considered in accordance with Accounting Standard (AS)20 issued by the Institute of Chartered Accountants of India.

7. Segment Reporting

(a) Segment accounting policies

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting.

i) Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.

ii) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. Expenses net of expenses and income which relate to the company as a whole and not allocable to segments are included under "Unallocate Expenditure".

iii) Segment result includes margins on inter-segment capital jobs, which are reduced in arriving at the profit before tax of the Company.

iv) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment.

b) Pursuant to compliance of Accounting Standard (AS)17 regarding Segment Reporting the relevant information is provided here below :

(Rs. Million)

	Sugar		Steam Turbines		Power (Co-generation)		Other Operations		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue												
External Sales	8906.89	8063.54	2919.68	1744.03	295.31	114.84	580.53	329.10			12702.41	10251.51
Less : Excise Duty	532.65	455.52	222.44	123.66			70.88	36.71	(43.38)	(13.47)	782.59	602.42
External Sales (Net)	8374.24	7608.02	2697.24	1620.37	295.31	114.84	509.65	292.39			11919.82	9649.09
Inter-segment Sales	289.02	68.05	82.69	6.04	310.19	73.19	281.16	87.73	(963.06)	(235.01)	–	–
Income/ (Loss) from Associates	–	–	–	–	–	–	–	–	–	–	240.83	(0.82)
Other Income	21.59	20.98	13.00	12.76	0.02	0.01	2.67	0.92			37.28	34.66
Total Revenue	8684.85	7697.05	2792.93	1639.17	605.52	188.04	793.48	381.04			12197.93	9682.93
Result												
Segment result	1350.57	1398.21	418.44	153.25	164.75	44.20	99.73	20.23	-65.00	0.55	1968.50	1616.44
Unallocated expenses (Net)											86.20	(70.93)
Operating profit											2054.70	1545.51
Interest expense											(272.94)	(337.61)
Interest/Dividend Income											64.99	32.56
Income taxes (including deferred tax)											(298.11)	(245.89)
Profit from ordinary activities											1548.64	994.57
Extraordinary charge :												
Consolidated Financial Statements		–	–	–	–	–	–	–	–	–	–	
Net profit											1548.64	994.57
Other Information												
Segment assets	7563.44	5908.23	1303.92	848.63	1916.45	885.34	703.16	774.02			11486.97	8416.21
Unallocated assets											1120.11	751.22
Total assets											12607.08	9167.43
Segment liabilities	980.82	1233.22	1211.83	712.15	46.15	47.88	176.73	227.40			2415.53	2220.65
Unallocated liabilities											4677.46	5046.57
Total liabilities											7092.99	7267.22
Capital expenditure	2226.26	341.18	168.79	17.16	857.71	580.44	39.68	292.35				
Depreciation	128.12	92.53	10.98	7.65	72.23	13.37	17.90	5.08				
Amortisation	26.98	30.16	20.30	18.85			3.33	4.44				

Notes:

i) The Group's operations have been categorised into three major business segments in accordance with the Accounting Standard (AS)17 "Segment Reporting" - these constitute 93.69% (96.02%) of the total turnover of the group. These segments are briefly described hereunder:

a) Sugar: The Group is a manufacturer of white crystal sugar, having an aggregate manufacturing Capacity of 40500 TCD (Tonnes crushed per day) spread over four manufacturing plants situated in Western UP. and Eastern UP. Along with sale of bulk & branded sugar, the company also sells molasses which is produced as by product.

b) Steam Turbines: The Group is engaged in the manufacture of Steam turbines at manufacturing facilities located at Bangalore, Karnataka. The range of turbines manufactured are up to 18 MW.

c) Co-generation : The business segment, apart from meeting some power and steam requirement of the sugar unit, also exports power to the grid. It has installed capacity of 45 MW spread over Khatauli and Deoband sugar mills.

ii) The 'other operation' of the Group include mechanical equipments relating to Water/Waste Water treatment and of High Speed Gears pursued by the parent company Triveni Engineering & Industries Limited and agri-retail services specialised technological products and services which are pursued by Triveni SRI Limited, a wholly owned subsidiary. Other subsidiaries Abohar Power Generation Ltd and Upper Bari Power Generation Ltd have not yet commenced business.

iii) There are no geographical segments as the volume of exports is minimal and the major turnover of the group takes place indigenously. There is further no major reliance on few customers or suppliers.

iv) Inter segment transfers have been priced based on competitive market prices charged to external customers for similar goods. These are then eliminated on consolidation.

v) Segment result is segment revenue less segment expense. Segment expense include all expenses directly attributable to the segments and some portion of enterprise expenses that can be allocated on a reasonable basis to the segments. Interest expense, even on working capital facilities, is not included in segment expenses and accordingly, segment liabilities do not include any corresponding borrowings

8. Pursuant to compliance of Accounting Standard (AS)18 on Related Party disclosures, the relevant information is provided here below :

a) Related party where control exists
Mr D.M. Sawhney, Chairman & Managing Director (Key Management person).

b) The details of related parties with whom transactions have taken place during the year :

i) Associates (Group A) :
TOFSL Trading & Investments Limited
The Engineering & Technical Services Limited
Triveni Entertainment Limited
Carvanserai Limited

ii) Key Management Person (Group B)
Mr D M Sawhney, Chairman & Managing Director

iii) Key Management person relatives (Group C)
Mrs Rati Sawhney
Mr Tarun Sawhney
Mr Nikhil Sawhney

iv) Companies/Parties in which key management person or his relatives have substantial interest/significant influence (Group D)
Kameni Upaskar Limited
Tirath Ram Shah Charitable Trust

Notes to the Consolidated Financial Statements *(Contd.)*

(c) Details of transactions with the related parties during the year :

(Rs. Million)

Nature of Transaction	GROUP				TOTAL
	A	B	C	D	
1. Sales and rendering of Services	0.20	–	–	–	0.20
	(318.80)	(–)	(–)	–	(318.80)
2. Purchases and receiving Services	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)
3. Purchase of Fixed Assets	–	–	–	–	–
	(0.20)	(–)	(–)	(–)	(0.20)
4. Sale of Fixed Assets	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)
5. Rent Paid	–	0.48	–	2.28	2.76
	(–)	(0.40)	(–)	(1.99)	(2.39)
6. Rent & Other Charges received	0.34	–	–	–	0.34
	(0.24)	(–)	(–)	(–)	(0.24)
7. Amount Advanced / Refunded on Expense incurred (Net)	-38.16	–	–	-0.01	-38.17
	(-24.92)	(–)	(–)	(–)	(-24.92)
8. Interest Received	38.59	–	–	–	38.59
	(2.04)	(–)	(–)	(–)	(2.04)
9. Interest Paid	–	–	0.02	–	0.02
	(0.16)	(–)	(0.02)	(0.01)	(0.19)
10. Remuneration	–	39.54	7.42	–	46.96
	(–)	(5.40)	(5.48)	(–)	(10.88)
11. Misc. Income	–	–	–	–	–
	(–)	(–)	(–)	(0.01)	(0.01)
12. Redemption of Preference shares	211.50	–	–	–	211.50
	(–)	(–)	(–)	(–)	(–)
13. Dividend from Preference share	12.69	–	–	–	12.69
	(–)	(–)	(–)	(–)	(–)
14. Investment in Shares	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)
15. Surety Given	4.00	–	–	–	4.00
	(–)	(–)	(–)	(–)	(–)
16. Charity & Donation	–	–	–	6.54	6.54
	(–)	(–)	(–)	(–)	(–)
17. Outstanding balances as on 31.3.2006					
A) Receivable	0.07	0.02	–	0.90	0.99
	(241.09)	(0.02)	(–)	(0.91)	(242.02)
B) Payable	2.39	0.05	0.20	–	2.64
	(2.59)	(0.02)	(0.15)	(–)	(2.76)
C) Guarantees/Surety Outstanding	4.00	–	–	–	4.00
	(–)	(–)	(–)	(–)	

1. Figures for previous year are regrouped and rearranged wherever necessary to make them comparable.
2. Figures given in brackets relate to previous year.

Notes to the Consolidated Financial Statements *(Contd.)*

9. Pursuant to compliance of Accounting Standard (AS)23 on Accounting for "Investments in Associates in Consolidated Financial Statements" the Company has accounted investment in Associates under the equity method. The relevant information of the investment in Associates is provided herebelow:

(Rs. Million)

Name of the Associate Companies	Country of Incorporation	Ownership interest and voting power	Original cost of Investments	Amount of Goodwill/ (Capital Reserve) included in original cost	Accumulated Income/(Loss) at the year end
TOFSL Trading & Investments Ltd	India	49.38%	4.00	0.18*1	72.40
The Engineering & Technical Services Ltd	India	47.60%	1.00	(0.43)*1	69.11
Triveni Entertainment Ltd	India	49.97%	4.35	0.44*1	(1.88)
Carvanserai Ltd	India	49.48%	5.00	5.00*2	90.46
Total			**14.35**	**5.19**	**230.09**

*1 As on the date on which these Companies became Associates on the merger of erstwhile Triveni Engineering & Industries Limited with this Company.

*2 As on the date on which it ceased to be the subsidiary of the Company.

10 Figures for the previous year are regrouped and rearranged wherever necessary. Figures given in brackets relate to previous year.

	Dhruv M. Sawhney	**Lt. Gen. K. K. Hazari (Retd.)**	**V.P. Ghuliani**	**Suresh Taneja**
Place: Noida (UP)	*Chairman &*	*Director & Chairman*	*Vice President (Legal) &*	*Vice President &*
Date: April 29, 2006	*Managing Director*	*Audit Committee*	*Company Secretary*	*C.F.O.*

Report of the Directors

Your Directors have pleasure in presenting the Eleventh Annual Report and Audited Accounts of the Company for the year ended 31st March, 2006.

Financial Results

During the year under review the Company earned an income of Rs.43.32 million and earned profit of Rs.2.23 million. After providing for Income tax, deferred tax charge and fringe benefit tax, the balance profit of Rs. 0.96 million has been adjusted against the brought forward losses of the earlier years. The total accumulated losses after the adjustment stands at Rs. 0.10 million. In view of the brought forward losses, no dividend is being recommended by the Board.

Operations

Our holding company, Triveni Engineering & Industries Limited, started agri-business through the various retail stores 'Triveni Khushali Bazaar' (TKB) during the financial year 2004-05. However, since it was a non-core business, with a view to manage it with greater focus and management efficiency, it ceased to operate the business and entered into Memorandum of Understanding dated October 24, 2005 permitting our company to carry out this business. At the time of taking over, we had only 6 retail stores but during this short period of five months in this financial year, your company has consolidated its position in the market by operating with 9 stores, which include 5 franchisee and 4 self operated formats.

The segment loss of Rs. 4.5 million in the Agri-retail segment is due to the fact that several new stores could only operate for few months in this fiscal. We plan to increase our coverage by opening additional stores and also extend our geographical reach.

We have generated segment profit of Rs 6.8 million in respect of the engineering operations. All the business originated from our holding company in view of the new sugar units set up or expansion projects executed by it. In view of continuing plan of our holding company to set up several sugar units in the fiscal 2006-07, we are confident of obtaining further business.

Agri Retail format

Your company has studied various retailing formats, specifically with regards to rural/semi urban areas and has developed models varying as per specific needs, which have been proved to be commercially viable, economically replicable and financially profitable in a short duration of time. The formats range from self owned; self operated formats with store area of over 4000 square feet to rented self operated formats with store area exceeding 2500 square feet. The stores have been equipped to fulfill the agri as well as non–agri inputs requirements of the rural households. Technical advisory services, financial and insurance services also form a part of the product portfolio.

The value proposition

Your company believes its role in the rural development as a good corporate citizen and time and again has performed its bit in different format. Rural development can not be achieved till we really make an investment in rural areas, achieve a reasonable level in rural empowerment, create rural infrastructure and offer values to the households. Your company plans to play a role in Bharat Nirman through organised retailing, creating a strong delivery system and most importantly, generating rural employment.

Organised retailing in rural areas is still a far fetched dream, which is still dominated by the middle men and intermediaries. The Indian retail market is expected to grow at 10-16% per annum. Over the years your company has achieved an excellent goodwill amongst the rural households in view of the strong delivery system and value for money. Through Triveni Khushali Bazaar your company would touch upon the disposable income of rural house holds by offering best possible value for the money spent. The company has made significant number of tie ups with a host of channel partners across private & public sectors to offer quality products at reasonable prices directly to the customers without involvement of intermediaries.

Most recently your company has entered into a tie up with State Bank of India to offer farm credit at the farmers door step. This scheme has been initiated during the fourth quarter of the fiscal and since then, over 500 farmers have already been enrolled from your Khatauli and Deobond stores. The scheme also boasts of being the only financial product available in rural markets where the farmer does not have to provide any financial guarantee to attain credit.

Empowering the rural masses

Since its inception 80 years ago, Triveni has been a partner and friend to the farmers in one way or the other. Your company has now leveraged its learning and understanding of farmer, farm needs and farming process in its area of operations through its initiative "Triveni Khushali Bazaar ".Professionally qualified and trained agronomists at Triveni Khushali Bazaar are providing various solutions towards farm needs and advisory services at doorsteps of farmers from weather forecasts, best farming practices, enhancement of farm inputs, IIPM to commodity market information. During the next financial year Triveni Khushali Bazaar plans to reach at least 1 million farmers through its Khushali Bazaar initiative.

Offerings

Presently your company is offering nearly 1800 SKU to the customers across 11 product group categories. The product group ranges from various agri-inputs, fuels, cattle feed, plastic furniture, fans, consumer durables to FMCG, groceries and high value automotive components.

Manpower

Your company believes that the value at the rural level can not be created till adequate service level is provided to the farmers and the households. Your company has strength of talented, agricultural and dairy graduates / post graduates, who have been trained adequately to provide these services to our patrons.

Future Initiatives

In a very short span of time, TKBs have become preferred location for farmers as well as households for their daily as well as agricultural needs. Your company has envisaged an aggressive growth plan for the next fiscal to open minimum two centers per month. This expansion will be achieved by also entering into the neighboring states of Uttaranchal, Haryana and

Rajasthan apart from strengthening the base in the current areas of operations. Thus your company plans to become a market leader in rural retailing in this part of the country.

Your company has also in the process of finalizing number of channel partners for offering financial and insurance products. The financial and insurance services would be taken across all stores so as to complete the product portfolio. Some value added services such as soil testing, technical library, home delivery, maintenance services have been planned to be added for the patrons during the next fiscal. Your company also plans to launch in store brands across categories such as food & groceries, FMCG, apparels and to introduce more product categories such as white goods.

Directors

Mr. Vikram Raina, retires by rotation and being eligible, offer themselves for re-appointment.

Mr. A.K.Tanwar who was appointed by the board as a Director in the vacancy caused by resignation of Mr. Deven Khanna vacates the office at the forthcoming Annual General meeting. Notice has been received from a member proposing the appointment of Mr Tanwar as a director of the Company. The matter is being placed before the shareholders for their approval at the forthcoming Annual General Meeting.

Auditors

M/s. J.C. Bhalla & Co., Chartered Accountants, New Delhi Auditors of the Company retire at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, (Act) your directors confirm the following:

i) that in the preparation of the Annual Accounts the applicable accounting standards have been followed;

ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit of the company for that period;

iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv) that the directors have prepared the Annual Accounts on a going concern basis.

Deposits

During the year under review, the Company has not accepted any public deposits. As on 31st March, 2006 there were no overdue or unclaimed deposits in the company.

Particulars of employees and other additional information

Statement giving information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is attached hereto.

The Company has no employees in the category as set out in Section 217 (2A) of the Companies Act, 1956.

Acknowledgement

Your Directors gratefully acknowledge the support given by SRI International Mackay, Australia.

For & on behalf of the Board

Place: Noida(UP) **A. K. Tanwar** **Sameer Sinha**
Date : April 26, 2006 *Director* *Director*

Annexure to the Director's Report

Statement pursuant to Section 217(1) (e) of the Companies Act, 1956.

A. Conservation of energy:

(a) energy conservation measures taken:
Energy consumption is minimal in our operations as we outsource our work or carry out work at client's site.

(b) additional investments and proposals, if any, being implemented for reduction of consumption of energy: None

(c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: Not applicable

(d) total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto: Not applicable

For & on behalf of the Board

Place: Noida(UP) **A. K. Tanwar** **Sameer Sinha**
Date : April 26, 2006 *Director* *Director*

Auditors' Report

To the members of Triveni SRI Limited

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

We 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.

We report that:

1. As required by Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of Companies Act, 1956 and on the basis of such checks of the books and records of the company as we considered appropriate we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph "1" above: -
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
   b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from the examination of the books.
   c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
   d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
   e) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors of the company 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.

In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;

b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and

c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
J C Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Membership No. 80051

Place : Noida (U.P.)
Date : April 26, 2006

Annexure to the Auditors' Report

Referred to in Paragraph "1" of our report of even date on the accounts for the year ended on 31st March 2006 of Triveni SRI Limited.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the company have been physically verified by the management during the year and no discrepancies between the book records and the physical inventory have been noticed on such verification.

   (c) No Fixed Asset was disposed off during the year.

2. (a) The Inventory has been physically verified by the Management at reasonable intervals during the year or at the year end at all locations of the Company. In our opinion the frequency of physical verification is reasonable.

   (b) According to information and explanation given to us, the procedures for physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.

   (c) The Company has maintained proper records of inventories. The discrepancies noticed on physical verification as compared to the book records were not material and have been properly adjusted in the book of account.

3. (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause 4(iii)(b) 4(iii)(c) and 4(iii)(d) of the companies auditor's report order are not applicable to the company.

   (b) The Company has taken unsecured loan from the holding company covered in the register maintained under Section 301 of the Companies Act 1956. The maximum amount involved during the year was Rs.2.02 million. However there was no amount outstanding at the end of the year.

   (c) In our opinion the rate of interest and other terms and conditions on which loan has been taken by the company, covered in the register maintained under Section 301 of the Companies Act, 1956, are not prima facie, prejudicial to the interest of the company.

   (d) As informed to us loan taken by the company and interest there on is repayable on demand. However there was no loan outstanding at the end of the year, therefore, the question of regularity of the payment of principal amount and interest does not arise.

4. According to the information and explanations given to us, having regard to the explanation that some of the items sold and services rendered are of special nature and suitable alternative sources for the same technology and services rendered do not exist for obtaining comparable prices, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.

5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of the contracts and arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

   (b) In our opinion and having regard to our comments in paragraph (4) above, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rupees half million in respect of such parties during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available.

6. The Company has not accepted any deposits from the public under the provisions of Section 58A and 58AA or any other relevant provision of the Companies Act, 1956 and the Rules framed thereunder.

7. Since the paid up capital and reserve of the company are not exceeding Rs.5 million as at the commencement of the financial year and also average annual turnover of the Company is not exceeding Rupees 50 million for a period of three consecutive financial year immediately preceding the current financial year the provisions of clause 4(vii) of the Companies (Auditor's) Report Order 2003 relating to Internal Audit System are not applicable.

8. The Company is not required to maintain cost records under Section 209 (1) (d) of the Companies Act, 1956.

9. (a) According to the information and explanations given to us, the provisions of the Excise Duty, Investor Education & Protection Fund, Wealth Tax & Cess are not applicable. The Company is generally regular in depositing other undisputed Statutory dues including Provident Fund, ESI, Sales Tax, Income Tax & Service Tax with the relevant authorities. There are no undisputed amounts outstanding and payable as at 31st March 2006 for a period of more than six months from the date they become payable.

   (b) According to the information and explanations given to us, there are no disputed demand relating to Service Tax, Income Tax, Wealth Tax, Custom Duty, Excise Duty, Sales Tax and Cess which have not been deposited on account of any dispute except Income Tax Demand of Rs.0.20 million under the Income Tax Act, 1961 for the assessment year 2003-04 on account of the matter pending before the Commissioner of Income Tax (Appeals).

10. The Company does not have accumulated loss at the end of the financial year exceeding fifty percent of its net worth. The company has not incurred any cash losses in the financial year covered by our audit and immediately preceding financial year.

11. The Company has not taken any loan from Financial Institutions or Banks, therefore, the question of default in repayment of the dues does not arise.

12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by Company on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause (xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.

14. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.

15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.

16. The Company has not obtained any term loans, therefore clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.

17. According to the information given to us, the company has not raised any funds during the year.

18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Act, during the year.

19. No debentures have been issued by the Company during the year.

20. The Company has not raised money by public issues during the year.

21. Based on 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.

For and on behalf of
J C Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner
Membership No. 80051

Place : Noida (U.P.)
Date : April 26, 2006

Balance Sheet

(Amount in Rs.)

As at 31st March	Schedules	2006	2005
SOURCES OF FUNDS			
Share Holder Fund			
Share Capital	1	2,998,400	2,998,400
		2,998,400	**2,998,400**
APPLICATION OF FUNDS			
Fixed Assets	2		
a) Gross Block		3,273,203	76,543
b) Less : Depreciation		254,861	54,385
c) Net Block		3,018,343	22,158
Intangible Assets	2A	1,172,342	1,350,865
Deferred Tax Assets (Net)		47,966	547,052
Current Assets, Loans & Advances			
a) Inventories	3	11,708,822	1,896,833
b) Sundry Debtors	4	3,273,714	7,140,203
c) Cash & Bank Balance	5	5,224,334	517,688
d) Loans & Advances	6	3,232,489	412,735
		23,439,359	9,967,459
Less: Current Liabilities & Provisions			
Current Liabilities	7A	24,025,507	9,804,129
Provisions	7B	750,780	140,000
Net Current Assets		(1,336,928)	23,330
Miscellaneous Expenditure	8	–	2,632
Profit & Loss Account		96,677	1,052,362
		2,998,400	**2,998,400**
Notes to Accounts	17	–	–

This is the Balance Sheet referred to in our report of even date.

For and on behalf of
J. C. Bhalla & Company
Chartered Accountants

Sudhir Mallick
Partner

A. K. Tanwar
Director

Sameer Sinha
Director

Place: Noida (UP)
Date: April 26, 2006

Profit and Loss Account

(Amount in Rs.)

For the year ended 31st March	Schedules	2006	2005
INCOME			
Sales & Services		44,589,889	39,345,295
Other Income	9	136,016	27,902
Increase/ Decrease in Inventories	10	(1,401,696)	1,735,369
		43,324,209	**41,108,565**
EXPENDITURE			
Materials	11	29,540,632	30,488,924
Operating	12	52,648	2,932,793
Personnel	13	4,863,021	2,320,049
Administration	14	4,149,626	925,774
Financing Charges	15	87,290	441,147
Selling	16	1,464,104	890,359
Depreciation	2	200,476	2,172
Amortisation	2A	684,398	708,164
		41,042,195	38,709,383
Less : Provisions of Cost to Completion adjusted			123,000
Total Expenditure		41,042,195	38,586,383
Profit before prior period adjustments		2,282,015	2,522,182
Prior Period Adjustment		52,159	2,401,010
Profit Before Taxation		**2,229,856**	**121,172**
Provision for Income Tax			
Current Year			
– Normal Tax		442,200	–
– Deferred Tax		339,534	32,634
Adjustment of Earlier Years			
– Normal Tax		211,884	–
– Deferred Tax		159,552	–
Fringe Benefit Tax		121,000	–
Net Profit after Tax		955,686	88,538
Net Profit / (Loss) Brought Forward		(1,052,362)	(1,140,900)
Net Profit / (Loss) carried over to Balance Sheet		**(96,677)**	**(1,052,362)**
Earning per Share (Basic and diluted)		3.19	0.30
Notes to Accounts	**17**		

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of

J. C. Bhalla & Company

Chartered Accountants

Sudhir Mallick
Partner

A. K. Tanwar
Director

Sameer Sinha
Director

Place: Noida (UP)

Date: April 26, 2006

Schedules to Accounts

(Amount in Rs.)

As at 31st March	2006	2005
1 SHARE CAPITAL		
Authorised		
300000 Equity Shares of Rs. 10/- each	3,000,000	3,000,000
	3,000,000	**3,000,000**
Issued Subscribed and paid up		
299840 Equity Shares of Rs. 10/- each fully paid up (All the Shares are held by Triveni Engineering & Industries Limited, Holding Company)	2,998,400	2,998,400
	2,998,400	**2,998,400**

2 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION			NET BLOCK	
Particulars	**As at 1.4.2005**	**Additions during the year**	**Disposal during the year**	**As at 31.3.2006**	**Upto 1.04.2005**	**For the period**	**Upto 31.03.2006**	**As at 31.03.2006**	**As at 31.3.2005**
Computer	–	1,039,722	–	1,039,722	–	83,724	83,724	955,998	–
Office Equipments	–	41,393	–	41,393	–	851	851	40,542	–
Telephones	–	42,600	–	42,600	–	12,067	12,067	30,533	–
Furniture & Fixture	76,543	2,072,946	–	2,149,489	54,385	103,834	158,219	1,991,270	22,158
This year	**76,543**	**3,196,661**	**–**	**3,273,204**	**54,385**	**200,476**	**254,861**	**3,018,343**	**22,158**
Previous year	76,543	–	–	76,543	52,213	2,172	54,385	22,158	–

2A INTANGIBLE ASSETS (OTHER THAN INTERNALLY GENERATED)

	GROSS BLOCK				AMORTIZATION				NET BLOCK	
Particulars	**As at 1.4.2005**	**Additions during the year**	**Retirement disposal**	**As at 31.3.2006**	**Upto 1.04.2005**	**For the period**	**Retirement Disposal**	**Upto 31.03.2006**	**As at 31.3.2006**	**As at 31.3.2005**
Technical Knowhow	4,869,580	–	–	4,869,580	3,518,715	604,061	–	4,122,776	746,804	1,350,865
Computer Software	–	505,875.00	–	505,875	–	80,337	–	80,337	425,538	–
This year	**4,869,580**	**505,875**	**–**	**5,375,455**	**3,518,715**	**684,398**	**–**	**4,203,113**	**1,172,342**	**1,350,865**
Previous Year	4,869,580	–		4,869,580	2,810,551	708,164	–	3,518,715	1,350,865	–

NOTE 1. Intangible Assets have not incurred any impairment loss during the period.

3 INVENTORIES *1

As at 31st March	2006	2005
Raw Material	103,489	161,464
Trading Goods	11,271,660	
Finished goods	333,673	
Scrap	–	51,000
Provision for Slow Moving Inventories	–	(51,000)
Work in Progress	–	1,735,369
	11,708,822	**1,896,833**

*1 As per inventory taken & Certified by the officials of the company.

4 SUNDRY DEBTORS (Unsecured, Considered Good)

– More than Six Months	2,930,445	3,803,128
– Others Debts *	343,269	3,337,075
	3,273,714	**7,140,203**

* Includes due from holding company Rs.Nil (Rs.20,89,075/-)

Schedules to Accounts *(Contd.)*

(Amount in Rs.)

As at 31st March	2006		2005
5 CASH & BANK BALANCE			
Cash in Hand	216,914		29,485
Cheque in hand	–		32,908
Balance with Scheduled Banks in Current Accounts	5,007,420		455,296
	5,224,334		**517,688**

6 LOANS & ADVANCES (Unsecured, Considered Good)			
Advance Recoverable in Cash or in Kind	2,963,064		134,793
Income Tax Paid	269,425		277,942
	3,232,489		**412,735**

7 CURRENT LIABILITIES & PROVISIONS			
A) Current Liabilities			
Trade & Other Creditors			
– Due to small scale undertakings	1,182,316		128,175
– Others *	22,541,811		9,124,214
Advances from Customers	301,379		551,740
	24,025,507		**9,804,129**
* Includes payable to holding company Rs. 11,387,546.68 (Rs. Nil)			
B) Provisions			
Income Tax	643,780		–
Fringe Benefit Tax	17,000		–
Provision for Cost to Completion	90,000		140,000
	750,780		**140,000**

8 MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
– Preliminary Expenses	–		2,632
	–		**2,632**

For the year ended 31st March	2006		2005
9 OTHER INCOME			
Excess Provision Written Back	50,535		27,902
Provision for slow moving inventory written back	51,000		–
Excess Cess Provision Written Back	18,847		–
Interest earned	13,517		–
Interest on Income tax refund	2,116		–
	136,016		**27,902**

Schedules to Accounts *(Contd.)*

(Amount in Rs.)

For the year ended 31st March	2006		2005
10 INCREASE/ DECREASE IN INVENTORIES			
Stock at comencement			
– Contract Work in Progress at comencement	1,735,369		–
– Manufactured finished goods	–		–
	1,735,369		–
Stock at close			
– Contract Work in Progress at comencement	–		1,735,369
– Manufactured finished goods	333,673		–
	333,673		1,735,369
Increase / (Decrease)	**(1,401,696)**		**1,735,369**

11 MATERIALS

Raw Material & Components			
Stock at comencement	161,464		3,628,528
Purchases	16,019,241		27,021,860
	16,180,705		30,650,388
Less: Stock at close	103,489		161,464
	16,077,216		30,488,924
Cost of Trading Goods sold			
Stock at comencement	–		–
Purchases	24,735,076		–
	24,735,076		–
Less: Stock at close	11,271,660		–
	13,463,416		–
	29,540,632		**30,488,924**

12 OPERATING

Consultancy & Other Expenses	49,548		2,074,545
Fabrication & Erection Expenses	1,365		858,248
Repair & Maintenance	1,735		–
	52,648		**2,932,793**

13 PERSONNEL (Note No. B (5) of Schedule 17)

Salary, Wages & Bonus etc	4,569,857		1,987,313
Provident & Other Fund	88,261		328,427
Gratuity	30,703		–
Welfare Expenses	174,200		4,309
	4,863,021		**2,320,049**

Schedules to Accounts *(Contd.)*

(Amount in Rs.)

For the year ended 31st March	2006		2005
14 ADMINISTRATION			
Travelling & Conveyance Expenses	1,395,583		564,251
Rent	432,090		46,020
Insurance	23,999		–
Rates & Taxes	3,002		–
Office and Other Administrative Expenses	1,051,959		275,513
Amounts written off	362,683		–
Obsolete Inventory Written off	51,000		–
Preliminary Expenses Written off	2,632		2,632
Bank Charges	44,713		34,294
Stores renovation Expenses	378,985		–
Security Services Charges	302,159		–
Exchange Fluctuation	522		3,064
DG Set expenses	100,299		–
	4,149,626		**925,774**

15 FINANCING CHARGES

Interest Paid	87,290		441,147
	87,290		**441,147**

16 SELLING EXPENSES

Royalty	1,281,910		890,359
Advertisement	134,344		–
Sales Promotion	47,850		–
	1,464,104		**890,359**

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of Financial Statements

These financial statements have been prepared on the accrual basis of accounting, under the historical cost convention and in accordance with the Companies Act, 1956 and the applicable accounting standards issued by the Institute of Chartered Accountants of India.

b) Fixed Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes taxes, duties (excluding excise duty for which cenvat claim is available), freight and other incidental expenses relating to acquisition and installation.

Schedules to Accounts *(Contd.)*

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

c) Recognition of Income / Expenditure

I. In respect of trading goods :

Sale of products and services are recognised on despatch of goods or when the services are rendered. Sales are stated at contractual realisable values and are net of sales tax and trade discounts.

II. In respect of Engineering Contracts :

A) For contracts entered into before 1.4.2003

Profit on contracts is recognised when the job is completed or substantially completed. Provision, however, is made for foreseeable losses if any, in respect of jobs which have been substantially completed.

B) For contracts entered into after 1.4.2003

a) Revenue from fixed price construction contracts entered into after 1.4.2003, is recognised on the percentage of completion method, measured by reference to the contract cost incurred upto the reporting date to estimated total contract cost for each contract.

b) Contract cost includes material cost, operating cost and expenses directly attributable to the contract.

III. Preliminary Expenses are written off over a period of ten years.

d) Foreign Currency Transactions

i) Transactions denominated in foreign currencies are recorded at exchange rate prevailing at the date of transaction.

ii) Foreign currency monetary items (including forward contracts) are translated at year end rates. Exchange differences arising on settlement of transactions and translation of monetary items(including forward contracts) are recognised as income or expense in the year in which they arise, except those relating to acquisition of fixed assets from outside India where such exchange difference is adjusted to the carrying amount of the said fixed assets.

ii) The premium or discount on forward exchange contracts not relating to firm commitments or highly probable forecast transactions and not intended for trading or speculative purpose is amortised as expense or income over the life of the contract.

e) Inventories

i) Inventories of raw materials is valued at lower of cost and net realisable value. Cost for the purpose of valuation of raw materials is considered on following basis :

Engineering Business	Specific cost basis
Retail Agri-business	Weighted average basis

ii) Stock-in-trade are valued at lower of cost and net realisable value. The cost of finished goods (manufactured) include raw material costs, direct cost of conversion and proportionate allocation of indirect costs incurred in bringing the inventories to their present location and condition. The cost of finished goods is considered on First In First Out basis.

iii) Patterns, Loose tools, Jigs & Fixtures are written off equally over three years.

iv) Scrap is stated at estimated net realisable value.

f) Depreciation

Depreciation on fixed assets is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 as amended by notification No.GSR 756E dated 16.12.1993 except for the Mobile Phones costing above Rs. 5000/- which are depreciated on straight line basis @ 50% p.a.

Schedules to Accounts *(Contd.)*

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

g) Retirement Benefits

Provision is made in the accounts on account of Company's liability in respect of Gratuity and Leave Encashment benefits payable to its employees, on the basis of actuarial valuation of the liability at the end of the financial year.

h) Borrowing costs

Borrowing cost that are attributable to the acquisition of qualifying assets are capitalised upto the period such assets are ready for its intended use. All other borrowing costs are charged to Profit & Loss Account.

i) Taxes on Income

i) Tax on income for the current period is determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

ii) Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

iiii) Deferred tax assets are recognised only to the extent that there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain(as the case may be) to be realised.

j) Intangible Assets

Intangible assets are recognised as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" issued by the Institute of Chartered Accountants of India and are amortised as follows :

	Period of amortisation
Computer Software	36 months
Technical Know-how	72 months

k) Provisions, Contingent liabilities and Contingent assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

a) the Company has a present obligation as a result of a past event.

b) a probable outflow of resources is expected to settle the obligation and

c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.

b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised nor disclosed.

B. NOTES TO ACCOUNTS

1. Disputed Sales Tax demand of Rs. Nil (Rs. 0.21 million) the demand is mainly on account of non production of required declaration forms, which the company is in the process of collecting from its customers.
2. Wherever confirmations have not been received from the parties, the book balances have been considered.
3. Name of Small Scale Industrial Undertaking where the amount is outstanding for more than 30 days as at the quarter ending 31.03.2006 are Rajendra Electrical Inds Ltd., Sintech Precision Products Ltd. and Uttam Fabricators.

Schedules to Accounts *(Contd.)*

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

4. In respect of engineering contracts entered into after 1.4.2003, the company has followed Revised Accounting Standard (AS)7 on Construction contracts as follows. The amounts to be disclosed as per the standard are as follows:

(Rs. in million)

	31.03.2006		31.03.2005
Contract revenue recognised as revenue in the year 2005-06	19.85		38.15
Contracts costs incurred and recognised profits(less recognised losses)	19.85		38.15
Advances received	Nil		Nil
Retentions	1.26		1.26
Gross Amounts due from customers for contract work as an asset	NIL		NIL
Gross Amounts due to customers for contract work as a liability	0.20		0.55
Contingencies	–		–

5. Personnel cost amounting to Rs 24.87 lacs (Rs.23.20 lacs) are reimbursed to holding company for availing services of their employees.

6. Administrative expenses includes the following amount paid /payable to Statutory Auditor on account of:

(Rs. in million)

		2005-06		2004-05
1.	Audit Fee	0.07		0.02
2.	Tax Audit Fee	0.02		0.01
3.	Certification charges/Other matters	0.00		0.01
4.	Auditor out of pocket expenses	–		0.00

7. Pursuant to compliance of AS-18 on Related Party Disclosures, the relevant information is Provided here below:

   a) Related parties where control exists

      Triveni Engineering & Industries Ltd. – Holding Company

   b) The details of related parties with whom transactions have taken place during the year:

      Holding Company (Group A)

      Triveni Engg. & Industries Limited

      Details of transactions with related parties

(Rs. in million)

		31.03.2006		31.03.2005
1.	Sales & rendering of services(net)	40.13		43.38
2.	Purchase and receiving of services	9.54		0.90
3.	Amount Advanced/refunded or expenses incurred (Net)	33.67		1.17
4.	Purchase of Fixed Assets	1.79		–
5.	Interest Paid	0.09		0.44
6.	Rent Paid	0.26		–
7.	Outstanding balances			
	Sundry Creditors	11.39		–
	Sundry Debtors	–		2.09

8. The break-up of net deferred tax asset (net) as on 31-03-2006 is provided below –

(Rs. in million)

Particulars	Deferred tax Liability (deferred tax assets)		
	31.03.2006		31.03.2005
Difference in Net Book Values of fixed assets as per accounts and tax	(0.40)		(0.56)
Expenses deferred in books but claimed in tax	0.39		0.50
Unabsorbed losses and depreciation	–		(0.40)
Others	(0.04)		(0.09)
Net Deferred Tax Liability/(Asset)	(0.05)		(0.55)

Schedules to Accounts *(Contd.)*

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

9. Prior period expenses

(Rs. in million)

	31.03.2006	31.03.2005
Consultancy & Other Expenses	–	2.40
Cess on Royalty (Under Administration Exp)	0.05	–

10. Pursuant to compliance of AS-20 on Earning per Share, the relevant information is provided here below:

(Rs. in million)

Net profit after tax as per Profit & Loss A/c (Rs./million)	0.96	0.09
No. of Equity Shares of Rs. 10/- each	299840	299840
Earning per equity share of Rs. 10/- each (Rs.)	3.19	0.30

11. a) The company has taken various premises under operating lease. These are not non-cancelable leases of 11 months and renewable by mutual consent on mutually agreeable terms. The company has given adjustable interest free advances under certain agreements.

b) Lease payments under operating lease are recognised in the Profit and Loss Account under "Rent" in Schedule 14.

12. Additional Information required Paragraph 3 and 4D Part II of Schedule VI to the Companies Act, 1956.

(Rs. in million)

	31.03.2006	31.03.2005
a) Expenditure in Foreign Currency		
– Travelling Expenses	Nil	NIL
– Technical Know how fees	Nil	NIL
– Professional Charges	Nil	4.40
– Royalty (On accrual basis)	1.28	0.89
b) Earning in Foreign Currency	Nil	Nil

c) Quantitative Information

(i) Engineering business

(Rs. in million)

		Sales		Purchases	
		Nos	Amount	Nos	Amount
1	CV Pan	2	0.55	Nil	Nil
		(2)	(38.15)	(2)	(30.25)
2	HeatedProbe	Nil	Nil	Nil	Nil
		(1)	(1.20)	(1)	(0.15)
3	Syrup Clarification System	Nil	Nil	Nil	Nil
		Nil	Nil	(3)	(0.09)
4	Juice Clarifiers	3	19.85	3	17.34
		(Nil)	(Nil)	(Nil)	(Nil)
5	Spares (Various items)*		0.41		0.40
		(Nil)	(Nil)	(Nil)	(Nil)
6	Misc Services		10.00		Nil
			(Nil)		(Nil)
	Total		**30.81**		**17.74**
			(39.35)		**(30.49)**

[On the basis of contract revenue re-grouped as per Accounting Standard (AS)7]

* Includes Trading goods purchased Rs. 0.40 million and Trading goods sold Rs. 0.40 million.

Schedules to Accounts *(Contd.)*

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

(ii) Agri-retail business

A. Break-up of items purchased:

Class of Goods	Unit	Purchases (2005-2006)	
		Qty.	Rs in Million
Pesticides	Nos.(Packet/Bottles)	44157	4.82
Fertilizers	Nos.(Bags)	20253	4.91
Cement	Nos.(Bags)	45362	7.97
Agricultural Implement	Nos.	300	1.37
Others			5.26
Total			**24.33**

B. Licensed and installed capacities & actual production: N.A.

C. Opening stock, closing stock & sales: (Financial Year 2005-2006)

(Rs. in million)

Class of Goods	Unit	Opening Stock		Sales		Closing Stock	
		Qty.	Amount	Qty.	Amount	Qty.	Amount
Fertilizers	Nos.(Bags)	–	–	7940	1.64	12313	3.52
Pesticides	Nos.(Packet/ Bottles)	–	–	7673	0.98	36484	3.79
Cement	Nos.(Bags)	–	–	42808	7.76	2554	0.58
Agricultural Implement	Nos.	–	–	300	1.46	–	–
Others		–	–		1.94	–	3.38
Total			**–**	**–**	**13.78**		**11.27**

(Financial Year 2004-2005) NIL

13. Information on Segment Reporting of the company for the year ended 31.3.2006

(Rs. in million)

	Engineering		Agri retail		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
REVENUE								
Sales	30.81	39.34	13.78	–			44.59	39.34
Other Income	0.12	0.03	–	–			0.12	0.03
Total Revenue	30.93	39.37	13.78	–			44.71	39.37
Less: Inter segment revenue							–	–
Net Segment Revenue	**30.93**	**39.37**	**13.78**	**–**	**–**	**–**	**44.71**	**39.37**
Segment Results								
– Operating Profit	6.81	0.56	-4.51	–			2.30	0.56
Interest Expenses							0.09	0.44
Interest Income							0.02	
Income tax (including deferred tax)							1.27	0.03
Net Profit							**0.96**	**0.09**

Schedules to Accounts *(Contd.)*

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

13. Information on Segment Reporting of the company for the year ended 31.3.2006 *(Contd.)*

(Rs. in million)

	Engineering		Agri retail		Eliminations		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
OTHER INFORMATION								
Segment Assets	15.55	11.06	22.89		11.08		27.36	11.06
Unallocated Assets							0.32	0.83
Total Assets							**27.68**	**11.89**
Segment Liabilities	8.71	9.94	26.49		11.08		24.12	9.94
Unallocated Liabilities							0.66	
Total Liabilities							**24.78**	**9.94**
Capital Expenditure	0.45	–	3.25				3.70	–
Depreciation	0.09	0.00	0.11				0.20	0.00
Amortisation	0.62	0.71	0.06				0.68	0.71

a) The company's operations have been catagorised into two business segments in accordance with the Accounting Standard (AS-17) "Segment Reporting" – these constitute 100% of the total turnover of the company. These segment are briefly described hereunder:

   i) Engineering : The company is engaged in the business of supply & installation of sugar plant equipments using the technology imported from Sugar Research International, Australia. The facility is located at Deoband, Distt. Saharanpur.

   ii) Agri-retail : The company is operating retail stores at various rural and semi urban locations. The product-line includes various Agricultural and Non agricultural products.

b) Segment revenue includes sales and other income directly identifiable with / allocable to the segment.

c) Expenses that are directly identifiable with / allocable to segment are considered for determining the segment result. Expenses and income which relates to company as a whole and not allocable to segments are disclosed separately.

d) Segment assets and liabilities include those directly identifiable with the respective segments.

14. Previous year figures have been re-grouped / re-arranged wherever necessary. Figures in brackets relates to previous year.

15. Schedule "1" to "17" form an integral part of the Balance Sheet and Profit & Loss Account.

For and on behalf of
J. C. Bhalla & Company
Chartered Accountants

Sudhir Mallick	**A. K. Tanwar**	**Sameer Sinha**
Partner	*Director*	*Director*

Place: Noida (UP)
Date: April 26, 2006

Balance Sheet Abstract

Balance Sheet Abstract and Company's General business profile

I. Registration Details

Registration No.	070229	State Code	55
Balance Sheet Date	31 (Date) 03 (Month) 2006 (Year)		

II. Capital Raised during the year *(Amount in Rupees)*

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds *(Amount in Rupees)*

Total Liabilities	2998400	Total Assets	2998400
Sources of Funds			
Paid-up Capital	2998400	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets (intangible Assets)	4190685	Investments	NIL
Net Current Assets	–1336928	Misc. Expenditure	NIL
Accumulated Losses	96677	Deferred Tax Assets (net)	47966

IV. Performance of Company *(Amount in Rupees)*

Turnover (incl. other income)	44725905	Total Expenditure	42496049
Profit before Tax	2229856	Profit after Tax	955686
Earning per share in Rs.	3.19	Dividend Rate %	NIL

V. Generic Names of Three Principal Products / Services of Company

Item Code No. (ITC Code)	8438.30
Product Description	MACHINERY FOR SUGAR MANUFACTURE
Item Code No. (ITC Code)	N.A.
Product Description	AGRI RETAILING STORES

Report of the Directors

To
The Members of
Abohar Power Generation Limited

Your Directors present to you the 13th Annual Report and Audited Accounts for the year ended 31st March, 2006.

Financial Highlights

During the year under review, the Company has incurred a loss of Rs. 18,434/-. The Company has accumulated loss of Rs. 5,23,429/- which has been carried over to the Balance Sheet.

In view of loss incurred by the Company, your directors do not recommend any dividend for the year under review.

Operations

The Company is responsible for implementation of mini hydroelectric projects allotted to our holding company in Punjab, on BOO basis (build-own-operate) , as a Special Purpose Vehicle. The company is in process of executing various agreements' with different Government agencies, including Power Purchase Agreement with Punjab State Electricity Board. Company is considering options to best execute the Projects.

Directors

Mr. A.K. Tanwar retires by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment. Mr. Sameer Sinha who was appointed by the Board as a Director in the vacancy caused by resignation of Mr. Ram Lal Sawhney vacates the office at the forthcoming Annual General meeting. Notice has been received from a member proposing the appointment of Mr Sameer Sinha as a director of the Company. The matter is being placed before the shareholders for their approval at the forthcoming Annual General Meeting.

Auditors

M/s. R.S. Gupta & Co., Chartered Accountants, Delhi Auditors of the Company retire at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

Directors responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, (Act) your directors confirm the following:

i) that in the preparation of the Annual Accounts the applicable accounting standards have been followed;

ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the loss of the company for that period;

iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv) that the directors have prepared the Annual Accounts on a going concern basis.

Deposits

During the year under review, the company has not accepted any public deposits. As on March 31,2006, there are no overdue or unclaimed public deposits with the company.

Particulars of employees and other additional information

As the company has not carried out any manufacturing / service activity, the information relating to conservation of energy and technology absorption as per the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is not, required to be given by the company. There has been no foreign exchange income or outflow during the year under review.

The company has no employees in the category as set out in section 217(2A) of the Companies Act, 1956.

For & on behalf of the Board

A. K. Tanwar
Sameer Sinha
Directors

Place: Noida (UP)
Date: April 17, 2006

Auditors' Report

To
The Members of
Abohar Power Generation Limited

1. We have audited the attached Balance Sheet of Abohar Power Generation Limited as at 31st March 2006 and the Profit & Loss Account 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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Govt. of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure statement on the matters specified in paragraph 4 & 5 of the said order.

4. 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 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 these books.

   (c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.

   (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by the report comply with the accounting standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956.

   (e) On the basis of the written representations received from the Directors as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Director 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.

5. 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 with the accounting principles generally accepted in India.

   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006 and

   (b) in the case of the Profit and Loss Account of the Loss for the year ended on that date.

For **R S Gupta & Co.**
Chartered Accountants

S K Gupta
Partner
Membership No.14287

Place : Noida (UP)
Date: April 17, 2006

Annexure to the Auditors' Report

As required by the Companies (Auditors' Report) Order 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we further report that :

i) Since the Company does not have any fixed assets with it, the provisions of clause 4(i) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

ii) Since the Company does not have any inventories of finished goods, stores, spare parts & raw materials, the provisions of the Clause 4(ii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

iii) The Company has neither granted nor accepted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of Clause 4(iii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

iv) In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company, nature of its business with regard to purchase of investments, fixed assets, sale of investments etc. During the course of our audit, we observed that there is no continuing failure to correct major weaknesses in the internal audit controls.

v) According to the information & explanations given to us, since there are no transactions made in pursuance of contracts or arrangements to be entered in the register kept under section

Annexure to the Auditors' Report *(Contd.)*

301 of the Companies Act, 1956, hence provisions of clause 4(v) of the Companies (Auditors' Report) Order, 2003 are not applicable.

vi) In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has not accepted any deposits from the public under provisions of Section 58-A & 58-AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rule 1975. Accordingly, the provisions of Clause 4(vi) of the Companies Act (Auditors' Report) Order, 2003 are not applicable to the Company.

vii) In our opinion, the internal audit system to the company is not applicable.

viii) As per information & explanations given to us, the Company is not required to maintain cost record under section 209(I)(d) of the Companies Act, 1956. Accordingly, the provisions of Clause 4(viii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

ix) The provisions of Provident Fund, Employees State Insurance Fund, Wealth Tax Act, Sales Tax Act, Customs & Excise Duty Act and Investor Education Protection Fund and Service Tax are not applicable to the Company, hence the question of depositing the aforesaid dues with appropirate authorities does not arise. However, it is further stated that there are no undisputed amounts payable in respect of Income Tax which were outstanding for more than six months from the date they became due/payable.

x) In our opinion, the accumulated losses of the company are more than 50% of its net worth. The Company has incurred cash loss of Rs.18,434/- during the financial year covered by our audit. However, the Company had a cash profit of Rs.1,09,661/- in the immediately preceeding previous year.

xi) As per information & explanations given by the Company to us, there are no dues due to financial institutions, banks & debenture holders. Accordingly, the provisions of clause 4(xi) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xii) As per information given by the Company, it has not granted any loans, advances on the basis of security by way of pledge of shares/debentures and other securities. Therefore, the question of maintenance of adequate records in this regard does not arise. Accordingly, the provisions of clause 4(xii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xiii) In our opinion, the Company is not a Chit Fund or a Nidhi Mutual Fund, benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities & other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xv) As per information given by the Company, it has not given any guarantees for loans taken by others from banks or financial institutions, as such the provisons of clause 4(xv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xvi) Since there are no term loans raised by the Company from banks or financial institutions, accordingly the provisions of clause 4(xvi) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xvii) According to information & explanations given to us, we report that no funds have been raised by the Company on short-term basis, which have been used for making long-term investments. It is further stated that no short-term funds have been raised for making long-term investments. It is further stated that no long-term funds have been raised for making short-term investments. Hence, provisions of Clause 4(xvii) of the Companies (Auditors' Report) Order, 2003 are not applicable.

xviii) As per information and explanations given to us, no preferential allotment of shares has been made to parties and Companies covered in the register maintained u/s 301 of the Companies Act, 1956. As such, the provisions of clause 4(xviii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xix) As per information and explanations given to us during the year covered by our audit report, the Company has not issued any debentures. Accordingly, the provisions of clause 4(xix) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

xx) As per information and explanations given to us, the Company did not raise any money by way of public issue as such the verification of end use of money does not arise. Accordingly, the provisions of clause 4(xx) of the Companies (Auditors' Report), Order, 2003 are not applicable to the Company.

xxi) According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit. Accordingly, the provisions of clause 4(xxi) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

For **R S Gupta & Co.**
Chartered Accountants

S K Gupta
Partner
Membership No.14287

Place : Noida (UP)
Date: April 17, 2006

Balance Sheet

(Amount in Rs.)

As at 31st March	Schedules	2006	2005
SOURCES OF FUNDS			
Share Capital			
Authorised			
10,000,000 Equity Shares of Rs.10/- each		100,000,000	100,000,000
		100,000,000	**100,000,000**
Issued, Subscribed & paid-up			
50,000 Equity Shares of Rs.10/- each fully paid-up		500,000	500,000
Unsecured Loans			
Triveni Engineering & Industries Ltd (Holding Company)		59,748	50,858
		559,748	**550,858**
APPLICATION OF FUNDS			
Investments	1	–	31,372
Current Assets, loans and advances			
Current Assets			
Cash at Bank in Current Account with Indian Overseas Bank		6,455	16,950
Cash/Cheque in hand		32,068	696
		38,523	**17,646**
Less: Curent Liabilities & Provisions			
Current Liabilities			
Expenses Payable		2,204	2,204
TDS Payable		–	951
		2,204	**3,155**
Net Current Assets		36,319	14,491
Profit & Loss Account		523,429	504,995
		559,748	**550,858**

As per our report of even date attached

For and on behalf of
For **R S Gupta & Co.**
Chartered Accountants

S K Gupta
Partner

Place: Noida (UP)
Date: April 17, 2006

A. K. Tanwar
Sameer Sinha
Directors

Profit and Loss Account

(Amount in Rs.)

For the year ended 31st March	2006		2005
INCOME			
Previous Year Excess Provision written back	–		120,000
	–		**120,000**
EXPENDITURE			
Interest Paid	3,327		4,545
Printing & Stationery	950		–
Fees & Registration	5,083		3,327
Legal & Professional	3,500		–
Auditors Remuneration	5,204		2,308
Conveyance Expenses	290		–
Bank Charges	80		159
	18,434		**10,339**
Profit/(Loss) for the year	(18,434)		109,661
Loss broght forward from last year	(504,995)		(614,656)
Loss Carried over to Balance Sheet	**(523,429)**		**(504,995)**

As per our report of even date attached

For and on behalf of
For **R S Gupta & Co.**
Chartered Accountants

S K Gupta
Partner

A. K. Tanwar
Sameer Sinha
Directors

Place: Noida (UP)
Date: April 17, 2006

Schedules to Accounts

(Amount in Rs.)

As at 31st March	2006		2005
1 INVESTMENTS			
Long Term			
Unquoted			
NIL* (12,160) Equity Shares of Rs.100 each of Techtrade Consultants Ltd	–		1,216
NIL* (1,20,000) Equity Shares of Rs.10/- each fully paid up of United Shippers & Dredgers Ltd	–		30,156
	–		**31,372**

* The above investments were disposed off at cost during the year.

SIGNIFICANT ACCOUTING POLICIES & NOTES TO ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. The accounts of the Company are kept on accrual basis. The detailed accounting policies will be formulated upon the company commencing its business.

B) NOTES TO ACCOUNTS

(Amount in Rs.)

	31.03.2006		31.03.2005
1) Auditors Remuneration	5,204		2,308

2) Following the concept of prudency, the unabsorbed business losses as per Income Tax Act, 1961 have not been recognised as deferred tax assets in accordance with Accounting Standard (AS)22 issued by the Institute of Chartered Accountants of India. There are no deferred tax liabilities in the case of the Company.

3) Any other information required to be given as per part II Schedule VI of the Companies Act, 1956 not applicable to the Company has not been given.

For and on behalf of
For **R S Gupta & Co.**
Chartered Accountants

A. K. Tanwar
Sameer Sinha
Directors

S K Gupta
Partner

Place: Noida (UP)
Date: April 17, 2006

Balance Sheet Abstract

Balance Sheet Abstract and Company's General business profile

I. Registration Details

Registration No.	025592	State Code	16
Balance Sheet Date	Date: 31 Month: 03 Year: 2006		

II. Capital Raised during the year *(Amount in Rs. Thousand)*

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds *(Amount in Rs. Thousand)*

Total Liabilities	560	Total Assets	560
Sources of Funds			
Paid-up Capital	500	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	60
Application of Funds			
Net Fixed Assets	NIL	Investments	NIL
Net Current Assets	36	Misc. Expenditure	NIL
Accumulated Losses	524	Deferred Tax Assets (net)	NIL

IV. Performance of Company *(Amount in Rs. Thousand)*

Turnover (incl. other income)	NIL	Total Expenditure	18
Loss before Tax	18	Loss after Tax	18
Earning per share in Rs.	NIL	Dividend Rate %	NIL

V. Generic Names of Three Principal Products / Services of Company

Item Code No. (ITC Code)	N.A.
Product Description	INTEND TO SET UP MINI HYDEL PROJECTS

Report of the Directors

To
The Members of
Upper Bari Power Generation Limited

Your Directors take pleasure in submitting the first statement of Annual Accounts for the period ended 31st March 2006 with the Auditors' Report thereon.

Financial Highlights

This being the first year of the Company, no significant business activities has been carried during the period under review. The Company has earned a nominal profit of Rs. 3655/- during the period.

In view of inadequate profits, your directors do not recommend any dividend for the year under review.

Directors

Mr V.P. Ghuliani, Mr. Suresh Taneja and Mr. Sameer Sinha, the first Directors of the Company are required to be re-appointed in the forthcoming general meeting by virtue of provisions of Section 255 of the Companies Act, 1956 and accordingly the matter is being place before the shareholders for their re-appointment. All these directors have expressed their willingness for such re-appointment.

Auditors

M/s. R.S. Gupta & Co., Chartered Accountants, Delhi Auditors of the Company retire at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, (Act) your directors confirm the following:

i) that in the preparation of the Annual Accounts the applicable accounting standards have been followed;

ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit of the company for that period;

iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv) that the directors have prepared the Annual Accounts on a going concern basis.

Deposits

During the year under review, the company has not accepted any public deposits. As on March 31,2006, there are no overdue or unclaimed public deposits with the company.

Particulars of Employees and other additional information

As the company has not carried out any manufacturing/ service activity, the information relating to conservation of energy and technology absorption as per the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is not, required to be given by the company. There has been no foreign exchange income or outflow during the year under review.

The company has no employees in the category as set out in section 217(2A) of the Companies Act, 1956.

For & on behalf of the Board

SureshTaneja
Sameer Sinha
Directors

Place: Noida (UP)
Date: April 17, 2006

Auditors' Report

To
The Members of
Upper Bari Power Generation Limited

1. We have audited the attached Balance Sheet of Upper Bari Power Generation Limited as at 31st March 2006 and the Profit & Loss Account for the period 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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Govt. of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure statement on the matters specified in paragraph 4 & 5 of the said order.

4. 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 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 these books.

   (c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.

   (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by the report comply with the accounting standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956.

   (e) On the basis of the written representations received from the Directors as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Director 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.

5. 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 with the accounting principles generally accepted in India.

   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006 and

   (b) in the case of the Profit and Loss Account of Profit for the year ended on that date.

For **R S Gupta & Co.**
Chartered Accountants

S K Gupta
Partner
Membership No.14287

Place : Noida (UP)
Date : April 17, 2006

Annexure to the Auditors' Report

As required by the Companies (Auditors' Report) Order 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we further report that :

(i) Since the Company does not have any fixed assets with it, the provisions of clause 4(i) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(ii) Since the Company does not have any inventories of finished goods, stores, spare parts & raw materials, the provisions of the Clause 4(ii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(iii) The Company has neither granted nor accepted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of Clause 4(iii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(iv) In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company, nature of its business with regard to purchase of investments, fixed assets, sale of investments etc. During the course of our audit, we observed that there is no continuing failure to correct major weaknesses in the internal audit controls.

(v) According to the information & explanations given to us, since there are no transactions made in pursuance of contracts or arrangements to be entered in the register kept under section 301 of the Companies Act, 1956, the provisions of clause 4(v) of the Companies (Auditors' Report) Order, 2003 are not applicable.

(vi) In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has not accepted any deposits from the public under provisions of Section 58-A & 58-AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rule 1975. Accordingly, the provisions of Clause 4(vi) of the Companies Act (Auditors' Report) Order, 2003 are not applicable to the Company.

(vii) In our opinion, the internal audit system to the company is not applicable.

(viii) As per information & explanations given to us, the Company is not required to maintain cost record under section 209(I)(d) of the Companies Act, 1956. Accordingly, the provisions of Clause 4(viii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(ix) The provisions of Provident Fund, Employees State Insurance Fund, Wealth Tax Act, Sales Tax Act, Customs & Excise Duty Act and Investor Education Protection Fund and Service Tax are not applicable to the Company, hence the question of depositing the aforesaid dues with appropirate authorities does not arise. However, it is further stated that there are no undisputed amounts payable in respect of Income Tax which were outstanding for more than six months from the date they became due/payable.

(x) Since the company has not completed its five year's period of business activities, as such the question of comparison of accumulated losses with net worth does not arise.

(xi) As per information & explanations given by the Company to us, there are no dues due to financial institutions, banks & debenture holders. Accordingly, the provisions of clause 4(xi) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xii) As per information given by the Company, it has not granted any loans, advances on the basis of security by way of pledge of shares/debentures and other securities. Therefore, the question of maintenance of adequate records in this regard does not arise. Accordingly, the provisions of clause 4(xii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xiii) In our opinion, the Company is not a Chit Fund or a Nidhi Mutual Fund, benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities & other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xv) As per information given by the Company, it has not given any guarantees for loans taken by others from banks or financial institutions, as such the provisons of clause 4(xv) of the Comapnies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xvi) Since there are no term loans raised by the Company from banks or financial institutions, accordingly the provisions of clause 4(xvi) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xvii) According to information & explanations given to us, we report that no funds have been raised by the Company on short-term basis, which have been used for making long-term investments. It is further stated that no short-term funds have been raised for making long-term investments. It is further stated that no long-term funds have been raised for making short-term investments. Hence, provisions of Clause 4(xvii) of the Companies (Auditors' Report) Order, 2003 are not applicable.

(xviii) As per information and explanations given to us, no preferential allotment of shares has been made to parties and Companies covered in the register maintained u/s 301 of the Companies Act, 1956. As such, the provisions of clause 4(xviii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xix) As per information and explanations given to us during the period covered by our audit report, the Company has not issued any debentures. Accordingly, the provisions of clause 4(xix) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xx) As per information and explanations given to us, the Company did not raise any money by way of public issue as such the verification of end use of money does not arise. Accordingly, the provisions of clause 4(xx) of the Companies (Auditors' Report), Order, 2003 are not applicable to the Company.

(xxi) According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit. Accordingly, the provisions of clause 4(xxi) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

For **R S Gupta & Co.**
Chartered Accountants

S K Gupta
Partner
Membership No.14287

Place : Noida (UP)
Date : April 17, 2006

Balance Sheet

(Amount in Rs.)

As at 31st March	2006
SOURCES OF FUNDS	
Share Capital	
Authorised	
50,000 Equity Shares of Rs.10/- each	500,000
	500,000
Issued, Subscribed & Paid-up	
50,000 Equity Shares of Rs.10/- each fully paid-up	500,000
Unsecured Loans	
Triveni Engineering & Industries Ltd (Holding Company)	32,693
Profit & Loss Account	2,155
	534,848
APPLICATION OF FUNDS	
Current Assets, Loans and Advances	
Current Assets	
Fixed Deposit with Bank	450,000
Interest accrued on Fixed Deposit	15,342
Cash at Bank in Current Account with UTI Bank Limited	45,250
	510,592
Less: Current Liabilities & Provisions	
Current Liabilities	
Expenses Payable	2,204
Provision for Taxation	1,500
	3,704
Net Current Assets	506,888
Miscellaneious Expenditure to the extent not w/off or adjusted	27,960
	534,848

As per our report of even date attached

For **R S Gupta & Go.**
Chartered Accountants

S K Gupta
Partner

Place: Noida (UP)
Date: April 17, 2006

Suresh Taneja
Sameer Sinha
Directors

Profit and Loss Account

(Amount in Rs.)

For the year ended 31st March	2006
INCOME	
Other Income	15,342
	15,342
EXPENDITURE	
Interest Paid	1,673
Auditors Remuneration	2,204
Bank Charges	820
Preliminary expenses written off	6,990
	11,687
Profit before Taxation	3,655
Provision for Tax	1,500
Profit/(Loss) brought forward to Balance Sheet	**2,155**

As per our report of even date attached

For **R S Gupta & Go.**
Chartered Accountants

Suresh Taneja
Sameer Sinha
Directors

S K Gupta
Partner

Place: Noida (UP)
Date: April 17, 2006

Schedules to Accounts

SIGNIFICANT ACCOUTING POLICIES & NOTES TO ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. The accounts of the Company are kept on accrual basis. The detailed accounting policies will be formulated upon the Company commencing its business.

B) NOTES TO ACCOUNTS

1. No figures for previous year have been given as this is the first period of business operations commencing from 29.4.2005 to 31.3.2006.
2. Miscellaneious Expenditure:-

   - Preliminary expenses are written off over a period of five years.

(Amount in Rs.)

	31.03.2006
3. Auditors Remuneration	2,204

4. Following the concept of prudency, the unabsorbed business losses as per Income Tax Act, 1961 have not been recognised as deferred tax assets in accordance with Accounting Standard (AS)22 issued by the Institute of Chartered Accountants of India. There are no deferred tax liabilities in the case of the Company.
5. Any other information required to be given as per part II Schedule VI of the Companies Act, 1956 not applicable to the Company has not been given.

For **R S Gupta & Go.**
Chartered Accountants

Suresh Taneja
Sameer Sinha
Directors

S K Gupta
Partner

Place: Noida (UP)
Date: April 17, 2006

Balance Sheet Abstract

Balance Sheet Abstract and Company's General business profile

I. Registration Details

Registration No.	028326	State Code	16
Balance Sheet Date	31 (Date) 03 (Month) 2006 (Year)		

II. Capital Raised during the year *(Amount in Rs. Thousand)*

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds *(Amount in Rs. Thousand)*

Total Liabilities	535	Total Assets	535
Sources of Funds			
Paid-up Capital	500	Reserves & Surplus	2
Secured Loans	NIL	Unsecured Loans	33
Application of Funds			
Net Fixed Assets	NIL	Investments	NIL
Net Current Assets	507	Misc. Expenditure	28
Accumulated Losses	NIL	Deferred Tax Assets (net)	NIL

IV. Performance of Company *(Amount in Rs. Thousand)*

Turnover (incl. other income)	15	Total Expenditure	11
Profit before Tax	4	Profit after Tax	2
Earning per share in Rs.	0.07	Dividend Rate %	000

V. Generic Names of Three Principal Products / Services of Company

Item Code No. (ITC Code)	N.A
Product Description	INTEND TO SET UP MINI HYDEL PROJECTS

Information on company's business locations

Registered office

Deoband, District - Saharanpur
Uttar Pradesh –247 554
STD Code: 01336 Phone: 222497, 222185, 222866 Fax: 222220

Corporate office

'Express Trade Towers', 8th Floor
15-16, Sector – 16 A
Noida 201 301 (U.P.)
STD Code: 0120 Phone: 4308000
Fax: 4311010-11

Share department/Investors' grievances

'Express Trade Towers', 8th Floor
15-16, Sector – 16 A
Noida 201 301 (U.P.)
STD Code: 0120 Phone: 4308000
Fax: 4311010-11
Email: shares@trivenigroup.com

Registrar and share transfer agents

For Equity shares held in physical and electronic mode
M/s Karvy Computershare Pvt Ltd
Karvy House, 46, Avenue 4
Street No.1, Banjara Hills
Hyderabad 500 034
STD Code: 040 Phone: 23312454, 23320751 Fax: 23311968
Email: mailmanager@karvy.com

Turbine business group

12-A, Peenya Industrial Area,
Peenya, Bangalore-560 058
STD Code: 080
Phone: 28394721 (4 Lines), 28394843, 28394771 & 28395276 Fax: 28395211

Gear business group

1,2,3 Belagola Industrial Area
Metagalli, K.R.S.Road,
Mysore – 570 016
STD Code: 0821 Phone: 5280502, 5280501 Fax: 2582694

Fixed deposits section

Accounts Department
'Express Trade Towers',
8th Floor 15-16, Sector – 16A
Noida 201 301 (U.P)
STD Code: 0120 Phone: 4308000
Fax: 4311010-11
Email: hoaccts@trivenigroup.com

Khatauli sugar unit

Khatauli, District - Muzaffarnagar,
Uttar Pradesh - 251 201
STD Code: 01396 Phone: 272561 & 272562 Fax: 272309

Deoband sugar unit

Deoband, District - Saharanpur
Uttar Pradesh – 247 554
STD Code: 01336
Phone: 222497,222185,222866
Fax: 222220

Ramkola sugar unit

Ramkola, District - Kushinagar
Uttar Pradesh – 247 305
STD Code: 05567 Phone: 256021, 256071, 256072, 256182 Fax: 256248

Sabitgarh sugar unit

P.O. Karora, Tehsil Khurja
District - Bulandshahar, Uttar Pradesh
STD Code: 05738 Phone: 228894
Fax: 228893

Water business group

'Express Trade Towers', 8th Floor
15-16, Sector – 16A
Noida 201 301 (U.P.)
STD Code: 0120 Phone: 4308000
Fax: 4311010-11

Cogeneration Khatauli

Khatauli, District - Muzaffarnagar,
Uttar Pradesh - 251 201
STD Code: 01396
Phone: 272561 & 272562
Fax: 272309

Cogeneration Deoband

Deoband, District - Saharanpur
Uttar Pradesh – 247 554
STD Code: 01336
Phone: 222497,222185,222866
Fax: 222220

Branded sugar business

'Express Trade Towers', 8th Floor
15-16, Sector – 16A
Noida 201 301 (U.P)
STD Code: 0120 Phone: 4308000
Fax: 4311010-11

Corporate Information

Chairman and Managing Director

Mr. Dhruv M. Sawhney

Board of directors

Dr. F.C. Kohli
Lt. Gen. K.K. Hazari (Retd.)
Mr. M.K. Daga
Mr. R.C. Sharma
Mr. V. Venkateswarlu
Mr. R.K. Kapoor (IDBI Nominee)

Vice President (Legal) & Company Secretary

Mr. V.P. Ghuliani

Bankers

Punjab National Bank
Central Bank of India
Canara Bank
Oriental Bank of Commerce
Union Bank of India
Standard Chartered Bank
State Bank of Tranvancore
UTI Bank Ltd

Auditors

M/s J.C. Bhalla & Co.

Branch Auditors

M/s Virmani & Associates

Triveni Group website: www.trivenigroup.com

Triveni
ENGINEERING & INDUSTRIES LIMITED