It is Possible

Triveni Engineering and Industries Limited

Annual Report 2007-08

Forward-looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised.

The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

What you will find inside

- Triveni Engineering & Industries Limited
  - Sugar Businesses
    - Sugar Business Group (SBG)
    - Co-generation Business Group (CBG)
    - Distillery Business Group (DBG)
  - Engineering Businesses
    - Turbine Business Group (TBG)
    - Gear Business Group (GBG)
    - Water and Wastewater treatment Business Group (WBG)

About us

Our reputation

- One of the three leading producers of sugar in India
- Market leader in steam turbines upto 20 MW manufacturer up to 30 MW
- Market leader in high-speed gears and gearboxes
- A leading player in water and wastewater treatment equipment with widest range of offerings

Our locations

Corporate office
Noida, Uttar Pradesh

Sugar Business Group
Khatauli, Deoband, Ramkola, Sabithgarh, Chandanpur, Raninagal, Milak Narainpur– in Uttar Pradesh

Co-generation Business Group
Deoband and Khatauli, Uttar Pradesh

Distillery Business Group
Muzzafarnagar, Uttar Pradesh

Turbine Business Group
Bengaluru, Karnataka

Gear Business Group
Mysore, Karnataka

Water and wastewater treatment Business Group
Noida, Uttar Pradesh

Listings

Bombay Stock Exchange
(Stock code: TEIL)
National Stock Exchange
(Stock code: TRIVENI)

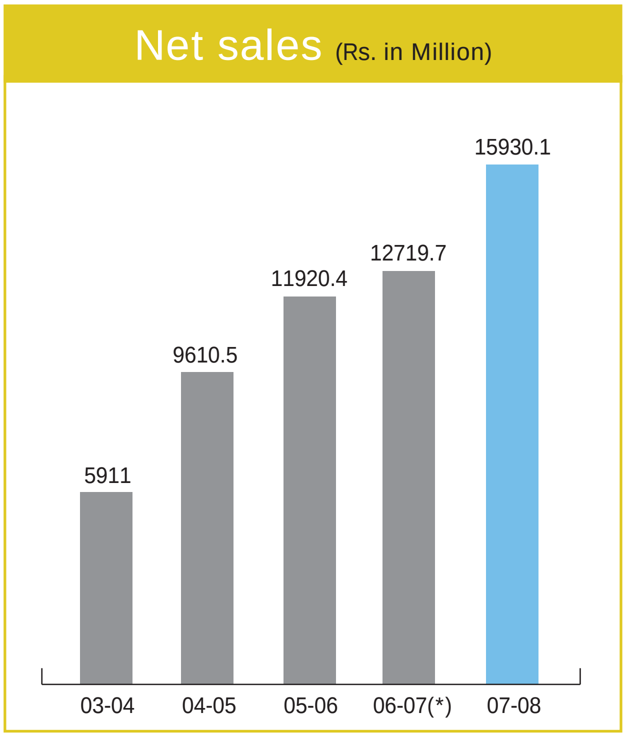
Employees as on 30.09.2008

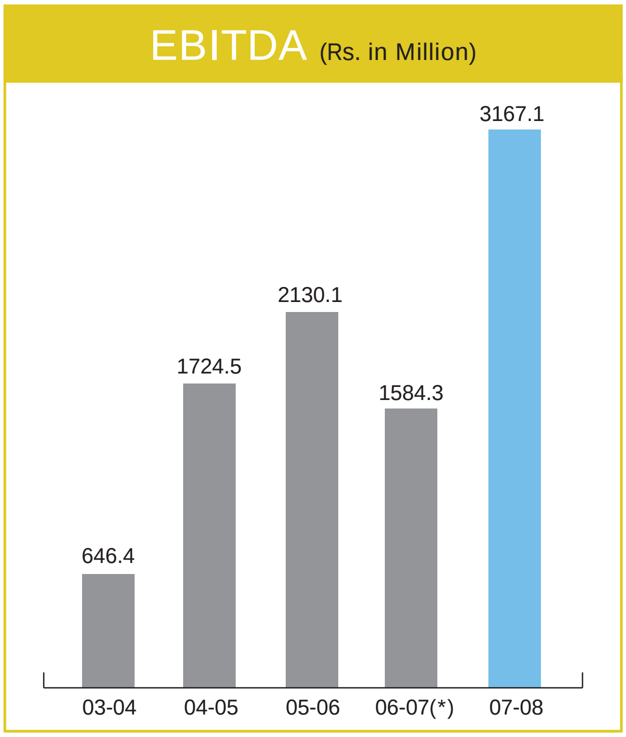
5209 employees

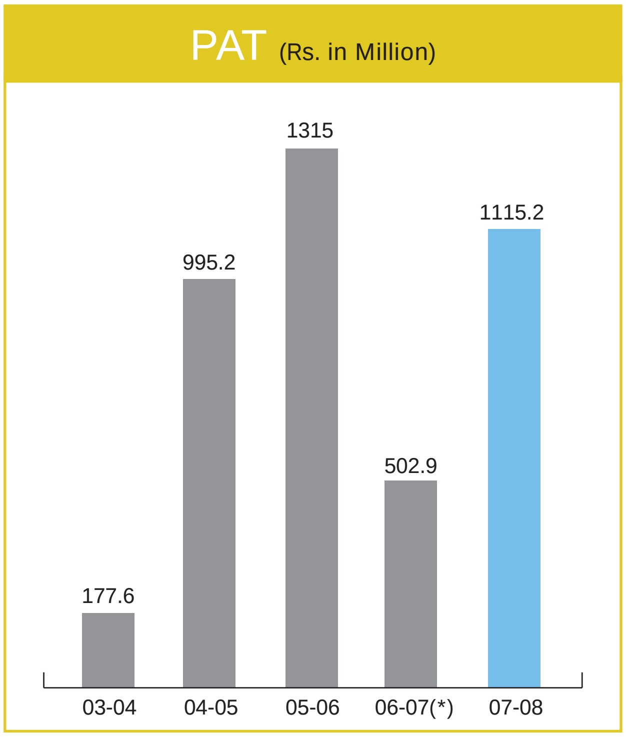
Order book as on 30.09.2008

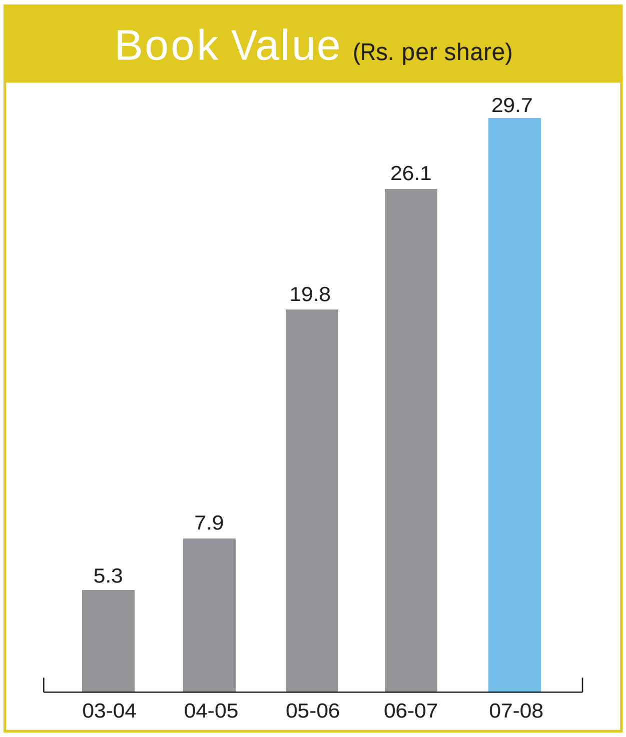
Rs. 7100 million

Financial highlights, 2007-08









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Chairman's Message

Dhruv M. Sawhney
Chairman & Managing Director

Dear Members,

The true test of a business is the resilience of its performance in really hard times. The present environment of economic turmoil has raised questions on the viability of many a business. On that score, I take pride in reporting to you that Triveni Engineering stands robust and confident.

It has positioned itself in industry segments that will continue to see growth in off-take and improvement in operating parameters. Having continuously developed significant organisational capabilities, Triveni can withstand external challenges and to a very great extent, mitigate the risks inherent to the businesses in which we operate.

Our performance in the year under review is testimony to the effectiveness of our strategies. We have registered the highest ever turnover of Rs. 15.9 billion and an operating profit of Rs 3.2 billion, higher by 153 per cent over the corresponding twelve months. At a segmental level, the PBIT of sugar business, buoyed by an improvement in realisation in the fourth quarter of the financial year, reported a turnaround from a loss of Rs. 899.8 million in the past twelve months to PBIT of Rs. 358.8 million in the current 12 months. For the similar period, the engineering business continued to register positive growth of 27 per cent in PBIT.

All the same, it is more important today to look ahead with positive confidence than look back with satisfaction. The theme of this annual report enunciates our approach towards everything we do: courage tempered with prudence, and healthy realism tempered with strength of purpose. It is possible! We know our optimism will be severely tested, but we are confident of sustaining our record of continuous value creation.

With good reason.

The first good reason is the composition of our business portfolio.

Our two major business segments – sugar and engineering - are mutually exclusive in terms of growth factors and environment.

The sugar business is immune to the upheavals in the global economy, and dependent only on the sugar cycle. Indian sugar production was 26.3 million tonnes in the 2007-08 season as against 28.3 million tonnes in 2006-07. Meanwhile two successive years of high production had caused a large build-up of inventory. Inevitably, this further reduced realisations. As a result, sugar companies suffered losses and made delayed payments to farmers, which forced many farmers across the country to switch to alternate crops that were more remunerative at that point of time. Hence, sugar cane production is expected to fall tremendously during this season on account of the reduced area under cane and climatic factors. With this significant

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Being a technology driven organisation, servicing and refurbishment offers a great opportunity to us. Our extensive reach, combined with thorough expertise and world-class service standards, is enabling us to increase our penetration in this market segment.

decline in sugar production, estimated at about 20 million tonnes during the current season, coupled with the rising consumption of about 3-4% year on year, we expect that the upturn in the economics of the sugar industry, which has already begun, to accelerate in the coming 12 months. Having used the downturn for investing in capacities and strengthening farmer relations, we expect to crush about the same quantity of cane as in the last season.

Our engineering businesses cater to the two most critical industries – power and water. Globally, the power sector has been a top priority for not just Governments but all industries. With improvements in technology, consistent supply of quality power has become an essential for the manufacturing sector. To ensure low cost at the same time, many industries like steel, metal and cement are increasingly opting for captive generation. Similarly, industries such as sugar, textiles, paper, pharmaceuticals, fertilisers and petrochemicals, which need steam and power as process inputs, are also shifting towards co-generation/ captive generation facilities. The Indian Government has planned to add another 76400 MW under the 11th Plan. The IPPs, co-generation and captive segments will account for almost one-third of this addition, resulting in a clear market demand for our turbine and gear divisions.

Our initiative in water and waste-water treatment is proving to generate good value. Our water business offers world-class solutions to industrial and municipal clients in ensuring reusability of water, and reduction in contamination, and provides customised solutions for desalination, process water, etc. While the world talks of slowdown affecting capital goods off-take, our confidence stems from our businesses' catering to diverse relevant segments that are indispensible to the growth and sustainability of the economy. However, in the short term, a word of caution on the overall economic scenario: the liquidity crunch and financial market turmoil may affect some of our clients who may have difficulty in arranging finances to complete their projects.

The second good reason is the capabilities and capacities we have created across our businesses.

Our consistent investments in capacities and capabilities have started yielding results. Consider this: we have invested over Rs. 11 billion in our sugar businesses by setting up four greenfield capacities apart from brownfield expansion of all three existing units. We added capacities for by-products such as power and alcohol, and intensified farmer relations. These investments have begun to pay off just as we are witnessing an upturn in sugar prices, making us an attractive player in the segment.

Similarly, we have consistently invested in building capacities and introducing a range of products and services in keeping with changing customer needs. We have always believed in providing our customers with a good value proposition through robust, efficient products of world-class quality with the highest levels of customer service. In doing so, we have invested in world class machines and equipment on par with the best in the industry globally. We have extended our product range in steam turbines to 30 MW, through our in-house Research and Development (R&D) efforts. We are continuously investing in R&D in association with some of the best design outfits globally.

The third good reason is the opportunity that service and refurbishment activities offer.

Being a technology driven organisation, servicing and refurbishment offers a great opportunity to us. Our extensive reach, combined with thorough expertise and world-class service standards, is enabling us to increase our penetration in this market segment. We have invested extensively in our service capabilities across our engineering businesses. As a result, we are seeing good growth in the refurbishment of old turbines and gearboxes, since during a slowdown, refurbishment is largely preferred over buying new equipment. Our core expertise in designing and customising plant and equipment, backed by our teams of capable R&D professionals, and investments in leading edge technology, makes us confident of sustaining our business even in tough times. In addition, we as a company are investing in global training practices in all our engineering businesses. During 2007-08, the company spent 5.74 man-day per officer in training and development. We are establishing a dedicated training school in Bangalore for providing training in design, engineering and customer care for all the engineering businesses.

The fourth good reason is the global opportunity that we enjoy in our engineering business.

Core expertise in engineered-to-order products, with superior service solutions offering a low-cost operating advantage, keeps us attractively poised to cater to the global markets today, especially when all industries are looking to reduce cost. We serve the power and water sectors, which are very relevant globally. The market for distributed power and non-conventional energy is expanding globally, and we expect this trend to continue. We have made inroads into this area by winning orders from difficult markets like Finland and Korea. This gives us the confidence to tap a higher share in these upcoming fields globally. Further, with the strengthening of the US dollar, the export proposition has become very attractive for our turbine division. We are also in talks with a number of international equipment manufacturers to be their preferred outsourcing partner for loose gears and other precision components. Our technological investments and efficient operations have made us highly cost-competitive in comparison to the global players, and this has further strengthened our service and refurbishment opportunity in overseas markets. We are also looking to expand our base overseas through partnerships, alliances and small acquisitions to fully exploit these opportunities in the course of time. To that end, the current environment may give us good opportunities in terms of value.

Owing to our inherent strengths, we expect an eventful 2008-09, when our raw material procurement initiatives should sustain credible performance in a challenging sugar scenario. We also look forward to strengthen our engineering businesses, considering our outstanding order book from all the divisions which on 30.09.2008 accounted for 108% of the divisional revenues in 2007-08.

Going forward, times will no doubt be more demanding. But then, we at Triveni have prepared well. On this positive note, I would like to thank all of you for your continuing support and encouragement. I assure you that our commitment remains towards building a strong, sustainable and value-creating company.

Dhruv M. Sawhney
Chairman & Managing Director

Is it possible?

It is po

ssible!

The sentences are almost identical.

Almost.

The interchanging of the first two words lead to a profound difference in implication. The first sentence represents disbelief, cynicism, despair and disappointment. The second spells hope, confidence, positivity and courage.

It is the journey between the two that often defines the character of an organisation.

Triveni Engineering and Industries Limited has always been committed in its promise, of delivering on the latter while answering all the questions emanating from the first.

Stepping into what promises a year of reckoning for corporate wisdom and foresight; we are armed with the strength of three magical words.

It is possible.


Is it possible to sustain leadership at a time of uncertainty?

It is possible,

by aligning the short-term strategies with the long-term goals of the organisation.

We have always believed that leadership is a continuous process of proving abilities, producing results and performing despite uncertainties. So when we achieved leading positions across our industry segments, we undertook the following initiatives to ensure continued leadership.

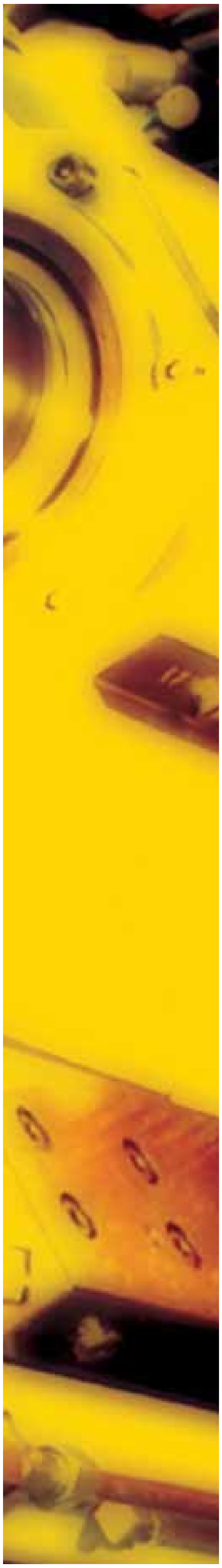
- We are the third largest sugar producer in the country. Our capacity build-up in 2006-07 achieved stabilisation in operations during the year under review. As a result, we are well equipped to capitalize on the upturn
- We made timely payments to the farmers, even during the downturn cycle. As a result, we expect adequate cane supplies in an year when overall cane is expected to be less
- Our farmer relations and cane development programmes intensified in 2007-08, in a build-up to ensure cane supplies in our units in sugar season 2008-09
- Our forward integration to distillery and co-generation groups cushioned our sugar group's performance, on account of sustained revenue from co-generation and higher realisations particularly from distillery business
- After having become preferred supplier in turbines and gears, we enhanced our refurbishment and service capabilities with sophisticated hardware and software apart from trained manpower.
- We ventured into higher capacities (upto 30 MW) and also into the high pressure and temperature steam turbine segment, thereby adding to our product portfolio
- We made considerable investments in our turbine business group to cut down process and delivery time, resulting in faster dilution of order book and increased orders.

Is it possible to improve realisations while serving a cost conscious world?

It is possible,

if we focus on sectors where demand is largely price-insensitive

- When we set out to ensure a strong business model, we focused on providing products and solutions, which are evaluated on their technical performance, robustness and quality, and not solely on the basis of cost.
- As a strategy, we cater to the two most critical sectors for any economy – power and water. This has ensured that the demand for our products and solutions remain unaffected even in wake of a slowdown.
- Engineering segment contributed 61% to the company's PBIT while the divisional PBIT increased by 27% y-o-y
- We are the market leaders in steam turbines (upto 20 MW) and have extended our product portfolio up to 30 MW
- Power & water continues to be a priority sector, with huge funding from Government/ private and multi-lateral agencies
- We have diversified product portfolio in our gears business with strong refurbishment business
- Water, on account of its scarcity and uses is being increasingly invested upon, as a sector
- We are one of the largest solutions provider in the entire range of water and waste-water treatment segment in India
- Our engineering division's order book stood at Rs. 7100 mn as on 30.09.2008 against Rs. 5536 mn on 30.09.2007



Is it possible to remain ahead of ever-changing customer expectations and aspirations?

It is possible,

if we invest in technology that is progressive and service standards that are exemplary.

- We are not just manufacturers of products but providers of engineered-to-order solutions
- A turbine operates at very high speed and pressure, thereby demanding the highest standards of quality, technology and efficiency
- We have invested in world-class technology and machines, thereby ensuring faster deliveries, superior quality and lower cost of operations for our products
- Our technological associations with some of the leading global manufacturers in the world like Lufkin, Siemens and Waukesha has enabled us to provide the world's foremost technologies to our customers
- We have established service and refurbishment facilities in all of our engineering businesses – After sales service and spares markets offer wide opportunities. This business offers higher margins and also serves a vital marketing point to the first time customers, having a different make of turbines.
- The company has a pan India presence with 13 offices across India, to provide service and support on call.



Is it possible to foster a culture of sustainable development when the focus is on corporate growth?

It is possible, if we build our businesses with as much head as with heart.

- We have always believed that a successful business is the one which gives back to the society
- Being in Sugar business, we conforms to the concept of sustainability as sugar cane is a renewable crop
- Through our sugar business, we participate in the empowerment of rural India – we have over 250,000 farmers who supply cane to the company which in turn ensure social progress by empowering close to a million people in and around our facilities
- We play an active role in the areas of our presence by meeting and educating the farmers to use his resources more efficiently and judiciously
- We supply subsidised seeds and fertilizers and oversee the farming practice to ensure maximisation of returns to the farmers
- We invest in cane development to strengthen our cane procurement initiative. We promoted the benefits of autumn farming that would enable the farmers to use their lands more efficiently
- We have undertaken regular social initiatives during the year relating to education, health and social service in all our units

Sugar Businesses

Sugar
businesses

Accounts for 62% of the company's total revenue.
Includes sugar, co-generation and distillery business groups.

Global industry overview and outlook

Sugar is produced in over 122 countries, across the world. It is extracted from two different raw materials, sugarcane and sugar beet. On an average, about 70% of sugar produced over the world is consumed by the country of origin itself and the balance 30%, is traded in the international markets. After Brazil, India is the second largest sugar producer and the largest sugar consuming country in the world.

World Sugar Balance Oct/Sep 1,000 tonnes, raw value

Sugar	2008/09	2007/08	2006/07	2005/06	2004/05
Opening stocks	78,047.3	73,761.9	64,308.0	61,255.7	67,153.9
Production	161,247.5	167,849.5	167,427.0	151,378.9	141,150.9
Imports	52,096.1	49,963.2	51,513.2	54,095.3	50,989.2
Disappearance	161,719.8	158,783.2	152,962.3	146,099.8	143,971.0
Exports	53,774.2	54,744.1	56,523.9	56,322.2	54,067.5
Ending stocks	75,896.9	78,047.3	73,761.9	64,308.0	61,255.7
Production	-6,602.0	422.5	16,048.1	10,228.0	-2,596.9
%	-3.93	0.25	10.60	7.25	-1.81
Consumption	2,936.6	5,820.9	6,862.5	2,128.8	2,528.3
%	1.85	3.81	4.70	1.48	1.79
Stocks in % of consumption	46.93	49.15	48.22	44.02	42.55

Source: FO Licht (First Estimate of Sugar Balance 2008)

Global sugar industry is expected to be in deficit in 2008-09, post the last two surplus sugar seasons. Production is expected to decline by 3.9%, from 168 million tonnes during 2007-08 to 161.24 million tonnes in 2008-09. Consumption is expected to rise by 1.9%, thereby reducing stock as percent of consumption from 49.1% in 2007-08 to 46.9% in 2008-09E.

The decline in the stock to consumption ratio is expected to strengthen sugar prices globally, in the up-coming season. Global consumption is expected to exceed production on account of the following:

- Lower production in India
- Higher diversion of cane to ethanol in Brazil
- Lower production in the European Union (EU)

India plays a crucial role in the global sugar scenario. The sugar production in the country is expected to decline during 2008-09E, contributed by the reduced area under cultivation, farmers switching crops, combined with unfavorable climatic conditions. A fall in the domestic sugar production complemented by lower production from EU, USA would turn the global surplus to a deficit.

Brazil is estimated to have diverted 60% of its cane to ethanol manufacturing, during the current sugar season as against 56% in the last sugar season. The high diversion towards ethanol resonates from the attractive incentives involved in ethanol manufacturing. Brazil's ethanol demand witnessed an accelerated growth, backed by strong sales of flex fuel vehicles. During the first 6 months of the year under review, flex fuel vehicles accounted for 83% of vehicle sales and flex fuel vehicles accounts for 23%, of Brazil's total vehicle fleet.

EU and the member states are trimming on sugar production, as per the reforms agreed on by the EU commission. As a part of the ongoing reform process, sugar production in the EU during the year 2008-09, is expected to decline by 5.2% to 16.8 million tonnes. United States, another major sugar consumer will also cut on its sugar productions for the coming season.

The financial crisis is impacting all commodities including sugar which saw massive liquidation of long positions held by financial investors. Even though the fundamentals of the sector is on the upturn with a falling production and increasing consumption, the sugar prices globally are experiencing volatility on account of unwinding of positions by the financial investors.

On the global sugar exports front, depreciation of Brazilian Real against USD and declining trend in ocean freight, Brazilian sugar exports may become competitive. However, this may only be the substitution of India's sugar exports of 4.9 million tonnes during 2007-08 as financial crisis could slow the rate of expansion of sugar manufacturing in Brazil.

The financial crisis is impacting all commodities including sugar which saw massive liquidation of long positions held by financial investors.

Domestic industry overview

The Indian sugar industry has remained in a constant state of flux during the last couple of years. The sugar production rose from 12.7 million tonnes in SY 05, to 28.3 million tonnes in SY 07. This has resulted into high inventory levels, which in turn led to mellowing of sugar prices. Ex-factory sugar prices, after peaking from Rs. 20000 per tonne in February /March 06, declined to Rs. 12800 in May 07 – which was even lower than the cane cost itself, resulting in huge losses for the sugar industry. The companies choked by the deteriorating financials, made lower cane payments in many parts of the country. On the contrary, in line with the global trend, the prices of alternate and competing crops, such as, wheat, paddy, soya etc, increased. This proved lucrative for the farmers and they promptly switched to cultivating alternate crops. The obvious conclusion of the above mentioned situation is low sugar production. In SY 08, sugar production declined by 7% to 26.3 million tonnes and it is on the verge of witnessing further declination during SY 09, which would be to the tune of 23% i.e. 20.2 million tonnes.

The Maharashtra factor

The decline in the sugar production during the current season is likely to be led by Maharashtra, where the estimated decline would be to the tune of 30% at around 6.3 million tonnes. Historically, Maharasthra is the most volatile state in sugar production. It has recorded production as low as 2.2 million tonne in SY 05 and as high as 9.2 million tonne in SY 08. Despite a nominal decline of 3.4% in cane production in Uttar Pradesh, the state's sugar production decreased by 14% to 7.3 million tonnes. This was primarily due to the late start of crushing by factories, during the last season, on account of diversion of cane arising from the sugar cane pricing situation.

Consumption on the rise

In spite of a fluctuating sugar production, consumption is steadily growing at a rate of 4-5% year on year (YOY). Per capita consumption of sugar in India is around 18.4kg. According to the CRISIL Research Report, an estimated 70% of the total sugar consumed is indirect: through industrial and small business segments producing sweetmeats, processed foods, soft drinks, biscuits, chocolates and other bakery products. With surging income levels and increased penetration of processed food and other retail products into rural markets, these segments are bound to make their presence felt, which in turn will increase consumption. CRISIL Research Report estimates a growth in sugar consumption by 3% CAGR in the next five years.

The following statement show the balance of production and consumption of sugar during the last five years and estimates the current sugar season.

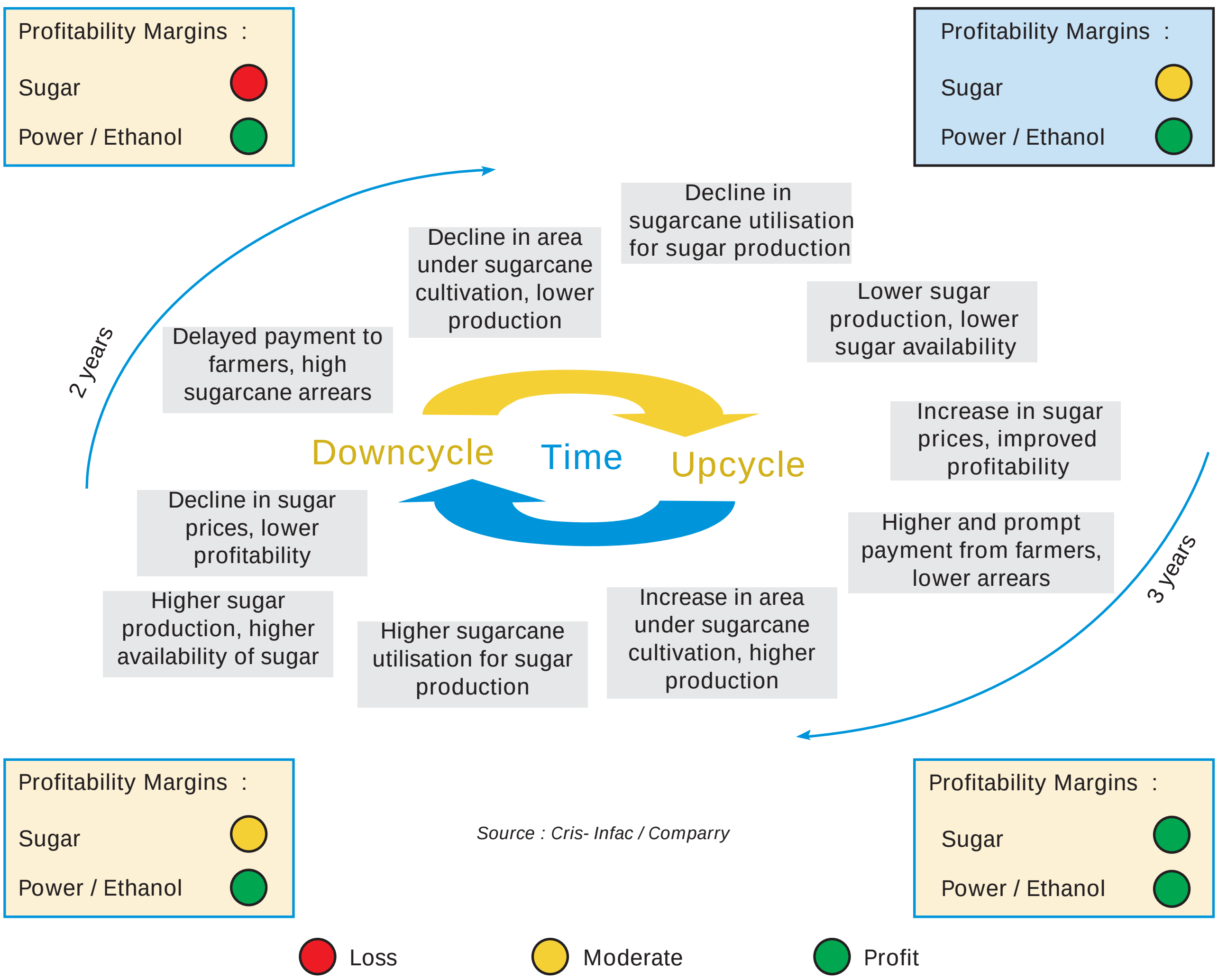
(Million Tonnes)

	2003-04	2004-05	2005-06	2006-07	2007-08 (Prov)	2008-09 (Est)
Opening Stock as on 1st Oct.	12.5	8.5	4.9	3.7	10.2	9.9
Production during the Season	13.5	12.7	19.3	28.3	26.3	20.2
Imports	0.4	2.1	0.0	0.0	0.0	0.0
Total Availability	26.4	23.3	24.1	32.0	36.5	30.1
Internal Consumption	17.7	18.5	19.3	20.2	21.7	22.5
Exports	0.2	0.0	1.1	1.7	4.9	0.0
Total offtake	17.9	18.5	20.5	22.0	26.6	22.5
Closing Stock as on 30th Sept.	8.5	4.9	3.7	10.2	9.9	7.6
Stock as % of consumption	48.0	26.3	19.3	50.2	45.4	33.6

Data up to 2006-07 are from CRISIL Research and for 2007-08 & 2008-09 are company estimates

The sugar cycle

The cyclicality of the sugar crop could be observed from the chart given below. It starts with a couple of years of good production, resulting into higher inventory levels, thus bringing down the sugar prices. The farmers bagging lower remunerative prices during these years of surplus production, leads to lower cultivation of the cane crop. Lower cultivation in turn leads to a decline in the sugar production and inventory levels, resulting into higher sugar prices. This cycle is repeated consistently. The industry is currently on an upturn and is expected to last for 2-3 season: as sugar cane is a long duration crop, farmers cannot adjust plantation cycles quickly in sync with the sugar price cycle.



Source : Cris- Infac / Comparry

Shift towards alternate crops

A shift towards alternate crops, has in effect come on account of lower sugar prices, reducing realisations from the crop. Lower realisation also accorded to delays on the part of sugar mills, to pay the cane price during the 2007-08 season. This caused farmers to sell a large part of the cane to the gur and khandsari segment, which normally fetches lower realisations for farmers and also led them to switch crops, earning better realisations, especially from wheat and paddy.

Government measures

The Government partially regulates India's sugar industry. While the Central Government regulates sales of sugar through issuance of monthly releases and announcement of a statutory minimum price (SMP) for procurement of sugar cane, many State Governments announce separate State-Advised Prices (SAP) which mills are to pay to the farmers. Major sugar producing states like Maharasthtra, Karnataka etc. follow the SMP while Uttar Pradesh announces its separate cane price i.e., SAP. The SMP for 2006-07 and 2007-08, remained unchanged at Rs. 811 per tonne, at 9% recovery, with Rs. 9 per tonne for every 0.1% increase in recovery. The UP SAP, when compared with the SMP, at 10% recovery for 2006-07 & 2007-08, has been higher by about Rs. 350 per tonne.

Cane pricing in UP

The UP Government announces the SAP every year before the start of the season. During SY 07, it announced an SAP of Rs.1250 per tonne. On account of the steady decline in sugar prices during 2006-07, the sugar industry was not in a position of making payments for sugar cane crop, resulting in a challenge in the High Court against the SAP on grounds of its arbitrary fixation. The Allahabad High Court, on a writ petition by the Industry, quashed the SAP declared by the State. The Supreme Court fixed an interim price of Rs. 1,180 per tonne, till the matter is finally adjudicated.

As the downturn in the industry continued, sugar companies increasingly became incapable of making payments to the cane farmers. Despite such situation, the Government of UP announced an SAP of Rs. 1250 per tonne for SY 08. Sugar companies in UP again approached court, filing a writ petition against the SAP at the Lucknow Bench of the UP High Court which through an interim order, directed the sugar mills to pay an interim cane price of Rs.1100 per tonne (without any statutory deductions for transportation charges). However, the Court in its final order upheld SAP. The industry challenged it before the Supreme Court, which while admitting the matter, confirmed the interim price of Rs.1100 per tonne till the matter is finally adjudicated. The cane prices for 2006-07 and 2007-08 are currently before Supreme Court and hence remain in sub judice.

Triveni has made cane payment at SAP of Rs. 1,250 per tonne for 2006-07 and at Rs. 1100 per tonne (as per Court orders) for SY 2007-08. We expect a rational solution through the judicial process in the long term interest of all stakeholders.

For SY 09, the Government of Uttar Pradesh announced much higher SAP of Rs. 1400 per tonne for general variety of cane and Rs. 1450 per tonne for early variety of sugar cane, procured while the SMP remained at the same level of Rs. 811 per tonne at 9% recovery.

For SY 09, the Government of Uttar Pradesh announced the SAP of Rs. 1400 per tonne for general variety of cane and Rs. 1450 per tonne for early variety of sugar cane.

Government measures

90% of sugar produced needs to be sold as per the monthly release, announced by the Central Government, on a market determined price.

This has resulted in an increase of spread between UP SAP and SMP at 10% recovery from Rs. 350 to Rs. 500 per tonne. Since the cane prices were fixed in lines with the previous years, the industry has again challenged the price fixation process of the State Government in the High Court. The hearing on the same is in progress at Allahabad.

Levy Sugar Prices

90% of sugar produced needs to be sold as per the monthly release, announced by the Central Government, on a market determined price. The balance 10% has to be sold as levy sugar through the public distribution scheme (PDS), under Central Government announced prices. The levy price announced by Central Government has always been lower than market prices, at times even below the cost of production. As the cost of sugar production is rising, especially in the states where cane price is based on SAP, the matter was taken to the Court by some UP sugar mills. The Supreme Court held that SAP has to be taken into account for future fixation of levy sugar prices. We understand that the Central Government has gone to the Supreme Court by filing a review petition, which is currently pending. The revision of the levy price as per the above basis will have a favourable impact on the profitability of sugar companies, especially in the states where cane payment is made according to the SAP, which is normally higher than the SMP.

By-products

Bagasse and Molasses

Bagasse and Molasses are the two main by-products of sugar production. Most of the major sugar producers in the country, integrated their operations by undertaking value addition activities viz., generation of electricity from surplus bagasse and distillation of alcohol from molasses. Most of the sugar producers in Northern India, tied up the supply of surplus electricity through a long term power purchase agreement, with prescribed annual escalations with the State Electricity Boards. In a year of lower sugarcane availability, bagasse generation will be comparatively lower and the potential for power generation and export to grid will be adversely affected. With regard to molasses, any reduction in the supply, on account of lower cane crushing will have a positive impact in the form of higher realisation for both the raw material i.e., molasses and the output i.e., alcohol. The value added activities of power generation and alcohol manufacturing ensure resistance against the sugar cycle. It provides alternate revenue streams, thus insulating the industry from the cyclic fluctuations. Our company is integrated upto 50% in both power and alcohol production. The balance quantities of bagasse and molasses are sold in the market and during the sugar shortage years, the maximum sale price is realised for these by-products.

Ethanol

India has the potential to expand its ethanol biofuel production, by utilising its vast sugar cane resource but many challenges remain embedded in the way. Though the world's second largest producer of sugarcane, India remains a marginal fuel ethanol producer. In wake of surging crude prices, the demand for cheaper alternative forms of energy is on the rise. The Central Government's ethanol programme for blending 5% ethanol in petrol has increased the scope of the ethanol industry in the country. The Central Government has expressed its intent to increase ethanol blending from 5% to 10%. While prices for other molasses-based products have increased significantly in the last 3-4 months, the ethanol prices remain fixed at Rs. 21.50 per litre till 2009 as per tenders issued by oil marketing companies.

Outlook 2008-09

The sugar production for SY 09 is expected to decline by nearly 23% YOY, while the sugar consumption is showing a steady rise. Further, the stock to consumption ratio, a strong indicator of sugar price movement, is showing a decline from over 45% at the end of SY 08 to around 33% in SY 09. Sugar prices for the next couple of years are forecasted to remain buoyant and drive the profitability of sugar companies. Sugar cane prices may also be higher relative to the previous year, owing to lower cane availability. Reduced sugar production should demand improved realisations from by-products namely bagasse, molasses and alcohol.

Sugar business group

Third largest sugar producer in India

Year of commencement	:	1933
Locations :		
Western UP	:	Khatauli, Deoband, Sabitgarh
Central UP	:	Raninagal, Chandanpur, Milak Narainpur
Eastern UP	:	Ramkola,
Total capacity	:	61000 TCD
Total employees	:	3871 as on 30.09.2008
% to Group turnover	:	51.2%
Divisional revenues	:	Rs. 8.9 billion
Divisional EBITDA	:	Rs. 904 million with EBITDA margin of 10.2%
Divisional PBIT	:	Rs. 359 million with PBIT margin of 4%

About Triveni Sugar

Triveni Sugar Business Group commands the third largest production capacity of plantation white crystal sugar in India. The company has seven sugar mills located across Uttar Pradesh. Their combined capacity is 61000 TCD, of which Khatauli (16000 TCD) and Deoband (14000 TCD) are the two largest plants in India. The company's production facilities are substantially integrated, with presence across by-product value-chain with power and alcohol.

The year 2007-08

The Year 2007-08 proved trying in terms of sugarcane availability and sugar realisations. Cane availability was a major challenge for the sugar units, the reason being:

- Less remunerative sugar cane pricing led the farmers of the major cane growing states to switch to alternate crops like paddy, wheat and cash crops, thereby affecting the cane production.
- Climatic factors (including frost in some regions of Uttar Pradesh) resulted in lower yields.

The company's units operated on an average, for 126 days in line, with the industry average . The company crushed 5.86 million tonnes of cane in 2007-08, against 6.10 million tonnes in 2006-07. It produced 579577 tonnes of sugar in 2007-08, against 591146 tonnes in 2006-07. On account of higher efficiencies, strong farmer relations and robust procurement, it recorded a decline of 2% in sugar production compared to an over all of 14% decline for the state of Uttar Pradesh.

The quantity of sugar sold during this financial was 508132 tonnes against 437306 tonnes during the corresponding 12 months period of FY 2006-07. Average free sugar realisations were 2% higher during FY 08, when compared with the corresponding 12 month period of FY 07, but cane price reduced substantially from Rs. 1250 per MT to Rs. 1100 per MT, paid pursuant to an interim order of the court pending final decision on the SAP for the season 2007-08. There was, therefore, significant improvement in margins, both at EBITDA and PBIT levels. Tracing the global and domestic scenario on stocks, sugar prices started firming up in the last quarter of FY 2007-08; its impact on the profitability would be felt only next year, owing to higher carry forward of low cost inventories.

The quarterly free sugar price realisation for Oct 06 – September 07 and October 07- Sept 08 is as follows:

Average Free Sugar price net realisations (Rs. Per qtl)

Q1	Q2	Q3	Q4
1721	1501	1358	1346
1395	1462	1462	1675

Performance of units

Unit Name	Cane Crush (Million Tonnes)	Sugar Recovery %	Sugar Production (000 Tonnes)
Khatauli	1.68	9.84	165.9
Deoband	1.53	9.94	152.2
Ramkola	0.64	10.22	64.9
Sabitgarh	0.61	10.06	61.1
Chandanpur	0.45	9.66	43.9
Raninagal	0.46	9.82	45.4
Milak Narainpur	0.48	9.58	46.2
TOTAL	5.85	9.90%	579.60

Performance in numbers

- The average recovery posted by the company was 9.90% in 2007-08 against 9.69% in 2006-07; this is significantly higher than the State average of 9.79%. Ramkola achieved a recovery of 10.22% which is highest among all the mills in the Group and one of the highest among mills in eastern UP
- The average realisation for the sugar sold was Rs. 14836 per tonne in 2007-08, against Rs. 15567 per tonne in 2006-07 (18 months). The sugar prices started improving from fourth quarter of the current financial year and the current prices have improved over the previous quarter of the current financial year by 13%.
- Improved operating parameters-steam consumption reduced by about 8.0% over a period of two years in two of our major manufacturing units having co-generation facilities. In all the new facilities, modern steam saving devices has been incorporated and as such, their steam consumption is at par with the best in the industry.

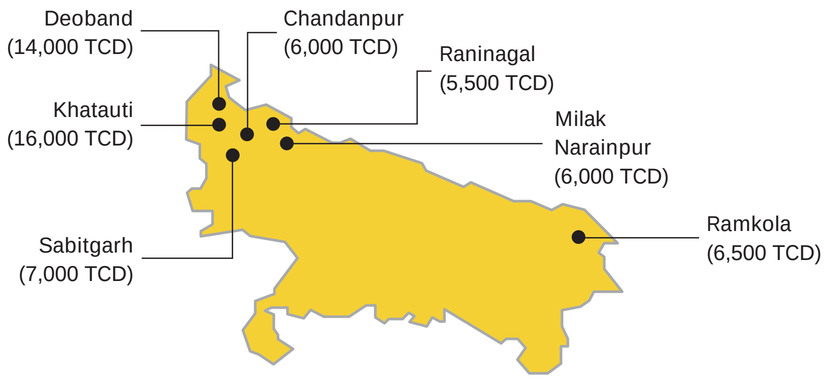
Performance beyond the numbers

- The units operated for an average of 126 days, owing to the late start of the season pending finalisation of the cane price
- The company's units have one of the lowest conversion cost of cane into sugar in the industry
- The company paid Rs. 1100 per tonne for cane procurement (as directed by the Interim Order of the Lucknow Bench of UP High Court)

Major growth drivers

- The country's sugar production in 2007-08 was much lower than the original estimates
- Estimates of production are lower during the next two years while the consumption is on a steady rise
- The sugar prices have firmed up on account of estimated lower production and rising consumption
- Decline in sugar cane crushing resulting in lower availability of by-products like molasses and bagasse; consequently, their prices along with alcohol, are expected to remain firm.

Strengths



1 Location

Triveni Engineering has seven operational sugar mills with a total capacity of 61000 TCD. While three units (Khatauli, Deoband and Sabitgarh) are located in western UP, the newly commissioned three units (Raninagal, Milak Narainpur and Chandanpur) are in central UP. Ramkola is the company's sole mill in eastern UP. More than 50% of the company's crushing capacity is located in western UP, an area with the largest concentration of cane cultivation, on highly fertile and well irrigated land.

The company's three new units are Chandanpur, Raninagal and Milak Narainpur. They are situated in relatively cane virgin areas where the farmers have been cultivating alternate crops such as wheat, paddy, mentha etc. However, the company under took various initiatives to promote cane-cultivation culture in these areas. Besides, the sugar cane catchment areas, for all sugar units of the company, are under canal irrigation – both in western and central UP. This leads to reduced dependency on monsoons. The strategic vicinity of the units to the country's major sugar consuming markets, ensure better realisations and lower transportation cost.

2 Capacity & integration

Triveni Sugar Business Group has the third largest capacity in India. Large capacity enables the company to lower its cost of production through economies of scale and to inspire farmer confidence in it, as volume off-takes would be proportionately higher and consistent.

The company is partially integrated, to offer a stable revenue source, in value-added by-products like alcohol and power. Integration has enabled the company to address the cyclicality prevailing in the sugar business helped creation of a de-risked business model.

3 Farmer relations

The company deals with over 250,000 farmers, across its seven units. With declining cane availability, due to lower yields and diversion, procurement of cane is one of the most important activities for the company's sugar business group. With the rising prices of alternate crops during 2007-08, it was very important for the company to ensure strong farmer relations for long-term raw material procurement.

Cane availability in Uttar Pradesh was hit by three major factors during the sugar season 2007-08:

1. Poor weather conditions led to lower yield

2. Farmers shifting to alternate crops on account of higher realisations

3. Lower price of sugar in the markets throughout 2007-08 limited the prompt paying capacity of the sugar mills

The sugar prices were largely affected by the increased cane production in the last two years. This resulted in accumulation of stocks and as a result, the sugar prices declined significantly. Alongwith declining output prices, the sugar industry in UP was burdened with high cane prices. This led to the delay on the part of the sugar mills to pay the farmers. At the same time, the prices of the alternate crops surged up in line with the global commodity cycle. The cumulative impact of the two abovementioned

factors, forced the farmers to shift to alternate crops. This resulted in an estimated reduction of about 25% area for season 2008-09. However, our company has a good cane payment track record, and intends to leverage this reputation for fair practices in cane procurement in future.

The company's dedicated team for farmer relations consists of around 400 cane development staff; they are responsible for developing and supporting farmers, to grow cane in regions of the company's presence. The objective is to help the farmer maximise his returns and at the same time ensure availability of the required supply of cane of the desired variety for the company's sugar units. Therefore, the cane development team works closely with the farmers by providing them with better and high yielding variety seeds, educating the farmers on advanced practices in agronomy. The company allocated a significant budget for cane development for 2008-09, to expand planting, promote high sucrose cane varieties and increase yields.

The company undertook the following initiatives to strengthen the farmer relations during the year under review:

- Cane payment: The company has a good cane payment track record. For the previous season, all cane payments were paid as per the interim order of the court
- Autumn planting: while spring planting is more popular and prevalent in our region, the company promoted autumn planting to increase the availability of the cane crop. This practice was undertaken on a test basis and our target is to bring 15% area under autumn planting in two years' time.
- Village meetings: The representatives of the company's sugar units held about 200-300 weekly village meetings across its command areas, to educate the farmer with modern farming practices and timely application of inputs, apart from spreading awareness on the benefits of cane growing. Such meetings enable the company to address farmers' problems at the grass roots level itself, which helps in maintaining a healthy and functional relationship.
- Cane development initiatives: The company's cane development team works closely with the farmers, providing them subsidised seeds and fertilisers, to enable them to grow early varieties of cane, improve yields, etc. It also initiated various other yield enhancement programmes.
- Farmer relation teams: The company undertook the organised building of farmer relation teams, recruited 60 graduates from agricultural universities across the country during the year, and trained them to facilitate the implementation of modern agricultural practices and awareness among farmers about the modern methodologies of farming etc. This kind and magnitude of structured exercise is among the first in the UP sugar industry.
- Intellectual support: The company hired retired cane experts from reputed agricultural institutes, to provide training and insights to farmers and to its own cane development teams.

Strengths

4 Cost control

In sugar operations, cane cost as a proportion of total cost is as high as 75-80%. This cost is uncontrollable for the company, since it is decided by the Government. Therefore the scope of controlling cost gets limited to the cane procurement, logistics and operational cost. Our sugar units ensure lower cost by achieving better operational parameters. This is brought about by improving steam efficiencies, reducing procurement cost on bulk purchases, reducing process losses for better recovery of sugar and also reducing the process stores and consumable consumption.

5 Quality

The quality of sugar is of paramount importance as it forms the only parameter for higher realisations in the market. The company exercises, extensive quality checks across all the stages of production. The company has quality labs with advanced equipment and trained personnel. The quality department works closely with the operations managers, to attain superior product quality. As a result, sugar produced from the company's units has achieved a brand identity in the market and hence commands premium.

6 Manufacturing efficiency

The company's units are highly automated to ensure better capacity utilisation and lower process downtimes. The company employs robust processes, backed by advanced machinery and trained manpower, to ensure better utilisation of capacities. Since the company, was previously engaged in manufacturing and installation of sugar plants, its units are equipped with highly efficient cane mills, vacuum pans and other critical equipment. They have high pressure boilers with our own manufactured turbines to produce steam and power, for captive requirement. The company has incorporated various technologies to bring down the cost of production of sugar such as installation of steam saving devices. This has resulted in consumption of lower steam per tonne of cane crushed and thus in turn, resulting in higher savings of bagasse.

7 Marketing and distribution

As per the prevailing regulations, 10% of the total sugar produced by the company is required to be sold as levy, (subsidised) for onward sale through the public distribution system. The remaining 90% can only be sold on the basis of the release mechanism specified by the government. Since the company's main manufacturing facilities are located close by the sugar deficit markets of Punjab, Haryana, Delhi & Rajasthan, the realisation for these units are generally the highest among the UP mills. Further, the mix of sugar produced also enjoys a certain premium over the normal quality sugar.

Branded sugar segment

The company manufactures branded sugar at its Khatauli unit. The company has been packaging and selling double sulphitation sugar under the brand "Shagun". It is available in retail packs of 1 kg and 5 kg and sold through a network of dealers across several states in northern India. Under the 'Shagun' brand, the company also started selling other grocery items such as atta, maida, sooji, besan, poha/ chewra and dalia.

UP Incentive Policy

The company's new investments in sugar manufacture, co-generation and distillery are eligible for incentives under the UP Incentive Policy introduced in 2004. The company has invested over Rs. 10 billion under this policy and was held eligible to receive prescribed incentives under it. The incentives, apart from 10% capital subsidy, include remission of some taxes and duties and reimbursement of certain costs, relating to sugarcane and sugar. The incentives other than capital subsidy work out to approximately Rs. 1000 per tonne of sugar produced. All our four new units are eligible to receive these incentives.

However, the new Government of UP (GoUP), in June 2007, terminated the policy and the industry (including our company) has challenged the action of the GoUP in the High Court. In respect of the cases, where the company was held eligible for incentives prior to the termination of the incentive policy, the court has permitted continuance of remissions pending final decision in this matter. Our company continues to enjoy benefits as per the interim order of the court. We expect the final judgment of the court to be in our favour; in which case, we will be entitled to receive substantial amounts by way of incentives over a period of 10 years.

Outlook 2008-09

With the estimated decline in sugar production for the current and following seasons, the prices of sugar started firming up since July 08 and the current realisations are at around Rs. 18000 per tonne. The UP Government, has announced an SAP of Rs. 1400 per tonne for the general variety cane and Rs. 1450 per tonne for early maturing variety for the current sugar season. The industry has challenged the same at the High Court and the hearing is in progress in Allahabad. Two of our sugar units have commenced crushing operations for the sugar season 2008-09 and the balance units are expected to start within the next 10 days. We believe that the sugar prices should remain firm in the next 12 months. In addition, owing to decreased cane production, the prices of by-products from sugar manufacturing are also expected to remain buoyant.

Triveni's locational advantage backed by its large capacities and coherent cane development strategy is expected to aid its cane procurement efforts. Based on the current estimates, we believe that during the current year, the company is expected to crush similar quantity of cane crush as last season but a clear picture will only emerge in the coming months.

Cogeneration business group

The power to sustain

Location	:	Khatauli and Deoband (UP)
Cogeneration Capacity	:	68 MW (Excluding captive steam and power generation units dedicated exclusively to the sugar factory)
Total employees	:	100 as on 30.09.2008
% to Group turnover	:	6.8%
Divisional revenues	:	Rs. 1.2 billion
Divisional EBITDA	:	Rs. 619 million with EBITDA margin of 52.7%
Divisional PBIT	:	Rs. 476 million with PBIT margin of 40.5%

About Cogeneration Business group (CBG)

Cogeneration, is the simultaneous production of electricity and heat (usually in the form of steam), using a single fuel in a single process. CBG considers, only those capacities that supply power to the grid as well as meet part of steam and power requirements of the sugar factory. The CBG was established to de-risk sugar operations, as it is counter cyclical to the usual sugar cycle. Bagasse, a by-product of sugar, is used to generate heat; which in turn is used to generate steam. Steam, is fed under high pressure into a steam turbine to convert it into mechanical energy. This mechanical energy, when connected to the generator, produces power.

The company has three cogeneration plants viz. Deoband (22 MW) and Khatauli Phase 1 (23 MW) and Phase 2 (23 MW). Deoband and Khatauli Phase 1 cogeneration plants, have extraction condensing type TG sets, and can therefore operate during both season and off-season. Khatauli Phase 2 has a backpressure type TG set and can operate during season only.

The year 2007-08

Performance of the year under review was influenced by reduced cane availability, resulting into lower bagasse availability and lesser operational days of the company, as compared to that of the previous year. However, the CBG continued to better its already high operational efficiency.

Performance in numbers

- The CBG's revenues achieved a growth of 15% over annualised revenues of FY 2006-07 at Rs. 1.17 billion
- The CBG's PBIT posted an increase of 43.5% to Rs. 476 million in 2007-08 on an annualised basis.

Performance beyond the numbers

- In terms of efficiency, Khatauli Phase 1 recorded a capacity utilisation of 98% and Deoband, of 95.5%. Khatauli Phase 2, with the backpressure type TG set and operation varying with process steam demand, achieved a capacity utilisation of 92%. This capacity utilisation was among the best in the industry.

- During the year, on account of lower cane availability, Deoband unit was operational for 208 days while Khatauli Phase 1 operated for 192 days.

CERs and VERs in 2007-08

- The company's Deoband and Khatauli phase 1 cogeneration units, are registered with UNFCCC and eligible for carbon credit benefits, under Clean Development Mechanism (CDM). The company had been issued CERs for the Deoband unit till 31st March 2007.
- The company sold approx. 187,000 Certified Emission Reductions (CERs) during the year which fetched good realisations.
- The VERs for the Khatauli cogeneration project was verified as per the VCS-2007 standard, which was globally amongst the first project to have used such standard for the verification of VERs.
- The company sold such CERs and VERs at very good prices which resulted in better realisations.
- The total income from the sales of carbon credit was Rs. 131 million during the year.

Major growth drivers

- Continuing shortfall in the supply of power in Uttar Pradesh
- Consistent schemes to promote cogeneration in the Electricity Act, 2003 and National Electricity Policy
- New solutions in the Power market
- Bagasse based cogeneration units are eligible for carbon credit benefits, as bagasse is a renewable fuel.
- Incentives by the Governments.

Outlook 2008-09

Even though the SY 2008-09 is expected to be a tough year in terms of sugar cane availability, the company remains confident of maintaining sugar cane crush in the season at similar levels as last season, thereby aiming consistency for its co-generation operations. Further, substantial carbon credits, accruing from the cogeneration units will continue to raise a steady income.

Distillery business group

One stop shop for distillery products

Location	:	Muzaffarnagar (UP)
Capacity	:	160 klpd
Total employees	:	97 as on 30.09.2008
% to Group turnover	:	4.3%
Divisional revenues	:	Rs. 737 million
Divisional EBITDA	:	Rs. 232 million with EBITDA margin of 31.5%
Divisional PBIT	:	Rs. 177 million with PBIT margin of 24%

About Distillery Business Division

The company's Distillery Business Group (DBG) commenced operations in April 2007, along with the commissioning of the DBG's sole distillery at Muzaffarnagar in UP. The 160 klpd distillery is one of the largest single stream molasses based distillery in the country and is located equidistant from the company's two largest sugar units. Hence, it is assured of consistent captive raw material supply. This division integrated company's sugar business in terms of value-added products, using part of the molasses from captive sources. This business group, along with the cogeneration business group, has lent a crucial support in mitigating the cyclical revenue risk of sugar business, which was previously solely dependent on sugar. The distillery produces (a) special denatured spirit (SDS), (b) rectified spirit (RS) and (c) extra neutral alcohol (ENA) currently and has also holds the capability of producing ethanol (anhydrous alcohol).

The year 2007-08

2007-08 was the first full year of the DBG's operations. During the year, the distillery achieved full capacity utilisation, operating with excellent efficiencies. The unit not only enabled the company to generate higher revenues from adding value to sugar's co-product, but also removed any possibility of low realisation from distress sales of molasses produced from its units at Khatauli and Deoband.

On account of lower availability of sugar cane, the molasses prices rose, especially during the second half of the year under review. Simultaneously, an increase in the prices of industrial alcohol, potable spirit and extra-neutral alcohol was traced. As a result, realisations in the distillery group went up during the year across major products like ENA, RS and SDS. The average realisation of alcohol for Q4 has been higher by 25% over the preceding quarter, while it has been significantly higher, by over 50%, compared with the first quarter of the financial year. Though the plant can produce ethanol, it came into existence only after tenders of the oil marketing companies were finalised: it could not be allocated any quantities for the supply of ethanol. The DBG obtained better realisations for its products in Q4 2007-08 as compared to ethanol.

The distillery produced 35.997 million litres of alcohol. In a short time, it has become producer of ENA of the highest quality and sells its produce to United Breweries, Jagatjit Industries, etc. In the SDS segment, it has been selling to leading companies like Jubiliant, India Glycol, IOL etc. The company commands a premium on account of superior product and service quality, and superior sales strategy and merchandising.

Performance in numbers

- The DBG achieved revenues of Rs. 737 million in 2007-08
- The DBG posted PBIT of Rs. 177 million in 2007-08
- It produced total alcohol of 35.997 million litres and sold 35.468 million litres
- Average realisation for alcohol for the year was Rs. 20.59 per litre with the Q4 prices higher by over 25% compared with Q3
- The average capacity utilisation of the unit was 98% for the year.

Performance beyond the numbers

- Distillery unit achieved very good fermentation & distillation efficiencies.
- The unit also generates biogas from the effluent which is used in the boiler as fuel. The biogas generation per KL of production was amongst the highest in the industry, resulting in substantial savings in operational costs.
- During the year, the DBG sold its products to reputed clients including UB Group, IOL, Jagatjit Industries.

Major growth drivers

- On account of lower cane production, higher prices of alcohol are anticipated.

Outlook 2008-09

The year 2008-09 is expects to see lower cane production in Uttar Pradesh. The impact is expected to lead to higher molasses prices and alcohol prices. We expect further improvement in operational efficiencies.


2.

2. Engineering businesses

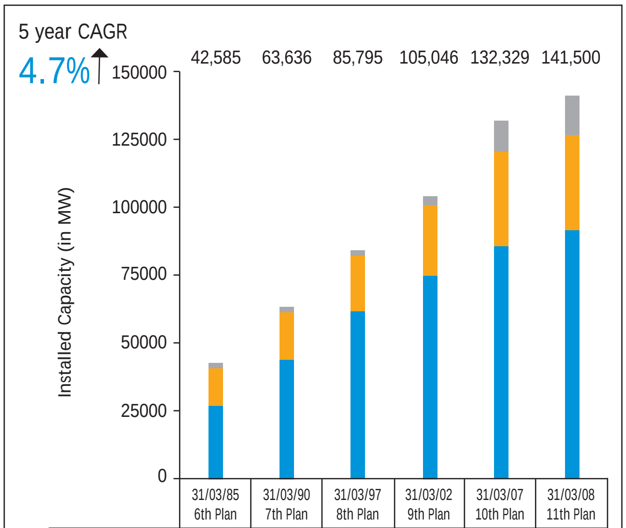
Accounts for 38% of the company's total revenue and includes steam turbines business, high speed gears & gearboxes business and water and wastewater treatment business groups.

The Engineering business group largely caters to Power and Water sector.

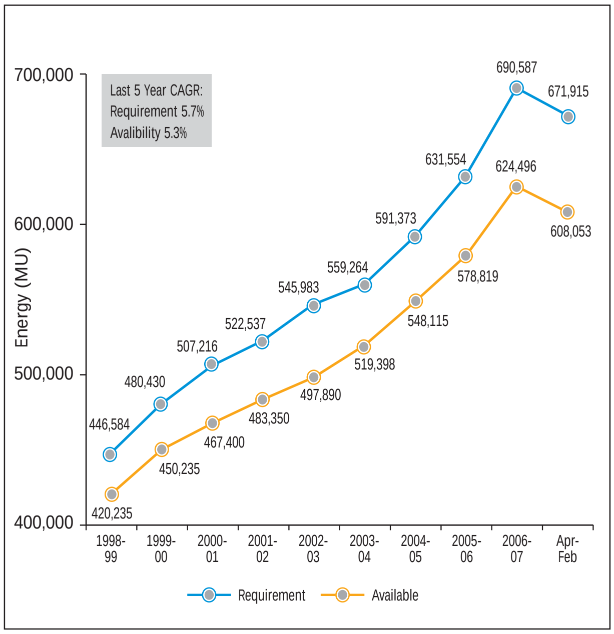
Power sector

Currently, India has the third-largest power generation capacity in the world, with an installed base of 140 GW. This is grossly inadequate to compensate for India's peak energy shortage of 9.5% (53.2b kWh) and peak demand shortage of 13.9% (14 GW). Accordingly, there is a considerable thrust on higher power generation in the Eleventh Five Year Plan (2007-12). Going by the national demand forecast of the 16th Electrical Power Survey conducted by the Government of India, a capacity addition of about 76,400 MW is planned in the 11th Plan (i.e. 2007 – 2012). Out of this, 28,000 MW is planned to be added through Ultra Mega Projects, 23,000 MW through Merchant Plants and the balance 25,000 MW through captive / cogeneration / IPP segments.

The overall estimated demand from all the segments of captive/co-generation/bio-mass based, independent power producers is estimated at 4000 MW per annum to be added in the next five years in the industrial turbine range up to 45 MW.



	31/03/85 6th Plan	31/03/90 7th Plan	31/03/97 8th Plan	31/03/02 9th Plan	31/03/07 10th Plan	31/03/08 11th Plan
Nuclear & others	1095	1583	3127	4348	11661	14975
Hydro	14460	18308	216568	26269	34654	35379
Thermal	27030	43746	61010	74429	86015	91146



(Source: Ministry of Power)

Captive power

Captive power refers to power generation from a project set up for captive industrial consumption. According to the CEA Report, July 2007, captive power capacity, at 14,636 MW, accounted for 10.8% of total installed capacity in India. The industrial sector is the largest consumer of energy, accounting for about 45% of total electricity consumption of the country. Due to India's recent economic and industrial growth, there has been a continued shortage of power. Poor quality, unreliability and high commercial power tariff as a result of cross-subsidisation, is driving many industries to seek captive power generation as an alternative. Further, the Electricity Act 2003, provided impetus to captive power generators by exempting them from license requirements. This resulted in an increase in captive power capacity additions by industrial units. Reliability of power supply and better economics are other factors pushing industries to opt for captive generation.

Surplus electricity from the captive power plants is generally allowed to be fed into the grid or sold to third parties.

Cement, paper, textile and steel (sponge iron) industries are highly power intensive. The energy cost, compared to the total cost of production is approximately 34% for cement, 20% for paper and 12% for steel (sponge iron). Process steam requirements and potential for heat recovery, drives these industries to captive power generation, to meet captive requirements and generate an additional revenue stream through sale of surplus power. Being a cheaper source of power, the potential of captive power plants for most of these industries is likely to grow further.

Being at par with rapid industrialisation and economic development, substantial growth is expected in the sectors that are consumers of our products. The paper industry is expected to grow at around 8–10% in the coming year and its consumption by 20% till 2010. The large paper companies cumulatively, intend to increase capacity by about 800000 MT. As the paper industry goes with a typical co-generation cycle, steam being an integral part of the process requirement, continues to be a preferred area.

The textile industry is also expected to shift to steam based power plants, from the current DG based power plants on account of cost advantages. This conversion would open a door to about 8500 MW of market opportunity. In the same way, the cement industry may switch its DG based co-generation power projects of around 1400 MW to the steam route.

Independent Power Producers & Renewable Energy

Independent Power Producers ("IPPs"), generally with a capacity of 4 – 50 MW, are a form of distributed generation ("DG"), which use gas, biomass, municipal solid waste, small hydro, wind, etc. to product electricity. While a small part of the power produced in some cases may be for captive consumption, the IPP enters into a PPA with the state utilities for the sale of balance power which is their primary objective.

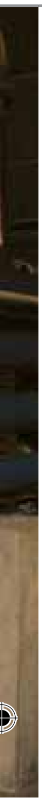
The Ministry of New & Renewable Energy (MNRE) promotes projects based on biomass, agri-residues, forest waste, amongst others. India has an installed renewable energy based power generation capacity of about 11,125 MW as on April 30, 2008, which is 7.7% of the total installed capacity.

Renewable energy continues to play a major role in the development of low captive energy systems, as it involves lower environmental impact. Carbon credits along with income tax and duty subsidies for biomass-based power plants stimulate further growth in this sector.

According to the Ministry of Non Conventional Energy Sources estimates, biomass based resources is capable of generating over 16,000 MW per annum. Whereas, the current installed capacity is only about 600 MW for Bio Mass IPP. The gap is enormous to fill in; hence this segment also holds growth potential for captive power business. After Andhra Pradesh and Karnataka, Maharashtra, Punjab and Haryana are now strongly promoting Independent Power Projects (IPP).

Carbon development mechanism

The concept of reducing carbon emissions came into effect as a result of global warming and the need to control the greenhouse gas ("GHG") emissions. Clean Development Mechanism ("CDM") is a mechanism under the Kyoto Protocol aimed at reducing GHG emissions. Certified Emission Reductions ("CERs") are issued for projects, which reduce emission of six identified GHG in the developing nations. Renewable energy generation projects meeting certain criteria are eligible for CERs.



Water Sector

Sustainable water management in India is urgently becoming a necessity, as pressure on water resources from a growing population and industrial development, is increasing. In India alone, water demand is expected to rise from 552 billion cubic metres (“BCM”) in 2000 to 1050 BCM by 2025. Of total water usage, 92% goes to agriculture, 3% to industry and 5% to domestic use. Per capita fresh water availability dropped from 5000 m3/year in 1947 to 2000 m3/year in 1997. By 2027, this is expected to drop further to 1500 m3/year.

Municipal water and related environment services have historically been managed by the Government of India, with nearly 70% of the overall funding in the sector coming through central and state allocations. The Indian national target of full water coverage for the urban population, alone, is estimated to require an expenditure ranging from Rs.112 billion to Rs.168 billion for water supply and Rs. 289 billion to Rs.626 billion for sanitation related services. The Government is planning on an intense far-reaching reforms to promote involvement of water systems developers. Jawaharlal Nehru National Urban Renewal Mission (JNNURM) schemes are to be taken up in all major Indian cities with an annual estimated market size of Rs. 13 –15 billion for water related schemes. Simultaneously, the Asian Development Bank and World Bank are actively promoting privatisation and commercialisation of water in India through sector restructuring loans, urban water supply loans and urban infrastructure loans.

Private participation in water engineering as a whole and the water treatment segment in particular is expected to witness a significant boost in the near future. The large size of the potential market, strong economic growth and continued liberalisation offer immense scope for all players. With India’s vast pool of high quality technical and scientific manpower, strong growth can be expected in this sector. Together, with its low manufacturing costs and substantial engineering resources, India is capable of becoming a global base for outsourcing in the future.

Moreover, constantly inflating water taxes, marking its presence via water price hike, has driven the manufacturing industry towards in-house water management and water recycling. Regulations are getting stricter and enforcement agencies are insisting on high level of environmental clearances. This can be judged from the fact, that even small scale industries are being regulated for integrated solutions through the common effluent treatment plant approach. There exists another trend among Indian companies, to voluntarily invest in pollution control, to get ISO 14000 certification to improve their corporate image.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) schemes, to be taken up in all major Indian cities with an annual estimated market size of Rs. 13 – 15 billion for water related schemes.

Turbine business group

Market leader in steam turbines below 20 MW

Year of commencement	:	1968
Location	:	Bangalore
Total employees	:	598 as on 30.09.2008
% to Group turnover	:	29.4%
Divisional revenues	:	Rs. 5.09 billion
Divisional EBITDA	:	Rs. 1.33 billion
Divisional EBITDA margin	:	26.2%
Divisional PBIT	:	Rs. 1.28 billion
Divisional PBIT margin	:	25.1%
Order book	:	Rs. 5.15 billion as on 30.09.2008

About Triveni Turbines

Turbine Business Group commenced operations as a backward integration to the company's sugar equipment manufacturing operations. Subsequently, in view of the vast market potential, the business focus was changed to cater to other industries as well. This led to the manufacture of higher MW, high pressure and high temperature turbines used in power generation.

The Turbine Business Group manufactures steam turbines up to 30 MW. In steam turbines up to 20 MW, TBG is market leader with over 75% market share. In the last four years, the TBG has posted revenue increase at a CAGR of 30% and profit before tax increase by a CAGR of 76%.Triveni was the first Indian turbine company to be certified ISO 9001 and ISO 14001, and continues to set high standards in product quality through world-class manufacturing facility and in-house technology development backed by a strong indigenous R&D team and strategic partnerships with the best global research firms. TBG has strong after sales service and spares and refurbishing services for all makes of steam turbines.

Steam turbines are largely used in generating captive power by utilizing process heat, waste heat or heat generated by byproducts/ biomass waste. Triveni TBG has successfully supplied and installed over 2300 turbines since inception

Steam turbines are largely used in generating captive power by utilizing process heat, waste heat or heat generated by byproducts/ biomass waste.

and it caters to a wide range of industries, including bio-mass and municipal solid waste based independent power plants (IPPs), captive power plants (CPPs) and co-generation plants in industries, such as, sugar, paper, textiles, fertilisers, petrochemicals, chemicals, pharmaceutical, carbon black, solvent extraction, steel etc.

The year 2007-08

The company stepped into the year under review with an order book of Rs.4.7 billion. To ensure a faster rate of growth, TBG took on two major challenges:

1. Reducing the turbine delivery time: Turbines are one of the most critical components in power generation. Faster deliveries fetch a higher premium, apart from customer goodwill. Therefore, the entire process of turbine manufacture was critically analysed and re-engineered. Finally, investments were made in high-technology precision machines and processes and factory layout were better realigned. The turnaround time to produce a standard steam turbine was appreciably reduced.
2. Improving the quality of critical components: High pressure steam turbines operate at very high speeds. Any disruption in operations may not only lead to higher downtime, but also cause serious problems. The company conducted a thorough review and reinforcement of its supply chain and related processes to ensure world-class quality of critical components.

The TBG's revenues continued to grow and show an increase of 10.1% (over annualised revenues of FY 2006-07) to Rs. 5.1 billion in 2007-08. On a similar note, the TBG's PBIT posted an increase of 24.8% to Rs.1.3 billion in 2007-08. The improvement in the performance of the company can be associated with continuous increase in product and service offerings, increased efficiency, higher automation and effective R&D initiatives.

TBG strives to deliver products of world class quality to its customers. The value engineering exercise is carried out, on an ongoing basis. It enables products to be competitively priced and preserving the margin at the same time. It is the market's most preferred source because of its product offerings and superior after sales service.

The company achieved self-sufficiency in manufacturing turbine blades during the year, resulting in better quality and lower production time for its turbines.

Performance in numbers

- TBG contributed 78% of the total engineering revenues.
- The company produced 102 turbines during the year, adding up to total generating capacity of 724 MW
- Steam turbines product sales comprised 88% of the divisional revenues in 2007-08 against 91% in the corresponding 12 months of 2006-07.
- Income from after sales spares and service, including refurbishment consisted 12% of the divisional revenues against 9% in the corresponding 12 months of 2006-07.
- Exports increased by 131% from Rs. 260 million in the corresponding 12 months of 2006-07 to Rs. 603.4 million in 2007-08.

Performance beyond the numbers

- The company successfully assembled, tested and commissioned the first 27 MW turbines for a sugar mill in UP, thereby joining the select class of 30 MW turbine producers. This new turbine achieved best in class operational efficiencies during its operations.
- The company achieved self-sufficiency in manufacturing turbine blades during the year, resulting in better quality and lower production time for its turbines.
- As a part of the focus on customer care, three new service centres

were opened during the year which has increased the pan India reach of our customer care.

- To meet the challenge of rapid in-house development of technical expertise in design, manufacture and customer care, an in-house training programme was developed and successfully implemented during the year.
- The company exported its turbines to 11 countries and also received refurbishment orders from 2 countries, highlighting its technological excellence and cost advantage.
- The company successfully completed technical upgradation of SAP from 4.6C to MySAP ECC 6.0. The system is used extensively across the unit and helps to increase productivity, reliability and transparency.

Prestigious orders in 2007-08

- Entered Oil & Natural Gas segment with 4 orders
- Booked a single largest order of Rs. 400 million from a public sector steel plant
- Entered 6 new countries during the year for multiple application
- Entered into a new segment of community home heating in the European market.

Major growth drivers

- Increased thrust of private players in the co-generation and IPP space
- In the 11th plan, captive/co-generation/IPP initiatives expected to generate about 25000 MW, reflecting the potential market for steam turbines.

Order book

The company closed the year 2007-08 with an outstanding order book of Rs. 5.2 billion, as against opening figures of Rs. 4.7 billion. The order book as on 30.09.2008, accounted for over 100% of the division's revenue for the year 2007-08.

Product offerings

Steam turbines: The company provides comprehensive solutions in steam-based power generation from 1-30 MW, one of the most widely preferred categories of turbines for power generation in the captive & co-generation segment. The product offers global efficiencies at competitive prices with reliable after sales service.

After sales service, spares and refurbishment services: After sales service and spares markets offer wide range of opportunities and lucrative margins. Since most of the older turbines in India were imported, the availability of spares and after sales service becomes time-consuming and expensive if conducted by the OEM. Moreover, some of the OEMs may have exited the business. As a result, owing to its technological expertise and ability to offer customised solutions, the company has increased its presence in this segment.

Refurbishment stems from the after-sales service and provides high-end solutions in maintenance and balancing of the turbines. The company offers the following services:

- Refurbishment and Residual Life Assessment (RLA) of all makes of turbines/compressors/blowers/pumps in India and overseas
- Customisation and upgradation of old turbines for higher power output as well as changing customer requirements
- Overhauling and troubleshooting services for all makes of turbines
- High speed balancing machine, a state-of-the-art equipment from SCHENCK, Germany for balancing of turbine/ compressor/alternator/gas turbine, rotors around 150 MW capacity
- Unique capability in India for high speed balancing of flexible rotors by using state of the art software.

Strengths

1 One stop shop

The company offers a comprehensive range of engineered-to-order solutions and services, in high speed, high pressure turbines. From steam turbines, to after sales services, to spares, to refurbishment services – TBG's presence across all verticals of the product value chain has enabled it to secure better customer goodwill and higher margins. As a result, the PBIT margin of this division has increased from 9.4% in 2004-05 to 25.1% in 2007-08, reflecting the benefits of a holistic product and service offering.

2 Quality

Triveni turbines must meet the highest standards of quality, safety and efficiency. Every Triveni turbine undergoes vigilant tests on strict quality parameters, down to the last micron. The company's Quality Control Department ensures that products meet national and international benchmarks such as ISI, CE specifications, IEC, etc. As a result, every working Triveni turbine registers an average uptime of 99%. The Quality Management System continues to be certified for ISO 9001:2000 and Environmental Management System is certified for ISO 14001:2004. Performance guarantees were met for all the commissioned turbines available for performance test during the period.

Quality improvements form an integral part of the quality management system, affected through various process improvement initiatives including Six Sigma. Expert guidance for quality improvements is being provided by professors from Indian Statistical Institute, Bangalore, and counsellors from the Confederation of Indian Industry. During 2007-08, eight officers were trained on Six Sigma Black Belt methodology, raising the total to 38 officers trained as Black Belts, and 97 officers, as Green Belts.

During the year TBG has participated in the CII-EXIM Bank Award for Business Excellence and has been awarded Commendation Certificate for Strong Commitment to Excel. 13 officers are trained as Assessors as per European Foundation for Quality Management (EFQM) model for Business Excellence.

3 Customer service

Given the criticality of overall operations, any downtime in turbine operations results in both, production and revenue loss. Prompt and efficient back up service and spares from the OEM is the key consideration for any client. TBG has focused on providing unmatched levels of service to its own customers as well as launched a new line of revenues in the after sales service and refurbishment business. The Customer Care Cell (CCC) revenue has shown a growth of 50% over last 12 months period and this growth should continue for 2 reasons:

- Significant growth in number of installations of larger MW turbines leading to greater revenue in AMC and overhauls.
- Increased focus on refurbishing as a business.

TBG has 125 service professionals, to provide after sales services to customers. As per terms, service representatives attend to a customer within 48 hours, but in over 90% of instances, they reach the site in less than 24 hours. The company has 13 service offices throughout the country, including 3 centers (Nagpur, Ahmedabad and Kolkata) opened during 2007-08. As a result, the company services more than 900 turbines on an average per year both of its own and other makes.

With the shift in focus of refurbishing activities to larger turbines and overseas market, TBG has entered into strategic tie ups with some of the leading turbine manufacturers.

During this year, TBG also commissioned a High Speed Vacuum Tunnel Balancing facility. TBG now becomes the only company in the private sector to have such a sophisticated facility for high speed dynamic balancing of turbine and alternator rotors up to 37 tonnes in weight and 8 meters in length. However, the capacity depends on the size and weight of the rotor. Using it, TBG has already completed major orders from various customers, and much more can be expected in future.

4 Low production cost

Triveni turbines are highly cost competitive globally. This is because of a permanent focus on production cost control. This is carried out through continuous value engineering; continuous cost reduction programmes; leveraging higher capacities for economies of scale; minimizing overheads and administrative costs, and not the least uninterrupted thrust on R&D to achieve better product quality at optimum cost.

5 Technology, Research & Development

Technology has been the company's sole differentiator. It has enabled it to secure an equal standing with the best turbine manufacturers globally. As the company is focused on the manufacture of "engineered to order" turbines, it is highly technology-dependant in ensuring that the customer's requirement is met with the offered specifications. The company's R&D capability is supported by eminent external advisors from IISc, IIT and other notable institutions. Besides its in-house endeavours, TBG has also tied up with several reputed institutions for taking up research activities.

During 2007-08, the company elevated itself to 20-30 MW league by raising its focus to higher capacity turbines. TBG also launched the development of new models for high inlet pressure turbines in the range of 5-30 MW. This development will help it to offer high pressure designs for the entire range upto 30 MW.

The company indigenously developed a 27 MW extraction condensing turbine, which incorporates several novel features, such as, automatic stop valve, control system with advanced servo for full range control, sliding pedestal for better robustness, high pressure nozzle chest, and new HP and LP casing. The turbine was commissioned successfully in April 2008.

The company also developed the capability to manufacture cost effective LP blades indigenously.

Strengths

6 Manufacturing excellence

In a business of "engineered to order" products, the initial capital cost is not the dominant variable. Apart from technological features, operational efficiency, product robustness and life cycle cost are the decisive factors. The company uses world-class processes and machines to ensure better value for money products for its customers and turbines that are highly efficient, and resilient to higher load variations.

During the year under review, TBG installed various equipments to reduce delivery time and improve the quality of critical components:

- Installation and commissioning of WFL Mill Turn Machine and CNC vertical Turret Lathe. These machines ensure that the machining of critical components like rotors and casings is faster and absolutely precise. These machines will directly help to reduce turbine delivery time by one to two months.
- The company commissioned multiple automated test beds for assembly and testing. These test beds have all utilities like steam, water, air and working space. This speeds up mobilisation within the factory for the turbines and enables engineers to test the turbines on the same assembly bed.

A new 30 TPH condenser was also installed for testing of condensing type turbines. This enabled making turbines in-situ from beginning to end, saving a lot of time in movement of turbine, resulting thereby in significant saving in throughput time of assembly. With commissioning of a new 15 TPH boiler, TBG can now carry out mechanical run tests of three turbines simultaneously.

7 Supply chain, outsourcing and vendor management

The company has developed stable supply chain relationships with the vendors of critical components. It provides them technical assistance to reduce their manufacturing time and rejection rate, and optimise costs. There are excellent outsourcing facilities for advanced machining in and around Bangalore. The company's personnel work closely with the people at vendors' end, to promote quality and quicker delivery.

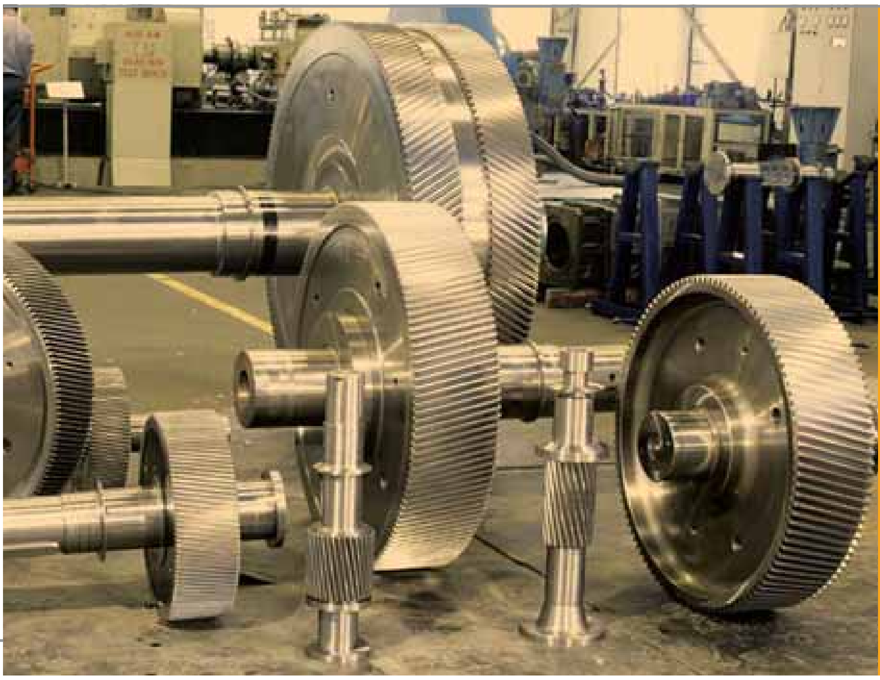
Outlook for 2008-09

TBG already caters to a wide spectrum of industrial segments apart from bio-mass based independent power producers. A slow down in a particular industrial segment or cluster of segments is not likely to impact its performance as a whole. However, in the short term, the liquidity crunch and financial market turmoil may affect some of our clients who may have difficulty in arranging finances to complete their projects or may delay in finalizing new orders.

TBG, on the export front, focuses on opportunities to expand its market reach, and to partner its valued clients on projects across the world. On the domestic front, the company expects better orders from various sectors it caters to. The customer care division will continue to register growth with the increase in number of installations year on year and the need on refurbishment and retrofitting services for all existing makes of turbines.

Gear business group

Made to order precision engineering products and services



Year of commencement	:	1976
Location	:	Mysore
Total employees	:	161 as on 30.09.2008
% to Group turnover	:	4.4%
Divisional revenues	:	Rs. 769 million
Divisional EBITDA	:	Rs. 247 million
Divisional EBITDA	:	margin 32.0%
Divisional PBIT	:	Rs. 220 million
Divisional PBIT	:	margin 28.6%
Order book	:	Rs. 534 million as on 30.09.2008

About Triveni Gears

Triveni Gears commenced operations in 1976, to complement the Group's turbine business. It has emerged as the largest manufacturer of high speed gears and gearboxes in India today, with a market share of 60% in the overall High Speed Gear market and over 80% in the market up to 25 MW. GBG produces high-speed gears and gearboxes of up to 75 MW capacity and 50000 rpm speed, hydro gearboxes, niche low-speed gearboxes and loose gearing. Triveni also provides replacement & refurbishment solutions for domestic and international customers. The gear business group has a technology license agreement with Lufkin Industries (US) Inc, the world leader in high-speed gears. The company produces high speed gearboxes up to 7.5 MW using its indigenous technology and above 7.5 MW-25MW, using Lufkin designs and technology and above 25 MW gearboxes under a unique joint manufacturing programme with Lufkin.

The year 2007-08

The GBG continued to post robust growth during the year under review. This was propelled by higher demand for power turbines, in both steam and hydel segment, and a robust replacement solutions market. In the last four years, the GBG has posted a revenue increase of CAGR of 33% and a PBT increase of CAGR of 73%. Its revenues continued to grow by 23% (over

In the last four years, the GBG has posted a revenue increase of CAGR of 33% and a PBT increase of CAGR of 73%.

annualised revenues for FY 2006-07) to Rs. 769 million in 2007-08. On the same basis, the GBG's PBIT posted an increase of 42% to Rs. 220 million in 2007-08. The unit grew its bottom line at a significant pace despite input cost increases during the year. This was because of a culmination of multiple initiatives including higher efficiencies and productivity, automation, value engineering and cost cutting. The GBG was able to cut its production time per gearbox, which also results in direct cost savings and a marketing edge.

Performance in numbers

- GBG contributed 12% of the revenues of the engineering business.
- OEMs comprised 70% of the divisional revenues against 76% in the corresponding 12 months of 2006-07.
- Income from refurbishment segment, spares, loose gears etc., comprised 30% of the divisional revenues against 24% in the corresponding 12 months of 2006-07.
- Exports increased by 328% to Rs.24 million in 2007-08.

Performance beyond the numbers

- During the year, the company focused on increasing the share of revenues from newer segments and products like hydel gearboxes, niche low speed gearboxes and loose gears
- The company also focused on increasing its exports. As a result, it concentrated its efforts in marketing its refurbishment services in markets in South East Asia. The company forayed into loose gear manufacturing for reputed multinational companies.

Prestigious orders in 2007-08

- The company received a host of prestigious orders including the first 38 MW from Siemens-India
- It also received rate contract from BHEL for 50 gearboxes for boiler feed pump drives
- Added SAIL power plant -IISCO 18 MW and 8 MW orders- through BHEL
- First high power hydel gearbox under CE marking. This will enable the company to foray into European markets
- Breakthrough order palm oil segment
- First high power hydel reference created for overhauling 4.5 MW hydel gearboxes
- First reference created for replacement of Skoda, Lenn Mass, USA, PIV Germany, Hangzhou, China gearbox
- First 800 MW TPS gear assembly order from Voith Germany for 12 sets
- Breakthrough refurbishment orders from Vietnam and Thailand

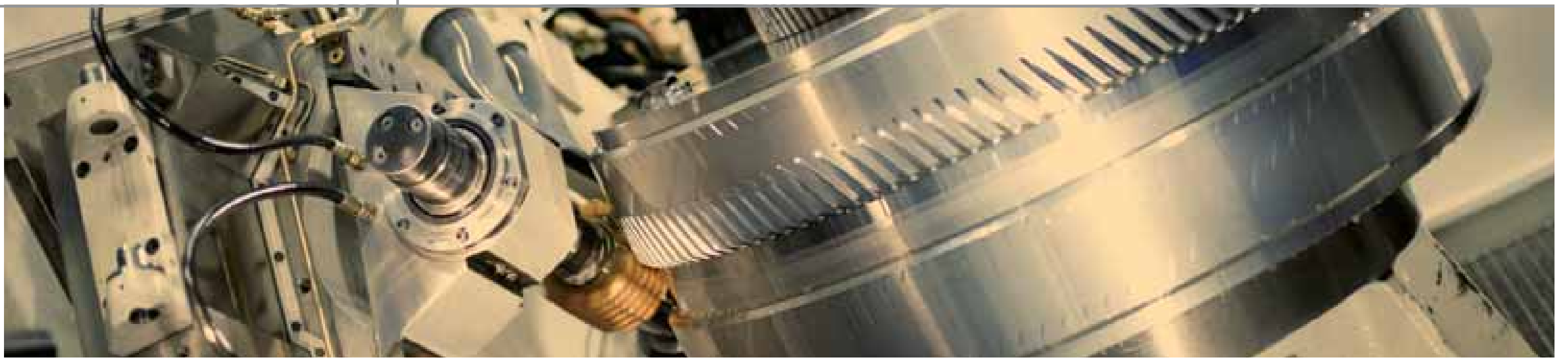
Major growth drivers

- Increased installations of co-generation plants and IPPs to meet the power deficit in the country
- Greenfield and brownfield expansions of capacities in industries
- Replacement requirements and refurbishment services.
- Growing spares and services business
- Increased business of the top turbine OEMs

Order book

The company closed the year 2007-08 with an outstanding order book of Rs. 534 million, as against opening figures of Rs. 408 million. The order book as on 30.09.2008 accounted for about 70% of the GBG's revenue for the year 2007-08.

Strengths



1 Integrated solution provider in gears and gearboxes

Being the market leader in the under-25 MW segment, Triveni GBG strategically increased its product presence to a higher power range. The GBG commenced operations as a captive supplier of high-speed gearboxes to its Turbine Business Group (TBG) at Bangalore, since gearboxes form an integral part of the steam turbine package. Increased capacity, global quality and quick delivery have led to greater acceptance, and consequently, GBG has emerged as a preferred supplier to major OEMs.

As a strategy to increase its market share and widen the customer base, the company offered refurbishment services including diagnostic study and replacement of spares for gearboxes of different makes. To integrate its product portfolio, the company initiated the production of niche low speed gearboxes and hydel gearboxes. During 2007-08, as a move to fully supplement this business, the company forayed into manufacturing of loose gears for Voith, Warsila and BPCL-Naini.

2 Intellectual expertise

Triveni GBG offers precision engineered customised solutions in gears and gearboxes. The major enabler to this business is intellectual capital e.g. designs, software packages and human expertise. The company uses indigenous designs for gearboxes below 7.5 MW. To ensure world class products, the company tied up with Lufkin Inc., a US based company, for manufacturing and design expertise for gearboxes above 7.5 MW. Beside, GBG's in-house design team consists of highly competent and experienced engineers. And training and development initiatives are taken at regular intervals to ensure their adaptability to technological advancements and evolution of client requirements.

3 Manufacturing excellence

The company has always been focusing on technology-led solutions. Manufacturing facilities are fully integrated, with world class equipment for gear hobbing, gear grinding and test bays. The company invested largely on world-class equipment and machinery to ensure top quality productions, lower production time and higher precision.

Non-critical operations that require machining and fabrication are outsourced (like castings and valves) to quality-approved vendors in Mysore and Bangalore.

New facilities like Magnetic Particle Inspection (MPI), Rollscan and Nidal etching facility for grinding burn test and hand held vibration analyser were added to the existing infrastructure to upgrade quality assurance.

The facility is in the process of being expanded into a complete 2 mtr unit, right from heat treatment to grinding (both internal and external).

Strengths

4 Quality

Quality has been one of the major strengths of GBG. Considering the criticality of gearboxes in operations, any glitch may lead to damage of much larger proportions. The quality of gearboxes is known by its efficient, safe and problem-free operations.

Triveni gears and gearboxes are manufactured with proper adherence to the world-class API, AGMA, DIN and ISO standards. Moreover, the manufacturing facility at Mysore is ISO 9001-2000 and ISO 14000 certified, being the first company in the gear industry to achieve this. With the integrated ERP system, the communication of information within all the verticals of the GBG is faster and beneficial to the overall manufacturing quality. The company follows the “Do it right the first time” principle to ensure lower rejections and reworking. The Quality Control (QC) team ensures thorough checks and inspections across major pre-production and production stages including those processes outsourced to external vendors. The QC team has also ensured proper training to the employees to enable them detect qualitative defects at the time of production and assembly itself.

As an initiative to further strengthen quality, GBG has set up a metallurgical lab for raw material testing in the premises of its Mysore unit. This ensures better quality of inputs and real time testing of raw materials.

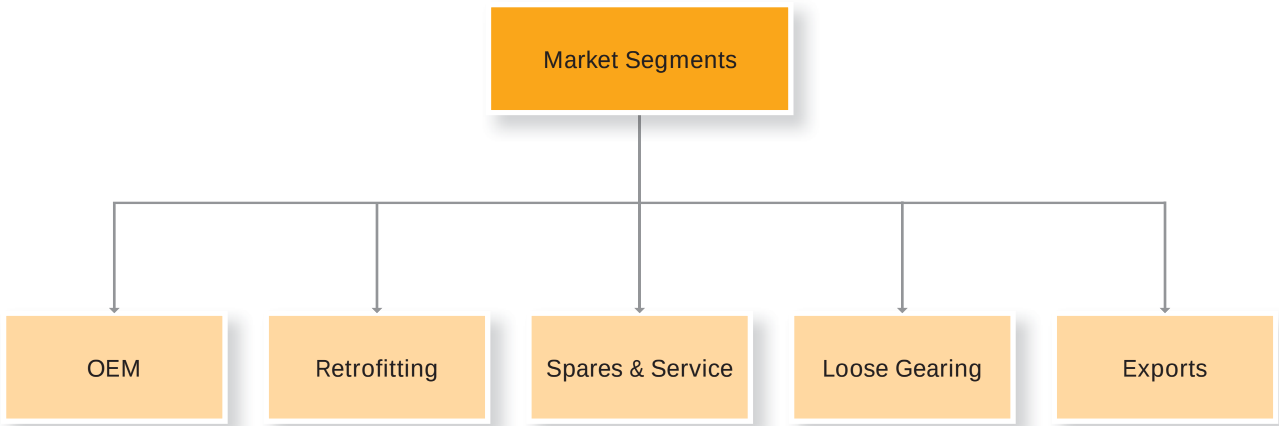
With the increasing size of the gearboxes, quality maintenance is becoming increasingly challenging. To mitigate the underlining risks, the company has regularly invested in extensive training, purchase of world-class testing equipment; and means to ensure sharper quality parameters in reducing inspection time.

As a quality initiative, the company has upgraded the test requirements for all gearboxes as per API-613 (5th edition) for both noise and vibration, irrespective of the design standard.

5 Customer relationships

Triveni GBG serves a blend of highly reputed customers – from the in-house Triveni TBG to other turbine OEMs like Siemens and BHEL. The company’s long lasting relationship with OEMs reflects the trust of customers in the abilities of the business group.

6 Marketing and distribution



The company caters to five major market segments in gears and gearboxes:

OEM segment

This segment caters to supply of gears and gearboxes to major turbine, pump and compressor manufacturers like Triveni TBG, Siemens, BHEL, Elliot, Dresser Rand, Sulzer, KSB, L&T, etc. Gearboxes are also supplied for hydel application and niche slow speed drives.

Refurbishment

Refurbishment includes replacement, refurbishment or upgrading of the old gearboxes of other makes. Triveni GBG is the only gearbox manufacturer in India to also provide diagnostic services and spares for imported gearboxes. The advantages for a customer to source refurbishment work from Triveni are as follows:

- Import substitution
- Faster deliveries in case of breakdown
- Cost reduction
- Change in gear ratio
- Upgradation where possible
- Solutions to existing problems
- Localised service

Spares and services

Since the client's operations can be critically hampered by breakdown of machinery or non-availability of spares, Triveni GBG anticipates and offers solutions to such eventuality. Since GBG always maintains minimum stock levels of essential spares for small and medium range of gearboxes, it ensures quicker delivery during emergencies. The company also helps its clients to anticipate requirements of replacement parts and keep them in inventory.

The company also offers field services to its clients, such as AMCs and overhauling of gearboxes, gear unit inspections, installation and commissioning, replacement of spare parts and technical assistance.

Loose Gearings

Loose gearing involves manufacture of loose gears and pinions as per customer drawings for certain high technology equipment manufacturers such as Vioth, Watsila etc.

Exports

The company's revenue from exports increased by 328% to Rs. 24 million in 2007-08. Exports were made to various countries during the year including Indonesia, Pakistan, Kenya, Thailand, Vietnam and Malaysia, apart from indirect supplies through OEM's to many other countries in EMA and South East Asia.

Water business group

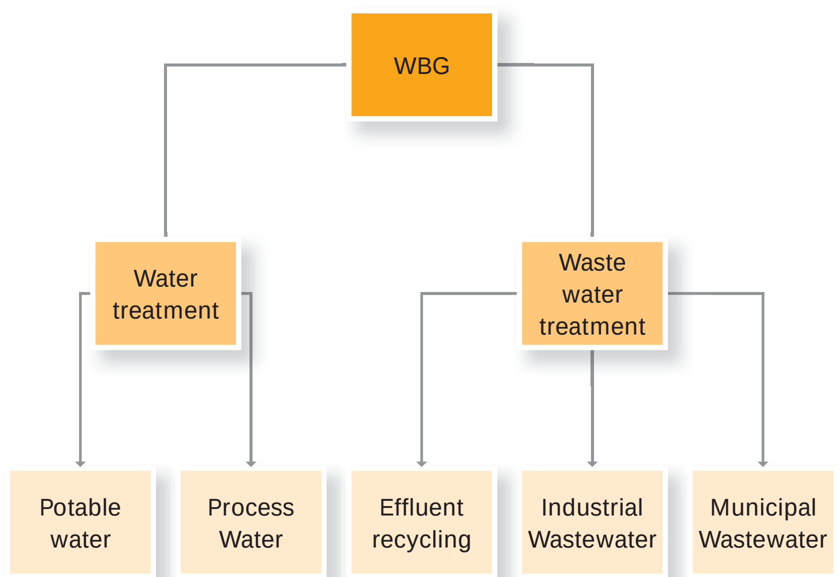
Customised solution providers in Water and waste-water treatment

Year of commencement	:	1984
Location	:	Noida
Total employees	:	129 as on 30.09.2008
% to Group turnover	:	3.9%
Divisional revenues	:	Rs.668 million
Divisional EBITDA	:	Rs. 107.6 million
Divisional EBITDA margin	:	16.1%
Divisional PBIT	:	Rs.105.4 million
Divisional PBIT margin	:	15.8%
Order book	:	Rs. 1.4 billion as on 30.09.2008

About WBG

Triveni entered into the water and waste water treatment business as a part of its turnkey project management services in 1984, and restructured the Water Business Group in 2003 to provide customised solutions to its clients. WBG has emerged as one of the fastest growing groups in the company. WBG offers a wide range of products and turnkey solutions in water and waste water treatment to industrial as well as municipal clientele. The WBG has tied up with reputed water solution companies, such as, Memcor, a Siemens group company, to provide world class engineered-to- order processes and solutions to its clients.

WBG's product and service ability



The year 2007-08

WBG had a successful 2007-08, with substantial growth achieved and some prestigious orders secured to sustain its growth trajectory. Water treatment continued to gain momentum during the year under review, since power intensive manufacturers continued to invest in power generation equipment. On the other hand, with tightening environmental norms and continuous pressure on the governments to enforce water regulations, waste-water treatment also saw escalation in the demand across segments, including major municipal and public sector enterprises.

The WBG, as a transition, also aimed at higher value activities, like turnkey contracts, where the design, process engineering and supply of equipment are of substantial scale and value. While turnkey contracts have comparatively lower margins than supplying products and customised solutions, it adds significant value to the company's ability to pre-qualify for larger projects individually, and at the same time, improves revenues. During the year, the WBG tied up with world's leading overseas companies, to participate and to get a larger pie in the turnkey contracts related to water infrastructure.

In the last four years, the WBG has posted revenue increase attaining a CAGR of 84% and profit before tax increase attaining a CAGR of 113%. The trend of growth in the WBG's performance highlighted its strategic move from offering products and equipment to offering customised solutions and life-cycle services on water and waste water treatment to a wider clientele.

Performance in numbers

- The WBG's revenues continued to surge by 67% to Rs. 667.6 million in 2007-08 over the corresponding 12 months period of 2006-07.
- The WBG's PBIT posted an increase of 129% to Rs. 105.4 million in 2007-08 over the corresponding 12 months period of 2006-07 of Rs. 46.1 million.
- The WBG received orders worth Rs. 1.7 billion during the year.

Performance beyond the numbers

- More than 29% of the WBG's product sales was to competitors in turnkey contract segments.
- During the current year, the WBG's substantial revenues were derived from the industrial clientele both in the private and public sectors. The WBG secured orders from the municipal sectors during the year which are of very high value.
- The WBG shifted to a new office cum manufacturing facility in Noida

Prestigious orders in 2007-08

- The WBG is currently executing India's largest desalination project for the 2 x 507.5 MW power plant for Nagarjuna Power Construction Limited (of Lanco group) at Padubidri, Mangalore, Karnataka. The total project value would be approx. Rs. 1 billion while the company's share of the project will be Rs. 300 million. This plant has open sea intake for raw water followed by two stage filtration at par with global practices prior to the SWRO (Sea Water Reverse Osmosis) module.
- The WBG is also setting up a waste-water recycling project for Jindal SEZ project in Uttaranchal. The whole project is being executed on a BOT basis by the Jindals; WBG is executing its waste-water recovery module. This project has an advanced effluent recycle system, involving two stage membrane filtration to make the recycled water fit for process water requirement in the adjoining industrial estate.
- WBG received a prestigious order valued at Rs. 620 million from Hyderabad Urban Development Authority for setting up a tertiary sewage water treatment facility at Hussain Sagar Lake in Hyderabad City. This order was won against fierce competition from many MNCs. This plant is designed to restore and revive the deteriorating water quality in Hussain Sagar lake, with provision of a tertiary filtration system.
- WBG was awarded projects from BHEL and LANCO for process water and wastewater treatment in power plants

Major growth drivers

- Increased demand for process water treatment: With technological sophistication of manufacturing activities, the demand for customised treatment of water has gained momentum.

With world-class companies shifting their manufacturing bases to India, water treatment requirement for industrial use is expected to increase considerably in the coming years.

- Increased power generation: With widening power deficit, the private sector units are increasingly opting for captive generation of power. Besides, attractive incentives like carbon credits, tax incentives etc., are ensuring quicker implementation.
- Sewerage management: With the overcrowding of the cities and towns, urban sewerage management is becoming one of the most critical action points for governments and municipal authorities. Various schemes are being drawn up to ensure higher priority of expenditure in this sector. With large number of Special Economic Zones coming up, the demand for these services will move from densely populated urban areas to many small pockets of urban population in the rural industrial areas.
- Potable water: The demand for clean drinking water is a prominent growth driver to this segment. With depleting fresh water resources, alternative sources for drinking water are being explored, which will open a very large segment of new business in view of the induction of membrane technology.
- Jawaharlal Nehru National Urban Renewal Mission (JNNURM): Government of India schemes to be taken up in all major Indian cities with an estimated annual outlay of Rs. 13 – 15 billion for water related schemes.

Order book

The company closed the year 2007-08 with an outstanding order book of Rs. 1.42 billion as against opening figures of Rs. 448 million. The order book as on 30.09.2008 accounted for about 213% of the WBG's revenue for the year 2007-08.

With the overcrowding of the cities and towns, urban sewerage management is becoming one of the most critical action points for governments and municipal authorities.

Strengths

1 Engineered-to-order products and services

WBG specialises in offering the widest range of products and technologies in water and waste water treatment in India. The company offers engineered-to-order products and solutions for water treatment, waste-water treatment and also turnkey services for large projects where the design, process engineering and equipment supplies make up the lion's share of the implementation.

WBG offers a complete gamut of services under one roof: process analysis, system conceptualisation and engineering, project management, customer support and after sales service.

It provides the whole range of product lines for physical/chemical/ biological pre-treatment through clarifiers, aerators, filters, etc. followed by post treatment wherever required, through various process options including membrane solutions. It also provides wide range of de-watering equipment and high purity water systems.

The company, on the one hand, offers the entire range of conventional technologies, such as, screens, clarifiers, aerators etc.; on the other hand it focuses on the high end solutions for high-purity systems involving membrane filtration technologies etc., far superior and environment friendly than resin-based technology, as it eliminates any use of chemicals. It offers tertiary treatment and zero discharge technologies for the treatment of wastewater across industrial applications. The WBG's ability to provide holistic solutions of world-class quality has made it a preferred supplier to most of its clients.

2 Technology tie-ups with reputed players

WBG has tied up with the best water treatment product and solution providers in the world, including Siemens. These technology tie-ups have not only enabled the company to provide world-class solutions and products, but have also enabled it to command leadership in the industry, on account of higher technology absorption and consistent product supply and larger market coverage.

3 Service ability

The company's ability to provide customised solutions is ably backed by its after sales service. The company ensures efficient and quick response to the customers' queries and provides prompt service. This has enabled it to strengthen its brand and ensure higher repeat and referrals business.

4 Marketing and distribution

Making a strategic fit with the company's turbine business, the WBG gets a fair share of its customers on referrals in the private sector. in addition, the company pursues participation in public sector projects backed by strong funding mechanisms. The company's goodwill is based on superior customised products, prompt service and world-class quality, enabling it to build durable relationships with clients new and old.

Outlook for 2008-09

The company will increasingly aim at securing a higher share of turnkey contracts, while sustaining the thrust on the wide range of products and services WBG offer. Power & water are two critical sectors that will drive economic growth. We believe Triveni is well positioned to meet the growing demand from both these sectors.

Triveni Khushali Bazaar

Spreading prosperity in Rural India

- Operates under a 100% subsidiary – Triveni Retail Ventures Limited
- 42 self-operated stores under operation in UP and Uttarakhand.
- Change in product mix with more focus of Consumer Products.
- Relaunched 12 stores with emphasis on Consumer Products.
- State of the art Centralised Warehouse in operation at Noida.
- Equipped to fulfill the agricultural as well as non-agricultural input requirements of the semi-urban households.
- Migration to Microsoft Dynamics Navison ERP solution complete and yielding excellent results

Triveni Khushali Bazaar has set its focus to address the complete basket of needs of the rural / semi-urban population. The company has set up its stores in rural and semi-urban areas frequented by farmers & semi-urban households.

In 2007-08, Triveni Khushali Bazaar significantly extended its product profile and the business now operates on three verticals. In addition to Agri and Consumer products, TKB has also started offering technical advisory services, financial and general insurance products with its Channel partners. We have tied up with Max New York Life Insurance & Reliance Money for these products. The financial and insurance services have been taken across all stores so as to complete the product portfolio. The products & services offered in each of vertical are as below:

- Agri Vertical

Seeds, Fertilizers, Plant Protection Chemicals, Animal Feed & Nutrients, Building Material, Farm Machinery & equipments and Petrol/ Diesel. Socio Economic Activities, Soil & Water Testing facility.

- Consumer Products Vertical

FMCG, Groceries, & other life style products such as - Consumer Durables, Imitation jewellery, Apparel, Cosmetics, Toys, Crockery, Kitchen Appliances, Electrical Items etc.

- Finance Vertical

Farm Credit, Life Insurance, General Insurance, Mutual Funds, Home delivery, Farm Advisory Services,

Performance

For the year ending March'08, the Triveni Khushali Bazaar's (retail group) top-line grew by 68% at Rs. 271.55 million against Rs.161.66 million for corresponding period last year. This growth has been led by increase in revenue from sale of consumer products & income from financial vertical. The group has strengthened its presence by adding 2 major stores and as on 30th September, 2008 the total number of Khushali stores stands at 42 stores - this comprises 39 stores situated across 12 districts of Uttar Pradesh and 3 stores in the state of Uttarakhand.

Our Strengths

Long-standing Rural Presence: Translating the insight from our long-standing Sugar business, we have been able to leverage on our rural presence. Understanding the customer needs, we have been able to bring in a varied stocking of goods and services in the retail shops. Now, we at TKB, take pride in initiating and fulfilling nearly all the requirements of the rural / semi-urban population by providing all agri and consumer products as well as various services like credit facilities and insurance.

Choice of best Quality & Service: The varied stocking of multi-brands at TKB provides the rural and semi urban customer the "Advantage of Choice". The products are not only genuine but are also priced attractively. Further, TKB also provides technical and financial services under the same roof.

Low Cost: All of the retail outlets have been commissioned on leased land thereby requiring low capital costs and these stores are company operated. Additionally, the company's strong supply chain coupled with a combination of a large throughput and low operational cost has translated into effective pricing and attractive margins.

Future Outlook

Retail in India is at nascent stage. Most of the retailers in India are experimenting various formats & patterns. Triveni Khushali Bazaar plans to experiment with various operating parameters at its established stores to gauge customer reaction and feedback before pursuing aggressive growth plan. Since the business is still in an evolutionary stage and with the adoption of various business models to optimize the operations, we expect the operations and margins to stabilize in future. With the first mover advantage in the areas of our operations, TKB will be able to take the benefit of future growth in these markets and make efforts to expand its operations to other areas of Uttar Pradesh & Uttarakhand. Major focus would be to strengthen & expand the non-agri and finance verticals so as to cater larger customer base. The expansion of life style products range in the consumer products vertical will enable us to move into more developed townships and B class cities. The major changes in out-look for Triveni Khushali Bazaar which started during the last financial year will be continued with more emphasis on consumer products. In line with this strategy, we have rebranded and relaunched 12 of our existing stores during the current period, the results of the same are most encouraging.

Corporate social responsibility initiatives

The foundation of a robust business is the collective prosperity of its society, not just on economic parameters but also on education, health and social environment. Triveni Engineering and Industries Limited believes in addressing its commitments as a responsible corporate citizen to ensure upliftment and betterment of the individuals and areas that are related to its operations.

Farmer educational and infrastructure initiatives

Triveni Engineering contributes to the development of rural communities by making the farmers self-reliant and financially independent through cane plantations.

The company also took the following initiatives during the year:

- Conducted seven Kisan Goshthis, an agricultural and yield enhancement programme across its sugar units during the year with the support of qualified agronomists.
- Convened more than 150 village meetings at each plant to educate farmers about cane management practices.
- Arranged crop protection programmes to spread awareness and treatment for pest, Insecticides and mechanical roughing related issues.
- Introduced innovative schemes like irrigation subsidy schemes such as boring expenses, pump set expenses etc. during the year.

Education initiatives

- Operates schools in Khatauli, Deoband and Ramkola sugar units at nominal fee.
- Triveni Engineering's Bangalore and Mysore units have adopted certain schools and are contributing to the upliftment of the educational aids and faculty expenses.

Health and sanitation initiatives

- De-silting of drains done by Khatauli and other sugar factories.
- Promoting tree plantation as an annual event across its sugar factories.
- Sugar factories at Khatauli, Deoband and Ramkola run charitable dispensary for the villagers.
- Continued provision of financial support to Tirath Ram Shah Charitable Hospital, one of Delhi's oldest hospitals with modern amenities for health care. This hospital provides health services to the poorer sections of the society in the form of free treatment, beds, medicines etc.
- The distillery business group also contributed in the community development by providing support to local school, building culvert, installation of hand pumps and also helped in environmental hygiene.

Risks review

Sugar businesses

Sugar businesses comprise of three groups:

1. Sugar (seven units across Uttar Pradesh)
2. Cogeneration group (three units across Uttar Pradesh)
3. Distillery group (One unit in Uttar Pradesh)

1 Climatic risk

Sugarcane crop is a highly weather resistant crop. However, it needs abundant rainfall. Monsoon failure can result in decline in cane availability.

Risk mitigation

- The company's units are situated in locations that enjoy abundant rainfall.
- The locations also have sufficient canal irrigational facilities, to ensure lower dependence on monsoon.

2 Cane availability risk

Cane is the main raw material for a sugar mill. The area under cane cultivation is estimated to have declined by 25% for the sugar season 2008-09. As a result, cane availability may adversely impact the sugar group operations. In addition, lower cane availability will also result in lower generation of by-products, thereby adversely impacting operations of distillery and cogeneration groups of the company.

Risk mitigation

- The company carries out extensive cane development for all its sugar mills with an objective to increase the yield and propagate desired varieties of cane. This will help the company to secure sugar cane for its operation.
- The good cane payment track record of the company and its farmer relations will help the company in persuading farmers to reduce diversion of the cane to the producers of the alternate sweetners. The cane procurement team of the respective sugar mill has also planned for cost effective procurement of cane.
- With the improvement in the sugar prices, there would be an increase in the cane price for the season 2008-09, which will motivate the farmers to increase the planting in the subsequent years and curb diversion of cane to gur and khandsari producers. The reduction in gur prices may also ease diversion.

3 Cane pricing risk

While a minimum cane price and a revenue sharing model has been laid out by the Central Government, in Uttar Pradesh cane prices are determined by the State Government as SAP (State advised price) following a judgment of the Supreme Court. Historically, the same has been about 30% higher than SMP (statutory minimum price). The SAP announced by the State Government is arbitrary and has not been worked out in a rational and transparent manner keeping the interest of all the stakeholders. According to the industry, this is not as per the dictates of law. The industry has, therefore, challenged the SAP declared for the seasons 2006-07 and 2007-08. Both these cases are currently pending in the Supreme Court for final adjudication and through interim orders, the Supreme Court has ordered payment of a lower cane price than the respective year's SAP. While the company has paid full cane price for the season 2006-07 at the state advised price of Rs. 1250 per tonne, in respect of the season 2007-08, it has paid Rs. 1100 per tonne in accordance with the interim order of the Court as against SAP of Rs 1250 per tonne. Further, the state government has announced SAP of Rs 1400 per tonne for the season 2008-09 which has also been challenged by the industry in Allahabad High Court. While there has been an improvement in sugar price, the quantum of cane pricing is not justifiable based on economics. Unrealistically high cane price year after year adversely affect the sugar operations and restrict the growth of the industry.

Risk mitigation

- The company awaits the decisions on the above matters with expectations of a rational outcome and is strongly defending its position through the Uttar Pradesh Sugar Mills Association in the High Court and Supreme Court.
- The industry has been and will continue its efforts to persuade the central government to decide cane pricing issue at its level without the involvement of the state government.
- The company along with the industry is actively advocating against existing government intervention in the Indian sugar sector.

4 Sugar and by-products price risk

The profitability of the sugar operations is highly sensitive to the prices of the sugar and its by-products. During financial years 2007 and 2008, the prices of sugar had been low in view of the overhang of surplus sugar inventories in the country. Further, with the fall in the crude prices, it is possible that Brazil utilises more cane crop towards manufacture of sugar leading to more sugar availability in the global trade.

Risk mitigation

- Sugar fundamentals have improved now with the lower than estimated production in the season 2007-08 and there are forecasts of much lower production in the seasons 2008-09 and 2009-10. This has led to firming of the prices since the Q4FY2008. The prices have further improved and it is expected that the sugar prices will continue to remain firm for the next two years.
- In view of expected lower availability of cane, the by products prices have also firmed up.
- The company has integrated operations by way of cogeneration and distillation facilities which are counter cyclical to the sugar cycle. Thus, the structure of the sugar business helps to minimise the affect of the sugar cycle.
- India has only been a marginal importer or exporter in various years owing to its large domestic consumption. In view of entry barrier through high custom duties, the domestic sugar market is less linked with the global market and the sugar prices are more governed by government policy and domestic demand and supply.

5 Regulatory risk

Sugar industry is regulated through various statutes both by the Central Government and State Government. The input prices are regulated by the Central /State Government while the output sales are regulated by Central Government through release mechanism. Further, part of the production is to be sold through the public distribution system at a subsidised price. Various policy measures initiated by the Government may impact the profitability of sugar companies.

Risk mitigation

- The government from time to time is announcing policy changes which are concerning the sugar industry. During the last year, when many of the sugar companies were not in a position to pay cane prices, Government announced various measures such as loan with interest subvention, export incentives etc.
- The issue of cane pricing for the past two years and for the current season is before the Supreme Court/High Court. It is expected that a rational outcome will come out of this process which will bring clarity and guidelines for fixation of cane prices going forward which will have a link with the output price.
- Over the years, the Government has brought down the share of levy sales to 10% of the production and as per various newspaper reports, the Government is considering decontrol of this sector which will bring down controls such as release mechanism for sale of free sugar, 10% of the sugar production as levy sugar etc.

6 Regulatory risk – UP Incentive Policy

The company had invested over Rs. 10 billion under the UP sugar Industry Incentive Policy, 2004. Our company was held eligible under the aforesaid policy along with other companies. Under the aforesaid policy, the eligible companies invested over Rs. 5 billion, are to receive capital subsidy of 10% of eligible investment and recurring incentives/benefits for a period of 10 years in the form of remissions and reimbursements. The said policy was terminated in June' 2007 by the new state government. In view of non-payment of subsidy/benefits under the Policy, our company filed a writ petition in the Lucknow bench of the Allahabad Court for the payment of the incentives. While the case is sub-judice and hearings are in progress, the Court has, in an interim order, allowed the remissions to continue which the company was enjoying prior to the termination of the policy. In view of substantial benefits under the Policy, an adverse decision may deprive the company of substantial benefits already accrued and to be accrued in future.

Risk mitigation

- The company has received strong legal advice from multiple reputed sources that its case is sound, especially due to the fact that its investments were held eligible by the state government prior to the termination of the policy. We are strongly contesting the case.
- Our company continues to enjoy benefits as per the interim order of the Court.

Engineering businesses

Engineering businesses comprise of three groups:

1. Turbine group (located in Bangalore, in Karnataka)
2. Gear group (located in Mysore, Karnataka)
3. Water and waste water treatment group (located in Noida, Uttar Pradesh)

1 Economic slowdown risk

In the wake of the economic slowdown, capital goods sector is expected to witness lower demand and lower realisations. At the same time, on account of higher interest rates, lack of cost effective funding options (debt as well as equity) and economic uncertainty, the capital projects can witness inordinate delays. This may result in rescheduling of deliveries, cancellation of orders and slow order intake, thereby impacting the performance of the company.

Risk mitigation

- The company's engineering business group is a preferred supplier to two core sectors - power and water. Being core sectors, these are by and large less affected by the economic turmoil globally
- The steam turbines, main product of the engineering business, being produced by the company are under 30 MW and thus, are a part of much less capital intensive projects. Further, captive generation of power through steam turbines brings about substantial economies in the operations and hence, the customers under cost pressure will be compelled to take on these projects to maintain profitable operations.
- Besides, the company has also established integrated service operations for refurbishment of old turbines and gears. If the customers defer purchase plans, there is expected to be spurt in the activities of high margin refurbishing, which our company can exploit having the requisite competence and infrastructure.

2 Technology obsolescence risk

In a precision-cum-customised 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 has consistently invested in the technological updation in all its units.
- Constant R&D initiatives, in-house product development, extensive training programmes coupled with technology absorption from foreign partners have enabled the company to offer qualitatively superior products.
- The company has invested in state-of-the art equipment and machines to provide globally benchmarked products in lower time, thereby ensuring better customer service.

3 Competition risk

The company continues to face competition from the established domestic as well as foreign players.

Risk mitigation

- The company has emerged as a leader in turbine and high speed gear business on account of its superior product quality and impeccable service standards
- Being situated in India, the company ensures a cost advantage alongwith the best in class quality for its customers
- Its ability and technological expertise in offering quick service and cost-effective solutions has also made it a preferred supplier to even the world class companies across India and many developed countries.

4 Financial risks

With the current global financial crisis and its cascading effect on India, the required bank credit may not be available for the company's working capital intensive sugar operations. As a result of tight liquidity and selective lending by the banks, the applicable interest rates may be higher. Further, volatile currency movements, depreciation of rupee in particular, may adversely affect the operations of the company.

Risk mitigation

- We have long relationship with our bankers and have established credibility with them. Most of the working capital funding is sourced from public sector banks rather than from private sector banks or foreign banks, which have been most affected in this turmoil.
- The most of the working capital funding is required for our seasonal sugar operations and a major part of the funding is utilised in the payment of the cane price to the farmers. It being a priority to the government, we do not expect any problems in getting the requisite bank credit for our operations. Sugar sector in fact is considered to be counter cyclical to the general recession/slow down.
- As a result of loosening of monetary policy, the lending rates by the banks are on decline but due to tightness in liquidity and redemption pressures on the mutual funds, minimal arbitrage opportunities are presently available in the traditional instruments like, commercial paper, mibor related NCD's etc. However, the company proposes to use large quantum of cheaper farmers credit to lower overall cost of funds.
- We have short term rating 'A1' (indicating highest safety) and long term rating 'LA+' from ICRA. These ratings will help us in negotiating competitive interest rates from our lenders.
- Our company does not have substantial foreign trade transactions and is overall a net exporter. The depreciation of rupee is in fact beneficial to the company. All our foreign currency loans are either swapped into Rupee or hedged through call spread options as a result of which we have retained the upside, with limited downside.

Financial review

Financial Highlights

(Rs. in Million)

	Financial years		Comparable	Change %	
	2007-08 12 months	2006-07 18 months	previous period 12 months	FY 2006-07 (annualised)	Comparable 12 months period
Net Turnover	15930.1	19079.5	13196.6	25	21
EBITDA	3167.1	2376.4	1252.5	100	153
Depreciation and Amortisation	839.9	862.7	665.1	46	26
Finance Cost	981.6	728.5	596.6	102	65
Profit Before Tax	1345.6	785.2	-9.2	157	
Tax	230.4	30.9	-132.4	1018	
Profit After Tax	1115.2	754.3	123.2	122	805

All the business segments of the company have performed much better during the year, both in terms of turnover and profitability. While the engineering businesses have achieved 27% growth in PBIT over the corresponding previous period, there has been a major turn around in the sugar operations due to rationalisation of the cane price pursuant to Court's interim directions. Sugar fundamentals have substantially improved and accordingly the sugar prices have started firming up from Q4 FY 08 onwards. Currently, the free sugar prices are at Rs.18000 per tonne as against average of Rs.15060 per tonne realised in FY 08. The company holds high level of sugar inventories at year end, produced in 2007-08 season at low cost of production, which, given the firm sugar prices, are likely to generate higher margins in FY 09.

There has been an unprecedented global financial turmoil which has even impacted the domestic economy due to global slow down, high interest rates and non availability of effective funding options. It may, in some sectors, slow down the new projects or even delay the existing projects. On an initial assessment, we feel that the impact may not be significant to our engineering businesses as our products cater to much less capital intensive projects which have a quicker pay back period. The cost pressures under the existing scenario may even motivate our customers to complete the projects at the earliest to bring about the economies in their operations. The depreciating rupee could be useful to ward off competition from the foreign players, keep our margins intact and spur exports. Our sugar operations, cogeneration and distillery operations are likely to be least affected as a result of slow down in the economy.

Revenue

(Rs. in Million)

	Financial years		Comparable	Change %	
	2007-08 12 months	2006-07 18 months	previous period 12 months	FY 2006-07 (annualised)	Comparable 12 months period
Sugar	10778.7	12672.7	9125.7	28	18
Engineering	6528.5	8387.2	5643.3	17	16
Others	126.0	194.4	133.1	(3)	(5)
Inter-segment sales	(1503.1)	(2174.8)	(1705.5)		
Total	15930.1	19079.5	13196.6	25	21

While sugar business revenue has grown by 18%, that of engineering business has also grown by 16% over the corresponding previous period and the proportion of engineering revenue to the total segmental revenue is 37%.

Apart from increase in volume of sugar sold, the sugar revenues have been augmented by distillery operations, which operated for most of the entire year as against about 6 months operation in the corresponding previous period. All the constituents of the engineering businesses have registered satisfactory growth.

Profitability

The profitability of each business segment on stand alone basis is tabulated here below:

	PBIT Comparison			Change %	
	2007-08 12 months	2006-07 18 months	Previous period 12 months	Over 12 months	(Annualised)
Sugar	358.8	(899.8)	(518.5)		
Cogeneration & Distillery	652.6	470.9	518.8	39	89
Total - sugar	1011.4	(428.9)	0.3		
Engineering (incl.turbines, gears and water)	1605.2	1261.2	1829.4	27	32
Others	(19.4)	(24.5)	(26.4)		
	2597.2	807.8	1803.3	852	200

There has been a major turn around in the sugar operations primarily due to lower cane price considered for the season 2007-08, as per the interim order of the Supreme Court pending final decision in the matter. Cogeneration and distillery have also substantially contributed to the profitability. Against 16% increase in turnover, the engineering business has achieved 27% increase in PBIT over the corresponding previous period. This has been possible due to value engineering, higher share of spares and servicing in the overall business and enlarging product range.

Expenditure

a) Raw material and Manufacturing expenses:

	2007-08 12 months	2006-07 18 months	% Annualised
Raw material	10690.0	13485.4	19%
Percentage to sales	67%	71%	
Manufacturing expenses	1256.1	1333.0	41%
Percentage to sales	8%	7%	

Note: In respect of sugar, both these cost components are not related to sale but are linked to cane crushed.

Raw materials

The decline in raw material consumption is mainly in respect of sugar operations wherein crush during 2007-08 has been lower by 7.2% as against crush achieved in the previous accounting period of 18 months. The previous accounting period, in addition to the crush that took place in the season 2006-07, also includes the crush pertaining to the season 2005-06 which took place after 31st March, 2006. Further, the procurement price of cane was lower at Rs.1100 per tonne in current year as against Rs. 1245 per tonne being the weighted average of cane price applicable for the cane crushed during the previous accounting period. In respect of engineering business, the raw material consumption has increased in view of increased sales.

Manufacturing Expenses

In the case of sugar operations, certain constituent expenses, such as, process stores and packing and stacking expenses are linked with cane crush and sugar production whereas certain expenses, such as, repair of the plant and cane development expenses, take place during off-season and during planting times respectively. The previous accounting period comprised two off-seasons and two spring plantations and hence, these expenses are higher in the previous accounting period. The operation of the cogeneration plant was higher during the previous accounting period but the distillery operated for about 6 months in the previous accounting period as against full year operations in the current year.

In respect of engineering business, manufacturing expenses have marginally gone up to 3.09% of net sales as against 2.87% in the previous accounting period.

b) Personnel cost, Administration expenses and Depreciation:

	2007-08 12 months	2006-07 18 months	% Annualised
Personnel cost	1193.5	1399.2	28%
Percentage to sales	7.5%	7.3%	
Administration expenses	677.4	786.5	29%
Percentage to sales	4.3%	4.1%	
Depreciation & Amortisation	839.9	862.7	46%
Percentage to sales	5.3%	4.5%	

In respect of sugar operations, consequent to setting up of 3 new sugar units, a cogeneration plant and a distillery in the previous accounting period, the current year includes full year impact of these expenses whereas the previous accounting year had partial impact of around 6 to 8 months, post commissioning of these plants.

Personnel Cost

Apart from full year impact of the new projects as described above, in respect engineering business, the personnel cost has increased by 35% on annualised basis on account of normal increments and performance awards, implementation of retention scheme and strengthening establishment in respect of water business owing to scaling up of the operations.

Administrative Expenses

The increase in the sugar business has been due to new projects in respect of which full year impact has been felt in the current year. In the case engineering business, the expenses have increased by 26% on annualised basis due to increased business activities, particularly in respect of water business due to building up of infrastructure to support increasing business activities.

Depreciation & Amortisation

The increase is primarily due to full year impact of the depreciation during the current year for capital expenditure undertaken last year as well as due to additional capitalisation of around Rs. 600 million incurred during the year.

c) Selling Expenses

	2007-08 12 months	2006-07 18 months	% Annualised
Selling expenses	221.8	302.8	10%
Percentage to sales	1.4%	1.6%	

The selling commission in the case of sugar business is dependant on volume of free sugar sold. During the current year, volume of sugar sold is higher by 25% on annualised basis. The selling expenses in respect of engineering business have reduced substantially from 3.4% to 1.6% in the current year.

d) Off season deferred expense deferred (net):

	2007-08 12 months	2006-07 18 months
Off-season deferred expenses (net)	(181.8)	(656.5)

The crushing in the sugar business commences in October/November and it continues till April/May which period is termed as season. The period comprised between April/May to October/November is termed as off-season. As per the accounting policy followed by the company, all expenses (net of income) incurred in the off-season relating to production of sugar are deferred and these expenses are then charged over the ensuing season. In the previous accounting period, the deferment was abnormally higher as the accounting period was for 18 months whereas the deferment is normal in the current year.

e) Finance Cost:

	2007-08 12 months	2006-07 18 months	% Annualised
Interest on working capital	396.0	272.3	118%
Interest on fixed loans	677.5	501.4	103%
Others	26.4	1.3	2946%
Less: Subsidy on buffer stock	102.4	33.8	354%
- Interest received	15.9	12.7	88%
Net finance Cost	981.6	728.5	102%

In the previous accounting period, the incidence of finance cost on project loans in respect of new projects was charged to revenue only from the date of commissioning whereas in the current year full year impact has been considered. Further, owing to higher sugar production consequent to substantial increase in capacity, there was increased working capital funding. The company has been awarded a short term rating of "A1" (indicating highest safety) and a long term rating of 'LA+' (indicating adequate credit quality) from ICRA. The short term rating helps us to access various arbitrage opportunities that may be in the form of short term loans, commercial paper, floating rate instruments, foreign currency loans etc. The long term rating which is required to comply with Basel-II norms will help our bankers to reduce the risk weightage by at least 50% for the purpose of calculating capital adequacy. This eventually will help the company in rationalisation of the applicable interest rate. Our total cost of borrowings (working capital as well as term loans) during the year was 9.5%.

f) Tax:

The effective income tax rate in the current year works out to 17%. This factors in reversal of depreciation during the tax holiday period for cogeneration plants on which deferred tax charge is not required to be recognised and capital receipt nature of the carbon credits. Provision for taxation includes current tax charge of Rs.2.12 million (net of MAT credit entitlements), deferred tax charge of Rs.213.2 million, earlier years charge of Rs.2.3 million and Fringe Benefit Tax of Rs.12.9 million. In view of tax losses, we have paid Minimum Alternative Tax (MAT) of Rs.238.8 million which will be available for set off against our normal tax liability in subsequent periods.

Sugar Business segments

a) Sugar operations

	2007-08 12 months	2006-07 18 months	% Annualised
Turnover	8868.0	10963.2	21%
PBIT	358.8	-518.5	
Volume of sugar sold (MT)	508131.8	609226.8	25%
Average realisation price (Rs./MT)	14836	15567	43%

The revenue of sugar operations includes sale of sugar and by products, such as, molasses and bagasse, which were sold after meeting captive requirement of cogeneration plant and distillery.

During the current year, the volume of sugar sold is higher by 25% on annualised basis. While the average realisation price was lower by 5%, cost of goods sold was much lower by 12% in view of lower cane price applicable as well as due to low cost sugar inventory, which was written down to market value as on 30.09.2007, available from the last year. Consequently, there has been a turnaround in the sugar operations. In the Q4 FY 08, our average free realisation price has been Rs.16753 per tonne as against current free sugar price of Rs.18000 per tonne.

During the current year, average realisation price of molasses was Rs.2419 per tonne as against average realisation price of Rs.2199 per tonne in the previous accounting period. The average realisation price of bagasse sold during the year was Rs.953 per tonne.

b) Cogeneration

	2007-08 12 months	2006-07 18 months	% Annualised
Turnover	1173.6	1527.3	15%
PBIT	475.7	497.4	43%
PBIT/Turnover (%)	40.53	32.56	

The revenues include income from carbon credits to the extent of Rs.140 million in the current year as against Rs.112.8 million in the previous accounting period. In view of shorter 2007-08 sugar season, operating days of the cogeneration plants were lower as compared to the previous season. The process of getting credit for carbon credits from UNFCC for the period of operations post March 2007 and upto 31st March, 2008 is currently in progress, the income whereof will be accounted for after sale of these CER's.

c) Distillery:

	2007-08 12 months	2006-07 18 months	% Annualised
Turnover	737.1	182.2	102%
PBIT	176.9	21.4	313%
PBIT/Turnover (%)	23.99	11.74	
Avg. realisation price of alcohol Rs./litre (net of excise duty)	20.59	14.91	38%

Distillery was commissioned in the previous accounting period in April, 2007 and thus had limited operations of 6 months during the previous accounting period. Distillery currently manufactures various forms of alcohol such as ENA and rectified spirit in the potable liquor segment and industrial alcohol for industrial applications. It is presently not manufacturing ethanol, since the previous tenders floated by oil marketing companies for supply of ethanol, had already been finalised before the plant had been commissioned. However, currently the price of other forms of alcohol is much higher than the tender price fixed for ethanol. It is expected that in view of lower availability of sugar cane in the season 2008-09, the price of molasses and alcohol would remain firm. The distillery operations along with cogeneration provide substantial insulation from the cyclicalities of the sugar business.

Engineering Business

a) Turbines

	2007-08 12 months	2006-07 18 months	% Annualised
Turnover	5091.6	6934.7	10%
PBIT	1280.1	1538.8	25%
PBIT/Turnover (%)	25.14%	22.18%	

The margin expansion by 296 basis points has been due to value engineering, transformation to higher range of turbine and higher proportion of spares & servicing revenue. During the year, total export revenues were at Rs.620.9 million which is 12.2% of the total turbine business revenues as against 7.1% in the previous accounting period. Spares and servicing revenue (including exports) forms 12% of the total revenue during the current year as against 6% in the previous period.

Total orders in hand as on 30th September, 2008 are at Rs.5150 million as against Rs.4680 million as on 30th September, 2007.

b) Gears

	2007-08 12 months	2006-07 18 months	% Annualised
Turnover	769.3	941.2	23%
PBIT	219.7	232.6	42%
PBIT/Turnover (%)	28.55%	24.71%	

The margin expansion by 384 basis points is on account of value engineering, diversification of the product and higher proportion of spares and retro-fitment revenue where the margin is much higher. During the current year, spares and retro-fitment revenue forms 26% of the total revenue as against 19% in the previous accounting period.

Total orders in hand as on 30th September, 2008 are at Rs.534 million as against Rs.408 million as on 30th September, 2007.

c) Water and waste water treatment plant

	2007-08 12 months	2006-07 18 months	% Annualised
Turnover	667.6	511.3	96%
PBIT	105.4	58	173%
PBIT/Turnover (%)	15.79%	11.34%	

In view of enormous potential in the water industry, with its wide array of technology, this business segment is expected to achieve substantial growth in the next few years. It has now set a manufacturing facility at Noida, Uttar Pradesh, with a view to have stringent control on the delivery timelines by manufacturing critical parts and to achieve cost savings. The business has graduated from supplying only electro-mechanical equipments to now providing comprehensive solutions to its customers to achieve the desired growth. It has secured some high value orders and is in the process of strengthening its establishment and infrastructure facilities.

It has orders in hand as on 30th September, 2008 at Rs.1420 million as against Rs.448 million as on 30th September, 2007.

Review of Balance Sheet

Share capital

Share capital has remained unchanged at Rs.257.9 million.

Reserves

Reserves have increased from Rs.6.66 billion to Rs.7.58 billion. This has been due to plough back of profits from the operations during the year. Pursuant to compliance of Accounting Standard (AS-15) “Employee Benefits”, an amount of Rs.14.2 million (net of tax credit) has been charged to the reserves in accordance with the transitional provisions of the said accounting standard.

Loans

Total loans of the company are at Rs.11.69 billion as against Rs.9.99 billion as on 30.9.2007. During the year, loans of Rs.0.94 billion were received under ‘Scheme for extended financial assistance to sugar undertakings 2007” notified by the Government of India, on which subvention of interest will be provided to the extent of 12%. Working capital funding increased by Rs. 0.57 billion owing to higher sugar inventories carried. Additional loans of Rs.1.2 billion were availed to fund the capital expenditure incurred during the year and towards working capital margin. Term loans of Rs.1.03 billion were repaid during the year.

Fixed Assets

During the year, there have been additions to the fixed assets to the extent of Rs.0.60 billion. In the sugar business, the additions represent some balancing equipments, setting up sugar warehousing capacity and construction of residential staff quarters whereas in the case of engineering business, there have been acquisition of certain new machines to increase productivity.

Investments

Investments have marginally increased from Rs. 108.3 million to Rs.116.1 million. During the year, investment in equity shares of wholly owned subsidiary, Triveni Retail Ventures Ltd., aggregating to Rs.97 million was made through capitalisation of loans. Further, other investments of Rs.79.1 million were liquidated.

Current Assets, Loans & Advances

The total current assets, loans and advances have increased from Rs.8.86 billion to Rs.11.57 billion. The comments on major amounts / changes are as hereunder:

- Sugar inventories are higher by Rs.1.15 billion in view of higher quantum of stocks available for the sale in the following year.
- Receivables have increased from Rs.0.94 billion to Rs.2.13 billion, primarily due to year-end dispatches which have been collected in the following month.
- Excise duty / Cenvat balance has reduced from Rs.0.61 billion to Rs.0.50 billion. This represents Cenvat credit available on purchase of capital goods for the new projects which will be utilised for the payment of excise duty on the final products. It is expected that this balance would be liquidated over the next 2 – 3 years.
- An amount of Rs.0.24 billion represents the MAT credit entitlement which will be adjusted against normal tax liabilities in the subsequent years.
- An amount of Rs.1.29 billion is due from State Govt. in respect of capital subsidy and other incentives receivable under UP Sugar Industry Promotion Policy, 2004.

Current Liabilities & Provisions

Current liabilities have reduced from Rs.4.2 billion to Rs.3.7 billion mainly on account of liquidation of cane dues of Rs.0.92 billion pertaining to the season 2006-07.

Provisions have increased from Rs.0.52 billion to Rs.0.84 billion due to increase in the provision of proposed dividend, normal increase in provision of retirement benefits, additional provision created pursuant to compliance of new accounting standard “Employee Benefit” and higher provision for excise duty on closing inventories.

Directors' Report

Your Directors have pleasure in presenting the 73rd Annual Report and audited accounts for the Financial Year ended September 30, 2008

(Rs. in Million)

	2007-08 12 months	2006-07 18 months*
Sales (Gross)	17030.4	20537.7
Sales (Net)	15930.1	19079.5
Operating Profit (EBITDA)	3167.1	2397.8
Finance cost	981.6	728.5
Depreciation & amortisation	839.9	862.7
Exceptional items	-	21.4
Profit before Tax (PBT)	1345.6	785.2
Tax	230.4	30.9
Profit After Tax (PAT)	1115.2	754.3
Surplus Brought Forward	92.5	78.7
Available for appropriation	1207.7	833.0
APPROPRIATIONS		
Equity dividend (incl. proposed dividend & dividend distribution tax)	181.0	178.4
Transfer to Molasses reserves	3.5	2.1
Transfer to General Reserves	923.0	560.0
Surplus Carried forward	100.2	92.5
Earning per equity share of Re.1 each (in Rs.)	4.32	2.92

* The financial year 2006-07 ended 30th September, 2007 was extended by six months with the permission of the Registrar of Companies

PERFORMANCE

During the year under review, there has been a major improvement in the performance of the company. Net sales and profit after tax increased by 25% and 122% respectively over annualised sales and profitability of the previous accounting period. When compared with the 12 months period October 2006 to September 2007, the results are even better, and a clear turnaround in the operations of the Sugar Division is evident. Net Sales in the previous 12 months period were Rs. 13196.6 million (21% less) and PAT Rs. 123.2 million, about 1/8th of what was achieved this year. EBITDA for sugar operations excluding cogeneration and distillery rose to Rs. 904.2 million from a negative Rs. 462.3 million, while EBIT including cogeneration and distillery was Rs. 1011.4 million from a negative Rs. 428.9 million in the previous 12 months period. The sugar operations turnaround was primarily due to the reduced interim cane price of Rs. 1100 per MT announced by the Hon'ble Supreme Court as against the arbitrary cane price of Rs. 1250 per MT advised by the State Government.

The production of sugar was 2% lower than the previous season as against a 14% lower production in the state of UP. Cane availability was impacted by the late start of the crushing season pending finalisation of the cane price, and lower yields due to climatic factors. In the last quarter of the accounting year, sugar prices have also improved in view of lower production in the sugar season 2007-08, and a much lower production estimate for the next two years. Two of our sugar units have commenced crushing operations for the season 2008-09 and the balance units are expected to start within the next 10 days.

We have diversified our product offerings in all our engineering businesses, which has helped counter the contraction of business in the domestic market. In steam turbines and high speed gears, we continue to give increased focus to refurbishment, service, spares and exports. We expect this segment to contribute a larger share to the division's overall sales in the coming year.

Our Water Business Group secured two large breakthrough orders in the last year. One was for a desalination plant for a major power plant and the second a membrane based tertiary treatment plant for municipal waste. We expect enormous growth in both water and waste water projects for industrial and municipal customers all over the country, and with our access to appropriate technologies and a low cost manufacturing base, we are able to provide value for money projects for our customers.

The current global financial turmoil has had its affect on the Indian economy, and various sectors are curtailing their growth plans owing to high interest rates and availability of funding both for debt and equity. However, the power and water sectors in which we operate are not as badly affected, and with our diversified product offerings and concentration on refurbishment, servicing and exports, we expect growth in the engineering business to continue with good margins.

Segment wise reporting of the various business segments of the company has been provided in Note 16 of the Notes to Accounts to the audited financial statements and detailed comments on the performance of the various divisions are given in the financial review and management discussions and analysis.

DIVIDEND

Your directors have recommended a dividend of 60% (Rs. 0.60) per equity share (last year Rs. 0.60 per equity share for 18 months period) on 257880150 equity share of Re. 1/- each for the financial year 2007-2008 ended on September 30, 2008, subject to the approval of members at the ensuing Annual General Meeting, which will be paid to (i) all those equity shareholders holding shares in physical form and whose names appear in the Register of Members as on 26th December 2008 and (ii) all those equity shareholders holding shares in demat form and whose names appear as beneficial owners as at the close of business hours on 19th December, 2008 as per the details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The total outgo on account of dividend (including Dividend Distribution Tax) for the Financial Year 2007-2008 will be Rs. 181.0 million versus Rs. 178.4 million in 2006-2007 (18 months).

BUSINESS OUTLOOK

In respect of sugar operations, while the production in the country in sugar season 2008-09 is estimated to be over 20% lower than last year, we hope to achieve around the same production as in the last season. This is the result of effective cane development and procurement initiatives and prompt payment to the farmers to curb diversion of the cane from our areas. Cane pricing is an issue which is extremely vital for the UP sugar industry. The industry challenged the SAP announced by the State Government for the year 2006-07 and 2007-08 and the Apex Court has directed the interim payment of a lower cane price than the SAP. For the current season, 2008-09, UP Government has announced an SAP of Rs. 1400 per tonne for normal variety cane and Rs. 1450 for early variety cane. The Industry has challenged the current year's SAP on the same grounds as in the previous years. We hope that a transparent and rational mechanism of cane pricing linked to sugar prices is evolved through the intervention of the judiciary. If achieved, it will be a major structural reform for the sugar industry and would significantly improve viability over the long term.

All our engineering businesses are in sectors which are critical to the economic development of the nation viz., power and water. To meet the growing demand from these sectors, Triveni has already set up state of the art manufacturing facilities at our turbine and gear units. During the current financial year, we have successfully commissioned a 27MW steam turbine and we expect to book more orders in these higher ranges. We are focusing on enlarging the share of exports, and with the increased installation base, we believe revenues from servicing and spares would go up significantly in the coming years.

TECHNOLOGY

We have installed state of the art machines at our engineering facilities at Bangalore and Mysore, and during the financial year, shifted our water business to company owned premises at Noida. With installation of these sophisticated equipments, we have attained world class manufacturing standards and we are attracting global manufacturers to use our facilities to outsource high precision components. In respect of the sugar units, we endeavor to better the industry benchmarks and achieve cost savings through improved efficiencies. We are increasing our cane development efforts and investing in recruiting and training a better level of agricultural graduates.

HUMAN RESOURCES

The company considers human resources as one of its most important assets. Our success lies in our ability to recruit, train and retain high quality professionals. We believe that development of people is essential for the growth of the organisation. Our training and continuing education assistance programs are designed to ensure that our executives enhance their skill sets in alignment with their respective roles. During the financial year, 3952 man days of training /orientation programs were organised for officers in technical as well as managerial areas. Accordingly, 4.5 man-days training were imparted per officer during the year.

The Company believes in inducting young trainees and grooming and developing them for middle and senior management positions by providing training and mentoring. Accordingly, during the year 100 trainees were recruited in the Engineering and Sugar businesses of the Company from campuses spread all over the country.

Industrial Relations remained cordial and harmonious during the year except for the incident mentioned in last year's annual report.

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

During the period under report, a new Company, Triveni Energy Systems Limited was incorporated as a wholly owned subsidiary of the Company on 15th February, 2008. Upper Bari Power Generation Limited and Triveni Engineering Limited have yet to commence business activities. Triveni Retail Ventures Limited is engaged in the business of semi urban retailing. As stated in the previous Director Report, the company has divested its stake in Abohar Power Generation Limited which ceased to be a subsidiary during the year. Information on subsidiary companies required under section 212 of the Companies Act, 1956 is provided in Annexure C of the Report.

In terms of approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsisting subsidiaries have not been attached with the Balance Sheet of the Company. The annual accounts of the subsidiary companies and related detailed information will be made available to investor of the Company/ Subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at the Company's Corporate Office and that of concerned subsidiary companies. However, as directed by the Central Government, the prescribed financial data of the subsidiaries have been furnished in the Consolidated Financial Statements.

CORPORATE GOVERNANCE

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

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 September 30, 2008 and of the profit of the Company for the year ended as on September 30, 2008.

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 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 'B' 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 office of the Company.

DIRECTORS

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

Mr. Tarun Sawhney and Mr. Nikhil Sawhney, Corporate Vice Presidents of the Company were appointed as Additional Directors of the Company by the Board effective 19th November, 2008 pursuant to the provisions of Section 260 of the Companies Act, 1956. Both Mr. Tarun Sawhney and Mr. Nikhil Sawhney shall hold office upto the date of the forthcoming AGM. The Company has received notices in writing from members under Section 257 of the Companies Act, 1956 signifying their intention to propose the appointment of Mr. Tarun Sawhney and Mr. Nikhil Sawhney as Directors of the Company. Both being eligible, offer themselves for appointment as Director.

The Board also, subject to approval of the shareholders by a special resolution at the forthcoming AGM, appointed Mr. Tarun Sawhney and Mr. Nikhil Sawhney as Executive Directors of the Company effective 19th November, 2008 and fixed their remuneration.

DEPOSITS

Fixed Deposits accepted from shareholders and the public stood at Rs. 114.71 million as on September 30, 2008 against Rs.112.82 million in the previous year. Deposits amounting to Rs. 6.71 million remain unpaid, out of which Rs. 1.83 million have since been repaid/ renewed as on November 19, 2008.

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 (U.P.)
Date: November 19, 2008

Annexure - A

(A) CONSERVATION OF ENERGY

(a) Energy Conservation Measures

Turbine Unit

- Changed assembly testing process by introducing turbo pump for bearing oil supply. This eliminated the need of running DG sets while running turbine for testing. Consequently, turbines are tested on KSEB power, thus saving diesel consumption.
- Other miscellaneous energy saving measures such as installation of variable frequency drives for two centre lathes, providing translucent polycarbonate sheets for improving northlight in A bay to avoid lighting during daytime, reclamation of turbine testing oil by electrostatic precipitation to reduce overall oil procurement, etc.

Gear Unit

- Using latest technology CNC Machines for its production activities which consumes lesser power for its operations.
- Unit using latest technology CFL lamps for its lighting systems.
- Rationalizing power required for air-conditioners by insulated enclosures.

Sugar and Cogeneration Units

- All the cogeneration plants use highly efficient 87 ata/515^{0}C steam parameter boilers and turbines.
- System for recovering heat from hot condensate has been installed at Deoband sugar unit.
- New steam traps for minimisation of steam loss through drains of steam pipe lines.

Distillery Unit

- Condensate recovery increased by modifying the size of the pipeline and complete insulation resulting in fuel savings.
- Heat losses minimised by complete insulation of the Deaerator of the boiler.

(b) Additional Investment and Proposals for Reducing Energy Consumption

Turbine unit

- Waste heat recovery system for boiler flue gas to reduce furnace oil consumption.
- Installation of RO plant for improving water quality and consumption in boilers.

Sugar Units

- Waste heat recovery units at Deoband and Khatauli sugar units for sulphur melting.
- Exhaustive insulation of steam and vapour pipelines at Deoband and Khatauli sugar units for reduction in condensate losses.

(c) Impact of Above Measures

With the above measures, there will be substantial conservation of energy in our plants. There has been significant reduction in steam requirements at our existing sugar units at Khatauli and Deoband and our new sugar units have achieved industry best steam efficiency levels.

FORM A

Disclosure of particulars with respect to conservation of Energy

	2007-08 (12M)	2006-07 (18M)
I POWER & FUEL CONSUMPTION		
1. Electricity		
a) Purchased		
Units (000's KWH)	4677	5507
Total amount (Rs. in million)	27.13	343.23
Rate (Rs./Unit)	5.80	6.23
b) Own generation		
i) Through Diesel Generators		
Units (000's KWH)	4151	5111
Unit per litre of Diesel Oil	2.86	3.40
Cost/Unit(Rs.)	12.29	10.01
ii) Through Steam Turbine/Generator by use of own baggase		
Units (000's KWH)	193470	216773

	2007-08 (12M)	2006-07 (18M)
2. Furnace Oil		
Quantity (K Ltrs)	705	865
Rate (Rs./K Ltrs)	33831	20519
Total Amount (Rs. in millions)	23.85	177.49
II CONSUMPTION PER UNIT OF PRODUCTION		
Sugar		
Electricity (KWH/MT)	284.73	285.00
Rectified Sprit		
Electricity (KWH/KL)	284.54	310.48

Note : 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)

Turbine Unit

1. Specific Areas in which R&D was carried out by the Company

a) Development/manufacturing and testing of efficient and robust design extraction condensing steam turbine (up to 30 MW) employing several new features and efficient LP blades for process co generation application.

b) Development and manufacturing of various models for higher steam parameters is under progress (85 Bar /515 Deg.C) (10 MW back pressure model, 12 MW, 15 MW, 20 MW, 30 MW extraction condensing models)

c) Development and testing of improved bottom entry stop valve and high response control system.

d) Development of new series efficient and cost effective twisted & tapered blades with T roots.

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

a) Filling the gap in our range of turbines with improved efficiency and reliability.

b) Increasing the product range to 30MW and upto 85 Bar/515 Deg.C with various robustness features.

3. Future plan of action

a) Development of larger & improved LP blade family for 36/40 MW turbine.

4. Expenditure on R&D

Amounts in Rs. millions

Particulars	2007-08 (12M)	2006-07 (18M)
a) Capital	13.31	3.88
b) Recurring	20.64	18.11
c) Total	33.95	21.99
d) Total R& D expenditureas percentage of Turbine turnover	0.67%	0.32%

Note : Additionally, we have incurred expenditure of Rs. 56 million (previous period of 18 months Rs. 68.86 million) towards cane development in respect of our sugar units.

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
1. Steam Turbine		
Models in the range		
- 15MW Extraction		
Condensing Turbine	2003	Yes
- 15MW Back Pressure Turbine	2005	Yes
2. Manufacture & Process Engineering for Low Pressure Membrane Filteration System for Water/Waste Water/ Recycle Projects	2005-06	Partially

C. Foreign Exchange Earning & Outgo

		Rs. in million
1.	Earning in Foreign Exchange Value of exports on FOB basis	608.48
	Others	172.16
2.	Foreign Exchange Outgo	594.91

Annexure - B

STATEMENT PURSUANT TO SECTION 212 OF COMPANIES ACT, 1956

(Rs. in milion)

Subsidiary Companies	Triveni Retail Ventures Ltd.	Abohar* Power Generation Ltd.	Upper Bari Power Generation Ltd.	Triveni Engineering Ltd.	Triveni** Energy Systems Ltd.
1. Financial Year ended	31st March 08	31st March 08	31st March 08	31st March 08	1st F.Y. will end on 31st March 09
2. Extent of holding Company's interest at the end of financial year of the subsidiary	100%	100%	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					
a) For the financial year ended 31.3.2008 of the subsidiary company	(80.82)	(0.01)	0.01	(0.06)	
b) For the previous financial years of the subsidiaries since these became the holding Company's subsidiary	(19.98)	(0.12)	(0.02)	(1.43)	
4. a) The net aggreagate 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	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	NIL	

(Rs. in milion)

Subsidiary Companies	Triveni Retail Ventures Ltd.	Abohar* Power Generation Ltd.	Upper Bari Power Generation Ltd.	Triveni Engineering Ltd.	Triveni** Energy Systems Ltd.
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	Divested the entire stake in subsidiary	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	Addition to fixed assets - Rs. 4.21 million	NA	NA	NA	
ii) Its investments	NA	NA	NA	NA	
iii) The money lent by it	NA	NA	NA	NA	
iv) The money borrowed by it for any purpose	Money borrowed from holding company - Rs.56.34 million	NA	NA	NA	

* Ceases to be the subsidiary of this Company during the year.

** Incorporated as a wholly owned subsidiary of this Company w.e.f. 15.02.2008.

Annexure - D

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 that sound Corporate Governance is critical to enhance and retain stakeholders' trust. Accordingly the Company has consistently practiced good corporate governance. The Company creates an environment for the efficient, just and ethical conduct of the business to enable the Management to meet its obligations in a fair, transparent and equitable manner to all stakeholders viz. its shareholders, farmers, customers, 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 Company is managed and guided by the Board of Directors. The Board formulates the strategy and regularly reviews the performance of the Company. The Chairman and Managing Director with the support of the senior executives manages the day to day operations of the Company.

The present strength of the Board of Directors is nine out of which one is the Chairman & Managing Director, two are Executive Directors and six are Independent Non-Executive Directors. Your Company's Board comprises of eminent persons with professional expertise & valuable experience in management, administration, finance and they bring with them a wide range of skills and experience to the Board.

The Independent Non-Executive Directors meet all the criteria mandated by clause 49 of the listing agreement. None of the Directors on the Board is a Member on more than 10 Committees, and Chairman of more than 5 Committees across the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

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

Name of Director and DIN	Category	No. of Directorships in other companies (**)	No. of Committee positions held in other companies (***)	
			Chairman	Member
Mr. Dhruv M. Sawhney Chairman & Managing Director DIN - 00102999	Promoter & Executive Director	3	NIL	NIL
Mr. Tarun Sawhney(*) DIN - 00382878	Promoter & Executive Director	2	NIL	NIL
Mr. Nikhil Sawhney(*) DIN - 00029028	Promoter & Executive Director	2	NIL	NIL
Dr. F. C. Kohli DIN - 00102878	Independent Non-Executive Director	4	NIL	NIL

Name of Director and DIN	Category	No. of Directorships in other companies (**)	No. of Committee positions held in other companies (***)	
			Chairman	Member
Lt. Gen. K. K. Hasari (Retd.) DIN - 00090909	Independent Non-Executive Director	3	NIL	NIL
Mr. M. K. Daga DIN - 00062503	Independent Non-Executive Director	3	NIL	2
Mr. K. N. Shenoy DIN - 00021373	Independent Non-Executive Director	3	1	1
Mr. R. C. Sharma DIN - 000107540	Independent Non-Executive Director	NIL	NIL	NIL
Mr. V. Venkateswarlu DIN - 00122995	Independent Non-Executive Director	1	NIL	1

(*) appointed as Executive Directors by inducting as additional Directors of the Company w.e.f. 19th November, 2008. Both are sons of Mr. Dhruv M. Sawhney (Chairman & Managing Director) of the Company.

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

(***) The committees considered for the purpose are those prescribed under Clause 49(I)(c) of the Listing Agreement i.e. Audit Committee and Shareholders' Grievance Committee of public limited companies.

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 and 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 well 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 judgment 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 seven times during the financial year 2007-2008 ended on 30th September, 2008. The interval between any two successive meetings did not exceed four months. Board Meetings were held on 24th October, 2007, 14th November, 2007, 24th December, 2007, 29th January, 2008, 16th February, 2008, 26th April, 2008 and 30th July, 2008. 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 is as under:-

Name of Director	No. of Board Meetings Held	No. of Board Meetings Attended	Attendance at last AGM held on 24.12.2007	Attendance at the EGM held on 19.11.2007
Mr. Dhruv M. Sawhney Chairman & Managing Director	7	6	Yes	Yes
Dr F. C. Kohli	7	3	No	No
Lt. Gen. K. K. Hazari (Retd.)	7	6	No	No
Mr. M. K. Daga	7	5	No	No
Mr. K. N. Shenoy	7	4	No	No
Mr. R. C. Sharma	7	7	Yes	Yes
Mr. V. Venkateswarlu	7	3	No	No
Mr. Tarun Sawhney*	-	-	-	-
Mr. Nikhil Sawhney*	-	-	-	-

*Appointed w.e.f. 19.11.2008

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. K.K. Hazari (Retd.) is acting as Chairman of the Executive Sub-Committee. The Chairman & Managing Director is not the member of the Executive Sub-Committee but he and other senior executives are invited 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 Sub-Committee met five times during the year 2007-2008.

3) AUDIT COMMITTEE

The Audit Committee comprises 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, Asst. General Manager (Internal Audit) along with the Internal Auditors, Statutory Auditors, the respective unit heads and the unit finance heads also attend the meetings by invitation. The meetings are generally held at Corporate Office but some are held at the units so as to provide for closer interaction of Directors with the unit management. The Company Secretary acts as the Secretary to the Audit Committee 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 and includes such other functions as may be assigned to it by Board from time to time. However, the broad terms of reference of the Committee include:-

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

Meetings & Attendance

The Audit Committee met five times during the financial year 2007-2008 ended on 30th September, 2008 on 12th November, 2007, 29th January, 2008, 25th April, 2008, 29th July, 2008 and 8th August, 2008. The attendance of each Audit Committee Member is as under:-

Name of the Members	No. of meetings	
	Held	Attended
Lt. Gen. K. K. Hazari (Retd.) Chairman	5	5
Mr. R. C. Sharma	5	5
Mr. V. Venkateswarlu	5	2

4) INVESTORS' GRIEVANCE AND SHARE TRANSFER COMMITTEE

With effect from 14th November, 2007 the Share Transfer/Transmission Committee was merged with the Investors' Grievances Committee and its nomenclature was changed as "Investors' Grievance and Share Transfer Committee". The Committee consists of two Non-Executive Independent Directors viz. Lt. Gen. K. K. Hazari (Retd.) and Mr R. C. Sharma. Lt. Gen K. K. Hazari (Retd.) 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 authorised to look into and review the redressal of shareholders and investors grievances such as non-receipt of transferred/ transmitted share certificates/annual report/refund orders/ dividend warrants etc. as also to review the reports submitted by Mr. V.P. Ghuliani, Vice President (Legal) & Company Secretary relating to approval / confirmation of requests for share transfer/ transmission/transposition/consolidation /issue of duplicate share certificates/sub-division, remat, demat of shares etc from time to time.

Meetings & Attendance

Prior to its merger with the Investors' Grievance Committee during the period 01.10.2007 to 12.11.2007 Share Transfer/Transmission Committee met three times on 11th October, 2007, 31st October, 2007 and 12th November, 2007. The attendance of each Committee Member is as under:-

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

The Investors' Grievance and Share Transfer Committee (formerly Investors' Grievance Committee) met four times during the financial year 2007-2008 ended on 30th September, 2008 on 12th November, 2007, 29th January, 2008, 25th April, 2008 and 29th July, 2008. The attendance of each Committee Member is as under:-

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

During the financial year 2007-2008 ended on 30th September, 2008 the Company received 93 complaints from various shareholders/investors directly and/or through the Stock Exchanges/SEBI relating to non-receipt of dividend/redemption money, change of bank account details, demat of shares, implementation of the scheme of arrangement etc. All of them were resolved/replied suitably by furnishing the requisite information/ documents. There was no investor complaint pending for redressal as on 30th September, 2008. Further there was no pending share transfers and requests for dematerialisation as on 30th September, 2008.

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

Meetings & Attendance

The Remuneration Committee met once during the financial year 2007-2008 ended on 30th September, 2008 on 14th November, 2007. The attendance of each Committee Member is as under:-

Name of the Members	No. of meetings	
	Held	Attended
Dr. F. C. Kohli – Chairman	1	1
Lt. Gen. K. K. Hazari (Retd.)	1	-
Mr. R. C. Sharma	1	1

Remuneration to Executive Directors

During the year 2007-08, the Company had only one Executive Director viz. Mr. Dhruv M Sawhney. The Board appointed Mr Tarun Sawhney and Mr Nikhil Sawhney as Executive Directors of the Company by inducting them as Additional Directors w.e.f. 19th November, 2008. The Board also, on the recommendations of the Remuneration Committee, fixed their remuneration subject to approval of the shareholders by way of special resolution at the ensuing Annual General Meeting. Two special resolutions to this effect have been included in the Notice.

The details of remuneration paid/payable to CMD for the financial year 1st October, 2007 to 30th September, 2008 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	In Rupees
Salary	18,000,000
Performance Bonus/ Commission	20,000,000
Contribution to PF & Other Funds	1,500
Gratuity	346,154
Other Perquisites	1,086,878
Total	39,434,532

The remuneration proposed to be paid to both the Executive Directors have been given in the explanatory statement in respect of special resolutions relating to their appointment attached to the Notice of ensuing AGM.

Remuneration to Independent Non-Executive Directors

Remuneration paid to Independent Non-Executive Directors is by way of commission (based on the net profits of the Company) and sitting fees for attending the meetings of the Board and its Committees.

The details of the remuneration paid/payable to Non-Executive Independent Directors for the financial year 1st October, 2007 to 30th September, 2008 as also the number of shares held by them in the Company as on 30th September, 2008 is as under :-

Name of the Non-Executive Independent Directors	Sitting Fees (Rs.)	Commission Provided (Rs.)	No. of shares held
Dr. F. C. Kohli	75000	500000	-
Lt. Gen. K. K. Hazari (Retd.)	280000	500000	-
Mr. K. N. Shenoy	80000	1000000	-
Mr. M. K. Daga	100000	300000	800
Mr. R. C. Sharma	315000	500000	429900
Mr. V. Venkateswarlu	90000	200000	-

None of the Independent Non-Executive Directors have any pecuniary relationship or transactions with the Company, its promoters and its senior management, its subsidiaries and associate companies except for the payment of remuneration as stated above.

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

6) GENERAL BODY MEETINGS

Particulars of the last three Annual General Meetings:

Date & Day	Location	Time
24th December, 2007, Monday	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	11.30 A.M.
30th June, 2006, Friday	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	1.30 P.M.
27th June, 2005, Monday	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	2.30 P.M.

Particulars of the Extra-Ordinary General Meetings held during the financial year 2007-2008 ended on 30th September, 2008:

Date & Day	Location	Time
19th November, 2007, Monday	Company's Premises at Plot No.44, Block-A, Phase II Extension, Hosiery Complex, Noida, District Gautam Budh Nagar, U.P. .	2.30 P.M.

All the resolutions including special resolutions, set out in the respective notices were unanimously passed by the shareholders present at the meeting.

Postal Ballot

I. Details of the Special/Ordinary Resolutions passed by the Company through Postal Ballot:

Two resolutions were passed through postal ballot during the financial year 2007-2008 ended on 30th September, 2008. The details of resolutions so passed are as under:

Resolution No.1

Special Resolution under Sections 81, 81(1A) of the Companies Act, 1956 relating to issuance of securities including equity shares, FCCBs, debentures, bonds etc. upto Rs. 250 crores including premium.

Resolution No.2

Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 relating to creation of mortgages/charges on the Company's assets, both present and future in favour of some Banks and other lenders to secure their respective term loans and fund and non-fund based credit facilities.

II. Procedure for Postal Ballot

The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 has been followed for postal ballot conducted for the special and ordinary resolutions mentioned above.

(i) The Board of Directors of the Company at its meeting held on 14th November, 2007 had appointed Mr Anand Kumar Bhardwaj, a Practising Company Secretary as the Scrutinizer for conducting the postal ballot voting process in a fair and transparent manner.

(ii) The Company had completed on 16th November, 2007 the dispatch of postal ballot forms alongwith the postage prepaid business reply envelopes to its members whose name(s) appeared in the Register of Members/List of Beneficiaries as on 9th November, 2007.

(iii) The postal ballots received in business reply envelopes from the members were kept in safe custody of scrutinizer before commencing the scrutiny of such postal ballot forms.

(iv) All postal ballot forms received upto the close of working hours on 17th December, 2007, the last date fixed by the Company for receipt of the forms were considered for scrutiny.

(v) Envelopes containing postal ballot forms received after close of business hours on 17th December, 2007 were not considered for scrutiny.

(vi) Based on the report dated 18th December, 2007 submitted by the Scrutinizer, the brief details of which are given below, the Chairman & Managing Director, Mr Dhruv M. Sawhney had announced the results of the Postal Ballot on 18th December, 2007.

	Total No. of Equity Shares/ Votes Polled	No. of invalid votes	No. of valid votes	No of votes cast in favour	No.of votes cast against
Resolution No.1	174407276	500	174406776	174404243	2533
Resolution No.2	174404540	500	174404040	174400483	3557

Both the resolutions were carried by 99.99% votes in favour and 0.01% against. The Special & Ordinary resolutions set out in the Notice dated 14th November, 2007 were duly approved by the requisite majority of the shareholders.

The results were published in The Pioneer, Business Standard, both English newspapers, Veer Arjun, Hindi newspaper on 20th December, 2007 and also in Vishwamanav, Hindi newspaper on 21st December, 2007 and displayed on the Company's website www.trivenigroup.com.

III. Whether any Special Resolution/Ordinary Resolution is proposed to be conducted through postal ballot:

There is a proposal to put through postal ballot two ordinary resolutions seeking approval of shareholders pursuant to Sections 293(1)(d) and 293(1)(a) of the Companies Act, 1956 to increase in the borrowing powers of the Board of Directors of the Company and to the creation of mortgage/charge over Company's movable and immovable assets in favour of some lenders/banks to secure their respective loan(s) and credit facilities prior to the holding of the forthcoming Annual General Meeting.

7) OTHER DISCLOSURES

Disclosures on materially Significant Related Party Transactions

There is no significant or material related party transaction that has taken place during the year which has any potential conflict with the interest of the Company at large. The detailed related party information and transactions have been provided in Note 13 of Schedule 28 Notes to Accounts of the financial statements.

Disclosures of Accounting Treatment

No treatment different from that prescribed in an Accounting Standard has been followed by the Company.

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/ the Regulations and guidelines of SEBI and Statutory Authorities. 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

The Company has laid down a Code of Conduct for all Board Members and Senior Executives of the Company. The Code of conduct is available on the Company's website www.trivenigroup.com The Chairman & Managing Director has given a declaration 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 Clause 49(V) of the Listing Agreement was placed before the Board, who took the same on record.

Subsidiary Companies

There are four unlisted Indian subsidiary companies viz. Triveni Engineering Limited, Triveni Retail Ventures Limited, Triveni Energy Systems Limited and Upper Bari Power Generation Limited. None of them is the "Material Non-Listed Subsidiary" in terms of Clause 49 of the Listing Agreement.

Compliance of the Requirements of Clause 49 of the Listing Agreement

Mandatory Requirements/ Non-Mandatory Requirements

The Company has complied with all the applicable mandatory requirements of clause 49 of the Listing Agreement and the non-mandatory provisions have been adopted wherever necessary. The company has constituted a Remuneration Committee as described at point (5) above.

8) MEANS OF COMMUNICATION

(a) The quarterly, half yearly, nine months unaudited financial results, and the annual audited financial results of the Company are sent to all the Stock Exchanges where its equity shares are listed, and the same are generally published in Business Standard, Financial Express, Business Line- The Hindu, The Pioneer (English) and Veer Arjun, Jansatta (Hindi) newspapers and displayed on Company's website www.trivenigroup.com

(b) The Company had Quarterly Investors tele-conferences and Press Conferences for the investors of the Company after the declaration of the Quarterly/ Annual Results of the Company, the Investor brief on the detailed segment wise analysis of the Results have been sent to Stock Exchanges and the same are available on the Company's website.

(c) The Management Perspective, Business Review and Financial Highlights are part of the Annual Report.

(d) 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.

(e) The quarterly distribution of Shareholding is also displayed on the Company's website.

9) GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Date & Day	:	29th December, 2008, Monday
Time	:	12:30 P.M.
Venue	:	Company's Guest House at Deoband Sugar Unit Complex, Deoband, Distt. Saharanpur, U.P. – 247 554.
Dates of Book Closure	:	20th December, 2008 to 26th December, 2008 (both days inclusive)
Dividend Payment Date	:	Within 30 days of declaration by the shareholders.
Financial Year	:	October to September

Financial Calendar (tentative & subject to change)

Financial Reporting for the 1st Quarter ending 31st December, 2008	By the end of January, 2009
Financial Reporting for the 2nd Quarter ending 31st March, 2009	By the end of April, 2009
Financial Reporting for the 3rd Quarter ending 30th June, 2009	By the end of July, 2009
Financial Reporting for the Annual Audited Accounts ending 30th September, 2009	By end of December, 2009

Unclaimed Dividend

Pursuant to Section 205C of the Companies Act, 1956, all unclaimed dividends upto the financial year 2000-2001 have been transferred to the Investor Education and Protection Fund (IEPF), administered by the Central Government.

The dividends /redemption money for the succeeding years remaining unclaimed for 7 years will be transferred by the Company to the said IEPF on the due dates as given hereunder:

Financial Year/ Period	Whether Interim / Final	Date of payment of Dividend/ Redemption	Due date for transfer to IEPF
2001-2002	Final Dividend	7.8.2002	6.8.2009
2002-2003	Final Dividend	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 Dividend	18.8.2004	17.8.2011
2004-2005	Interim Dividend	21.7.2004	20.7.2011
2004-2005	2nd & Final instalment Redemption cum interim Dividend on Pref. Shares(redeemed)	1.4.2005	31.3.2012
2004-2005	Final Dividend	27.6.2005	26.6.2012
2005-2006	Final Dividend	30.6.2006	29.6.2013
2006-2007	1st Interim Dividend	16.10.2006	15.10.2013
2006-2007	2nd Interim Dividend	25.5.2007	24.5.2014
2006-2007	Final Dividend	24.12.2007	23.12.2014

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.

Listing on Stock Exchanges

The Company's entire equity share capital comprising of 257880150 equity shares of Re. 1/- each is listed at the following Stock Exchanges:

Sl. No.	Name and Address of Stock Exchanges	Stock Code
1.	Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 023.	532356
2.	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 2008-2009 to both the aforesaid Stock Exchanges.

Stock Price Data/Stock Performance : Year 2007-2008

During the year under report, the trading in Company's equity shares was from 1st October 2007 to 30th September, 2008. The high low price during this period on the BSE and NSE was as under:-

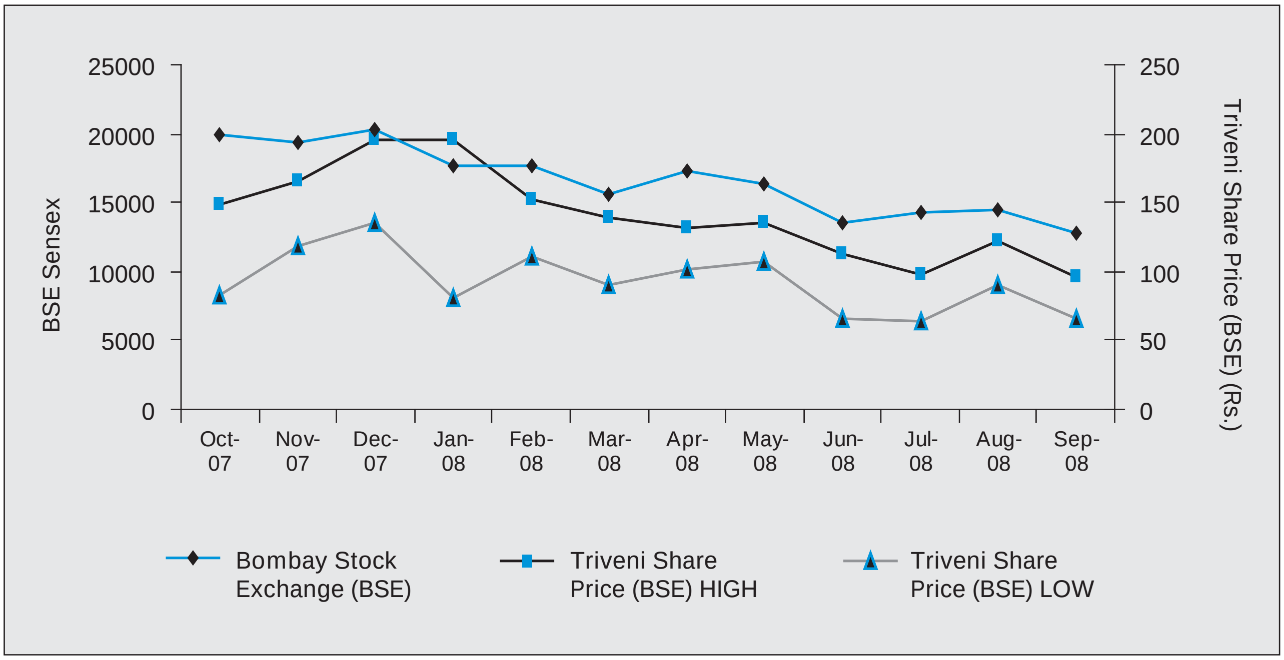
(In Rs.)

Month	Bombay Stock Exchange (BSE)		National StockExchange (NSE)	
	High	Low	High	Low
October, 2007	149.00	83.10	149.90	80.00
November, 2007	164.95	118.10	164.90	111.10
December, 2007	195.70	134.50	214.00	134.40

(In Rs.)

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High	Low	High	Low
January, 2008	195.50	81.05	196.00	80.00
February, 2008	151.90	110.10	151.50	110.10
March, 2008	138.80	90.15	138.70	90.15
April, 2008	131.00	101.75	131.90	101.75
May, 2008	134.90	106.55	135.00	106.60
June, 2008	112.90	66.10	112.90	66.00
July, 2008	97.30	64.50	97.40	64.30
August, 2008	122.30	91.00	122.20	90.70
September, 2008	96.45	66.00	96.45	68.15

Triveni Share Price performance relative to the BSE Sensex



Distribution of Equity Shareholding as on 30th September, 2008

Group of Shares	Number of Shareholders	% to total Shareholders	Number of Shares held	% to Total Shares
1-500	36244	91.19	4640770	1.80
501-1000	1835	4.62	1411502	0.55
1001-2000	868	2.18	1238770	0.48
2001-3000	190	0.48	486538	0.19
3001-4000	104	0.26	376414	0.14
4001-5000	85	0.21	395761	0.15
5001-10000	150	0.38	1099189	0.43
10001 & higher	268	0.68	248231206	96.26
Total	39744	100.00	257880150	100.00

Shareholding Pattern of Equity Shares as on 30th September, 2008

Category	Number of Shares held	% Shareholding
Indian Promoters	172624883	66.94
Mutual Funds & UTI	22329235	8.66
Banks, Financial Institutions, Insurance Cos.	3779643	1.47
FIIs	40412232	15.67
Private Corporate Bodies	4194677	1.63
Indian Public(*)	13172869	5.10
NRIs/OCBs	764481	0.30
Others – Clearing Members & Trust	602130	0.23
Total	257880150	100.00

(*) Includes (i) 800 equity shares held by Mr. M. K. Daga, Director, (ii) 1384875 equity shares held by Mr. R.C. Sharma, Director and his relatives and (iii) 1000 equity shares held by a relative of Lt. Gen. K.K. Hazari, Director.

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) to establish electronic connectivity of its shares for scripless trading. As on 30.09.2008, 79.28% of total equity share capital of the Company were held in dematerialised form. The ISIN allotted by NSDL/ CDSL is INE256C01024.

Share Transfer System

The Board of Directors of the Company have vide its resolution dated 14th November, 2007 authorised Mr V.P. Ghuliani, Vice President (Legal) & Company Secretary to approve and confirm the request for share transfer/ transmission/transposition/consolidation/issue of duplicate share certificates/sub-division, consolidation, remat, demat and perform other related activities in accordance with the Listing Agreement and SEBI (Depositories and Participants) Regulations, 1996 and submit a report in this regard to Investors' Grievance and Share Transfer Committee at every meeting.

The shares lodged for physical transfer/transmission/ transposition are registered expeditiously if the documents are complete in all respects. The share certificates duly endorsed are returned immediately to the shareholders. Confirmation in respect of the requests for dematerialisation of shares is sent to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within the stipulated period.

Registrar & Share Transfer Agent

M/s Karvy Computershare Pvt. Ltd., whose details are given below, is the Registrar & Share Transfer Agent (RTA) of the Company:-

M/s Karvy Computershare Pvt. Ltd.,
Unit: Triveni Engineering & Industries Limited
Plot No. 17 to 24, Vittal Rao Nagar, Madhapur
Hyderabad-500 081.
Tel. 040-23420815-825, Fax 040-23420814
Email : mailmanager@karvy.com / einward.ris@karvy.com

Registered Office
Triveni Engineering & Industries Limited
Deoband, Distt. Saharanpur
Uttar Pradesh – 247 554
Tel. : 01336-222185, 222497
Fax : 01336-222220

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

Address for correspondence

Please contact the Compliance Officer of the Company at the following address regarding any questions or concerns:

Mr. V.P. Ghuliani
V.P. (Legal) & Company Secretary
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

Detailed information on plant/business locations is provided at the end of the Annual Report. The above report has been adopted by the Board of Directors at their meeting held on 19th November, 2008.

Annexure-E

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 30th September 2008 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 statement 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 : November 19, 2008

(Sudhir Mallick)
Partner
Membership No.80051

Declaration by the Chairman & 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.)
Date : November 19, 2008

Dhruv M. Sawhney
Chairman and Managing Director

FINANCIAL STATEMENTS

AUDITORS' Report

To

The Board of Directors of

Triveni Engineering and Industries Limited

We have audited the attached Balance Sheet of Triveni Engineering & Industries Limited as at 30th September 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, Profit & Loss Account and Cash Flow Statement 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 30th September 2008 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 30th September, 2008 ;

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 : November 19, 2008

ANNEXURE TO AUDITORS' Report

Referred to in Paragraph "1" of our report of even date on the accounts for the year ended on 30th September, 2008 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) Major items of 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. In our opinion the frequency of verification is reasonable having regard to the size of the company and nature of its activities.

   (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. In our opinion the frequency of verification is reasonable.

   (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. 0.25 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 is 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 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

ANNEXURE TO AUDITORS' Report (Contd.)

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 in respect of the products where pursuant to the rules made by the Central Government the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956, 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.

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 30th September 2008 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	Forum where Dispute is Pending	Nature of Dues	Amount * (Rs.in Million)	Year
1.	Income Tax Act, 1961	Commissioner of Income-Tax Appeals	Income Tax	5.33	2005-06
2.	Central Sales Tax Act & Sales/ Trade Tax Acts of various states	Deputy Commissioner/ Commissioner Appeals	Sales/Trade Tax	15.27	1977-78, 1991-92 to 1998-99, 2001-02 to 2004-05.
		Appellate Tribunal	Sales/Trade Tax	12.39	1987-88 1993-94 to 1997-98, 2000-01, 2001-02
		High Court	Sales/Trade Tax	1.09	1979-80, 1980-81, 1986-87, 1994-95, 1995-96, 1996-97

ANNEXURE TO AUDITORS' Report (Contd.)

Sl. No.	Name of the Statue	Forum where Dispute is Pending	Nature of Dues	Amount * (Rs.in Million)	Year
3.	Excise Act 1944	Deputy Commissioner/ Commissioner Appeals	Excise Duty Penalty	0.80 1.96	1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01 to 2007-08
		Appellate Tribunal/CESTAT	Excise duty Penalty Interest	48.16 38.73 18.86	1996-97, 2001-02 to 2006-07
		High Court	Excise duty Penalty Interest	1.57 1.23 0.41	1996-97 to 1998-99, 2003-04,
		Supreme Court	Interest	5.94	1998-99, 2002-03

*Net of amounts paid under protest or otherwise.

10. The company has no accumulated losses as at 30th September 2008 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 debenture holders 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. 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. 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. The company has not raised any money by way of public issue during the year.
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 : November 19, 2008

Financial Statements of Triveni Engineering & Industries Limited

BALANCE SHEET

(Rs. in Million)

As at	SCHEDULES	30.09.2008	30.09.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	257.88	257.88
Reserves & Surplus	2	7,579.22	6,662.54
		7,837.10	6,920.42
Loan Funds			
Secured Loans	3	10,798.38	9,313.06
Unsecured Loans	4	888.58	680.88
		11,686.96	9,993.94
Deferred Tax Liability (Net) (Refer Note - 17 of Schedule 28)		608.92	403.08
Total Funds Employed		20,132.98	17,317.44
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		15,368.70	14,823.46
Less : Depreciation		2,958.11	2,189.44
Net Block		12,410.59	12,634.02
Capital Work-in-Progress		396.65	211.07
Intangible Assets	5A	38.71	33.35
Discarded Fixed Assets Pending Disposal/Sale		3.06	1.08
Plant & Machinery acquired under Lease		161.83	179.17
		13,010.84	13,058.69
Investments	6	116.15	108.26
Current Assets, Loans and Advances			
Inventories	7	5,397.85	4,197.18
Sundry Debtors	8	2,134.46	942.78
Cash and Bank Balances	9	187.00	256.68
Other Current Assets	10	3.82	116.44
Loans and Advances	11	3,850.20	3,348.42
		11,573.33	8,861.50
Less : Current Liabilities and Provisions			
Liabilities	12	3,743.07	4,218.18
Provisions	13	843.44	515.24
		4,586.51	4,733.42
Net Current Assets		6986.82	4,128.08
Miscellaneous Expenditure	14	19.17	22.41
Total Assets (Net)		20,132.98	17,317.44
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 (U.P.)
Date : November 19, 2008

Dhruv M. Sawhney
Chairman &
Managing Director

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

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

Suresh Taneja
Vice President
& CFO

Financial Statements of Triveni Engineering & Industries Limited

PROFIT AND LOSS ACCOUNT

(Rs. in Million)

For the period ended	SCHEDULES	30.09.2008 (12 Months)	30.09.2007 (18 Months)
INCOME			
Gross Sales	15	17,030.40	20,537.67
Less : Excise Duty		1,100.26	1,458.14
Net Sales		15,930.14	19,079.53
Other Income	16	72.22	53.49
Increase/(Decrease) in Work-in-Progress/Finished Goods	17	1,021.81	(166.25)
		17,024.17	18,966.77
EXPENDITURE			
Materials	18	10,690.01	13,485.37
Manufacturing/Operating	19	1,256.12	1,333.05
Personnel	20	1,193.49	1,339.18
Administration	21	677.38	765.08
Financing	22	981.64	728.53
Selling	23	221.83	302.80
Depreciation *1		796.84	812.82
Amortisation	24	43.03	49.88
Off-season Expenses charged/(deferred) (Net)	25	(181.78)	(656.54)
		15,678.56	18,160.17
Profit before Exceptional Items & Taxation		1,345.61	806.60
Exceptional Items	26	-	21.40
Profit before Taxation		1,345.61	785.20
Provision for Taxation	27	230.43	30.91
Profit after Taxation		1,115.18	754.29
Surplus Brought Forward		92.53	78.67
AVAILABLE FOR APPROPRIATION		1,207.71	832.96
APPROPRIATIONS			
Dividend Adjustment of Previous Year (Current year - Rs. 1,843/-)		-	0.01
Tax on Distributed Profits (Earlier Years) Current year - Rs. 314/- & Previous period Rs. 818/-		-	-
Interim Dividend Paid - Equity Shares		-	128.95
Tax on Dividend on Equity Shares		-	19.23
Final Dividend Proposed on Equity Shares		154.73	25.79
Provision for Tax on Dividend on Equity Shares		26.29	4.38
Transfer to Molasses Storage Fund Reserve		3.54	2.07
Transfer to General Reserve		923.00	560.00
Surplus Carried Forward		100.15	92.53
		1,207.71	832.96
Earning per Equity Share of Rs.1/- each (Note - 18 of Schedule - 28) - Basic/Diluted (Not Annualised)		4.32	2.92
Notes to Accounts	28		

*1 Net of Rs.3.25 Million (Rs.4.87 Million) additional depreciation on revalued assets transferred from Revaluation Reserve.

This is the Profit & 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 (U.P.)
Date : November 19, 2008

Dhruv M. Sawhney
Chairman &
Managing Director

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

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

Suresh Taneja
Vice President
& CFO

SCHEDULES to Accounts

(Rs. in Million)

	30.09.2008	30.09.2007
1. SHARE CAPITAL		
Authorised		
500,000,000 Equity Shares of Rs.1/- each	500.00	500.00
20,000,000 Preference Shares of Rs.10/- each	200.00	200.00
	700.00	700.00
Issued		
257,888,150 Equity Shares of Rs.1/- each *1 & *2	257.89	257.89
	257.89	257.89
Subscribed & Paid up		
257,880,150 Equity Shares of Rs.1/- each *1 & *2	257.88	257.88
Add :Paid up value of 8,000 Equity Shares of Rs.1/- each forfeited Rs. 1,600/- (Rs. 1,600/-)	-	-
	257.88	257.88

* 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

	01.10.2007	Additions	Deductions	30.09.2008
2. RESERVES & SURPLUS				
Capital Reserve	1,048.29	-	-	1,048.29
Revaluation Reserve - Fixed Assets	171.90	-	*1 3.25	168.65
Molasses Storage Fund Reserve	9.53	*1 3.54	-	13.07
Share Premium Account	2,653.85	-	-	2,653.85
General Reserve	2,554.06	*1 923.00	*2 14.23	3,462.83
Surplus	92.53	*1 100.15	*1 92.53	100.15
Capital Redemption Reserve	39.74	-	-	39.74
Amalgamation Reserve	92.64	-	-	92.64
	6,662.54	1,026.69	110.01	7,579.22

*1 Transfer from/to Profit & Loss Account.

*2 Provision towards Employee Benefits upto September 30, 2007 as per Accounting Standard (AS) 15 “Employee Benefits” (Net of Deferred Tax credit of Rs. 7.33 Million)

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008	30.09.2007
3. SECURED LOANS		
From Banks -		
Cash Credit/WCDL/Overdraft *1	3,223.86	2,651.11
Term Loans *2	6,720.92	5,722.05
From Others *3	846.79	938.46
Interest Accrued & Due	6.81	1.44
	10,798.38	9,313.06

* 1 Secured by pledge/hypothecation of the stock-in-trade, raw material, stores & spare parts,work-in-progress and receivables and second charge created/to be created on the properties of all the Engineering units and third charge on the properties of Sugar,Co Generation and Distillery units of the Company on pari passu basis. Include Rs. Nil (Rs.1,300.00 Million) towards Commercial Paper issued.

* 2 Includes

(a) Rs. 583.84 Million (Rs. 744.84 Million) due to ABN Amro Bank NV, Singapore and BNP Paribas, Singapore, in respect of External Commercial borrowings and secured by First pari-passu charge created/to be created by equitable mortgage on immoveable fixed assets and hypothecation of all moveable fixed assets, both present & future of the Company excluding assets purchased under vehicle loan scheme. Due within one year Rs. 198.37 Million (Rs. 163.66 Million).

(b) Rs. 4,274.73 Million (Rs. 4,315.29 Million) due to Banks and secured by first pari-passu charge created/to be created by equitable mortgage on immoveable assets and hypothecation of all moveable assets, both present and future 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. 951.02 Million (Rs. 306.53 Million)

(c) Rs. 912.50 Million (Rs. 650.00 Million) due to Banks and secured by subservient charge created/to be created over the assets of the Company. Due within one year Rs. 462.50 Million (Rs. 168.75 Million)

(d) Rs. 6.65 Million (Rs. 11.92 Million) due to Banks secured by hypothecation of vehicles acquired under Vehicle Loan Scheme. Due within one year Rs. 5.22 Million (Rs. 6.96 Million)

(e) Rs. 943.20 Million (Rs. Nil) due to Banks and secured by residual charge on the fixed assets of the Company. Due within one year Rs. Nil (Rs. Nil).

* 3 Includes

(a) Rs. 757.90 Million (Rs. 801.90 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. 61.51 Million (Rs. 44.00 Million)

(b) Rs. Nil (Rs. 2.97 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. Nil (Rs. 2.97 Million)

(c) Rs. Nil (Rs. 0.26 Million) due to a Company secured by hypothecation of vehicles acquired under Vehicle Loan Scheme. Due within one year Rs. Nil (Rs. 0.26 Million)

(d) Rs. 88.89 Million (Rs.133.33 Million) due to Rabo India Finance Ltd and secured by First Pari Passu charge created/to be created by equitable mortgage on immoveable assets and hypothecation of all moveable assets, both present & future 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. 44.44 Million)

	30.09.2008	30.09.2007
4. UNSECURED LOANS		
Fixed Deposits	108.00	105.75
Short Term Loan :-		
From Banks	774.44	565.99
Other Loans & Advances :-		
From Other than Banks *1	6.14	9.14
	888.58	680.88

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

SCHEDULES to Accounts (Contd.)

5. FIXED ASSETS (Rs. in Million)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost As at 01.10.2007	Additions	Deduction/ Adjustments	Total As at 30.09.2008	Upto 30.09.2007	During the Year *1	Adjustment /Sale	To date As at 30.09.2008	As at 30.09.2008	As at 30.09.2007
Land										
- (Free Hold)*2	527.99	5.05	-	533.04	-	-	-	-	533.04	527.99
- (Lease Hold)	0.10	-	-	0.10	-	-	-	-	0.10	0.10
Buildings & Roads *3	2,356.92	233.82	8.35	2,582.39	189.86	67.98	2.94	254.90	2,327.49	2,167.07
Railway Siding	0.02	-	-	0.02	0.02	-	-	0.02	-	-
Plant & Machinery	11,653.73	306.04	31.59	11,928.18	1,885.86	702.97	17.15	2,571.68	9,356.50	9,767.87
Furniture & Fixture	112.96	26.77	0.37	139.36	38.19	9.59	0.29	47.49	91.87	74.76
Computers	112.10	24.58	6.13	130.55	56.13	14.16	5.52	64.77	65.78	55.99
Vehicles	59.64	4.29	8.87	55.06	19.38	5.43	5.56	19.25	35.81	40.24
This Year	14,823.46	600.55	55.31	15,368.70	2,189.44	800.13	31.46	2,958.11	12,410.59	12,634.02
Previous Period	6,877.76	7,994.19	48.49	14,823.46	1,397.76	818.64	26.96	2,189.44	12,634.02	
Capital Work in Progress*4									396.65	211.07

Includes

*1 Rs.3.25 Million (Rs.4.87 Million) transferred to Revaluation Reserve

*2 Includes Land valuing Rs. 37.35 Million (Rs. 35.51 Million) pending transfer in the name of the Company

*3 Building & Roads includes ‘Cane yard outside’ not owned by the company-Costing Rs.3.30 Million (Rs.3.30 Million)

*4 Inclusives of advance against capital expenditure Rs 7.04 Million (Rs.33.32 Million)

Note:The Exchange rate difference (gain) amounting to Rs.Nil (Rs.1.58 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 01.10.2007	Additions	Retirement & Disposal/ Adjustments	Total As at 30.09.2008	Upto 30.09.2007	During The Year	Retirement & Disposal/ Adjustments	To date As at 30.09.2008	As at 30.09.2008	As at 30.09.2007
Computer Software	108.64	21.89	-	130.53	82.38	14.66	-	97.04	33.49	26.26
Designs & Drawings	16.81	0.27	-	17.08	11.99	1.62	-	13.61	3.47	4.82
Technical Know How	3.08	-	-	3.08	0.81	0.52	-	1.33	1.75	2.27
This Year	128.53	22.16	-	150.69	95.18	16.80	-	111.98	38.71	33.35
Previous Period	98.29	30.24	-	128.53	77.44	17.74	-	95.18	33.35	

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

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008	30.09.2007
6. INVESTMENTS		
LONG TERM		
OTHER THAN TRADE		
Government Securities		
Unquoted		
National Saving Certificates *1	0.01	0.01
Other Securities		
Shares - Fully paid-up		
Quoted		
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
76 Equity shares of Rs.10/- each of Central Bank of India	0.01	0.01
Unquoted		
1,821 Ordinary shares of Rs.10/- each of NBI Industrial Finance Co. Ltd.	0.01	0.01
Nil (112,980) Equity shares of Rs.10/-each of Saraswati Industrial Syndicate Ltd.	-	79.11
TRADE		
Other Securities		
Unquoted		
Shares - Fully paid-up		
Subsidiary Companies (Wholly owned)		
10,000,000 (299,840) Equity shares of Rs.10/- each of Triveni Retail Ventures Ltd.	100.01	3.01
Nil (50,000) Equity shares of Rs.10/- each of Abohar Power Generation Ltd.	-	0.50
50,000 Equity Shares of Rs.10/- each of Upper Bari Power Generation Ltd	0.50	0.50
500,000 Equity shares of Rs.1/-each of Triveni Engineering Ltd.	0.50	0.50
500,000 (Nil) Equity shares of Rs.1/-each of Triveni Energy Systems Ltd.	0.50	-
Other Companies		
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
CURRENT INVESTMENTS		
OTHER THAN TRADE		
Unquoted		
Nil (9,998) Units of Rs.1,000.20 each of DSP Merrill Lynch Liquidity Fund - Institutional Plan	-	10.00
	116.15	108.26
Book Value		
Aggregate amount of quoted investments	0.27	0.27
Aggregate amount of unquoted investments	115.88	107.99
	116.15	108.26
Market value of quoted investments	8.70	10.18

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

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008	30.09.2007
7. INVENTORIES		
Patterns	9.30	10.14
Loose Tools, Jigs & Fixtures	14.05	13.57
Stocks *1		
- Stores & Spares	347.67	261.51
- Finished Goods	3,944.19	2,797.87
- Raw Materials & Components *2	525.11	511.23
Less : Provision for obsolescence/slow moving stock	-6.94	-10.89
- Work-in-Progress	538.27	596.26
- Scrap *3	26.20	17.49
	5,397.85	4,197.18

*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.Nil (Rs.3.57 Million) and lying at Port Rs.0.56 Million (Rs.Nil)

*3 At estimated realisable value.

	30.09.2008	30.09.2007
8. SUNDRY DEBTORS - (Unsecured)		
Over Six Months		
Considered Good *1	249.69	150.92
Considered Doubtful	42.42	31.14
	292.11	182.06
Less : Provision for doubtful debts	42.42	31.14
	249.69	150.92
Other Debts- Considered Good	1,884.77	791.86
	2,134.46	942.78

*1 Due from Triveni Retail Ventures Ltd Rs.Nil (Rs 2.96 Million)

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008	30.09.2007
9. CASH AND BANK BALANCES		
Cash, Stamps & Cheques in hand *1	85.12	104.38
Balance with Post Office in		
- Saving Account *2	0.08	0.08
Balance with Scheduled Banks in		
- Current Accounts	51.32	99.70
- Savings Accounts	0.10	0.13
- Fixed and Margin Deposits *3	37.81	45.77
Balance with Unscheduled Banks in		
- Current Accounts (Refer Note 23 of Schedule 28)	12.57	6.62
	187.00	256.68

*1 Includes Cheques in hand of Rs. 73.90 Million (Rs. 92.05 Million) and Stamps in hand Rs. 0.04 Million (Rs. 0.12 Million)

*2 Lying with Government Department as security.

*3 Includes deposits of Rs.28.84 Million (Rs. 28.43 Million) kept as security with Banks/Government against advances and guarantees.

	30.09.2008	30.09.2007
10. OTHER CURRENT ASSETS		
Income from Carbon Credit Receivable	-	112.80
Interest accrued on deposits and investments	3.82	3.64
	3.82	116.44
11. LOANS AND ADVANCES		
(Unsecured, Considered Good unless otherwise stated)		
Due from Subsidiary Companies (Wholly Owned)	146.77	143.57
Advances, pre-payments and other recoverable in cash or in kind or for value to be received		
- Considered Good	2,951.70	2,472.66
- Considered Doubtful	16.28	8.65
	2,967.98	2,481.31
Less : Provision for doubtful advances	16.28	8.65
	2,951.70	2,472.66
Balances with Central Excise,Custom etc,	496.18	612.40
MAT Credit Entitlement	238.75	119.79
Advance Payment of Tax *1	16.80	-
	3,850.20	3,348.42

*1 Net after adjustment of Provision for Taxation of Rs.757.28 Million (Rs.Nil)

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008	30.09.2007
12. LIABILITIES		
Trade & Other Creditors		
i. Total outstanding dues to Small Scale Industrial Undertakings	-	65.79
ii. Total outstanding dues to Micro Enterprises and Small Enterprises	10.06	-
iii. Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises *	2,660.80	2,990.68
Advance from Customers	952.50	1,041.90
Investors Education & Protection Fund shall be credited by the following amounts (not due as at the year end)		
- Unclaimed Dividend	3.42	4.05
- Unclaimed Matured Deposits	6.71	7.08
- Interest Accrued on above	1.66	1.59
- Unclaimed Preference share redemption	8.73	9.00
Interest accrued but not due	99.19	98.09
	3,743.07	4,218.18
* Includes Due to Directors Rs.2.64 Million (Rs.0.51 Million)		
13. PROVISIONS		
Proposed Dividend	154.73	25.79
Income Tax on Distributed Profits	26.29	4.38
Gratuity	156.83	139.77
Warranty	66.63	48.01
Compensated Absences	65.13	32.03
Income Tax (Net of Taxes Paid) *1	-	1.42
Excise Duty on Closing Stock	247.60	180.35
Other Provisions	126.23	83.49
	843.44	515.24
*1 Net after adjustment of Advance payment of Tax of Rs.Nil (Rs.620.16 Million)		
14. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Voluntary Retirement Scheme	19.17	22.41
	19.17	22.41

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

		30.09.2008 (12 Months)		30.09.2007 (18 Months)
15. GROSS SALES				
Sales *1 & *3				
- Domestic		16,249.76		19,906.82
- Exports *2		649.64		518.05
- Income from Carbon Credit		131.00		112.80
		17,030.40		20,537.67

*1 Inclusive of service charges and contract receipts Rs. 201.79 Million (Rs.204.51 Million)

*2 Inclusive of export incentives.

*3 Inclusive of selling commission received Rs.7.66 Million (Rs.12.86 Million)

		30.09.2008 (12 Months)		30.09.2007 (18 Months)
16. OTHER INCOME				
Dividend (Gross)				
- Long Term Investments -Other than Trade	0.23		0.93	
- Current Investments -Other than Trade	2.24	2.47	4.83	5.76
Rent		1.05		1.48
Exchange Rate Fluctuation		-		1.08
Profit on Sale of Investment (Long Term - Other than Trade)		11.97		-
Profit on Sale of Investment (Current-Other than Trade)		0.67		-
Miscellaneous *1		56.06		45.17
		72.22		53.49

*1 Income tax deducted at source Rs. 0.06 Million (Rs. 0.04 Million)

	30.09.2008 (12 Months)	30.09.2007 (18 Months)
17. INCREASE/(DECREASE) IN WORK-IN-PROGRESS/ FINISHED GOODS		
Stock at Commencement		
- Work-in-Progress	596.26	432.72
- Finished Goods	2,795.94	3,026.61
	3,392.20	3,459.33
Add : Value of Stock produced during Trial Run	-	109.07
	3,392.20	3,568.40
Stock at Close		
- Work-in-Progress	538.27	596.26
- Finished Goods	3,942.98	2,795.94
	4,481.25	3,392.20
Add/(Less) : Impact of Excise Duty on Finished Goods	(67.24)	9.95
Net Increase/(Decrease)	1,021.81	(166.25)

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008 (12 Months)	30.09.2007 (18 Months)
18. MATERIALS		
Raw Material & Components		
Stock at Commencement	511.23	421.00
Purchases	10,657.63	13,921.58
	11,168.86	14,342.58
Less : Amount Capitalised	0.28	429.62
: Stock at Close	525.11	511.23
	10,643.47	13,401.73
Cost of Trading Goods Sold		
Stock at Commencement	1.93	16.22
Purchases	45.82	69.35
	47.75	85.57
Less : Stock at Close	1.21	1.93
	46.54	83.64
	10,690.01	13,485.37
19. MANUFACTURING / OPERATING		
Stores, Spares & Tools	387.31	351.81
Power & Fuel	107.22	170.04
Machining/Erection Charges	28.37	14.10
Designing & Consultancy	16.17	32.43
Cane Development Expenses	56.00	68.86
Repairs & Maintenance:		
- Plant & Machinery	281.80	332.57
- Building	31.88	50.62
- General	19.06	23.51
Factory/Operational Expenses	66.90	122.84
Packing & Forwarding	264.10	303.58
	1,258.81	1,470.36
Less : Amount Capitalised	2.69	135.15
Less : Cost of Completion for earlier years adjusted	-	2.16
	1,256.12	1,333.05
20. PERSONNEL		
Salaries, Wages & Bonus	998.19	1,188.92
Gratuity	38.48	56.83
Contribution to Provident & Other Funds	82.47	112.55
Welfare	79.11	104.49
	1,198.25	1,462.79
Less : Amount Capitalised	4.76	123.61
	1,193.49	1,339.18

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008 (12 Months)	30.09.2007 (18 Months)
21. ADMINISTRATION		
Travelling & Conveyance *1	142.91	194.00
Rent *2	43.86	43.21
Insurance *3	11.74	43.31
Rates & Taxes *4	18.44	23.28
Directors' Fee	0.94	2.19
Directors' Commission	3.00	3.10
Bad Debts & Amount Written Off *5	9.12	6.80
Loss on Sale/Written Off Fixed Assets	5.58	8.29
Loss on Sale/Written Off Stores & Spares	2.13	0.34
Exchange Rate Fluctuation *6	12.80	-
Provision for Bad & Doubtful Debts/Advances *7	18.91	31.43
Provision for Warranty Expenses *8	32.50	43.93
Provision for Liquidated Damages *9	41.55	52.30
Provision for Impairment of Fixed Assets	6.53	-
Provision for Slow/Non Moving Inventory	8.18	9.43
Prior Period Adjustments (Net) - Note 24 of Schedule 28	11.45	1.29
Office & Other Administration Expenses *10	309.72	403.94
	679.36	866.84
Less : Amount Capitalised	1.98	101.76
	677.38	765.08

*1 Includes Directors' Travelling Rs.9.47 Million (Rs.13.43 Million)

*2 Includes Rs.0.58 Million (Rs 0.82 Million) paid to the Managing Director.

*3 Net of Buffer Stock Subsidy of Rs.14.48 Million (Rs.4.81 Million)

*4 Includes Rs.5.05 Million (Rs.5.86 Million) towards Excise Duty paid.

*5 Net of Credit Balances Written Back of Rs. 1.58 Million (Rs.1.49 Million) & Bad Debts Recovered of Rs.Nil (Rs.4.63 Million)

*6 Includes mark-to-market valuation loss of Rs.2.17 Million (Rs.Nil) in respect of outstanding derivatives taken to hedge firm commitments/highly probable forecast transactions.

*7 Net of Provision for Doubtful Debts & Advances Written Back of Rs.6.86 Million (RsNil)

*8 Includes Warranty Expenses paid Rs.2.64 Million (Rs.Nil) and Net of Provision for Warranty Expenses Written Back of Rs.21.18 Million (Rs.5.57 Million)

*9 Includes Liquidated Damages paid Rs.1.01 Million (Rs.Nil) and Net of Provision for Liquidated Damages Written Back of Rs.19.99 Million (Rs.15.37 Million)

*10 Net of Excess provision of expenses written back of Rs.5.99 Million (Rs.0.91 Million)

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008 (12 Months)	30.09.2007 (18 Months)
22. FINANCING		
Interest on		
- Debentures	-	0.08
- Fixed Loans	683.13	657.73
- Others	396.00	272.29
Other Finance charges	19.37	8.56
	1,098.50	938.66
Less : Interest received on deposits and other accounts	15.92	12.75
Tax deducted at source Rs.1.98 Million (Rs.1.30 Million)		
Less : Interest Subsidy on Buffer Stock	102.45	33.82
Less : Exchange Rate Fluctuation on Foreign Currency Denomination Loan	-7.09	7.26
	987.22	884.83
Less : Amount Capitalised	5.58	156.30
	981.64	728.53
23. SELLING		
Commission	67.49	168.01
Royalty	18.80	21.80
Packing & Forwarding	86.43	76.80
Rebate & Discount	12.34	12.05
After Sales Expenses & Others	36.77	24.14
	221.83	302.80
24. AMORTISATION		
Voluntary Retirement Scheme	10.79	11.15
Capitalised Lease Assets	15.44	20.77
Intangible Assets	16.80	17.74
Others	-	0.22
	43.03	49.88
25. OFF SEASON EXPENSES CHARGED/(DEFERRED) (NET)		
Opening Off - Season deferred expenses	693.34	36.80
Closing Off - Season deferred expenses	875.12	693.34
Net Off - Season expenses charged/(deferred)	(181.78)	(656.54)
26. EXCEPTIONAL ITEMS		
GDR Expenses	-	10.18
Levy Claim Price paid for earlier years	-	11.22
	-	21.40
27. PROVISION FOR TAXATION		
For Current Year		
- Current Tax	123.39	120.54
(incl.Wealth Tax Rs. 0.26 Million (Previous Period Rs. 0.75 Million))		
- Deferred Tax	213.16	(66.20)
- Fringe Benefit Tax	12.86	26.29
	349.41	80.63
For Earlier Years (Net)		
- Current Tax	2.30	37.82
- Deferred Tax	-	26.18
- Fringe Benefit Tax	(0.01)	6.07
	2.29	70.07
	351.70	150.70
Less:MAT Credit Entitlement	121.27	119.79
	230.43	30.91

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 accrual basis of accounting, under the historical cost convention, except for revaluation of certain fixed assets, and in compliance with the applicable Accounting Standard referred in Section 211 (3C) and other requirements of the Companies Act, 1956.

b) Fixed Assets

i) Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes taxes, duties (excluding excise duty, service tax and VAT for which Cenvat/VAT claim is available), freight and other incidental expenses relating to acquisition and installation. In respect of new projects, all direct expenses including borrowing costs incurred upto the date of commencement of commercial production or when related asset is put to use are capitalized.

ii) Plant & Machineries at Deoband unit which were existing as on 1st November, 1986 were revalued and 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. The increase in the value of the assets on such revaluation over their book values had been credited to the revaluation reserve in the year of revaluation and the additional depreciation charge on such increased value over the original cost is adjusted against the revaluation reserve in each year

iii) 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 asset on such revaluation over its book value had been credited to the revaluation reserve in the year of revaluation and the additional depreciation charge on such increased value over the original cost is adjusted against the revaluation reserve in each year.

iv) 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) Income from carbon credits is recognised on the delivery of the carbon credits to the customers' account as evidenced by the receipt of confirmation of execution of delivery instructions.

iii) Off-season expenses relating to sugar and co-generation 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 operating season

iv) Income/Expenditure relating to prior period and prepaid expenses which do not exceed Rs.10,000/- in each case, are treated as Income/Expenditure of current year.

v) Compensation under Voluntary Retirement Scheme is amortised over 36 months or over the duration upto 30th September 2010 from the date of its incurrence, whichever period is shorter. All other termination benefits paid, if any, are immediately recognized as expenses.

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.

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 life of the contract.

SCHEDULES to Accounts (Contd.)

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, Co-generation & Distillery	Weighted Average
Water Business Group (incl. Projects division)	Specific Cost

Stores and Spares

Manufacturing Units	Basis
Water Business Group (incl. Projects division)	Specific Cost
Other Units	Weighted Average

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 (excluding those used as raw materials) 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, whichever 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 cost of fixed assets and depreciated on the same basis as other fixed assets.

h) Investments

Investments are valued at cost inclusive of expenses incidental to their acquisition. Long term investments are carried at cost. Provision is made for diminution in value, if such dimunition is, in the opinion of the management, permanent in nature. Current investments are valued at lower of cost and fair value.

i) Employee Benefits

1) Short Term Employee Benefits:

All employee benefits payable wholly within 12 months after the end of the period in which the employees render the related services are classified as short term employee benefits and are recognized as expense in the period in which the employee

SCHEDULES to Accounts (Contd.)

renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid (including compensated absences) in exchange for services rendered as a liability.

2) Long Term Employee Benefits:

a) Defined Contribution Plans

Defined contribution plans are retirement benefit plans under which the Company pays fixed contributions to separate entities (funds) or financial institutions or state managed benefit schemes. The Company's contribution to defined contribution plans are recognized in the Profit & Loss account in the financial year to which they relate.

The Company operates the following defined contribution plans :

i) Provident Fund Plan :

The Company makes specified monthly contributions towards Employee Provident Fund to fund administered and managed by the Government of India / funds (set up by the Company and administered through Trusts). The rate notified by the Government is also adopted by the Trusts. The Company has an obligation to make good the shortfall, if any, between the return on investments of the Trusts and notified interest rate.

ii) Employee State Insurance / Pension Fund Scheme :

The Company makes specified monthly contributions towards Employees State Insurance Scheme and government administered Pension Fund Scheme.

iii) Superannuation Scheme :

The Company has taken Group Superannuation Policy with Life Insurance Corporation of India for superannuation payable to specific employees. Contribution towards aforesaid fund is charged to the Profit & Loss account in the financial year to which it relates.

b) Defined Benefit Plans

Defined benefit plans are retirement benefit plans under which the Company pays certain defined benefits to the employees at the time of their retirement/resignation/death based on rules framed for such schemes.

i) Earned Leaves / Sick Leaves :

The Company provides for the liability at year end on account of unavailed accumulated leaves on the basis of actuarial valuation.

ii) Gratuity :

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuation .

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 :

Government grants are recognised where:

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

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

Presentation in Financial Statements :

i) Government grants relating 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/revenue or shown under "Other Income", in case direct linkage with cost/income 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

SCHEDULES to Accounts (Contd.)

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 "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 realized in future; however, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization 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 realized.

iv) Minimum Alternate Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period as per the provisions of Income Tax Act, 1961.

n) Intangible Assets

Intangible assets are recognised as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" and are amortised as follows :

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

o) Impairment of Asset

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 "Impairment of Assets".

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

i) the Company has a present obligation as a result of a past event.

ii) a probable outflow of resources is expected to settle the obligation and

iii) 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

i) 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.

ii) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised nor disclosed.

q) Derivative Transactions

Transactions covered by derivative contracts are adjusted with variation, if any, from the terms of the derivative contracts. Losses, if any, are recognized on restatement and settlement whereas gains are recognized only on settlement. The premium on derivative contracts is expensed out over the term of the contract.

SCHEDULES to Accounts (Contd.)

2. Contingent liabilities (to the extent not provided for)

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

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

(Rs. in Million)

		2008	2007
i)	Claims which are being contested by the Company and in respect of which the Company has paid amounts aggregating to Rs. 70.34 Million (Rs. 62.41 Million) under protest pending final adjudication of the cases:	205.35	184.68

Sl. No.	Particulars	Amount of Contingent Liability (Rs. in Million)	Amount Paid (Rs. in Million)
01.	Sales Tax	51.75 (51.38)	35.66 (37.76)
02.	Excise Duty	116.16 (92.74)	30.35 (5.84)
03.	Others	37.44 (40.56)	4.33 (18.81)

The outflow arising from these claims is uncertain and is after adjusting likelihood reimbursement of Rs. 12.02 Million (Rs. 9.08 Million) from customers in respect of Central Excise demands on account of denial of benefit under Notification No.6/2000.

		2008	2007
ii)	The Company is contingently liable in respect of short provision against disputed income tax liabilities of Rs. 2.16 Million (Rs. 21.13 Million).The amounts have not been provided in the accounts in view of reliefs expected in appeals.	2.16	21.13
iii)	Excise duty paid by the Company under protest in respect of certificates issued by the Project Implementing Authority (PIA) under Notifications 108/95CE 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. The Company is seeking court intervention to direct Ministry of Finance (MOF) to nominate appropriate line ministry so that certified true copies of certificates earlier issued by PIA could be signed by the concerned line ministry to cure the procedural defect and have the exemption restored.	26.67	26.67
iv)	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.		

SCHEDULES to Accounts (Contd.)

(c) An amount of Rs.134.30 Million (Rs.133.57 Million) including bank guarantees encashed of Rs.93.82 Million (including cheque of Rs.2.00 Million yet to be encashed) (Rs.93.82 Million), by customers are disputed either in arbitration, courts and/or is under settlement through negotiations. These amounts are stated under the head advances recoverable in Schedule 11 "Loans and Advances" and are considered good for recovery by the management except to the extent of provision made of Rs.4.96 Million (Rs.Nil). As the matters are subjudice and/or under arbitration/settlement, contingent liability if any, is not determinable.

3. Advances recoverable in cash or in kind include

a) Due from the Company Secretary-Rs.0.06 Million (Rs.0.12 Million). Maximum amount due at any time during the year Rs.0.25 Million (Rs.0.54 Million).

b) Rs.0.02 Million (Rs.0.02 Million) on account of Security Deposit paid to the Managing Director against leased property.

4. Outstanding commitments for capital expenditure amounting to Rs.487.22 Million (Rs.195.79 Million) after adjusting advance amounting to Rs.70.89 Million (Rs.69.44 Million).

5. The State Advised Price (SAP) of Rs.1250 per MT declared by the State Government for the season 2007-08 has been challenged before the Lucknow bench of the Allahabad High Court on the ground of it being arbitrary but the court has upheld the SAP. In similar cases for the seasons 2006-07 and 2007-08, the Allahabad High Court has quashed the SAP declared by the State Government and has directed the State Government to re-fix the SAP after following a mechanism laid down by the Court. The matter is now in the Supreme Court which in an interim order has directed payment of Rs.1100 per MT for the season 2007-08 till the final decision in the matter. Pending final outcome of the case, the accounts have been prepared considering cane price of Rs.1100 per MT for the season 2007-08.

6. (a) The company has continued to account for the incentives under the U.P. Sugar Industry Promotion Policy, 2004, since it has been legally advised that it continues to be entitled to the benefits under the said Policy, even though the policy was withdrawn by the State Government w.e.f. June 4, 2007. The Company has also filed a writ petition before the Lucknow Bench of the High Court of Allahabad, challenging the action of the State Government in withdrawing the said Policy and not granting the incentives to the Company. The High Court vide its interim order dated May 9, 2008 has permitted limited protection of remissions which were being enjoyed on the date when the policy was revoked. The company has during the year, accounted for incentives (receivable/recoverable from the Government) to the extent of Rs 160.16 Million (Rs.85.92 Million) which have been netted from the costs and availed remission of Rs.56.79 Million (Rs.37.42 Million) against prescribed levies. As on 30.09.2008 total incentive receivable/recoverable including Capital Subsidy are Rs.1293.08 Million and remissions availed are Rs.94.21 Million.

(b) Financial Statements include buffer stock subsidy of Rs.116.93 Million (Rs.38.63 Million) recoverable from the Central Government towards reimbursement of certain expenses and has been netted from the related expenses.

(c) During the year company has availed loan amounting to Rs.943.20 Million under the "Scheme for Extending Financial Assistance to Sugar Undertakings,2007" notified by the Government of India. Interest subvention on such loan is Rs.74.11 Million.

7. In accordance with the Accounting Standard (AS) 11 'The Effect of changes in Foreign Exchange Rates' post capitalization gains or losses relating to variations in Foreign exchange rates in respect of fixed assets acquired from outside India have been charged to Profit & Loss Account during the accounting year. Earlier as per Schedule VI to the Companies Act, 1956, such gains or losses were adjusted in the carrying cost of concerned fixed assets. As a result of the change in Accounting Policy, the profit before tax is lower by Rs.6.88 Million.

8. During the current year, Company has changed its accounting policy in respect of recognizing the income from carbon credits.The income from carbon credits is now recognised on the delivery of the carbon credits to the customers' account as evidenced by the receipt of confirmation of execution of delivery instructions, as against the earlier policy where income from carbon credits was recognised on estimated basis after the quantum was verified by an approved third party agency. Consequent to the change in the accounting policy, profit before tax of the Company for the year is lower by Rs. 90.20 Million.

SCHEDULES to Accounts (Contd.)

9. (a) The Company has made provision for the employee benefits in accordance with the Accounting Standard (AS) 15 "Employee Benefits" which has become applicable to the Company during the year. Consequent to the change, the employee cost for the year is higher by Rs.7.61 Million. Further in accordance with the transitional provision of Accounting Standard (AS) 15, the additional provision towards Employee Benefits as at October 1, 2007 amounting to Rs.14.23 Million (net of deferred tax credit of Rs.7.33 Million) has been adjusted with the General Reserve.

(b) In compliance of Accounting Standard (AS) 15 "Employees Benefits" the company has recognized following amounts in the profit & loss account.

i) Defined contribution plans

	Amount (Rs. in Million)
a. Employers' contribution to Provident Fund	65.08
b. Employers' contribution to Employee State Insurance	0.83
c. Employers' contribution to Superannuation Scheme	16.56

ii) Defined benefit plans

Disclosures required by the Accounting Standard are given hereunder :

Change in present value of obligation (Rs. in Million)

	Particulars	Gratuity (partly funded)	Compensated Absence	
			Earned leaves (unfunded)	Sick leaves (unfunded)
a)	Present value of obligation as at the beginning of the period (01/10/2007)	202.03	31.43	15.35
b)	Acquisition adjustment	-	-	-
c)	Interest cost	17.17	2.67	1.30
d)	Past service cost	-	-	-
e)	Current service cost	17.45	7.23	2.75
f)	Curtailment cost/(Credit)	-	-	-
g)	Settlement cost/(Credit)	-	-	-
h)	Benefits paid	-19.01	-2.43	-
i)	Actuarial (gain)/loss on obligation	8.89	-2.94	0.37
j)	Present value of obligation as at the end of period (30/09/2008)	226.53	35.96	19.77

SCHEDULES to Accounts (Contd.)

Changes in the fair value of plan assets (Rs. in Million)

	Particulars	Gratuity (partly funded)	Compensated Absence	
			Earned leaves (unfunded)	Sick leaves (unfunded)
a)	Fair value of plan assets at the beginning of the period (01/04/2007)	64.49	-	-
b)	Acquisition adjustment	-	-	-
c)	Expected return on plan assets	5.48	-	-
d)	Contributions	0.18	-	-
e)	Benefits paid	-	-	-
f)	Actuarial gain/(loss) on plan assets	-0.45	-	-
g)	Fair value of plan assets at the end of the period	69.70	-	-

Amounts recognized in balance sheet (Rs. in Million)

	Particulars	Gratuity (partly funded)	Compensated Absence	
			Earned leaves (unfunded)	Sick leaves (unfunded)
a)	Present value of obligation as at the end of the period	226.53	35.96	19.77
b)	Fair value of plan assets as at the end of the period	69.70	-	-
c)	Funded status	-156.83	-35.96	-19.77
d)	Net asset/(liability)recognized in balance sheet	-156.83	-35.96	-19.77

Expense recognized in the statement of profit and loss (Rs. in Million)

	Particulars	Gratuity (partly funded)	Compensated Absence	
			Earned leaves (unfunded)	Sick leaves (unfunded)
a)	Current service cost	17.45	7.23	2.75
b)	Past service cost	-	-	-
c)	Interest cost	17.17	2.67	1.31
d)	Expected return on plan assets	-5.48	-	-
e)	Curtailment cost / (Credit)	-	-	-
f)	Settlement cost / (credit)	-	-	-
g)	Net actuarial (gain)/ loss recognized in the period	9.34	-2.94	0.37
h)	Expenses recognized in the statement of profit & losses	38.48	6.96	4.43

SCHEDULES to Accounts (Contd.)

Major actuarial assumptions

	Particulars	Gratuity (partly funded)	Compensated Absence	
			Earned leaves (unfunded)	Sick leaves (unfunded)
i)	Discounting rate	8.50%	8.50%	8.50%
ii)	Future salary increase	6.50%	6.50%	6.50%
iii)	Expected rate of return on plan assets	8.50%	NA	NA
iv	Mortality table	LIC (1994-1996) duly modified		
v)	Method	Projected unit credit method		

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The entire plan assets of the gratuity fund are invested in fixed interest yielding debt instruments. The expected rate of return on plan assets of gratuity fund have been arrived at taking into consideration the prevalent returns on prescribed categories of investments authorized to be made by the fund.

10. The Company has incurred an expenditure of Rs.33.95 Million (Rs.21.99 Million) in respect of Research and Development activities in respect of its turbine unit and such expenditure has been charged to Profit & Loss Account under various heads. Additionally, the Company has also incurred cane development expenditure of Rs.56.00 Million (Rs.68.87 Million) in respect of its sugar units.

11. 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.in Million	Units	Amount/Rs. in Million
1.	ICICI Prudential Super Institutional Growth	43,56,425.292	50.00	43,56,425.292	50.48
2.	Birla Cash Plus-Instl. Prem-Growth	40,20,811.721	50.00	40,20,811.721	50.12
3.	DSP Merrill Lynch Liquid Plus Institutional Plan Growth	45,845.386	50.00	45,845.386	50.07
4.	DSP Merrill Lynch Liquid Plus Institutional Plan –daily dividend	4,99,900.020	500.00	4,99,900.020	500.00
5.	DBS Chola Short term Floating rate fund-daily dividend reinvest plan	70,28,673.156	70.50	70,28,673.156	70.50
	Total	1,59,51,655.575	720.50	1,59,51,655.575	721.17

SCHEDULES to Accounts (Contd.)

12. Disclosures required by Accounting Standard (AS) 29 Provisions, Contingent Liabilities and Contingent Assets are as under :

i) Movement in provisions :

(Rs. in Million)

Sl. No.	Particulars of disclosure	Nature of Provision	
		Warranty	Liquidated Damages
1.	Balance as at October 1, 2007	48.01 (16.82)	77.49 (25.20)
2.	Provision made during 2007-08	51.04 (52.90)	60.53 (67.67)
3.	Provision used during 2007-08	11.24 (16.13)	- (0.01)
4.	Provison reversed no longer required	21.18 (5.58)	19.99 (15.37)
5.	Balance as at 30th September,08	66.63 (48.01)	118.03 (77.49)

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 at the end of the year 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.

Liquidated Damages: In respect of certain products, the Company has contractual obligation towards its customers for matters relating to delivery and performance. The provisions represent amount estimated to meet such obligations. The Timing of the outflow is expected to be within one year.

13. Pursuant to compliance of Accounting Standard (AS) 18 "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 Retailventures Limited (TRVL)

Abohar Power Generation Limited (APGL) *

Upper Bari Power Generation Limited (UBPGL)

Triveni Engineering Limited (TEL)

Triveni Energy Systems Limited (TESL)

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

i) Wholly owned Subsidiaries (Group A)

Triveni Retailventures Limited (TRVL)

Abohar Power Generation Ltd (APGL)*

Upper Bari Power Generation Limited (UBPGL)

Triveni Engineering Limited (TEL)

Triveni Energy Systems Ltd (TESL)

ii) Associates (Group B)

TOFSL Trading & Investments Limited (TOFSL)

The Engineering & Technical Services Limited (ETS)

Triveni Entertainment Limited (TENL)

iii) Key Management Person (Group C)

Mr D M Sawhney, Chairman & Managing Director (DMS)

iv) Key Management person relatives (Group D)

Mrs Rati Sawhney (Wife) (RS)

Mr Tarun Sawhney (Son) (TS)

Mr Nikhil Sawhney (Son) (NS)

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

Kameni Upaskar Limited (KUL)

Tirath Ram Shah Charitable Trust (TRSCT)

* Ceased to be subsidiary during the year.

SCHEDULES to Accounts (Contd.)

c) Details of transactions with the related parties during the year ended 30.09.2008 :

(Rs. in Million)

		Group - A					Group - B			Group - C	Group - D			Group - E		TOTAL
SRL. No.	Nature of Transaction	TRVL	APGL	UBPGL	TESL	TEL	TOFSL	ETS	TENL	DMS	RS	TS	NS	KUL	TRSCT	
1	Sales and Rendering Services	3.42	-	-	-	-	0.08	0.06	0.06	-	-	-	-	-	-	3.62
		(11.93)	(-)	(-)	(-)	(-)	(0.13)	(0.09)	(0.09)	(-)	(-)	(-)	(-)	(-)	(-)	(12.24)
2	Purchases and receiving Services	35.20	-	-	-	-	-	-	-	-	-	-	-	-	-	35.20
		(47.40)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(47.40)
3	Purchase of Fixed Assets	2.67	-	-	-	-	-	-	-	-	-	-	-	-	-	2.67
		(116.03)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(116.03)
4	Reimbursement of Pre-operative Expenses (Capital WIP)	-	7.81	-	-	-	-	-	-	-	-	-	-	-	-	7.81
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
5	Rent Paid	-	-	-	-	-	-	-	-	0.58	-	-	-	1.50	-	2.08
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.82)	(-)	(-)	(-)	(2.64)	(-)	(3.46)
6	Rent & Other Charges Recd.	0.65	-	-	-	-	-	-	-	-	-	-	-	-	-	0.65
		(1.72)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(1.72)
7	Amount Advanced	91.50	-	-	0.36	0.01	-	-	0.02	-	-	-	-	-	-	91.89
		(136.15)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(136.15)
8	Refund of Amount Advanced	2.50	0.02	-	-	-	-	-	0.02	-	-	-	-	-	-	2.54
		(0.13)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.13)
9	Expenses incurred (Net)	12.33	0.00	-	0.00	-	-	-	-	-	-	-	-	-	-	12.33
		(29.98)	(0.00)	(-)	(-)	(1.37)	(0.63)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(31.98)
10	Interest Received	7.89	0.00	0.00	0.02	0.09	-	-	-	-	-	-	-	-	-	8.00
		(4.94)	(0.01)	0.00	0.00	(0.10)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(5.05)
11	Interest Paid	-	-	-	-	-	-	-	-	-	0.02	-	-	-	-	0.02
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.14)	(-)	(0.03)	(-)	(-)	(-)	(-)	(0.17)
12	Remuneration	-	-	-	-	-	-	-	-	39.43	-	9.99	9.64	-	-	59.06
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(40.84)	(-)	(12.79)	(11.63)	(-)	(-)	(65.26)
13	Investment in Shares	97.00	-	-	0.50	-	-	-	-	-	-	-	-	-	-	97.50
		(-)	(-)	(-)	(-)	(0.50)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.50)
14	Charity & Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	7.50	7.50
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(8.20)	(8.20)
15	Others (Amount written off)	-	0.07	-	-	-	-	-	-	-	-	-	-	-	-	0.07
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
16	Outstanding balances as on 30.09.08															
	A Receivable	144.83	-	0.04	0.37	1.53	0.04	0.03	0.03	0.02	-	-	-	-	-	146.89
		(144.97)	(0.06)	(0.04)	0.00	(1.45)	(0.23)	(0.03)	(0.03)	(0.02)	(-)	(-)	(-)	(-)	(-)	(146.83)
	B. Payable	-	-	-	-	-	-	-	-	2.64	-	0.34	0.33	-	-	3.31
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.51)	(-)	(0.67)	(0.68)	(-)	(-)	(1.86)
	C. Guarantees / Surety Outstanding	0.10	-	-	-	-	4.00	-	-	-	-	-	-	-	-	4.10
		(0.10)	(-)	(-)	(-)	(-)	(4.00)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(4.10)
	D. Fixed Deposit	-	-	-	-	-	-	-	-	-	0.25	-	-	-	-	0.25
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.20)	(-)	(-)	(-)	(-)	(0.20)

SCHEDULES to Accounts (Contd.)

14. 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. in Million)

SL. No.	Particulars	As on 30.9.2008	Maximum amount due During the year
1.	Loans & Advances to Subsidiaries (Note1)		
	- Triveni Retail Ventures Ltd	144.83	172.02
		(142.01)	(142.01)
	- Abohar Power Generation Ltd*	-	13.62
		(0.06)	(0.06)
	- Upper Bari Power Generation Ltd	0.04	0.04
		(0.04)	(0.04)
	- Triveni Engineering Limited	1.53	1.53
		(1.45)	(1.45)
	- Triveni Energy Systems Ltd	0.38	0.38
		(Nil)	(Nil)
2.	Loans & Advances to Associates (Note 1)		
	- Triveni Entertainment Limited	Nil	0.02
		(Nil)	(0.02)
3.	Loans & Advances to firms/companies in which directors are interested	Nil	Nil
		(Nil)	(Nil)
4.	Investment by the loanee in the shares of Triveni Engineering & Industries Ltd. and its subsidiaries	Nil	
		(Nil)	

* Ceased to be a subsidiary during the year.

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

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

15. (a) The Company has taken various residential, office and godown premises under operating lease. These are generally not non-cancelable and the unexpired period ranges between 6 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.

(b) Lease payments under operating lease are recognized 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. 0.86 Million (Rs.4.71 Million).
- Later than one year and not later than five years Rs.Nil (Rs.NIL).

16. Information on Segment Reporting of the Company for the year ended 30.09.2008

(Rs. in Million)

	SUGAR								ENGINEERING								OTHERS					
	Sugar		Co-generation		Distillery		Total Sugar		Steam Turbines		Gears		Water		Total Engineering		Other Operations		Eliminations		Total	
	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07
	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M
REVENUE																						
External Sales	8674.89	10999.98	681.96	880.70	785.54	207.23	10142.39	12087.91	5478.62	7283.88	616.34	566.73	663.28	399.77	6758.24	8250.38	129.77	199.38	-	-	17030.40	20537.67
Inter-segment Sales	902.82	770.35	491.65	646.61	-	-	1394.47	1416.96	4.77	271.57	263.41	524.86	4.29	111.54	272.47	907.97	-	-	(1666.94)	(2324.93)	-	-
Total Sales	9577.71	11770.33	1173.61	1527.31	785.54	207.23	11536.86	13504.87	5483.39	7555.45	879.75	1091.59	667.57	511.31	7030.71	9158.35	129.77	199.38	(1666.94)	(2324.93)	17030.40	20537.67
Other Income	37.00	30.22	0.55	0.64	1.86	0.02	39.41	30.88	7.13	12.68	2.32	2.49	0.00	(0.10)	9.45	15.07	7.85	1.41	-	-	56.71	47.36
Total Revenue	9614.71	11800.55	1174.16	1527.95	787.40	207.25	11576.27	13535.75	5490.52	7568.13	882.07	1094.08	667.57	511.21	7040.16	9173.42	137.62	200.79	(1666.94)	(2324.93)	17087.11	20585.03
RESULT																						
Segment result	358.78	(518.52)	475.74	497.40	176.95	21.44	1011.47	0.32	1280.13	1538.85	219.65	232.56	105.40	57.95	1605.18	1,829.36	(19.42)	(26.34)	(54.19)	(16.56)	2543.04	1786.78
Unallocated expenses (Net)																					(230.89)	(278.81)
Operating Profit																					2312.15	1507.97
Interest expense																					(997.57)	(741.28)
Interest/Dividend Income and Surplus																						
on disposal of Investments (Net)																					31.03	18.51
Income taxes (including deferred tax)																					(230.43)	(30.91)
Net profit																					1115.18	754.29
OTHER INFORMATION																						
Segment assets	14943.06	13290.63	2137.86	2388.99	1237.26	1238.27	18318.18	16917.89	3069.82	2361.20	560.87	502.62	581.74	245.21	4212.43	3109.03	264.65	278.93			22795.26	20305.85
Unallocated assets																					1905.06	1722.60
Total assets																					24700.32	22028.45
Segment liabilities	1556.78	2284.30	58.18	68.68	113.02	183.91	1727.98	2536.89	2025.78	1801.64	171.83	126.95	283.83	112.88	2481.44	2041.47	42.25	27.93			4251.67	4606.29
Unallocated liabilities																					12630.72	10524.15
Total liabilities																					16882.39	15130.44
Capital expenditure	501.41	5267.86	1.09	643.37	4.69	1029.69	507.19	6940.92	146.93	631.06	25.74	103.23	90.39	77.30	263.06	811.59	0.05	0.76				
Depreciation	516.99	526.33	142.90	184.20	55.27	23.81	715.16	734.34	42.35	30.98	26.84	31.98	1.26	0.82	70.45	63.78	0.59	0.84				
Amortisation	28.38	30.64	0.01	0.00	0.16	0.05	28.55	30.69	11.72	13.91	0.93	1.52	0.99	0.94	13.64	16.37	0.08	0.87				

Notes :

(i) In accordance with the Accounting Standard (AS) 17 "Segment Reporting", the Company's operations have been categorized into 6 major business segments, which constitute 99.24% (99.03%) of the total turnover of the Company. These business segments are classified under the two major businesses in which the Company is engaged in, and are briefly described hereunder :

Sugar & Allied Businesses

a) Sugar : The Company is a manufacturer of white crystal sugar, having an aggregate sugarcane crushing capacity of 61,000 TCD (tonnes crushed per day) spread over seven manufacturing plants situated in the State of Uttar Pradesh. After meeting the captive requirements, the Company also sells the surplus molasses and bagasse, which are produced as a by-product in the manufacture of sugar.

b) Co-generation : The business segment, apart from meeting some power and steam requirement of sugar unit, also exports power to the State grid. It has installed capacity of 68 MW spread over Khatauli and Deoband sugar mills.

c) Distillery : The 160 kilo-litres per day capapcity distillery located at Muzaffarnagar, Uttar Pradesh, uses the molasses produced in manufacture of sugar as the principal raw material in production of various categories of alcohol.

Engineering Businesses

a) Steam Turbines : This segment is engaged in the manufacture of steam turbines at manufacturing facilities located at Bangalore, Karnataka.

b) High Speed Gears : This business segment manufactures high speed gears and gear boxes at the manufacturing facility located at Mysore, Karnataka.

c) Water/Wastewater Treatment : This business segment operates from Noida, Uttar Pradesh and provides engineered to order process equipment and plants and provides services in the water and wastewater management and solutions.

(ii) The 'Other Operations' mainly include trading of various packaged fast moving consumer goods (under the Company's brand name), including sugar.

(iii) There are no geographical segments as the volume of exports is not significant and the major turnover of the Company takes place indigenously. There is no major reliance on a few customers or suppliers.

(iv) Inter-segment transfer are priced based on competitive market prices or determined to yield a desired margin or agreed on a negotiated basis. These are then eliminated on consolidation.

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

SCHEDULES to Accounts (Contd.)

17. In compliance with the Accounting Standard (AS) 22 Accounting for Taxes on Income , the breakup of net deferred tax liability is provided below :

Particulars	Deferred tax liability (deferred tax asset) (Rs. in Million)	
	2008	2007
Difference in Net Book values of Fixed Assets as per accounts & tax	1,188.47	1,001.58
Share Issue Expenses	-16.45	-24.67
Expenses deferred in books but Claimed in tax	30.84	45.87
Other Provisions disallowable u/s 43-B	-253.31	-120.90
Unabsorbed Tax Depreciation *	-324.38	-506.78
Others (net)	-16.25	7.98
Net deferred tax liability	608.92	403.08

* This represents depreciation which has arisen on account of setting up and expansion of new units during previous accounting year. The Company is hopeful of earning sufficient taxable income in near future to enable it to avail the benefit of the unabsorbed depreciation.

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

		2007-2008	2006-2007
1.	Net profit after tax as per Profit & Loss Account (Rs. in Million)	1,115.18	754.29
2.	No. of Equity Shares of Rs.1/- during the year (weighted average)	257,880,150	257'880,150
3.	Earning per equity share of Rs.1/- each Basic/Diluted (1)/(2) (EPS)	4.32	2.92

Note : EPS for the previous financial year is for 18 months and not annualized.

19. Based on the intimation received by the Company from its suppliers regarding their status under the Micro. Small and Medium Enterprises Development Act,2006, the relevant information is provided here below:-

SL.No	Particulars	Amount (Rs.in Million)
1.	Amounts due to Micro and Small Enterprises as on 30-09-2008	
	i) Principal amount	10.06
	ii) Interest due on above	Nil
2.	i) Principal amount paid after due date or appointed day during the year	Nil
	ii) Interest paid during the year on (i) above	Nil
3.	Interest due & payable (but not paid) on principal amounts paid during the year after the due date or appointed day.	Nil
4.	Total interest accrued and remaining unpaid as on 30.9.2008	Nil
5.	Further interest in respect of defaults of earlier years due and payable in current year upto the date when actually paid	Nil

SCHEDULES to Accounts (Contd.)

20. (a) Managing Director's Remuneration :

(Rs. in Million)

	2007-2008 (12 Months)	2006-2007 (18 Months)
Salary	18.00	23.34
Performance Bonus/Commission	20.00	12.00
Contribution to PF & Other Funds (Current Year-Rs. 1,500/-)	0.00	2.54
Gratuity	0.35	0.50
Other Perquisites	1.09	2.46
TOTAL	39.44	40.84

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

(Rs. in Million)

	2007-2008 (12 Months)	2006-2007 (18 Months)
Profit before Tax as per Profit & Loss Account	1345.61	785.20
Add		
Remuneration paid/payable to Managing Director & remuneration to other non-executive directors	39.44	40.84
Director's Fees & Commission	3.94	5.29
Loss on sale/write off / impairment of fixed assets	12.11	8.29
	1,401.10	839.62
Less		
Profit on Sale of Investment	12.64	-
Net Profit as per section 198 of the Companies Act,1956	1,388.46	839.62
-Managing Director		
Maximum permissible remuneration to Managing Director under section 198 of the Companies Act,1956 @ 5% of the profit computed above	69.42	41.98
Less: Already paid through monthly salary	19.44	28.84
Balance payable as Performance Bonus/Commission	49.98	13.14
Restricted to	20.00	12.00
- Non Executive directors		
Maximum permissible managerial remuneration to non-executive directors under section 198 of the Companies Act,1956 @ 1% of net profit.	13.88	8.40
Restricted to	3.00	3.10

SCHEDULES to Accounts (Contd.)

21. Amount paid/payable to Auditors

Included under "Office and other Administrations Expenses" in Schedule 21:

(Rs. in Million)

	Statutory Auditors		Branch Auditors		Cost Auditors	
	2008 (12 Months)	2007 (18 Months)	2008 (12 Months)	2007 (18 Months)	2008 (12 Months)	2007 (18 Months)
Audit Fees	2.59	3.05	0.51	0.68	0.26***	0.14
Fees for tax matters including tax audit	2.94 *	1.33	0.39	0.39	-	-
Management & Other Services	2.36**	2.54	0.40	0.54	0.01	-
Reimbursement of Expenses	0.55	0.44	0.81	1.45	0.01	-
TOTAL	8.44	7.36	2.11	3.06	0.28	0.14

* Includes arrears of Rs.1.10 Million pertaining to previous year.

** Includes arrears of Rs.0.51 Million pertaining to previous year.

*** Includes arrears of Rs.0.10 Million pertaining to previous year.

22. Derivative Instruments outstanding as on 30.09.2008 for hedging foreign currency risks (including firm commitments and highly probable forecasted transactions)

Category of derivative instruments and purpose	As on 30.09.08		As on 30.09.07	
	No. of Contracts*	Approximate Amount Rs. in Million	No. of Contracts*	Approximate Amount Rs. in Million
1. Forward Contracts				
Trade Receivable	13	144.61	-	-
Trade Payables	2	0.96	-	-
Buyers' Credit & Interest thereon	9	53.00	4	79.06
Capital Imports	5	83.01	-	-
External Commercial Borrowings	-	-	1	28.84
2. Currency Option Contracts				
Buyers' Credit	1	23.48	-	-
Capital Imports	1	1.68	-	-
External Commercial Borrowings	26	385.99	30	452.20
3. Currency Swap				
External Commercial Borrowings	2	197.85	2	263.80
4. Interest Coupon Swap				
External Commercial Borrowings	3	34.97	3	60.21

* No. of contracts include foreign cross-currency derivatives. However Indian Rupee equivalent foreign cross-currency derivative transactions are not included wherever these have been further hedged to Indian Rupee.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under :

Amount Payable : Rs. 196.90 Million (Rs.94.84 Million)

Amount Receivable : Rs. 2.49 Million (Rs.130.81 Million)

SCHEDULES to Accounts (Contd.)

23. Amount deposited with unscheduled bank along with maximum amount outstanding with the Bank during the year.

(Rs. in Million)

Name of the banks	Balance as On 30.09.08	Maximum outstanding at any time during the year	Balance as On 30.09.07	Maximum outstanding at any time during the year
Zila Sahakari.Bank Ltd	1.42	5.36	1.27	7.06
District Co-operative Bank	0.16	23.13	1.43	48.57
Prathma Bank	10.99	250.39	3.92	120.10

24. Details of Prior Period Adjustments (Net) in Schedule 21 is as under :

(Rs. in Million)

Sl.No.	Particulars	2007-2008 (12 Months)	2006-2007 (18 Months)
A.	EXPENDITURE		
1.	Purchases (Raw Material)	11.49	0.11
2.	Material Purchased	-	0.12
3	Cane Centre Expenses	-	0.13
4.	Stores, Spares & Tools	-0.17	-
5.	Repairs & Maintenance – Plant & Machinery	0.98	-0.03
6	Repairs & Maintenance – General	-0.02	-
7	Factory/Operational expenses	0.07	-
8.	Salaries, Wages & Bonus	0.43	0.03
9	Gratuity	-2.23	-
10.	Welfare	-0.06	-
11.	Travelling & Conveyance	0.02	-
12.	Rates & Taxes	-	-0.02
13.	Insurance	0.32	-
14.	Rent	0.03	-0.01
15.	Office & Other Administration Expenses	0.24	0.65
16	Interest Paid-other Loans	-0.05	-
17.	Packing & Forwarding	0.24	0.25
18.	Capitalised Lease Assets	0.05	-
19.	Depreciation	0.03	-0.07
	TOTAL EXPENDITURE (A)	11.37	1.16
B.	INCOME		
1.	Sales	-0.56	-0.20
2	Miscellaneous	0.48	-
3.	Rent Received	-	0.07
	TOTAL INCOME (B)	-0.08	-0.13
	PRIOR PERIOD ADJUSTMENT (NET) (A-B)	11.45	1.29

SCHEDULES to Accounts (Contd.)

25. Accumulated losses of wholly owned subsidiary of the Company M/s Triveni Retail Ventures Limited (TRVL) have exceeded its paid up capital. Since the retail business being undertaken by the subsidiary is in the gestation period and considering the long term nature of the investment, in the opinion of the management, the decline in book value of investment is not permanent in nature and accordingly no provision for loss in respect of investment held in and loan given to TRVL by the Company, has been considered necessary.

26. Statement of additional information

(Rs. in Million)

	2007-2008 (12 Months)	2006-2007 (18 Months)
a) Value of imports on CIF basis :		
Raw Materials	239.10	350.39
Components & spare parts	4.36	4.53
Capital Goods (includes advance against Capital Goods Rs.Nil (Rs.Nil)	71.08	254.56
b) Expenditure in Foreign Currency		
i) Travelling	15.58	18.35
ii) Royalty	18.34	21.05
iii) Technical know-how	1.78	0.44
iv) Others	244.68	171.64
c) Earnings in Foreign Exchange :		
Exports of goods on F.O.B. basis	608.48	489.07
Service Charges	41.16	21.88
Others (Carbon Credit)	131.00	112.80

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

	2007-2008 (12 Months)		2006-2007 (18 Months)	
	(Rs. in Million)	%	(Rs. in Million)	%
i) Raw Material				
- Directly imported	260.72	2.45%	370.12	2.76%
- Indigenous	10,382.75	97.55%	13,031.61	97.24%
Total	10,643.47	100.00%	13,401.73	100.00%
ii) Spare Parts				
- Directly imported	2.85	0.74%	5.43	1.54%
- Indigenous	384.46	99.26%	346.38	98.46%
Total	387.31	100.00%	351.81	100.00%

SCHEDULES to Accounts (Contd.)

e) Licensed and Installed Capacities & Actual Production:

Class of Goods	Units	Licensed Capacity		Installed Capacity *1		Actual Production *2	
		2007-2008	2006-2007	2007-2008	2006-2007*	2007-2008 (12 Months)	2006-2007 (18 Months)
Sugar	MT	NA	NA	61,000 TCD	61,000 TCD	579,575.90	622,713.40
Molasses	MT	NA	NA	NA	NA	297,173.56	342,784.69
Steam Turbines	MW	NA	NA	1000	1000	724	907
High Speed Reduction Gears	Nos.	NA	NA	500	450	554	528
Mechnical Equipment - Water/ Waste Water *3	(Rs.in Million)	NA	NA	NA	NA	631.17	404.75
Alcohol	KL	NA	NA	160 KLPD	160 KLPD	*4 35,997.58	14,278.65
Power (Cogeneration Plant)	000 KWH	NA	NA	68 MW	68 MW	268,667.18	376,783.50

* On annualised basis.

*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.

*4 Excluding 25.85 KL of Denaturants.

N.A. - Not Applicable

TCD - Metric Tons of cane crushed per day.

MT - Metric Tons

KWH - Kilo Watt per hour

MW - Mega Watt

KL - Kilo Litre

KLPD- Kilo Litre per day

SCHEDULES to Accounts (Contd.)

f) Opening Stock, Closing Stock & Sales

i) Manufactured Goods

Class of Goods	Units	Year	Opening Stock		Closing Stock		Sales (Gross)	
		2007-08	Qty	Value	Qty	Value	Qty	Value
		2006-07		(Rs. in Million)		(Rs. in Million)		(Rs. in Million)
Sugar *1	MT	2007-08	186,583.90	2,685.87	257,338.50	3,886.48	508,131.80	8,016.67
		2006-07	173,477.70	2,833.17	186,583.90	2,685.87	609,226.80	10,020.32
Molasses *2	MT	2007-08	27,245.16	56.60	-	-	238,119.07	503.29
		2006-07	58,166.32	190.00	27,245.16	56.60	339,939.01	985.05
Steam Turbines *3	MW	2007-08	-	-	-	-	724	3,337.50
		2006-07	-	-	-	-	877	4,479.60
High Speed Reduction Gears *3	Nos	2007-08	-	-	-	-	461	528.70
		2006-07	-	-	-	-	343	519.58
Mechnical Equipment - Water/ Waste Water	Rs.in Million	2007-08	-	-	-	-	-	631.17
		2006-07	-	-	-	-	-	404.75
Alcohol*4	KL	2007-08	2,034.58	27.61	2,412.39	42.16	35,468.00	778.53
		2006-07	-	-	2,034.58	27.61	12,211.00	207.02
Power *3 (Cogeneration Plant)	000 KWH	2007-08	1,385.31	2.89	1,595.72	3.23	185,819.58	550.96
		2006-07	345.35	0.65	1,385.31	2.89	263,024.56	767.90
Boughtout, Spares & Others *5	Rs.in Million	2007-08		22.97	-	11.11		2,504.24
		2006-07	-	2.79	-	22.97	-	2,964.03
Total		2007-08		2,795.94		3,942.98		16,851.06
		2006-07		3,026.61		2,795.94		20,348.25

*1 Closing stock of sugar is after adjusting 689.50 MT (380.40 MT) on account of reprocessing loss.

*2 Closing stock of molasses is after adjusting wastage 210.24 MT (5845.93 MT).

*2 Excludes 86,089.41 MT(27920.91 MT) for capative consumption.

*3 Excludes Nil (30 MW) Steam Turbine 93 (185) High Speed Reduction Gears & 82637.19'KWH (112718.98 000' KWH) Power for captive consumption.

*4 Exluding Wastage of 177.62 KL (33.06 KL)

*5 Product being diverse, it is not feasible to give quantitative details.

SCHEDULES to Accounts (Contd.)

ii) Trading Goods

Class of Goods	Units	Year	Opening Stock		Purchases		Closing Stock		Sales (Gross)	
		2007-08	Qty	Value	Qty	Value	Qty	Value	Qty	Value
		2006-07		(Rs. in Million)		(Rs. in Million)		(Rs. in Million)		(Rs. in Million)
Sugar	MT	2007-08	-	-	-	-	-	-	-	-
		2006-07	750.00	14.97	2,090.00	41.72	-	-	2,840.00	48.52
Others*	Nos	2007-08	-	1.93	-	45.82	-	1.21	-	48.34
		2006-07	-	1.25	-	27.64	-	1.93	-	28.10
Total		2007-08		1.93		45.82		1.21		48.34
		2006-07		16.22		69.36		1.93		76.62

12 Months ending 30.9.2008

18 Months Ending 30.9.2007

* No. of items being diverse, it is not feasible to give quantitative details.

g) Break up of Raw Material and Components Consumed

Class of Goods	Unit	2007-2008 (12 Months)		2006-2007 (18 Months)	
		Qty.	Rs. in Million	Qty.	Rs. in Million
Sugar Cane	MT	5,860,541	6,964.22	6,315,852	8,517.68
Brought outs		-	2,455.66	-	3,829.31
Others		-	1,223.59	-	1,054.74
Total			10,643.47		13,401.73

27. Previous period figures have been rearranged and regrouped wherever necessary to make them comparable with this year figures.The figures of the previous period are for the period 18 months while figures for the current year are for 12 months and hence are not comparable.Figures given in brackets relate to previous year.

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

Place : Noida (U.P.)
Date : November 19, 2008

Dhruv M. Sawhney
Chairman &
Managing Director

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

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

Suresh Taneja
Vice President
& CFO

Triveni Engineering & Industries Limited

CASH FLOW STATEMENT

(Rs. in Million)

For the period ended	30.09.2008 (12 Months)	30.09.2007 (18 Months)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	1,345.61	785.20
Add : Depreciation	796.88	812.75
: Amortisation		
-- Machinery Lease Rentals	15.44	20.77
-- Intangible Assets	16.80	17.74
-- Miscellaneous Expenditure	10.79	11.37
: Share Issue Expenses	-	0.94
Less : Incomes/Expenses treated separately		
Dividend Income	2.47	5.76
Profit/(Loss) on sale / written off of Fixed Assets	(5.58)	(8.29)
Provision for Impairment of Fixed Assets	(6.53)	-
Profit on sale of Investments	12.64	-
Interest Expenses	(1,100.02)	(741.29)
Interest Income	118.37	12.75
Deferred Revenue Expenditure Incurred	7.55	24.14
Operating Profit before Working Capital changes	3,156.62	2,355.70
Changes in Working Capital		
Changes in Inventories	(1,200.67)	(147.12)
Changes in Receivables	(1,191.68)	60.66
Changes in Other Current Assets	112.80	(112.80)
Changes in Other Trade Receivables	(309.31)	(1,318.80)
Changes in Current Liabilities	(318.18)	2,185.04
Direct Taxes Paid (Net) including Wealth Tax	(154.46)	(145.86)
Net Changes in Working Capital	(3,061.50)	521.12
Cash Flow from Operating Activities	95.12	2,876.82
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed/Intangible Assets	(808.30)	(7,767.05)
Sale of Fixed/Intangible Assets	11.67	12.33
Purchase of Investments		
– Subsidiary Company	(97.50)	(0.50)
– Others	(720.50)	(1,482.01)
Sale / Redemption of Investments		
– Subsidiary Company	0.50	-
– Others	822.25	1,392.88
Changes in Loans & Advances	-	-
Interest Income	61.08	18.31
Dividend Income	2.47	5.76
Net Cash Flow in Investment Activities	(728.33)	(7,820.28)

CASH FLOW STATEMENT (Contd.)

((Rs. in Million)

For the period ended	30.09.2008 (12 Months)	30.09.2007 (18 Months)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Issue Expenses	-	(0.94)
Increase in Short Term Borrowings (Net)	207.70	380.11
Increase in Long Term Borrowings (Net)	907.20	4,800.49
Increase / Decrease in Cash Credit	572.75	813.19
Interest Paid	(1,093.47)	(749.83)
Machinery Lease Rentals	-	2.16
Redemption of Preference Shares (including premium)	(0.26)	(0.56)
Dividend Paid (Including Tax on Distributed Profit)	(30.80)	(295.41)
Net Cash Flow used in Financing Activities	563.12	4,949.21
Net Increase/(Decrease) in Cash & Cash Equivalents	(70.09)	5.75
Opening Cash & Cash Equivalents *	228.17	222.42
Closing Cash & Cash Equivalents *	158.08	228.17

* Excludes Balances with Banks on Margin Account.

Notes to Accounts Schedule 28

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 (U.P.)
Date : November 19, 2008

Dhruv M. Sawhney
Chairman &
Managing Director

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

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

Suresh Taneja
Vice President
& CFO

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 :	3 0 (Date)	0 9 (Month)	2 0 0 8 (Year)

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

Public Issue	N I L	Right Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

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

Total Liablilities	2 0 1 3 2 . 9 8	Total Assets	2 0 1 3 2 . 9 8
Sources of Funds			
Paid up Capital	2 5 7 . 8 8	Reserves & Surplus	7 5 7 9 . 2 2
Secured Loans	1 0 7 9 8 . 3 8	Unsecured Loans	8 8 8 . 5 8
Deferred Tax Liability (Net)	6 0 8 . 9 2		
Application of Funds			
Net Fixed Assets *	1 3 0 1 0 . 8 4	Investments	1 1 6 . 1 5
Net Current Assets	6 9 8 6 . 8 2	Misc. Expenditure	1 9 . 1 7

* Include Plant & Machinery acquired under lease.

IV. Performance of the Company (Rs. in Million)

Turnover (including Other Income)	1 7 1 0 2 . 6 2	Total Expenditure	1 5 7 5 7 . 0 1
Profit Before Tax	1 3 4 5 . 6 1	Profit After Tax	1 1 1 5 . 1 8
Earning Per Share in Rs.	4 . 3 2	Dividend Rate %	6 0

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

Item Code No.(ITC Code)	Product Description
1 7 0 1 1 1 0 0	MANUFACTURE OF SUGAR
N. A.	CO-GENERATION
0 0 0 0 8 4 0 6	MANUFACTURE OF STEAM TURBINE

AUDITORS' Report

To

The Board of Directors of

Triveni Engineering and Industries Limited

1. We have examined the attached Consolidated Balance Sheet of Triveni Engineering & Industries Limited and its Subsidiaries and Associates as at 30th September 2008 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statement based on our audit.
2. 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.
3. We did not audit the financial statements of subsidiaries, Abohar Power Generation Limited and Upper Bari Power Generation Limited which have been audited by the other auditors and whose reports have been forwarded to us and considered by us in preparing our report, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.
4. We did not audit the financial statements of Indian Associates TOFSL Trading & Investments Limited, Carvanserai Limited and Triveni Entertainment 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.
5. 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" and on the basis of the separate audited financial statements of the Company and its subsidiaries for the year ended 30th September 2008 and its associates for the year ended 31st March 2008 included in the consolidated financial statement.
6. 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, in our opinion, the 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 and its subsidiaries as at 30th September 2008, and its interest in associates as at 31st March, 2008;
   (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended 30th September 2008, and its interest in associates for the year ended 31st March 2008 and
   (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended 30th September 2008, and its interest in associates for the year ended 31st March 2008

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

Sudhir Mallick
Partner
Membership No.80051

Place : Noida (U.P.)
Date : November 19, 2008

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

CONSOLIDATED BALANCE SHEET

(Rs. in Million)

As at	SCHEDULES	30.09.2008	30.09.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	257.88	257.88
Reserves & Surplus	2	7,831.90	6,810.56
		8,089.78	7,068.44
Loan Funds			
Secured Loans	3	10,799.01	9,314.07
Unsecured Loans	4	888.58	680.88
		11,687.59	9,994.95
Deferred Tax Liability (Net)			
(Refer Note - 13 of Schedule 28)		606.99	402.30
Total Funds Employed		20,384.36	17,465.69
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		15,385.95	14,830.25
Less : Depreciation		2,964.28	2,192.29
Net Block		12,421.67	12,637.96
Capital Work-in-Progress		399.52	211.07
Intangible Assets	5A	39.66	34.18
Discarded Fixed Assets Pending Disposal/Sale		3.06	1.08
Plant & Machinery acquired under Lease		161.83	179.17
Goodwill		0.01	0.01
		13,025.75	13,063.47
Investments	6	431.50	331.26
Current Assets, Loans and Advances			
Inventories	7	5,474.75	4,254.22
Sundry Debtors	8	2,135.49	940.72
Cash and Bank Balances	9	198.45	267.87
Other Current Assets	10	3.86	116.49
Loans and Advances	11	3,709.50	3,206.09
		11,522.05	8,785.39
Less : Current Liabilities and Provisions			
Liabilities	12	3,768.76	4,221.26
Provisions	13	845.35	515.58
		4,614.11	4,736.84
Net Current Assets		6,907.94	4,048.55
Miscellaneous Expenditure	14	19.17	22.41
Total Assets (Net)		20,384.36	17,465.69
Notes to Accounts	28		

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 (U.P.)
Date : November 19, 2008

Dhruv M. Sawhney
Chairman &
Managing Director

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

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

Suresh Taneja
Vice President
& CFO

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Million)

For the period ended	SCHEDULES	30.09.2008 (12 Months)	30.09.2007 (18 Months)
INCOME			
Gross Sales	15	17,287.23	20,742.84
Less : Excise Duty		1,100.26	1,458.14
Net Sales		16,186.97	19,284.70
Other Income	16	72.59	52.81
Increase/(Decrease) in Work-in-Progress/Finished Goods	17	1,021.81	(166.58)
Income from Associates		189.35	-
		17,470.72	19,170.93
EXPENDITURE			
Materials	18	10,963.01	13,732.71
Manufacturing/Operating	19	1,226.38	1,288.14
Personnel	20	1,240.70	1,371.40
Administration	21	712.00	793.48
Financing	22	989.61	733.35
Selling	23	227.02	305.73
Depreciation		800.20	815.31
Amortisation	24	43.75	51.72
Off-season Expenses charged/(deferred) (Net)	25	(181.78)	(656.54)
Loss from Associates		-	2.59
		16,020.89	18,437.89
Profit before Exceptional Items & Taxation		1,449.83	733.04
Exceptional Items	26	-	21.40
Profit before Taxation		1,449.83	711.64
Provision for Taxation	27	229.99	30.72
Profit after Taxation		1,219.84	680.92
Surplus Brought Forward		240.55	300.06
AVAILABLE FOR APPROPRIATION		1,460.39	980.98
APPROPRIATIONS			
Dividend Adjustment of Previous Year (Current year - Rs. 1,843/-)		-	0.01
Tax on Distributed Profits (Earlier Years) Current year - Rs. 314/- & Previous period Rs. 818/-		-	-
Interim Dividend Paid - Equity Shares		-	128.95
Tax on Dividend on Equity Shares		-	19.23
Final Dividend Proposed on Equity shares		154.73	25.79
Provision for Tax on Dividend on Equity Shares		26.29	4.38
Transfer to Molasses Storage Fund Reserve		3.54	2.07
Transfer to General Reserve		923.00	560.00
Surplus Carried Forward		352.83	240.55
		1,460.39	980.98
Earning per equity share of Rs. 1/- each (Note - 15 of Schedule - 28) - Basic/Diluted (Not Annualised)		4.73	2.64
Notes to Accounts	28		

This is the Consolidated Profit & 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 (U.P.)
Date : November 19, 2008

Dhruv M. Sawhney
Chairman &
Managing Director

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

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

Suresh Taneja
Vice President
& CFO

SCHEDULES to Accounts

(Rs. in Million)

	30.09.2008	30.09.2007
1. SHARE CAPITAL		
Authorised		
500,000,000 Equity Shares of Rs. 1/- each	500.00	500.00
20,000,000 Preference Shares of Rs. 10/- each	200.00	200.00
	700.00	700.00
Issued		
257,888,150 Equity Shares of Rs. 1/- each	257.89	257.89
	257.89	257.89
Subscribed & Paid Up		
257,880,150 Equity Shares of Rs. 1/- each	257.88	257.88
Add : Paid up value of 8,000 Equity Shares of Rs. 1/- each forfeited Rs. 1,600/- (Rs. 1,600/-)	-	-
	257.88	257.88

	01.10.2007	Additions	Deductions	30.09.2008
2. RESERVES & SURPLUS				
Capital Reserve	1,048.29	-	-	1,048.29
Revaluation Reserve - Fixed Assets	171.90	-	*1 3.25	168.65
Molasses Storage Fund Reserve	9.53	*1 3.54	-	13.07
Share Premium Account	2,653.85	-	-	2,653.85
General Reserve	2,554.06	*1 923.00	*2 14.23	3,462.83
Surplus	240.55	*1 352.83	*1 240.55	352.83
Capital Redemption Reserve	39.74	-	-	39.74
Amalgamation Reserve	92.64	-	-	92.64
	6,810.56	1,279.37	258.03	7,831.90

*1 Transfer from/to Profit & Loss Account.

*2 Provision towards Employee Benefits upto September 30, 2007 as per Accounting Standard (AS) 15 “Employee Benefits” (Net of Deferred Tax Credit of Rs. 7.33 Million)

	30.09.2008	30.09.2007
3. SECURED LOANS		
From Banks -		
Cash Credit/WCDL/Overdraft	3,223.86	2,651.11
Term Loans	6,721.55	5,723.06
From Others	846.79	938.46
Interest Accrued & Due	6.81	1.44
	10,799.01	9,314.07
4. UNSECURED LOANS		
Fixed Deposits	108.00	105.75
Short Term Loan :-		
From Banks	774.44	565.99
Other Loans & Advances :-		
From Other than Banks	6.14	9.14
	888.58	680.88

SCHEDULES to Accounts (Contd.)

5. FIXED ASSETS

(Rs. in Million)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost As at 01.10.2007	Additions	Deduction/ Adjustments	Total As at 30.09.2008	Upto 30.09.2007	During The Year *1	Adjustment /Sale	To date As at 30.09.2008	As at 30.09. 2008	As at 30.09.2007
Land										
- (Free Hold)	527.99	5.05	-	533.04	-	-	-	-	533.04	527.99
- (Lease Hold)	0.10	-	-	0.10	-	-	-	-	0.10	0.10
Buildings & Roads	2,359.45	233.80	8.35	2,584.90	190.28	68.40	2.94	255.74	2,329.16	2,169.16
Railway Siding	0.02	-	-	0.02	0.02	-	-	0.02	-	-
Plant & Machinery	11,632.20	306.04	31.59	11,906.65	1,885.86	702.97	17.15	2,571.68	9,334.97	9,746.35
Furniture & Fixture	133.22	35.42	1.06	167.58	39.83	11.49	0.32	51.00	116.58	93.39
Computers	116.19	27.11	6.13	137.17	56.84	15.06	5.52	66.38	70.79	59.35
Vehicles	61.08	4.28	8.87	56.49	19.46	5.56	5.56	19.46	37.03	41.62
This Year	14,830.25	611.70	56.00	15,385.95	2,192.29	803.48	31.49	2,964.28	12,421.67	12,637.96
Previous Period	6,872.97	8,005.75	48.47	14,830.25	1,398.04	821.21	26.96	2,192.29	12,637.96	
Capital Work in Progress Includes									399.52	211.07

*1 Rs. 3.25 Million (Rs. 4.87 Million) transferred to Revaluation Reserve.

5A. INTANGIBLE ASSETS (OTHER THAN INTERNALLY GENERATED)

	GROSS BLOCK				AMORTISATION				NET BLOCK	
	Cost As at 01.10.2007	Additions	Retirement & Disposal/ Adjustments	Total As at 30.09.2008	Upto 30.09.2007	During The Year	Retirement & Disposal/ Adjustments	To date As at 30.09.2008	As at 30.9.2008	As at 30.09.2007
Computer Software	109.98	22.73	-	132.71	82.94	15.34	-	98.28	34.43	27.04
Designs & Drawings	16.81	0.27	-	17.08	11.99	1.62	-	13.61	3.47	4.82
Technical Know How	7.95	-	-	7.95	5.63	0.56	-	6.19	1.76	2.32
This Year	134.74	23.00	-	157.74	100.56	17.52	-	118.08	39.66	34.18
Previous Period	103.66	31.08	-	134.74	81.64	18.92	-	100.56	34.18	

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

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

		30.09.2008		30.09.2007
6. INVESTMENTS				
LONG TERM				
OTHER THAN TRADE				
Government Securities				
Unquoted				
National Saving Certificates		0.01		0.01
Other Securities				
Shares - Fully paid-up				
Quoted				
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
76 Equity shares of Rs. 10/- each of Central Bank of India		0.01		0.01
Unquoted				
1,821 Ordinary shares of Rs. 10/- each of NBI Industrial Finance Co. Ltd.		0.01		0.01
Nil(112,980) Equity shares of Rs. 10/- each of Saraswati Industrial Syndicate Ltd.		-		79.11
TRADE				
Other Securities				
Unquoted				
Shares - Fully paid-up - Associates				
Equity shares at original cost (including Rs. 5.19 million (Previous Period Rs. 5.19 million) of Goodwill (Net of Capital Reserve) arising on acquisition of associates as per equity method)				
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	14.35	5.00	14.35
Accumulated Income/(Loss) from Associates		416.86		227.51
CURRENT INVESTMENTS				
OTHER THAN TRADE				
Unquoted				
Nil(9,998) Units of Rs. 1,000.20 each of DSP Merrill Lynch Liquidity Fund - Institutional Plan		-		10.00
		431.50		331.26

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008	30.09.2007
7. INVENTORIES		
Patterns	9.30	10.14
Loose Tools, Jigs & Fixtures	14.05	13.57
Stocks		
- Stores & Spares	347.67	261.51
- Finished Goods	4,025.39	2,856.58
- Raw Materials & Components	525.21	511.33
Less : Provision for obsolescence/slow moving stock	-11.34	-12.66
- Work-in-Progress	538.27	596.26
- Scrap	26.20	17.49
	5,474.75	4,254.22
8. SUNDRY DEBTORS - (Unsecured)		
Over Six Months		
Considered Good	249.93	148.31
Considered Doubtful	45.44	34.10
	295.37	182.41
Less : Provision for doubtful debts	45.44	34.10
	249.93	148.31
Other Debts - Considered Good	1,885.56	792.41
	2,135.49	940.72
9. CASH AND BANK BALANCES		
Cash, Stamps & Cheques in hand	94.13	111.11
Balance with Post Office in		
- Saving Account	0.08	0.08
Balance with Scheduled Banks in		
- Current Accounts	52.35	103.24
- Savings Accounts	0.10	0.13
- Fixed and Margin Deposits	39.22	46.69
Balance with Unscheduled Banks in		
- Current Accounts	12.57	6.62
	198.45	267.87
10. OTHER CURRENT ASSETS		
Income from Carbon Credit receivable	-	112.80
Interest accrued on deposits and investments	3.86	3.69
	3.86	116.49
11. LOANS AND ADVANCES		
(Unsecured, Considered Good unless otherwise stated)		
Advances, pre-payments and other recoverable in cash or in kind or for value to be received		
- Considered Good	2,957.62	2,473.90
- Considered Doubtful	16.79	8.65
	2,974.41	2,482.55
Less : Provision for doubtful advances	16.79	8.65
	2,957.62	2,473.90
Balances with Central Excise,Custom etc,	496.18	612.40
MAT Credit Entitlement	238.75	119.79
Advance Payment of Tax (Net)	16.95	-
	3,709.50	3,206.09

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008	30.09.2007
12. LIABILITIES		
Trade & Other Creditors		
I. Total outstanding dues to Small Scale Industrial Undertakings	-	66.61
II. Total outstanding dues to Micro Enterprises and Small Enterprises	10.07	-
III. Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	2,686.48	2,992.58
Advance from Customers	952.50	1,042.26
Investors Education & Protection Fund shall be credited by the following amounts (not due as at the year end)		
- Unclaimed Dividend	3.42	4.05
- Unclaimed Matured Deposits	6.71	7.08
- Interest accrued on above	1.66	1.59
- Unclaimed Preference share redemption	8.73	9.00
Interest accrued but not due	99.19	98.09
	3,768.76	4,221.26
13. PROVISIONS		
Proposed Dividend	154.73	25.79
Income Tax on Distributed Profits	26.29	4.38
Gratuity	157.36	139.93
Warranty	66.63	48.01
Compensated Absences	66.42	32.23
Income Tax (Net of Taxes Paid)	-	1.31
Excise Duty on Closing Stock	247.60	180.35
Other Provisions	126.32	83.58
	845.35	515.58
14. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Voluntary Retirement Scheme	19.17	22.41
	19.17	22.41

		30.09.2008 (12 Months)		30.09.2007 (18 Months)
15. GROSS SALES				
Sales				
- Domestic		16,506.59		20,111.99
- Exports		649.64		518.05
- Income from Carbon Credit		131.00		112.80
		17,287.23		20,742.84
16. OTHER INCOME				
Dividend (Gross)				
- Long Term Investments -Other than Trade	0.23		0.93	
- Current Investments -Other than Trade	2.24	2.47	4.83	5.76
Rent		0.40		0.64
Exchange Rate Fluctuation		-		1.07
Profit on Sale of Investment (Long Term - Other than Trade)		11.97		-
Profit on Sale of Investment (Current- Other than Trade)		0.67		-
Profit on Disposal of Investment in a Subsidiary		0.54		-
Miscellaneous		56.54		45.34
		72.59		52.81

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008 (12 Months)	30.09.2007 (18 Months)
17. INCREASE/(DECREASE) IN WORK-IN-PROGRESS/ FINISHED GOODS		
Stock at Commencement		
- Work-in-Progress	596.26	432.72
- Finished Goods	2,795.94	3,026.94
	3,392.20	3,459.66
Add : Value of Stock produced during Trial Run	-	109.07
	3,392.20	3,568.73
Stock at Close		
- Work-in-Progress	538.27	596.26
- Finished Goods	3,942.98	2,795.94
	4,481.25	3,392.20
Add/(Less) :Impact of Excise Duty on Finished Goods	(67.24)	9.95
Net Increase/(Decrease)	1,021.81	(166.58)
18. MATERIALS		
Raw Material & Components		
Stock at Commencement	511.33	421.10
Purchases	10,659.44	13,975.11
	11,170.77	14,396.21
Less : Amount Capitalised	0.76	482.18
: Stock at Close	525.21	511.33
	10,644.80	13,402.70
Cost of Trading Goods Sold		
Stock at Commencement	60.64	27.49
Purchases	342.15	406.73
	402.79	434.22
Less : Amount Capitalised	2.17	43.57
: Stock at Close	82.41	60.64
	318.21	330.01
	10,963.01	13,732.71
19. MANUFACTURING / OPERATING		
Stores, Spares & Tools	352.11	304.42
Power & Fuel	107.22	170.04
Machining/Erection Charges	28.37	14.44
Designing & Consultancy	16.17	32.43
Cane Development Expenses	56.00	68.86
Repairs & Maintenance:		
- Plant & Machinery	281.80	332.57
- Building	31.88	50.62
- General	20.81	23.79
Factory/Operational Expenses	70.61	125.04
Packing & Forwarding	264.10	303.58
	1,229.07	1,425.79
Less : Amount Capitalised	2.69	135.49
Less : Cost of Completion for earlier years adjusted	-	2.16
	1,226.38	1,288.14

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008 (12 Months)	30.09.2007 (18 Months)
20. PERSONNEL		
Salaries, Wages & Bonus	1,039.63	1,217.53
Gratuity	38.81	56.99
Contribution to Provident & Other Funds	84.78	114.26
Welfare	82.24	106.80
	1,245.46	1,495.58
Less : Amount Capitalised	4.76	124.18
	1,240.70	1,371.40
21. ADMINISTRATION		
Travelling & Conveyance	147.77	200.48
Rent	55.36	51.86
Insurance	12.07	43.47
Rates & Taxes	19.67	23.61
Directors Fee	0.94	2.19
Directors Commission	3.00	3.10
Bad Debts & Amount Written Off	9.12	6.73
Loss on Sale/Written Off Fixed Assets	5.97	8.29
Loss on Sale/Written Off Stores & Spares	2.13	0.34
Exchange Rate Fluctuation	12.80	-
Provision for Bad & Doubtful Debts/Advances	19.48	34.39
Provision for Warranty Expenses	32.50	43.93
Provision for Liquidated Damages	41.55	52.30
Provision for Impairment of Fixed Assets	6.53	-
Provision for Slow/Non Moving Inventory	10.84	11.21
Prior Period Adjustments (Net)	11.61	1.94
Office & Other Administration Expenses	322.64	415.84
	713.98	899.68
Less : Amount Capitalised	1.98	106.20
	712.00	793.48
22. FINANCING		
Interest on		
- Debentures	-	0.08
- Fixed Loans	683.23	657.97
- Others	396.03	272.22
Other Finance charges	19.37	8.56
	1,098.63	938.83
Less : Interest received on deposits and other accounts	8.08	7.79
Less : Interest Subsidy on Buffer Stock	102.45	33.82
Less : Exchange Rate Fluctuation on Foreign Currency Denomination Loan	-7.09	7.26
	995.19	889.96
Less : Amount Capitalised	5.58	156.61
	989.61	733.35

SCHEDULES to Accounts (Contd.)

(Rs. in Million)

	30.09.2008 (12 Months)	30.09.2007 (18 Months)
23. SELLING		
Commission	67.49	168.00
Royalty	18.80	21.80
Packing & Forwarding	86.43	76.80
Rebate & Discount	12.34	12.05
After Sales Expenses & Others	41.96	27.08
	227.02	305.73
24. AMORTISATION		
Voluntary Retirement Scheme	10.79	11.15
Capitalised Lease Assets	15.44	20.76
Intangible Assets	17.52	18.92
Others	-	1.61
	43.75	52.44
Less : Amount Capitalised	-	0.72
	43.75	51.72
25. OFF SEASON EXPENSES CHARGED/(DEFERRED) (NET)		
Opening Off - Season deferred expenses	693.34	36.80
Closing Off - Season deferred expenses	875.12	693.34
Net Off - Season expenses charged/(deferred)	(181.78)	(656.54)
26. EXCEPTIONAL ITEMS		
GDR Expenses	-	10.18
Levy Claim Price paid for earlier years	-	11.22
	-	21.40
27. PROVISION FOR TAXATION		
For Current Year		
- Current Tax	123.40	120.54
(incl.Wealth Tax Rs. 0.26 Million (Previous Period Rs. 0.75 Million))		
- Deferred Tax	212.02	(66.93)
- Fringe Benefit Tax	13.43	26.67
	348.85	80.28
For Earlier Years (Net)		
- Current Tax	2.19	37.85
- Deferred Tax	-	26.18
- Fringe Benefit Tax	0.21	6.20
	2.40	70.23
	351.25	150.51
Less:MAT Credit Entitlement	121.26	119.79
	229.99	30.72

SCHEDULES to Accounts (Contd.)

28. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

A) Basis and Principles of Consolidation

i) The consolidated financial statements have been prepared to comply with the requirements of Clause 32 of the Listing Agreement and in accordance with Accounting Standard (AS) 21 “Consolidated Financial Statements”, Accounting Standard (AS) 23 “Accounting for Investments in Associates in Consolidated Financial Statements” and Accounting Standard (AS) 3 “Cash Flow Statements”.

ii) The consolidated financial statements comprise the financial statements of Triveni Engineering & Industries Ltd. (Holding Company) incorporated in India, its 100% subsidiaries, all incorporated in India, namely Triveni Retail Ventures Ltd., Upper Bari Power Generation Ltd., Triveni Engineering Ltd., Triveni Energy Systems Ltd. and its erstwhile subsidiary Abohar Power Generation Limited upto the date it ceased to be a subsidiary. The consolidated financial statements also incorporate proportionate accumulated income/(expenses) of Associates TOFSL Trading & Investments Ltd, The Engineering & Technical Services Ltd, Triveni Entertainment Ltd and Carvanserai Ltd., based on their respective audited financial statements for the year ended March 31, 2008.

iii) 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.

iv) 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.

v) Investments other than in associates have been accounted as per Accounting Standard (AS) 13 “Accounting for Investments”.

B) Basis of preparation of Financial Statements

These financial statements have been prepared on accrual basis of accounting, under the historical cost convention, except for revaluation of certain fixed assets, and in compliance with the applicable Accounting Standard referred in Section 211 (3C) and other requirements of the Companies Act, 1956.

C) Fixed Assets

i) Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes taxes, duties (excluding excise duty, service tax and VAT for which Cenvat/VAT claim is available), freight and other incidental expenses relating to acquisition and installation. In respect of new projects, all direct expenses including borrowing costs incurred upto the date of commencement of commercial production or when related asset is put to use are capitalized.

ii) Plant & machineries at Deoband unit which were existing as on 1st November, 1986 were revalued and 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. The increase in the value of the assets on such revaluation over their book values had been credited to the revaluation reserve in the year of revaluation and the additional depreciation charge on such increased value over the original cost is adjusted against the revaluation reserve in each year

iii) 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 asset on such revaluation over its book value had been credited to the revaluation reserve in the year of revaluation and the additional depreciation charge on such increased value over the original cost is adjusted against the revaluation reserve in each year.

iv) Discarded fixed assets are stated at lower of net book value (at the time of discarding of assets)

SCHEDULES to Accounts (Contd.)

and net realisable value. Wherever, the net book value of the assets can not be reasonably determined, it is stated at net realisable value.

D) 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/VAT and trade discounts.

ii) Income from carbon credit is recognised on the delivery of the carbon credits to the customers' account as evidenced by the receipt of confirmation of execution of delivery instructions.

iii) Off-season expenses relating to sugar and co-generation 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 operating season

iv) 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.

v) Compensation under Voluntary Retirement Scheme is amortised over 36 months or over the duration upto 30th September 2010 from the date of its incurrence, whichever period is shorter. All other termination benefits paid, if any, are immediately recognized as expenses.

E) 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.

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 life of the contract.

F) 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

Business Segments	Basis
Sugar	First in first out
Water Business Group (including Projects Div.)	Specific Cost
Others	Weighted Average

Stores and Spares

Business Segments	Basis
Water Business Group (incl. Projects division)	Specific Cost
Other Units	Weighted Average

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 (excluding those used as raw materials) and scrap are valued at estimated net realisable value.

G) 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 :

SCHEDULES to Accounts (Contd.)

	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, whichever 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.

H) 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 cost of fixed assets and depreciated on the same basis as other fixed assets.

I) Investments

Investments are valued at cost inclusive of expenses incidental to their acquisition. Long term investments are carried at cost. Provision is made for diminution in value, if such dimunition is, in the opinion of the management, permanent in nature. Current investments are valued at lower of cost and fair value.

J) Employee Benefits

1) Short Term Employee Benefits:

All employee benefits payable wholly within 12 months after the end of the period in which the employees render the related services are classified as short term employee benefits and are recognized as expense in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid (including compensated absences) in exchange for services rendered as a liability.

2) Long Term Employee Benefits:

a) Defined Contribution Plans :

Defined contribution plans are retirement benefit plans under which the Company pays fixed contributions to separate entities (funds) or financial institutions or state managed benefit schemes. The Company's contribution to defined contribution plans are recognized in the Profit & Loss account in the financial year to which they relate.

The Company operates the following defined contribution plans.

i) Provident Fund Plan:

The Company makes specified monthly contributions towards Employee Provident Fund to fund administered and managed by the Government of India / funds (set up by the Company and administered through Trusts). The rate notified by the Government is also adopted by the Trusts. The Company has an obligation to make good the shortfall, if any, between the return on investments of the Trusts and notified interest rate.

ii) Employee State Insurance / Pension Fund Scheme :

The Company makes specified monthly contributions towards Employees State Insurance Scheme and government administered Pension Fund Scheme.

iii) Superannuation Scheme :

The Company has taken Group Superannuation Policy with Life Insurance Corporation of India for superannuation payable to specific employees. Contribution towards aforesaid fund is charged to the Profit & Loss account in the financial year to which it relates.

b) Defined Benefit Plans :

Defined benefit plans are retirement benefit plans under which the Company pays certain defined benefits to the employees at the time

SCHEDULES to Accounts (Contd.)

of their retirement/resignation/death based on rules framed for such schemes.

i) Earned Leaves / Sick Leaves :

The Company provides for the liability at year end on account of unavailed accumulated leaves on the basis of actuarial valuation.

ii) Gratuity :

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuation .

K) 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.

L) Government Grants

Recognition :

Government grants are recognised where:

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

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

Presentation in Financial Statements :

i) Government grants relating 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/ revenue or shown under "Other Income", in case direct linkage with cost/income is not determinable.

M) 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 "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.

N) 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 realized in future; however, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization 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 realized.

iv) Minimum Alternate Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period as per the provisions of Income Tax Act, 1961.

O) Intangible Assets

Intangible assets are recognised as per the

SCHEDULES to Accounts (Contd.)

criteria specified in Accounting Standard (AS) 26 "Intangible Assets" and are amortised as follows:

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

P) Impairment of Asset

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 "Impairment of Assets".

Q) Provisions, Contingent liabilities and Contingent assets

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

i) the Company has a present obligation as a result of a past event.

ii) a probable outflow of resources is expected to settle the obligation and

iii) 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

i) 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.

ii) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised nor disclosed.

R) Derivative Transactions

Transactions covered by derivative contracts are adjusted with variation, if any, from the terms of the derivative contracts. Losses, if any, are recognized on restatement and settlement whereas gains are recognized only on settlement. The premium on derivative contracts is expensed out over the term of the contract.

SCHEDULES to Accounts (Contd.)

2. Contingent Liabilities (to the extent not provided for)

The contingent liabilities of the group are that of the parent Company, as there are no contingent liabilities of the subsidiaries. The group, besides the contingent liabilities of the parent disclosed hereunder, is also contingently liable for Rs. 1.43 Million (Rs. 1.43 Million) in respect of Associates, pro-rata to the investments in Associates, excluding the cases where the amount is not quantifiable.

(a) Guarantees/Surety given on behalf of other companies Rs. 8.77 Million (Rs. 8.77 Million).

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

(Rs. in Million)

<table>
<tr><th></th><th></th><th>2008</th><th>2007</th></tr>
<tr><td>i)</td><td>Claims which are being contested by the Company and in respect of which the Company has paid amounts aggregating to Rs. 70.34 Million (Rs. 62.41 Million) under protest pending final adjudication of the cases:
<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>Amount of Contingent Liability (Rs. in Million)</th><th>Amount Paid (Rs. in Million)</th></tr>
<tr><td>01.</td><td>Sales Tax</td><td>51.75
(51.38)</td><td>35.66
(37.76)</td></tr>
<tr><td>02.</td><td>Excise Duty</td><td>116.16
(92.74)</td><td>30.35
(5.84)</td></tr>
<tr><td>03.</td><td>Others</td><td>37.44
(40.56)</td><td>4.33
(18.81)</td></tr>
</table>
The outflow arising from these claims is uncertain and is after adjusting likelihood reimbursement of Rs. 12.02 Million (Rs. 9.08 Million) from customers in respect of Central Excise demands on account of denial of benefit under Notification No.6/2000.</td><td>205.35</td><td>184.68</td></tr>
<tr><td>ii)</td><td>The Company is contingently liable in respect of short provision against disputed income tax liabilities of Rs. 2.16 Million (Rs. 21.13 Million).The amounts have not been provided in the accounts in view of reliefs expected in appeals.</td><td>2.16</td><td>21.13</td></tr>
<tr><td>iii)</td><td>Excise duty paid by the Company under protest in respect of certificates issued by the Project Implementing Authority (PIA) under Notifications 108/95CE 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. The Company is seeking court intervention to direct Ministry of Finance (MOF) to nominate appropriate line ministry so that certified true copies of certificates earlier issued by PIA could be signed by the concerned line ministry to cure the procedural defect and have the exemption restored.</td><td>26.67</td><td>26.67</td></tr>
<tr><td>iv)</td><td>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.</td><td></td><td></td></tr>
</table>

SCHEDULES to Accounts (Contd.)

(c) An amount of Rs. 134.30 Million (Rs. 133.57 Million) including bank guarantees encashed of Rs. 93.82 Million (including cheque of Rs. 2.00 Million yet to be encashed) (Rs. 93.82 Million), by customers are disputed either in arbitration, courts and/or is under settlement through negotiations. These amounts are stated under the head advances recoverable in Schedule 11 "Loans and Advances" and are considered good for recovery by the management except to the extent of provision made of Rs. 4.96 Million (Rs. Nil). As the matters are subjudice and/or under arbitration/settlement, contingent liability if any, is not determinable.

3. Outstanding commitments for capital expenditure amounting to Rs. 487.22 Million (Rs. 195.79 Million) after adjusting advance amounting to Rs. 70.89 Million (Rs. 69.44 Million).

4. In accordance with the Accounting Standard (AS) 11 'The Effect of changes in Foreign Exchange Rates' post capitalization gains or losses relating to variations in Foreign exchange rates in respect of fixed assets acquired from outside India have been charged to Profit & Loss Account during the accounting year. Earlier as per Schedule VI to the Companies Act, 1956, such gains or losses were adjusted in the carrying cost of concerned fixed assets. As a result of the change in Accounting Policy, the profit before tax is lower by Rs. 6.88 Million.

5. During the current year, Company has changed its accounting policy in respect of recognizing the income from carbon credits. The income from carbon credits is now recognized on the delivery of the carbon credits to the customers' account as evidenced by the receipt of confirmation of execution of delivery instructions as against the earlier policy where income from carbon credits was recognized on estimated basis after the quantum was verified by an approved third party agency. Consequent to the change in the accounting policy, profit before tax of the Company for the year is lower by Rs. 90.20 Million.

6. (a) The Company has made provision for the employee benefits in accordance with the Accounting Standard (AS) 15 "Employee Benefits" which has become applicable to the Company during the year. Consequent to the change, the employee cost for the year is higher by Rs. 7.77 Million. Further in accordance with the transitional provision of Accounting Standard (AS) 15, the additional provision towards Employee Benefits as at October 1, 2007 amounting to Rs. 14.23 Million (net of deferred tax credit of Rs. 7.33 Million) has been adjusted with the General Reserve.

   (b) The Company has accounted for the long term employee benefits in the nature of defined benefit plans, based on actuarial valuations at year end. In respect of its subsidiary Company – Triveni Retail Ventures Ltd., the actuarial valuation has been conducted on March 31, 2008 coinciding with its accounting year-end and further liability for six months ended September 30, 2008 has been considered on estimate basis.

7. The State Advised Price (SAP) of Rs. 1250 per MT declared by the State Government for the season 2007-08 has been challenged before the Lucknow bench of the Allahabad High Court on the ground of it being arbitrary but the court has upheld the SAP. In similar cases for the seasons 2006-07 and 2007-08, the Allahabad High Court has quashed the SAP declared by the State Government and has directed the State Government to re-fix the SAP after following a mechanism laid down by the Court. The matter is now in the Supreme Court which in an interim order has directed payment of Rs. 1100 per MT for the season 2007-08 till the final decision in the matter. Pending final outcome of the case, the accounts have been prepared considering cane price of Rs. 1100 per MT for the season 2007-08.

8. (a) The Company has continued to account for the incentive under the U.P. Sugar Industry Promotion 2004, since it has been legally advised that it continues to be entitled to the benefits under the said Policy, even though the policy was withdrawn by the State Government w.e.f. June 4, 2007. The Company has also filed a writ petition before the Lucknow Bench of the High Court of Allahabad, challenging the action of the State Government in withdrawing the said Policy and not granting the incentives to the Company. The High Court vide its interim order dated May 9, 2008 has permitted limited protection of remissions which were being enjoyed on the date when the policy was revoked. The Company has during the year, accounted for incentives (receivable/recoverable from the Government) to the extent of Rs. 160.16 Million (Rs. 85.92 Million) which have been netted from the costs and availed remission of Rs. 56.79 Million (Rs. 37.43 Million) against prescribed levies. As on 30.09.2008 total incentive receivable/recoverable

SCHEDULES to Accounts (Contd.)

including Capital Subsidy are Rs. 1293.08 Million and remissions availed are Rs. 94.21 Million.

(b) Financial statements include buffer stock subsidy of Rs. 116.93 Million (Rs. 38.63 Million) recoverable from the Central Government towards reimbursement of certain expenses and has been netted from the related expenses.

(c) During the year Company has availed loan amounting to Rs. 943.20 Million under the "Scheme for Extending Financial Assistance to Sugar Undertakings, 2007" notified by the Government of India. Interest subvention on such loan is Rs. 74.11 Million.

9. The Company has incurred an expenditure of Rs. 33.95 Million (Rs. 21.99 Million) in respect of Research and Development activities in respect of its turbine unit and such expenditure has been expensed under various heads. Additionally, the Company has also incurred cane development expenditure of Rs. 56.00 Million (Rs. 68.85 Million) in respect of its sugar units.

10. During the year the Company has disposed of its entire holding in the subsidiary Company Abohar Power Generation Ltd. The effect of disposal of the subsidiary, on the financial position and on the financial results are as under:

(Rs. in Million)

	Current Year	Previous Year
Financial Position on date of Balance Sheet		
Net Assets of subsidiary	-	0.03
Accumulated Losses of subsidiary	-	0.54
Financial Results for the year		
Net Profit / (Loss) of subsidiary	(0.01)	(0.02)
Profit on disposal of subsidiary	0.54	-

In addition, the Company has recovered capital expenditure of Rs. 7.81 Million incurred on behalf of the subsidiary and earned income of Rs. 6.50 Million towards transfer of business rights to the subsidiary Company, on divestment of its equity stake.

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

(Rs. in 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
1	2	3	4	5	6
TOFSL Trading & Investments Ltd	India	49.38%	4.00	*1 0.18	58.64
The Engineering & Technical Services Ltd.	India	47.60%	1.00	*1 (0.43)	238.24
Triveni Entertainment Ltd	India	49.97%	4.35	*1 0.44	(1.94)
Carvenserai Ltd	India	49.48%	5.00	*2 5.00	121.93
Total			14.35	5.19	416.87

*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.

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

(Rs. in Million)

	SUGAR								ENGINEERING								OTHERS					
	Sugar		Co-generation		Distillery		Total Sugar		Steam Turbines		Gears		Water		Total Engineering		Other Operations		Eliminations		Consolidated Total	
	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07	30.9.08	30.9.07
	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M	12M	18M
REVENUE																						
External Sales	8672.38	10993.44	681.96	880.70	785.40	207.23	10139.74	12081.37	5478.62	7283.88	616.34	566.73	663.28	399.77	6758.24	8250.38	389.25	411.09	-	-	17287.23	20742.84
Inter-segment Sales	905.34	776.89	491.65	646.61	0.14	-	1397.13	1423.50	4.77	271.57	263.41	524.86	4.29	111.54	272.47	907.97	38.63	168.83	(1708.23)	(2500.29)	-	-
Total Sales	9577.72	11770.33	1173.61	1527.31	785.54	207.23	11536.87	13504.87	5483.39	7555.45	879.75	1091.59	667.57	511.31	7030.71	9158.35	427.88	579.92	(1708.23)	(2500.29)	17287.23	20742.84
Income / (Loss) from Associates																					189.35	(2.59)
Other Income	36.65	29.83	0.55	0.64	1.86	0.02	39.06	30.49	7.13	12.69	2.33	2.49	-	(0.10)	9.46	15.07	8.02	1.11	-	-	56.54	46.68
Total Revenue	9614.37	11800.16	1174.16	1527.95	787.40	207.25	11575.93	13535.36	5490.52	7568.13	882.08	1094.08	667.57	511.21	7040.17	9173.42	435.90	581.03	(1708.23)	(2500.29)	17533.12	20786.93
RESULT																						
Segment result	358.78	(518.52)	475.74	497.40	176.94	21.44	1011.46	0.32	1280.13	1538.85	219.65	232.56	105.41	57.95	1605.19	1829.36	(96.57)	(79.06)	(54.21)	(30.00)	2465.87	1720.62
Unallocated expenses (Net)																					(42.08)	(281.39)
Operating profit																					2423.79	1439.23
Interest expense																					(997.69)	(741.14)
Interest/Dividend Income and Surplus																						
on disposal of investments (Net)																					23.73	13.55
Income taxes (including deferred tax)																					(229.99)	(30.72)
Net profit																					1219.84	680.92
OTHER INFORMATION																						
Segment assets	14921.52	13269.11	2137.86	2388.99	1237.26	1238.27	18296.64	16896.37	3069.82	2361.20	560.87	502.62	581.75	245.21	4212.44	3109.03	414.26	375.75			22923.34	20381.15
Unallocated assets																					2055.97	1798.97
Total assets																					24979.31	22180.12
Segment liabilities	1556.78	2284.30	58.19	68.69	113.02	183.91	1727.99	2536.90	2025.78	1801.64	171.83	126.95	283.83	112.88	2481.44	2041.47	69.88	34.42			4279.31	4612.79
Unallocated liabilities																					12629.39	10521.30
Total liabilities																					16908.70	15134.09
Capital expenditure	501.41	5267.86	1.09	643.37	4.69	1029.69	507.19	6940.92	146.93	631.06	25.74	103.23	90.39	77.30	263.06	811.59	14.94	26.60				
Depreciation	516.99	526.33	142.90	184.21	55.27	23.81	715.16	734.35	42.35	30.98	26.84	31.98	1.26	0.82	70.45	63.78	3.94	3.33				
Amortisation	28.38	30.64	0.01	0.00	0.16	0.05	28.55	30.69	11.72	13.91	0.93	1.52	0.99	0.95	13.64	16.38	0.80	2.71				

Notes :

(i) In accordance with the Accounting Standard (AS) 17 "Segment Reporting", the Group's operations have been categorized into 6 major business segments, which constitute 97.75% (98.02%) of the total turnover of the Group. These business segments are classified under the two major businesses in which the Group is engaged in, and are briefly described hereunder :

Sugar & Allied Businesses

a) Sugar : The Group is a manufacturer of white crystal sugar, having an aggregate sugarcane crushing capacity of 61,000 TCD (tonnes crushed per day) spread over seven manufacturing plants situated in the State of Uttar Pradesh. After meeting the captive requirements, the Group also sells the surplus molasses and bagasse, which are produced as a by-product in the manufacture of sugar.

b) Co-generation : The business segment, apart from meeting some power and steam requirement of sugar unit, also exports power to the State grid. It has installed capacity of 68MW spread over Khatauli and Deoband sugar mills.

c) Distillery : The 160 kilo-litres per day capapcity distillery located at Muzaffarnagar, Uttar Pradesh, uses the molasses produced in manufacture of sugar as the principal raw material in production of various categories of alcohol.

Engineering Businesses

a) Steam Turbines : This segment is engaged in the manufacture of steam turbines at manufacturing facilities located at Bangalore, Karnataka.

b) High Speed Gears : This business segment manufactures high speed gears and gear boxes at the manufacturing facility located at Mysore, Karnataka.

c) Water/Wastewater Treatment : This business segment operates from Noida, Uttar Pradesh and provides engineered to order process equipment and plants and provides services in the water and wastewater management and solutions.

(ii) The 'Other Operations' mainly include operations of Retail Stores at various rural and semi-urban locations pursued by Triveni Retail Ventures Limited, a wholly owned subsidiary and trading of various package fast moving consumer goods (under the Group's brand name), including sugar. Other subsidiaries have not yet commenced business.

(iii) There are no geographical segments as the volume of exports is not significant and the major turnover of the Group takes place indigenously. There is no major reliance on a few customers or suppliers.

(iv) Inter-segment transfer are priced based on competitive market prices or determined to yield a desired margin or agreed on a negotiated basis. These are then eliminated on consolidation.

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

SCHEDULES to Accounts (Contd.)

13. In compliance with the Accounting Standard (AS) 22 Accounting for Taxes on Income , the breakup of net deferred tax liability is provided below :

Particulars	Deferred tax liability (deferred tax asset) (Rs. in Million)	
	2008	2007
Difference in Net Book values of Fixed Assets as per accounts & tax	1,189.75	1,002.23
Share Issue Expenses	-16.45	-24.67
Expenses deferred in books but Claimed in tax	30.84	45.87
Other Provisions disallowable u/s 43-B	-253.75	-121.10
Unabsorbed Tax Depreciation *	-324.38	-506.78
Others (net)	-19.02	6.75
Net deferred tax liability	606.99	402.30

* This represents depreciation which has arisen on account of setting up and expansion of new units during previous accounting year. The Company is hopeful of earning sufficient taxable income in near future to enable it to avail the benefit of the unabsorbed depreciation.

14. Disclosures required by Accounting Standard (AS) 29 Provisions, Contingent Liabilities and Contingent Assets .

i) Movement in provisions :

Sl. No.	Particulars of disclosure	Nature of Provision	
		Warranty	Liquidated Damages
1.	Balance as at October 1, 2007	48.01 (16.82)	77.49 (25.20)
2.	Provision made during 2007-08	51.04 (52.90)	60.53 (67.67)
3.	Provision used during 2007-08	11.24 (16.13)	- (0.01)
4.	Provision reversed no longer required	21.18 (5.58)	19.99 (15.37)
5	Balance as at 30th September,08	66.63 (48.01)	118.03 (77.49)

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 at the end of the year 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.

Liquidated Damages: In respect of certain products, the Company has contractual obligation towards its customers for matters relating to delivery and performance. The provisions represent amount estimated to meet such obligations. The Timing of the outflow is expected to be within one year.

SCHEDULES to Accounts (Contd.)

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

		2007-2008	2006-2007
1.	Net profit after tax as per Profit & Loss Account (Rs. in Million)	1,219.84	680.92
2.	No. of Equity Shares of Rs. 1/- during the year (weighted average)	257,880,150	257,880,150
3.	Earning per equity share of Rs. 1/- each Basic/Diluted (1)/(2) (EPS) (in Rs.)	4.73	2.64

Note: EPS for the previous financial year is for 18 months and not annualized.

16. Pursuant to compliance of Accounting Standard (AS) 18 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 (TOFSL)

The Engineering & Technical Services Limited (ETS)

Triveni Entertainment Limited (TENL)

ii) Key Management Person (Group B)

Mr. D. M. Sawhney, Chairman & Managing Director (DMS)

iii) Key Management person relatives (Group C)

Mrs. Rati Sawhney (Wife) (RS)

Mr. Tarun Sawhney (Son) (TS)

Mr. Nikhil Sawhney (Son) (NS)

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

Kameni Upaskar Limited (KUL)

Tirath Ram Shah Charitable Trust (TRSCT)

SCHEDULES to Accounts (Contd.)

c) Details of transactions with the related parties during the year ended 30.09.2008 :

(Rs. in Million)

SRL. No.	Nature of Transaction	Group - A			Group - B	Group - C			Group - D		TOTAL
		TOFSL	ETS	TENL	DMS	RS	TS	NS	KUL	TRSCT	
1	Sales and Rendering Services	0.08	0.06	0.06	-	-	-	-	-	-	0.20
		(0.13)	(0.09)	(0.09)	(-)	(-)	(-)	(-)	(-)	(-)	(0.31)
2	Rent Paid	-	-	-	0.58	-	-	-	1.50	-	2.08
		(-)	(-)	(-)	(0.82)	(-)	(-)	(-)	(2.64)	(-)	(3.46)
3	Amount Advanced	-	-	0.02	-	-	-	-	-	-	0.02
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
4	Refund of Amount Advanced	-	-	0.02	-	-	-	-	-	-	0.02
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
5	Expenses incurred (Net)	-	-	-	-	-	-	-	-	-	-
		(0.63)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.63)
6	Interest Paid	-	-	-	-	0.02	-	-	-	-	0.02
		(-)	(-)	(0.14)	(-)	(0.03)	(-)	(-)	(-)	(-)	(0.17)
7	Remuneration	-	-	-	39.43	-	9.99	9.64	-	-	59.06
		(-)	(-)	(-)	(40.84)	(-)	(12.79)	(11.63)	(-)	(-)	(65.26)
8	Charity & Donations	-	-	-	-	-	-	-	-	7.50	7.50
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(8.20)	(8.20)
9	Outstanding balances as on 30.09.08										
	A. Receivable	0.04	0.03	0.03	0.02	-	-	-	-	-	0.12
		(0.23)	(0.03)	(0.03)	(0.02)	(-)	(-)	(-)	(-)	(-)	(0.31)
	B. Payable	-	-	-	2.64	-	0.34	0.33	-	-	3.31
		(-)	(-)	(-)	(0.51)	(-)	(0.67)	(0.68)	(-)	(-)	(1.86)
	C. Guarantees / Surety Outstanding	4.00	-	-	-	-	-	-	-	-	4.00
		(4.00)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(4.00)
	D. Fixed Deposit	-	-	-	-	0.25	-	-	-	-	0.25
		(-)	(-)	(-)	(-)	(0.20)	(-)	(-)	(-)	(-)	(0.20)

SCHEDULES to Accounts (Contd.)

17. Derivative Instruments outstanding as on 30.09.2008 for hedging foreign currency risks (including firm commitments and highly probable forecasted transactions)

Category of derivative instruments and purpose	As on 30.09.08		As on 30.09.07	
	No. of Contracts*	Approximate Amount in Rs. Million	No. of Contracts*	Approximate Amount in Rs. Million
1. Forward Contracts				
Trade Receivable	13	144.61	-	-
Trade Payables	2	0.96	-	-
Buyers' Credit & Interest thereon	9	53.00	4	79.06
Capital Imports	5	83.01	-	-
External Commercial Borrowings	-	-	1	28.84
2. Currency Option Contracts				
Buyers' Credit	1	23.49	-	-
Capital Imports	1	1.68	-	-
External Commercial Borrowings	26	385.99	30	452.20
3. Currency Swap				
External Commercial Borrowings	2	197.85	2	263.80
4. Interest Coupon Swap				
External Commercial Borrowings	3	34.97	3	60.21

* No. of contracts include foreign cross-currency derivatives. However Indian Rupee equivalent foreign cross currency derivative transactions are not included wherever these have been further hedged to Indian Rupee.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under :

Amount Payable : Rs. 196.90 Million (Rs. 94.84 Million)

Amount Receivable : Rs. 2.49 Million (Rs. 130.81 Million)

SCHEDULES to Accounts (Contd.)

18. (a) The requisite financial information in respect of the subsidiaries, as per approval under Section 212 (8) of the Companies Act, 1956 accorded by Government of India, Ministry of Corporate Affairs, vide its Letter No.47/542/2008 dated October 20, 2008, for twelve months ended September 30, 2008 is given below.

(Rs. in Million)

Subsidiary Companies	Triveni Retail Ventures Ltd	Upper Bari Power Generation Ltd	Triveni Engineering Ltd
Capital	100.00	0.50	0.50
Reserves	(140.75)	0.01	(1.52)
Total Assets	149.93	0.57	0.52
Total Liabilities	190.68	0.07	1.54
Investments (except in subsidiaries)	Nil	Nil	Nil
Turnover (Net)	298.12	Nil	Nil
Profit/(Loss) before Taxation	(85.26)	0.04	(0.05)
Provision for Taxation	(0.47)	0.02	Nil
Profit after Taxation	(84.79)	0.02	(0.05)
Proposed Dividend	Nil	Nil	Nil

(b) The Consolidated Financial Statements also include the accounts of Abohar Power Generation Ltd. upto the date it ceased to be a subsidiary and Triveni Energy Systems Ltd., which was incorporated as wholly owned subsidiary w.e.f. February 15, 2008.

19. Previous period figures have been rearranged and regrouped wherever necessary to make them comparable with the current year figures. The figures of the previous period are for the period 18 months while figures for the current year are for 12 months and hence are not comparable. Figures given in brackets relate to previous year.

20. Schedule “1” to “28” form an integral part of the Balance Sheet and Profit & Loss Account.

	Dhruv M. Sawhney	Lt. Gen. K. K. Ha ari (Retd.)	V. P. Ghuliani	Suresh Taneja
Place : Noida (U.P.)	Chairman &	Director & Chairman	Vice President (Legal) &	Vice President
Date : November 19, 2008	Managing Director	Audit Committee	Company Secretary	& CFO

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

CONSOLIDATED CASH FLOW STATEMENT

(Rs. in Million)

For the period ended	30.09.2008 (12 Months)	30.09.2007 (18 Months)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	1,449.83	711.64
Add : Depreciation	800.23	815.32
: Amortisation		
– Machinery Lease Rentals	15.44	20.76
– Intangible Assets	17.51	18.92
– Miscellaneous Expenditure	10.79	12.76
: Share Issue Expenses	-	0.94
Less : Incomes/(Losses) from Associates	189.35	(2.59)
Less : Incomes/Expenses treated separately		
Dividend Income	2.47	5.76
Profit/(Loss) on Sale of Assets	(5.97)	(8.29)
Provision for Impairment of Fixed Assets	(6.53)	-
Profit on sale of Investments	12.64	-
Interest Expenses	(1,100.14)	(741.14)
Interest Income	110.53	7.79
Deferred Revenue Expenditure incurred	7.55	25.51
Operating Profit before Working Capital changes	3,083.90	2,293.30
Changes in Working Capital		
Changes in Inventories	(1,220.53)	(192.45)
Changes in Receivables	(1,194.77)	60.08
Changes in Other Current Assets	112.80	(112.80)
Changes in Other Trade Receivables	(310.80)	(1,174.13)
Changes in Current Liabilities	(294.11)	2,170.36
Direct Taxes paid (Net) including Wealth Tax	(155.19)	(146.29)
Net Changes in Working Capital	(3,062.60)	604.77
Cash Flow from Operating Activities	21.30	2,898.07
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed/Intangible Assets	(823.16)	(7,779.45)
Sale of Fixed/Intangible Assets	11.94	12.33
Purchase of Investments	(720.50)	(1,482.00)
Sale / Redemption of Investments	822.25	1,392.88
Changes in Loans & Advances	-	-
Interest Income	53.26	13.21
Dividend Income	2.47	5.76
Net Cash Flow in Investment Activities	(653.74)	(7,837.27)

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

(Rs. in Million)

For the period ended	30.09.2008 (12 Months)	30.09.2007 (18 Months)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Issue Expenses	-	(0.94)
Increase/Decrease in Short Term Borrowings (Net)	207.70	376.29
Increase/Decrease in Long Term Borrowings (Net)	906.81	4,801.50
Increase/Decrease in Cash Credit	572.75	813.19
Interest Paid	(1,093.60)	(745.86)
Machinery Lease Rentals	-	2.16
Redemption of Preference Shares (including Premium)	(0.26)	(0.55)
Dividend Paid (including Tax on Distributed Profit)	(30.80)	(295.41)
Net Cash Flow used in Financing Activities	562.60	4,950.38
Net Increase/ (Decrease) in Cash & Cash Equivalents	(69.84)	11.18
Opening Cash & Cash Equivalents *	239.36	228.18
Closing Cash & Cash Equivalents *	169.52	239.36

*Excludes Balances with Banks on Margin Account.

Notes to Accounts Schedule 28

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 (U.P.)
Date : November 19, 2008

Dhruv M. Sawhney
Chairman &
Managing Director

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

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

Suresh Taneja
Vice President
& CFO

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-16A, 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-16A, 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
(Correspondence Address)
M/s Karvy Computershare Pvt. Ltd.,
Unit: Triveni Engineering & Industries Limited
Plot No. 17 to 24, Vittal Rao Nagar,
Madhapur, Hyderabad-500 081.
Phone: 040-23420815-825
Fax : 040-23420814
Email: mailmanager@karvy.com / einward.ris@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 deposit 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, 256071-2, 256182
Fax: 256248

Sabitgarh sugar unit
P.O. Karora, Tehsil Khurja
District-Bulandshahar, Uttar Pradesh
STD Code: 05738
Phone: 228894,
Fax: 228893

Rani Nangal sugar unit
Rani Nangal, Thakurdwara
District- Moradabad, Uttar Pradesh
STD Code: 0595
Phone: 2564350, 2564627
Fax: 2565002

Milak Narayanpur sugar unit
Milak Narayanpur, P.O. Dadiyal
District-Rampur, Uttar Pradesh-244 925
STD Code: 0595
Phone: 2564350, 2564627, 2564215
Fax: 2565002

Chandanpur sugar unit
P.O. Chapna, Tehsil-Hasanpur,
District- J.P. Nagar
Uttar Pradesh-244255
STD Code: 05924
Phone: 295040
Fax: 254006

Water business group
Plot No.44, Block-A, Phase II Extension,
Hosiery Complex, Noida,
District Gautam Budh Nagar, U.P.
STD Code: 0120
Phone: 4748000
Fax: 4243049
Email: wbg@projects.trivenigroup.com

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

Alco-chemical unit
Village Bhikki Bilaspur,
Jolly Road, District- Muzaffarnagar,
Uttar Pradesh-251 001
STD Code: 0131
Phone: 2600659, 2600684
Fax: 2600569

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

Subsidiary companies
Triveni Engineering Limited
'Express Trade Towers', 8th Floor
15-16, Sector-16A, Noida 201 301(U.P.)
STD Code: 0120
Phone: 4308000
Fax: 4311010-11

Triveni Retail Ventures Limited
(Formerly Triveni SRI Limited)
104, 1st Floor, 99 Grand Plaza
Old Rajinder Nagar Market,
New Delhi-110 060

Triveni Energy Systems Limited
'Express Trade Towers', 8th Floor
15-16, Sector-16A, Noida 201 301(U.P.)
STD Code: 0120
Phone: 4308000
Fax: 4311010-11

Upper Bari Power Generation Limited
Chevron Vally View, Badah Road, Kullu,
Himachal Pradesh-175 101

Corporate information
Chairman and Managing Director
Mr. Dhruv M. Sawhney

Directors
Dr. F.C. Kohli
Lt. Gen. K.K. Hazari (Retd.)
Mr. K.N. Shenoy
Mr. M.K. Daga
Mr. R.C. Sharma
Mr. V. Venkateswarlu

Executive Directors
Mr. Tarun Sawhney
Mr. Nikhil Sawhney

Vice president (legal) & Company secretary
Mr. V.P. Ghuliani

Bankers
Axis Bank Ltd.
Canara Bank
Central Bank of India
Citi Bank N.A.
HSBC Bank Ltd.
IDBI Bank Ltd.
Indus Ind Bank Ltd.
Oriental Bank of Commerce
Punjab National Bank
State Bank of India
State Bank of Patiala

Auditors
M/s J.C. Bhalla & Co.

Branch Auditors
M/s Virmani & Associates

concept, content and design at Atherstone [INVESTOR COMMUNICATIONS] (info@aicl.in)

Triveni
ENGINEERING & INDUSTRIES LIMITED

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