Engineered for Success

ANNUAL REPORT 2006-07

We at Triveni Engineering and Industries Limited have a vision of leadership for each of our businesses, and we believe that the guiding principles of Technology, Customer Satisfaction and Sustainability in each of our endeavours will allow us to achieve this stated vision. This years' Annual Report provides an insight into our performance as well as how our values will allow the company to strive for greater success.

Contents

Technology

Technology is at the heart of our conviction to achieve our vision of leadership in each of our businesses. The continual R&D in our engineering businesses, as well as associations with leading institutes and corporations, allow Triveni to be placed at the forefront of each of these businesses. Our developments in our sugar businesses in terms of varietal balances, cane and farm productivity measures, and sugar processing equipment allow us to sustain our leadership in this field.

Customer Satisfaction

Customers are a true judge of the success of our products. A market leadership position in each of our engineering businesses, in terms of market share, coupled with near 99% repeat orders, is testimony to the customer delight that we strive to achieve. In our sugar business, the premium that we are able to achieve on the sale price of our sugar is testimony to our quality and customer acceptance.

Sustainability

We at Triveni are proud that our portfolio of businesses conforms to the notion of sustainability; not only in an ecological sense, but also in terms of social prosperity. Sugar cane is one of the most productive C4 crops in the world, which is a determination of how productively crops convert CO_2 into biomass through photosynthesis, and that biomass is later used to produce power through our co-generation facilities. The other by-product of the sugar manufacturing process – molasses, is also converted into ethanol – a clean, green alternative to petrol/diesel. This renewable crop also allows Triveni to participate in the development of rural India through the distribution of income to more than 350,000 farmers who supply us with sugarcane. Of course, our outreach programmes touch the lives of each of our farmers and their families, which we estimate to be over 1.5 million people. In our engineering businesses, we are the undisputed market leader in providing renewable energy and water solutions to our clients.

At Triveni Engineering and Industries Limited all our factors of production join seamlessly as our guiding principles – Technology, Customer Satisfaction and Sustainability – are not viewed as distinct thoughts but rather as essential parts of a whole. Transforming these concepts into reality, we bring you a review of our financial year 2006-07 and our thoughts on the years to come.

Chairman's message

A view from the top

Our vision for Triveni has been built over the years on the three pillars of Technology, Customer Satisfaction and Sustainability. Whether it is our businesses in the engineering space or our sugar businesses, we have ensured that these three attributes percolate through to all our business endeavours.

We completed major expansion of all our businesses with a total expenditure of over Rs. 11 billion. This has brought global economies of scale to all our businesses, de-risked and diversified our sugar operations, and installed state-of-the-art equipment in our turbine and gear units to help retain our low cost manufacturing and technology edge. We believe that these investments, coupled with prudent cost control and an emphasis on research and development, will ensure sustained growth in the years to come. Our diversified business has stood the scrutiny and rationale of being a conglomerate, as evidenced by the exceptional growth and profitability of our engineering businesses. This mitigated the adverse fundamentals in our sugar business, and enabled us to achieve overall profitability in what has probably been the worst year for the sugar industry in Uttar Pradesh.

Perspective - ENGINEERING BUSINESSES - Turbines, Gears, Water

Our engineering business is well poised to take advantage of the India Growth story. With Indian economic growth estimated at about 9%, and with the capital goods segment growing by over 20%, industries in India are expanding their business multifold. As power and water are essential inputs for industrial companies, the products manufactured by us have a ready market. Power is seen as a significant bottleneck in achieving the envisaged growth and the Government is making concerted efforts to address this problem by incentivising the setting up of captive power plants, and encouraging the use of bio-mass based raw materials for generation of power. One-third of the capacity addition envisaged under the Eleventh Five Year plan is to come from captive/co-generation and bio-mass based power plants, and this is exactly the market for our range of steam turbines. Our industrial customers which are mainly in the cement, carbon black, textiles, steel, chemicals, metals, sugar, refinery and paper industries, are expanding their operations, and this bodes well for all of our engineering businesses.

Steam turbines manufactured and supplied by us continue to have a dominant share of the market in India in terms of volume and number of installations (over 75% in our range). Triveni's Turbine Business Group's (TBG) outstanding order book is almost 85% of the increased revenues forecast for the coming year. During the year, we tied-up with Beijing BEIZHONG Steam Turbine Generator Co. Ltd. (BZD), a Chinese turbine manufacturer for higher range of turbines upto 330 MW, and also signed a partnership with GE for packaging and selling of high speed reciprocating compressors for the Oil & Gas industry in India.

What sustains our edge in this competitive arena is talent and technology. State-of-the-art manufacturing backed by strong engineering support, helps us maintain our edge in manufacturing costs versus our competitors. We have a strong Research and Development programme which include joint programmes with the premier institutes in India, such as the Indian Institute of Science, Bangalore. We are in the process of setting up a training institute at our facility in Bangalore, which will act as a knowledge and development centre comparable to the best industrial institutes globally. Our R&D efforts will enable us to continuously upgrade technology to increase the efficiency and performance of our turbines.

Our High-speed Gear unit at Mysore is also growing in strength. We are in the process of extending our range of

products to include hydel, marine and niche low speed gears. This will help us broaden our market reach and address the requirements of customers in the focused industries for Triveni. Here too, we are continuing to invest in the best machine tools available globally, to preserve our edge in manufacturing cost and quality.

Non-availability of water is viewed as an area of major concern globally. While the demand for potable drinking water in India is a serious problem, the need for treated water as a process requirement for industry is also increasing rapidly. Fast depleting and contaminated ground water reserves are forcing companies to rely on technological solutions such as recycling and desalination to sustain their businesses. Our internal capabilities of design and engineering, and our association with one of the world's most comprehensive technology providers, has positioned us as a favoured supplier for high quality water and waste water treatment products and services.

At Triveni, customer satisfaction is an integral part of our business. Our nation wide Customer Care Centres are equipped to handle a service request within the least possible time, mostly within 24 hours, and this critical feature serves to distinguish Triveni from our competitors. With our extensive domain knowledge and engineering expertise, we now refurbish and service products manufactured by other turbine companies, even for capacities beyond our own product range. This is

tremendous growth area for the Turbine group both in India and overseas, and comes with good margins.

Perspective - SUGAR BUSINESSES - Sugar, Co-Generation, Distillery

With our expansion plans complete, your company continues to be among the top three sugar producing companies in India, accounting for a total crushing capacity of 61,000 TCD. In 2007-08, we expect to raise sugar production from our seven units by 30% and also produce more power and alcohol. This allows us to produce with better economies of scale and ensure high productivity at a low operating cost. With focused and more intensive cane development efforts, we expect an improvement in recoveries in the coming years, and this will help us remain an efficient producer.

We are intensifying our efforts to increase sugar cane yields by supporting farmers with information and investments for irrigation facilities, fertilizer usage, control of insects and pests, and adoption of best farming practices. Increasing yields will improve the return to the farmer and lower pressure for unreasonable cane prices. This will not only bring down cane costs but also sustain the viability of our sugar operations by ensuring long term availability of cane.

With record global production of more than 167 million tonnes, an increase of almost 10% over the last year, we expect global sugar prices to be under strain for 2007-08. However, increasing crude prices are leading Brazil, the world's largest producer, to divert more sugar cane into ethanol manufacture, and we expect the global outlook for 2008-09 to improve for the sugar fundamentals.

India has recorded a bumper sugar production of 28.5 million tonnes in the year ended 30th September 2007, which is close to 10 million tonnes higher than the previous season. Even though consumption in the country is growing by 3-4%, closing inventory as on 30th September 2007 is about 11 million tonnes. Increasing inventories and the banning of exports by Government resulted in sugar prices declining continually since July 2006. With high State Advised Cane prices, and the steep decline in sugar realisations, our company incurred substantial losses in its sugar operations. However, on account of our co-generation operations these losses for the sugar group, were mitigated to some extent.

We believe that the current season 2007-08 would lead to a production of 30 million tonnes, and in the light of the current low sugar prices, mills in UP have approached the Allahabad High Court seeking relief against the recently announced State Advised Cane Price. Results from our integrated sugar operations in 2007-08 are expected to be much better than the previous year. We estimate that some farmers will switch to alternate crops in the following season, which will result in a significantly lower sugar production in 2008-09 and lead to the firming of sugar prices in the medium term.

Co-products of the sugar industry, power and alcohol, continue to act as a ballast to the uncertain profitability of sugar operations. The Government of India's initiative to adopt green energy has accelerated with the recent announcement of an approval of Cabinet Committee on Economic Affairs, for the 5% mandatory blending of ethanol, this will be followed by a 10% mandatory blending from October 2008. Further, sugar plants have also been given permission to convert sugar cane juice directly into fuel ethanol. We hope this will kick start the country wide implementation of ethanol blending on a consistent basis and will result in the increased demand for ethanol from sugar producers.

Your company has de-risked sugar manufacturing by augmenting its co-generation capacity with a new 23 MW co-generation plant at Khatauli and the 160,000 litre per day distillery at Muzaffarnagar. Our co-generation capacity now accounts for 68 MW, out of which around 42 MW is surplus and exported to the UP state grid. Coupled with the accrual of Carbon Credits on account of the "Green Power" produced, and the surety of power export revenues by virtue of a long term power purchase agreement with the U.P. Power Corporation Limited, co-generation will continue giving sustained benefits to our sugar business group. Our distillery operations were commissioned in April and currently we are manufacturing industrial and extra-neutral alcohol. With the recent Government press release, we believe oil marketing companies would be tendering for more quantities of fuel ethanol for blending above 5%, which would enable us to start deliveries.

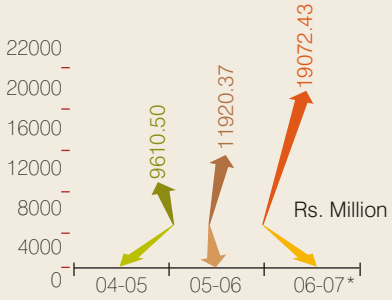
Our commitment to give back to society, has manifested itself in our efforts to provide medical care and education to our stakeholders and their families through rural medical centres and education institutions. Care for our environment has motivated us to plant more than five thousand trees in the last fiscal year – a small step in controlling greenhouse gases in the long run.

I would like to thank all of you for your support and confidence in Triveni, and assure you of our commitment to strive for bigger achievements in the coming years.

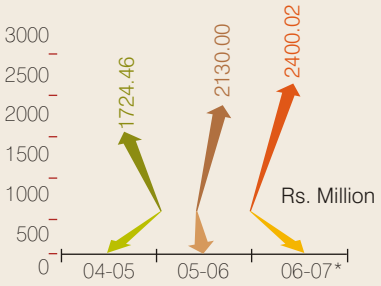
With best regards

Dhruv M. Sawhney

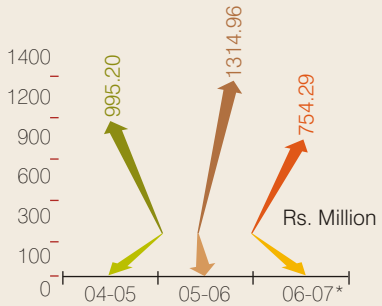
Financial highlights



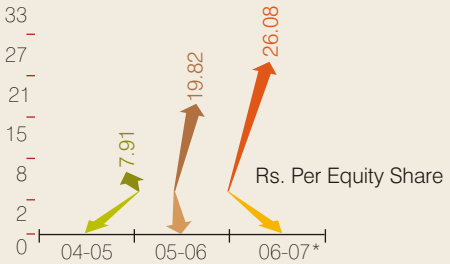
Net Sales



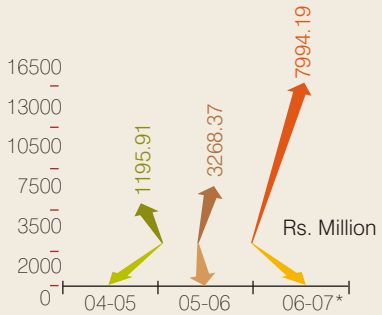
EBITDA



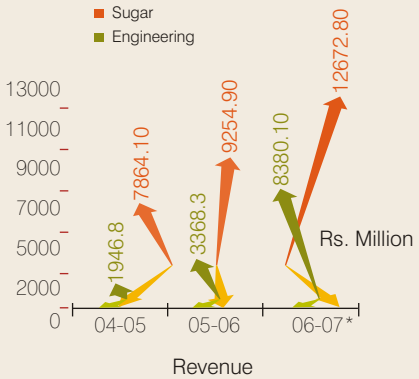
Profit After Tax



Book Value



Investment in Fixed Assets



Revenue
Sugar Business & Engineering Business

(*06-07-18 months)

Sugar Businesses

SUGAR BUSINESS GROUP

COGENERATION GROUP

DISTILLERY GROUP

Industry Overview

WORLD SUGAR BALANCE OCTOBER/SEPTEMBER* (million tonnes, raw value)

Sugar	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Stocks	58.5	67.7	66.7	60.6	64.5
Production	150.4	143.7	141.0	152.5	167.3
Imports	48.3	49.1	50.9	53.4	51.3
Disappearance	139.7	141.5	144.0	146.1	150.4
Exports	49.8	52.3	54.0	55.9	56.3
Ending stocks	67.7	66.7	60.6	64.5	76.4
Stocks in per cent of consumption	48.53	47.21	42.10	44.16	50.83

*Source: F O Licht Sugar Report

World sugar production for the October/September 2007 period is estimated to exceed all earlier expectations. The figure for October/September 2006/07 now estimated at 167.3 million tonnes, is significantly higher than the 152.5 million tonnes produced in the previous year. Of the total sugar production, over 130 million tonnes is from sugar cane while the balance was produced from sugar beet. During 06-07, the growth has come from sugar cane, while beet sugar production has shown a decline primarily due to lower production from the European Union (by 21%) and the rest of Europe (by 10%). While Africa and North & Central America produced only a little more than in 2005/06, Asia (34% increase in production) and in particular India (48% increase in production) led the explosive rise in output during 2006-07. Brazil, India, China and USA are the major sugar producing countries accounting for 50% of the total global sugar production. Brazil continues to be the largest producer, while India continues to be the largest consumer and the second largest producer.

While the global production of sugar is estimated to have grown by 9.6% during 2006-07, the consumption has only risen by 2.9% at 150.4 million tonnes. On the global trading front, while exports have shown a marginal increase at 56.3 million tonnes as against 55.9 million tonnes, imports have shown a decline from 53.4 million tonnes in 2005-06 to 51.3 million tonnes in 2006.07. India continues to remain the largest consumer of sugar followed by China, Brazil, USA and the Russian Federation. Consumption in China, India and Brazil is growing at a higher rate than the world average. Consequently, these geographies are expected to play a larger role in the global sugar trade in the coming years.

The main producers of sugar in the world are also the leading exporters excepting India and are highly dependent on the world trade. Australia exports over 75% of its production, while Brazil exports over 65% of its production. India is however unique, as it has the world's largest consumption market. India's dependence on the world trade was marginal in the past. With the current year's record production and expected bumper crop in 2007-08, the potential for India to export large quantities is taken into consideration in the world trade. This has resulted in softening of prices. India has to export large quantities either as raw sugar or white sugar in the next two years to reduce the inventory. This measure will lead to a certain degree of price stability within the country.

With rising crude prices as well as soft sugar prices, Brazil has been diverting more sugar cane for manufacture of ethanol. Brazil currently is using approx. 55 - 56% of its total sugar cane production

for manufacture of ethanol, significantly higher than the previous year. Going forward, Brazil's utilisation of sugar cane to manufacturing ethanol will determine

the volume of sugar available for the international market.

Global sugar prices have also shown significant volatility during the past eighteen months. The steep fall in raw sugar prices in New York from 18.93 cents/lb in February 2006 to 11.6 cents/lb currently is clear evidence that sugar exporters face a serious problem which is not likely to disappear overnight. Similarly, the white sugar prices have also shown significant decline from its peak of USD 490 per tonne and is moving more or less in line with raw sugar prices. The spread between the raw and white sugar contracts has also come down drastically, signifying an even availability of both products.

Some of the key structural changes that are underway in the global sugar market are:

- Reduction in sugar production in the EU
- Rising crude prices in global market
- Diversion of more sugar cane to manufacture of ethanol by Brazil
- China to emerge as one of the world's largest importers by 2015
- Russian dependence on imports is likely to reduce
- India's announcement of mandatory blending of 5% ethnanol in petrol from October 07 and 10% from October 2008 and also allowing mills to produce ethanol directly from sugar cane juice.

Outlook

On expectation of a continued increase in production from Asian countries, especially India, the global market for sugar will remain in surplus in 2007-08 as output will once again overshoot demand. This will lead to another rise in inventory and low world market prices. World trade will also be impacted on account of weak US dollar which will result in lower income in local currency for the exporters. However, on account of rising crude prices and increased sugar inventory, it is estimated that Brazil will be producing less sugar in 2007-08, indicating that the global sugar prices have resistance at a price that equals the cost of production of marginal Brazilian sugar. Also, India is likely to enter the down phase in its production cycle in 2008-09 which would take pressure off the market. Hence, the outlook for 2008-09 is for an improvement in sugar fundamentals.

Domestic Overview

INDIAN SUGAR BALANCE OCTOBER/SEPTEMBER* (million tonnes, white)

	2002-03	2003-04	2004-05	2005-06	2006-07 (P)	2007-08 (F)
Opening Stock	11.3	11.6	8.5	4.0*	3.9*	11.6
Production	20.2	14.0	12.7	19.3	28.5	30.0
Imports	0.0	0.4	2.1	0.0	0.0	0.0
Total Available	31.5	26.0	23.3	23.3	32.4	41.6
Local consumption	18.4	17.3	18.5	18.5	19.0	20.5
Exports	1.5	0.2	0.0	1.1	1.8	3.5
Total dispatches	19.9	17.5	18.5	19.6	20.8	24.0
Closing Stock	11.6	8.5	4.8	3.7	11.6	17.6
Closing Stock / Consumption (%)	63	49	26	20	61	86

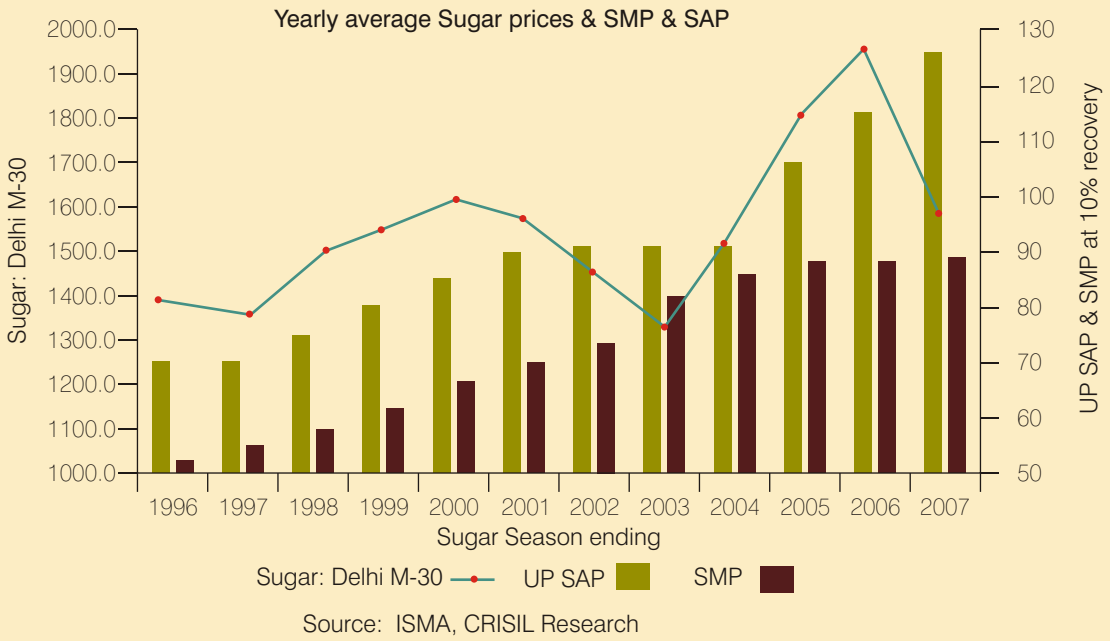
*Adjustment made as per Central Excise Certificate

Source: Upto 2006-07 ISMA and future projections - company forecasts

Indian sugar industry in the past two seasons has shown a significant growth in output. From the lowest production in a decade of 12.7 million tonnes in 2004-05, the sugar production has galloped to 28.5 million tonnes in 2006-07. This was largely on account of good climatic conditions, remunerative sugar cane pricing, on-time payments to farmers and setting up of new production capacities.

Sugar prices reached a peak of Rs. 20,000 per tonne during the first quarter of calendar 2006. However, on the back of expected higher production for the 2006-07 season coupled with the Government ban on exports, sugar prices started declining from July 06 onwards. The decline in sugar prices continued since then and towards the first quarter of calendar 2007, in most part of the country, sugar prices went below the cost of production.

In the sugar year 2006-2007, India's sugar production is estimated to have increased strongly by 48% to 28.5 million tonnes. Even after accounting for a consumption of 19.0 million tonnes and



Source: ISMA, CRISIL Research

exports of 1.8 million tonnes, the inventory position has significantly increased to 11.6 million tonnes. Higher inventory has led to a higher stock to consumption ratio which stood at 61%. This will have an impact on the pricing of sugar going forward.

The Dynamics of Cane Pricing

The Government, both at the central and state level, plays a crucial role in the dynamics of sugar cane pricing. While most of the major sugar cane producing states follow the Central Government determined Statutory Minimum Price (SMP), some states especially UP, which is the most prominent and consistent sugar producing state in the country, follow a price which is announced by the State Government called State Advised Price (SAP).

Uttar Pradesh had one of the highest SAP for 2006-07 with cane price at Rs. 1250 per tonne for normal variety and Rs. 1300 per tonne for early maturing variety. The SAP, when compared with the SMP for 2006-07, was higher by Rs. 350 to 400 per tonne of sugar cane.

Sugar Pricing

Sugar prices had seen upward movement till May 2006 following inventory reduction by sugar companies. At that point in time, sugar prices had touched a high of over Rs. 20000 per tonne. However, since then the situation on the back of an expected bumper crop in 2006-07 sugar year coupled with a ban on exports, has resulted in an over-supply of sugar which led to a downward movement of sugar prices. The decline in sugar prices was steep and at some point of time during this period, the free market sugar prices were even lower than the levy sugar prices.

SAP was higher than SMP by Rs. 350-400 per tonne in 2006-07

Government Intervention

The Government of India, realising the impact of the bumper production of sugar, has announced various measures which enable sugar companies to partially off-set their losses on account of the higher cane prices and lower sugar prices.

On the inventory side, the Government announced the creation of a buffer stock of 5 million tonnes (in two phases – firstly two million tonnes for a period of one year from 1st May 07 to 30th April 08 and subsequently three million tonnes for a period of one year from 1st August 07 to 31th July 08). The Government will reimburse the cost of carrying this inventory such as financing cost, insurance cost etc. In the light of higher sugar production during the current season, it is expected that the buffer stock will be extended for one more year. The estimated annual reimbursement for Triveni on this account would be approx. Rs.140 million.

Even though the Government of India had banned exports in July 06, after realising the impact of a bumper crop for 2006-07 opened up exports under Open General License for both raw and white sugar from January 2007 onwards. Further, to encourage exports, the Government in April 07, also announced an export incentive in the form of a reimbursement of expenses incurred for internal transport and freight charges (which would include ocean freight disadvantage and handling

and marketing charges) amounting to Rs. 1350 per tonne for the mills located in the coastal states of India and Rs. 1450 per tonne for mills located in other than the coastal states of India. This exports assistance which was initially valid till 18th April 2008 has now been extended upto 18th April 2009.

The Government also recently approved provision of loans from banks under special guidelines for an amount equivalent to the Central Excise duty actually paid by the sugar mills for levy and non-levy sugar during 2006-07 and the estimated amount of excise duty payable in 2007-08. Government would provide partial interest subvention to the banks on account of this loan through budgetary provisions. Such Central assistance will be confined to the portion of arrears of sugarcane price which is relatable to SMP and this amount can be used for payment to farmers against sugar cane arrears, the modalities of which are yet to be announced.

Many other state Governments such as Maharashtra and Karnataka have also announced various relief measures to the sugar industry in their respective states, such as additional export subsidy together with the waiver of purchase tax, provision of transport subsidy for cane transport, subsidy for excess cane crush or compensation for lower recovery after the normal crushing period.

Government announced various measures for the sugar industry in 2006-07

Outlook

It is expected that the ensuing season 2007-08 will again be a bumper year for sugar production. Even though consumption will grow at around 3-4% year on year, the increased volume of production is expected to add a substantial volume into inventory, in spite of the expectation of doubling of exports. Under this circumstance, the stock to consumption ratio is bound to go up. Sugar prices therefore should remain in a range bound with no substantial upward movement.

The sugar industry in UP made plea with the State Government for a lower cane price for the current season on account of falling sugar prices which otherwise will make the sugar operations unviable. However, the Government has announced the SAP at the same level as last year. Given the ruling sugar prices, the sugar mills in UP cannot afford SAP and this forced the industry to seek court intervention and the SAP for 2006-07 and for 2007-08 have been challenged being arbitrary and not based on economic rationale. The matter is currently subjudice.

With the declining sugar prices, the inability of mills to pay remunerative prices to farmers and that too in time, may deter many farmers to switch to other crops which in turn will bring down the area under sugar cane cultivation in the coming season. This will result in lower production of sugar in season 08-09 and 09-10 which in turn should correct the excess inventory and will lead to increasing trend in sugar pricing.

However, we believe with the emerging raw sugar export opportunity, Government encouragement in the form of subsidies and doing away with the export release order mechanism would lead to cumulative exports rising.

With the Government's announcement of mandatory blending of ethanol in petrol upto 10% by October 08 and its intent on allowing conversion of sugarcane juice into manufacture of ethanol, we foresee a long term sustainability in an integrated sugar operation.

Co-generation & Distillery Industry Review

Integrating sugar operations with the setting up of co-generation units and distillery has evolved as a viable model for sustaining the operations during the down cycle. With the power sector reforms and long term power purchase agreements, the sugar companies found attractive to use the surplus bagasse to generate electricity and supply to the grid. Similarly, with the Government's programme of blending of ethanol with petrol, setting up of molasses based distillery has also become attractive. These two businesses act counter-cyclical to the sugar operations. In the year of surplus sugar production (and hence lower sugar realisation) more bagasse and molasses are generated which in turn leads to:

- Lower prices for these byproducts in the market, and generating more margin by manufacturing large quantity of value added products.

Co-generation overview

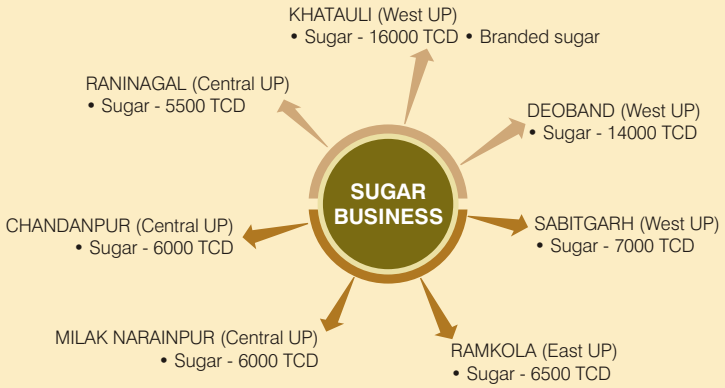
There is significant untapped co-generation potential in India. Today, bagasse based co-generation for export of power is an emerging trend in the sugar industry. Long term PPAs are already in existence and the state regulator UPERC had already issued practice direction regarding tariff fixation, model PPAs and other policies and issues. Co-generation units based on latest technology such as ours, also have potential of earning carbon credits under Clean Development Mechanism (CDM). Another attraction for this business is the tax holiday it enjoys under the Indian Income Tax Act.

In India, according to CEA May 06 data, the installed exportable power by the co-generation in sugar industry is over 847 MW. The potential to generate bagasse based cogenerated power is 5000-7000 MW. Therefore, it presents a significant opportunity, and its potential is waiting to be tapped in India.

Sugar Business Group

Sugar Business Group

- The company has a sugar cane crushing capacity of 61,000 TCD in FY 07
- Three new greenfield units in Chandanpur, Raninagal & Milak Narayanpur and the capacity expansion of Ramkola sugar unit has been completed and have become operational during FY 07



Triveni's sugar manufacturing capacity is the third largest in the country. It has the requisite capacity to have dominance in the market it serves. Three units of Triveni, located in the Western part of Uttar Pradesh, caters to the sugar deficit markets of Delhi, Punjab, Rajasthan which enables it to fetch a higher sugar price. Khatauli & Deoband units produce significant quantity of large grain sugar which in turn attracts a premium over the medium grain sugar. With better quality and a higher grade of sugar supplied into this market over a longer period of time, sugar from these units has developed a brand for themselves in these markets.

Highlights 2006-07

- 51% increase in sugar cane crushing capacity from 40500 TCD in 2005-06 to 61000 TCD in 2006-07
- Three new greenfield units at Chandanpur, Raninagal and Milak Narayanpur have commenced operations during the 2006-07 season and added 17500 TCD to the total capacity. Brownfield expansion of Ramkola also commissioned during the 2006-07 season adding 3000 TCD
- Crushed 6.1 million tonnes of sugar cane during season 2006-07 vis-à-vis 3.98 million tonnes in 2005-06
- Recovery of the Deoband unit continues to be the best among the western UP mills at 10% as against the average recovery of Western UP mills of 9.53%
- Khatauli and Deoband units of the company ranked 1st and 2nd among the Western UP mills in terms of total cane crushing and sugar production

Performance

The company crushed a total of 6.39 million tonnes producing 0.62 million tonnes of sugar in April 06-Sept 07. During the season 2006-07, the company's sugar units crushed 6.10 million tonnes of cane which is 53% more than the previous season. Similarly, sugar production was also higher by 55% at 0.59 million tonnes. The increase in production was on account of increased volume of crush coupled with improvements in recoveries of sugar from cane. Increased crush was on account of additional crush at the existing facilities and also due to the commissioning of new facilities during the season.

Older factories have improved sugar recoveries

Deoband unit recovery remained highest among the western UP mills at 10% and during the season 2006-07, both the older factories at Deoband and Khatuali shown significant improvements in recovery over the previous sugar season.

Outlook 2007-08

In the coming season 2007-08, the company expects to crush over 30% more cane and is expected to have better recoveries.

With the input and output prices determined by Government/market, the company is in the process of improving efficiencies and thereby reducing cost. Cane development is a thrust area where the focus is to improve the availability of high sucrose content cane which will bring down the per unit cost of output.

Allotment of more contiguous and compact cane area shall further help in improving freshness of cane available at the factory for crushing which in turn will improve operational efficiencies and also result in better recoveries apart from bringing down the cane transportation cost. A programme for improving cane yields per unit area to bring down farmers' cost of production will lead to the long term sustainability of sugar operations.

UP Incentive Policy

The company had made capital investments in sugar operations under the UP Incentive Policy and is eligible for incentives prescribed under the policy. The Policy envisaged a capital subsidy of 10% of the capital investment apart from certain recurring incentives in the form of exemption of certain duties & taxes and reimbursement of certain expenses incurred in relation with sugar cane and sugar transportation etc. This recurring incentive is available for the next ten years.

Even though the Policy was terminated w.e.f. 4th June 2007 by the new State Government, our units were declared eligible under the Policy before the same was terminated. The industry has taken up with the Government to pay subsidies /incentives to all mills which had acted under the old policy. The company has received strong legal opinion, according to which, the company having acted on the policy, complied with all its terms and having been declared eligible under the policy before its termination, is entitled to receive subsidy and incentives as per the terms of the old policy.

Marketing Analysis Summary

- The company has one of the largest cane crushing capacities in India
- Well located factories with abundantly irrigated fertile soil suitable for sugar cane cultivation
- Integrated operation with co-generation and distillery with two of the major facilities
- Improved cane intensity in core area of new units along with high sucrose varieties could increase cane supply at lower costs apart from increased recoveries
- Scope for reducing cost of production through Improving efficiencies
- Introducing additional areas under Early Varieties in all units to have sustained cane crush
- In the long term, there is scope for improving cane productivity (yield of cane per hectare of land).

To combat the cyclical nature of business, cost control and cost reduction measures are continually emphasised to make the sugar operations competitive. The various steps towards that are:

- To improve recovery of sugar from cane (by having larger volume of high-yielding early maturing variety cane) which will bring down the per unit cost of raw material in final output
- To optimize the cane procurement thereby maximising the cane freshness and minimizing the cost of transport
- To improve operating efficiencies and reduce stores & spares and consumables consumptions
- to bring down the fixed cost in terms of manpower, administrative overheads etc.

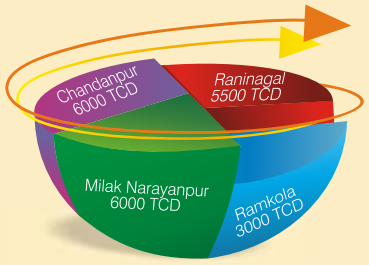
Cane Development: An important strategy

Uttar Pradesh is the second largest sugar producing state after Maharastra and expected to become largest sugar producing state in 2007-08. The state is bestowed with natural bounty in terms of water which is essential for sugar cane farming. Western UP has intensive canal irrigation facilities and the cane intensity in these areas is significantly high when compared with other areas. With the output prices expected to be range bound in a narrow band, the only way sugar manufacturing can be viable is by improving the recovery of sugar from cane.

Continuing the thrust of company's cane development programme, improved varieties of cane planting, timely application of fertilizers & pesticides and adopting best farming practices will take this process a long way which will be mutually beneficial to farmers as well as the factories. The focus of cane development is to address the recovery improvement through increasing area and supply of early maturing variety cane and also scheduling the cane harvesting on the basis of maturity of cane. In the areas around the new units, changing the varietal mix of cane from rejected and late maturing variey to early and high yielding variety will be the focus.

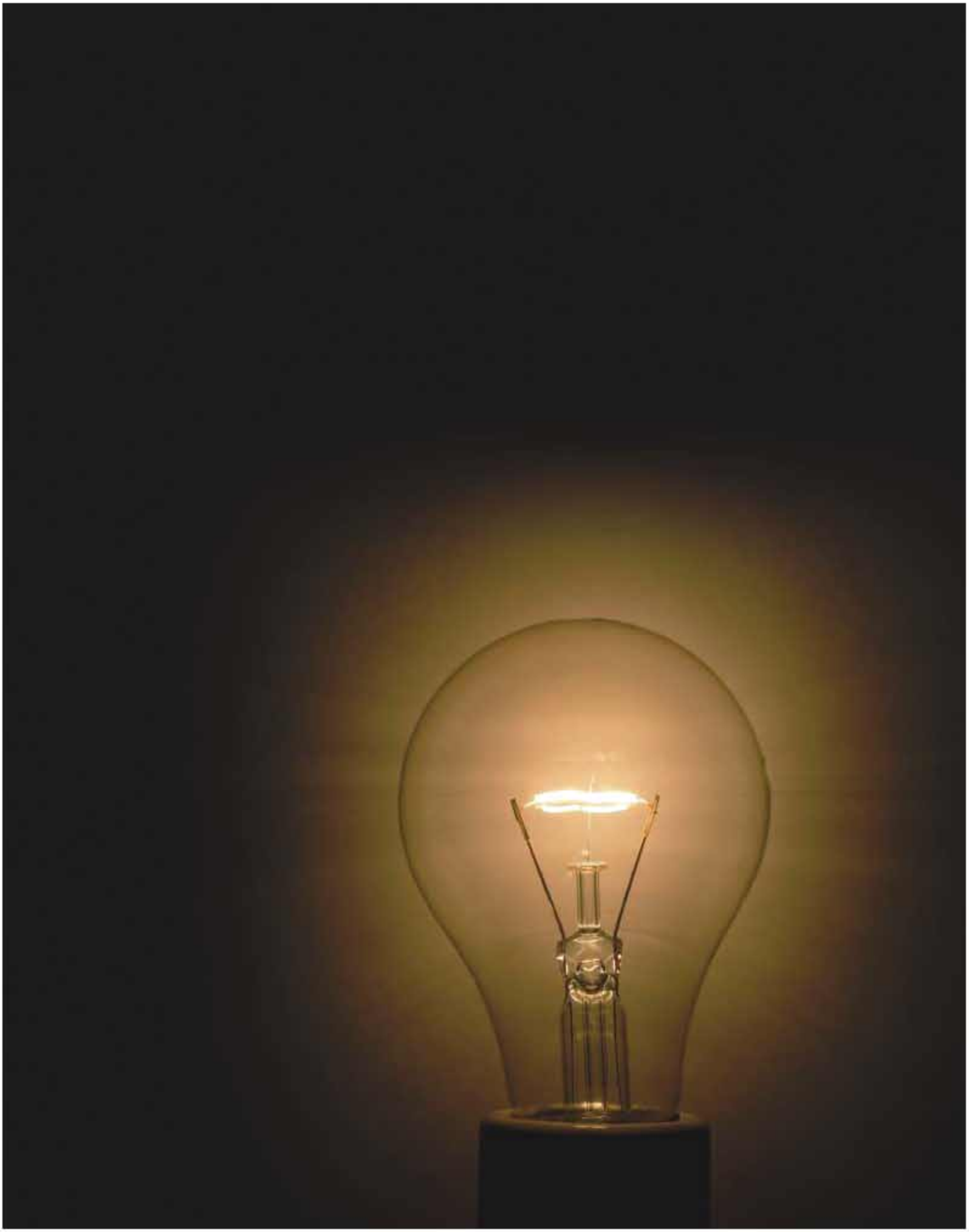
Expansion:

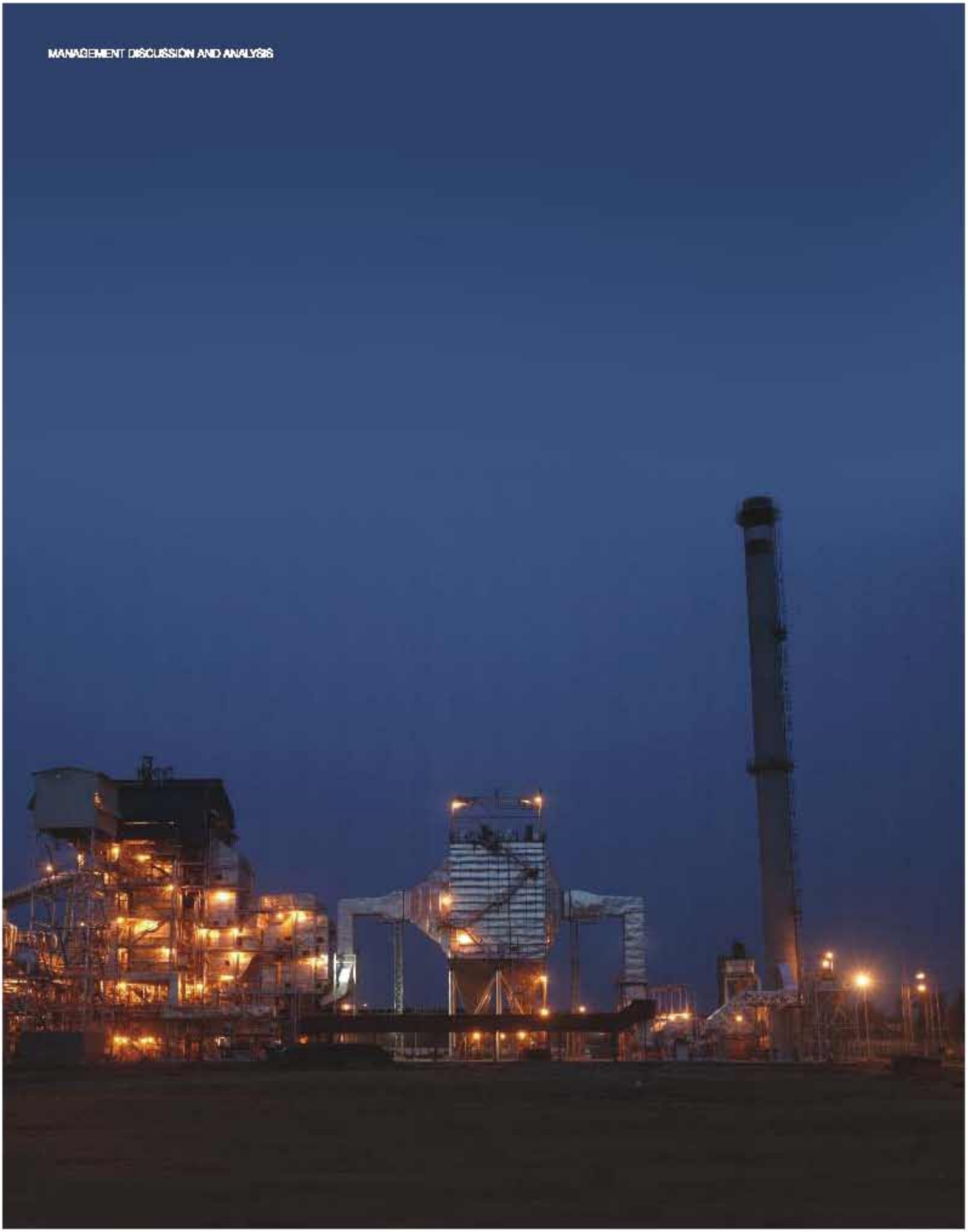
In the year 2006-07, the company added sugar crushing capacities of 20,500 TCD.



The company undertook the capacity expansion in sugar operations with the setting up of three new units with an aggregate capacity of 17500 TCD and also a brownfield expansion at Ramkola where the crushing capacity was enhanced from 3500 to 6500 TCD. The total capital expenditure incurred for these expansions were Rs. 5.2 billion.

Cogeneration Business Group





Cogeneration Business Group

- The company's co-generation business, using surplus bagasse, supplies power to the grid and addresses the captive power and steam requirements of the sugar factories
- Three co-generation plants: 1 in Deoband (22 MW), 2 in Khatauli (23 MW each) thus having total installed capacity of 68 MW and an exportable capacity of around 42 MW during the cane crushing season; and also during the off-season wherein we are presently operating for approximately 90 days.
- Khatauli plant's phase 2 cogen was commissioned in December 2006

Highlights

- State-of-the-art energy efficient plant
- Good infrastructure facility
- Proximity to the substation of UPPCL
- Rapidly rising energy demand
- Power market restructuring
- Large CDM potential

Performance, 2006-07

The company has 3 co-generation plants operational currently – one in Deoband (22 MW) and two in Khatauli (23 MW each) - all plants are modern, having high pressure high temperature efficient configuration. All three co-generation plants are operating very efficiently and achieving high plant load factor. The three co-generation units generated 376.78 million units and exported 263.02 million units during April 06 – Sept 07.

Outlook

There is a long term power purchase agreement in existence signed with the Uttar Pradesh Power Corporation Limited which will continue to secure the profitability of the co-generation business.

Cane crushing expected to increase in 2007-08 season which in turn will produce more bagasse. During the last season, enough bagasse was saved which led to the operations of co-generation units for around 90 days during the off season. On account of increased availability of bagasse during the season 2007-08, the off season running is expected to go up to over 100 days.

Increase in off season operation days is expected to add to the revenue and profitability and mitigate the cyclical nature of the sugar business.

Carbon Credits

Carbon credits are available for companies involved in developing and implementing projects that reduce green house gas emissions, thereby generating carbon credits that can be sold in the carbon market. The carbon credits are referred to as Certified Emission Reductions (CERs).

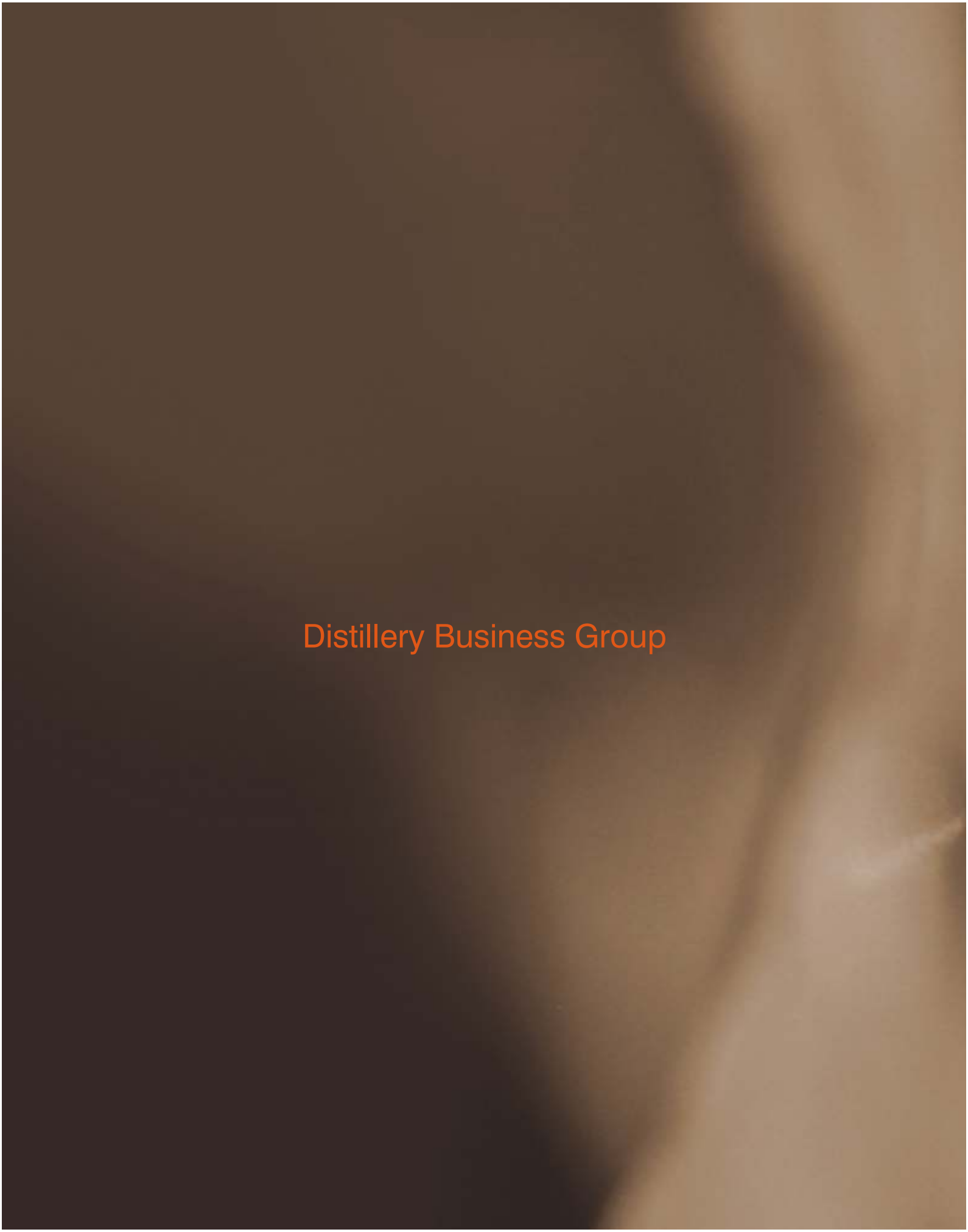
In Annex 2 countries like India, these credits are earned by implementing 'green projects' under a Clean Development Mechanism or CDM. These are validated and registered with the United Nations Framework Convention on Climate Change (UNFCCC), which also issues carbon credits after verification.

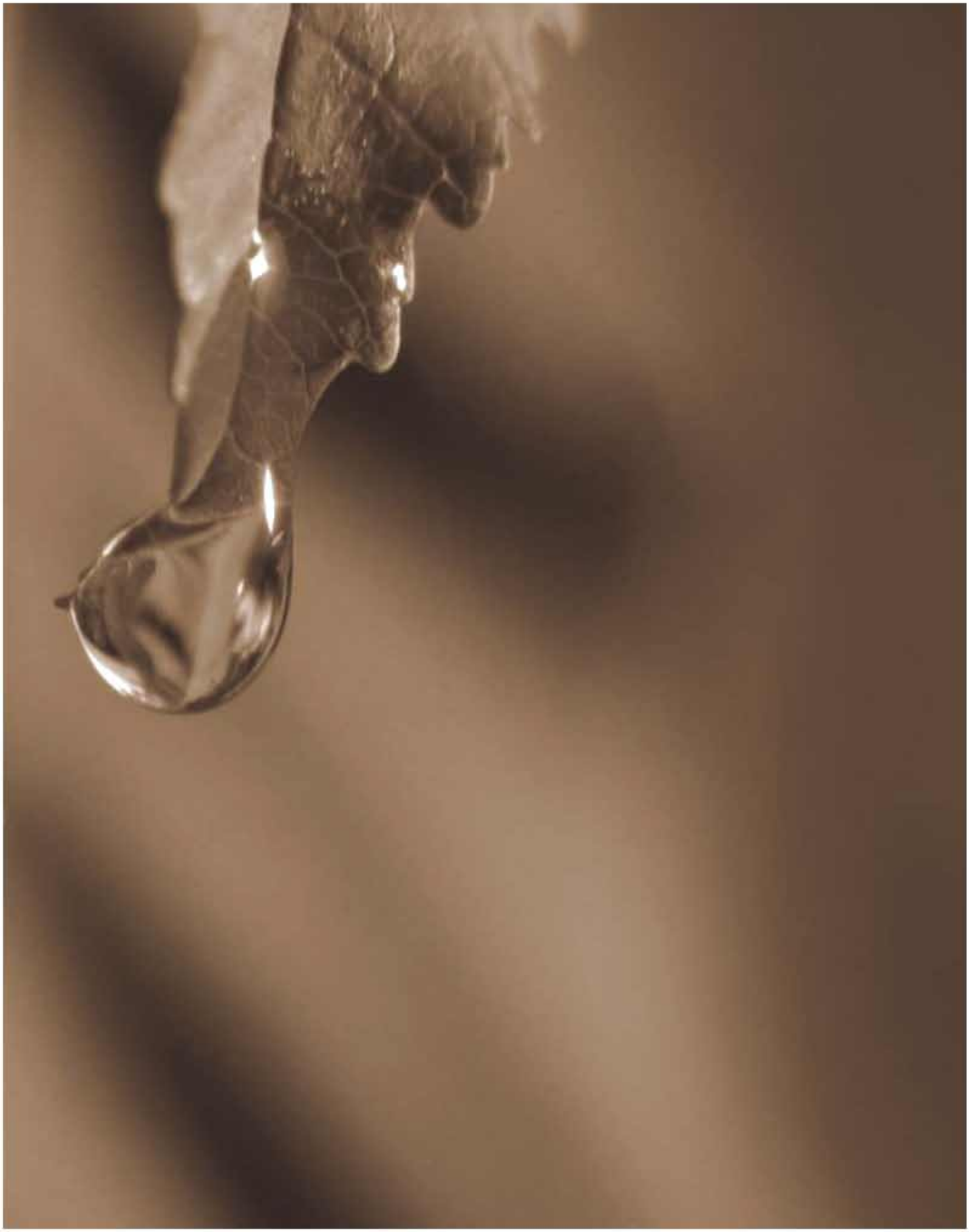
Company's co-generation plants at Deoband and Khatuali Phase 1 have already been registered with UNFCCC.

The Company's Cogen unit at Deoband has generated 1,90,000 Emission Reductions or ERs from November 04 to March 07. These carbon credits have been verified and issuance has been requested for the same.

Carbon Credits Outlook

The outlook on Carbon Credits is positive. The company has a first mover advantage in this concept in co-generation having two registered projects and requested for issuance of CERs. The phase 2 of the 23 MW bagasse based co-generation power plant at Khatauli is under validation. The CERs from Khatauli Units shall also be made available for sale in the forthcoming quarters. The company expects the pricing to remain atleast at current levels.


Distillery Business Group




CENTRAL HOSE STATION No1

Distillery Business Group

- The company's distillery business can manufacture industrial alcohol (SDS), rectified spirit (RS), extra neutral alcohol (ENA) and ethanol (Anhydrous Alcohol) depending on market requirements and thereby addresses the needs of the chemical, potable liquor industry and ethanol blending programme. Presently it is manufacturing SDS, RS and ENA
- One of the largest single stream molasses based 160 KLPD distillery, started operations in April 2007

Molasses, the by-product generated during the manufacture of sugar is fermented and distilled to manufacture variants of alcohol.

The 160,000 litres per day distillery unit, with state-of-the-art equipment and bio-methanation process, is located at Muzaffarnagar which is equidistant from two of our major sugar manufacturing facilities of Khatauli & Deoband. This will ensure security of raw material.

Customer segmentation

The distillery business group caters to three main segments:

Used in industrial applications

Used in potable liquor manufacturing

Used as a fuel-ethanol

Customer Acquisition

The company is already supplying to all the leading customers in the abovementioned first two segments. Its products have been very well accepted as they are meeting all the specifications. The company has also started supplies of ENA to UB Group.

Fuel Ethanol

The company also has the capability to produce fuel ethanol. It is presently not supplying fuel ethanol under 5% blending programme as it was not qualified for the tender floated by the oil marketing companies as its capacities came up after the tenders were floated. However, recent announcements through press release that fuel ethanol would be made mandatory at 5% blending (and 10 % optional from October 07) and raised to 10% mandatory blending from October 08 would enable new tenders to be issued soon and for ethanol supplies for our distillery unit to commence. The Government has also allowed the use of sugar cane juice for producing ethanol. The company is well positioned to qualify for the tenders once blending is raised to 10%. The alcohol (other than fuel ethanol) in the country would thereby find another outlet raising realisations significantly across all segments.

Outlook

Significant increase in realisation of alcohol (SDS, RS & ENA) is expected on increase of the blending level of ethanol to10%.

Triveni has already become a preferred supplier to all the leading customers in Industrial and Potable Segments and the product has been well accepted in terms of quality and specifications. The company is fully geared up for high value Ethanol production and supply once 10% blending is implemented.

Cane crushing expected to increase in 2007-08 season which in turn will produce more molasses. Higher availability of molasses will lead to better availability of raw material and better capacity utilisation of the distillery plant.

Benefits of availability of bio-gas through bio-methanation process to reduce fuel costs in respect of distillery plant. Bio-emthanation results in generation of methane gas, the percentage of which gradually increases. This gas is fired in the boiler which replaces bagasse as fuel and thus results in saving in fuel cost.

Benefits of stabilised and consistent operation of the distillery for the entire operation period as plant and machinery is fully tested and operational.

Engineering Businesses

TURBINE BUSINESS GROUP

GEAR BUSINESS GROUP

WATER & WASTE MANAGEMENT BUSINESS GROUP

Engineering Business Overview

From its early days, the company has been focusing on its core businesses of sugar manufacturing and engineering. Of late, in line with the growth in the manufacturing sector, Triveni aligned itself to leverage its competency in design led manufacture in two primary sectors– power and water. These sectors are catered to by Triveni's three engineering businesses- steam turbines in Bangalore, gears in Mysore and water and waste water treatment equipment in Noida.

The three businesses share similarities in many respects. The products of the three businesses, all conform to the engineered-to-order mechanical equipment space, where process and design engineering are capabilities that are critical to the cost structure as well as to the success of the products in the market. They also share a similarity in the fact that they are all technology products where servicing is a capability that each business group must excel in, and this has been achieved through a robust after-market presence.

All the three businesses cater to the capital goods industry and with the forecast growth in industrial activity in the country, all these businesses should show consistent growth in the coming years.

Steam turbines cater to the power industry and as utility power generation is inadequate to meet the requirements of industry, companies are focusing on captive power generation. Secondly, industries which are scaling up their operations also require more captive power. Thirdly, businesses are substituting the source of power from diesel generating units to generation of electricity through steam, which is much more cost effective.

In the case of High-speed gears, apart from the power generating industry, many other industrial applications require customised gear solutions. This segment has also grown in line with general industrial growth. Entry into new products like hydel gears, marine gears and niche slow speed gears will give further growth impetus to this business.

As water is a scarce commodity and with the application of water in industrial applications growing continually, treatment of water becomes inevitable. Technological solutions of recycling and desalinating water to meet demand as well as stringent environmental norms are forecast to be the routes of growth for this sector.

Engineering Business Growth:

(Rs. Mn)

	2004-05				2005-06				2006-07 (18 months)			
	Turbine	Gears	Water	Total	Turbine	Gears	Water	Total	Turbine	Gears	Water	Total
Turnover	1626.4	238.8	81.6	1946.8	2779.9	450.3	138.1	3368.3	6927.7	941.1	511.3	8380.1
PBIT	153.2	30.5	5.4	189.1	418.4	76.1	22.2	516.7	1538.8	232.6	58.0	1829.4
PBIT Margin	9.4%	12.8%	6.6%	9.7%	15.0%	16.9%	16.1%	15.3%	22.2%	24.7%	11.3%	21.8%

The unique features of these businesses are:

• All the engineering business adheres to the engineered-to-order mechanical equipment space. The share of design, engineering and customisation is high in the product. This differentiates Triveni from the rest of the players in the industry • Servicing and after sales – wide network of service facility to provide faster service • State-of-the-art manufacturing facility coupled with unmatched international quality – enables us to compete in the international market • Research & development – a core thrust area

Turbine Business Group

Turbine Business Group

Industry Scenario

The economic environment in India is currently poised for a strong overall growth of the economy. The GDP is estimated to grow at 9% with industrial growth driving overall growth. Strong investment demand in capital spending by Corporates is driving the Index of Industrial Production. IIP for 2007-08 (upto August 07) grew at 9.8% while the growth in capital goods segment in IIP grew at 21.3% during the same period.

With all macro economic parameters directed towards a strong economic growth, the sustainability of industries which are in the capital goods sector is quite strong in the foreseeable future. Further, to fuel any such growth in any industrial segment, growth in the power sector is inevitable.

Going by the National demand forecast of the 16th Electrical Power Survey conducted by Government of India, a capacity addition of about 76,400 MW is planned in the11th 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/ co-generation/IPP segments. Hence, a massive growth in this segment is evident.

Capacity addition of 76,400 MW planned for the power sector in the 11th Plan

As India is a power deficit country and with fossil fuels a costly and scarce resource, it has looked at other opportunities to add capacity. Captive/co-generation has proved a viable answer and a number of plants that use steam or heat energy as a process parameter have actively pursued this opportunity, to not only generate power for their own requirement but also for selling to the national or state electricity grids. Another emerging sector, where Triveni turbines have a dominant market share, is the small Independent Power Producer (IPP) segment. These units are normally established by using the locally available resources such as bio-mass material, agricultural waste and even municipal solid waste to generate electricity. This form of power generation and meeting power requirement on a decentralised manner has found favour with many state Governments.

Industries ranging from Paper, Textiles, Carbon Black which require steam as a process requirement, or Steel and Chemicals, which generate large volume of energy through gases and exhausts which otherwise becomes waste, are finding economic use in generating power. These are the very sectors that are the end users of our steam turbines. Recognising this potential, Triveni has expanded manufacture and supply of power generating turbines from 18 MW to a capacity of 30 MW in the current year.

Performance Highlights

Production, Marketing & Sales Review - Turbine - Domestic

During 2006-07, 140 turbines with a generating capacity equivalent to over 900 MW have been produced. This year's revenue has touched a record Rs. 6.9 billion, a gain of almost 149% over previous year. In the market upto 20 MW, Triveni achieved a domestic market share of around 78%. The market for an Indian turbine customer is global as there are no barriers of entry in the form of any duties and taxes. Thus, with a dominant domestic market share in the market upto 20 MW, we are globally competitive and we believe that in this segment we have about 20% market share globally. With in-house R&D efforts, Triveni is developing higher MW turbines and is currently making entry into the power band of 18MW to 30 MW and above.

Market Share

Industries in Focus

Cement, Paper, Textile, Metals, Sugar and Steel (Sponge Iron) are Triveni's target industry segments. As these industries are energy intensive, most of these industries are likely to go for captive/ co-generation thereby shifting to a cheaper source of power.

Further the growth of Paper industry is expected to be around 8 – 10% in the coming year as consumption is estimated to grow up to 20% by 2010. We estimate that the Textile industry, which is predominantly using DG based power for their captive power requirement, will be shifting to steam based power plants on account of economies of scale as well as to bring down the cost of production. A similar trend is expected in the cement industry.

Paper, Textile & Cement industry captive power requirements are a significant growth area

The Independent Power Projects (IPP) route also offers a strong market for our products. Renewable energy continues to play a major role in development of low captive energy system as they involve lower environmental impact. Carbon Credits along with income tax & duty subsidies for biomass based power plants are contributing to growth in this sector. The Ministry of Non-Conventional Energy Sources has estimated that biomass based resources is capable of generating 16,000 MW per annum whereas the current installed capacity is only about 600 MW excluding sugar co-generation capacities. Various state Governments are also actively promoting IPPs for meeting the power requirements in a decentralised manner by using locally available resources.

Exports – Growing beyond boundaries

With the completion of capacity expansion, Triveni is capable of meeting international standards both in terms of quality and delivery. Hence, exports have been identified as a thrust area and accordingly, Triveni will be focusing on the export market. During the period under review, Triveni has entered new high-technology demanding markets such as Italy, Spain and UK.

Significant orders received during this period are:

- Our largest turbine generator set overseas order is for 16.5 MW
- Wartsila Finland OY order for 2 nos. 4.7 MW steam turbines which was followed by a repeat order of 6.4 MW steam turbine generator set
- An order for 6 MW biomass based power plant from Spain
- Orders for 8.2 MW & 4.5 MW steam turbine generator sets from Philippines & Myanmar

Future Potential

Going by the trend of new countries and markets penetrated as well as new clients added, we believe that our sales prowess will grow significantly in the years to come. We also hope to have continued business from our major clients like Cabot Corporation for their projects worldwide and from major OEMs such as Wartsila, Finland. Based on our current feedback, we expect to have a significantly larger export order-book during the year October 07 – September 08 compared with previous year.

Cabot Corporation USA, a world leader in carbon black manufacturer, gave Triveni its first turbine order for the Indonesian plant. This was followed by two more orders for their Indian Facility and Italian Facility. This speaks of the quality, delivery and technological competence of our Turbine manufacturing facility.

Service & Spares - Seeds of future growth

With the increase in number of higher MW turbines sold during the past couple of years, servicing and sale of spares on these have started accruing. Significant growth in Service and Spares business, which offers higher margins, has been achieved during FY 07. In order to meet the increasing demand in services and spares, the company is focusing in the area of customer care and the motto is to provide customer service within the shortest time and in almost all cases, within 24 hours of registering the call our service engineer would be at the client site. To ensure complete customer satisfaction, we are fully equipped to respond to emergency calls through our 13 service centres spread across the country. Approximately 30% of the business units' personnel are dedicated to our after-sales program. We also provide service support to non Triveni brand of turbines.

Refurbishing promises higher growth in coming years. We have already booked a record breaking single order for 2 X 57 MW Alsthom turbine in FY 07. With this break-through order, we expect to have more such orders in future. Other main activities carried out are:

- Refurbishment and Residual Life Assesement (RLA) of all makes of turbines/compressors/blowers/ pumps in India and well as overseas
- Upgradation of old turbines for higher power output as well as to meet changing requirements of customer process requirements
- Overhauling and troubleshooting services for all makes of turbines
- Full speed balancing machine, a state-of-the-art equipment from SCHENCK, Germany, one of its kind with a manufacturer of our size, is used for balancing of turbine/ compressor/alternator/gas turbine, rotors around 150 MW capacity depending on the size of the rotor
- Unique capability in India for high speed balancing of flexible rotors by using CABFLEX software

Gas Engine Business

The growth in business of distribution and servicing of Waukesha Gas Engines has seen some major milestone in FY 07. We have booked a prestigious order of 7 X 1 MW Wauksha High Efficiency Gas Engine generator sets, which is so far the biggest ever order booked and we expect order book to grow in the near future.

New Business Opportunities

Steam Turbine line

- An agreement with Beijing BEIZHONG Steam Turbine Generator Co. Ltd. (BZD) for marketing and distribution of steam Turbines up to 330 MW in India

  Triveni will be distributing and marketing BZD products by offering power solutions upto 330 MW which will consist of steam turbines, alternators, condensing and cooling systems along with electricals and power evacuation systems; Triveni will also sell the balance of plant and provide after sales support. The agreement facilitates Triveni to enter into Technology Transfers and the company will work towards these in the future.

  BZD, a subsidiary of the state owned Beijing Jingcheng Mechanical & Electrical Holding Co. Ltd. is a technology leader and fourth largest steam turbine manufacturer in the People's Republic of China with products offering power solutions up to 660 MW

Oil & Gas line

- An agreement with GE Oil & Gas Operations LLC, USA for packaging and marketing of High-speed Reciprocating Compressors

  GE's agreement with Triveni will consist of an initial term of five years and will involve the import of bare (Flange-to-Flange) compressors from GE Oil & Gas' Oshkosh, Wisconsin, USA facility. Triveni will do the engineering design, manufacturing and assembly of the package. It will also procure drivers and the rest of the components for packaging in India. Triveni will be the customer point of contact in India for both selling of the packaged product and the after-market sales and service

GE's world-renowned compressors, formerly known by their popular Gemini brand name, are used across the Oil & Gas sector. Common applications for these compressors are for wellhead gas gathering, vapor recovery, gas re-injection, gas lift, pipeline gas transmission, gas storage and fuel gas boosting

- Agreement for manufacturing of precision components in our works for Schlumberger, USA and France

  Schlumberger is the world's leading supplier of technology, project management and information solution provider to the Oil & Gas industry. Schlumberger has entered into an agreement with Triveni for manufacturing various high precision components for its customers, based on our manufacturing infrastructure and capabilities for manufacturing such precision parts. Triveni will be using the existing infrastructure for manufacturing such components

Capacity & Capability Additions

The activities for increase in factory capacity by more than 80% over the previous year are over and all planned machinery are purchased and installed, except for the CNC Vertical Turret Lathe which is expected to be commissioned by the second quarter of FY 08. High precision multiple 4-axis CNC machining centre were set up for manufacturing complex blade profiles. All Test Beds in the new Bay extensions were made operational and also commissioned the Boiler, Condenser, Cooling Towers etc., for full speed steam testing. With the installation of the state-of-the-art WFL Mill Turn Machine, machining of rotor with various root profiles will enhance the throughput with precision. A 5-axis blade manufacturing has been ordered.

Full speed balancing tunnel - SCHENCK balancing machine- for balancing of turbine/compressor/alternator/gas turbine, rotors around 150 MW capacity has been installed

For facilitating smooth operations, tool crib operations were streamlined by rearranging all the tools systematically and instituting structured procedures for procurement issues and accounting of all tools.

State-of-the-art equipments and software installed comparable with the world's leading turbine manufacturers, makes the Turbine facility at Bangalore, world class

Technology & Development

Technology and development is the key in our engineering business. Continual programmes are taken up for improving the efficiencies of the existing range of turbines as well as further development of new models to cater to various industrial segments. Similarly, continuing efforts are on to bring down the cost through value engineering using technology as a tool. Some of the major activities are listed as under:

- The new 15 MW extraction condensing model developed and launched by us incorporating twisted and tapered blades has been successfully tested and is at customer's site for steam-rolling

- Development of 20 MW back-pressure turbine is in advanced stage. Development of new high-pressure high temperature 30 MW model is under progress and is in the process of designing and developing higher MW blades. The pursuit for development of new models in the higher ranges and endeavouring to improve the efficiencies are also the focus of our R&D team

- Associations with institutions such as I.I.Sc, Bangalore and NAL, Bangalore have been strengthened and various product improvement and validation initiatives are underway in association with expert scientists from these institutions

Quality Assurance

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 turbines commissioned during the period. Quality improvements forms an integral part of the system and is effected through various initiatives like Six Sigma, Just in Time etc., Expert guidance for quality improvements is being provided by Professors from JIT Laboratories, Japan, Indian Statistical Institute, Bangalore, Confederation of Indian Industries etc., 30 Officers are trained as Black Belts & about 50% of the officers are trained as Green belts in Six Sigma methodology for process improvements. One of our Six Sigma process improvement projects has been selected and published in the "GUIDEBOOK FOR SIX SIGMA WITH REAL TIME APPLICATIONS" released by Indian Statistical Institute & Quality Council of India during April 2007. Lean concepts to achieve Just in Time production are initiated and expected to be in place in near future.

Human Resources

Any manufacturing facility which involves high levels of technical skills for development, design and manufacture as well as for after market operations requires highly skilled manpower. Triveni's endeavour in developing and retaining quality manpower, apart from external training, is through setting up of an in-house training centre. The training centre aims to develop the employees to meet the standards of efficiencies for operating the latest hardware and software as well as for providing quality aftermarket support.

Order Book

The orders in hand for products as on 1st October 2007 are valued at Rs. 4.68 billion, which is 10 months production.

Orders in hand valued at Rs. 4.68 billion, which is around 85% of estimated product revenue for FY 08

Gear Business Group

Gear Business Group

Our corporate philosophy has always focused on providing long term solutions rather than addressing opportunities available in the short-term. We have looked at our existing business closely to see how we can add value both to our existing product lines as well as realise unlocked potential in new growth areas as a separate profit centre. This philosophy has been our rationale in entering into the highly technology intensive domain of customised high and low speed gears.

The germination of this business lies in the application of High-speedGearboxes as reduction devices between a prime mover such as turbine and the driver equipment such as an alternator. Over the past few decades, we have transcended our role from an entity that addresses internal demand to demand from external sources. Our value-added gearboxes find acceptance in Cement, Paper, Oil & Gas, Space, Sugar, Fertiliser and many other industries. All leading turbine manufacturers including Triveni-TBG, BHEL, Siemens and many others source a majority of their requirements from us. We also gainfully exploit our expertise in High-speedtechnology to give replacement solutions directly to customers across a variety of industry segments.

Collaboration – Design and Manufacturing capabilities

If one wishes to exist, exist as a market leader.

While Triveni has domain expertise in manufacturing High-Speed Gears, this capability is sufficient to address a power band up to 7.5 MW. In addition, our technology license agreement with Lufkin Industries, USA has allowed us to address the needs of customers with high power requirements with a locally made solution meeting international performance and quality standards.

We have renewed our technological tie-up with Lufkin, USA in May 2005 for additional seven years. We have the ability to deliver High-speedGearboxes up to 70 MW through this tie up. Our revised agreement now also allows greater flexibility to access overseas markets which is sure to translate into a larger business opportunity over time. Today, Triveni is perhaps the only Indian company that services a power band of up to 70 MW. While gearboxes up to 7.5 MW are manufactured with our indigenous designs, gearboxes of above 7.5 MW to 25 MW are produced with Lufkin designs. Requirements ranging from 25 MW to 70MW are being produced through a joint manufacturing programme with Lufkin.

Only Indian company that services a power band of up to 70 MW

One of the strongest features of our gear business is our ability to service critical process industry breakdowns and retrofit older gearboxes, not necessarily of our own make. Knowledge garnered over the last three decades has helped us unlock this burgeoning demand for servicing old equipment. This ability, while strengthening our brand with our existing customers, also serves as a marketing opportunity in accessing new clients. In fact retrofitting is a growing business and accounts for 21% of the total business revenue of the gears business.

Capitalising our R&D and manufacturing capabilities, Gear Business Group (GBG) has entered into new business segments including hydel gears and niche low speed gears. Small hydel power stations are coming up in large numbers in various states of India - low cost of power, comparable gestation period for installation with other types, carbon credits, low capital cost and state benefits for non-conventional energy resource are the key drivers for this segment. Triveni's internally developed models offer reliable and competitive solution to customers upto 6 MW in the hydel segment.

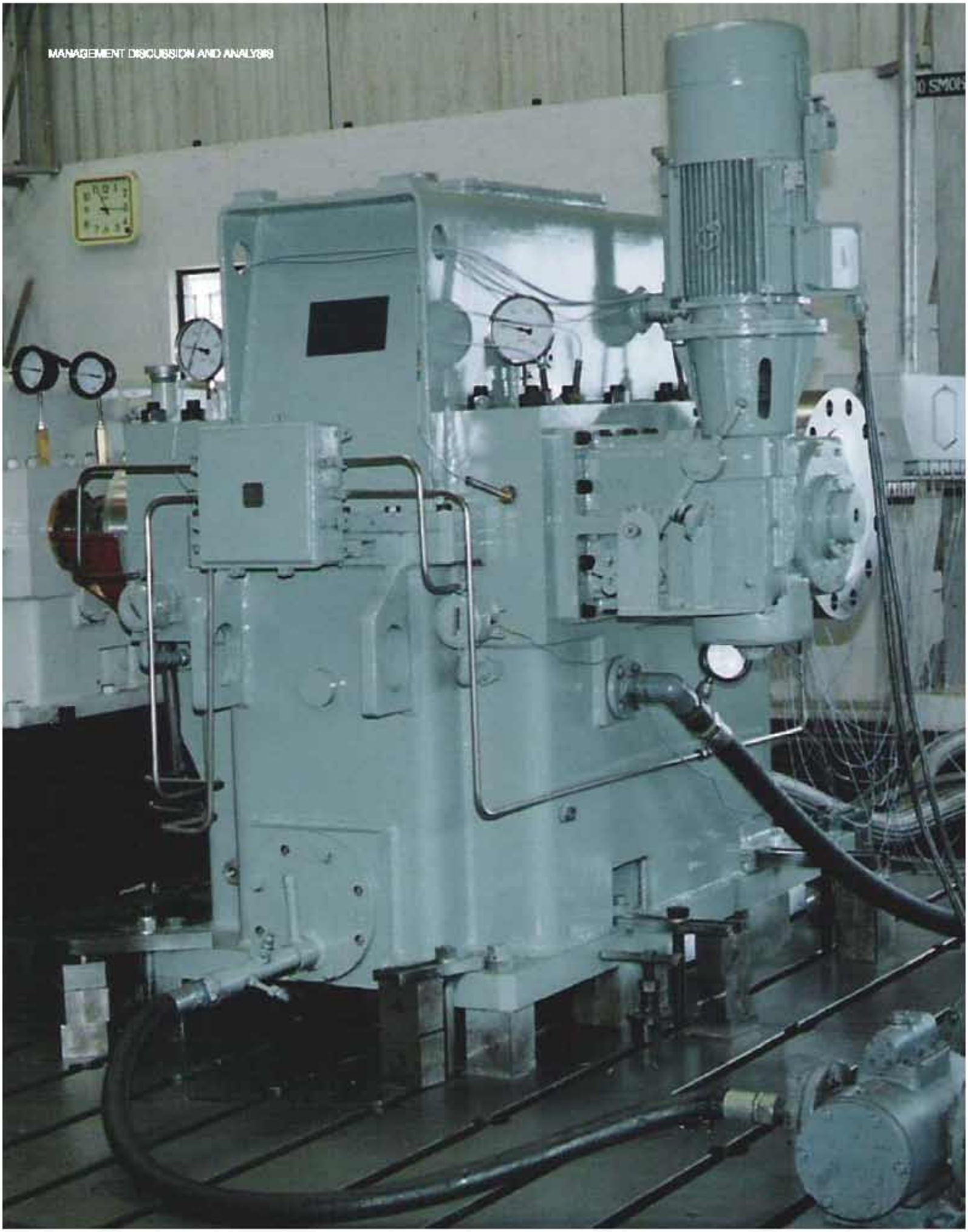
Our modern manufacturing facility located in Mysore operate to strict customer specification and also conform to international standards such as DIN, API and AGMA and quality certifications ISO 9001:2000 and environment certification ISO 14000 further reinforce our commitment to performance. In fact, efficiency levels over the past 18 months have recorded an increase from 80% to 85%. Machine breakdowns have been recorded as less than 2% over the same period.

Marketing

With our proven expertise in this field and our tie-up with Lufkin, our gearboxes enjoy high brand equity with major consultants leading to a consistent stream of customers. Our retrofitting capabilities also enlarge the scope of business and open up new revenue streams.

With opportunities opening up in areas as diverse as mills, mining, metal processing etc., we expect a steady growth of business from the heavy industry sector in India. Some of the steps taken for capturing more opportunities and to expand market share in this business are as follows:

- Expanding the market base to high power hydel segment
- Thrust on retrofitting and OEM export
- Focus on increasing and adhering to quality benchmarks
- Increasing operational efficiency to cut down production costs



- Better supply chain management with our forging and casting suppliers
- Development of high quality international suppliers for critical items.

Highlights

The unit's captive business of gear box supplies to our Turbine Business Unit at Bangalore is growing year on year on the back of consistent growth in our Turbine orders. BHEL, the domestic leading turbine and power equipment manufacturer, is a customer of our gears and on account of our continued supplies of quality products, has given approval for all range and segments. This will facilitate getting more orders in future.

As a part of diversification, our foray into hydel turbine market has been good with the receipt of a break through order of 3 X 6 MW with our own design. During the year, we have successfully commissioned the highest power gearbox of 54 MW load for a frame-6 gas turbine.

Retrofitting business has been driving the unit's profitability with the volumes increasing and has contributed to 21% of the total revenue of this business segment. During the year under review, major retrofitting orders were executed, many of them were import substitutions, such as Vertical Roller Mills for cement industry, Briquetting Gear boxes for steel industry, High-speedcompressor drive for many petrochemical plants etc. We also undertook an Agitator replacement for a polyester filament plant.

On the engineering front, we successfully commissioned rotar dynamic capability and stress analysis capability for casing through an internationally acclaimed software. Additionally we acquired a gear design/rating and analysis software for our hydel and select slow speed design from "KISS soft".

As a part of constant upgradation of the facility with modern technologies to meet the quality requirements, a large CNC boring machine with automatic tool changing facility and a large CNC cylindrical grinder, both from reputed European manufacturers were commissioned during the year. The unit also set up a state-of-the-art metallurgical laboratory and a large quenching facility to upgrade continuous process monitoring and quality improvement.

Outlook

Steam Turbines

Market continue to move towards higher power due to industrial growth, lower capital cost per MW for higher power plants, lower cost of power produced and carbon credits. Cement, Paper, IPP, Textile, Solvent Oil, Petrochemical, Refineries and Biomass will be growth sectors. Export drive of OEMs such as Siemens, Kirloskar Ebara, BHEL will drive demand for gearboxes.

Hydel Gearboxes

Investment in small hydel power projects has increased significantly due to the focus for decentralised power distribution. Low capital cost and generation cost, comparatively lower gestation period for establishing and availing the state benefits for non-conventional energy resources etc., are driving the demand in this segment. We expect demand to grow in more than 3 MW capacity. There is also a significant potential to export Hydel gearboxes through OEMs.

Compressors and Pumps

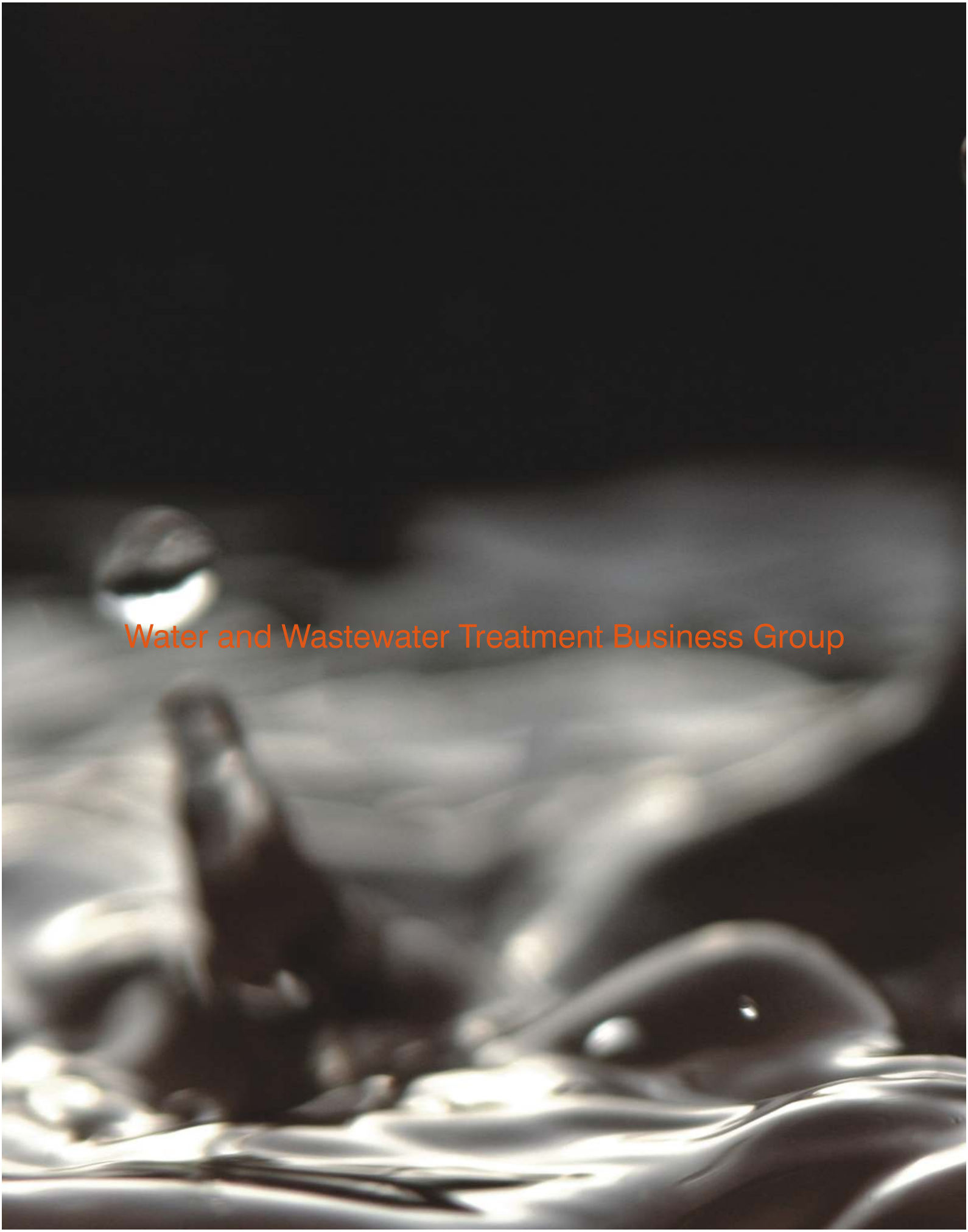
Oil & Gas is a rapidly growing segment in India. The growing demand for compressers and pumps is expected due to greenfield and capacity improvement projects of refineries, petrochemical complexes, LNG/CNG pipelines etc. Oil pipelines projects will have gear box requirements for diesel engine driven pumps and similarly demand may also originate on account of Boiler Feed Water Pump requirement from thermal power plants.

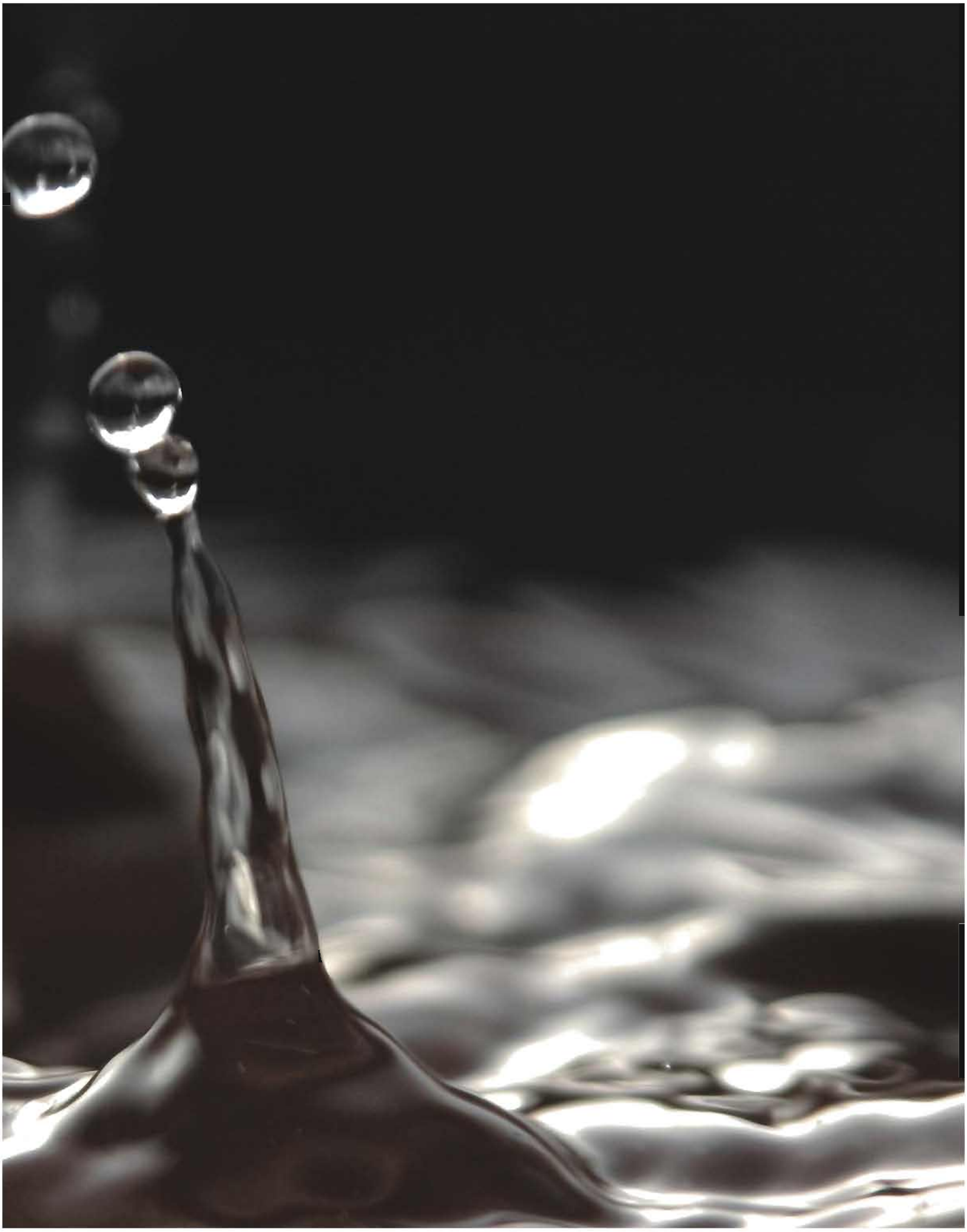
Retro & Spares

The business from retrofitting and sale of spares, a focus area in our operations is also expected to grow in years to come. Ageing of existing gearboxes and relating problems associated with ageing will require retrofitting. Similarly, for many of other OEMs gearboxes, timely availablilty of spares from OEMs, high prices of spares from OEMs and high lead time for both supply and servicing from OEMs has led to many users to approach Triveni for retrofitting and spares of such gearboxes.

Order Book

The Gears Business Group has an outstanding order book of Rs. 408 million as on 30th September 2007. This order book is to be executed within 6 to 7 months.


Water and Wastewater Treatment Business Group




HPP-3
HPP-2

Water and Wastewater Treatment Business Group

Fresh water considered bountiful at one stage is increasingly becoming the focus of world attention, especially in high population density areas such as India. With global warming being predicted to further constrict the availability of fresh water and ground water contamination, a major cause for concern, this business venture is also a strategic investment into the future.

India is on the threshold of increased industrial activity and industrial production has increased in India owing to an increasingly open economy and greater emphasis on industrial development and international trade. In line with the industrial growth, water consumption has also risen and will continue growing. According to the World Bank, demand for industrial, energy production and other uses will rise from 67 billion m^3 to 228 billion m^3 by 2025. Water used in all these segments would require varying degree of treatment.

Water is increasingly getting scarce and reuse of water has become inevitable. Unprecedented industrial growth along with accelerated urbanisation is causing huge water stress and to ensure overall ecological balance, waste water treatment before disposal and reuse has become inevitable. Complex nature of wastewater requires extensive treatment including Membrane filtration. Deteriorating raw water sources also require more extensive treatment before being used for intended applications.

Triveni's water & waste water management business group has shown significant growth. The company is into providing engineered to order process equipment and plants as Triveni offers the entire range of water and wastewater treatment solutions.

Highlights

- Effluent recycling job for Giral Power Project in Rajasthan through Tata Projects Limited. Recycled water will be used as process water in the power plant
- Received order for High Purity system for large Power plants - Water Treatment Plant for 2 x 300 MW for Lanco, Korba plant
- Successful commissioning of 3 x 45 M3/Hr. RO Pre-treatment Plant utilising Memcor UF Membranes
- Development of 3 M wide Heavy duty Belt Filter Press for sludge dewatering which is the largest available globally. This was done in association with IIT, Delhi

Market space and Technology Differentiators

The industry is fragmented and the business with the lower end of technology is being shared by many participants. However, Triveni has the capability to provide the entire range of products and hence differentiate itself with the local manufacturers. Our technical tie-ups with global leaders including MEMCOR, a leader in water purification technology, gives us an edge over other players in this space.

Being in this industry for some years has allowed us to further hone our competitiveness by redrawing and refining designs as well as indigenising technologies to raise yield and lower cost.

As demand for purified water rises, either from recycling or from fresh water sources, we expect this business segment to become the focus of industry. Our experience and proven expertise is sure to result in higher sales in the years to come.

Market Analysis

Our main strengths continue to be our experience and our association with world's leading technology providers in this area which gives us a technological edge over competition. The fact that we have a mature vendor base with a control on costs is an advantage we exploit. Since this business also stemmed from our Turbine Business, our access to newer customers through TBG allows us to grow our markets with minimal marketing costs.

Future plans

This business has significant growth potential and to capture the same, organisational set up has to be geared up. For facilitating the future growth in operations and keeping the motto of better customer service, we are in the process of setting up our own manufacturing workshop cum office facility in Noida. This will enable the unit to serve the customer more effectively through in-house assembly of high purity, high value items. By internalising these processes, the adherence of quality and timely delivery can be achieved. Further, we are setting up our all India Sales and Service network to cater to the needs of plants supplied by us and also wherever possible for the plants and systems provided by others. We see this as an important part of our future plans to scale-up our operations.

To mitigate the risks and to further grow on the opportunities our expansion plans for the coming year include the following initiatives:

- Active participation in Desalination market.
- Piloting of the Wastewater Treatment plant for high strength waste water treatment in association with reputed technology supplier.
- Initiating market coverage for up coming sectors like Coal, Steel and Oil & Gas.
- Initiating large Municipal sector packages.

Order Book

The Water Business Group has an outstanding order book of Rs. 448 million as on 30th September 2007. This order book is to be executed within 5 to 8 months.

Triveni Retail Ventures Ltd.

Triveni Khushali Bazaar

Spreading prosperity in Rural india

- Operates under a 100% subsidiary –Triveni Retail Ventures Limited
- The Company expanded from 11 stores in 2005-06 to 40 self-operated stores in 2006-07
- Hub and spoke model adapted for the stores -size of hubs ranging from 4000 to 6000 sq. ft, size of spokes is 800 to 1200 sq. ft.
- The company witnessed an addition of 101465 sq. ft.
- It is equipped to fulfill the agri as well as it is non-agri input requirements of the semi-urban households

Triveni Khushali Bazaar (TKB) has set its focus and central attention to address the complete basket of needs of the rural/semi-urban population. Hence, the strategy, current and future expansion plans of the company follows their core target group - to set stores in rural and semi-urban areas frequented by farmers & other semi-urban households.

Triveni Khushali Bazaar has extended its product profile and has now started working on three verticals. In addition to agri and non-agri products, TKB has also started offering technical advisory services, financial and insurance products with its channel partners. The financial and insurance services would be 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
- Non- Agri Vertical
  FMCG, Groceries and other Lifestyle products such as - Consumer Durables, Imitation Jewellery, Apparels, Colour Cosmertics, Toys, Crockery, Kitchen Appliances, Electrical Items etc
- Finance/Service Vertical
  Farm Credit, Life Insurance, Mutual Funds, Home Delivery, Farm Advisory Services, Socio Economic Activities, Soil & Water Testing facility

Performance

With the year 2006-07 (April 06-March 07) bringing on a good start, the Company's topline stood at Rs. 232 million and it has also witnessed major expansion in the number of stores. The company has strengthened its presence by adding 29 stores and as on 30th September 2007 the total number of Khushali stores stands at 40 stores - this comprises 37 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 non-agri 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 cost and a majority of them are company operated. Additionally, the company's decision to procure goods in bulk coupled with a combination of a large throughput and low operational cost has translated into good pricing and margins.

Future Outlook

Triveni Khushali Bazaar plans to experiment with various business models at its established stores to gauge customer reaction and feedback before pursuing an aggressive growth plan. Since the business is still in an evolutionary stage and with the adoption of various business models to optimise the operations, we expect the operations and margins to stabilise 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 to a larger customer base. The expansion of life style products range in the non-agri vertical will enable us to move into more developed townships and B-class cities.

Corporate Social Responsibility

Making a Difference

The commitment to improve the quality of the world around us is a part of Triveni's heritage. As we continue our pursuit of excellence in all our endeavours, we also carry on our efforts to positively impact and enrich the lives of the farming community thus enhancing shareholders' and critical stakeholders' value.

This is reflected through our sustainable programmes as a part of our Corporate Social Responsibility initiatives.

Educational Initiatives:

1. Farmers Goshthies' - Our qualified agri-teams have undertaken to provide 'Free Service through imparting Technical Excellence' to the farming community in the areas of our operations and also in other parts of the state of Uttar Pradesh and Uttarakhand by conducting 'Farmers Goshthies'

    a. On an average, these Goshthies are conducted twice in a crop season and they help the farmer to make better crop choices and enhance productivity

    b. Through this endeavour, we undertake the following interests:

    - Understanding the gaps between the current productivity levels of crops and animals and the actual scientific potential in order to lead a journey of the farming community. This enables them to potentially enhance their quality of life, generate better disposable incomes and inculcate a sense of ambitious growth

    - Enhancement of per unit productivity from crops and animals through on-time and on-field advice of our teams of 'Agricultural Experts' at Triveni

    - Helping them earn 'higher disposable income' and save higher through safe investments thus making their future safe and self sufficient

    - Sourcing and delivering latest technologies while preserving existing proven technologies for the ease of farming operations and enhancing farm productivity

    - Empowerment of the community by providing them broader choices of technology and mix in crop growing and animal husbandry at reasonably accepted prices through the Retail Stores.

    c. Whole hearted participation by the farming community has enabled us to conduct 110 'Farmer Goshthies' in the month of September 2007 and we are also committed to conduct 2 rounds of 'Farmer Goshthies' to educate them on achieving the above objectives during Rabi 2007

2. Schools

    a. The Gear Business Group has identified a few schools in backward areas around Mysore and has sponsored the education of some students, distributed books to the needy and has contributed furniture

    b. It has also joined hands with "Pratham" (an NGO initiated by UNICEF) and sponsored 7 children to be a part of "Fun with Maths" programme

    c. The units at Khatauli, Deoband and Ramkola run schools where admission is open to all strata of society at nominal fees

    d. The Distillery Business at Muzaffarnagar sponsored renovation work in primary schools in nearby villages and distributed stationary to the needy children

Health Initiatives:

1. Each of our units at Khatuali, Deoband & Ramkola run a charitable dispensary and small hospital which support our employees as well as the residents of surrounding areas

2. The sugar units regularly organises family planning camps and eye check-up camps to promote a healthy lifestyle

3. Our Distillery Business provided hand pumps and blankets in the nearby villages

4. Triveni provides financial support to Thirath Ram Shah Charitable Hospital, one of Delhi's oldest hospital providing health services for the poorer sections of the society

Environmental Initiatives:

1. To conserve environment, the Distillery Business has adopted various measures like rainwater harvesting through ponds, 100% recycling of effluents (used in the production of bio-compost), emission of green house gas below the stipulated limits. It also undertook various measures to maintain bio-diversity by green cover of 23 acres.

2. To promote greenery around factory premises, our units undertook an aggressive tree plantation drive. Raninangal unit planted 5000 trees while Ramkola, Deoband, Narayanpur & Chandanpur units planted 1000 trees each.

Other Initiatives:

1. Triveni is further poised to organise need based 'rural events' in the coming days to connect to the farmers and serve them better as a 'GOOD CORPORATE CITIZEN' of the country

2. Khatauli unit opened a Kawad Sewa Kendra during the Kawad Sewa period to facilitate and help the kawads

3. Road repairs were undertaken by our Deoband unit in nearby areas. The Distillery Business also provided brick paved roads in nearby villages

4. Hand pumps are provided in nearby surroundings

5. Villages have been undertaken for good quality of drinking water

Risks Review

Triveni has diversified businesses, which could broadly be classified into sugar and engineering businesses. Each of the businesses has different set of risks which need to be managed differently and effectively. The company has identified major risks specific to each business and has set up a frame work to capture the risks at an early stage and has defined the process to manage the risks. Corporate internal audit coordinates with the functional departments of the business units to ensure that the system of reporting and monitoring is seriously adhered to.

The major risks pertaining to our businesses are provided here below along with the management of the same.

Sugar Business

1. Raw Material risk

Sugar cane is the raw material for a sugar mill. Major risk in cane is the availability, which may be affected on account of:

a. Climatic reasons. Sugar cane, being the critical raw material for sugar manufacturing, is monsoon dependent and monsoon failure or flooding, could lead to decline in cane yields and availability

b. Lower sugar cane realisations or delayed payments, may force farmers to shift to other crops thus reducing the availability

c. Competition from producers of gur & khandsari (alternate sweetners). Any increase in the number of gur & khandsari units in the vicinity of sugar mills could increase competition for cane and affect capacity utilisation and growth in operation

Risk Mitigation

a. The majority of our sugar mills are located in the Gangetic plains and Tarai region of Uttar Pradesh which have adequate underwater reserves, irrigation facilities and also enjoy abundant rainfall with good drainage. The failure of monsoon, if any, has no significant impact on the cane crop.

b. Generally, the sugar cane is more remunerative than other crops. Cane prices are announced by Government which ensures reasonable return to the farmer. However, in view of sugar cyclicality, the cane price may fluctuate depending on the sugar economics. Our company has strong cane development team which works closely with the farmers for growing premium variety of sugar cane and improving their yield so as to enable them to get higher return from the same area. Further, we impart improved cane farming practices, which reduces cost of production to enhance their return from the same area.

c. Each sugar mill is assigned a specific cane area from where the sugar mill can draw cane. As such, there is no competition between the sugar mills on cane supply. As regards reducing the diversion of cane to alternate sweetners, timely scheduling of cane harvesting and constant monitoring with the farmers by our cane development staff can bring down diversion.

2. Unrealistic cane prices

State Government has the powers to fix cane price and can fix cane price without taking into consideration the output price thereby putting the industry into losses. Unrealistically high cane prices may increase the cost of production of sugar which in turn can erode the margins. This situation had occurred during season 2006-07. After having fixed high cane prices, the prices of the sugar declined significantly.

Risk Mitigation

The industry association as well as leading sugar mills keep on apprising the Government regarding the sugar economics so that the cane price announced is reflective of the sugar economics. However, in view of populist measures, sometimes, the cane price announced by the State Government is arbitrary and ignores the economic rationale, in which the industry has no option but to seek court intervention.

The Supreme Court had earlier ruled that the State Government has powers to fix the cane price. In view of the unrealistic cane price for the season 2006-07 and 2007-08, the industry has challenged these prices and the cases are subjudice. The Central Government has also appointed a committee to look into the problems of cane price fixation and possibility to evolve a nation wide uniform cane price. All these actions are likely to result into more rational cane price to be prescribed in future.

3. Realisations risk

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

Risk Mitigation

The company is able to earn relatively higher realisations as a result of being located in the vicinity of sugar deficit markets like Delhi, Haryana, Punjab and Rajasthan. Also, the sugar units produce substantially large grain sugar which typically attracts a premium over the medium/small grain sugar.

To insulate against the adverse realisations, the company has commissioned co-generation and distillery capacities, which are countercyclical to sugar cycle and lead to more stable earnings. The sugar realisations generally decline when the supply is more than the demand and in such cases, to mitigate the impact of surplus sugar stocks, the Government steps in to announce buffer stocks, on which inventory carrying cost is reimbursed to the sugar mills and encourage exports by reimbursing some of the costs relating to exports. The recent decision of the Government to permit manufacture of ethanol directly from sugar cane juice will provide flexibility to the sugar mills to plan an optimal product mix based on respective economics of sugar and ethanol.

4. Payment of subsidy/incentives by the State Government under UP sugar Industry Incentive Policy, 2004

The company has already invested over Rs. 11 billion under the aforesaid Policy and the new State Government has terminated the Policy. The company's financial position will be adversely affected if the Government decides not to pay the incentives under the earlier Policy.

Risk Mitigation

The company's capital investments were declared eligible under the Incentive Policy much before the Policy was terminated in June 2007. The company has taken legal opinion, according to which the company will be entitled to receive the subsidy/incentives as per the terms of the old Policy. The company as well as the sugar industry are in discussions with the State Government to pay the incentives/subsidy to all the eligible companies as per the earlier incentive policy.

Engineering Business

5. Macro economic risk

The company's engineering business caters to the capital goods industry. Any slow down in the industrial activity in the country may adversely affect its engineering business's performance.

Risk Mitigation

Even though the company's engineering businesses caters to the capital goods industry, the main focus is on power and water. These are two major constituents in any industrial activity which anyway need to grow to meet the demand of the growing population and industrial activity. Further, the company's businesses cater to a wide range of industries. Hence, any slowdown in one sector does not affect the company's performance. Further, the company is focusing on exports to broad base its geographical reach.

6. Technology and R & D risk

The company, in its engineering business is in the high precision, high technology areas. Any delay in timely response to technological changes through in house research and development or adoption of technology from outside may lead to loss in market share.

Risk Mitigation

The company's engineering division's main focus is on technology and R&D. Keeping abreast with the latest in the software and hardware has been the task of this team. Company's R&D team works in close association with country's leading scientific institutes such as IISc, IITs etc. for development and adoption of technology on a constant basis. Training has been another area to mitigate this risk. Company maintains good relationship with its technology partners.

7. Competition Risk

The company's engineering business is in niche technology area and is subject to global competition. Competition, therefore, is a risk and may impact the company's performance in future.

Risk Mitigation

Company's engineering businesses has established a dominant market position in the country in its applicable market segments. Continual R&D and technological upgradation of its manufacturing facilities has enabled the company to successfully compete, both domestically and globally. Further, the company's strong after sales service lend good customer support which has become a key differentiator.

8. Default risk

The company provides customised solutions in its engineering businesses. Any default in receivables could adversely impact its financials.

Risk Mitigation

The company generally does not dispatch material on credit. Moreover, the company adheres to the following steps to mitigate this risk:

- Appraisal of customer's funds tie-up plans, before initiating a contractual relationship and also at different stages of the project
- Arranging timely receipts, both in terms of the advance at the initiation of the contract and at various stages during the course of the project
- In case of default, the company can forfeit the advance and re-engineer the product to supply it to another buyer after making suitable changes

General Risks

9. Liquidity risk

To meet working capital requirements, the company requires bank finance. With the major expansion in the sugar capacities, the working capital requirements will further increase. Lack of funds could lead to difficulty in maintaining production levels commensurate with the installed capacity while a high cost of funds could lead to loss in profitability.

Risk Mitigation

It is only the sugar operations which are working capital intensive. The company has excellent relations with its bankers who have been associated with the company for long and have always met the requirements of the company. The lenders are comfortable with the track record of the company and its diversified business profile. The company does not foresee any problems in arranging requisite working capital finance to manage its operations. The company also uses foreign currency loans and short term instruments like commercial paper, farmers credit etc., to reduce overall cost. In respect of short term loans up to Rs. 2.25 billion, ICRA has assigned 'A1' rating which signifies highest –credit-quality in the short term.

10. Costs risk

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

Risk Mitigation

To keep cost low, the company adheres to strict internal and budgetary controls adequately supported with an effective management information system. The company has a centralised procurement cell to meet the requirements of all its sugar units, thus it is able to source large volumes at the most optimum terms. Strong supply chain management on a global basis is the backbone of our turbine and gear business units, which enables the company to take advantage of quality inputs at competitive prices. Further, value engineering is a continuing process adopted in our engineering business to manage cost.

Financial review

Financial Highlights

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Absolute
Net turnover	19072.4	11920.4	60%
EBITDA	2400.0	2130.0	13%
Depreciation and Amortization	862.7	288.2	199%
Finance Cost	730.7	230.0	218%
Exceptional Items	21.4	-	
Profit Before Tax	785.2	1611.8	(51%)
Tax	30.9	296.8	
Profit After Tax	754.3	1315.0	(43%)

Business wise results of the company are discussed later under the 'Segment Results'. The above financial highlights are reflective of the difficult period which the sugar business has experienced in the period under review and strong performance by the engineering business (comprising of steam turbines, gears and water business) which together with contribution from the co-generation business has more than offset the loss in the sugar business. The sugar business had registered substantial profit in the last two years. The performance of sugar business in the period under review reflects the downturn in the sugar cycle partly due to market dynamics and partly due to certain avoidable Government policies, especially with regard to cane pricing. It is felt that the worst for the sugar business may be over and we may see beginning of the upturn in the sugar cycle as explained in details under "Sugar Business" overview. The company has been able to create large sugar capacities which are capable of generating good profits for the company during the upturn cycle in the sugar industry.

The company's business model has again proved to be resilient and has been able to largely mitigate cyclicality in the sugar business firstly, by way of substantial integration in terms of co-generation and distillery capacities, and secondly, through substantial portion of the revenue and profitability arising from the growing engineering business.

Revenue

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Annualised
Sugar	10963.3	8649.4	-15%
Cogeneration & Distillery	1709.5	605.5	88%
Engineering (including Turbines, Gears and Water)	8380.1	3368.3	66%
Others	194.4	285.4	-55%
Total	21247.3	12908.6	10%
Inter Segment Sales	2174.9	988.2	47%
Total Turnover (net)	19072.4	11920.4	7%

Accounting Policies

Our company follows mercantile system of accounting to present credible reports to the shareholders. The significant Accounting Policies followed by the company are stated in Schedule 28 of the Annual Accounts. During the year, in line with the Accounting Policy followed for Sugar, the policy relating to off-season expenses for the co-generation business was changed to make it consistent and further a new Accounting Policy has been formulated to account for income from Carbon Credits.

The proportion of engineering revenue to the total revenue has increased significantly in the period under review. The operation of distillery was for a period of less than six months as it was commissioned only in April 07. Inter unit adjustments represent sale made by one business segment to another business segment, namely, sale of gears by gear unit to the turbine unit, sale of bagasse and mollases by sugar units to co-generation and distillery units, sale of power and steam from co-generation units to sugar units etc. and it also includes turbines and gears manufactured by turbines & gears units which were capitalised by the sugar Units.

Profitability

The profitability of the businesses without giving effect to inter unit adjustments is tabulated here below:

(Rs. Million)

	Profit Before Tax (PBT)		Profit Before Interest and Tax (PBIT)	
	2006-07 (18 months)	2005-06 (12 months)	2006-07 (18 months)	2005-06 (12 months)
Sugar	(1163.2)	1060.6	(518.1)	1356.4
Cogeneration & Distillery	343.3	105.2	518.8	164.8
Engineering (including Turbines, Gears and Water)	1691.3	458.0	1829.4	516.7
Others	(16.3)	(7.6)	(24.5)	(7.5)

While sugar operations had incurred huge losses due to unrealistic high cane price, decline in realisation price and substantial increases in depreciation and finance cost, the engineering business recorded 136% increase in PBIT and 146 % increase in PBT on an annualised basis. Likewise, the contribution from co-generation and distillery had been significant.

Expenditure

Raw material cost and manufacturing expenses

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Absolute
Cost of Raw Material	13409.1	7621.6	76%
Percentage to Sales	70%	64%	
Manufacturing Expenses	1332.6	614.7	117%
Percentage to Sales	7%	5%	

The increase in costs has been due to 149% increase in the engineering revenue in the period under review as well as due to increase in crush by 62% in respect of sugar operations. Further, in respect of season 2006-07, the cane price also increased by Rs. 100 per tonne over the previous season.

In the case of sugar business, the raw material cost and manufacturing expenses are relatable to crush rather than to the sales, as the sales may be more or less than the production, depending upon the level of sugar inventories and the sugar releases allowed by the Government.

Personnel Expenses

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Annualised
Personnel Expenses	1338.5	676.2	32%
Percentage to Sales	7%	6%	

The increase represents wage increase as well as additional manpower requirements in respect of new projects implemented. During the period under review, three new sugar units, one co-generation plant and one distillery were commissioned and the cost subsequent to their commissioning has been charged to revenue. Further, full impact of the personnel cost was felt in the current period in respect of sugar unit at Sabitgarh, which was commissioned in March, 2006. There were manpower additions in the engineering business as well in view of rapid scaling up of the business. The new sugar units will henceforth be operating for the full length of the season and therefore, there would be better utilisation of the personnel cost.

Administration Expenses

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Annualised
Administration Expenses	766.4	355.4	44%
Percentage to sales	4%	3%	

The increase is mainly relatable to new projects set up during the accounting period and due to scaling up of activities in the engineering business.

Selling Expenses

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Annualised
Selling Expenses	378.5	156.2	62%
Percentage to Sales	2%	1.3%	

Selling expenses in the case of sugar operations include commission to the agents for bulk sale of sugar and loading expenses. In case of engineering business, it includes selling commission, sales/export promotion expenses and other after sales expenses. The major increase in selling expenses have taken place at turbines due to substantial increase in the activities.

Depreciation and Amortization

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Annualised
Depreciation & Amortization Expenses	862.7	288.3	99.5%
Percentage to Sales	4.5%	2.4%	

During the period under review capitalisation of fixed assets was Rs. 7994.2 million (including Rs. 7589.8 million in respect of new projects and expansions). This has led to substantial increase in the depreciation charge.

Off season Deferred expenses

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)
(Increase) / Decrease in Off season Deferred Expenses	(656.5)	6.6

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 till 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. As the current accounting period ends on 30th September, the off season deferred expenses are much higher than the previous year which ended on 31st March. Further, the accounting policy of deferment of off season expenses relating to the co-generation business was also changed during the period and brought in line with that followed in the sugar business.

Exceptional Items

The total amount is Rs. 21.4 million which comprises amount of Rs. 11.2 million paid towards levy claim of 1973-74 under the final directions of the Court as well as expenses of Rs. 10.2 million in respect of aborted GDR/FCCB issue.

Finance cost

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)
Interest on Working Capital	271.8	107.5
Interest on Term loans (Net of interest capitalised)	492.4	149.5
Others	10.9	16.0
Total	775.1	273.0
Interest Subsidy on Buffer Stock	(33.4)	-
Interest Received	(11.0)	(43.0)
Total (net)	730.7	230.0

The increase in interest is on account of 63% higher production achieved in 2006-07 and due to substantial debts contracted to fund the various projects. In order to bring down the cost of funds on working capital, the company uses variety of instruments such as Commercial Paper, Farmers Credit, FCNR(B) loans. The company has availed SDF loans at soft terms and also availed foreign currency loan and Rupee term loan with fixed interest for initial period to insulate against the rising interest scenario domestically. The total cost of funds (working capital as well as terms loans) during the period under review is 8.70%. The company has been allocated buffer stock of 0.94 lac tons on which the total amount of interest subsidy will work out to around Rs.140 million annually.

Tax

During the period under review, the direct tax provision is at Rs. 30.9 million, after considering Rs. 70.1 million pertaining to earlier years. In view of the tax losses, Minimum Alternate Tax (MAT) of Rs. 119.8 million was applicable for the tax year 2006-07 (April–March), which would be available for set off in the subsequent years against the normal income tax payable. In respect of the tax losses, deferred tax assets have been recognised. In respect of the co-generation business, the company is entitled for tax holiday for a period of 10 consecutive years. Such benefit is expected to be available to the company effective tax year 2009-10.

Segment Results

Business Segments	2006-07 (18 months) % to total segment sales	2006-07 (18 months) % to total segment profit	2005-06 (12 months) % to total segment sales	2005-06 (12 months) % to total segment profit
Sugar	52%	(29%)	67%	67%
Cogeneration & Distillery	8%	29%	5%	8%
Engineering (Turbines, Gears & Water business)	39%	101%	26%	25%
Others	1%	(1%)	2%	-

Engineering business has substantially increased its share in both revenue and profitability. This will lend stability in the earnings of the company.

Each reportable segment as per AS-17, is being discussed here below:

1. Sugar Business

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)
Turnover	10963.3	8649.4
PBIT	(518.1)	1356.4
Volume of Sugar Sold (MT)	608896.9	461682.5
Avg. Realisation Price (Rs./MT)	15567	17080

Inspite of 63% increase in production in 2006-07, annualised volume of sugar sold is lower by 12%. This is due to the fact that the volume of sugar sold in FY 2005-06 was higher due to higher quantum of sugar available at the beginning of the financial year. Further, realisation price during period under review declined by 9% in view of industry dynamics as explained under 'Sugar Business'. The cost of goods sold during the period increased by 14 % over 2005-06. This is because in FY 2005-06, part of sugar produced in 2004-05 was sold, which was produced at substantially lower cost (primarily on account of lower cane prices applicable to 2004-05 season). In view of the market value being less than the cost, the sugar inventories have been written down to market value which has impacted profitability by Rs. 363.4 million. The loss was also due to the fact that depreciation during the period under review increased by 317% to Rs. 534 million. However, expected rationalisation of the cane price for the season 2007-08 may help the sugar business to improve its margins.

2 Turbine Business

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Annualised
Turnover	6927.7	2779.9	66%
PBIT	1538.8	418.4	145%
PBIT/Turnover - %	22%	15%	

Turbine business has achieved significant growth in the last three years. This is on account of additional market being available owing to enhancement of turbine range due to R&D initiatives and various technological improvements in the product offering. During the period under review, the export sales are 7% of the total turbine revenue and the revenue from spares and services forms 8% of the total revenue. The transformation to higher range of valued added models, improved product efficiencies and the robustness of demand have resulted in a significant margin expansion of 700 basis points at the PBIT level.

3. Cogeneration

(Rs. Million)

	2006-07 (18 months)	2005-06 (12 months)	Change % Annualised
Turnover	1527.3	605.5	68%
PBIT	497.4	164.8	101%
PBIT/Turnover - %	33%	27%	

During the previous year, the installed capacity was 45 MW and during the period under review, additional capacity of 23 MW has been added. With the establishment of co-generation plants, substantial insulation against cyclicality in the sugar business has been achieved. During the period under review, it has almost offset losses in the sugar business.

4. Other Segments

(Rs. Million)

Business comprised in 'Other Segments'	2006-07 (18 months)	2005-06 (12 months)	Change % Annualised
Segment Sales			
Gears	941.1	450.3	39%
Water	511.3	138.1	147%
Distillery	182.2	-	
Others	194.4	285.4	
Total	1829.0	873.8	40%
Segment Results (PBIT)			
Gears	232.6	76.1	104%
Water	58.0	22.2	74%
Distillery	21.4	-	
Others	(24.6)	(7.6)	
Total	287.4	90.7	111%

The total revenue of this segment is 9% (previous year 7%) of the total segment revenue. However, segment profitability is around 16% (previous year 5%) of the total revenue. The distillery has commenced operation in April 2007, therefore, full impact of its operations would only be felt in the next fiscal and its profitability is expected to improve substantially when it starts selling ethanol consequent to the implementation of Government decision of mandatory blending of 5% ethanol with petrol. Both gears and water business have also achieved substantial growth in the period under review and have significant growth potential as described in their respective business overview.

Review of Balance Sheet

Share Capital

The share capital has remained unchanged at Rs. 257.9 million.

Reserves

Reserves have increased from Rs. 5.04 billion to Rs. 6.66 billion. This has been due to plough back of profits from operations as well as on account of capital subsidy of Rs. 1.05 billion receivable from UP Government under UP Sugar Industry Promotion Policy, 2004.

Loans

The total loans of the company are Rs. 10.01 billion as against Rs. 4.03 billion as on 31.3.2006. Increase in loans is attributable to debts contracted to fund the capital expenditure programme. The debts include bridge funding to the extent of Rs. 1.05 billion against capital subsidy receivable from the State Government.

Fixed Assets

During the period under review, there have been additions to the gross block of fixed assets to the extent of Rs. 7.99 billion as against Rs. 3.27 billion in the previous year. The additions represent expansion of sugar capacities by 20,500 TCD through greenfield and brownfield expansion, a 23 MW co-generation plant, a 160 KLPD (Kilo Litre Per Day) distillery, and expansion of infrastructure facilities at the engineering units.

Investments

Investments have increased from Rs. 18.6 million as on 31.3.06 to Rs. 108.3 million as on 30.9.07. The increase is due to investment in equity shares of a corporate for financial as well as strategic reasons.

Current Assets, Loans and Advances

The total Current Assets, Loans and Advances have increased from Rs. 6.19 billion to Rs. 8.86 billion as on 30.9.07. The period under review includes:

- Off season deferred expenses of Rs. 693.3 million, which are higher in view of different year end as well as due to more sugar units in operation.
- Excise/Cenvat balance of Rs. 612.4 million which has increased from Rs. 251.7 million nt period and hence, the total outgo in the payment of excise duty would be correspondingly lower.

as on 31-3-07. The Cenvat credit has been availed on capital goods procured for the projects executed. This would be adjusted in the payment of excise duty during the subsequent period and hence, the total outgo in the payment of excise duty would be correspondingly lower.

- Amount of Rs. 1140.8 million representing subsidies/ incentives recoverable from the UP Government under UP Sugar Industry Promotion Policy, 2004.
- Amount of Rs. 119.8 million paid as MAT, the credit for which against the normal income tax payable is available within the next five years.

Current Liabilities

Current liabilities have increased from Rs. 2.61 billion as on 31.3.2006 to Rs. 4.71 billion. The increase is on account of cane dues of Rs. 924 million payable as on 30.9.07. The outstanding cane dues have now reduced to Rs. 739 million.

Foreign Exchange Management

On the trade front, the company currently does not have significant foreign exchange exposure. The foreign exchange exposure is mainly managed through forward contracts and derivatives. The company also has appointed experts to render advice on matters relating to foreign exchange. In respect of foreign currency loans availed by the company, call spread options have been taken to hedge the currency risks which substantially limit the down side to the company but at the same time keeps the upside available.

Directors' Report

Your Directors have pleasure in presenting the 72nd Annual Report and audited accounts for the Financial Year ended September 30, 2007

(Rs. in Million)

	2006-07 18 months*	2005-06 12 month
Sales (Gross)	20530.57	12702.96
Sales (Net)	19072.43	11920.37
Operating Profit (EBITDA)	2400.02	2130.00
Finance cost	730.72	229.96
Depreciation & amortization	862.70	288.25
Exceptional items	21.40	-
Profit Before Tax (PBT)	785.20	1611.79
Tax	30.91	296.81
Profit After Tax (PAT)	754.29	1314.96
Surplus Brought Forward	78.68	82.40
Available for appropriation	832.97	1397.36
APPROPRIATIONS		
Equity dividend (includes proposed dividend & dividend distribution tax)	178.37	147.54
Transfer to Molasses reserves	2.07	1.27
Transfer to Capital Redemption reserves	-	19.87
Transfer to General Reserves	560.00	1150.00
Surplus Carried forward	92.53	78.68
Earning per equity share of Re.1 each (in Rs.)	2.92	5.88

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

PERFORMANCE

The Government of India incorrectly assessed the sugar production for 2006-07, and in an attempt to forestall any rise in sugar prices, banned the export of sugar in June, 2006. The Uttar Pradesh Government also wrongly forecast cane and sugar production in Uttar Pradesh and the country and based on the sugar prices prevalent in October, 2006, raised the State Advised Cane Price (SAP) substantially.

Sugar cane area in fact went up by over 20% in 2006-07 and sugar cane yields also increased by about 5%. This resulted in a record production of cane, over 25% more than in 2005-06. From January 2007, sugar prices came down sharply, and for the sugar year 2006-07, open market sugar prices have been over 15% lower than the previous year. This caused overall sugar margins to turn negative, even after accounting for better results from our cogeneration operations.

However, the engineering businesses experienced significant growth in 2006-07, and in fact grew faster than the capital goods industry. The Turbine Business Group has been able to secure strategic partnerships with the Beijing Beizong Turbine Company of China for turbines up to 330 MW, and with GE USA for High-Speed reciprocating compressors for the Oil & Gas Industry.

Segment wise reporting on the various business segments of the company has been provided in Note 15 of the 'Notes to Accounts' to the audited statements, and detailed comments on the performance of the various divisions are given in the Financial Review and Management Discussion and Analysis.

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DIVIDEND

The Company during the period under review has declared two interim dividends aggregating to 50% (Rs.0.50 per equity share). The directors have pleasure in declaring a final dividend of 10% (Rs. 0.10) per equity share subject to the approval of shareholders in the Annual General Meeting. The total outgo on account of dividend for the accounting year (18 months) 2006-07 will be Rs.178.36 million (including Dividend Distribution Tax) versus Rs.147.54 million in 2005-06 (12 months).

BUSINESS OUTLOOK

The new sugar projects at Chandanpur, Rani Nagal and Milak Narayanpur, and expansion of the existing Ramkola Sugar unit, were successfully commissioned at various times during the last season. All our units will be running at full capacity in the coming year, and we expect cane crush to increase by around 30%, even though the season may be shorter owing to a delayed start. We have filed a case in the Allahabad High Court against the announcement of the same State Advised Cane Price (SAP) in 2007-08 as existed in the last season. We are hopeful of a favourable outcome, and a cane price in 2007-08 which is in keeping with existing and forecast sugar prices. If this occurs, it will have a positive impact on margins, and this will be significantly enhanced through the operations of our three Cogeneration units and the distillery.

In line with the forecast growth of the Indian economy and the capital goods industry, and by virtue of our concentration in the power and water sectors, we believe the Turbine, Gear and Water businesses are poised to sustain good growth in the coming years. The order books of the engineering businesses are satisfactory, and in respect of the turbine business, the thrust is on export and service revenues.

TECHNOLOGY

The key differentiator in all our engineering businesses is technology. Expansion of the Turbine Business Group facility at Bangalore and the Gear facility at Mysore was done with latest state of the art equipment. We are undertaking increased research & development efforts to improve turbine efficiencies and develop new models to meet changing customer needs. The new turbine models introduced in the past two years have secured a major market share in their segment, and are expected to continue this performance. In our new sugar facilities, we have installed the latest technologies for increasing efficiencies and reducing steam consumption.

HUMAN RESOURCES

At Triveni we believe employees are the greatest asset, and a lot of emphasis is laid on retention and development of talent. During the year, the Company undertook various HR initiatives such as mentoring, career planning & multi-skilling. Training in behavioural as well as functional areas continues and 1728 man-days of training were organised for managerial personnel. As a part of our efforts on cost reduction, manpower is being rationalized at all the sugar units, and about 225 employees took voluntary retirement.

Industrial relations in all our units remained cordial. However a strike took place in October '07 in the Turbine Business Group at Bangalore, as a protest against the termination of an office bearer of the employees union on issues relating to integrity and loss of faith. The matter has now been resolved and the concerned employee has left the Company.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Accounting Standard 21 on Consolidated Financial Statements read with Accounting Standard 'AS-23' on

Accounting for Investment in Associates in Consolidated Financial Statements, 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 Engineering Limited was incorporated as a wholly owned subsidiary of the Company on 27th June, 2006. The other subsidiaries, Abohar Power Generation Limited (APGL) and Upper Bari Power Generation Ltd. (UBGL) have yet to commence business activities. These companies were incorporated to execute mini hydel projects in Punjab and Himachal Pradesh on a BOO basis, but for strategic reasons, the Company now does not wish to pursue these projects, and hence, our stake in these companies will be divested in the best possible manner. Triveni Retail Ventures Ltd. (formerly Triveni SRI Ltd.) is engaged in the business of semi urban retailing. Information on subsidiary companies required under Section 212 of the Companies Act, 1956 is provided in Annexure 'C' of the Report.

CORPORATE GOVERNANCE

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

COMMENTS ON AUDITORS REPORT

The comments in the Auditors Report are self-explanatory. In respect of para 17 of the Annexure to the Auditors Report, during the accounting period, the Company had availed short term bridge finance to fund the capital expenditure programme pending substitution by long term loan/ capital subsidy. All the short term loans including that outstanding at the year-end, have since been fully repaid and substituted.

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, 2007 and of the profit of the Company for the period April 1, 2006 to September 30, 2007.

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

Dr. F.C. Kohli and Lt.Gen. K.K. Hazari (Retd.) retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment.

The Board of Directors of the Company appointed Mr. K.N. Shenoy as an Additional Director with effect from 13th July, 2006. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Shenoy shall hold office up to the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr. K.N. Shenoy as a Director of the Company.

During the year under report, IDBI withdrew the nomination of Mr. R.K. Kapoor from the Board of this Company with effect from

ANNEXURE - A

(A) CONSERVATION OF ENERGY

(a) Energy Conservation Measures

- Turbine Unit

  Installed a 30 TPH Condenser system at the Boiler House for recycling hot water to the boiler feedback water system.

  Heat Recovery - By condensing 30 TPH of steam, fuel consumption is reduced with direct savings of heat energy.

- Gear Unit
  - The latest technology CNC Machines are being used for production activities, thereby consuming less power.
  - The latest technology CFL lamps are being used for the lighting systems.
- Sugar and Cogeneration Units
  - All the cogeneration plants use highly efficient 87 ata/515°C steam parameter boilers and turbo generators.
  - A system for recovering heat from the hot condensate has been installed at the Khatauli sugar unit.
  - At the Khatauli and Deoband sugar units, flash steam recovery units and direct contact juice heaters have been installed.
- Distillery Unit
  - Installation of biomethanation plant. Methane gas (bio-gas) is being used in the boiler as a fuel for enhancing fuel conservation.

(b) Additional Investment and Proposals for Reducing Energy Consumption

- Turbine unit
  - Proposed installation of a high energy efficient 25 TPH Boiler to replace the old Boilers.
  - Proposed 45 TPH Condenser for better Water and Heat Recovery.
- Sugar Units
  - Replacement of existing mill turbines at Triveni- 1 tandem by Electrical Drives to improve the over all energy efficiency at Khatauli sugar unit.
  - System for recovering heat from hot condensate at Deoband for energy savings

(c) Impact of Above Measures

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

Form A

Disclosure of particulars with respect to conservation of Energy

	2006-07 (18M)	2005-06 (12M)
I Power & Fuel Consumption		
1. Electricity		
a) Purchased		
Units (000's KWH)	5507	4299
Total amount (Rs. in Million)	343.23	239.50
Rate (Rs./Unit)	6.23	5.57
b) Own generation		
i) Through Diesel Generators		
Units (000's KWH)	5111	4268
Unit per litre of Diesel Oil	3.40	3.29
Cost/Unit(Rs.)	10.01	9.30
ii) Through Steam Turbine/Generator by use of own baggase		
Units (000's KWH)	216773	108227

2. Furnace Oil		
Quantity (K Ltrs)	865	299
Rate (Rs./K Ltrs)	20519	20505
Total Amount (Rs. in Million)	177.49	61.31
II Consumption per unit of production		
Sugar (KWH/MT)	285.00	256.28
Rectified Spirit (KWH/KL)	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

Research & Development (R & D)

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

Turbine Unit

- Development, manufacture and testing of efficient and reliable extraction condensing steam turbines (up to 15 MW) employing newly developed twisted and tapered LP blades for process co- generation applications.
- Development and manufacture of higher size turbines (30 MW) with new features for improved robustness, and efficient LP stages.
- Developed and prototype tested an automated bottom entry stop & emergency valve for steam turbine operations.
- Development of a fast response and high capacity control system for full automation and improved control response.
- Development of a high temperature (510^0 C) inlet design for 15 MW and 30 MW steam turbines.

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 upto 30MW and 72 Bar/510^0C with various new robust features.

Future plan of action

Development of turbine of higher steam parameters (85/515^0C) is already underway.

Expenditure on R&D

Rs. in Million

Particulars	2006-07 (18M)	2005-06
a) Capital	3.88	4.32
b) Recurring	18.11	8.47
c) Total	21.99	12.79
d) Total R& D expenditure as percentage of Turbine turnover	0.32%	0.46%

Note: Additionally, we have incurred expenditure of Rs.68.86 million (previous year Rs.36.81 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	489.07
Others	134.68
2) Foreign Exchange Outgo	820.96

ANNEXURE - C

STATEMENT PURSUANT TO SECTION 212 OF COMPANIES ACT, 1956

SUBSIDIARY COMPANIES	TRIVENI RETAIL VENTURES LTD	ABOHAR POWER GENERATION LTD	UPPER BARI POWER GENERATION LTD	TRIVENI ENGINEERING LTD
1. Financial Year ended	31st March 2007	31st March 2007	31st March 2007	31st March 2007
2. Extent of holding Company's interest at the end of financial year of the subsidiary	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 (Rs. in Million)				
a) For the financial year ended 31.3.2007 of the subsidiary Company	(20.20)	(0.01)	(0.02)	(1.43)
b) For the previous financial years of the subsidiaries since these became the holding Company's subsidiary	0.22	(0.11)	0.00	–
4. a) The net aggregate amount of the subsidiary's Profit/ (Loss), for the financial year or years of the subsidiary so far as those Profit/(Loss) are dealt within the holding Company's accounts	NIL	NIL	NIL	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
5. Changes in the holding Company's interest in the subsidiary between the end of the financial year of the subsidiary and holding Company	NA*	NA*	NA*	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.3.90 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. 62.23 Million	NA*	NA*	NA*

* Accounting year of all the four subsidiary Companies ends on 31st March, 2007 and that of the holding Company ends on 30th September 2007.

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 in and 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 seven of which, except the Chairman & Managing Director, all 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 Company did not have any pecuniary relationship or transaction with the Non-Executive Directors during the year under review except for the payment of meeting fees and making a provision for the payment of commission in accordance with and within the limits provided in Section 309(4) of the Companies Act, 1956.

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	Category	No. of Directorships in other companies (*)	No. of Committee positions held in other companies (*)	
			Chairman	Member
Mr. Dhruv M. Sawhney Chairman & Managing Director	Promoter & Executive Director	2	NIL	1
Dr. F.C.Kohli	Independent Non-Executive Director	5	NIL	NIL
Lt. Gen. K.K. Hazari (Retd.)	Independent Non-Executive Director	2	NIL	NIL
Mr. M.K. Daga	Independent Non-Executive Director	3	NIL	2
Mr. K.N. Shenoy(**)	Independent Non-Executive Director	3	1	3
Mr. R.C. Sharma	Independent Non-Executive Director	NIL	NIL	NIL
Mr. V. Venkateswarlu	Independent Non-Executive Director	1	NIL	NIL

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

(**) The Board of Directors appointed Mr. K.N. Shenoy as an Additional Director w.e.f 13th July, 2006, to hold the office upto the date of the ensuing Annual General Meeting.

Details of Directors seeking 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 eleven times during the extended financial year 2006-2007 ended on 30th September, 2007. The interval between any two successive meetings did not exceed four months. Board Meetings were held on 1st April, 2006, 29th April, 2006, 11th May, 2006, 13th July, 2006, 16th October, 2006, 15th January, 2007, 30th April, 2007, 12th May, 2007, 25th May, 2007, 25th July, 2007 and 13th September, 2007. The attendance record of all Directors at Board meetings and the last Annual General Meeting (AGM) and Extra-Ordinary General Meetings (EGM) during the year is as under:-

Name of Director	No. of Board Meetings		Attendance at last AGM held on 30.06.2006	Attendance at the EGM held on 28.04.2006	Attendance at the EGM held on 29.05.2006
	Held	Attended			
Mr. Dhruv M. Sawhney Chairman & Managing Director	11	9	Yes	Yes	No
Dr. F.C.Kohli	11	6	No	No	No
Lt. Gen. K.K. Hazari (Retd.)	11	10	Yes	Yes	No
Mr. M.K. Daga	11	9	No	No	No
Mr. K.N. Shenoy*	11	5	No	No	No
Mr. R.C. Sharma	11	9	No	Yes	Yes
Mr. V. Venkateswarlu	11	9	No	No	No
Mr. R.K. Kapoor** (IDBI-Nominee Director)	11	4	No	No	No

* Appointed as an Additional Director on the Board w.e.f. 13th July, 2006.

** Nomination was withdrawn by IDBI w.e.f. 13th November, 2006.

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 and when required. The Board has delegated powers to the Executive Sub-Committee in accordance with the provisions of the Companies Act, 1956 to facilitate the working of the Board. The Executive Committee met eleven times during the year 2006-2007.

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, Senior 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 fourteen times during the extended financial year 2006-2007 ended on 30th September, 2007 on 1st April, 2006, 29th April, 2006, 12th July, 2006, 4th September, 2006, 5th September, 2006, 30th September, 2006, 14th October, 2006, 13th January, 2007, 30th April, 2007, 19th May, 2007, 21st July, 2007, 20th August, 2007, 21st August, 2007 and 10th September, 2007. 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	14	13
Mr. R. C. Sharma	14	13
Mr. V. Venkateswarlu	14	11

4) Share Transfer / Transmission Committee

The Committee consists of two Non-Executive Independent Directors viz. Lt.Gen. K. K. Hazari (Retd.) and Mr. R.C. Sharma. Lt. Gen 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 responsible for approval of share transfers/transmissions, approval of requests for dematerialisation/rematerialisation of shares and other related activites.

Meetings & Attendance

The Share Transfer/Transmission Committee met twenty six times during the extended financial year 2006-2007 ended on 30th September, 2007 on 1st April, 2006, 20th April, 2006, 11th May, 2006, 3rd June, 2006, 30th June, 2006, 13th July, 2006, 31st July, 2006, 19th August, 2006, 2nd September, 2006, 20th September, 2006, 9th October, 2006, 26th October, 2006, 10th November,

2006, 4th December, 2006, 20th December, 2006, 9th January, 2007, 9th February, 2007, 2nd March, 2007, 10th April, 2007, 7th May, 2007, 25th May, 2007, 13th June, 2007, 25th July, 2007, 24th August, 2007, 15th September, 2007 and 26th September, 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	26	24
Mr. R. C. Sharma	26	22

5) Investors' Grievance Committee

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

During the extended financial year 2006-2007 ended on 30th September, 2007 the Company received 398 complaints from various shareholders/investors directly and/or through the Stock Exchanges/SEBI relating to non-receipt of dividend/redemption money/refund order, change of bank account details, demat of shares. Out of the above mentioned complaints 84 complaints were related to the implementation of the scheme of arrangement which was approved by the shareholders with requisite majority and sanctioned by Hon'ble High Court, Judicature at Allahabad vide its order dated 27th March, 2003. All of them were resolved/replied suitably by furnishing the requisite information/documents. There was no investor compliant pending for redressal as on 30th September, 2007. Further there was no pending share transfers and requests for dematerialisation as on 30th September, 2007.

Meetings and Attendance

The Investors' Grievance Committee met six times during the extended financial year 2006-2007 ended on 30th September, 2007 on 29th April, 2006, 12th July, 2006, 30th September, 2006, 13th January, 2007, 30th April, 2007 and 21st July, 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	6	6
Mr. R. C. Sharma	6	5

6) Remuneration Committee

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

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

Meetings and Attendance

The Remuneration Committee met twice during the extended financial year 2006-2007 ended on 30th September, 2007 on 29th April, 2006 and 25th July, 2007. All the Members attended both the meetings of the Committee.

Name of the Members	No. of meetings	
	Held	Attended
Dr. F. C. Kohli - Chairman	2	2
Lt. Gen. K.K. Hazari (Retd.)	2	2
Mr. R. C. Sharma	2	2

Details of remuneration paid to Directors

The Company has only one Executive Director viz. Mr. Dhruv M. Sawhney, Chairman & Managing Director on the Board. The Company is paying remuneration to all its Non-Executive Directors by way of sitting fees for attending meetings of the Board and its Committees and has also made a provision for the payment of commission to the tune of Rs. 31 lacs for the extended financial year 2006-2007, in accordance with the provisions of section 309 of the Companies Act, 1956.

Details of remuneration paid to Directors

Name of the Executive Director	
Mr. Dhruv M. Sawhney Chairman & Managing Director Service Period	31.03.2005 to 30.03.2010
Remuneration paid (01.04.2006 to 30.09.2007)	(In Rupees)
Salary	2,28,60,000
Performance Bonus/Commission	1,20,00,000
Contribution to PF & Other Funds	25,14,750
Gratuity	5,00,893
Other Perquisites	24,62,125
Total	**4,03,37,768**

(In Rupees)

Name of the Non-Executive Independent Directors	Sitting Fees	Commission provided
Dr. F.C. Kohli	1,50,000	5,00,000
Lt. Gen. K.K. Hazari (Retd.)	6,85,000	5,00,000
Mr. K. N. Shenoy	1,00,000	10,00,000
Mr. M.K. Daga	1,80,000	3,00,000
Mr. R.C. Sharma	6,50,000	5,00,000
Mr. V. Venkateswarlu	3,45,000	3,00,000
Mr. R.K. Kapoor*	80,000	-

* The sitting fee of Mr. R.K. Kapoor, during his tenure as nominee Director of IDBI upto 13th November, 2006 was paid to IDBI.

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

7) General Meetings

Particulars of the last three Annual General Meetings.

Date & Day	Location	Time
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.
18th August, 2004, Wednesday	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	3.00 P.M.

Particulars of the Extra-Ordinary General Meetings held during the extended financial year 2006-2007 ended on 30th September, 2007.

Date & Day	Location	Time
29th May, 2006, Monday	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	1.30 P.M.
28th April, 2006, Friday	Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P.	2.00 P.M.

All the resolutions including special resolutions, set out in the respective notices were unanimously passed by the shareholders. No resolution was put through postal ballot last year as per provisions of Section 192A of the Companies Act, 1956 and the rules framed thereunder. However the Company proposes to put through postal ballot two resolutions seeking approval of the shareholders prior to the holding of the forthcoming Annual General Meeting.

8) 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.

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, Abohar Power Generation 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 (6) above.

9) Means of Communication

(a) The quarterly/half yearly/nine months/twelve months and fifteen months ended unaudited financial results, and the annual audited financial results of the extended financial year ended 30th September, 2007, of the Company were sent to all the Stock Exchanges where its equity shares are listed, and the same were published in Business Line- The Hindu, Business Standard, The Pioneer, (English) and Vir Arjun (Hindi) newspapers and displayed on Company's website www.trivenigroup.com

(b) The Company had Quarterly Investors teleconferences and Press Conferences for the investors of the Company immediately 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 same is available on the Company's website.

8) 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.

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

Financial Calendar (tentative & subject to change)	
Financial Reporting for the 1st Quarter ending 31st December, 2007	By the end of January, 2008
Financial Reporting for the 2nd Quarter ending 31st March, 2008	By the end of April, 2008
Financial Reporting for the 3rd Quarter ending 30th June, 2008	By the end of July, 2008
Financial Reporting for the Annual Audited Accounts ending 30th September, 2008	By end of December, 2008

Unclaimed Dividend

Pursuant to Section 205C of the Companies Act, 1956, all unclaimed dividends upto the financial year 1999-2000 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 Money	Due date for transfer to IEPF
2000-2001	Final Dividend	8.8.2001	7.8.2008
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

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

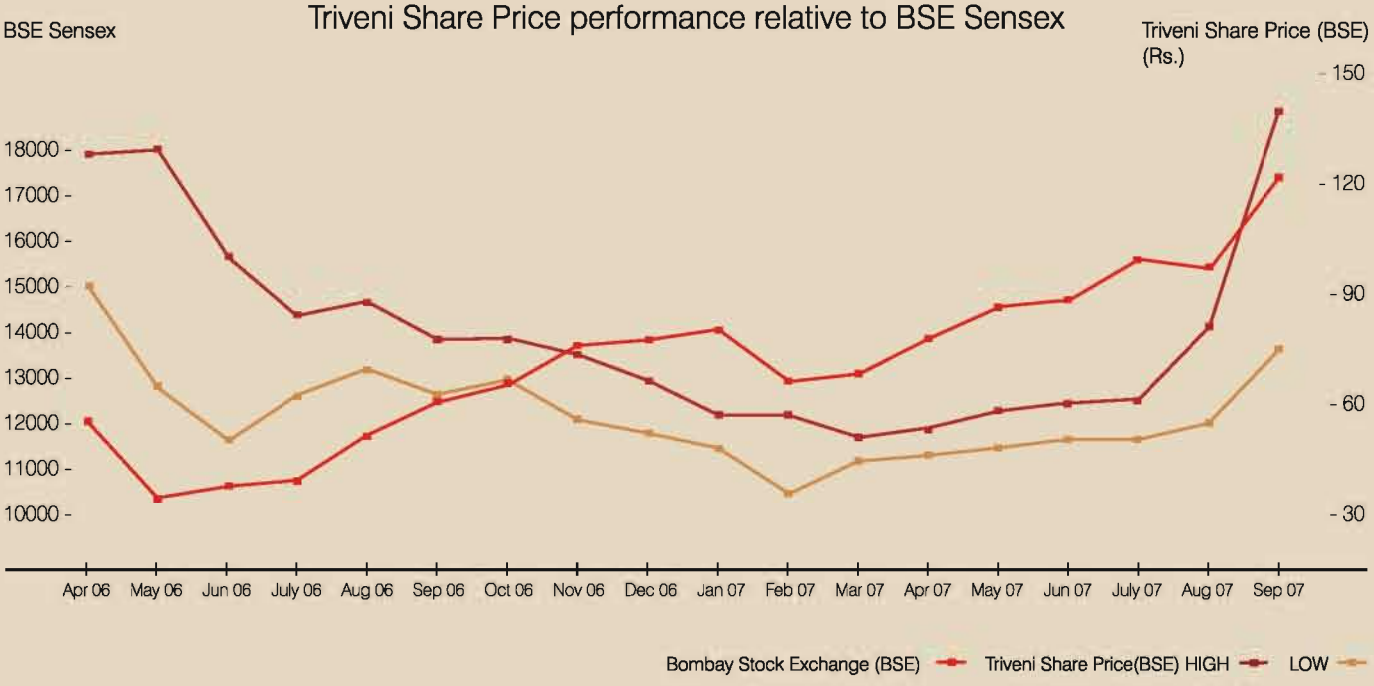
The Company has paid listing fees for the Financial Year 2007-2008 to both the aforesaid Stock Exchanges.

Stock Price Data/Stock Performance : Year 2006-2007

During the year under report, the trading in Company's equity shares was from 1st April 2006 to 30th September, 2007. The high low price during this period on the BSE and NSE was as under:-

(In Rupees)

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High	Low	High	Low
April, 2006	128.35	92.00	128.10	90.20
May, 2006	128.40	79.45	128.80	79.30
June, 2006	98.00	54.25	99.00	50.30
July, 2006	83.75	66.30	83.90	66.55
August, 2006	88.90	71.35	88.90	71.50
September, 2006	74.80	63.20	74.60	60.20
October, 2006	74.50	67.00	74.25	60.15
November, 2006	69.35	55.10	69.50	55.65
December, 2006	63.00	49.20	63.00	49.10
January, 2007	59.25	47.25	59.00	47.50
February, 2007	53.90	38.15	48.50	34.95
March, 2007	55.75	42.20	55.90	42.10
April, 2007	57.65	47.45	57.50	47.05
May, 2007	59.45	48.00	59.40	48.00
June, 2007	60.60	48.50	60.50	48.40
July, 2007	61.60	48.00	70.00	49.15
August, 2007	83.95	55.10	84.00	54.00
September, 2007	143.40	77.15	142.90	77.10



Distribution of Equity Shareholding as on 30th September, 2007

Group of Shares	Number of Shareholders	% to total Shareholders	Number of Shares held	% to Total Shares
1-500	30464	88.83	4479125	1.74
501-1000	1898	5.53	1474699	0.57
1001-2000	942	2.75	1300069	0.50
2001-3000	222	0.65	571120	0.22
3001-4000	104	0.30	371519	0.14
4001-5000	120	0.35	564675	0.22
5001-10000	179	0.52	1306961	0.51
10001 & higher	364	1.06	247811982	96.10
Total	34293	100.00	257880150	100.00

Shareholding Pattern of Equity Shares as on 30th September, 2007

Category	Number of Shares held	% Shareholding
Indian Promoters	172624883	66.94
Mutual Funds & UTI	4656610	1.80
Banks, Financial Institutions, Insurance Cos.	4123542	1.60
FIIs	47184531	18.30
Private Corporate Bodies	8017293	3.11
Indian Public(*)	16147590	6.26
NRIs/OCBs	775223	0.30
Others – Clearing Members & Trust	4350478	1.69
Total	257880150	100.00

(*) Includes 800 equity shares held by Mr. M. K. Daga, Director of the Company and 1419875 equity shares held by Mr. R.C. Sharma, Director of the Company and his relatives.

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 30.09.2007, 71.26% of total equity share capital of the Company were held in dematerialized form. The ISIN allotted by NSDL/CDSL is INE256C01024.

Share Transfer System

The share transfer/transmission committee of the Board approves the transfer of shares in the physical mode. The shares lodged for physical transfer/transmission/transposition are registered expeditiously if the documents are complete in all respects. The Committee meets as often as required for approving share transfers and other related activities. The share certificates duly endorsed are returned immediately to the shareholders 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 a fortnight.

Registrar for Dematerialisation (Electronic mode) of shares and physical transfer of shares

M/s Karvy Computershare Pvt. Ltd. is the Registrar & Share Transfer Agent (RTA) of the Company for equity shares held in both physical and electronic mode, whose detail is given below

Registrar and Share Transfer Agents
(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.
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
Vice President (Legal) & Company Secretary
Triveni Engineering & Industries Ltd.
8th Floor, Express Trade Towers,
15-16, Sector 16A, Noida-201 301.
Tel. :- 0120-4308000; Fax :- 0120-4311010-11
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 14th November, 2007.

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 eighteen months ended 30th September 2007 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

(SUDHIR MALLICK)
Partner
Membership No.80051

Place : Noida (U.P.)
Date : 14th November, 2007

DECLARATION BY THE CHAIRMAN AND MANAGING DIRECTOR

To,
The Members of
Triveni Engineering & Industries Limited

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

For Triveni Engineering & Industries Limited,

DHRUV M. SAWHNEY
Chairman and Managing Director

Place: Noida (U.P.)
Dated: 14th November, 2007