Triveni ENGINEERING & INDUSTRIES LTD

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For immediate release

Q2 FY 2008 Net sales at Rs 3.8 billion
EBITDA Margin of 24% at Rs 908 million – a growth of 239%
PAT at Rs. 343 million

- ***Engineering Businesses***
  - ***Order book position of Rs. 6.3 billion – 25% growth over corresponding period of previous year***
  - ***Record PBIT margin of over 28% achieved in Q2 FY 08 -highest in the industry***
- ***Sugar***
  - ***Outlook appears positive with improved sugar realizations and expected rational cane pricing***

Noida, April 26, 2008: Triveni Engineering & Industries Ltd. ('Triveni'), one of India's leading companies engaged in the manufacture of sugar and engineered-to-order mechanical equipment, such as steam turbines, high speed gears and water and wastewater treatment equipment, today announced its performance for the six months and second quarter ended 31st March 2008.

PERFORMANCE OVERVIEW: Q2 FY2008 V/S Q2 FY2007
(Q2 FY 2008 – January – March 2008); (Q2 FY 2007 – January – March 2007)

- Net Sales at Rs. 3.8 billion, an increase of 4%, with an impressive EBITDA margin of 24%. The growth in EBITDA has been 239% at Rs. 908 million.
- Sugar achieved an EBITDA margin of 7% during this quarter as against a negative margin of 12% during the corresponding quarter of previous year.
- Sales turnover of engineering business increased by 15% at Rs. 1.74 billion with highest EBITDA margins of over 29% and a record PBIT margin of 28% at Rs. 489 million.
- The sales and EBITDA for the cogeneration business went up by 15% and 28% respectively.

- Depreciation (including amortization) cost increased by 43% and the finance cost increased by 85% to Rs. 250 million.
- PBT and PAT were at Rs. 445 million and Rs. 343 million respectively as against Rs. 16 million (loss) and Rs. 54 million respectively for the previous period.

PERFORMANCE OVERVIEW: H1 FY2008 V/S H1 FY2007
(H1 FY 2008 – October – March 2008); (H1 FY 2007 – October – March 2007)

- Net Sales at Rs. 7.25 billion, an increase of 8%, with an EBITDA margin of 22%. The growth in EBITDA has been 130% at Rs. 1.62 billion.
- Sugar achieved an EBITDA margin of 9% during the half year as against a negative margin of 3% during the corresponding half of previous year.
- For the engineering business, the overall sales turnover went up by 14% at Rs. 3.29 billion with turbines growing by 9% and gears and water businesses growing 28% and 50% respectively with an overall EBITDA margin of over 27%.
- The sales and EBITDA for the cogeneration business went up by 9% and 53% respectively.
- Depreciation (including amortization) cost increased by 66% and the finance cost increased by 146%.
- PBT and PAT were at Rs. 752 million and Rs. 600 million respectively, a growth of 181% and 120% respectively over the half year of the previous period.
- EPS for the six months at Rs. 2.32 (not annualized) as against Rs. 1.06 for the corresponding period of last year.

The issue of sugar cane pricing for the 2006-07 and 2007-08 seasons is before the Supreme Court and High Court respectively. For FY07, the company paid the State Advised Price (SAP) of Rs. 1,250 per tonne for its cane before the interim order of Supreme Court while for the current season, based on the Lucknow Bench's interim order, cane prices have been taken at Rs. 1,100 per tonne, which is lower than the SAP of Rs. 1,250 per tonne announced by the state government.

Overall PBIT increased 167% to Rs 1.19 billion, with PBIT margin expanded to 16.5% from 6.7% last year. This has primarily been driven by better margins in engineering businesses, which achieved a record PBIT margin of over 26% and improved financials of sugar operations.

For H1 FY 08, depreciation & amortization went up by 66% to Rs. 425 million on account of new projects implemented both in sugar & engineering. The total finance cost also increased to Rs. 442 million from Rs. 179 million due to the debts contracted to fund the new projects as well as due to increased working capital requirements including payment of cane dues for 2006-07. Net profit before tax (PBT) increased 181% to Rs. 752 million while Profit after Tax (PAT) went up by 120% to Rs. 600 million.

Commenting on the Company's financial performance, Mr. Dhruv M. Sawhney, Chairman and Managing Director, Triveni Engineering & Industries Ltd, said:

"*The overall performance is reflective of improved outlook in the sugar business and our continuing growth in the engineering business.*

Our engineering businesses are consistent in their performance and have achieved a record PBIT margin of over 28% in Q2 FY 08. The order book in engineering business is also growing with an outstanding order book of Rs. 630 crore as on 31st March 2008. Engineering business performance reflects Triveni's consistent effort to manufacture world class products at competitive prices backed with a strong all India network of service centres. We, at Triveni, are proactively making efforts to consistently expand market reach, get into new product lines and also undertake extensive cost reduction and cost control to remain competitive and maintain margins.

The company's sugar production for 2007-08 season has been marginally lower by 2.0% which is satisfactory in the light of the estimated overall decline in production in UP for the 2007-08 season to the extent of 8 -10%. Sugar prices are also firming up factoring in lower production during the current year. We also expect the cane pricing issue, which is currently sub-judice, to be resolved in the long term interest of all stakeholders. Under this scenario, sugar operations coupled with the co-generation and distillery businesses should provide strong support in improving the overall profitability of the company."

- ENDS –

Attached: Details to the Announcement and Results Table

About Triveni Engineering & Industries Limited

Triveni Engineering & Industries Limited is a focused, growing corporation having core competencies in the areas of sugar and engineering. The Company is among the three largest sugar manufacturers in India, and the market leader in its engineering businesses comprising steam turbines, high speed gears, gearboxes, and water treatment solutions. Triveni currently has seven sugar mills in operation at Khatauli, Deoband, Sabitgarh, (all in western Uttar Pradesh), Chandanpur, Raninagal and Milak Narainpur (all in central Uttar Pradesh) and Ramkola (eastern Uttar Pradesh). The Company's turbine manufacturing and gear manufacturing facilities are located at Bangalore and Mysore respectively while the Water & Waste water treatment business is located at Noida. Triveni's sugar crushing capacity is 61,000 TCD. The Company also has a total co-generation capacity of 68 MW located in two of its major facilities viz., Khatauli (46 MW) & Deoband (22 MW) and a 160,000 litre per day capacity distillery at Muzaffarnagar. Additionally, Triveni Khushali Bazaar, a rural and semi-urban retail store, is steadily expanding its reach with 42 stores currently in operation.

For further information on the Company, its products and services please visit **www.trivenigroup.com**

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Note: *Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. Triveni Engineering & Industries Ltd. will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.*

DETAILS TO THE ANNOUNCEMENT

- Financial results review
- Business-wise performance review and outlook

H1 & Q2 FY2008 : FINANCIAL RESULTS REVIEW

(all figures in Rs million, unless otherwise mentioned)

Net sales

	Q2 FY2008	Q2 FY 2007	H1 FY 2008	H1 FY 2007
Net sales	3785	3645	7249	6715
Change	4%		8%	

During the quarter, the turnover of the engineering business achieved growth of 15% to Rs 1.74 billion. The Turbines business registered a growth of 13% while Gears and Water Businesses grew 23% and 27% respectively. The turnover of the sugar business (including Cogeneration and distillery) remained flat at Rs 2.77 billion. The decline in the turnover of the sugar operations, due to lower volumes of sugar sold and lower sugar realization price, was compensated by higher turnover of cogeneration and distillery.

During the six month period, the turnover of the engineering businesses registered an increase of 14% at Rs. 3.29 billion and the turnover of the sugar businesses remained flat at Rs. 5.02 billion.

EBITDA

	Q2 FY 08	Q2 FY 07	H1 FY 08	H1 FY 07
EBITDA	908	268	1619	704
Growth	239%		130%	
EBITDA Margin	24%	7.4%	22.3%	10.5%

All three engineering businesses registered substantial improvements in operating profit with overall EBITDA going up by 63% and 49% for the quarter and half year respectively, along with substantial expansion in EBITDA margins. The company achieved record EBITDA margin of 24% during Q2 FY 08 which is significantly higher when compared with previous quarters. Sugar business also achieved EBITDA of Rs 152 million and Rs 338 million for the quarter and half year respectively whereas for the same periods last year, there were operating losses of Rs. 263 million and Rs. 132 million respectively. EBITDA of co-generation grew by 28% and 36% for the quarter and half year respectively.

Finance cost & Depreciation

	Q2 FY 08	Q2 FY 07	H1 FY 08	H1 FY 07
Finance Cost	250.3	135.3	441.7	179.3
Depreciation & Amortisation	212.7	148.9	424.6	256.5

The increase in depreciation and amortisation costs is primarily on account of the capitalization of new capacities in sugar, co-generation, and distillery. The increase in finance cost is due to the debts contracted to fund the new projects as well as due to increased working capital requirements including payment of cane dues for 2006-07.

Profit before Tax and Profit after Tax

	Q2 FY 08	Q2 FY 07	H1 FY 08	H1 FY 07
Profit before Tax (PBT)	444.6	(16.2)	752.4	268.2
PBT Margin (%)	11.7%		10.4%	4.0%
Profit after tax (PAT)	342.8	54.0	599.6	272.9
Growth	535%		120%	
PAT Margin (%)	9.1%	1.5%	8.3%	4.1%

PBT and PAT for the quarter and half year have shown significant increase with the overall improved performance of engineering businesses and also on account of sugar operations.

H1/ Q2 FY2008: BUSINESS-WISE PERFORMANCE REVIEW

(all figures in Rs. million, unless otherwise mentioned)

Sugar business

Triveni is among the three largest players in the Indian sugar sector, with a present capacity of 61,000 TCD. The sugar cane crushing for 2007-08 season is now over and Triveni's seven units put together manufactured approx. 580,000 tonnes of sugar, a marginal decline of 2% compared with the 2006-07 sugar season as against an estimated decline in sugar production of 8-10% across the state of UP. Sugar cane crushing was marginally lower by 4% compared to last season while for comparable peers, the decline in crush is over 10 – 15%. Lower crush this year is in line with the general trend in the State which is mainly on account of delayed start in crushing and lower yields due to unfavorable climatic factors. However, overall recoveries have shown improvement over the previous season from 9.69% to 9.90%.

<u>Performance</u>

	2007-08 season	2006-07 season
Cane Crush (Million Tonnes)	5.86	6.10
Recovery (%)	9.90	9.69
Sugar Production (000 Tonnes)	579.8	591.3

	Q2FY 08	Q2FY 07	H1 FY 08	H1 FY 07
Sugar despatches (000 MT)	84.7	111.80	195.90	206.4
Realisation price (Rs /MT)				
Free	14621	15011	14235	16053
Average (Levy+Free)	14432	14772	14138	15784
Net sales	2011.5	2237.9	3817.7	4163.7
PBIT	11.3	(362.7)	58.4	(293.8)

Sugar realization price has progressively improved during the quarter and current prices are better than those achieved in the previous quarter. Average sales realisation price of free sugar has risen by 5% quarter on quarter. With estimates of a lower sugar production for the current season and further significant reduction in production estimates for next season, sugar prices in the forthcoming quarters are expected to increase. Higher sugar inventories resulting from lower dispatches would help in capitalizing the increase in sugar prices in subsequent quarters.

The company's accounting policy on off-season expenses ensures that the progressive cost of production of sugar produced is duly loaded with cost component relating to off-season expenses.

The issue of cane pricing continues to be sub-judice and based on the interim order of the Lucknow bench of the Allahabad High Court, a cane price of Rs 1,100 per tonne has been considered for the quarter. In respect of the season 2006-07, the issue of cane pricing is before the Supreme Court and through an interim order, the Supreme Court has directed to pay cane dues at Rs. 1,180 per tonne, less than the SAP of Rs. 1,250. Triveni had made the entire cane payment for 2006-07 season at Rs. 1,250 per tonne (SAP) before the interim order.

<u>Outlook</u>

On account of uncertainty in cane pricing at the beginning of the season, sugar mills in Uttar Pradesh began crushing late by about three to four weeks. This resulted in considerable diversion of cane to the producers of alternate sweetners as farmers were required to vacate the fields for wheat sowing. Further due to lack of winter rains and a long and severe cold wave, yields of cane reduced significantly. Both these factors resulted in lower cane availability for crushing. As per current estimates, sugar production in UP for this season is expected be lower by 8-10%. With estimated lower production in UP as well as Maharashtra, overall production for the current season is estimated to be at around 26-27 million tonnes, significantly lower than initial estimates of over 30 million tonnes.

Because of lower cane price payment in UP and higher realization for competing crops such as wheat, paddy etc., cane planting for the next season is expected to be lower than the previous years. However, in some core cane cultivating areas such as western UP, some parts of Maharastra and Karnataka, the switching to other crops may not be substantial. It is estimated that annual production next season may be lower than annual consumption, thereby bringing down the stock to consumption ratio and enabling sugar prices to rise steadily in the future.

The issue of cane pricing for the seasons 2006-07 and 2007-08 is presently sub-judice. For season 2006-07, the Supreme Court, in an interim order has stayed the directive of the Allahabad High Court and has directed cane payments for 2006-07 to be made at Rs. 1,180 per tonne, a price lower than the SAP of Rs. 1,250 per tonne. The matter will be heard in the second week of May 2008.

The cane pricing for 2007-08 is presently being heard by the Lucknow Bench of the Allahabad High Court. The Court, in its interim order, has directed payment of cane price to be made at Rs. 1,100 per tonne as against the SAP of Rs. 1,250 per tonne. Both Courts have directed payments to be made at prices below the SAP fixed by the State Government and we believe that the Courts will eventually come out with rational cane pricing which will be beneficial to all the stakeholders.

Further, in an another judgement, the Allahabad High Court has given a decision to increase the transportation rebate from Rs. 5.75 per quintal to Rs. 10.58 per quintal. This is the amount of deduction allowable from cane price payable to farmers by sugar factories when they procure cane from areas other than the factory gate. This revision in rate will bring down the cost of transportation of cane for factories and for Triveni, this will be closer to the actual average cost incurred.

Global sugar production estimates have also been scaled down on account of lower production estimates from India and China. The surplus forecast has been nearly halved because of poor cane yields in India and frost affecting crops in China. Global sugar prices have witnessed significant swings in the last couple of months, due to funds trading and improving fundamentals. Also, there is a belief that sugar is undervalued compared to other commodities such as crude, corn and wheat which have enjoyed sustained bull markets now for over two years.

Co-generation business

Triveni's co-generation operation at Khatauli and Deoband supplies (exports) surplus power to the state grid after meeting its own captive requirements.

Performance

	Q2FY 08	Q2FY 07	H1 FY 08	H1 FY 07
Operational details				
Power Generated – 000 KWH	140517	126855	199380	190398
Power exported – '000 KWH	92612	85515	130916	117333
Financial details				
Net sales (Rs. million)	630.0	549.2	914.3	841.5
-Increase/(decrease)	15%		9%	
PBIT (Rs. million)	277.8	210.8	416.1	294.3
-Increase/(decrease)	32%		41%	
PBIT margin (%)	44.1	38.4	45.5	35.0

On account of late start of crushing during this season, the total operational period of power plants has been lower by approx. 30 days during the first half which has resulted in lower growth in sales for the half year when compared with the corresponding period of previous year. Further, the turnover for the quarter and current half year includes income of Rs 50 million from carbon credits, including Verified Emission Reduction of Rs. 35 million pertaining to the Khatauli co-generation plant. Income from carbon credits for the period from April, 1 2007 to March 2008 for both Deoband and Khatauli co-generation plants will be accounted for in the last quarter after verification.

Outlook

The co-generation business provides a long term and sustainable source of incremental revenue while diversifying and de-risking the Company's operating profile. In addition to that, the Company will also derive financial benefits due to a tax holiday for a period of 10 years and reduction of deferred tax charges.

The regulatory and tariff environment is encouraging, in view of the National Electricity Policy, the Electricity Act 2003, and measures taken by the UP Electricity Regulatory Commission to mitigate commercial and regulatory uncertainties.

On account of late start of crush and lower crush of sugar cane in Khatauli and Deoband, the co-generation units would be operating for shorter duration this year. It is estimated that the co-generation units would be working for approx. 200 days during this financial year ending September 2008.

Triveni's co-generation facilities are eligible for carbon credits under the Kyoto Protocol's Clean Development Mechanism (CDM) and are expected to generate approx. 200,000 carbon credits annually on an on-going basis.

Steam turbines business

Triveni is the domestic market leader, with a market share of 78% for range upto 20 MW in FY 07, and is one of the largest manufacturers worldwide in high and low pressure turbines upto 20 MW. The unit presently produces turbines upto 30 MW. The company continues to retain the market share during the current quarter as well. Company's ability to provide high-tech precision engineered-to-order solutions has made it one of the most trusted names within the sector.

Performance

	Q2FY 08	Q2 FY 07	H1 FY 08	H1 FY 07
Net Sales (Rs. million)	1403.9	1240.1	2587.6	2380.1
-Increase/(decrease)	13%		9%	
PBIT (Rs Million)	379.6	254.0	670.6	499.5
-Increase/(decrease)	49%		34%	
PBIT margin (%)	27.0	20.5	25.9	21.0

PBIT margins achieved during this quarter have been very healthy and would be the highest among the engineering peers. The significant improvement by over 650 basis points in margin is due to change in product mix, improved share of servicing, spares and retrofitting, improved efficiencies and cost reduction and value engineering. The growth in sales for the half year of only 9% is primarily on account of the shut down of the unit for 26 days in the first quarter which had affected both production and dispatches. The outstanding order book as on 31st March 2008 has been Rs. 5.06 billion for 748 MW.

During the quarter, overall order booking has been higher by over 60% compared to corresponding quarter of the previous year. As communicated in our earlier investor briefs, the company is focusing on the overseas market in a big way. This has resulted in having higher exports during the quarter and half year compared with the previous year apart from increasing the share of export orders in the outstanding order book.

Outlook

The demand for Triveni's turbines comes from a variety of sectors such as Sugar, Sponge Iron, Textiles, paper, Independent Power Producers, and Sugar Cogeneration plants. The order book composition from various sectors shows a healthy mix among all these sectors. Further, with focused R&D, foray into higher MW, high-temperature, high-pressure turbines will add significant market opportunities.

With the increase in numbers of higher MW turbines installed, business from spares & servicing should go up considerably. The impact of the same has started to reflect in our current performance with servicing, spares & refurbishing share going up from 9% of the total turnover in H1 FY 07 to 13% in H1 FY 08. Further the business from the newly installed vacuum balancing tunnel, which is used for balancing of rotors upto 150 MW size, is also steadily increasing and we expect to have significant number of rotors and other equipments come in for servicing in this unique facility which is the only one of its kind in India meant for third party servicing.

High speed gears and gearboxes business

This business manufactures high-speed gears and gearboxes upto 70MW capacity and speeds of 50,000 rpm. Triveni is the country's largest one-stop solutions provider in this sector, with 50-55% overall market share and 78% market share in the below 25 MW segment.

Performance

The results of gear operations are included in the business segment "Others".

	Q2FY 08	Q2 FY 07	H1 FY 08	H1 FY 07
Net Sales (Rs. million)	180.1	146.1	370.5	289.9
-Increase/(decrease)	23%		28%	
PBIT (Rs Million)	63.6	32.3	119.5	62.3
-Increase/(decrease)	97%		92%	
PBIT margin (%)	35	22	32	21

PBIT increase has been healthy at around 100% primarily on account of entering into new product lines, and an increase in share of retrofitting, servicing and spares businesses which are high margin businesses. The unit has executed few high profit retrofitting orders during this quarter.

The order book position of this business as on 31st March 2008 remains encouraging at Rs 425 million. The unit's foray into high power hydel gear boxes is gaining momentum. Similarly, good orders have been received from some of the OEMs for other than turbine applications.

Outlook

The unit's plan for achieving its growth is in place with focus on its supplies to OEMs, aggressively getting into retrofitting and also to expand its product profile into areas such as hydel gears, niche low speed gears etc.

Water business

This business is focused on providing world-class solutions in water and waste-water treatment to customers in industry as well as the municipal segment. In line with growth in the Company's overall revenues, this business is gaining faster momentum and is getting recognition in a high potential market as a supplier of superior quality products and services at competitive costs.

Performance

The performance of this business is reflected in the "Others" section of the Company's segment reporting.

	Q2FY 08	Q2 FY 07	H1 FY 08	H1 FY 07
Net Sales (Rs. million)	154.9	121.6	328.3	218.7
-Increase/(decrease)	27%		50%	
PBIT (Rs Million)	45.6	13.9	72.0	21.9
-Increase/(decrease)	228%		229%	
PBIT margin (%)	29.4	11.4	21.9	10.0

The Company continued to successfully leverage its existing engineering relationships with industrial sector customers. PBIT margins are showing steady improvement reflecting the Company's technology-led operating efficiencies. Further during the quarter, on account of certain high value, high technology product billing, margins have risen significantly. PBIT of Rs. 45.6 million achieved in this quarter is higher than the aggregate PBIT achieved last year.

Order book has been growing consistently. There has been an increase of 131% in the order booking over the corresponding half year of last year. The unit continued its efforts of getting larger orders and during the quarter, the unit bagged a large E&M package for a steel mill and a high technology job of setting up a condensate polishing unit for a power plant. The unit has an outstanding order book of Rs. 816 million.

Outlook

Treated water is increasingly becoming a critical resource in large-sized industries and stringent environmental regulations are also mandating industries to treat waste water. At the same time, rising health consciousness is creating a demand for water treatment equipment in housing complexes and municipalities. These developments offer an attractive opportunity for the Company's water business which already has the necessary technological capability and know-how. The Company has been working in association with Siemens Water Technologies. It has access to sophisticated technologies for high technology micro-filtration solutions and equipment for drinking water, process water and reuse applications.

The company's foray in desalination projects, initiation into product development for tertiary filtration in waste water recycling jobs etc., would further enable the unit to post order book and sales growth. The unit's latest successes of getting into large projects, once executed, will enable the Company to get pre-qualified for even larger projects. This will help in increasing the volume of turnover and margins going forward. We believe, this business has already catapulted into high growth trajectory and will achieve the same levels of growth that we experienced in our turbine business group in the past three-four years.