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# 21ST ANNUAL REPORT

**Board of Directors**

B G Raghupathy	Chairman & Managing Director
S Rathinam	Director - Finance
V R Mahadevan	Whole Time Director
V K Gupta	Director
G Radhakrishnan	Director
S K Sridhar	Director
Sasikala Raghupathy	Director

**Chief Executive Officers**

A Swaminathan	Power Projects
Major H L Khajuria	Environmental Engineering
G Suresh	Captive Power
V Balakrishnan	Electrical Projects
G Mahadevan	Energy
S Ilanchezhian	Air Fin Cooler
R Ramesh Kumar	President - Corporate & Secretary

**Statutory Auditor**

M/s. Manohar Chowdhry & Associates  
Chartered Accountants, Chennai

**Internal Auditors**

M/s. J V Associates  
Cost Accountants & Public Auditors, Chennai

M/s. B B Naidu & Co.,  
Chartered Accountants, Chennai

M/s. V Krishnan & Co.,  
Chartered Accountants, Chennai

**Bankers**

State Bank of India  
State Bank of Hyderabad  
State Bank of Travancore  
State Bank of Patiala  
State Bank of Bikaner & Jaipur  
State Bank of Mysore  
State Bank of Indore  
Industrial Development Bank of India  
UCO Bank  
Indian Bank  
Corporation Bank

**Registered office**

A-5, Pannamgadu Industrial Estate,  
Ramapuram Post, Nellore District, Pin: 524401

**Corporate Office**

443, Anna Salai, Teynampet, Chennai 600018

**Regional Offices**

48, Okhla Industrial Estate, Phase III  
New Delhi 110020

25 E, Lorette Ville, Santacruz West,  
Main Avenue, Mumbai 400054

### To the members of GEA ENERGY SYSTEM (INDIA) LIMITED

Notice is hereby given that the Twenty First annual general meeting of GEA Energy System (India) Limited will be held at the Registered Office at A-5, Pannamgadu Industrial Estate, Pannamgadu, Ramapuram (Post), Nellore District, Andhra Pradesh on Wednesday, the 11th July, 2007 at 10.00 a.m. to transact the following business.

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the period ended 31st March, 2007 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a director in the place of Mr. V. R. Mahadevan, who retires by rotation and being eligible for re-appointment, offers himself for re-appointment.
4. To appoint a director in the place of Mr. V. K. Gupta, who retires by rotation and being eligible for re-appointment, offers himself for re-appointment.
5. To appoint the auditors and to fix their remuneration.

#### SPECIAL BUSINESS

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

“RESOLVED that pursuant to Section 94 (1) (a) of the Companies Act, 1956 and other applicable provisions, if any, the authorized capital of the company be and is hereby increased from 15,00,00,000/- (Rupees Fifteen crores only) divided into 1,50,00,000 Equity Shares of Rs.10/- each to Rs.100,00,00,000/- (Rupees One hundred crores only) divided into 10,00,00,000 Equity shares of Rs.10/- each ranking pari passu with the existing shares.”

7. To consider and, if deemed fit, to pass the following resolution, with or without modification, as an ordinary resolution.

“RESOLVED that the existing Clause V (a) of the Memorandum of Association of the Company be deleted and the following new clause be substituted therefor.”

“The Authorised Share Capital of the Company is Rs.100,00,00,000/- (Rupees One hundred

only) divided into 10,00,00,000 Equity Shares of Rs.10/- (Rupees Ten only) each increased and / or reduced in accordance with relevant provisions of the Companies Act, 1956.”

8. To consider and, if deemed fit, to pass the following resolution, with or without modification, as a special resolution.

“RESOLVED that an amount of Rs.54,00,00,000/- (Rupees Fifty four crores only) standing to the credit of the Profit and Loss Account in the books of account of the company as on 31st March, 2007 be and is hereby capitalized and such sum be set free for distribution among the holders of existing fully paid up equity shares of Rs.10/- each of the Company, whose name appear in the Register of Members of the company on a date to be decided by the Board in this regard, as an increase of the amount of the share capital of the company held by the each such member, and not as income or in lieu of dividend, credited as fully paid up equity shares as bonus shares in the proportion of five new equity shares for every one existing fully paid up equity shares held.”

“FURTHER RESOLVED that the above proposal will be subject to the following terms and conditions :

- a. The new equity shares to be allotted as bonus shares will be allotted subject to the terms of the Memorandum and Articles of Association of the Company.
- b. The new equity shares shall rank pari passu in all respects with and carry the same rights as the existing fully paid up shares of the company and, notwithstanding the date or dates of allotment thereof, shall be entitled to participate in full in any dividend to be declared in respect of the financial year in which allotment of new equity shares pursuant to this resolution is made.”

“FURTHER RESOLVED that for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things whatsoever with regard to or in relation to the issue or allotment of bonus shares.”

9. To consider, and if deemed fit, to pass the following resolution, with or without modification, as a special resolution.

“RESOLVED that the regulations contained in the draft Articles of Association submitted to this meeting, duly initialed by the Chairman for the purpose of identification, be and are hereby approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of all the existing articles thereof.”

“RESOLVED FURTHER that the Secretary of the Company be and is hereby authorized to take all necessary steps for giving effect to the resolution.”

10. To consider and, if deemed fit, to pass the following resolution, with or without modification, as an ordinary resolution.

“RESOLVED THAT the company hereby approves the remuneration payable to Mr.B.G. Raghupathy, Managing Director as set out below and such remuneration shall be subject to the limits under section 198, 268, 310 and Schedule XIII of the Companies Act and the revision shall be effective from 1st April, 2007 and be valid for the remainder of the current term of appointment:

- a. Salary : Rs.10,00,000 per month
- b. Perquisites : Not exceeding a sum of annual salary
- c. Commission : 5% percent of net profits of the company per financial year as reduced by the sums of money paid by way of salary and perquisites during each such financial year.”

11. To consider, and if deemed fit, to pass the following resolution, with or without modification, as an ordinary resolution.

“RESOLVED that pursuant to Section 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 the company hereby approves the remuneration payable to Mr.V.R. Mahadevan, Whole Time Director of the Company be varied effect from 6th February, 2007 for the remainder of the current term of appointment :

#### I. Remuneration

- (a) Salary : Rs.82,500/- per month
- (b) Special Pay, allowances and reimbursement of expenses: Rs.1,63,500 per month.

#### II. Perquisites

- (a) Reimbursement of medical expenditure incurred for self and family subject to a ceiling of one month’s salary per annum.
- (b) Leave Travel Concession for self and family.
- (c) Fees of clubs subject to a maximum of two clubs; this will not include admission and life membership fee.

- (d) Personal accident and medical insurance for self and family.
- (e) Contribution towards provident fund will be subject to a ceiling of 12 % of the salary.
- (f) Gratuity payable shall not exceed one half month's salary for each completed year of service.
- (g) Provision and maintenance of car with driver for use on company's business.
- (h) Unavailed leave will be allowed to be encashed as per rules of the Company.
- (i) Provision of telephone at residence. Personal long distance calls shall be billed by the company to the appointee as per rules of the Company.
- (j) Reimbursement of entertainment expenses properly incurred for the company's business.

The allowances and perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 and rules there under. In the absence of such rules, they shall be evaluated at actual cost. However, company's contribution to provident fund, gratuity fund and encashment of leave to the extent, singly or together which are not taxable, shall not be included in the computation of limits for the remuneration.

"ALSO RESOLVED that all other terms and conditions of appointment approved by the Board and General meeting held on 1st June, 2005 and 30th March, 2006 respectively shall remain unaltered."

12. To consider and, if deemed fit, to pass the following resolution, with or without modification, as an ordinary resolution.

"RESOLVED that pursuant to Section 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 the company hereby approves the remuneration payable to Mr.S. Rathinam as Director- Finance of the Company be varied effect from 1st June, 2007 for the remainder of the current term of appointment :

**I. Remuneration:**

- (a) Salary : Rs.87,500/- per month
- (b) Special Pay, allowances and reimbursement of expenses: Rs.1,78,500 per month.



## II. Perquisites

- (a) Reimbursement of medical expenditure incurred for self and family subject to a ceiling of one month's salary per annum.
- (b) Leave Travel Concession for self and family.
- (c) Fees of clubs subject to a maximum of two clubs; this will not include admission and life membership fee.
- (d) Personal accident and medical insurance for self and family.
- (e) Contribution towards provident fund will be subject to a ceiling of 12 % of the salary.
- (f) Gratuity payable shall not exceed one half month's salary for each completed year of service.
- (g) Provision and maintenance of car with driver for use on company's business.
- (h) Unavailed leave will be allowed to be encashed as per rules of the Company.
- (i) Provision of telephone at residence. Personal long distance calls shall be billed by the company to the appointee as per rules of the Company.
- (j) Reimbursement of entertainment expenses properly incurred for the company's business.

The allowances and perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 and rules there under. In the absence of such rules, they shall be evaluated at actual cost. However, company's contribution to provident fund, gratuity fund and encashment of leave to the extent, singly or together which are not taxable, shall not be included in the computation of limits for the remuneration.

"ALSO RESOLVED that all other terms and conditions of appointment approved by the Board and General Meeting held on 2nd March, 2006 and 30th March, 2006 respectively shall remain unaltered."

13. To consider and, if deemed fit, to pass the following resolution, with or without modification, a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of



the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the company, including any Director, whether whole time or otherwise (except any director who is a promoter or belongs to the promoter group or otherwise, who holds, either by himself or through his relative, or through any body corporate, directly or indirectly, more than 10% of the outstanding equity Shares of the Company), of the Company, options exercisable into shares or securities convertible into equity shares not exceeding up to 1.5% of the paid-up capital of the Company at any point in time, under one or more employee stock option schemes ("the Schemes"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of Rs.10/- each fully paid-up on payment of requisite exercise price of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company."

"RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of the Securities, the Board/ Compensation Committee of the Board be and is hereby authorized on behalf of the Company to do all such acts, things, deeds and matters as it may, in its absolute discretion deem necessary or desirable for such purpose including but not limited to framing rules relating to taxation matters arising out of grant/ exercise of stock options and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) implementation of the Scheme (including to amend or modify any of the terms of such issue or allotment) without being required to seek any further consent or approval of the Members, as it may in its absolute discretion deem fit;

"RESOLVED FURTHER THAT the Board/Committee of the board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and any other applicable laws and to delegate all or any powers including fixing the grant price of

option herein conferred to any Committee of Directors and subject to necessary approval of the shareholders, if required.”

“RESOVED FURTHER THAT without prejudice to the generality of the above, but subject to the terms, as approved above by the members, the Board/Compensation Committee or such person who may be authorized in this regard by the Board/Compensation Committee, be and is hereby authorised to implement the Scheme, with or without modifications and variations, in one or more tranches in such manner as the Board/Compensation Committee or any other person authorized by the Board/Compensation Committee may determine.”

By order of the Board

Place : Chennai  
Date : 25.05.2007

R. Ramesh Kumar  
President - Corporate & Secretary

**Note:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the company. Proxy in order to be valid shall be deposited at the Registered Office of the company atleast 48 hours before the time for holding the meeting.
2. Explanatory statement as required under section 173(2) of the Companies Act, 1956 is appended herewith.

## EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

### Item No.6 & 7

The present authorized share capital of the company is Rs. 15,00,00,000/- and the same is proposed to be increased to Rs. 100,00,00,000/- divided into 10,00,00,000 equity shares of Rs. 10/- (Rupees Ten) in order to create unissued share capital so as to accommodate the proposed capitalization of profits to the extent of Rs.54.00 Crores and the Initial Public Offering. Consequent to the increase of the authorized share capital, it is necessary to alter the capital clause of the Memorandum and Articles of Association of the Company. A copy of Memorandum and Articles of Association of the Company together with the proposed alteration thereto is available at the Registered office for inspection during the business hours of the Company. None of the Directors are interested or concerned in the above resolutions.

### Item No.8

In order to reward the shareholders and to demonstrate the ability of the company to deliver higher levels of performance in the years to come, your directors have decided to issue bonus shares to the equity shareholders of the company in the ratio of five new fully paid up equity shares for every one fully paid up shares held. For this purpose, it is proposed to capitalize a sum of Rs.54.00 crores standing to the credit of Profit and Loss account of the Company. The bonus shares will be allotted on a date to be determined by the Board of Directors. The Directors of the Company are interested in this resolution to the extent of bonus shares that would be allotted in respect of the shares held by them and their relatives.

### Item No.9

The Articles of Association of the Company is proposed to be altered by adoption of a set of new regulations in the Articles of Association so as to be in compliance with the requirements of Listing agreement and Depositories Act, 1996. A copy of the proposed Articles of Association is available at the Registered office for inspection during the business hours of the Company. None of the Directors are interested or concerned in the above resolution.

### Item No.10,11 &12

The Board of Directors at its meeting held on 25th May, 2007 approved the revision in remuneration payable to Mr.S. Rathinam, Director Finance and Mr.V.R. Mahadevan, Whole Time Director so as to ensure that compensation is in tune with the market. In the case of Managing Director, Mr.B.G.Raghupathy, the overall remuneration remains unaltered as approved by the members at the annual general meeting held on 29th March, 2004 except the salary and perquisite payable monthly.

This explanatory statement may be treated as an abstract under Section 302 of the Companies Act, 1956. None of the Directors are interested or concerned in this resolution except Mr.B.G. Raghupathy, Mr.S. Rathinam and Mr. V. R. Mahadevan.

### Item No.13

The Board of Directors at its meeting held on 25th May, 2007 approved Employee Stock Option Scheme (“ESOS”) for the key employees of the Company. People are the greatest assets of any business/company’-however clichéd, this statement will never lose its relevance or its meaning. The growth and development of any enterprise become a reality thanks to the contribution of its people. Employees are ‘business partners’ in the true sense of the word. With the objectives of securing greater employee participation; motivating the employees to contribute to the growth and profitability of the Company; enabling them to participate in the long-term growth and financial success of the organisation, and with a common objective of maximizing the shareholder value, it is proposed to grant employee stock options to employees through one or more employee stock option schemes. This would enable the Company to reward past loyalty and performance and to develop a greater sense of ownership with the organisation.

#### THE MAIN FEATURES OF THE EMPLOYEE STOCK OPTION SCHEMES ARE AS UNDER:

##### 1. Total number of options to be granted:

Options convertible into such number of equity shares not exceeding 1.5% of the paid-up capital of the Company at any point in time (including those options granted to the employees of the company’s subsidiaries) will be available for being granted to eligible employees of the Company under one or more employee stock option Schemes. Each option (after it is vested) will be exercisable for one Equity share of Rs. 10 each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise would be available for being re-granted at a future date.

##### 2. Identification of classes of employees entitled to participate in the employee stock option schemes:

All permanent employees of the company including Directors (excluding promoters and any director who holds either by himself or through his relative, or through any body corporate, directly or indirectly, more than 10% of the outstanding equity Shares of the Company), whether working in India or abroad, as may be decided by the Board, from time to time, would be entitled to participate in the employee stock option schemes.

Employees may be granted Stock Options based on performance and such other criteria as the Board may, in its absolute discretion decide. The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner.

**3. Requirements of vesting and period of vesting:**

The options granted shall vest so long as the employee continues to be in the employment of the Company. Vesting of the options shall take place over a maximum period of 5 years with a minimum vesting period of 1 year from the date of grant. The Board would determine the exact proportion and period in which the options would vest.

The Board may, in its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted under the schemes would vest (subject to the minimum vesting period as specified above).

**4. Exercise Price:**

The options granted may be exercised at a price not less than the face value per share per option.

**5. Exercise Period and the process of Exercise:**

The exercise period would commence from the date of listing and will expire on completion of 5 years from the date of Listing (for options that vest prior to the listing) and the exercise period would commence from the date of vesting and will expire on completion of 5 years from the date of vesting of options (for options that vest after the listing).

The options will be exercisable by the employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board from time to time.

**6. Appraisal Process for determining the eligibility of the employees to ESOP:**

The appraisal process for determining the eligibility of the employee will be specified by the Board, and will be based on criteria such as seniority of employee, length of service, performance record, merit of the employee, future potential contribution by the employee and/or such other criteria that may be determined by the Board at its sole discretion.

**7. Maximum number of options to be issued per employee and in aggregate:**

The number of options that may be granted to employees under any of the Schemes shall be determined by the Compensation Committee from time to time. However, grant of options to identified employees, during any one year shall not be equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of options.

**8. Disclosure and Accounting Policies:**

The Company shall comply with the disclosure and the accounting policies prescribed by concerned authorities.

**9. Method of option valuation**

To calculate the stock-based compensation, the Company shall use the Intrinsic Value method for valuation of the options granted.

If the Company calculates the employee compensation cost using intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the company, consent of the members is sought pursuant to Section 81(1A) of the Companies Act, 1956.

None of the Directors of the Company are in any way, concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the Scheme.

By order of the Board

Place : Chennai  
Date : 25.05.2007

R. Ramesh Kumar  
President - Corporate & Secretary



## To the members of GEA ENERGY SYSTEM (INDIA) LIMITED

Your directors have great pleasure in presenting their Twenty first Annual Report together with the audited financial statements for the period ended 31st March, 2007. The highlights of the financial performance of the company during the period 18 months ended 31st March, 2007 in comparison with the previous financial year ended 30th September, 2005 are summarized as below:

## FINANCIAL RESULTS

	(Rs. Crore)	
	2005-07 (18 Months)	2004-05 (12 Months)
Total Income	777.70	292.74
Operating Expenses	691.63	265.54
Operating Profit	86.07	27.20
Interest	17.44	5.74
Depreciation	8.13	2.75
Profit before tax	60.50	18.69
Provision for tax and FBT	21.31	5.44
Profit after tax	39.19	13.25
Add : Balance brought forward from previous year	31.58	22.11
Balance available for appropriation	70.77	35.37
<b>Less :</b>		
Dividend	3.24	2.16
Tax on dividend	0.55	0.30
To general reserve	3.92	1.32
Balance carried to Balance Sheet	63.06	31.58

## DIVIDEND

Your directors recommend payment of dividend of Rs.3/- per equity share of Rs.10/- each which translates to an annual dividend to 20%. Your directors wish to carry an amount of Rs.63.06 Crore to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserves.

## YEAR IN RETROSPECT AND OPERATIONS REVIEW

The period ended 31st March, 2007 has been a watershed in the progress of your company to become a world class turnkey engineering and project construction company. During the period ended 31st March, 2007, your company has achieved an all time high turnover of Rs.775.14 Crores which accounts for growth of 79% on annualised basis. It is heartening to note that the pre-tax profit has also



grown at 116% on annualised basis. The period has been a historical one during which your company has secured the following prestigious and path breaking contracts.

- a) Balance of Plant and civil works for 500 MW Vijayawada Thermal Power Project of APGENCO valuing Rs. 578.80 Crores.
- b) Balance of Plant and civil works for 500 MW Kakatia Thermal Power project of APGENCO valuing Rs. 694.86 Crores.
- c) Contract from State Company for Oil Projects, Iraq (SCOP) for design & supply of Gas Processing Complex of KORMOR Gas Field Development project for a value of USD 76.60 Million. This is the major break through in your company becoming a lump sum turnkey (LSTK) contractor in Oil & Gas sector.
- d) Hydro Carbon storage facility for SCOP, Iraq valuing USD 17,884,595.
- e) EPC contract from Tamil Nadu Electricity Board for 92.2 MW gas based combined cycle power project at Valuthur for a value of Rs. 355.30 Crores.
- f) Air Fin Cooler division has secured its ever largest contract from Samir, Morocco for supply of Air Cooled Heat Exchangers for Samir Refinery at Morocco.
- g) Order for supply of Fuel Gas System from Alstom Switzerland for a project in United Kingdom. This is the first order secured by your company with CE marking which opens up entry into European countries for supply of Fuel Gas Systems.

In the backdrop of robust order booking, your company carries over an order backlog of over Rs.2,100 Crore as of 01-04-2007 including export orders of Rs.470 Crore. Having emerged as the lowest bidder, your company is expecting award of contract for Rs.1,000 Crore from MAHAGENCO for Balance of Plant contract for a coal based power project in Maharashtra The orders on hand compels your company to deliver and achieve a revenue of atleast Rs.1,600 Crores for the year ending 31st March, 2008.

During the period under review, your company became the first company in India to have secured Balance of Pant contract for a 500 MW coal based power station. Your company also secured Category - F Inter-state trading license to trade in power from Central Electricity Regulatory Commission. Your directors wish to state that these developments are of high strategic value and have catapulted your company into a high growth trajectory. Your directors are confident of achieving and sustaining these high rates of growth in order booking, turnover and profitability in the years to come.

On 31st March, 2007, your company has successfully completed the open cycle commissioning of the 330 MW Dholpur gas based power station of RRUVNL on open cycle mode as per contractual schedule.

## INDUSTRY AND FUTURE OUTLOOK

Your company operates in two vital and high growth sectors of the economy i.e., Energy and Oil & Gas sector. The Indian government initiatives to achieve “Power for all by 2012” have brought a new paradigm in the outlook for power sector in India. The investments in power sector by public utilities, industries and private IPPs are witnessing positive impact. The capacity addition planned by utilities, captive power industry and IPPs are estimated to be of the order of 130,000 MW during the 11th Plan period. These capacity addition offers unparalleled and unprecedented business opportunities to your company and your company has taken strategic initiatives and measures to avail itself of these opportunities in the years to come. The company has full in-house capabilities to scale up operations and sustaining profitability by building strong teams in design, engineering and technology capabilities.

With boom in oil and gas price, large investments are expected in the Oil & Gas sector in the next five years leading to capacity expansion, green field projects and down stream projects. Expansion of process sector as a whole in India and Middle East offer huge prospects for setting up of Oil & Gas and Petrochemical complexes. The enhanced industrial activities in the Middle East under the Gas reserve monetization programme are expected to open up unparallel business potential and opportunities.

The Transmission and Distribution (T & D) sector in the background of addition of generation capacity will also enable your company to become a dominant player in T & D segment.

In order to address the growing market opportunities, your company is taking steps to set up manufacturing facilities in Middle East, China and an unit in SEZ. CAPEX plan for these facilities have been finalized and all units are expected to go on stream in the current year and next year. In order to ensure that your company live up to the best delivery of products and services, your company put in place a “Standard Operating Systems and Procedure” and is implementing SAP Enterprise Resource Planning solution.

Your company has strong foundation with 17 hi-tech products catering to Power, Oil & Gas and process industries. Because of its quality and on time delivery, your company has secured large contracts for these products from developed countries. Your company’s exports to Middle East and South East Asia are steadily increasing. Your company is taking necessary steps to make available the products to global customers from strategic manufacturing locations. This initiative will increase the turnover from products to manifold on the industrial equipment business segment. Your company is qualified as a BOP and EPC Contractor for large thermal power stations. During the next twelve months your company is well positioned to secure EPC contracts worth Rs.7,000 Crores for two large power stations. Your company is very selective in choosing projects depending upon the Client, Site conditions, payment security and possibility of achieving higher profits. Your company has identified order booking target worth Rs.15,000 Crores during the year 2008-09.

Your company has also well positioned to take LSTK contracts in Oil & Gas and Petrochemical sectors and the turnover from these business would be substantial in the years to come.

## PERFORMANCE OF SUBSIDIARIES

Your company's subsidiary Progen Systems and Technologies Limited which is engaged in the business of manufacture of Welded Finned Tubes and Pressure Vessels for power and process industries has achieved a turnover of Rs. 1290.44 lakhs and net profit of Rs. 64.54 Lakhs for the period ended 31st March, 2007. During the year Progen secured a prestigious export order from Proplant, USA.

Your company's fully owned subsidiary Schmitz Reinigungskugeln GmbH has achieved a turnover of Euro 165.063,52 and a profit of Euro 3.599,86.

## STATUTORY INFORMATION

The manufacturing operations of your company are not energy intensive and hence the information relating to conservation of energy are not disclosed. The information relating to technology absorption, research and development are given in Annexure I to this report. During the period 2005 - 07, your company has earned foreign exchange of Rs. 9699.49 Lakhs and foreign exchange outgo during the same period was Rs.857.29 Lakhs. The particulars to be disclosed in terms of section 217(2A) of the Companies Act, 1956 are given below :

NAME	B. G. RAGHUPATHY	S. RATHINAM	V. R. MAHADEVAN
Designation & Nature of duties	Chairman & Managing Director- In charge of strategic and corporate management	Director - Finance. Head Finance & Accounts	Whole Time Director Incharge of Infrastructure business, Technologies and Human Resources.
Remuneration	Rs.1,00,17,790	Rs.42,29,012	Rs.36,55,455
Qualification	B.Sc	B.Sc., FCA.,	B. E.
Age	54 Years	56 Years	48 Years
Experience	33 Years	30 Years	25 Years
Date of Commencement of Employment	18th February, 1985	6th May, 1992	1st August, 1987
Nature of Employment	Contractual	Contractual	Contractual
Last employment held	Chief Executive - Introls	Joint General Manager (Finance) - Tamil Nadu Industrial Explosives Limited	Project manager Best & Crompton Ltd.

## BOARD OF DIRECTORS

Mr. V. R. Mahadevan and Mr. V. K. Gupta retire by rotation at the ensuing annual general meeting in accordance with the provisions of the Companies Act, 1956 and they offer themselves for re-appointment. The Board recommend their re-appointment.

## DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to directors' responsibility statement, it is hereby confirmed that:

- a) In the preparation of the annual accounts for the period ended 31st March, 2007 the applicable accounting standards have been followed;
- b) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2007 and of the profit of the company for the period ended 31st March, 2007;
- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) The directors have prepared the annual accounts for the period ended 31st March, 2007 on a going concern basis;

## AUDIT COMMITTEE

Pursuant to section 292A of the Companies Act, 1956 the Board constituted the Audit committee, which comprised of the following directors.

1. Mr. V. K. Gupta, Chairman
2. Mr. S. Rathinam, Director - Finance
3. Mr. S. K. Sridhar, Director

A brief professional background of the chairman and members and the terms of reference of the committee are given in the Annexure - II to this report.

## AUDITORS

The company's statutory auditors M/s. Manohar Chowdhry & Associates retire at the conclusion of the ensuing annual general meeting and are eligible for re-appointment. The Board recommends their reappointment.

## ACKNOWLEDGEMENTS

The Board places on record its sincere appreciation towards the company's valued customers in India and abroad for the support and confidence reposed by them and looks forward to the continuance of this mutually beneficial relationship in future. Your directors wish to gratefully acknowledge the enhanced assistance and support extended by Banks. Your directors place on record their appreciation for the contribution made by all employees at various levels which enabled your company to achieve all time high performance during the period under review.

For and on behalf of the Board

Place: Chennai  
Date : 25.05.2007

B. G. Raghupathy  
Chairman

## ANNEXURE - I

### FORM - B

#### DISCLOSURE OF PARTICULARS WITH RESPECT TO :

#### RESEARCH AND DEVELOPMENT (R & D)

- |    |  |  |
|----|--|--|
| 01 | <b>Specific areas in which R &amp; D carried out by the company.</b> | <ul style="list-style-type: none"> <li>a) Development and manufacturing of On line ball management system.</li> <li>b) Design &amp; development of quick opening Manhole for NB700.</li> <li>c) Design &amp; implemented of new sight glass for cylindrical ball vessel.</li> <li>d) Design and development of compact "V" Piece.</li> </ul> |
| 02 | <b>Benefits derived as a result of the above R &amp; D.</b>          | <ul style="list-style-type: none"> <li>a) Unmanned user-friendly system.</li> <li>b) Quick opening &amp; easy maintenance.</li> <li>c) Compact design, reduction in weight &amp; cost effective.</li> <li>d) Easy fabrication time saving resulting in cost saving.</li> </ul>   |
| 03 | <b>Future plan of action.</b>  | <ul style="list-style-type: none"> <li>a) Cost effective Off line ball sorter for Domestic marketing.</li> <li>b) Due to high C.W. velocity in power plant it warrants to design wire wedge Debris filter with lower DP.</li> <li>c) Alternative vendor for Pumps.</li> </ul>  |
| 04 | <b>Expenditure on R &amp; D.</b>                                     | NIL  |

## ANNEXURE - II

### CONSTITUTION OF AUDIT COMMITTEE & TERMS OF REFERENCE

#### CONSTITUTION

Mr. V. K. Gupta, is a practicing Chartered Accountant and renders expert advisory services to corporates and involved in corporate turnaround strategies.

Mr. S. Rathinam, is a Chartered Accountant and he brings with him 30 years of rich and varied knowledge and expertise in accounts, finance, audit, taxation and business management.

Mr. S. K. Sridhar, is engaged in international trading of commodities and minerals with more than 22 years of experience and he has been a director of the company since 30-06-1989.

#### TERMS OF REFERENCE

##### I. Mandatory

- a) Internal control systems and ensure compliance thereof.
- b) Scope of statutory and internal audit.
- c) Action taken on observations of auditors.
- d) Review of half-yearly and annual financial statements.

##### II. Additional

- a) Overseeing company's reporting process.
- b) Appointment and fixing of remuneration of auditors.
- c) Approval of payments to auditors for other services.
- d) Change in accounting policies and practices.
- e) Accounting entries based on exercise of judgment.
- f) Qualification in draft audit report.
- g) Related party transactions.
- h) Follow up action on internal audit.
- i) Investigations into fraud or irregularity etc., and action thereon.
- j) Review of company's financial and risk management policies.
- k) Servicing of institutional and bank debts.
- l) Compliance with tax laws-Fiscal, sales tax, central excise, customs, local tax etc.,



### Report of the auditors to the members of M/s. GEA ENERGY SYSTEM (INDIA) LTD

1. We have audited the attached Balance Sheet of M/s. GEA ENERGY SYSTEM (INDIA) LTD as at 31st March 2007 and the Profit and Loss account and Cash Flow Statement for the 18 months period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 as amended by the Companies (Auditors Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the report referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;
  - (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of the written representations received from the directors, as on 31st March 2007, and taken on record by the Board of Directors, we report that none of the

Directors Are disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- (vi) In our opinion and to the best of our information and according to the explanations given tous, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
  - b. In the case of the Profit and Loss account, of the profit for the 18 months period ended on that date; and
  - c. In the case of the cash flow statement, of the cash flows for the 18 months period ended on that date.

For M/s. MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 25.05.2007

G.R.HARI  
Partner  
M.No.206386

**ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF  
M/s. GEA ENERGY SYSTEM (INDIA) LTD.**

Annexure referred to in paragraph 3 of the Report of the Auditors to the Members of M/s. GEA ENERGY SYSTEM (INDIA) LTD for the 18 months period ended 31st March 2007:

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The company has a phased programme for physical verification of fixed assets over a period of time. In accordance with the programme, the fixed assets have been verified and no material discrepancies were noticed on such verification; and
- (c) The company has not disposed off any substantial part of fixed assets during the period.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals;
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business; and
- (c) The company is maintaining proper records of inventory. There are no material discrepancies noticed on physical verification between book stock and physical stock.
- (iii) (a) The company has granted a sum of Rs. 45.78 lakhs as interest free unsecured loans, to two parties covered in the register maintained under section 301 of the Act;
- (b) In our opinion and as per the information and explanation given to us, the terms and conditions of the said loans are not prima facie prejudicial to the interest of the company;
- (c) In our opinion and on verification of the books of account there has been no receipt of the principal amount during the year;
- (d) In our opinion, in respect of the above mentioned loans reasonable steps have been taken by the company for recovery of the principal;

- (e) The company has availed a sum of Rs.58.19 Lakhs as unsecured loans from 12 parties covered in the register maintained under section 301 of the Act;
  - (f) In our opinion and as per the information and explanation given to us, the terms and conditions of the said loans are not prima facie prejudicial to the interest of the company; and
  - (g) During the year, the company has been generally regular in repayment of the loans.
- (iv) In our opinion, there exists an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. There are no instances of continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and on verification of the register maintained u/s.301, the particulars contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and
- (b) The transactions made in pursuance of such contracts or arrangements have been made at prices, which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) There is no order or notification by the Central Government prescribing maintenance of cost records by the Company u/s.209 (1)(d) of the Companies Act, 1956.
- (ix) (a) In our opinion and according to the information given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Custom Duty, Excise Duty, cess with the appropriate authorities.
- (b) The following are the year-wise details of Disputed Tax Liabilities and the forum in which they are pending:

Name of the Statute	Nature of dues	Amount due in lakhs	Period to which the amount relates	Forum Where dispute is pending
Central Sales Tax Act, 1956	Sales Tax	39.23	1997 - 98	High Court (AP)
Income Tax Act, 1961	Income Tax	0.39	1997 - 98	Commissioner Appeals, Hyderabad
Central Sales Tax Act, 1956	Sales Tax	0.12	1998 - 99	Commercial Tax Officer (AP)
Central Sales Tax Act, 1956	Sales Tax	3.35	1998 - 99	Tribunal (TN)
Central Sales Tax Act, 1956	Sales Tax	0.11	1999 - 00	Commercial Tax Officer (TN)
Income Tax Act, 1961	Income Tax	22.76	2000 - 01	ITAT, Hyderabad
APGST	Sales Tax	0.14	2001 - 02	Tribunal (AP)
Central Sales Tax Act, 1956	Sales Tax	2.97	2001 - 02	Appellate Tribunal (AP)
Kerala Sales Tax	Sales Tax	0.28	2001 - 02	Appellate Commissioner (KERALA)
Central Sales Tax Act, 1956	Sales Tax	29.85	2002 - 03	Appellate Deputy Commissioner (CT), Guntur (AP)
Central Sales Tax Act, 1956	Sales Tax	13.09	2003 - 04	Appellate Deputy Commissioner (CT), Guntur (AP)
APGST	Sales Tax	0.25	2003 - 04	Assistant commissioner, Nellore

- (x) The company does not have any accumulated losses and has not incurred cash losses in the preceding financial year.
- (xi) In our opinion and according to the information given to us, the company has not defaulted in repayment of dues to any financial institution or banks.
- (xii) In our opinion and according to the explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The company is not a Nidhi/ mutual benefit fund/society.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) The company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof, in our opinion, are not prejudicial to the interest of the company.
- (xvi) According to the information and explanations given to us, the company has utilized the term loan for the purpose for which it was obtained.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company

- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) The company has not issued any debentures.
- (xx) The Company has not raised monies by way of Public Issue.
- (xxi) In our opinion and according to explanations given to us, no fraud on or by the company has been noticed or reported during the 18 months period.

For M/s. MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 25.05.2007

G.R.HARI  
Partner  
M.No.206386

Description	Sch.No.	As at 31.03.2007 (Rs in lakhs)	As at 30.09.2005 (Rs in lakhs)
<b>SOURCES OF FUNDS</b>			
(1) Shareholders' Funds	1		
(a) Share Capital		1,080.00	1,080.00
(b) Share Application Advance		-	9.00
(c) Reserves and Surplus		7,320.61	3,780.08
(2) Loan Funds	2		
(a) Secured Loans		23,884.30	8,041.17
(b) Unsecured Loans		486.99	592.12
(3) Deferred tax (assets) / Liabilities, net		125.01	238.95
<b>Total</b>		<b><u>32,896.91</u></b>	<b><u>13,741.32</u></b>
<b>APPLICATION OF FUNDS</b>			
(1) Fixed Assets	3		
(a) Gross Block		5,075.23	3,740.70
(b) Less: Depreciation and Impairment		<u>2,015.69</u>	<u>1,235.88</u>
Net Block		3,059.54	2,504.82
(c) Capital work-in-progress		301.88	55.31
(2) Investments	4	510.69	492.98
(3) Current Assets, Loans & Advances	5		
(a) Inventories		2,603.86	1,577.22
(b) Loose Tools & Spares		18.55	11.59
(c) Sundry Debtors		36,680.02	11,645.45
(d) Cash and Bank balances		9,211.40	1,805.73
(e) Other Current Assets		488.61	345.80
(f) Loans and Advances		<u>8,829.16</u>	<u>2,692.31</u>
		<u>57,831.60</u>	<u>18,078.10</u>
<b>LESS:</b>			
Current Liabilities & Provisions	6		
(a) Liabilities		26,188.49	6,460.09
(b) Provisions		<u>2,618.31</u>	<u>966.99</u>
		<u>28,806.80</u>	<u>7,427.08</u>
Net Current Assets		29,024.80	10,651.02
(4) Miscellaneous Expenditure (to the extent not written off or adjusted)	7	-	37.19
<b>Total</b>		<b><u>32,896.91</u></b>	<b><u>13,741.32</u></b>
<b>Notes on Accounts</b>	15		

As per our report of even date  
For M/s. MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 25.05.2007

R. RAMESH KUMAR  
Company Secretary

S. RATHINAM  
Director-Finance

B.G. RAGHUPATHY  
Managing Director

G.R. HARI  
Partner  
M.No.20638



Description	Sch. No.	For the period ended 31.03.2007 (18 months) (Rs in lakhs)	For the year ended 30.09.2005 (12 months) (Rs in lakhs)
<b>INCOME</b>			
Sales & Services	8	77,514.18	28,899.70
Other Income	9	33.79	22.42
Increase in WIP		223.01	351.80
		<u>77,770.98</u>	<u>29,273.92</u>
<b>EXPENDITURE</b>			
Cost of Materials	10	55,516.64	20,597.80
Cost of Manufacturing	11	5,293.71	2,521.55
Other Direct Cost	12	1,571.49	471.16
Administration, Selling & General Expenses	13	6,782.80	2,964.31
Interest	14	1,743.78	573.88
Depreciation and Impairment	3	812.63	275.89
		<u>71,721.05</u>	<u>27,404.59</u>
<b>Profit before Tax</b>		<b>6,049.93</b>	<b>1,869.33</b>
Provision for Taxation			
Current tax		2,154.24	467.44
Deferred tax		(113.94)	53.96
Fringe Benefit Tax		90.04	22.24
<b>Profit after Tax</b>		<b>3,919.59</b>	<b>1,325.69</b>
Surplus brought forward		3,157.86	2,211.03
		<u>7,077.45</u>	<u>3,536.72</u>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		391.96	132.57
Proposed Dividend		324.00	216.00
Corporate Dividend Tax		55.06	30.29
Balance carried to Balance Sheet		<u>6,306.44</u>	<u>3,157.86</u>

**Notes on Accounts**
**15**

As per our report of even date  
For M/s. MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 25.05.2007

R. RAMESH KUMAR  
Company Secretary

S. RATHINAM  
Director-Finance

B.G. RAGHUPATHY  
Managing Director

G.R. HARI  
Partner  
M.No.20638

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007  
AND THE PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31st MARCH, 2007

Sch. No.	Description	As at 31.03.2007 (Rs in lakhs)	As at 30.09.2005 (Rs in lakhs)
<b>1. SHAREHOLDERS' FUNDS</b>			
<b>a) Share Capital</b>			
	Authorised 150,00,000 (150,00,000) Equity Shares of Rs.10/- each	<u>1,500.00</u>	<u>1,500.00</u>
	Issued, Subscribed and Paid up 108,00,000 (108,00,000) Equity Shares of Rs.10/- each Of the above, 106,50,000 (106,50,000) Equity Shares of Rs.10/- each were allotted as fully paid up bonus shares by capitalisation of profits.	<u>1,080.00</u>	<u>1,080.00</u>
	<b>b) Share Application Advance</b>	-	9.00
	<b>c) Reserves and Surplus</b>		
	i. General Reserve	<u>1,014.17</u>	622.22
	ii. Balance in Profit & Loss A/c	<u>6,306.44</u>	<u>3,157.86</u>
		<u>7,320.61</u>	<u>3,780.08</u>
<b>2. LOAN FUNDS</b>			
<b>a) Secured Loans</b>			
	i. Working Capital Loan from Banks	<u>22,307.00</u>	6,273.88
	ii. Fixed assets Loans	<u>871.18</u>	1,203.64
	iii. Term Loan from Bank	<u>706.12</u>	563.65
		<u>23,884.30</u>	<u>8,041.17</u>
<b>b) Unsecured Loans</b>			
	i. IFST	<u>307.46</u>	330.88
	ii. ICICI Bank Limited	<u>66.68</u>	133.34
	iii. Others	<u>112.85</u>	127.90
		<u>486.99</u>	<u>592.12</u>

### 3. FIXED ASSETS

(Rs in lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				IMPAIRMENT Loss up to 31.03.2007	NET BLOCK	
	As at 01.10.2005	Additions During the period	Deletions	As at 31.03.2007	Up to 01.10.2005	Additions During the period	Deletions	Up to 31.03.2007		WDV as at 31.03.2007	30.09.2005
Land	32.14	19.45	-	51.59	-	-	-	-	-	51.59	32.13
Buildings	195.53	23.06	-	218.59	72.22	9.82	-	82.04	-	136.55	123.44
Plant & Machinery	2,427.12	612.23	-	3,039.35	614.05	393.65	-	1,007.70	82.07	1,949.58	1,800.56
Furniture & Fixtures	73.38	46.35	-	119.73	57.40	24.32	-	81.72	9.44	28.57	15.13
Office Fixtures	108.02	107.48	-	215.50	96.80	13.98	-	110.78	-	104.72	11.25
Office Equipments	299.82	231.89	1.78	529.93	143.20	61.37	1.10	203.47	12.42	314.04	156.65
Electrical Installations	47.03	13.68	-	60.71	26.42	7.06	-	33.48	-	27.23	20.62
Vehicles	355.54	296.56	58.87	593.23	115.59	62.10	31.72	145.97	-	447.26	252.97
Technical Know-How	122.04	22.78	-	144.82	110.20	34.62	-	144.82	-	-	11.99
Development Expenses	80.08	21.70	-	101.78	-	101.78	-	101.78	-	-	80.08
<b>TOTAL</b>	<b>3,740.70</b>	<b>1,395.18</b>	<b>60.65</b>	<b>5,075.23</b>	<b>1,235.88</b>	<b>708.70</b>	<b>32.82</b>	<b>1,911.76</b>	<b>103.93</b>	<b>3,059.54</b>	<b>2,504.82</b>
PREVIOUS YEAR	2,570.84	1,186.15	16.29	3,740.70	969.07	275.89	9.08	1,235.88	-	2,504.82	-

Sch. No.	Description	As at 31.03.2007 (Rs in lakhs)	As at 30.09.2005 (Rs in lakhs)
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### 4. INVESTMENTS

#### Traded Quoted (at cost) :

i)	Indian Bank 13,970 Equity Shares of Rs. 91 per share (Market Value Rs.90.20 per share as on 31.03.2007)	12.71	-
ii)	SBI Mutual Fund-Magnum Multi Cap 50,000 units of Rs.10 each (NAV Rs.12.81 per unit as on 31.03.2007)	5.00	-

#### Non Trade Unquoted (at cost) :

##### a) Investment in Subsidiary Companies:

i)	Progen Systems and Technologies Limited 4,250,000 Equity Shares of Rs. 10 each,fully paid up (4,250,000 Equity Shares of Rs. 10 each,fully paid up)	425.00	425.00
ii)	Schmitz Reinigungskugeln GmbH Hildesheimer, Germany	57.69	57.69

##### b) Investment in Other Companies:

i)	GEA Cooling Tower Technologies (India) Private Limited 2,000 Equity Shares of Rs. 10 each,fully paid up (2,000 Equity Shares of Rs. 10 each,fully paid up)	0.20	0.20
ii)	Cuddalore Power Company Limited 10090 Shares of Rs. 100 each,fully paid up (10090 Shares of Rs. 100 each,fully paid up)	10.09	10.09

**510.69**

**492.98**

Sch. No.	Description	As at 31.03.2007 (Rs in lakhs)	As at 30.09.2005 (Rs in lakhs)
<b>5. CURRENT ASSETS, LOANS AND ADVANCES</b>			
a)	<b>Inventories</b>		
	(i) Raw Material, Consumables, Bought outs and Components	2,079.40	1,333.48
	(ii) Work-in-Progress	<u>524.46</u>	<u>243.74</u>
		<u>2,603.86</u>	<u>1,577.22</u>
b)	<b>Loose Tools &amp; Spares</b>	<u>18.55</u>	<u>11.59</u>
c)	<b>Sundry Debtors</b> (Unsecured and Considered good)		
	Over six Months	2,118.19	851.80
	Others	<u>34,561.83</u>	<u>10,793.65</u>
		<u>36,680.02</u>	<u>11,645.45</u>
d)	<b>Cash and Bank Balances</b>		
	i. Cash Balance	30.47	3.54
	ii. Bank Balances with Scheduled Banks		
	On Current Account	737.77	97.83
	On Deposit Account	<u>8,443.16</u>	<u>1,703.76</u>
	iii. Balances with Other Banks		
	On Current Account		
	Malayan Banking Berhad, Malaysia (Maximum amount outstanding at any time during the year Rs.0.60 lakhs (Rs.0.60 lakhs))	-	0.60
		<u>9,211.40</u>	<u>1,805.73</u>
e)	<b>Other Current Assets</b>		
	Interest accrued on deposits	209.63	66.82
	Share capital Advance	<u>278.98</u>	<u>278.98</u>
		<u>488.61</u>	<u>345.80</u>
f)	<b>Loans and Advances</b> (Unsecured and considered good)		
	i Advances recoverable in cash or in kind or for value to be received (Includes Rs.745.67 lakhs (Rs.764.97 lakhs) due from Progen Systems and Technologies Ltd, a subsidiary of this company.)	8,374.61	2,436.81
	ii Deposits	<u>454.55</u>	<u>255.50</u>
		<u>8,829.16</u>	<u>2,692.31</u>
<b>6. CURRENT LIABILITIES AND PROVISIONS</b>			
a)	<b>Current Liabilities</b>		
	Sundry Creditors (Includes Rs.167.18 lakhs (114.84 lakhs) due to Small Scale Industries for more than 30 days)	8,368.67	4,220.32
	Advances from customers	16,717.73	1,115.38
	Other liabilities	<u>1,046.25</u>	<u>1,100.92</u>
	Interest accrued but not due	<u>55.84</u>	<u>23.47</u>
		<u>26,188.49</u>	<u>6,460.09</u>

Sch. No.	Description	As at 31.03.2007 (Rs in lakhs)	As at 30.09.2005 (Rs in lakhs)
<b>b) Provisions</b>			
	Income tax	2,239.25	720.70
	Corporate dividend tax	55.06	30.29
	Proposed dividend	324.00	216.00
		<u>2,618.31</u>	<u>966.99</u>
 <b>7. MISCELLANEOUS EXPENDITURE</b>			
	Opening balance	37.19	19.92
	Add : Additions during the period	2.69	55.78
	<b>Sub-total</b>	<b>39.88</b>	<b>75.70</b>
	Less : Written off during the period	39.88	38.51
	Closing balance	<u>-</u>	<u>37.19</u>

Sch. No.	Description	For the period Ended 31.03.2007 (18 months) (Rs in lakhs)	For the year ended 30.09.2005 (12 months) (Rs in lakhs)
<b>8. SALES &amp; SERVICES</b>			
	Sale of Manufactured Goods	16,832.97	9,820.63
	Less: Excise Duty	<u>1,013.78</u>	<u>909.27</u>
	Net Sale of Manufactured Goods	15,819.19	8,911.36
	Contracting Income	55,561.68	19,600.57
	Trading of spares and commodities	5,360.70	231.20
	Erection & Service Income	772.61	156.57
		<u>77,514.18</u>	<u>28,899.70</u>
<b>9. OTHER INCOME</b>			
	Dividend from Investments	2.20	-
	Prior Period Item (Excess Royalty provision reversed)	23.89	-
	Others	7.70	22.42
		<u>33.79</u>	<u>22.42</u>
<b>10. COST OF MATERIALS</b>			
	Opening inventory (Raw materials, consumables Bought Outs and components)	1,333.48	895.89
	Add : Purchases	<u>56,262.56</u>	<u>21,035.39</u>
		57,596.04	21,931.28
	Less: Closing Inventory (Raw materials, consumables Bought Outs and components)	<u>2,079.40</u>	<u>1,333.48</u>
		<u>55,516.64</u>	<u>20,597.80</u>
<b>11. COST OF MANUFACTURING</b>			
	Testing Charges	105.94	30.99
	Part Processing Charges	5,120.52	2,452.17
	Power & Fuel	67.25	38.39
		<u>5,293.71</u>	<u>2,521.55</u>
<b>12. OTHER DIRECT COSTS</b>			
	Sales and Agency Commission	169.84	45.75
	Insurance	176.01	39.66
	Bank Charges	675.18	176.83
	Packing & Forwarding	535.56	194.99
	Royalty	14.90	13.93
		<u>1,571.49</u>	<u>471.16</u>

Sch. No.	Description	For the period Ended 31.03.2007 (18 months) (Rs in lakhs)	For the year ended 30.09.2005 (12 months) (Rs in lakhs)
<b>13. ADMINISTRATION, SELLING &amp; GENERAL EXPENSES</b>			
	Rent	437.30	138.18
	Repairs to Building	31.19	7.22
	Repairs to Machinery	12.13	7.15
	Repairs & Maintenance	155.08	68.74
	Salaries and Allowances	2,625.23	1,151.25
	Bonus	8.90	2.67
	Contribution to P.F., E.S.I., & Gratuity	215.87	70.09
	Workmen & Staff Welfare Expenses	322.14	152.08
	Insurance	64.40	29.95
	Rates and Taxes	59.74	39.72
	Electricity charges	111.39	53.12
	Administration Expenses	550.43	182.12
	Auditor's Remuneration		
	05-07	04-05	
	For Audit	13.48	4.49
	For Taxation Matters	3.37	1.12
	For Certification	0.32	0.23
		17.17	5.84
	Bank charges	275.26	95.25
	Bad Debts Written Off	143.91	-
	Conveyance and Vehicle Running Expenses	311.24	186.56
	Selling Expenses	212.57	103.60
	Loose Tools Written Off	8.65	12.20
	Miscellaneous Expenditure Written Off	39.88	38.51
	Loss on sale of Assets	5.03	0.65
	Professional charges	341.77	106.20
	Foreign Exchange Variation	3.99	39.36
	Sitting Fees	0.08	0.06
	Security charges	93.52	50.78
	Telephone, Telex, Fax, Courier & Postage	116.62	70.95
	Travelling Expenses - Inland	406.73	215.55
	Travelling Expenses - Overseas	212.58	136.51
		<u>6,782.80</u>	<u>2,964.31</u>
<b>14. INTEREST</b>			
	Interest on Bank Credit	1,528.36	374.63
	Interest on Term Loan	84.83	115.29
	Interest others	130.59	83.96
		<u>1,743.78</u>	<u>573.88</u>

As per our report of even date  
For M/s. MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 25.05.2007

R. RAMESH KUMAR  
Company Secretary

S. RATHINAM  
Director-Finance

B.G. RAGHUPATHY  
Managing Director

G.R. HARI  
Partner  
M.No.20638



## 01 SIGNIFICANT ACCOUNTING POLICIES

### a) Fixed Assets

Fixed Assets are shown at historical cost. Assets acquired under Loans are capitalized and finance charges thereon are expensed over the tenure of loans. Office Fixtures of temporary nature are capitalised and amortized over a period of five years.

### b) Depreciation

Depreciation has been charged on Straight line method on all assets at the rates prescribed under Schedule XIV.

### c) Inventories

Raw materials, consumables, stores and spares have been valued at cost, ascertained on weighted average basis. Work-in-progress value includes all direct costs and applicable production over heads to bring the goods to the present location and condition.

### d) Revenue Recognition

- i. Despatches are accounted as sales.
- ii. In respect of Construction contracts, executed over a period of more than one financial year, the company recognizes revenue on the basis of percentage of completion method.
- iii. Recognition of Revenue in a construction contract is based on the ratio of costs incurred to date to total estimated cost and physical work done as estimated by technical staff.
- iv. Sales include equipment billed but the despatch of which is withheld at the request of the customer.

### e) Foreign Currency Transactions

- i. Current assets and current liabilities in foreign currency are translated into Rupee at the closing rate as on 31.03.2007.

- ii. Investment in the overseas subsidiary is carried in the balance sheet at the original exchange rate prevailing at the time of investment.
- f) Long-term investments and marketable investments are valued at cost.
- g) The tax year for the Company being the year ending 31st March, the provision for taxation for the period is the aggregate of the provision made for the six months ended 31st March 2006 and the provision for the remaining twelve months up to 31st March 2007. The ultimate tax liability will be determined on the basis of the figures for the period 01.04.2006 to 31.03.2007.
- h) Deferred tax is recognized on timing differences between the accounting income and the taxable income for the period, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.
- i) One fifth of the value of loose tools & spares at the end of the period is written off to the profit and loss account. Loose tools acquired during the period and the actual cost of which is less than Rs.5,000/- have been fully written off.

## 02 SECURED LOANS

- a) Term Loan of Rs. 706.12 lakhs from Corporation Bank (Rs. 563.65 lakhs from UTI Bank) is secured by a first charge on fixed assets of the Company and guaranteed by the Managing Director.
- b) The company has availed Working Capital loan on pari-passu basis from State Bank of India and State Bank of Hyderabad. These loans are secured by hypothecation of inventories, book debts and movable current assets of the company except assets relating to certain contracts, the assets of which are hypothecated to the respective financing banks. These loans are further secured by personal guarantees of two Directors of the company, including the Managing Director of the company. The loan from State Bank of India and State Bank of Hyderabad is further secured by a second charge on the fixed assets of the company.
- c) The company has availed contract specific Working Capital loans from State Bank of India, State Bank of Hyderabad, State Bank of Travancore, State Bank of Patiala, State Bank of Bikaner & Jaipur, Uco Bank, State Bank of Indore, State Bank of Mysore, IDBI Bank and Indian Bank. These loans are secured by hypothecation of inventories, book debts and movable current assets of the respective contracts. The participating banks share the

security on pari-passu basis. These loans are further secured by personal guarantees of two Directors, including the Managing Director of the company.

- d) Secured Loans includes Rs.871.18 lakhs (Rs.1203.64 lakhs) for which the respective fixed assets acquired under Loan are held as security.

### 03 UNSECURED LOANS

- a) Unsecured Loan includes an amount of Rs.66.68 lakhs (Rs.133.34 lakhs) the repayment of which is guaranteed by the Managing Director.
- b) Unsecured Loan includes a sum of Rs.41.08 lakhs (Rs.40.66 lakhs) given by Directors.

### 04 CONTINGENT LIABILITIES

		As at 31.03.2007 (Rs. in Lakhs)	As at 30.09.2005 (Rs. in Lakhs)
i)	Bills Discounted	1488.81	251.48
ii)	Guarantees and CounterGuarantees	37678.21	3763.69
iii)	Undertakings (issued in favour of The President of India towards provisional duty bond for customs duty, legal undertakings for export obligation and end user undertakings for concessional customs duty)	4356.00	1829.65
iv)	Claims against the company not acknowledged as debt		
	a) On account of Sales Tax	89.39	46.81
	b) On account of Income Tax	23.15	4.26
	c) On account of Excise Duty	-	42.60
v)	Estimated amount of contracts remaining to be executed on capital account	86.65	243.98

## 05. CAPACITY AND PRODUCTION

Description	Units	Installed for the		Production for the		Sales for the	
		18 MONTHS PERIOD	YEAR ENDED	18 MONTHS PERIOD	YEAR ENDED	18 MONTHS PERIOD	YEAR ENDED
		31.03.07	30.09.05	31.03.07	30.09.05	31.03.07	30.09.05
Tube Cleaning System	Nos	150	100	149	73	149	73
Debris Filter	Nos	150	100	96	50	96	50
Air Cooled Heat Exchanger	No of Bundles	900	600	483	445	483	445
Deaerators	Nos	30	20	15	10	15	10
Oil and Gas Equipment	Nos	N.A	N.A	50	29	50	29

## 06. SUMMARY OF SALES

### PARTICULARS OF SALES

	For the period ended 31.03.2007 (18 Months) (Rs. Lakhs)	For the year ended 30.09.2005 (12 Months) (Rs. Lakhs)
Manufactured Equipments for Power/Process sector	15819.19	8911.36
Trading, Spares & Commodities	5360.70	231.20
Contract Income	55561.68	19600.57
Erection and Services Income	772.61	156.57
	<u>77514.18</u>	<u>28899.70</u>

## 07. VALUE OF IMPORTS ON CIF BASIS

	(Rs.lakhs)	(Rs. lakhs)
Raw materials and components	<u>3121.42</u>	<u>3292.69</u>

## 08. DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

S.NO	DESCRIPTION	Units	FOR PERIOD ENDED 31.03.2007 (18 MONTHS)		FOR THE YEAR ENDED 30.09.2005 (12 MONTHS)	
			Qty (lakhs)	Value (Rs. Lakhs)	Qty (lakhs)	Value (Rs. Lakhs)
1	Steel Plates	Kgs	35.37	1956.93	22.78	1173.97
2	Structurals	Mtrs	10.37	388.02	38.48	1447.25
3	Pipes, Tubes and Fittings	Kgs	11.32	1818.06	7.84	953.62
4	Bought Outs Mechanicals	Lots	-	672.43	-	530.81
5	Bought Outs Electrical	Lots	-	1011.02	-	885.95
6	Aluminum Fin Strips	Kgs	5.93	829.46	4.57	573.99
7	Elbows, Rounds & Others	Nos	0.03	14.18	0.07	27.04
8	Consumables	Lots	-	2710.93	-	1215.25
9	Trading Goods	Lots	-	154.40	-	58.04
10	Stores	Lots	-	6524.22	-	2574.37
11	Electrical Cables	Mtrs	0.95	82.76	0.76	66.11
12	Power Plant Machinery components and construction materials	Lots	-	39354.23	-	11091.40
	<b>Total</b>			<b>55,516.64</b>		<b>20,597.80</b>

## 09. VALUE OF RAW MATERIAL AND COMPONENT CONSUMED DURING THE YEAR

	For the 18 months period 31.03.2007 (Rs. Lakhs)	For the year ended 30.09.2005 (Rs. Lakhs)
Imported	2,749.40 (4.95%)	3,635.97 (17.65%)
Indigenous	52,767.24 (95.05%)	16,961.83 (82.35%)
<b>TOTAL</b>	<b>5,5516.64</b>	<b>20597.80</b>

## 10. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF:

	For the period Ended 31.03.2007 (18 Months) (Rs. Lakhs)	For the year ended 30.09.2005 (12 Months) (Rs. Lakhs)
i) Traveling	181.99	57.96
ii) Professional charges	137.68	13.57
iii) Commission on sales	122.61	73.37
iv) Royalty	13.67	-
v) Erection & Commissioning	119.65	0.12
vi) Technical Fees (Capital)	18.01	-
vii) Others	263.68	18.44
	<u>857.29</u>	<u>163.46</u>

## 11. EARNINGS IN FOREIGN EXCHANGE

i) Sales	9,635.61	5,010.21
ii) Services	63.88	34.14
	<u>9,699.49</u>	<u>5,044.35</u>

## 12. MANAGERIAL REMUNERATION

### a) Computation of Commission Payable to Managerial Personnel

Profit as per Profit and Loss A/c	6,049.93	1,869.33
Add: a) Directors remuneration Including commission	385.80	133.51
b) Directors sitting fees	0.08	0.06
c) Loss on sale of assets	5.03	0.65
	<u>6,440.84</u>	<u>2003.55</u>

	For the period Ended 31.03.2007 (18 Months) (Rs. Lakhs)	For the year ended 30.09.2005 (12 Months) (Rs. Lakhs)
Remuneration to Managing Director @ 5% on above profits of the Company	322.04	100.18
Less: Salaries, Allowances and perquisites to Managing Director	54.04	31.35
Commission to Managing Director	268.00	68.83

#### b) Directors' Remuneration

Salaries and Allowances to Managing Director	36.00	24.00
Salaries and Allowances to Other Directors	56.72	32.02
Perquisites to Managing Director	18.04	7.35
Perquisites to Other Directors	7.04	1.31
Commission to Managing Director	268.00	68.83
	385.80	133.51

13. Closing work in progress is net of Rs. 379.86 lakhs (Rs.290.05 lakhs) being advance received from customers.
14. Sundry Debtors-others includes Rs. 11,045.75 lakhs (Rs. 3,159.49 lakhs) which, in accordance with the terms of the contracts were not due for payments as at 31st March 2007.
15. Deposits amounting to Rs.6,164.41 lakhs (Rs.1,547.27 lakhs) and interest accrued thereon amounting to Rs. 238.71 lakhs (Rs.63.49 lakhs) are under lien to Banks.
16. Office equipments, office fixtures and furniture & fixtures include Rs.10.70 lakhs, (Rs.10.70 lakhs) Rs.36.70 lakhs (Rs.36.70 lakhs) & Rs.1.90 lakhs (Rs.1.90 lakhs) respectively which are prorate value of assets jointly owned along with other company. Plant and Machinery include Rs.916.08 lakhs (Rs.916.08 lakhs), which are jointly owned along with a Joint Venture, of which the Company is a member.



## 17. OUTSTANDING DUES TO SMALL SCALE INDUSTRIAL UNDERTAKINGS

The names of Small Scale Industrial Undertakings to whom the Company owes any amount, which is outstanding for a period exceeding 30 days as at the Balance Sheet date are :

AEP COMPANY	JAI GANESH IND
ALPFA POWER	J L ENTERPRISES
ABHIMAN PACKING P LTD	KARTIK STEELS LTD
AUTO CAP IND	KRISHNA SAA FEB PLTD
BHARTH ENGG	KAVERI METAL
BHARATH TAILORS	LAKSHMI ENGG
C APRECISION	NAVEEN INDUSTRIAL GASES AGENCY
CKB PRECIWAY ENGINEERING P LTD	PERFECT ENGG
CHERIAN VARKEY	PERFECT SERVICES
DEVI METALS	RAMAKRISHNA ENTERPRISES
DHANALAKSHMI ENGINEERING WORKS	RAJAMMA ENGINEERING
DASS ENGG ENTERPRISES	R D ENTERPRISES
ESSAR RUBBER INDUSTRIES	RAHUL ALLED IND
EVERESET ENGG ENTERPRISES	SETH ELECTRICAL P LTD
EMERALD WALWAY GRATES	SHK TOOLS
FABWELL ENGG	SAI ENTERPRISES
GUNAM HARD WARE MART	SUN DEVICES AND SYSTEMS
HETEN FASTNERS P LTD	SIKA INDIA P LTD
H. M. BROTHER	SABALUBRIANS
HEATTECH TOOLS	TURNWELL INDUSTRIES
HITECH SPUN VESSELS	TAMILNADU ENGINEERS AND FABS
HAJI TOOLOS & HARD WARE	VERSATEX SWITH GEARS
HITEN FASTNERS	WELTECH ENGINEERS
IEC FAB CHEM	

## 18 CONSTRUCTION CONTRACTS

<b>In respect of all construction contracts in progress</b>		<b>Rs. in Lakhs</b>
<b>Particulars</b>	<b>For the 18 months Period ended 31.03.07</b>	<b>For the year ended 30.09.05</b>
a. The aggregate amount of costs incurred And recognized profits (less recognized losses)	<b>51047.92</b>	15143.00
b. The amount of advances received	<b>18260.00</b>	708.83
c. The amount of retentions	<b>7468.25</b>	244.67
d. The gross amount due from customers for contract work as an asset	<b>10190.32</b>	6359.01
e. The gross amount due to customers for contract work as a liability	<b>10.47</b>	-

## 19. RETIREMENT BENEFITS

Gratuity liability of the company has been provided on accrual basis as on 31.03.2007 of which part of the liability has been covered by Group Gratuity Policy of Life Insurance Corporation of India and SBI life. Leave Encashment Benefit is accounted on accrual method of accounting.

## 20. SEGMENTAL REPORTING

Information about Business Segments (information provided in respect of revenue items for the 18 months period ended 31.03.2007 and in respect of assets / liabilities as at 31.03.2007) are furnished below:

(Rs. in lakhs)

Particulars	18 Months period ended 31.03.2007			12 months period ended 30.09.2005		
	Industrial Products Segment	Construction Contract Segment	Others	Industrial Products Segment	Construction Contract Segment	Others
Revenue	22205.40	55565.59	-	9666.56	19607.36	-
Result	1295.82	4754.09	-	837.23	1032.10	-
Assets	8145.45	24127.61	627.63	6799.32	5761.00	1181.00
Liabilities	14086.37	17854.11	960.21	7526.32	4380.00	1835.00
Capital Assets acquired during The year	446.36	950.82	-	78.62	1086.52	-
Depreciation	330.44	378.25	-	116.94	158.95	-

## 21. PARTICULARS OF RELATED PARTIES

- i) List of Related Parties
  - a. Subsidiary Companies
    - i) Progen Systems and Technologies Ltd
    - ii) Schmitz Reinigungskugeln GmbH
  - b. Other Companies
    - i) Pragati Computers Ltd
    - ii) Sasikala Estate Pvt Ltd

c. Joint Ventures  
Mecon GEA Energy System (India) Limited (JV)

d. Key Management Personnel :  
Managing Director : Mr. B G Raghupathy  
Director (Finance) : Mr. S Rathinam  
Whole Time Director : Mr. V R Mahadevan

ii) Related party transactions:

(Rs. in Lakhs)

Particulars	Subsidiary Companies	Other Companies	Joint Ventures	Key Management Personnel	Relatives	For the 18 months period ended 31.03.07	For the year ended 30.09.05
Sales			572.54			572.54	
Purchases	423.09	28.05				451.14	0.62
Loans & Advances	-11.90	23.16				11.26	35.89
Remuneration				385.80	3.05	388.85	
Sitting Fees				0.08		0.08	
Others		47.00				47.00	24.81

## 22. LEASES:

### Finance Lease

- i) The Company has taken Plant and Machinery amounting to Rs. 832.43 Lakhs (Rs.832.43lakhs) on Finance Lease. The written down value of these assets as on 31.3.2007 is Rs.614.68 lakhs (Rs.754.24 lakhs)
- ii) The minimum lease rentals as at 31st March 2007 and the present value of minimum lease payments as at 31st March 2007 in respect of assets acquired under finance lease are as follows.

(Rs. in Lakhs)

Particulars	Minimum Lease Payments		Present value of minimum lease payments	
	As on 31.03.2007	As on 30.09.2005	As on 31.03.2007	As on 30.09.2005
Payables not later than one year	215.90	215.90	186.83	196.71
Payable later than 1 year and not later than 5 years	235.25	559.09	223.38	430.33
Payable later than 5 years	-	-	NIL	
TOTAL	451.15	774.99	410.21	627.04
Less : Future Finance Charges	40.94	147.95	-	
Present Value of Minimum lease payments	410.21	627.04	-	

### Operating Lease:

The minimum lease rentals as at 31st March 2007 in respect of assets acquired under Operating lease are as follows.

- i. Paid till 31.03.2007 is Rs.71.58 Lakhs (Rs.17.90 Lakhs)
- ii. Payable not later than 1 Year is Rs.35.79 Lakhs (Rs.35.79 Lakhs)
- iii. Payable later than 1 year and not later than 5 Years is Rs.17.89 Lakhs (Rs.97.58 Lakhs)

## 23. DEFERRED TAXES

Major components of Deferred Tax Assets and Liabilities are as under:

(Rs. in Lakhs)

Component	Deferred Tax Asset as on 31.03.2007	Deferred Tax Liability as on 31.03.2007	Deferred Tax Asset as on 30.09.2005	Deferred Tax Liability as on 30.09.2005
Depreciation	-	207.34	-	266.31
R & D	-	32.74	-	25.11
Impairment of Assets	35.33	-	-	-
Gratuity	12.92	-	-	-
Royalty	33.18	-	38.68	-
PL Encashment	24.84	-	13.79	-
Others	8.80	-	-	-
TOTAL	115.07	240.08	52.47	291.42

## 24. JOINT VENTURES

The company along with Mecon Ltd has formed an unincorporated Joint Venture (Association of Persons) for execution of project contracts.

## 25. IMPAIRMENT OF ASSETS

### a. Cash Generating Units:

There is no impairment loss of cash generating assets and hence no provision was made in the financial statements.

### b. Other Assets:

The company has made a provision of Rs.103.93 lakhs (Rs. Nil) in the books of accounts towards impairment of other fixed assets based on the technical valuation.

## 26. PROVISIONS

The company has made a provision of Rs.98.24 Lakhs (Rs.13.08 lakhs ) towards warranty obligations on the products supplied by the company.

27. Previous year figures have been regrouped wherever necessary for comparative Purposes and shown along side or in brackets.
28. The Accounting period of the company have been changed from 30th of September to 31st March. Accordingly, the present financial statement covers 18 months period fro 01.10.2005 to 31.03.2007.

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As per our report of even date  
For M/s. MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 25.05.2007

R. RAMESH KUMAR  
Company Secretary

S. RATHINAM  
Director-Finance

B.G. RAGHUPATHY  
Managing Director

G.R. HARI  
Partner  
M.No.20638

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2007	For the Period ended 31.03.2007 18 months Rs. in lakhs	For the Year ended ended 30.09.2005 12 months Rs. in lakhs
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	6,049.93	1869.33
ADJUSTMENTS FOR :		
DEPRECIATION	708.70	275.89
IMPAIRMENT LOSS WRITTEN OFF	103.93	-
MISCELLANEOUS EXPENDITURE WRITTEN OFF	39.88	38.51
(PROFIT) / LOSS ON SALE OF FIXED ASSETS	5.03	0.65
INTEREST	1,743.78	573.88
	2601.32	888.93
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	8,651.25	2,758.26
ADJUSTMENTS FOR		
(INCREASE) / DECREASE IN INVENTORIES	(1,033.60)	588.82
(INCREASE) / DECREASE IN TRADE AND OTHER RECEIVABLES	(31,314.22)	(5,889.99)
INCREASE / (DECREASE) IN TRADE PAYABLES	35,529.03	4,544.21
INCREASE / (DECREASE) IN OTHERS	(2.69)	(55.78)
	3,178.51	(812.74)
CASH GENERATED FROM OPERATIONS	11,829.76	1,945.52
INTEREST PAID	(1,711.41)	(595.36)
TAXES PAID	(745.89)	(267.95)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>9,372.46</b>	<b>1,082.21</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(1,395.18)	(1,186.15)
SALE OF FIXED ASSETS	22.80	6.56
PURCHASE OF INVESTMENTS	(17.71)	-
SALE OF INVESTMENTS	-	-
INCREASE IN CAPITAL WORK-IN-PROGRESS	(246.57)	(37.06)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(1,636.66)</b>	<b>(1,216.65)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
(REPAYMENT) / INFLOW OF FINANCE LIABILITIES	(105.13)	(40.93)
REPAYMENT OF SHARE APPLICATION ADVANCE	(9.00)	-
PAYMENT OF DIVIDEND	(216.00)	(216.00)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(330.13)</b>	<b>(256.93)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	7,405.67	(391.37)
CASH AND CASH EQUIVALENTS AS AT 01.10.2005 (OP. BAL)	1,805.73	2,197.10
CASH AND CASH EQUIVALENTS AS AT 31.03.2007 (CL. BAL)	9,211.40	1,805.73

As per our report of even date  
For M/s MANOHAR CHOWDHRYASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 25.05.2007

R. RAMESH KUMAR  
Company Secretary

S. RATHINAM  
Director-Finance

B.G. RAGHUPATHY  
Managing Director

G.R. HARI  
Partner  
M.No.206386

Registration Details :

Registration No.	0 0 5 3 1 8
State Code	0 1
Balance Sheet Date	3 1 0 3 2 0 0 7

II. Capital Raised during the Year (Amount in Rs. Lakhs)

Public Issue	- - -
Right Issue	- - -
Bonus Issue	- - -
Private Placement	- - -

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

Total Liabilities	3 2 8 9 6 . 9 1	Total Assets	3 2 8 9 6 . 9 1
Source of Fund		Reserves & Surplus	7 3 2 0 . 6 1
Paid Up Capital	1 0 8 0 . 0 0	Unsecured Loans	4 8 6 . 9 9
Secured Loans	2 3 8 8 4 . 3 0		
Deferred Taxation	1 2 5 . 0 1		
Application of Fund		Investments	5 1 0 . 6 9
Net Fixed Assets	3 3 6 1 . 4 2	Misc. Expenditure	0 . 0 0
Net Current Assets	2 9 0 2 4 . 8 0		
Accumulated Losses	-		

IV. Performance of Company (Amount in Rs. Lakhs)

Turnover	7 7 7 7 0 . 9 8	Total Expenditure	7 1 7 2 1 . 0 5
Profit / Loss before tax	+ 6 0 4 9 . 9 3	Profit / Loss after tax	+ 3 9 1 9 . 5 9
(Please tick Appropriate Box + for Profit, - for Loss)			
Earning per Share	3 6 . 2 9	Dividend rate %	3 0

V. Generic Names of Five Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	8 4 . 7 9
Product Description	O N L O A D C O N D E N S E R T U B E C L E A N I N G S Y S T E M
Item Code No. (ITC Code)	8 4 . 2 1
Product Description	D E B R I S F I L T E R
Item Code No. (ITC Code)	8 4 . 1 9
Product Description	A I R C O O L E D H E A T E X C H A N G E R
Item Code No. (ITC Code)	8 4 . 0 2
Product Description	D E A E R A T O R
Item Code No. (ITC Code)	3 5 . 4 9
Product Description	O I L A N D G A S E Q U I P M E N T

As per our report of even date  
For M/s MANOHAR CHOWDHRY ASSOCIATES  
Chartered Accountants

Place : Chennai  
Date : 25.05.2007

R. RAMESH KUMAR  
Company Secretary

S. RATHINAM  
Director-Finance

B.G. RAGHUPATHY  
Managing Director

G.R. HARI  
Partner  
M.No.206386



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING  
TO THE HOLDING COMPANY'S INTEREST IN THE SUBSIDIARY COMPANY**

**SCHMITZ REINIGUNGSKUGELN GmbH, GERMANY**

1.	Financial period (18 Months) of the subsidiary company ended on	31st March, 2007
2.	Shares of the Subsidiary Company held by GEA Energy System (India) Limited on the above date  Number and Face Value  b) Extent of holding	EURO 127,823  100 %
3.	Net aggregate amount of Profit / (Loss) of the subsidiary company so far as it concerns the members of GEA Energy System (India) Limited  A) Not dealt with in the Accounts of GEA Energy System (India) Ltd., for the period ended 31st March, 2007.  i) For the Subsidiary's financial period ended 31st March, 2007.  ii) For the previous financial years of the Subsidiary since it became the holding company's Subsidiary  B) Dealt with in the Accounts of GEA Energy System (India) Limited For the period ended 31st March, 2007.  i) For the Subsidiary's financial period ended 31st March, 2007.  ii) for the previous financial years of the Subsidiary since it became the holding company's subsidiary.	EURO 22,656  EURO 12,045  NIL  NIL
4.	Changes in the interest of the Company between the end of the financial period of the Subsidiary and 31st March, 2007.	Not Applicable
5.	Material changes between the end of financial period of the subsidiary and 31st March, 2007 in respect of the subsidiary's fixed assets, investments and money lent / borrowed by them.	Not Applicable

Place : Chennai  
Date : 25.5.2007

**R. RAMESH KUMAR**  
Company Secretary

**S. RATHINAM**  
Director - Finance

**B.G. RAGHUPATHY**  
Managing Director

## AUDITOR'S REPORT

The annual Accounts were compiled on the basis of book-keeping maintained by me, the vouchers and documents provided to me and information furnished to me. The documents and the valuations of the assets were audited, in accordance with the order placed on me to a limited extent. The valuation of the assets of the stock in hand was not audited.

Holle,  
3rd April 2007

Gerda Verhasselt  
Sworn Tax Consultant  
Accountant

## BALANCE SHEET

ASSETS	Euro	Current Business Period (18 months) Euro	Previous Year (12 months) Euro
<b>A. Fixed Assets</b>			
I. Intangible Assets			
1. Franchise, Patent rights and similar Rights and Values as well as Licences on such Rights and Values		7,092.00	9,650.00
II. Fixed Assets			
1. Other Equipment, Production and business furniture		403.00	2.00
<b>B. Current Assets</b>			
I. Stock in Hand			
1. Raw, auxiliary and other Production Material	576.39		623.22
2. Finished Products and Articles	<u>21,619.05</u>	22,195.44	23,542.25
II. Claims and Other Asset Items			
1. Claims arising from Supplies and Services	102,762.09		92,274.58
2. Other Assets Items - of which, with a residual term of more than one year Euro 686,28 (Euro 686,28)	<u>9,241.00</u>	112,003.09	11,565.81
III. Cheques, Cash in Hand, Federal Bank and Post office bank credit balances, credit at other Financial institutions		27,484.59	9,145.26

## BALANCE SHEET

	Euro	Current Business Period (18 months) Euro	Previous Year (12 months) Euro
<b>C. Pre-paidExpenses</b>		973.30	409.61
		<u>170,151.42</u>	<u>147,212.73</u>
<b>LIABILITIES</b>			
<b>A. Share Capital</b>			
I. Paid-up Capital		127,822.97	127,822.97
II. Balance Sheet Loss Of which Loss brought forward Euro103,378.50 - (Euro115,423.81-)		80,722.11-	103,378.50-
<b>B. Provisions</b>			
I. Other Provision		2,945.00	2,600.00
<b>C. Liabilities</b>			
I. Advances received on orders	8,672.29		8,672.29
II. Liabilities from Supplies and Services - of which up to one year residual term Euro 106,890.83 (Euro 106,643.13)	106,890.83		106,643.13
III. Other Liabilities - of which for Shareholders Euro 3,177.57 (Euro 3,177.57) - of which towards taxes Euro 682.37 (Euro 474.24) - of which under the framework of social security payments Euro 40.00 (Euro 40.00) - of which with up to one year Residual term Euro 4,542.44(Euro 4,852.84)	<u>4,542.44</u>	120,105.56	4,852.84
		<u>170,151.42</u>	<u>147,212.73</u>

## PROFIT AND LOSS ACCOUNT

	Euro	Current Business Period (18 months) Euro	Euro	Previous Year (12 months) Euro
1. Turnover		429,793.48		263,166.32
2. Decrease in the balance of finished and unfinished products		<u>-</u>		<u>500.00-</u>
3. Total Performance		429,793.48		262,666.32
4. Other operational income				
a) Regular operational income				
aa) Other regular Income		831.12		2493.36
5. Expenditure on Materials				
a) Expenses on raw, auxiliary and other production material and for articles bought out		245,902.40		141,202.45
6. Personnel Costs				
a) Wages and Salaries	52,493.03		35,993.47	
b) Social Security deductions and expenses for old age care and support	<u>11,725.37</u>	64,218.40	<u>7,815.97</u>	43,809.44
7. Depreciation				
a) On intangible asset items of the total assets and fixed assets as well as on the capitalized expenditure for the commissioning and expansion of the business		3,782.96		2,168.00
8. Other operational expenses				
a) Regular production-related expenses				
i) Rent	7,684.72		4,352.19	
ii) Insurance, Subscriptions and Deductions	740.30		553.89	
iii) Repairs and Maintenance	-		740.00	
iv) Costs of Vehicles	2,164.35		8,191.02	
v) Advertisement and Traveling Expenses	14,845.72		7,664.41	
vi) Costs for goods delivery	42,849.12		27,264.27	
vii) Diverse Operational Expenses	<u>25,769.13</u>		<u>16,136.84</u>	
		<u>94,053.34</u>		<u>64,902.62</u>
<b>Carried forward</b>		<b>22,667.50</b>		<b>13,077.17</b>

## PROFIT AND LOSS ACCOUNT

	Euro	Current Business Period (18 months) Euro	Euro	Previous Year (12 months) Euro
<b>Brought Forward</b>		22,667.50		13,077.17
b) Other expenses under the framework of Regular business		-		475.00
c) Other expenses under the framework of customary business activity		10.00		210,00
9. Other Interests and similar Income		-		0.29
10. Interests and similar Expenses		<u>1.11</u>		<u>2.15</u>
11. Result of the normal Business Activity		22,656.39		12,390.31
12. Other taxes		<u>-</u>		<u>345.00</u>
13. Profit for the Period/Year		22,656.39		12,045.31
14. Loss brought forward from previous Year		<u>103,378.50</u>		<u>115,423.81</u>
15. Balance Sheet Loss		<u><u>80,722.11</u></u>		<u><u>103,378.50</u></u>

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING  
TO THE HOLDING COMPANY'S INTEREST IN THE SUBSIDIARY COMPANY**

**PROGEN SYSTEMS AND TECHNOLOGIES LIMITED**

1.	Financial period of the subsidiary company ended on	31st March, 2007
2.	Shares of the Subsidiary Company held by GEA Energy System (India) Limited on the above date  a) Number and Face Value  b) Extent of holding	  42,50,000 Equity Shares of Rs. 10/- each  69.67%
3.	Net aggregate amount of profit / (Loss) of the subsidiary company so far as it concerns the members of GEA Energy System (India) Limited  a) Not dealt with in the accounts of GEA Energy System (India) Limited for the period ended 31st March, 2007.  i) For the subsidiary's financial period ended 31st March, 2007.  ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary  b) Dealt with in the accounts of GEA Energy System (India) Limited For the period ended 31st March, 2007.  i) For the subsidiary's financial period ended 31st March, 2007.  ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary.	  Rs.44,96,502  Rs.15,55,034/-  NIL  NIL
4.	Changes in the interest of the Company between the end of the financial period of the subsidiary and 31st March, 2007.	Not Applicable
5.	Material changes between the end of financial period of the subsidiary and 31st March, 2007 in respect of the subsidiary's fixed assets, investments and money lent / borrowed by them.	Not applicable

Place : Chennai  
Date : 25.5.2007

**R. RAMESH KUMAR**  
Company Secretary

**S. RATHINAM**  
Director - Finance

**B.G. RAGHUPATHY**  
Managing Director

**DIRECTOR'S REPORT**

**To the members of PROGEN SYSTEMS AND TECHNOLOGIES LIMITED**

Your Directors are happy to present their Twelfth Annual Report together with the annual statements of account for the period ended 31<sup>st</sup> March, 2007.

**FINANCIAL RESULTS**

The financial statements for the 18 months period ended 31<sup>st</sup> March, 2007 show an improved performance. During the period under review your company's income was Rs.1290.44 Lakhs with a net profit of Rs.73.65 Lakhs. The summary of financial results are given below:

Particulars	Period ended 31.3.2007 (Rs. in Lakhs)	Year ended 30.09.2005 (Rs. in Lakhs)
Income	1290.44	550.70
Operating expenditure	1099.64	441.96
Interest	53.01	39.04
Depreciation	73.25	47.37
Profit after tax	73.65	375.19

**REVIEW OF OPERATIONS AND BUSINESS ENVIRONMENT AND PROSPECTS**

The Business and operations of your company during the period witness significant improvement both in terms of turnover and profitability. During the 18 months period ended 31<sup>st</sup> March, 2007 your company successfully executed contracts for CPCL, Mitusi, BHPV, IFFCO, IPCL, Jurong, Reliance Industries, Cethar vessels, NEG Micon, BPCL & GIPCL. In addition to the above contract, your company has achieved a major break through by successfully completing the contract from Proplant, USA for supply of convection coils to Methanol plant. This is expected to open new market opportunities to your company. Your company has successfully completed renewal audit of ISO certification.

With the strong reference built over the years, your directors are confident of achieving quantum growth in order booking and turnover in the years to come. Your Directors are confident that the continued uptrend in power generation, process and infrastructure industries will offer attractive growth in business and profit in the years to come. With the active support of your holding company, your company is confident of improving its sales and profits during the year.

**STATUTORY INFORMATION**

The range of manufacturing activities of your company are not energy intensive and hence disclosure of information relating to conservation of energy is not applicable to your company. During the period under review, your company earned nil foreign exchange and foreign exchange outgo during



the period was Rs.169.03 Lakhs. There were no particulars to be disclosed under section 217(2A) of the Companies Act, 1956.

## BOARD OF DIRECTORS

Mr.V.K. upta, retires by rotation at the ensuing annual general meeting in accordance with provisions of the Companies Act, 1956 and he, being eligible, offers himself for re-appointment.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to directors' responsibility statement, it is hereby confirmed that :

- a) In the preparation of the annual accounts for the period ended 31<sup>st</sup> March, 2007 the applicable accounting standards have been followed;
- b) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March, 2007 and of the profit of the company for the period ended 31<sup>st</sup> March, 2007;
- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) The directors have prepared the annual accounts for the financial period ended 31<sup>st</sup> March, 2007 on a going concern basis.

## AUDIT COMMITTEE

Pursuant to Section 292A of the Companies Act, 1956 the Board constituted the Audit Committee, The details of the members of the audit committee and their brief professional background are given below:

Mr. V. K. Gupta, is a practising Chartered Accountant and renders expert advisory services to corporates and involved in corporate turnaround strategies.

Mr. S. Rathinam, is a Chartered Accountant and he brings with him 28 years of rich and varied knowledge and expertise in accounts, finance, audit, taxation and business management.

Mr. B. G. Raghupathy, is a renowned industrialist and he brings with him more than three decades of rich and varied knowledge and expertise in business.

## AUDITORS

The company's statutory auditors M/s. C N G S N & Associates, Chartered Accountants retire at the conclusion of the forthcoming annual general meeting and are eligible for re-appointment. The Board recommend their reappointment as statutory auditors.

## ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation to employees at all levels for their hard work and contribution. Your directors wish to record their appreciation for the confidence reposed by the customers and for their continued patronage and to Indian Overseas Bank for their financial assistance.

For and on behalf of the Board

Place : Chennai  
Date : 25.05.2007

B. G. RAGHUPATHY  
Chairman

## AUDITOR'S REPORT

## To the members of PROGEN SYSTEMS AND TECHNOLOGIES LIMITED

We have audited the attached Balance Sheet of PROGEN SYSTEMS AND TECHNOLOGIES LIMITED as at 31<sup>st</sup> March, 2007, the Profit & Loss Account and the Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

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

In our opinion, proper books of accounts as required by Law have been kept by the Company so far as it appears from our examination of such books.

The Balance Sheet, Profit & Loss Account and Cash Flow Statements dealt with by this report are in agreement with the books of account.

In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

On the basis of the written representations received from the Directors, as on 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as a Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

In the case of the balance sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March, 2007; in the case of the Profit & Loss Account of the PROFIT on the Company for the period ended on that date; and in the case of the Cash Flow Statement of the Cash Flows of the company for the period ended on that date.

For CNGSN & ASSOCIATES  
CHARTERED ACCOUNTANTS

B. RAMAKRISHNAN  
Partner  
M.No:201023

Place : Chennai  
Date : 25.05.2007

ANNEXURE TO AUDITORS' REPORT

PROGEN SYSTEMS AND TECHNOLOGIES LIMITED

Referred to in paragraph 3 of our report of even date

1. (a) The Company is maintaining proper records showing full particular including quantitative details and situation of fixed assets.  
(b) The fixed assets have been physically verified by the management during the period. No material discrepancies were noticed on such verification.  
(c) Substantial part of fixed assets have not been disposed off during the period.
2. (a) The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The company has not granted any loan to any party covered in the register maintained under section 301 of the Companies Act, 1956.  
(b) In our opinion and as per the information and explanation given to us, the terms and conditions of the said loans are not prejudicial to the interest of the company;  
(c) In our opinion and on verification of the books of accounts there has been no receipt of the principal amount during the period;  
(d) The overdue amount of loans is not applicable;  
(e) The company has taken loan from its holding company and party Covered in the register maintained U /S 301 of the companies Act, amounting to Rs. Nil during the period and the period-end balance is Rs.768.35 Lakhs and the maximum amount involved during the period is Rs. 799.66 Lakhs.  
(f) As explained to us that the above loan is repayable on demand.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses in internal control system.
5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits during the period as defined under section 58A of the Companies Act, 1956.
  7. In our opinion, the company has an internal audit system to commensurate with the size and nature of its business.
  8. As per the information and explanations given to us the maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
  9. (a) The company is depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
    - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable,
    - (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, service tax, excise duty and cess on account of any dispute.
  10. In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. The company has not incurred cash losses during the period covered by our audit and immediately preceding financial year.
  11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
  12. In our opinion and according to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the company.
  14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the company.
  15. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
  16. In our opinion, there are no term loans obtained during the period.
  17. According to the information and explanations given to us and on an overall examination of the balance

sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets.

18. According to the information and explanations given to us, the company has not made any preferential allotment of shares during the period.
19. According to the information and explanations given to us, the company has not issued any debentures during the period and creation of security for issue of debentures does not arise.
20. According to the information and explanations given to us, the company has not raised money by public issues during period and the disclosure of end use of money raised by public issues does not arise.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For CNGSN & ASSOCIATES  
CHARTERED ACCOUNTANTS

B. RAMAKRISHNAN  
Partner  
M.No:201023

Place : Chennai  
Date : 25.05.2007

PROGEN SYSTEMS AND TECHNOLOGIES LIMITED

**BALANCE SHEET**

	Sch. No.	As At 31.03.2007 Rs. In Lakh	As At 30.09.2005 Rs. In Lakhs
<b>I SOURCES OF FUNDS</b>			
(1) Shareholders' Funds	1		
(a) Share Capital		610.00	610.00
(2) Loan Funds	2		
(a) Secured Loans		96.20	140.19
(b) Unsecured Loans		917.63	905.21
<b>TOTAL</b>		<u>1,623.83</u>	<u>1,655.40</u>
<b>II APPLICATION OF FUNDS</b>			
(1) Fixed Assets	3		
(a) Gross Block		1,226.24	1,167.88
(b) Less : Depreciation		<u>407.55</u>	<u>334.30</u>
(c) Net Block		818.69	833.58
(2) Current Assets, Loans & Advances	4		
(a) Inventories		316.58	283.11
(b) Sundry Debtors		89.48	92.93
(c) Loose Tools & Spares		1.20	1.51
(d) Cash and Bank Balances		60.75	21.64
(e) Loans and Advances		124.44	82.81
(f) Other Current Assets		3.07	0.30
		<u>595.52</u>	<u>482.30</u>
<b>LESS:</b>			
Current Liabilities & Provisions			
(a) Liabilities	5	252.70	187.83
(b) Provisions		<u>7.05</u>	<u>5.67</u>
Net Current Assets		<u>259.75</u>	<u>193.50</u>
(3) Miscellaneous Expenditure (to the extent not written off or adjusted)			
Preliminary Expenses		-	0.47
(4) Deferred Tax Asset		363.34	352.87
(5) Profit and Loss Account	6	106.03	179.68
<b>TOTAL</b>		<u>1,623.83</u>	<u>1,655.40</u>
NOTES ON ACCOUNTS	13		

As per our Report of even date  
for M/s. CNGSN & ASSOCIATES,  
CHARTERED ACCOUNTANTS

Place : Chennai  
Date : 25.05.2007

M.T. SIVA KUMAR  
Company Secretary

R. SASIKALA  
Director

B.G. RAGHUPATHY  
Chairman

B. RAMAKRISHNAN  
Partner  
M.No: 201023



PROGEN SYSTEMS AND TECHNOLOGIES LIMITED

PROFIT & LOSS ACCOUNT

	Sch. No.	For the Period ended 31.03.2007 (18 Months) Rs. In Lakhs		For the Year ended 30.09.2005 Rs. In Lakhs	
<b>INCOME</b>					
Sales		1,298.93		634.92	
Less: Excise Duty	7	<u>107.53</u>	1,191.40	<u>86.11</u>	548.81
Other income	8		4.19		1.70
Increase (Decrease) in WIP & Finished goods			<u>94.85</u>		<u>0.19</u>
			<u>1,290.44</u>		<u>550.70</u>
<b>EXPENDITURE</b>					
Cost of Materials	9		601.98		168.77
Cost of Manufacturing	10		272.35		127.83
Administration, Selling & General Expenses	11		225.31		145.36
Interest	12		53.01		39.04
Depreciation	3		<u>73.25</u>		<u>47.38</u>
			<u>1,225.90</u>		<u>528.38</u>
<b>PROFIT BEFORE TAX</b>			64.54	22.32	
Less: Provision for Taxation					
Fringe Benefit tax			1.36		-
Deferred tax			(10.47)		(352.87)
<b>PROFIT AFTER TAX</b>			<u>73.65</u>	<u>375.19</u>	
<b>NOTES ON ACCOUNTS</b>	13				

As per our Report of even date  
for M/s. CNGSN & ASSOCIATES,  
CHARTERED ACCOUNTANTS

Place : Chennai  
Date : 25.05.2007

M.T. SIVA KUMAR  
Company Secretary

R. SASIKALA  
Director

B.G. RAGHUPATHY  
Chairman

B. RAMAKRISHNAN  
Partner  
M.No: 201023

SCHEDULES TO ACCOUNT

As At  
31.03.2007  
Rs. In Lakh

As At  
30.09.2005  
Rs. In Lakhs

1 SHAREHOLDERS ' FUNDS

(a) SHARE CAPITAL

Authorised :7,000,000 (7,000,000)Equity Shares  
of Rs.10/- each

700.00

700.00

Issued, Subscribed and Paid up:  
6,100,070 (6,100,070)Equity Shares of Rs.10/-each  
(Out of which 4,250,000 (4,250,000) Equity shares  
of Rs 10/- each held by the holding company  
viz GEA Energy System (India) Ltd.,)

610.00

610.00

2. LOAN FUNDS

(a) Secured Loans

Working Capital  
- Indian Overseas Bank

96.20

140.19

(b) Un Secured Loans

(i) IFST  
(ii) Loan from others

149.28

-

105.55

-

768.35

917.63

799.66

905.21

3. FIXED ASSETS

(Rs in lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.10.05	ADDITIONS	DELETIONS	AS AT 31.03.07	UP TO 01.10.05	FOR THE PERIOD	DELETIONS	UP TO 31.03.07	WDV AS AT 31.03.07	WDV AS AT 30.09.2005
Land	76.32	-	-	76.32	-	-	-	-	76.32	76.32
Building	410.13	28.41	-	438.54	95.33	20.58	-	115.91	322.63	314.80
Plant & Manchinery	531.05	19.11	-	550.16	177.12	38.55	-	215.67	334.49	353.93
Electrical Installtions	99.33	2.32	-	101.65	32.90	7.10	-	40.00	61.65	66.43
Computer & Office Equpts	28.99	3.38	-	32.37	14.67	3.84	-	18.51	13.86	14.32
Furniture & Fixtures	7.28	0.53	-	7.81	3.56	0.72	-	4.28	3.53	3.72
Vehicle	14.78	4.61	-	19.39	10.72	2.46	-	13.18	6.21	4.06
Total	1,167.88	58.36	-	1,226.24	334.30	73.25	-	407.55	818.69	833.58
Previous Year	1,157.06	14.04	3.22	1,167.88	288.50	47.37	1.57	334.30	833.58	868.56

SCHEDULES TO ACCOUNT

	As At 31.03.2007 Rs. In Lakh	As At 30.09.2005 Rs. In Lakhs
<b>4. CURRENT ASSETS, LOANS AND ADVANCES</b>		
(a) Inventories		
(i) Raw materials	24.31	103.76
(ii) Consumables	33.51	15.44
(iii) Work in progress	<u>258.76</u>	<u>163.91</u>
	<u>316.58</u>	<u>283.11</u>
(b) Sundry Debtors (Unsecured and considered good)		
Over six months	35.92	44.90
Others	<u>53.56</u>	<u>48.03</u>
	<u>89.48</u>	<u>92.93</u>
(c) Cash and Bank Balances		
(i) Cash in hand	0.26	0.33
(ii) Bank Balances:		
With Scheduled Banks:		
On Current Account	1.53	1.54
On Deposit Account	<u>58.96</u>	<u>19.77</u>
	<u>60.75</u>	<u>21.64</u>
(d) Loans and Advances (unsecured and considered good)		
(i) Deposits	6.86	10.71
(ii) Advances recoverable in cash or in kind or for Value to be received	35.20	18.76
(iii) Tax deducted at Source	7.45	3.80
(iv) Accounts Receivable	<u>74.93</u>	<u>49.54</u>
	<u>124.44</u>	<u>82.81</u>
(e) Other Current Assets		
Interest accrued on Fixed Deposits	<u>3.07</u>	<u>0.30</u>
<b>5. CURRENT LIABILITIES AND PROVISIONS</b>		
(a) Current Liabilities		
(i) Sundry Creditors		
Purchases	19.01	30.72
Expenses	21.77	34.84
(ii) Advance from Customers	200.19	105.29
(iii) Other Liabilities	<u>11.73</u>	<u>16.98</u>
	<u>252.70</u>	<u>187.83</u>
(b) Provisions		
(i) Income Tax	-	-
(ii) Fringe Benefit Tax	0.88	-
(iii) Provision for Gratuity	6.17	5.67
(iv) Proposed Dividend	<u>-</u>	<u>-</u>
	<u>7.05</u>	<u>5.67</u>
<b>6. PROFIT AND LOSS ACCOUNT</b>		
Balance as per last Balance Sheet	179.68	554.87
Less: Profit for the year	<u>73.65</u>	<u>375.19</u>
Adjustment of deferred tax asset	<u>-</u>	<u>-</u>
	<u>106.03</u>	<u>179.68</u>

SCHEDULES TO ACCOUNT

	For the Period ended 31.03.2007 (18 Months) Rs. In Lakhs		For the Year ended 30.09.2005 Rs. In Lakhs	
<b>7. SALES</b>				
(i) Finned Tubes	305.91		292.16	
(ii) Process Equipments & HRSG	884.96		256.65	
(iii) Others	0.53	1,191.40	-	548.81
<b>8. OTHER INCOME</b>				
(i) Interest	3.44		1.24	
(ii) Exchange Variation	0.13		0.46	
(iii) Others	0.62	4.19	-	1.70
<b>9. COST OF MATERIALS</b>				
Opening Inventory				
Raw Material & Components	103.76		48.10	
Consumables, Stores & Spares	15.44		11.55	
Finished goods	-	119.20	-	59.65
Add: Purchases				
Raw Material & Components	467.70		186.42	
Consumables, Stores & Spares	72.90		41.90	
<b>TOTAL</b>		<b>540.60</b>		<b>228.32</b>
Less: Closing Inventory				
Raw Material & Components	24.31		103.76	
Consumables, Stores & Spares	33.51		15.44	
Finished goods	-	57.82	-	119.20
		<b>601.98</b>		<b>168.77</b>
<b>10. COST OF MANUFACTURING</b>				
Testing Charges	31.16		16.83	
Part Processing	195.59		81.97	
Power & Fuel	45.60		29.03	
		<b>272.35</b>		<b>127.83</b>

SCHEDULES TO ACCOUNT

	For the Period ended 31.03.2007 (18 Months) Rs. In Lakhs	For the Year ended 30.09.2005 Rs. In Lakhs
<b>11. ADMINISTRATION, SELLING &amp; GENERAL EXPENSES</b>		
Rent	4.78	5.10
Repairs and Maintenance		
Building	1.14	0.18
Plant & Machinery	17.93	10.04
Others	11.03	7.94
Salaries and allowances	61.44	46.21
Contribution to PF, ESI & Gratuity	7.58	6.01
Workmen and Staff welfare expenses	4.81	2.65
Insurance	5.42	3.32
Rates and Taxes	2.13	1.15
Administrative Expenses	23.05	13.95
Auditor's Remuneration	1.00	0.66
Bank Charges	15.34	4.70
Freight Outwards	20.71	12.19
Local Conveyance	3.24	0.84
Loss on foreign exchange variation	-	-
Packing & Forwarding expenses	4.22	2.66
Professional charges	1.67	7.39
Prior Period Expenses	0.36	5.84
Security Charges	10.76	5.33
Bad Debts Written off	21.52	-
Telephone Expenses	2.60	2.06
Travel Expenses - Inland	3.30	3.11
Travel Expenses - Foreign	-	3.42
Tools and equipments written off	0.32	0.38
Subscription	0.49	-
Preliminary Expenses written off	0.47	0.23
	<u>225.31</u>	<u>145.36</u>
<b>12. INTEREST</b>		
Interest on Term Loan	24.86	18.50
Interest on Bank Credit	28.15	20.54
	<u>53.01</u>	<u>39.04</u>

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Fixed Assets

Fixed Assets are shown at historical cost. Assets acquired under Loan are capitalized and finance charges there on expensed over the tenure of loans. Office Fixtures of temporary nature are capitalized and amortized over a period of five years.

(b) Depreciation

Fixed Assets are depreciated as per Straight-line method on all assets at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation for additions/deletions during the period are provided on pro-rata basis.

One fifth of the value of loose tools and equipments at the end of the period is written off to the profit and loss account. Loose tools acquired during the period and the actual cost of which is less than Rs.5000/- has been fully written off

(c) Inventories

Raw Materials, Consumables, Stores and Spares have been valued at cost, ascertained on FIFO basis or net realizable value, whichever is less. Work in-progress value includes all direct cost and applicable production overheads to bring the goods to the present location and condition.

(d) System of Accounting and Revenue Recognition

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

(e) Foreign Currency Transactions

Transactions in foreign exchange are accounted at the exchange rates prevailing on the date of the transaction. Gain / losses, if any, at the end of the period on account of restatement of current assets & current liabilities are translated and accounted at the closing rate.

(f) Taxation

Deferred Income Tax reflects the impact of current period timing differences between the taxable income and accounting income for the year. Deferred tax is measured based on the Tax Rates and the Tax Laws enacted or substantially enacted regulations on the Balance Sheet date.

Since the company has been earning profits consecutively for the last three years, the DTA/ DTL has been worked out and provided in the books, though in the earlier years was not provided for.

Major components of Deferred Tax Assets And Liabilities are as under:

(Rs in lakhs)

COMPONENT	Dererred Tax Asset as on 31.03.2007	Deferred Tax Liability as on 31.03.2007
Adjustment of opening DTA for change in Tax Rate	1.16	-
Depreciation	9.60	-
Gratuity	-	0.29
<b>TOTAL</b>	<b>10.76</b>	<b>0.29</b>

2. WORKING CAPITAL LOAN

The working capital assistance availed from Indian Overseas Bank is secured by Hypothecation of stock, stores, book debts and other movable assets and guaranteed by the Chairman and the holding company viz., GEA Energy System (India) Ltd.,

3. CONTINGENT LIABILITIES

Description	As at 31.03.2007 (Rs In lakhs)	As at 30.09.2005 (Rs In lakhs)
i) Counter Guarantee to Bank	115.37	150.00
II) Security provided for loans Availed by Holding Company	95.56	158.53

4. CAPACITY AND PRODUCTION

Description	Units	Installed for the		Production for the		Sales for the	
		18 months period 31.03.07	Year ended 30.09.05	18 months period 31.03.07	Year ended 30.09.05	18 months period 31.03.07	Year ended 30.09.05
Finned Tubes Process Equipments & HRSG	Mtrs. Kgs. (‘000)	55,000	55,000	22,950	49,782	22,950	49,782
		1,000	1,000	1,086	743	1,086	743

5. VALUE OF IMPORTS ON CIF BASIS

(Rs. in Lakhs)

Description	For the Period Ended 31.03.2007 (18 Months)	For the Year ended 30.09.2005
Raw materials and Components	169.03	10.08

6. DETAILS OF RAW MATERIAL AND COMPONENTS CONSUMED

(Rs. in Lakhs)

Sl. No.	Description		For the 18 Months period ended 31.03.07		For the Year ended 30.09.05	
			Qty	Value	Qty	Value
1	Steel Plates & Structural	Kgs (‘000)	280	521.03	315	104.07
2	Pipes, Tubes & Fittings	Mtrs (‘000)	23	26.12	55	51.97
3	Consumables & Others	Lot	–	54.83	--	12.73

**Note:** The above data does not include the free issue material supplied by the Customers.

**7. VALUE OF RAW MATERIAL AND COMPONENT CONSUMED DURING THE YEAR**

(Rs. in Lakhs)

Description	For the Period ended 31.03.2007 (18 Months)	For the Year ended 30.09.2005
i) Imported	169.03 (28.08%)	10.08 (5.97%)
ii) Indigeneous	432.95 (71.92%)	158.69 (94.03%)
Total	601.98	168.77

**8. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF:**

(Rs in lakhs)

i) Travelling	Nil	3.41
ii) Import of Raw Material	169.03	10.08

9. Deposit with schedule bank includes deposit of Rs.58,96,388/- (Rs.19,62,288/-) under lien to Indian Overseas Bank, Chennai against margin money for bank guarantees.

10. Provision for gratuity amounting to Rs.2,53,623/- (Rs.2,85,516/-) has been made towards incremental liability for the period ended 31st March 2007 as per Payment of Gratuity Act, 1972.

**11. OUTSTANDING DUES TO SMALL SCALE INDUSTRIAL UNDERTAKINGS.**

The names of Small Scale Industrial Undertakings to Whom the Company owes any amount, which is outstanding for a period exceeding 30 days due at the Balance sheet date are:

a. Industrial X-Ray Inspection Co.	Rs.1.70 Lakhs
------------------------------------	---------------

**12. PARTICULARS OF RELATED PARTIES**

**I. List of Related Parties**

- a) Holding Company
  - i) GEA Energy System (India) Ltd.
- b) Other Companies
  - ii) Pragati Computers Ltd.

**II. Related Party Transactions**

(Rs. in Lakhs)

Description	Holding Company	Other Companies	For the 18 Months Period ended 31.03.2007	For the Year ended 30.09.2005
Sales	231.97	-	231.97	115.99
Purchase	0.76	0.78	1.54	1.96



**13. IMPAIRMENT OF ASSETS**

a. Cash Generating Units:

There is no impairment loss and hence no provision was made in the financial statements.

b. Other Assets:

The impairment loss on the basis of technical valuation of Fixed Assets is not material and hence no provision was made in the financial statements.

14. Figures have been rounded off to the nearest lakhs and previous year figures have been regrouped wherever necessary for comparative purposes and shown along side or in brackets.

15. The Accounting period of the company have been changed from 30th September to 31st March. Accordingly, the present financial statement covers 18 months period from 01.10.2005 to 31.03.2007

---

As per our Report of even date  
for M/s. CNGSN & ASSOCIATES,  
CHARTERED ACCOUNTANTS

Place : Chennai  
Date : 25.05.2007

M.T. SIVA KUMAR  
Company Secretary

R. SASIKALA  
Director

B.G. RAGHUPATHY  
Chairman

B. RAMAKRISHNAN  
Partner  
M.No: 201023

**CASH FLOW STATEMENT**

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2007	For the Period ended 31.03.2007 18 months Rs. in lakhs		For the Year ended ended 30.09.2005 Rs. in lakhs	
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>				
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		64.54		22.32
ADJUSTMENTS FOR :				
DEPRECIATION	73.25		45.80	
LOSSE TOOLS WRITTEN OFF	0.32		(0.31)	
MISCELLANEOUS EXPENDITURE WRITTEN OFF	0.47		0.23	
PRIOD PERIOD EXPENSES	-		5.84	
PROVISIONS FOR TAXES NOT PAID	(9.10)		2.04	
(PROFIT)/LOSS ON SALE OF FIXED ASSETS	-		0.13	
INTEREST	53.01	117.95	39.04	92.77
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		182.49		115.09
ADJUSTMENTS FOR :				
(INCREASE)/DECREASE IN INVENTORIES	(33.47)		(59.74)	
(INCREASE)/DECREASE IN TRADE AND OTHER RECEIVABLES	(40.95)		52.84	
INCREASE/(DECREASE) IN TRADE PAYABLES	64.87	(9.55)	66.35	59.45
CASH GENERATED FROM OPERATIONS	172.95		174.54	
PRIOR PERIOD EXPENSES	-		5.84	
INTEREST PAID	53.01		39.04	
LOSS ON SALE OF ASSET	-		0.13	
TAXES PAID	(9.10)	43.91	-	45.01
NET CASH FLOW FROM OPERATING ACTIVITIES		129.04		129.53
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>				
PURCAHSE OF FIXED ASSETS	(58.36)		(14.04)	
SALE OF FIXED ASSETS	-	(58.36)	3.22	(10.82)
<b>C CASH FLOW FROM INVESTING ACTIVITIES</b>				
(REPAYMENT)/INFLOW OF FINANCE LIABILITIES	(31.57)		(112.96)	
NET CASH FLOW FROM FINANCING ACTIVITIES	-	(31.57)		(112.96)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		39.11		5.75
CASH AND CASH EQUIVALENTS AS AT 01.10.2005 (OP. BAL)		21.64		15.89
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		39.11		5.75
CASH AND CASH EQUIVALENTS AS AT 31.03.2007 (CL. BAL)		60.75		21.64

As per our Report of even date  
for M/s. CNGSN & ASSOCIATES,  
CHARTERED ACCOUNTANTS

Place : Chennai  
Date : 25.05.2007

M.T. SIVA KUMAR  
Company Secretary

R. SASIKALA  
Director

B.G. RAGHUPATHY  
Chairman

B. RAMAKRISHNAN  
Partner  
M.No: 201023



IV. Performance of the Company (Amount in Rs. Lakhs)

Total Income	Total Expenditure																
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--	--	--	-	1	2	9	0										
--	--	--	-	1	2	2	6										
Profit / Loss before Tax	Profit / Loss after Tax																
<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">+</td> <td style="width: 20px; text-align: center;">-</td> <td style="width: 20px; text-align: center;">-</td> <td style="width: 20px; text-align: center;">6</td> <td style="width: 20px; text-align: center;">5</td> </tr> </table>	+	-	-	6	5	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">+</td> <td style="width: 20px; text-align: center;">-</td> <td style="width: 20px; text-align: center;">-</td> <td style="width: 20px; text-align: center;">7</td> <td style="width: 20px; text-align: center;">4</td> </tr> </table>	+	-	-	7	4						
+	-	-	6	5													
+	-	-	7	4													
Earnings Per Share in Rs.	Dividend Rate %																
<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px;"></td> <td style="width: 20px;"></td> <td style="width: 20px;"></td> <td style="width: 20px;"></td> <td style="width: 20px; text-align: center;">1</td> <td style="width: 20px; text-align: center;">.</td> <td style="width: 20px; text-align: center;">1</td> <td style="width: 20px; text-align: center;">0</td> </tr> </table>					1	.	1	0	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">N</td> <td style="width: 20px; text-align: center;">I</td> <td style="width: 20px; text-align: center;">L</td> </tr> </table>	N	I	L					
				1	.	1	0										
N	I	L															

V. Generic Names of four Principal Products / Services of Company (As per Monetary terms)

Item Code No ( ITC Code )	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">7</td> <td style="width: 20px; text-align: center;">3</td> <td style="width: 20px; text-align: center;">-</td> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">4</td> </tr> </table>	7	3	-	0	4
7	3	-	0	4		
Product Description	High Frequency Resistance Welded Finned Tubes					
Item Code No ( ITC Code )	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">8</td> <td style="width: 20px; text-align: center;">4</td> <td style="width: 20px; text-align: center;">-</td> <td style="width: 20px; text-align: center;">1</td> <td style="width: 20px; text-align: center;">9</td> </tr> </table>	8	4	-	1	9
8	4	-	1	9		
Product Description	Heat Recovery Steam Generators					
Item Code No ( ITC Code )	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">8</td> <td style="width: 20px; text-align: center;">4</td> <td style="width: 20px; text-align: center;">-</td> <td style="width: 20px; text-align: center;">0</td> <td style="width: 20px; text-align: center;">2</td> </tr> </table>	8	4	-	0	2
8	4	-	0	2		
Product Description	Pressure Vessels, Columns and Reactors					
Item Code No ( ITC Code )	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">8</td> <td style="width: 20px; text-align: center;">4</td> <td style="width: 20px; text-align: center;">-</td> <td style="width: 20px; text-align: center;">1</td> <td style="width: 20px; text-align: center;">9</td> </tr> </table>	8	4	-	1	9
8	4	-	1	9		
Product Description	Spiral Fin Welded Tubes					

As per our Report of even date  
for M/s. CNGSN & ASSOCIATES,  
CHARTERED ACCOUNTANTS

Place : Chennai	M.T. SIVA KUMAR	R. SASIKALA	B.G. RAGHUPATHY	B. RAMAKRISHNAN
Date : 25.05.2007	Company Secretary	Director	Chairman	Partner
				M.No: 201023

