

20th Annual Report



The **power**
to take India's
potential forward.



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
V Balakrishnan	Electrical Projects
P V N Sanjay	Energy
R Ramesh Kumar	President - Corporate & Secretary

GEA Energy System (India) Limited

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

Bankers

State Bank of India
State Bank of Hyderabad
State Bank of Travancore
UTI Bank Limited

Registered Office

A-5, Pannamgadu Industrial Estate,
Ramapuram Post, Nellore District, Pin : 524 401

Corporate Office

443, Anna Salai, Teyanmpet, Chennai - 600 018

Regional Offices

48, Okhla Industrial Estate, Phase III
New Delhi - 110 020

25 E, Lorette Ville, Santacruz West,
Main Avenue, Mumbai 400 054

Notice

To the Members of GEA Energy System (India) Limited

Notice is hereby given that the Twentieth 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 Thursday, the 30th March, 2006 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2005 and the Profit and Loss Account for the year ended 30th September, 2005 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a director in the place of Mrs.Sasikala Raghupathy, who retires by rotation and, being eligible for re-appointment, offers herself for re-appointment.
4. To appoint a director in the place of Mr.S.K. Sridhar, 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 Ordinary Resolution.

"RESOLVED that Mr. V.R. Mahadevan, in respect of whom the company has received a notice in writing from a member proposing him as a candidate for the office of a director under Section 257 of the Companies Act, 1956 be and is hereby appointed as director of the company, whose period of office shall be liable to determination by retirement of director by rotation".

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

"RESOLVED that pursuant to Sections 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956 and subject to Schedule XIII of the said Act (including any statutory modification thereof, for the time being in force), the company hereby approves the appointment of Mr. V.R. Mahadevan as Whole Time Director of the company for a period of five years with effect from 1st June, 2005 on the terms and conditions as set out below and that the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said appointment within the overall limits prescribed in Schedule XIII of the Companies Act, 1956 and as may be amended from time to time".

I. Designation : Whole Time Director

II. Remuneration:

(1) Salary	:	Rs.60,000/- per month
(2) House Rent Allowance	:	Rs.30,000/- per month
(3) Special Allowance	:	Rs.60,000/- per month

III. Perquisites :

- (a) Reimbursement of medical expenditure incurred for self and family subject to a ceiling of Rs.60,000/- per year.
- (b) Leave Travel Concession for self and family subject to a maximum of Rs.50,000/- per year.
- (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 of which the premium not to exceed Rs.10,000/- per year.
- (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 thereunder. 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.

III. Variation and Minimum Remuneration

- (a) The Managing Director shall have the power and authority to vary, modify or alter the designation and remuneration determined hereinabove; provided however that the designation and remuneration so varied, modified or altered shall be in compliance with the provisions of the Articles of Association and within the ceilings and limits and in compliance with the conditions contained in the Schedule XIII of the Companies Act, 1956.
 - (b) Where in any financial year, during the term of this appointment as Whole Time Director, the company has no profits or the profits are inadequate Mr. V.R. Mahadevan shall be entitled to such remuneration not exceeding the limits specified under Section II of part II of the Schedule XIII of the Companies Act, 1956 including any statutory modifications thereof for the time being in force or such remuneration as may be approved by the Central Government."
- B. To consider, and if deemed fit, to pass the following resolution, with or without modification, as Ordinary Resolution.

"RESOLVED that pursuant to Section 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956 and subject to Schedule XIII of the said Act (including any statutory modification thereof, for the time being in force), the company hereby approves the appointment of Mr. S. Rathinam, as Whole Time Director of the company for a period of five years with effect from 7th February, 2006 on the terms and conditions as set out below and that the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said appointment within the overall limit as prescribed in schedule XIII of the Companies Act, 1956 and as may be amended from time to time".

I. Designation : Director - Finance

II. Remuneration :

(1) Salary	:	Rs.64,000/- per month
(2) House Rent Allowance	:	Rs.32,000/- per month
(3) Special Allowance	:	Rs.64,000/- per month

III. Perquisites :

- (a) Reimbursement of medical expenditure incurred for self and family subject to a ceiling of Rs.64,000/- per year.
- (b) Leave Travel Concession for self and family subject to a maximum of Rs.50,000/- per year.
- (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 of which the premium not to exceed Rs.10,000/- per year.
- (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) Re-imbursement 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 thereunder. 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.

III. Variation and Minimum Remuneration

- (a) The Managing Director shall have the power and authority to vary, modify or alter the designation and remuneration determined hereinabove; provided however that the designation and remuneration so varied, modified or altered shall be in compliance with the provisions of Articles of Association and within the ceilings and limits and in compliance with the conditions contained in the Schedule XIII of the Companies Act, 1956.
- (b) Where in any financial year, during the term of this appointment as Whole Time Director, the company has no profits or the profits are inadequate Mr. S. Rathinam shall be entitled to such remuneration not exceeding the limits specified under Section II of part II of the Schedule XIII of the Companies Act, 1956 including any statutory modifications thereof for the time being in force or such remuneration as may be approved by the Central Government."

By order of the Board

Place : Chennai
Date : 2nd March, 2006

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 member. 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 PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6 & 7

Mr. V. R. Mahadevan was appointed as additional director with a view to appoint him to the office of Whole Time Director. Mr. V. R. Mahadevan retires at the twentieth annual general meeting in terms of Section 260 of the Companies Act, 1956. The company has received a notice under Section 257 of the Companies Act, 1956 from a member to the effect that Mr. V. R. Mahadevan be appointed as Director of the Company.

Mr. Mahadevan, an Electrical Engineer with more than two decades of rich and varied experience in Engineering, International Sales, Project Management, Business Management and Planning, joined the service of the company on 1-08-1987 and has contributed immensely to the growth of the company. In order to avail his rich knowledge and counsel at the Board level and to enable him to carry out supervisory role of Energy and Infrastructure divisions, it will be in the interest of the company to appoint Mr. Mahadevan as a Director. Mr. V. R. Mahadevan shall have such powers, authorities and discretions as may be authorised and / or delegated by the Board in discharging his function subject to the superintendence, control and direction of the Board. Board commends the resolution. None of the directors is interested or concerned in this resolution except Mr. V. R. Mahadevan.

Item No. 8

The Board of Directors at its meeting held on 2nd March, 2006 reappointed Mr. S. Rathinam to the office of whole time director for a period of five years and designated him as "Director - Finance" effective from 7th February, 2006 upon the terms and conditions as set out in the notice. Mr. Rathinam is a Chartered Accountant with more than 25 years of rich and varied experience in Accounting, Finance, Control, Business Management, Audit, Strategic Planning and Resource Management. The reappointment is in the interest of the company and hence the Board commend the resolution for the approval of members. Mr. S. Rathinam shall have such powers, authorities and discretions as may be authorised and / or delegated by the Board in discharging his function subject to the superintendence, control and direction of the Board. None of the Directors is interested or concerned in this resolution except Mr. S. Rathinam.

Directors' Report

To the Members of GEA ENERGY SYSTEM (INDIA) LIMITED

Your directors are delighted to present their Twentieth Annual Report on the business together with the annual financial statements for the year ended 30th September, 2005. The highlights of the financial performance of your company during the year under review are as given below :

Financial Results

(Rs. in Crores)

	2004-05	2003-04
Total Income	292.74	264.65
Operating Expenses	265.54	244.66
Operating Profit	27.20	19.99
Interest	5.74	4.23
Depreciation	2.75	1.54
Profit before tax	18.69	14.22
Provision for tax	5.44	3.18
Profit after tax	13.25	11.04
Add : Balance brought forward from previous year	22.11	22.06
Balance available for appropriation	35.37	33.10
Less :		
a) Dividend	2.16	2.16
b) Tax on dividend	0.30	0.28
c) To general reserve	1.32	1.10
Balance carried to Balance Sheet	31.58	29.06

Appropriation

Your directors recommend payment of dividend of Rs. 2/- per equity share for the year ended 30th September, 2005. Your directors wish to carry an amount of Rs. 31.58 Crores to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserves.

Results of Operations

The year under review was an excellent year for your company. During the year under review, the total income of your company rose to an all time high of Rs. 292.73 Crores. The operating profit and profit after tax have also witnessed significant growth. Your company

continued its mission of successfully executing prestigious turnkey engineering and construction contracts for customers in the domestic and international markets in Power and Process industries. A snapshot of significant achievements made by your company during the year 2004 - 05 are as follows :

- a) Won a contract for supply of Balance of Plant (including civil works) contract from Rajasthan Rajya Vidyut Utpadan Niqam Limited for the 330 MW Gas based power plant at Dholpur.
- b) Air Fin Cooler division retained its market leadership position in India and achieved all time high order booking of Rs. 68 Crores.
- c) Set up a custom bonded manufacturing facility for manufacture of Extruded Finned tubes (for Air Fin Cooler Division).
- d) Signed up Strategic business alliance for Compressor package with Ariel Corporation, USA.
- e) Exclusive business alliance with leading Chinese boiler manufacturers for packaging with EPC & BoP contracts.
- f) Electrical Projects division won a contract for supply of Gas Insulated Switchgear.

Your company closed the financial year with an order book of Rs. 346.34 Crores. This is the highest order backlog with which your company commenced its business next financial year.

Industry overview and future prospective

Your company caters to Power, Process, Oil & Gas and Infrastructure sectors. These business segments are witnessing highly encouraging investment climate based on high growth in Indian economy with GDP growing above 8% level. The manufacturing sector particularly the sectors which accelerates the prospects of your company viz., Oil & Gas, Petrochemicals and Cement are set for significant capacity addition leading to enhanced business opportunities. The enactment of Electricity Act, 2003, formulation of National Electricity Policy and the proposal to implement the National Tariff Policy by the Ministry of Power, Government of India have brought significant confidence to the investors in all segments of power sector, viz., Generation, Transmission and Distribution. The State utilities, after a long gap, firmed up plans to increase power generation capacity.

The National Electricity Policy which aims to provide electricity to all household in the next five years and to fully meet the national demand by the year 2012 at International standards would auger well for the power sector growth. The additional power generation capacity of 60,000 MW in Public and Private Sector planed during XI Plan would offer multi fold business opportunities and growth prospects to your company

The Process and Oil & Gas sector both in India and abroad have received boost due to upsurge in crude oil price. These developments will enable your company to achieve and sustain growth momentum with increased rate of profitability. Your company identified Saudi Arabia, Iran, Kuwait, UAE and Eastern Europe as special international markets for sustaining growth momentum, as these countries are planning to set up independent power and water projects. Requisite resources are being deployed for development of business in these markets. Your company is taking initiative to set up an unit in Special Economic Zone to avail itself of export incentives. Your company is also taking necessary steps for setting of manufacturing facility in China, Middle East and assembly shop in USA to serve existing customers and to expand the geographical presence in international markets.

The huge volatility and hardening of energy and base metal prices such as steel, aluminium and copper cast cost pressures and affect profitability of your company. Your company is taking suitable steps to hedge these risks on a continuous basis.

Performance of Subsidiaries

Schmitz Reinigungskugeln GmbH, the overseas subsidiary of your company which is engaged in Trading of sponge rubber cleaning balls, has achieved satisfactory results for the year ended 30th September, 2005. Progen Systems and Technologies Limited, a subsidiary of your company which is engaged in the business of manufacture of equipment for power generation and process industries, has achieved a turnover of Rs. 5.50 Crores and a profit of Rs. 0.22 Crores for the year ended 30th September, 2005. These companies are expected to achieve improved financial results in the years to come.

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 year 2004 - 05, your company has earned foreign exchange of Rs. 50.44 Crores and foreign exchange outgo during the same period was Rs. 37.99 Crores. 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
Designation & Nature of duties	Chairman & Managing Director - In charge of strategic and corporate management	Director - Finance, Head Finance & Accounts and in charge of operations of Air Fin Cooler division.
Remuneration	Rs.1,00,17,790	Rs.25,82,180
Qualification	B.Sc	B.Sc., FCA.,
Age	53	55
Experience	32	27
Date of Commencement of Employment	18th February, 1985	16th May, 1992
Nature of Employment	Contractual	Contractual
Last employment held	Chief Executive - Introls	Joint General Manager (Finance) - Tamil Nadu Industrial Explosives Limited

Board of Directors

On 1st June, 2005, the Board co-opted Mr. V. R. Mahadevan as a Director of the company and appointed him to the office of Whole Time Director. Mr. Mahadevan retires at the ensuing annual general meeting and he offers himself for re-appointment. The Board commends his appointment as Director.

Mrs. Sasikala Raghupathy and Mr. S. K. Sridhar 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:

- in the preparation of the annual accounts for the year ended 30th September, 2005 the applicable accounting standards have been followed;
- 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 30th September, 2005 and of the profit of the company for the year ended 30th September, 2005;

- 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 year ended on 30th September, 2005 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 supportive 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 year under review.

For and on behalf of the Board

Place : Chennai
Date : 2nd March, 2006

B. G. Raghupathy
Chairman

ANNEXURE - I

FORM - B

Disclosure of particulars with respect to :

Research and Development (R & D)

01	Specific areas in which R & D carried out by the company.	a) Designed automatic On Line Ball Management System for condenser tube cleaning. b) Developed touch screen control panel for Ball Separator.
02	Benefits derived as a result of the above R & D.	a) Unmanned operation and user friendly system. b) Cost effective and easy maintenance.
03	Future plan of action.	To design a shorter length Ball Separator and Debris Filter.
04	Expenditure on R & D.	
	(a) Capital	Rs. Nil
	(b) Recurring	Rs. 21,10,728/-
	(c) Total	Rs. 21,10,728/-
	(d) Total R & D expenditure as a percentage of total turnover.	0.073 %

Technology absorption, adaptation and innovation

01	Efforts, in brief, made towards technology absorption, adaptation and innovation.	Design and manufacture of various types of Deaerators and Reverse Osmosis systems.
02	Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.,	Import substitution and Indigenisation.
03	In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:	
(a)	Technology imported.	Technology for design, manufacture, erection, commissioning and service of Deaerators and Reverse Osmosis Systems.
(b)	Year of import.	2001
(c)	Has technology been fully absorbed.	Yes.
(d)	If not fully absorbed areas where this has not taken place, reasons there for and future plans of action.	Not applicable.

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 27 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 21 years of experience and he has been a director of the company since 30-06-1989.

Terms of reference :

A. 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.

B. 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.,

Auditor's Report

Report of the auditors to the members of M/s. GEA Energy System (India) Limited

1. We have audited the attached Balance Sheet of M/s. GEA Energy System (India) Limited as at 30th September 2005 and the Profit and Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 30th September 2005, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th September, 2005 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 to us, the said accounts give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a. In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2005;
 - b. In the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - c. In the case of the cash flow statement, of the cash flows for the year ended on that date.

For M/s. Manohar Chowdhry & Associates
Chartered Accountants

Place : Chennai
Date : 2nd March, 2006

G.R. Hari, B.Com., F.C.A.,
Partner

Annexure To The Report Of The Auditors To The Members Of M/S. GEA Energy System (India) Limited

Annexure referred to in paragraph 3 of the Report of the Auditors to the members of
M/s GEA ENERGY SYSTEM (INDIA) LIMITED for the year ended 30th September 2005;

- (I) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The management has conducted physical verification of fixed assets at reasonable intervals and no material discrepancies were noticed on such verification; and
- (c) The company has not disposed off a substantial part of fixed assets during the year.
- (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.
- (III) (a) The company has granted a sum of Rs. 883.97 lakhs as interest free unsecured loans, to 4 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;

Annexure To The Report Of The Auditors To The Members Of M/S. GEA Energy System (India) Limited

- (e) The company has availed a sum of Rs. 127.90 lakhs as interest free unsecured loans from 10 parties covered in the register maintained under section 301 of the Act;
 - (f) In our opinion as the loans taken are unsecured and interest free, the same are not prejudicial to the interest of the company; and
 - (g) During the year the company has not made any 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 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; 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, Wealth Tax, Service tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities; and

Annexure To The Report Of The Auditors To The Members Of M/S. GEA Energy System (India) Ltd

- (b) The following are the details of Disputed Tax Liabilities and the forum in which they are pending:

Financial Year	Amount (Rs. In Lakhs)	Type of Tax Liability	Forum in which the Appeal is lying in
1997-98	4.50	CST	Honorable High Court, Andhra Pradesh
1998-99	0.12	CST	CTO
1998-99	3.23	CST	Tamil Nadu Sales Tax Tribunal
1999-00	0.10	CST	Appellate Assistant Commissioner, Kanchipuram
2000-01	0.05	CST	Appellate Assistant Commissioner, Kanchipuram
2001-02	0.14	APGST	STAT-Hyderabad
2001-02	2.97	CST	STAT-Hyderabad
2001-02	0.28	WCT	Appellate Assistant Commissioner, Kerala
2002-03	0.74	APGST	ADC, Guntur
2003-04	4.26	Income Tax	Commissioner of Income Tax (Appeals), Guntur
2004-05	42.60	Excise Duty	Commissioner Appeals, Guntur

- (X) The company has not got 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.

Annexure To The Report Of The Auditors To The Members Of M/S. GEA Energy System (India) Limited

- (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) During the year the company has not obtained, any fresh term loans. However, the company has settled the dues of the existing term loans.
- (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 year.

For M/s. Manohar Chowdhry & Associates
Chartered Accountants

Place : Chennai
Date : 2nd March, 2006

G.R. Hari, B.Com., F.C.A.,
Partner

Balance Sheet

BALANCE SHEET AS AT 30th SEPTEMBER, 2005

Description	Sch. No.	As at 30.09.2005 (Rs in lakhs)	As at 30.09.2004 (Rs in lakhs)
SOURCES OF FUNDS			
(1) Shareholders' Funds	1		
(a) Share Capital		1,080.00	1,080.00
(b) Share Application Advance		9.00	9.00
(c) Reserves and Surplus		3,780.08	2,700.68
(2) Loan Funds	2		
(a) Secured Loans		8,041.17	4,718.99
(b) Unsecured Loans		592.12	633.05
(3) Deferred tax (assets) / Liabilities, net		238.95	184.99
TOTAL		13,741.32	9,326.71
APPLICATION OF FUNDS			
(1) Fixed Assets	3		
(a) Gross Block		3,660.62	2,511.77
(b) Less: Depreciation		1,235.88	969.07
(c) Net Block		2,424.74	1,542.70
(d) Capital work-in-progress		55.31	18.25
(2) Investments at Cost	4	492.98	492.98
(3) Current Assets, Loans & Advances	5		
(a) Inventories		4,736.71	2,169.15
(b) Loose Tools & Spares		11.59	8.48
(c) Sundry Debtors		8,485.96	6,157.36
(d) Cash and Bank balances		1,805.73	2,197.10
(e) Other Current Assets		345.80	177.13
(f) Loans and Advances		2,692.31	2,459.08
		18,078.10	13,168.30
LESS:			
Current Liabilities & Provisions	6		
(a) Liabilities		6,460.09	5,237.30
(b) Provisions		966.99	737.21
		7,427.08	5,974.51
Net Current Assets		10,651.02	7,193.79
(4) Miscellaneous Expenditure (to the extent not written off or adjusted)	7	117.27	78.99
TOTAL		13,741.32	9,326.71
NOTES ON ACCOUNTS	15		

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

R.RAMESH KUMAR
Company Secretary
Chennai
2nd March 2006

S.RATHINAM
Director-Finance

B.G.RAGHUPATHY
Managing Director

G.R.HARI
Partner

Profit & Loss Account

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER, 2005

Description	Sch. No.	For the year Ended 30.09.2005 (Rs in lakhs)	For the year Ended 30.09.2004 (Rs in lakhs)
INCOME			
Sales & Services	8	28,899.70	26,646.21
Other Income	9	22.42	29.04
Increase in WIP		<u>351.80</u>	<u>(209.79)</u>
		<u>29,273.92</u>	<u>26,465.46</u>
EXPENDITURE			
Cost of Materials	10	20,597.80	20,090.85
Cost of Manufacturing	11	2,521.55	1,717.50
Other Direct Cost	12	471.16	361.59
Administration, Selling & General Expenses	13	2,964.31	2,296.55
Interest	14	573.88	422.51
Depreciation	3	<u>275.89</u>	<u>154.46</u>
		<u>27,404.59</u>	<u>25,043.46</u>
PROFIT BEFORE TAX		1,869.33	1,422.00
Provision for Taxation			
Current tax		467.44	351.00
Deferred tax		53.96	(32.63)
Fringe Benefit Tax		<u>22.24</u>	<u></u>
PROFIT AFTER TAX		1,325.69	1,103.63
Surplus brought forward		<u>2,211.03</u>	<u>2,206.42</u>
		<u>3,536.72</u>	<u>3,310.05</u>
APPROPRIATIONS			
Transfer to General Reserve		132.57	110.36
Proposed Dividend		216.00	216.00
Corporate Dividend Tax		<u>30.29</u>	<u>28.23</u>
Balance carried to Balance Sheet		<u>3,157.86</u>	<u>2,955.46</u>
NOTES ON ACCOUNTS	15		

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

R.RAMESH KUMAR
Company Secretary
Chennai
2nd March 2006

S.RATHINAM
Director-Finance

B.G.RAGHUPATHY
Managing Director

G.R.HARI
Partner

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30th SEPTEMBER, 2005
 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER, 2005

Sch. No.	Description	As at 30.09.2005 (RS in lakhs)	As at 30.09.2004 (RS in lakhs)
1.	SHAREHOLDERS' FUNDS		
	(a) Share Capital		
	Authorised		
	150 lakhs (150 lakhs) Equity Shares		
	of Rs. 10/- each	1,500.00	1,500.00
	Issued, Subscribed and Paid up		
	108 lakhs (108 lakhs) Equity Shares of Rs. 10/- each		
	Of the above, 106.50 lakhs (106.50 lakhs) Equity		
	Shares of Rs. 10/- each were allotted as fully paid		
	up bonus Shares by capitalisation of profits.	1,080.00	1,080.00
	(b) Share Application Advance	9.00	9.00
	(c) Reserves and Surplus		
	1. General Reserve	622.22	489.65
	ii. Balance in Profit & Loss A/c	3,157.86	2,211.03
	2. LOAN FUNDS	3,780.08	2,700.68
	(a) Secured Loans		
	1. Working Capital Loan from Banks	6,273.88	3,464.01
	ii. Fixed assets Loan	1,203.64	442.48
	iii. Term Loan from UTI Bank	563.65	812.50
	(b) Unsecured Loans		
	i. FST	330.88	338.37
	ii. ICICI Bank Ltd	133.34	177.78
	iii. Others	127.90	116.90
		592.12	633.05

3. FIXED ASSETS

(Rs. in lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.01.2004	Additions During the year	Less: Disposal 30.09.2005	As at 30.09.2004	Additions During the year	Less: Disposal 30.09.2005	As at 30.09.2005	As at 30.09.2004
Land	32.13	-	-	-	-	-	32.13	32.13
Buildings	795.53	-	-	65.56	6.53	-	72.09	121.64
Plant & Machinery	1,314.27	1,091.89	2.21	2,405.99	48.55	189.88	0.04	626.37
Furniture & Fixtures	67.88	5.57	-	73.39	5.10	7.05	-	54.25
Office Fixtures	99.29	8.71	-	108.02	93.62	3.35	-	96.77
Office Equipment	268.04	33.18	1.40	299.82	15.97	27.26	0.15	94.37
Electrical Installations	45.38	1.65	-	47.03	23.48	2.93	-	26.41
Vehicles	597.25	22.16	10.68	378.74	98.71	11.94	8.83	473.77
Technical Know-how	132.04	-	-	132.04	70.20	7.95	-	119.25
TOTAL	2,791.77	1,165.14	16.29	3,660.62	969.07	273.89	9.04	1,235.68
PREVIOUS YEAR	1,721.42	795.71	5.36	2,511.77	875.43	154.46	0.82	999.07

As at
30.09.2005
(Rs in lakhs)

As at
30.09.2004
(Rs in lakhs)

4. INVESTMENTS

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 Ltd 10090 Shares of Rs. 100 each, fully paid up (10090 Shares of Rs. 100 each, fully paid up)	10.09	10.09
	<u>492.98</u>	<u>492.98</u>

Sch. No.	Description	As at 30.09.2005 (Rs in lakhs)	As at 30.09.2004 (Rs in lakhs)
5.	CURRENT ASSETS, LOANS AND ADVANCES		
	a) Inventories		
	(i) Raw Material and Components	1,333.48	895.89
	(ii) Work-in-Progress	<u>3,403.23</u>	<u>1,273.26</u>
		<u>4,736.71</u>	<u>2,169.15</u>
	b) Loose Tools & Spares	<u>11.59</u>	<u>8.48</u>
	c) Sundry Debtors		
	(Unsecured and Considered good)		
	Over six Months	851.80	471.63
	Others	<u>7,634.16</u>	<u>5,685.73</u>
		<u>8,485.96</u>	<u>6,157.36</u>
	d) Cash and Bank Balances		
	i. Cash Balance	3.54	8.86
	ii. Bank Balances with Scheduled Banks		
	On Current Account	97.83	131.98
	On Deposit Account	1,703.76	2,055.66
	iii. Balances with Other Banks		
	On Current Account		
	Malayan Banking Berhad, Malaysia	0.60	0.60
	(Maximum amount outstanding at any time during the year Rs. 0.60 lakhs (Rs. 0.60 lakhs))		
		<u>1,805.73</u>	<u>2,197.10</u>
	(e) Other Current Assets		
	Interest accrued on deposits	66.82	79.17
	Share capital Advance	<u>278.98</u>	<u>97.96</u>
		<u>345.80</u>	<u>177.13</u>

Sch. No.	Description	As at 30.09.2005 (Rs in lakhs)	As at 30.09.2004 (Rs in lakhs)
	(f) Loans and Advances (Unsecured and considered good)		
	(i) Advances recoverable in cash or in kind or for value to be received (Includes Rs. 76,497,592 (Rs. 80,068,607/-) due from Progen Systems and Technologies Ltd.)	2,436.81	2,273.90
	(ii) Deposits	255.50	185.18
		<u>2,692.31</u>	<u>2,459.08</u>
6.	CURRENT LIABILITIES AND PROVISIONS		
	(a) Current Liabilities		
	Sundry Creditors (Includes Rs. 114.84 lakhs (64.53 lakhs) due to Small Scale Industries for more than 30 days)	4,220.32	2,970.53
	Advances from customers	1,115.38	1,000.28
	Other liabilities	1,000.92	1,221.54
	Interest accrued but not due	23.47	44.95
		<u>6,460.09</u>	<u>5,237.30</u>
	(b) Provisions		
	Income tax	720.70	492.98
	Corporate dividend tax	30.29	28.23
	Proposed dividend	216.00	216.00
		<u>966.99</u>	<u>737.21</u>
7.	MISCELLANEOUS EXPENDITURE		
	Opening balance	78.99	76.41
	Add : Additions during the year	76.79	22.33
	Sub-total	155.78	98.74
	Less : Written off during the year	38.51	19.75
	Closing balance	<u>117.27</u>	<u>78.99</u>

Sch. No.	Description	For the year ended 30.09.2005 (Rs in lakhs)	For the year ended 30.09.2004 (Rs in lakhs)
8.	SALES & SERVICES		
	Sale of Manufactured Goods	9,820.63	10,128.42
	Less: Excise Duty	909.27	874.08
	Net Sale of Manufactured Goods	8,911.36	9,254.34
	Contracting Income	19,600.57	16,694.79
	Trading of spares and commodities	231.20	200.30
	Service Income	156.57	496.78
		<u>28,899.70</u>	<u>26,646.21</u>
9.	OTHER INCOME	22.42	29.04
10.	COST OF MATERIALS		
	Opening inventory (Raw materials consumables and components)	895.89	682.29
	Add : Purchases	21,035.39	20,304.45
		21,931.28	20,986.74
	Less: Closing Inventory (Raw materials consumables and components)	1,333.48	895.89
		<u>20,597.80</u>	<u>20,090.85</u>
11.	COST OF MANUFACTURING		
	Testing Charges	30.99	73.89
	Part Processing Charges	2,452.17	1,605.38
	Power & Fuel	38.39	38.23
		<u>2,521.55</u>	<u>1,717.50</u>
12.	OTHER DIRECT COST		
	Commission	45.75	74.28
	Insurance	39.66	36.40
	Bank Charges	176.83	110.57
	Packing & Forwarding	194.99	114.86
	Royalty	13.93	25.48
		<u>471.16</u>	<u>361.59</u>

Sch. No.	Description			For the year ended 30.09.2005 (Rs in lakhs)	For the year ended 30.09.2004 (Rs in lakhs)
13.	ADMINISTRATION, SELLING & GENERAL EXPENSES				
	Rent			138.18	122.18
	Repairs to Building			7.22	6.62
	Repairs to Machinery			7.15	39.58
	Repairs & Maintenance - Others			68.74	72.39
	Salaries and Allowances			1,151.25	837.35
	Bonus			2.67	5.09
	Contribution to P.F., E.S.I., & Gratuity			70.09	52.64
	Workmen & Staff Welfare Expenses			152.08	135.39
	Insurance			29.95	22.54
	Rates and Taxes			39.72	12.82
	Electricity charges			53.12	41.28
	Administration Expenses			182.12	115.74
	Auditor's Remuneration	04-05	03-04		
	For Audit	4.49	2.20		
	For Taxation Matters	1.12	0.55		
	For Certification	0.23	1.48		
				5.84	4.23
	Bank charges			95.25	120.34
	Bad Debts Written Off			0.00	3.55
	Conveyance and Vehicle Running Expenses			186.56	146.34
	Selling Expenses			103.60	54.32
	Loose Tools Written Off			12.20	8.80
	Miscellaneous Expenditure Written Off			38.51	19.75
	Loss on sale of Assets			0.65	2.21
	Professional charges			106.20	80.34
	Foreign Exchange Variation			39.36	5.71
	Sitting Fees			0.06	0.14
	Security charges			50.78	23.43
	Telephone, Telex, Fax, Courier & Postage			70.95	56.85
	Travelling Expenses - Inland			215.55	187.85
	Travelling Expenses - Overseas			136.51	119.07
				<u>2,964.31</u>	<u>2,296.55</u>

15. 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 thereon are expensed over the period of agreements. 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 cost and applicable production over heads to bring the goods to the present location and condition.
- (d) Revenue Recognition:
- Despatches are accounted as sales.
 - 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.
 - 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.
 - Sales include equipment billed but the Despatch of which is withheld at the request of the customer.
- (e) Foreign Currency Transactions:
- Current Assets and Current Liabilities in Foreign Currency, are translated into INR at the closing rate.
 - Investment in the overseas subsidiary is carried in the balance sheet at the original exchange rate prevailing at that time.
- (f) Long-term investments are valued at cost.
- (g) The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the six months ended 31st March 2005 and the provision based on the figures for the remaining six months upto 30th September 2005, the ultimate tax liability of which will be determined on the basis of the figures for the period 01.04.2005 to 31.03.2006.
- (h) Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. 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) Technical Know-how payment are capitalised and amortized over a period of 6 years.
- (j) Development expenses are classified as Miscellaneous Expenditure and amortized over a period of 5 years.
- (k) One fifth of the value of loose tools & equipments at the end of the year is written off to the profit and loss account. Loose tools acquired during the year and the actual cost of which is less than Rs. 5,000/- has been fully written off.

2. SECURED LOAN

- a) Term Loan of Rs. 563.65 lakhs (Rs. 812.50 lakhs) from UTI Bank is secured by 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 is further secured by a second charge on the fixed assets of the company.
- c) The company has availed Working Capital loan on *pari-passu* basis from State Bank of Travancore and State Bank of Hyderabad. These loans are secured by hypothecation of inventories, book debts and movable current assets of 'NHAI Tuticorin Port Connectivity Project' of the company. These loans are further secured by personal guarantees of two Directors of the company including the Managing Director of the company.
- d) Secured Loans includes Rs. 1203.64 lakhs (Rs. 442.48 lakhs) for which the respective fixed assets acquired under Loan are held as security.

3. UNSECURED LOANS

- a) Unsecured Loan includes an amount of Rs. 133.34 lakhs (Rs. 177.78 lakhs) the repayment of which is guaranteed by the Managing Director.
- b) Unsecured Loan includes an amount of Rs. 40.66 lakhs (Rs. 40.66 lakhs) given by Directors.

	As at 30.09.2005 (Rs in lakhs)	As at 30.09.2004 (Rs in lakhs)
4. CONTINGENT LIABILITIES		
i) Bills Discounted	251.48	98.78
ii) Guarantees and Counter Guarantees	3763.69	5,443.04
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)	1829.65	542.55
iv) Claims against the company not acknowledged as debt		
a) On account of Sales Tax	46.81	12.10
b) On account of Income Tax	4.26	33.14
c) On account of Excise Duty	42.60	17.87
v) Estimated amount of contracts remaining to be executed on capital account	243.98	336.36

5. CAPACITY AND PRODUCTION

	Units	Installed for the year ended		Production for the year ended		Sales for the year ended	
		30.09.05	30.09.04	30.09.05	30.09.04	30.09.05	30.09.04
Tube Cleaning System	Nos	100	100	73	66	73	66
Debris Filter	Nos	100	100	50	32	50	32
Air Cooled Heat Exchanger	No of Bundles	600	450	445	424	445	424
Generator	Nos	20	20	10	8	10	8
Oil and Gas Equipment	Nos	-	-	29	8	29	8

6. SUMMARY OF SALES

PARTICULARS OF SALES	For the year ended	For the year ended
	30.09.2005 (RS.lakhs)	30.09.2004 (Rs. lakhs)
Manufactured Equipments for Power / Process Plants	8,911.36	9,254.34
Trading, Spares & Commodities	231.20	200.30
Contract Income	19,600.57	16,694.79
Services	156.57	496.78
	<u>28,899.70</u>	<u>26,646.21</u>

7. VALUE OF IMPORTS ON CIF BASIS	(Rs. lakhs)	(Rs. lakhs)
Raw materials and components	<u>3,292.69</u>	<u>3,683.18</u>

8. Details of raw materials and components consumed

S.No	Description	Units	Year ended		Year ended	
			Qty	Value	Qty	Value
			(lakhs)	(lakhs)	(lakhs)	(lakhs)
1.	Steel Plates	Kgs	22.78	1,173.97	27.51	1,058.12
2.	Structurals	Mtrs	38.48	1,447.25	9.84	349.01
3.	Pipes, Tubes and Fittings	Kgs	7.84	953.62	6.89	800.27
4.	Bought Outs-Mechanicals	Lots	-	530.81	-	939.47
5.	Bought Outs-Electricals	Lots	-	885.95	-	1,399.06
6.	Aluminum Fin Strips	Kgs	4.57	573.99	5.51	624.58
7.	Elbows, Rounds & Others	Nos	0.07	27.04	0.07	23.31
8.	Cement and Steel	Kgs	113.9	311.54	54.16	384.06
9.	Consumables	Lots	-	1,215.25	-	909.31
10.	Trading Goods	Lots	-	58.04	-	89.02
11.	Stores	Lots	-	2,574.37	3,019.85	-
12.	Electrical Cables	Mtrs	0.76	66.11	0.76	92.75
13.	Power Plant Machinery components	Lots	-	10,779.86	-	10,402.04
	Total			<u>20,597.80</u>		<u>20,090.85</u>

9. Value of raw material and components consumed during the year

	Year Ended 30.09.2005 (Rs in lakhs)	Year Ended 30.09.2004 (Rs in lakhs)
Imported	3,635.97 (17.65%)	4,080.54 (20.31%)
Indigenous	16,961.83 (82.35%)	16,010.31 (79.69%)
TOTAL	<u>20,597.80</u>	<u>20,090.85</u>

10. Expenditure in Foreign Currency on account of:

	(Rs. lakhs)	(Rs. lakhs)
i) Travelling	57.96	56.39
ii) Professional charges	13.57	-
iii) Commission on sales	37.37	38.19
iv) Royalty	-	52.47
v) Erection & Commissioning	0.12	54.97
vi) Others	18.44	16.38
	<u>163.46</u>	<u>218.40</u>
II. Earnings in Foreign Exchange	(Rs. lakhs)	(Rs. lakhs)
i) Sales	5010.21	3,601.38
ii) Services	34.14	56.06
	<u>5044.35</u>	<u>3,657.44</u>

12. MANAGERIAL REMUNERATION

A. Computation of Commission payable to Managerial Personnel

	Year Ended 30.09.2005 (Rs in lakhs)	Year Ended 30.09.2004 (Rs in lakhs)
Profit as per Profit and Loss A/c	1,869.33	1,422.00
Add: a) Directors remuneration Including commission	133.51	89.87
b) Directors sitting fees	0.06	0.14
c) Loss on sale of assets	0.65	2.21
PROFIT FOR COMPUTATION OF MANAGERIAL REMUNERATION	<u>2,003.55</u>	<u>1,514.22</u>
Remuneration to Managing Director @ 5% on above profits of the Company	<u>100.17</u>	<u>75.71</u>
Commission to Managing Director - restricted to	<u>68.83</u>	<u>49.90</u>

B. DIRECTORS' REMUNERATION

	Year Ended 30.09.2005 (Rs. lakhs)	Year Ended 30.09.2004 (Rs. lakhs)
Salaries and Allowances	56.02	36.30
Perquisites	8.66	3.66
Commission	68.83	49.90
	<u>133.51</u>	<u>89.86</u>

13. Closing work in progress is net of Rs. 290.05 lakhs (Rs. 208.68 lakhs) being advance received from customers and includes a sum of Rs. 3,159.49 lakhs (Rs. 1,167.94 lakhs) towards retention money.
14. Deposits amounting to Rs. 1,547.27 lakhs (Rs. 1,241.20 lakhs) and interest accrued thereon amounting to Rs. 63.49 lakhs (Rs. 76.40 lakhs) are under lien to Banks.
15. 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 prorata value of assets jointly owned along with other company, Plant and Machinery include Rs. 916.08 lakhs (Rs. 252.46 lakhs), which are jointly owned along with a Joint Venture, of which the Company is a member.
16. Debtors include Rs. 5,592.29 lakhs (Rs. 1,730.63 lakhs) relating to construction contracts.
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 :

Bharath Trailors	Saikrishna International
CKB Preciway Engineering P Ltd	J L Enterprises
Dhanalakshmi Engineering Works	Perfect Engg.
Hitech Spun Vessels	Anna Industries Lining P Ltd
Patel Air Temp	R D Enterprises
Rajamma Engineering	Sun Devices and Systems
Turnwell Industries	TAP Engineering
SKH Tools	Ramakrishna Enterprises
Fab Engineering and Fabricators	Gunam Hardware Mart
IEC Fabchem	H.M. Brothers
Jaljanesh Industries	Haji Tools and Hardware
Tamilnadu Cheran Industries	Karthick Steels Ltd
Tamilnadu Engineers and Fabs	Naween Industrial Gases Agency
Emerald Walway Grates	East Coast Bearing
Essar Rubber Industries	

18. CONSTRUCTION CONTRACTS :

The Company has received a sum of Rs. 708.83 lakhs (Rs. 758.31) as advance for execution of construction contracts during the financial year 2004-2005. A sum of Rs. 244.67 lakhs (Rs. 34.21 lakhs) has been deducted by customers as retention money. The total cost incurred on contracts in 2004-05 is Rs. 15,143 Lakhs (Rs. 14,525 lakhs).

19. RETIREMENT BENEFITS:

Our gratuity liability has been covered by Group Gratuity Policy of Life Insurance Corporation of India. 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 year ended 30.09.2005 and in respect of assets / liabilities as at 30.09.2005) is furnished below: Rs. in lakhs

Particulars	Year Ended 30.09.2005			Year Ended 30.09.2004		
	Industrial Products Segment	Construction Contract Segment	Others	Industrial Products Segment	Construction Contract Segment	Others
Revenue	9,666.56	19,607.36	-	9,799.35	16,666.10	-
Result	8,37.23	1,032.10	-	770.11	651.89	-
Assets	6,799.32	5,761.00	1,181.00	5,343.11	2,779.22	1,204.38
Liabilities	7,526.32	4,380.00	1,835.00	5,678.85	1,397.64	2,250.22
Capital Assets acquired during the year	78.62	1,086.52	-	106.66	689.05	-
Depreciation	116.94	158.95	-	105.52	48.94	-

21. PARTICULARS OF RELATED PARTIES

List of companies :

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. Key Management Personnel :

Managing Director : Mr. B G Raghupathy, Director (Finance): Mr. S Rathinam
Whole Time Director : Mr V R Mahadevan

d. Related party transactions :

Particulars	Subsidiary	Other Companies	As % of Total	
			Total as on 30.09.2005	Total as on 30.09.2004
Sales	-	-	-	-
Purchases	0.56	0.06	0.62	0.82
Loans & Advances	31.39	4.50	35.89	39.76
Others	-	0.81	0.81	1.05

22. LEASES

Finance Lease :

i. The Company has taken Plant and Machinery amounting to Rs. 832.43 Lakhs on Finance Lease during the current financial year. The written down value of these assets as on 30/9/2005 is Rs. 754.24 lakhs

ii. The minimum lease rentals as at September 30, 2005 and the present value as at September 30, 2005 of minimum lease payments in respect of assets acquired under finance lease are as follows ;

Particulars	Rs. in Lakhs	
	Minimum Lease Payments	Present value of minimum lease payments
Payables not later than one year	215.90	196.71
Payable later than 1 year and not later than 5 years	559.09	430.33
Payable later than 5 years	NIL	NIL
TOTAL	774.99	627.04
Less : Future Finance Charges	147.95	-
Present Value of Minimum lease payments	627.04	-

There were no Finance leases for the year ending 30/9/2004.

Operating Lease :

The minimum lease payments in respect of which, as at Sept 30, 2005 are as follows:

- Paid till 30.09.2005 is Rs. 17.90 Lakhs
- Payable not later than 1 Year is Rs. 35.79 Lakhs
- Payable later than 1 year and not later than 5 Years is Rs. 97.58 Lakhs

23. DEFERRED TAXES:

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

Component	Rs. in Lakhs			
	Deferred Tax Asset as on 30.09.2005	Deferred Tax Liability as on 30.09.2005	Deferred Tax Asset as on 30.09.2004	Deferred Tax Liability as on 30.09.2004
Depreciation	-	266.31	-	207.42
R & D	-	25.11	-	24.75
Royalty	38.68	-	34.07	-
PL Encashment	13.79	-	12.58	-
Others	-	-	0.53	-
TOTAL	52.47	291.42	47.18	232.17

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 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.

26. PROVISIONS:

The company has made a provision of 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.

As per our report of even date
for M/s. MANONAR CHOWHRY & ASSOCIATES
Chartered Accountants

R.RAMESH KUMAR
Company Secretary

S.RATHINAM
Director-Finance

B.G.RAGHUPATHY
Managing Director

G.R.HARI
Partner

Chennai
2nd March 2006

Cash Flow Statement

	2004-05 Rs. in lakhs	2003-04 Rs. in lakhs
A	Cash Flow From Operating Activities	
Net Profit Before Tax And Extraordinary Items	1,869.33	1422
Adjustments For :		
Depreciation	275.89	154.46
Miscellaneous Expenditure Written Off	38.51	19.75
(Profit) / Loss On Sale Of Fixed Assets	0.65	2.21
Interest	573.88	422.51
	888.93	598.93
Operating Profit Before Working Capital Changes	2,758.26	2,020.93
Adjustments For		
(Increase) / Decrease In Inventories	(2,570.67)	(240.52)
(Increase) / Decrease In Trade And Other Receivables	(2,730.50)	(704.02)
Increase / (Decrease) In Trade Payables	1,222.03	1,560.37
Increase / (Decrease) In Others	(76.79)	(22.33)
	(4,155.93)	593.50
Cash Generated From Operations	(1,397.67)	2,614.43
Interest Paid	(595.36)	(398.26)
Taxes Paid	(267.95)	(188.20)
Net Cash Flow From Operating Activities	(2,260.98)	2,027.97
B	Cash Flow From Investing Activities :	
Purchase Of Fixed Assets	(1,165.14)	(795.71)
Sale Of Fixed Assets	6.56	2.33
Sale Of Investments	-	-
Increase In Capital Work-in-progress	(37.06)	-18.25
Net Cash Flow From Investing Activities	(1,195.64)	(811.63)
C	Cash Flow From Financing Activities	
(Repayment) / Inflow Of Finance Liabilities	3,281.25	378.46
Payment Of Dividend	(216.00)	(108.00)
Net Cash Flow From Financing Activities	3,065.25	270.46
Net Increase In Cash And Cash Equivalents (A+b+c)	(391.37)	1,486.80
Cash And Cash Equivalents As At 01.10.2004 (Op. Bal)	2,197.10	710.30
Cash And Cash Equivalents As At 30.09.2005 (Cl. Bal)	1,805.73	2,197.10

As per our report of even date
for M. MANOHAR, CHOWDHRY & ASSOCIATES
Chartered Accountants

R.RAMESH KUMAR
Company Secretary

S.RATHINAM
Director-Finance

B.G.RAGHUPATHY
Managing Director

G.R.HARI
Partner

Chennai
2nd March 2006

Abstract and Profile

ABSTRACT AND PROFILE

I. Registration Details :

Registration No.	005318
State Code	01
Balance Sheet Date	30092005

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	13741.32	Total Assets	13741.32
Source Of Funds			
Paid Up Capital	1080.00	Reserves & Surplus	3789.08
Secured Loans	8041.17	Unsecured Loans	592.12
Deferred Taxation	238.95		
Application Of Funds			
Net Fixed Assets	2480.05	Investments	492.98
Net Current Assets	10651.02	Misc. Expenditure	117.27
Accumulated Losses	-		

iv. Performance Of Company (Amount In Rs. Lakhs)

Turnover	29273.92	Total Expenditure	27404.59
Profit / Loss Before Tax	+1869.33	Profit / Loss After Tax	+1325.69
(Please Tick Appropriate Box + For Profit, - For Loss)			
Earning Per Share	12.27	Dividend Rate %	20

V. Generic Names Of Five Principal Products / Services Of Company (As Per Monetary Terms)

Item Code No. (Itc Code)	84.79
Product Description	ON LOAD CONDENSER TUBE CLEANING SYSTEM
Item Code No. (Itc Code)	84.21
Product Description	DEBRIS FILTER
Item Code No. (Itc Code)	84.19
Product Description	AIR COOLED HEAT EXCHANGERS
Item Code No. (Itc Code)	84.02
Product Description	DEAERATOR
Item Code No. (Itc Code)	35.49
Product Description	OIL AND GAS EQUIPMENT

As per our report of even date
for M/S MANOHAR CHOWDHRY & ASSOCIATES
Chartered Accountants

R.RAMESH KUMAR
Company Secretary

S.RATHINAM
Director-Finance

B.G.RAGHUPATHY
Managing Director

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Chennai
2nd March 2006