Triveni ENGINEERING & INDUSTRIES LTD

Results Announcement

(For FY 2005-06 and Q4 FY2005-06)

Key performance indicators (FY2006)

- Net Turnover higher by 24% at Rs.1192 crores.
- EBITDA higher by 24% at Rs.213 crores.
- PBT higher by 30% at Rs.161 crores.
- PAT higher by 32% at Rs.131.5 crores.
- EPS at Rs. 5.88 as against Rs. 4.77 in the previous financial year.

NOIDA, April 29, 2006: **Triveni Engineering & Industries Ltd**., one of India's leading companies engaged in the manufacture of sugar and engineered-to-order mechanical equipment, such as steam turbines, high speed gears and water and wastewater treatment equipment, today announced its results of the fourth quarter and year ended 31st March, 2006.

• **Performance review of FY 2006 vs. FY 2005:** Net turnover is 24% higher at Rs.1192 crores. There is an increase in turnover in all the business segments. The turnover of the sugar operations increased by 13%, that of cogeneration by 222% and that of turbine, gear and water recorded increase in turnover by 71%, 89% and 69% respectively. The engineering business has recorded strong profitability growth - Turbine division has improved the PBIT margin from 9% to 15%, gear division from 13% to 17% and water division from 9% to 16%. While cogeneration has also improved PBIT margin from 24% to 27%, the PBIT margin in respect of sugar operations has declined from 18% to 16%. PAT has increased by 32% to Rs.131.5 crores.

• **Q4 FY 2006 Vs. Q4 FY 2005:** During the quarter the net turnover is higher by 32% at Rs.342 crores. The sugar operations have achieved 24% increase, 102% by cogeneration, 71% by turbine division, 81% by gear division and 41% by water division. Again the engineering and cogeneration business have recorded strong growth – PBIT margin for Cogeneration, Turbine and Gear division has increased by 228%, 184% and 326% respectively. PAT is 32% higher at Rs.39.80 crores.

• **What led the Growth:** There was a significant growth in all business segments. Our engineering business, mainly turbines and cogeneration played an important role in FY06. Turbine division recorded an increase in turnover of 71% and their PBIT was higher by 173%. The outlook and the order book of the engineering businesses are promising and would continue to lead the growth in FY07. Sugar outlook appears stable and our strategy of increasing volumes with capacity creation would help us in recording good growth, in the revenues and profitability, in FY07.

• **Projects in FY 2006:** Our total installed capacity for sugar operations is 40,500 TCD as against 25,250 TCD in FY05. With the setting up of a new cogeneration plant at Khatauli, the new capacity installed is 45 MW. We have already implemented expansion of the infrastructure facilities at the turbine and gear divisions.

• **Growth plans**: In line with our corporate vision, we continue to be a leader in each of our business segments during FY06. In FY07, we expect to undertake even larger investments in creating further capacity and absorbing technology. We plan to increase our sugar capacities to 61,000 TCD by setting up three new sugar units and through one brown field expansion. To further de-risk our sugar business, we have plans to expand our cogeneration facilities at Khatauli by 22MW and set up a captive 160 KLPD distillery in FY07. After having doubled the capacity of turbine division in FY06, we have plans to further double the capacity by March, 2007. We plan to be one of the first turbine companies, globally, to set up a training school to train service engineers and designers. We also have plans to set up manufacturing facilities for our water business. The total capital outlay to implement all these projects would be around Rs. 700 crore, in FY07.

In FY07 we expect to accelerate our evolution into a knowledge-driven, technology-led diversified sugar cum engineering complex. Each of our business will grow in FY07, though the growth coming out of turbines will indeed be the sharpest.

- The turbine business group is expected to emerge as a Rs. 500 crore-plus division on account of its significant order book; the company expects to address the growing scope in its business through yet another doubling of capacity.

- Establishment of 3 new greenfield sugar factories at Raninagal (6000 TCD), Chandanpur (5500 TCD) and Swar (6000 TCD), and brownfield expansion of Ramkola (to 6000TCD from 3500TCD).
- The gears and water divisions are expected to maintain growth rates achieved in FY06. The water and wastewater treatment divisions will be upgraded to full-fledged manufacturing facilities.
- The sugar division of the company will perform better due to higher volumes and realizations. While there will be a pressure on cane availability and prices, the company will ensure minimal cane diversion towards alternative sweeteners; and increase in cane prices will be partly compensated through the UP Government incentives, which will be available from FY06 onwards.
- The organized retail initiative (Khushali Bazaar) will increase its presence to over 30 centers, from 13, across rural UP and Uttaranchal.

For more information on the Company, its products and services please long on to www.trivenigroup.com or contact:

CN Narayanan,
General Manager - Investor Relations and Value Creation,
Triveni Engineering & Industries Ltd.
Tel : 0120-4308000
Fax : 0120-4311010-11
Email : cnnarayanan@trivenigroup.com

Noida, April 29, 2006

Details of the announcement

• **Business outlook review**

1. Sugar
2. Cogeneration
3. Steam Turbines
4. High Speed Gears and Gear Boxes
5. Water and Waste Water Treatment Products

• **Financial review**

Business Outlook Review

Sugar Industry

Due to a structural shift transpiring in the international sugar industry, we expect realizations to stay firm - if not increase – for the next two years. Even if we factor in a steep rise in sugar production, we expect to see low inventory levels due to growing consumption, export obligations and lower imports. As a result, the stock/consumption ratio, which currently hovers around 20 per cent, is expected to increase to only 25 per cent over the next two years, which will not be significant enough to depress realizations within the country over the foreseeable future.

Indian sugar realizations are getting increasingly aligned with the international trend; in turn, international realizations are expected to stay firm on account of two developments: Brazil diverting much of its cane to ethanol (in view of the oil price rise) and the WTO instructing the European Union to reduce subsidies on its exports. In view of this, there could actually be a case for sugar realizations trending upwards over the coming years. In the unforeseen event of a cyclical adversity our large increase in sugar manufacturing capacity and our significant diversification into exporting power and ethanol for blending with petrol, would be adequate to offset any decline in margins,

We are engaged in the most aggressive expansion program in our existence: from 25250 TCD in FY05 to 40500 TCD in FY06 and a proposed 61000 TCD in FY07, an expansion of over 140% in two years. By FY08 we would be manufacturing around 760,000 tonnes of sugar annually, an increase of 100% over the sugar produced in FY06, which will help preserve our position as one of the leaders in the Indian sugar industry. This investment will allow the company to avail of total incentives upto Rs. 862 crore under the UP Government Sugar Promotion Scheme 2004 for a period of 10 years commencing from FY07.

We are synchronizing our capacity expansion with cane procurement. For instance, we expect the allotment of specific command areas on the basis of our growing installed capacity; the recognition of our capacity growth in FY07 will result in a higher allotment of cane. Besides, the company is investing substantially in cane development in the command areas of its Greenfield units, where there is limited or low competition, and this will result in a greatly increased supply of cane in the subsequent years.

In the just concluded season, the sugar mills in Western UP effectively competed with the producers of alternate sweeteners on the price front and the diversion of cane significantly reduced. This may actually help the mills to access more cane in view of expected less competition next season.

Co-generation

In July 2005, UPERC finalized the tariff for cogeneration plants in U.P. for the next 5 years. Accordingly, the tariff for cogeneration plants set up in U.P. in FY06 will be Rs.2.86 per unit which will escalate to Rs.3.02 per unit by FY10. UPERC has made it mandatory for the distribution companies to source at least 7.5% of the power requirements from the producers of power from biomass fuel. The cogeneration business provides stable revenue stream, high IRR and helps in substantially de-risking the sugar commodity business.

The Company has cogeneration facilities of 45 MW out of which it exports 32.9 MW of power during the season and 40.52 MW power during the off-season. Additionally, the company has also further captive power capacities. Triveni's cogeneration facilities operate at the highest operating parameters in the industry, generating between upto 625 and on average 563 units of electricity (depending on the plant load factor) per tonne of bagasse.

The cogeneration plant comes under Clean Development Mechanism (CDM) and entitles us to receive carbon credits. The validation of our projects is at an advanced stage of completion, after which the registration with UNFCCC would be required. After verification of quantum of carbon credits generated, the company would be in a position to trade the carbon credits. The entire process is expected to be concluded in about six months. The company is refraining from entering into any advance deal at this stage as the buyer, in view of the uncertainties involved, may not offer lucrative prices. It would be best for the company to negotiate the deal after fulfilling all formalities. In respect of 45 MW of cogeneration, the company expects to generate about 200,000 carbon credits per annum.

Steam Turbines

Currently, we manufacture steam turbine upto range of 18 MW. We are looking to expand our range and technology upto 45 MW and are in dialogue with number of strategic partners in this respect. Partnership will help us in better exploiting the global market for our current as well as enhanced range of products and technology. In house research and development is also continuing and a new 20/22 MW steam turbine model with state of art, high efficiency blades will be ready for manufacturing in the next two months. Our first range of high efficiency, twisted and tapered blades have been well received in the market and have achieved efficiency levels comparable with the best.

There has been a robust demand for our products from various users such as, Sponge Iron, Textiles, Paper, Independent Power Producers, and Sugar Cogeneration plants. The Turbine Division achieved a market share of 68% in FY06. Apart from the increased turnover, there has been significant increase in margins as well due to better efficiency of our products. With the proposed expansion of our infrastructure facilities, we would be in a position to considerably shorten our delivery periods and service the export market in Asia and Europe. Orders in hand as on 31st March, 2006 are Rs.405 crore which would be executed by the end of December 2006. Going ahead, we expect to strengthen this order book leading to an even bigger certainty of an increase in income, margins and profits.

Our optimism with regard to this division is derived from the fact that having established a strong footprint in India, we expect to go global through a prudent leverage of our significant competitive edge. We have already embarked on relevant proactive initiatives:

- We doubled the capacity of our Bangalore unit in FY06 and will have effectively quadrupled our capacity by FY07 (from FY05) in preparation for this growth.
- We extended our presence to turbines above 18 MW. We indigenously developed the 18-25 MW turbine using twisted tapered blades, which will now be launched in the beginning of FY07.
- We expect to enter into strategic partnership with renowned turbine technology leaders that will help us address the rich potential in the 18-45 MW range which is nearly one-and-a-half times the size of the segment below 18MW.
- We are investing in world-class manufacturing and design technologies such as the installation of a high-speed vacuum-balancing machine, which will facilitate the accurate balancing of rotor blades in the turbine. There are very few such facilities for this range of turbines in the world today.

We also foresee an attractive growth from the servicing and spares supply segments from FY08 onwards, once our newly commissioned turbines have been in the market for a few years.

Triveni has achieved this dominant position in its turbine business because we patiently invested in this business with a long-term objective, which is now getting realized. It is with this foresight that we have achieved the position of one of the two largest steam turbine manufacturers in the world, in the 1-12 MW segment. We possess a rich insight into technology, service, commercialization and cost-competitiveness to make ‘engineered to order’ products capable of taking on competition from anywhere in the world.

High Speed Gears and Gear Boxes.

The results of gear operations are included in the business segment “Others”. Our engineering segments are comparable with the best products manufactured globally and we continue updating our software and training programs to keep abreast with new developments.

The major growth drivers for this business are green field and brown field expansions of capacity in industries like sugar, paper, pharmaceutical, steel, cement, cogeneration plants, non-conventional IPPs, replacement requirements and refurbishment service, and increased business of turbine OEMs. The order book of the division as on 31st March, 2006 is Rs 32.5 crores, to be completed by November 2006, which is 72% of the total turnover achieved in 2005-06.

We are optimistic about the performance of this division for the following reasons:

- We enjoy an in-licensing technology arrangement (in excess of 7.5 MW) with Lufkin Inc., one of the world’s largest manufacturer of high speed gears
- We have established our credentials through increasing supplies to OEMs like BHEL and Siemens.
- We will focus on niche segments in the high-end range of low speed gears.
- We are providing gears to DIN3 quality on an automated mode and manually we can go down to DIN 2 which is the US NASA standard.

Water and Waste Water Treatment Products

This business is currently small but it has huge potential as we have access to variety of technological solutions which the industry needs for water management. WBG has set up India’s first Continuous Electro de-ionisation plant and high technological membrane filtration solution are finding increased acceptance in different parts of the country.

A number of projects are being installed to help the customers evaluate our products and our technological solution. The total order book as on 31st March, 2006 is Rs.13 crores, to be completed by August 2006, which is 94% of the turnover achieved in FY06.

We are highly optimistic about this business for the following reasons:

- We provide the entire gamut of hi-tech solutions in water and wastewater treatment.
- We enjoy a strategic alliance with US Filter Wastewater group, enabling us to provide the best and most advanced technology solutions like CEDI and Memcor membrane filtration technology.
- We will expand in FY07 with a manufacturing unit, which will enable us to provide cost-effective solutions.
- We are addressing increasing demand for the product and service due to increasing regulatory requirements and environmental concerns; our existing presence in the segment will help us leverage demand faster than any new player.

Financial Performance Review

	FY06	FY05
Net Sales (Rs. Million)	11920.4	9610.5
-Increase/(decrease)	24%	
EBITDA(Rs. Million)	2130.1	1724.5
-Increase/(decrease)	24%	
EBITDA to Net Sales	18%	18%
Profit Before Tax (Rs. Million)	1611.8	1241.0
-Increase/(decrease)	30%	
Profit After Tax (Rs. Million)	1315.0	995.2
-Increase/(decrease)	32%	
- % to Net Sales	11%	10%

	Q4 – FY06	Q4 – FY05
Net Sales (Rs. Million)	3419.2	2587.1
-Increase/(decrease)	32%	
EBITDA (Rs. Million)	593.0	509.0
-Increase/(decrease)	17%	
Profit Before Tax (Rs. Million)	467.2	374.7
-Increase/(decrease)	25%	
Profit After Tax (Rs. Million)	398.0	300.5
-Increase/(decrease)	32%	

During FY06, the company has achieved 24% growth in net turnover, 24% increase in EBITDA, 30% increase in Profit Before Tax and 32% increase in net Profit After Tax. This growth is commendable especially after having achieved stupendous growth during FY05. While most of the profitability was contributed by sugar operations in the FY05, during the current FY the engineering operations contributed substantially to the profitability, and so did the cogeneration operations. The outlook for sugar continues to remain positive and the company has been following the strategy of creating new capacities to achieve substantial volume growth which would have significant impact on the profitability in future. The order books of the engineering businesses are extremely healthy and indicate continuance of the growth trends

During Q4FY06, the net turnover, EBITDA, Profit before Tax and Profit After Tax is higher by 32%, 17%, 25% and 32% respectively. The turnover has significantly improved across all the business segments. Each business has also contributed significantly to overall profitability.

Revenue profile

	FY2006		FY2005	
	Rs. Million	%age of total	Rs. Million	%age of total
Sugar	8663.3	68%	7676.1	78%
Co-generation	605.5	5%	188.0	2%
Total Sugar	9268.8	**72%**	7864.1	**80%**
Turbines	2779.9	22%	1626.4	17%
Others	746.2	6%	341.5	3%
Total Engineering	3526.1	**28%**	1967.9	**20%**
Total net revenue (including inter segment revenue)	12794.9		9832.0	

PBIT Profile

	FY2006		FY2005	
	Rs. Million	%age of total	Rs. Million	%age of total
Sugar	1350.6	67%	1404.1	86%
Co-generation	164.8	8%	45.2	3%
Total Sugar(A)	1515.4	**75%**	1449.3	**89%**
Turbines	418.4	20%	153.2	10%
Others	97.4	5%	19.6	1%
Total Engineering(B)	515.8	**25%**	172.8	**11%**
Total PBIT*	2031.2		1622.1	

* before unallocated expenses

In the FY06, there is an increased proportion of engineering business, both in turnover as well as in profitability. Despite significant expansion in sugar, we expect more proportion of engineering business in our total turnover and profitability.

Business Segment Analysis

a) Sugar (a separate business segment)

	FY06	FY05
Total Crush (MMT)	3.94	3.68
-Increase/(decrease)	7%	
Production ('000 MT)	382.1	384.3
-Increase/(decrease)	(0.6%)	
Sugar despatches ('000 MT)	461.5	474.6
-Increase/(decrease)	(3%)	
Average sugar realization (Rs/MT)	17080	14890
-Increase/(decrease)	15%	
Net Sales (Rs. Million)	8663.3	7676.1
-Increase/(decrease)	13%	
PBIT (Rs million)	1350.6	1404.1
-Increase/(decrease)	(4%)	

	Q4 – FY06	Q4 – FY05
Total Crush (MMT)	2.08	1.71
-Increase/(decrease)	22%	
Production ('000 MT)	204.8	191.2
-Increase/(decrease)	7%	
Sugar despatches ('000 MT)	115.1	102.7
-Increase/(decrease)	12%	
Average sugar realization (Rs /MT)	17960	15915
-Increase/(decrease)	13%	
Net Sales (Rs. Million)	2413.4	1946.6
-Increase/(decrease)	24%	
PBIT (Rs million)	235.2	355.1
-Increase/(decrease)	(34%)	

Lower recoveries by around 0.6-0.7% were witnessed across Western UP this season due to late rains, frost and over-fertilization of the cane crop in July/ August when there was a water scarcity. Despite which, of the larger sugar plants in Western UP, our Deoband unit still had the highest recovery in the region. Further, our expanded capacities have only now been verified by the Governmental agencies. We expect cane areas to be allocated to us next year based on these expanded capacities.

We competed effectively with the producers of alternate sweeteners and consequently, our crush during season FY06 was 11 % higher. We expect our Greenfield capacities to contribute to our crush next year but more so in FY08. Our estimate of crush for season 2006-07 is 6 MMT. Despite reduction of PBIT margin in Q406 due to high cane price, the PBIT margin for the full year is Rs 2926 per MT as against Rs 2958 in FY05. Free sugar price currently over Rs 19000 per MT and we feel that our margins for FY07 would at least be the same, if not higher, as achieved in FY06.

b) Cogeneration (a separate business segment)

	FY06	FY05
Quantitative details		
Power exported – '000 KWH	103141	40639
Power Banked – '000 KWH	400	275
Power provided to sugar – '000 KWH (including cogeneration auxillary consumption)	42424	9797
Steam Provided to sugar- MT	492844	132540
Financial details		
Net Sales (Rs. Million)	605.5	188.0
-Increase/(decrease)	222%	
PBIT (Rs. Million)	164.8	45.2
-Increase/(decrease)	265%	
	Q4 – FY06	**Q4 – FY05**
Net Sales (Rs. Million)	313.8	155.4
-Increase/(decrease)	102%	
PBIT(Rs. Million)	130.1	39.6
-Increase/(decrease)	228%	

The 22 MW Cogeneration Plant, at Deoband, was set up in December 2004 A new 23 MW Cogeneration Plant was commissioned at Khatauli in Q3FY06. Off-season operations will be substantially higher in FY07, compared to the previous year, and as such there is considerable upside to be achieved in this business segment. The company is planning to expand its Cogeneration Capacity by another 22 MW by October/ November 2006. Not only does this business provide a tax holiday for a period of 10 years but the company's deferred tax charge is reduced as well.

b) Steam Turbine (a separate business segment)

	FY06	FY05
Net Sales (Rs. Million)	2779.9	1626.4
-Increase/(decrease)	71%	
PBIT (Rs Million)	418.4	153.2
-Increase/(decrease)	173%	
PBIT to net sales	15%	9%

	Q4 – FY06	Q4 – FY05
Net Sales (Rs. Million)	878.3	514.8
-Increase/(decrease)	71%	

PBIT (Rs million)	167.6	59.0
-Increase/(decrease)	184%	
PBIT to net sales	19%	11%

FY06 has seen a spectacular performance of this business division in terms of its turnover and margins. With orders in hand of Rs.405 crores as of March 31, 2006, which will be executed by January 2007, a similar growth in top line and bottom line performance will be achieved in FY 2007. In view of the much improved technical and operating efficiency of our steam turbines, our product margins have increased. During Q4 2006, we achieved PBIT margins of 19% and we expect to achieve the same trends of margin in FY07. Another driver for further growth in margins will be our increased penetration into the export market, particularly after the capacity expansions have been completed.

d) High speed Gears (included in Business segment 'Others')

	FY06	**FY05**
Net Sales (Rs. Million)	450.3	238.8
-Increase/(decrease)	89%	
PBIT (Rs Million)	76.1	30.5
-Increase/(decrease)	150%	
% PBIT to net sales	17%	13%

	Q4 – FY06	**Q4 – FY05**
Net Sales (Rs. Million)	113.0	62.7
-Increase/(decrease)	80%	
PBIT (Rs Million)	20.0	4.7
-Increase/(decrease)	326%	
% PBIT to net sales	18%	8%

Very strong growth was also achieved in this business division in FY06 – both in turnover and net income, and we expect these trends in growth to maintain for FY07. The order position is healthy at Rs.32.5 crores as on the 31^{st} of March, 2006. The major growth drivers for this business are green field and brown field expansions of capacity in industries like sugar, paper, pharmaceutical, steel, cement, cogeneration facilities and non-conventional IPPs.

e) Water Business Group (included in Business segment 'Others')

	FY06	**FY05**
Net Sales (Rs. Million)	138.1	81.6
-Increase/(decrease)	69%	
PBIT (Rs million)	22.2	5.4
-Increase/(decrease)	311%	
% PBIT to net sales	16%	7%

	Q4 – FY06	**Q4 – FY05**
Net Sales (Rs. Million)	46.8	33.3

-Increase/(decrease)	41%	
PBIT (Rs Million)	8.3	2.7
-Increase/(decrease)	207%	
% PBIT to net sales	18%	8%

The business and our technology are gaining recognition. This is also reflected in our margins in Q4FY06. In this business, we only supply mechanical equipments relating to Water and waste water but for speedy growth we may accept some turnkey projects wherein the component of civil works is not high. This business has huge potential as the industry needs quick technological solution to its complex problems.

This business division also supplied Rs. 34.5 million worth of equipment which was billed directly to the internal customer, and as such not reflected in Net Sales of the business– Triveni's Khatauli, Deoband and Sabitgarh factories. Equipments included boiler-feed water equipment, de-mineralization equipment and effluent treatment equipment.