
INFORMATION ON COMPANY'S BUSINESS LOCATIONS

REGISTERED OFFICE

Deoband, District Saharanpur,
Uttar Pradesh-247 554
STD Code : 01336
Phone : 222497, 222185, 223791
Fax : 222220

CORPORATE OFFICE

"Kailash", 2nd Floor,
26, Kasturba Gandhi Marg,
New Delhi – 110 001
STD Code : 011
Phone : 23310021 (4 Lines)
23714460 (3 Lines)
Fax : 23310117

SHARE DEPARTMENT/ INVESTORS' GRIEVANCES

Jeevan Tara Building,
Gate No.4, 1st Floor,
5, Parliament Street,
New Delhi – 110 001
STD Code : 011
Phone : 23362522 (7 Lines)
Fax : 23362525
Email:shares@trivenigroup.com

REGISTRAR AND SHARE TRANSFER AGENTS

For Equity Shares held in Physical & Electronic Mode
and for Preference Shares held in Electronic Mode Only
M/s Alankit Assignments Ltd.,
205-208, Anarkali Market,
Jhandewalan Extension,
New Delhi 110 055
STD Code : 011
Phone : 23610220-24, 23546001
Fax : 23552001
Email : alankit@alankit.com

TURBINE BUSINESS GROUP

12-A, Peenya Industrial Area,
Peenya, Bangalore-560 058
STD Code : 080
Phone : 8394721 (4 Lines), 8394843
8394771 & 8395276
Fax : 8395211

GEARS DIVISION

1,2,3 Belagola Indl.Area,
Metagalli, K.R.S.Road, Mysore – 570 016
STD Code : 0821
Phone : 2582807, 2582148
Fax : 2582694

FIXED DEPOSIT SECTION

Accounts Department,
Jeevan Tara Building, Gate No.4, 1st Floor,
5, Parliament Street, New Delhi – 110 001
STD Code : 011
Phone : 23362522 (7 Lines)
Fax : 23362525

PROJECTS & ENGG. BUSINESS GROUP

D-196, Okhla Industrial Area, Phase-1,
New Delhi – 110 020
STD Code : 011
Phone : 26811878, 26819015, 26812930, 26811895
Fax : 26812280, 26818216

KHATAULI SUGAR UNIT

Khatauli, Distt. Muzaffarnagar,
U.P.- 251 201
STD Code : 01396
Phone : 272561, 272562
Fax : 272543

DEOBAND SUGAR UNIT

Deoband
Distt. Saharanpur, U.P. – 247 554
STD Code : 01336
Phone : 222497,222185,222866,223791
Fax : 222220

RAMKOLA SUGAR UNIT

Ramkola
Distt.Kushinagar, U.P. – 274 305
STD Code : 05567
Phone : 222218, 226021,226071,226072, 226243
Fax : 226248

SUBSIDIARY COMPANIES

1. TRIVENI SRI LIMITED

"Kailash", 2nd Floor,
26, Kasturba Gandhi Marg,
New Delhi – 110001
STD Code : 011
Phone : 23310021 (4 Lines)
23714460 (3 Lines)
Fax : 23310117

2. TRIVENI POWER GENERATION LIMITED

1560, H.I.G., Ground Floor, Sector 70 Mohali,
Punjab 160 062

CHAIRMAN & MANAGING DIRECTOR

Mr. Dhruv M. Sawhney

BOARD OF DIRECTORS

Mr. F. C. Kohli

Mr. M. V. Subbiah

Mr. S. K. Seth

Mr. J. B. Dadachanji

Lt. Gen. K.K. Hazari (Retd.)

Mr. M. K. Daga

Mr. R. C. Sharma

Mr. V. Venkateswarlu (IDBI Nominee)

GROUP GENERAL MANAGER (LEGAL) & COMPANY SECRETARY

Mr. V. P. Ghuliani

BANKERS

Punjab National Bank

Central Bank of India

Canara Bank

Oriental Bank of Commerce

Union Bank of India

Standard Chartered Bank

State Bank of Travancore

AUDITORS

M/s J. C. Bhalla & Co.

BRANCH AUDITORS

M/s Virmani & Associates

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Notice

NOTICE is hereby given that the 68th Annual General Meeting of the Members of Triveni Engineering & Industries Limited will be held on Thursday, the 14th day of August, 2003 at 2.00 p.m. at the Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, Uttar Pradesh-247 554 to transact the following business :-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003, the Profit & Loss Account for the period ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on the Equity Share Capital for the year ended 31st March, 2003 and the same be paid besides the equity shareholders/beneficial owners as on 7th August 2003, to the following which is in accordance with and pursuant to the Scheme of Arrangement :-
 - (i) those preference shareholders holding shares in physical form and whose names appear on the Register of Preference Shareholders of the Company as on 7th August, 2003; and
 - (ii) those preference shareholders holding shares in demat form and whose names appear as beneficial owners as at the end of business hours on 7th August, 2003 as per lists to be furnished by the Depositories viz. NSDL/CDSL.
3. To appoint a Director in place of Mr. S.K. Seth, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Lt.Gen. K.K. Hazari (Retd.), who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/s J.C. Bhalla & Co., retiring Auditors are eligible and offer themselves for re-appointment.

SPECIAL BUSINESS:

To consider and, if thought fit, to pass with or without modification(s), the following resolution:-

6. As a Special Resolution :

RESOLVED that subject to the provisions of the Securities Contracts (Regulation) Act, 1956, Listing Agreements with the Stock Exchanges and Guidelines /Rules of The Securities and Exchange Board of India and all other applicable laws, rules, regulations and guidelines and subject further to such approvals and sanctions as may be required, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include a Committee of Directors) be and are hereby authorised to get the Equity Shares of the Company delisted from all the Stock Exchanges on which the Company's equity shares are listed i.e. The Delhi Stock Exchange Association Ltd., The Stock Exchange, Mumbai, The Calcutta Stock Exchange Association Ltd. and National Stock Exchange of India Ltd. at one time or from time to time or alternatively not to get the equity shares numbering 83,15,206, fresh certificates in respect of which have been issued on the implementation of the Scheme of Arrangement, listed on any of the Stock Exchanges as the Board may be advised.

FURTHER RESOLVED that for the purpose of giving effect to all or any of the foregoing, the Board be and is hereby authorised to do all such acts, deeds and things including delegating the authority to officers of the Company for the aforesaid purpose as it may consider necessary or expedient and to settle all questions, difficulties or doubts that may arise in regard thereto.

By Order of the Board
V.P.GHULIANI

Place: New Delhi Group General Manager (Legal)
Dated: July 10, 2003 & Company Secretary

PS: Specific attention of the shareholders - both Equity and Preference is drawn to Note No. 4 appearing in Notes to this Notice.



Notice (Contd.)

NOTES:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No.6 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company.
A proxy may be sent in the form enclosed and in order to be effective must reach at the Registered Office of the Company or at Share Department at Jeevan Tara Building, Gate No.4, 1st Floor, 5 Parliament Street, New Delhi-110 001 at least forty eight hours (48) hours before the commencement of the meeting.
3. The Register of Members both Equity and Preference and Share Transfer Books of the Company shall remain closed from Thursday, the 31st July 2003 to Thursday, the 7th August, 2003 (both days inclusive).
4. As already intimated, pursuant to and in terms of the Scheme of Arrangement duly sanctioned by the Hon'ble High Court of Judicature at Allahabad, the equity share certificates of the Company in existence upto 6th May 2003 (Record Date) have stood cancelled and have become invalid and non-tradeable security with effect from the said date without insisting for their surrender. All the shareholders are requested to destroy such share certificates at their end.
Preference share certificates issued and allotted on 8th May 2003 and fresh equity share certificates as the case may be have been despatched to all the respective shareholders, by registered AD post. Those shareholders who have not received the share certificates are requested kindly to write to the Company immediately.
5. Members who have not yet encashed dividend warrants for the year 1994-95 and any subsequent year are advised to send the same to the Company for revalidation. Dividend amount remaining unclaimed for a period of seven years from the dates they became due for payment shall be transferred to the "Investor Education and Protection Fund" of Central Government in terms of Section 205C of the Companies Act, 1956.
6. Effective 31st March, 2003, all the share registry work in respect of equity shares (both physical and electronic mode) and in respect of preference shares (electronic mode only) is being handled by the Company's Registrar & Share Transfer Agent, M/s Alankit Assignments Ltd., 205-208 Anarkali Market, Jhandewalan Extension, New Delhi-110055.
7. Members are requested to notify change of address, if any to the Company or its Registrar & Share Transfer Agent, M/s Alankit Assignment Ltd. quoting their folio numbers.
8. Queries, if any, may please be sent to the Company Secretary at the Corporate Office at 'Kailash', 2nd Floor, 26, Kasturba Gandhi Marg, New Delhi - 110 001 latest by 7th August, 2003.
9. Members holding shares in physical form are advised, in their own interest to avail of the nomination facility by filing Form 2B and deposit the same with the Company or its Registrar. Members holding shares in demat form may contact their respective depository participant(s) for recording nomination in respect of their shares.
10. Dividend on equity shares as recommended by the Board of Directors for the year ended 31st March, 2003, if declared at the Annual General Meeting, will be paid to
 - a) those equity shareholders holding shares in physical form and whose names appear on the Register of Members of the Company as on 7th August, 2003;
 - b) those equity shareholders holding shares in demat form and whose names appear as beneficial owners as at the end of business hours on 7th August, 2003 as per lists to be furnished by the depositories viz NSDL/CDSL;
 - c) Pursuant to and in terms of the Scheme of Arrangement:-
 - (i) those preference shareholders holding shares in physical form and whose names appear on the Register of Preference Shareholders of the Company as on 7th August, 2003; and
 - (ii) those preference shareholders holding shares in demat form and whose names appear as beneficial owners as at the end of business hours on 7th August, 2003 as per lists to be furnished by the depositories viz NSDL/CDSL.

Notice (Contd.)

11. Payment of Dividend through ECS :
- Members holding shares in physical form are advised to submit their bank account details viz. Bank name, branch address, 9 digit MICR code of the branch, type of account and account number latest by 7th August, 2003 to the Company at its Share Department.
 - Members holding shares in demat form are advised to inform their bank account particulars to their respective depository participant(s).
12. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's Equity Shares is **INE 256C01016** and to the Preference Shares is **INE 256C04010**.

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

Item No. 6

Stock Exchange / SEBI guidelines prescribe for maintaining at least 10% of non-promoters' equity shareholding for the continued listing of shares of a public limited company.

As the members are well aware, pursuant to and in terms of the Scheme of Arrangement between the Company and its Equity Shareholders duly sanctioned by the Hon'ble High Court of Judicature at Allahabad vide its order dated 27th March 2003, the paid-up capital of the Company has been restructured w.e.f. 1.4.2003 i.e. the Appointed Date. With the restructuring of the paid up capital, the non-promoters' equity shareholding now stands at 8.07%. The matter was, therefore, placed before the Board of Directors / Executive Sub-Committee of the Board who have felt that as the non-promoter equity shareholding has come below 10% and as there were no plans to raise the equity capital by issue of further shares / fresh issue for a few years, it may be advisable to get the equity shares delisted from all the Stock Exchanges where the Company's equity shares

were listed or alternatively the Company shall not get its equity shares numbering 83,15,206, fresh certificates in respect of which have been issued on the implementation of the Scheme of Arrangement, listed on any of the Stock Exchanges. The delisting/non-listing of equity shares will also result in saving of cost.

The Company would, if required, separately give notice of the proposed delisting / non-listing of equity shares from / on the Stock Exchanges in two newspapers one English and the other in Hindi. In case any shareholder wishes to exit, in such cases, the Company can request the promoters to acquire their equity holding at a floor price, which will be the average of 26 weeks traded price quoted on NSE during preceding 26 weeks from the date of last trade and in accordance with the applicable laws, rules, regulations, guidelines etc. However, the acquisition of shares by the promoters will be at their sole and absolute discretion.

Applications for delisting / non-listing of equity shares, as the Company may be advised, will be made to all the Stock Exchanges where the Company's equity shares were listed. Approval for delisting / non-listing of equity shares is being sought from the shareholders by a special resolution.

The Directors commend the passing of the special resolution as contained in Item No 6.

None of the Directors of the Company is either directly or indirectly interested or concerned in this resolution except Mr. Dhruv M. Sawhney who is a promoter Director of the Company. Mr. Dhruv M. Sawhney be deemed to be interested and concerned in this resolution and his interest be noted.

By Order of the Board
V.P. GHULIANI
Place: New Delhi Group General Manager (Legal)
Dated: July 10, 2003 & Company Secretary



Details of Directors seeking re-appointment at the ensuing Annual General Meeting.

| Name of the Director | Mr. S.K. Seth | Lt. Gen. K.K. Hazari (Retd.) |
|--|---|--|
| Date of Appointment | 7.5.2000 | 7.5.2000 |
| Expertise in specific functional area | <p>A science graduate from Benaras University. He is a fellow of the Chartered Insurance Institute, London and also of the Insurance Institute of India, Mumbai.</p> <p>Mr. Seth has rich experience at seniors levels which includes some prestigious positions. He was Chariman-cum-Managing Director of National Insurance Co. Ltd. and also of New India Assurance Co. Ltd. besides being the President of the Insurance Institute of India in 1988 and 1989. He was a member of the Working Group on Social Security of the Economic Administrative Reforms Commission appointed by the Government of India. He was also a member of the Tariff Advisory Committee. He was a Director of Loss Prevention Association of India Ltd., Industrial Finance Corporation of India, India International Insurance Pvt. Ltd., Singapore and a member of the Governing Board of the National Insurance Academy. He was also a Director on the Board of some of the well known companies in the private sector e.g. Brooke Bond (India) Ltd., Hindustan Aluminium Ltd., South India Viscose Ltd.</p> <p>Mr. Seth was Advisor to the Multilateral Insurance Working Group of FICCI from 1995 to 2000.</p> | <p>A graduate of Defence Services Staff College, Camberley, UK and National Defence College, New Delhi.</p> <p>Gen. Hazari is a former Vice Chief of Army Staff having rendered 38 years of distinguished service in the Armed Forces. After retirement, he has been closely associated with the corporate sector. During 1988-1992 he was Advisor in Management and Marketing to M/s Furmanite Nicco Ltd. and a Director on the Board of Nicco Batteries Ltd. He has special interest in matters like long term planning, management structures and systems and financial planning and has written extensively on these subjects. He was a member of the Committee of Defence Expenditure appointed by the Government in 1990 as also of the Kargil Review Committee constituted by the Government of India to review events leading upto the Kargil Conflict. He is also deeply involved in studies relating to India's national security interests and writes extensively on the subject. He is the Vice Chairman of the Forum of Strategic & Security Studies.</p> |
| List of other Directorship held | Nil | <p>Chairman Magoo Strategic Infotech Pvt. Ltd. Director Interglobe Enterprises Ltd. Galileo India Ltd.</p> |
| Chairman/Member of the committees of the other Board of the Companies on which he is a Director. | Nil | Nil |

Report of the Directors

TO THE MEMBERS

Your Directors have pleasure in presenting the 68th Annual Report on the business and operations of your Company and the Audited Financial Statement for the financial year ended 31st March'2003. Information on subsidiary companies required under section 212 of the Companies Act, 1956 is given in the Annexure-C to this Report.

FINANCIAL RESULTS

| | Rupees in Crores | |
|---|------------------|-------------|
| | 2002-03 | 2001-02 |
| Sales (Gross) | 703.5 | 603.3 |
| Profit before interest, depreciation, amortisations and tax | 53.7 | 77.3 |
| Interest and other financial charges | 31.2 | 49.9 |
| Amortisations | 4.9 | 4.3 |
| Depreciation | 9.9 | 10.3 |
| Profit before tax & non-recurring items | 7.7 | 12.8 |
| Non-recurring income (net) | 0.2 | 16.2 |
| Profit before tax (after non-recurring income) | <u>7.9</u> | <u>29.0</u> |
| Minimum alternate tax (MAT) | 0.7 | 0.5 |
| Net deferred tax charge | 2.4 | 1.6 |
| Net Profit after tax | <u>4.8</u> | <u>26.9</u> |
| Surplus Brought Forward | 8.8 | 4.7 |
| Transfer from Debenture Redemption Reserve | - | 5.0 |
| Available for appropriation | <u>13.6</u> | <u>36.6</u> |
| APPROPRIATIONS | | |
| Dividend proposed including Dividend Tax | 2.1 | 2.7 |
| Transfer to Molasses Storage Fund Reserve | 0.1 | 0.1 |
| Transfer to General Reserve | 1.0 | 25.0 |
| Surplus Carried Forward | <u>10.4</u> | <u>8.8</u> |
| Earnings per share - basic (Rs.) | 3.9 | 21.9 |

PERFORMANCE

Sales were at an all time record for the Company mainly due to large despatches from the sugar units. Sales & Other Income increased by 17% to Rs.703.5 crores for the year ended 31st March'2003 against

Rs.603.3 crores for the previous year. However, open market sugar prices were extremely low during the year, which had a substantial negative impact on Operating Profit for the Company as a whole. Operating Profit before extraordinary items declined by 30% to Rs.53.7 crores from Rs.77.3 crores in the previous year. We had substantial extraordinary income last year from the sale of oil rigs and shares in Triveni Flexibox Limited. Net extraordinary income of a non-recurring nature was Rs.16.2 crores last year against Rs.0.2 crores this year. This was also responsible for the large reduction in net profit.

Our indebtedness has reduced as evident from the reduction in secured loans to the tune of Rs.62 crores (18%) over the past year. With better interest rates, this enabled financing charges to reduce by Rs.18.7 crores (37%) over the previous year.

Segment Reporting about the various businesses of the Group for the year ended 31st March'03 are given in the Schedule of notes to consolidated financial statements. Detailed comments on the performance of various divisions are given in the Management Discussions and Analysis in Annexure-D to this report.

DIVIDEND

Your Directors recommend a dividend of 15% per equity share involving an outgo of Rs.2.1 crores including Dividend Tax for the financial year ended 31st March'2003, which if approved at the forthcoming Annual General Meeting, will be paid to :-

- those equity shareholders holding shares in physical form and whose names appear on the Register of Members of the Company as on 7th August'2003.
- those equity shareholders holding shares in demat form and whose names appear as beneficial owners as at the end of business hours on 7th August'2003 as per lists to be furnished by the depositories viz. NSDL/CDSL.
- Pursuant to and in terms of the Scheme of Arrangement :-
 - those preference shareholders holding shares in physical form and whose names appear on the Register of Preference Shareholders of the Company as on 7th August'2003 and
 - those preference shareholders holding shares in demat form and whose names appear as beneficial owners as at the end of business hours on 7th August'2003 as per lists to be furnished by the depositories viz. NSDL/CDSL.



Report of the Directors (Contd.)

SCHEME OF ARRANGEMENT

The Scheme of Arrangement between the Company and its Equity Shareholders, which provided for conversion upto a maximum of 40% of the equity shares i.e. 49,15,680 equity shares into 12% Redeemable Cumulative Preference Shares of Rs.10/- each (Scheme), was sanctioned by the Hon'ble High Court of Judicature at Allahabad vide its Order dated 27th March 2003. Pursuant to and in terms of the Scheme, the Board of Directors of the Company had at their meeting held on 8th May 2003 issued and allotted 39,73,995 - 12% Redeemable Cumulative Preference Shares of Rs.10/- each fully paid (Preference Shares) in the ratio of 1:1 i.e. one fully paid up preference share of Rs.10/- each against every fully paid up equity share of Rs.10/- each to those equity shareholders of the Company who did not opt to retain their equity shares. The Preference Shares so allotted shall be redeemed at a premium of Rs.32/- per share in two equal annual instalments of Rs.21/- each (Rs.5/- redemption amount + Rs.16/- premium) on 1.4.2004 and 1.4.2005.

With the allotment of 39,73,995 Preference Shares, though the paid up capital of the Company remains the same i.e. Rs.12,28,92,010/-, it stands restructured as under with effect from the Appointed Date viz. 1st April 2003 :-

| | |
|---|--------------------------|
| 83,15,206 Equity Shares of Rs.10/- each | Rs.8,31,52,060/- |
| 39,73,995 - 12% Redeemable Cumulative Preference Shares of Rs.10/- each. | Rs. 3,97,39,950/- |
| Total paid-up capital | Rs.12,28,92,010/- |

As a result of restructuring of the share capital as aforesaid, the equity shareholding pattern of the Company with effect from 1st April 2003 is as under:-

| | |
|--|--------|
| Promoters, Directors and their relatives | 91.93% |
| Non-Promoters | 8.07% |

INFORMATION TECHNOLOGY

There has been a delay in implementation of the SAP Enterprise Resource Planning (ERP) project being done through Tata Consultancy Services (TCS) at our turbine unit. The system has now been completely tested and implementation is proceeding well.

HUMAN RESOURCES

Employee relations continue to be cordial at all our units. This has been possible due to continuous interaction and communication with all workers and officers through department panchayats, open houses, and forums for technical discussions. Manpower strength at our sugar units is higher than prevalent at the newer units, and sustained efforts are being made to motivate employees to opt for early retirement.

The Company lays emphasis on the development of its employees and regularly organizes training programmes using in-house and external facilities. During the year, 2658 man days of training was imparted to the employees. The Company undertook various initiatives especially at our sugar units involving the spouses and children of our employees.

Information as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975, as amended is given as Annexure-B and forms integral part of this report.

QUALITY & ENVIRONMENT

Providing customer satisfaction through the best product and service quality is an integral part of your Company's vision. Your Bangalore and Mysore units continue to hold their ISO 9001 (2000 standard) quality certification and ISO 14001 environmental certifications.

In early 2002, auditors from Lloyds & Register Quality Assurance (LRQA) carried out an audit and re-certified the Unit. The implementation of our Environmental Management System has resulted in the savings of electrical energy and water, and reduced pollution levels all around the shop. The effect of a healthy environment on employee morale has been well appreciated by all visitors to our Engineering Units.

Our Turbine Unit at Bangalore was judged as having the best industrial garden.

CORPORATE GOVERNANCE

Your Company strives to achieve appropriate standards for good corporate governance. A separate report on Corporate Governance is given in Annexure-E along with the auditor's statement on its compliance in Annexure-F.

AUDITORS

M/s J.C. Bhalla & Co., Chartered Accountants, Auditors of the Company who retire at the conclusion of the

Report of the Directors (Contd.)

forthcoming Annual General Meeting, have consented to continue in office, if appointed. They have confirmed that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that :-

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- ii) Appropriate accounting policies have been selected and applied consistently, and have made judgements 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 on 31st March'2003 and of profit of the Company for the period 1st April'2002 to 31st March'2003.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) The Annual Accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO.

The particulars required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988 are given in Annexure-A to this Report.

DIRECTORS

Mr. J.B. Dadachanji, Mr. S.K. Seth and Lt. Gen. K.K. Hazari (Retd.) retire by rotation at the forthcoming Annual General Meeting. Mr. J.B. Dadachanji is not seeking re-election on health grounds, and the Board places on record its appreciation for the diligent services rendered and valuable advice given by Mr. Dadachanji to the Company. Mr. Seth and Lt. Gen. Hazari being eligible, offer themselves for reappointment.

Mr. Eric Da Costa, who was a director of the erstwhile The Triveni Engineering Works Ltd. for about 16 years passed away on 10th April'2003. We remember with pride and affection the tremendous contribution Mr. Da Costa made to the development and operations of the erstwhile Triveni Engineering Works Limited in its formulative years.

DEPOSITS

As on 31st March'2003 deposits amounting to Rs.26.18 lacs remained unclaimed of which Rs. 12.99 lacs have since been repaid or renewed as on 7th June'2003.

APPRECIATION

Your Directors gratefully acknowledge the support given by the Central, Uttar Pradesh and Karnataka Governments, financial institutions and banks, shareholders, farmers, employees, and all our other stakeholders, and we look forward to their continued support and encouragement.

For and on behalf of the Board of Directors

DHRUV M. SAWHNEY

Place : New Delhi
Date : June 7, 2003

Chairman &
Managing Director



Annexure to the Report of the Directors

ANNEXURE-A

Additional Information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

(A) CONSERVATION OF ENERGY

(a) ENERGY CONSERVATION MEASURES

At our sugar units during the year the following measures were taken to conserve energy.

- i) Replacement of the gilled tube economizer with a bare tube economizer, and modification of the I.D. fans of the boilers at Khatauli for increasing efficiency of the boilers and saving more bagasse.
- ii) Use of GRPF thin juice for maceration at the new mill which reduces the total maceration water required, and the use of hot condensate for syrup heating to reduce steam consumption at Khatauli.
- iii) Installation of a new evaporator set, and rearrangement of the existing evaporator and juice heating system, for consistent operation of the plant, and reduction in plant downtime and steam consumption at Deoband. Installation of auto imbitition at the Triveni mill, and automation of the steam distribution and desuperheating system at Deoband for better conservation of energy.
- iv) Installation of soot blowers and deaerator temperature control in the boilers at Ramkola to improve the heat transfer rate and facilitate the saving of bagasse.

(b) ADDITIONAL INVESTMENTS AND PROPOSALS FOR REDUCING ENERGY CONSUMPTION

- i) Implementation of the boiler performance improvement study at Khatauli.
- ii) Replacement of AC drives of some existing centrifugal machines by efficient DC drives to reduce power consumption at Deoband.

(c) IMPACT OF ABOVE MEASURES

With the above measures, improved conservation of energy, steam, and water will improve, and increase the efficiency of the sugar plants.

(d) TOTAL ENERGY CONSUMPTION PER UNIT OF PRODUCTION :-

FORM A

I. POWER AND FUEL CONSUMPTION

| | 2002-03 | 2001-02 |
|---|---------|---------|
| 1. Electricity | | |
| a) Purchased | | |
| Units (000's KWH) | 3429 | 3083 |
| Total Amount (Rs. in lakhs) | 166.74 | 163.57 |
| Rate (Rs./Unit) | 4.86 | 5.31 |
| b) Own generation | | |
| i) Through Diesel Generators | | |
| Units (000's KWH) | 2520 | 2001 |
| Unit per litre of Diesel Oil | 3.09 | 2.54 |
| Cost/Unit (Rs.) | 5.58 | 6.81 |
| ii) Through Steam Turbine/ Generator | | |
| Steam produced (000's of Units by use of our own bagasse) | 74999 | 78757 |
| Bagasse bought (qtls.) | 3881 | 2883 |
| 2. Furnace Oil | | |
| Quantity (K Ltrs) | 168 | 168 |
| Total Amount (Rs./lakhs) | 24.06 | 19.70 |
| Rate (Rs./K Ltrs) | 14321 | 11720 |
| 3. Fire Wood | | |
| Quantity (MT) | 276 | 85 |
| Total Amount (Rs./lakhs) | 6.58 | 1.76 |
| Rate/Unit (Rs./MT) | 2381 | 2067 |

II. CONSUMPTION PER UNIT OF PRODUCTION

| | 2002-03 (PER MT) | 2001-02 (PER MT) |
|----------------------|---------------------|---------------------|
| SUGAR | | |
| Electricity (KWH)/MT | 242.21 | 249.59 |
| Bagasse (MT)/MT | 2.70 | 2.77 |
| Fire Wood (MT)/MT | 0.01 | 0.01 |

In the case of the other business groups no standard products are manufactured, and hence their figures have not been incorporated.

Annexure to the Report of the Directors (Contd.)

(B) TECHNOLOGY ABSORPTION

FORM B

I. RESEARCH & DEVELOPMENT (R&D)

1. Specific Areas in which R&D was carried out by the company

- a) Development of steam turbine models of higher power ratings.
- b) Redesigning of steam turbines for high back pressure, efficiency, and bleed quantity, and optimization of their speed.
- c) Development of zero leakage throttle valve glands, and critical design processes like blade modal analysis & stress analysis of the blade roots, using state of the art design tools at our turbine unit.
- d) Identification and propagation of new high sucrose cane varieties suitable for our factory zones.

2. Benefits as a result of the above R&D

- a) Meeting customers' requirements for increased efficiency and reliability.
- b) Reduction of steam consumption and improvement in efficiency at our sugar units.

3. Future Plan of action

- a) Development of efficient and reliable turbine models using twisted and tapered blading.
- b) Improvement of the blades' aerodynamic profiles for higher efficiencies.
- c) Achieve cane recoveries which are the best in our zone.

4. Expenditure on R&D

| | (Rs. in lacs) |
|--|---------------|
| a) Capital | - |
| b) Recurring | 169.10 |
| c) Total | 169.10 |
| d) Total R&D expenditure as a percentage of turnover | 0.24% |

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

IMPORTED TECHNOLOGY

| | Technology Imported | Year of Import | Has Technology been fully Absorbed |
|-------|---|----------------|------------------------------------|
| a) i) | Upgradation of Steam Turbines. | 1989 | Yes |
| ii) | Steam Turbine models in the higher power range. | 1999 | Majority has been absorbed. |
| b) | Manufacture of Mini and Micro Hydel Turbines. | 1989 | Yes |
| c) | Manufacture and process engineering for Water & Waste Water equipment and projects. | 1988/96 | Yes |
| d) | Gears and Gearboxes above 7.5MW. | 1998 | Majority has been absorbed. |

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

| | | (Rs. in lacs) |
|----|---|---------------|
| | | 2002-03 |
| 1) | Earnings in Foreign Exchange | |
| | Value of exports on F.O.B. basis | 808.91 |
| | Others | 47.84 |
| 2) | Foreign Exchange Outgo | |
| | (Includes raw materials, components, spare parts, and other expenditure in foreign currency including royalty). | 915.08 |



Annexure to the Report of the Directors (Contd.)

ANNEXURE - B

PARTICULARS OF EMPLOYEES

PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

| NAME | DESIGNATION | REMUNE RATION (Rs.) | QUALIFICATION | EXPERIENCE (YEARS) | DATE OF JOINING | AGE (YEARS) | PREVIOUS POST | PREVIOUS EMPLOYMENT |
|---|---|---------------------|--|--------------------|-----------------|-------------|--------------------|--------------------------------|
| A) EMPLOYED THROUGHOUT THE YEAR | | | | | | | | |
| D.M. SAWHNEY | CHAIRMAN & MANAGING DIRECTOR | 73,73,784* | M. ENGG. CAMBRIDGE, M.B.A. (WHARTON), D.M.S. | 36 | 01.04.1974 | 59 | GENERAL MANAGER | MAHALAXMI SUGAR MILLS CO. LTD. |
| ARUN MOTE | CHIEF EXECUTIVE | 28,47,235 | M.TECH M.B.A. | 27 | 27.11.1999 | 50 | PRESIDENT & C.E.O. | MAGNETI MARELLI INDIA LTD. |
| A.K. TANWAR | VICE PRESIDENT (SUGAR) | 29,87,874 | B.E. (ELECT.) A.N.S.I. (SUGAR ENGG.) | 23 | 22.07.1996 | 47 | GENERAL MANAGER | DHAMPUR SUGAR MILLS LIMITED |
| DEVEN KHANNA | VICE PRESIDENT (CORPORATE FINANCE & PLANNING) | 31,97,651 | B.COM (HONS.), F.C.A. | 18 | 10.06.1988 | 42 | — | — |
| B) EMPLOYED FOR PART OF THE PERIOD | | | | | | | | |
| TARUN SAWHNEY** | CORPORATE VICE PRESIDENT | 16,57,346 | M.A., CAMBRIDGE M.B.A. (WHARTON) | 4 | 09.08.2002 | 29 | SENIOR ASSOCIATE | A.T. KEARNEY U.K. |

* Includes arrears of Rs.22,86,000/-

** Mr. Tarun Sawhney, Corporate Vice President, is the son of Mr. Dhruv M. Sawhney, Chairman & Managing Director.

Notes :-

- Remuneration includes salary, bonus, other allowances, rent paid, medical expenses, and company's contribution to Provident Fund and Pension Fund, and gratuity on the basis of an actuarial valuation.
- The above employees are whole time employees of the Company.

ANNEXURE - C

STATEMENT PURSUANT TO SECTION 212 OF COMPANIES ACT, 1956

| SUBSIDIARY COMPANIES | TRIVENI SRI LTD. | TRIVENI POWER GENERATION LTD |
|---|------------------|------------------------------|
| 1 Financial Year ended | 31st March' 2003 | 31st March' 2003 |
| 2 Extent of holding company's interest at the end of financial year of the subsidiary. | 100% | 100% |
| 3 The net aggregate amount of the subsidiary's Profit/(Loss), so far as it, concerns the members of the holding company and is not dealt within the company's accounts (Rs.in lacs) | | |
| a) For the financial year ended 31.03.03 of the subsidiary company. | (4.66) | (0.69) |
| b) For the previous financial years of the subsidiary since it became the holding company's subsidiary. | 1.51 | - |
| 4 a) The net aggregate amount of the subsidiary's Profit/(Loss), for the financial year or years of the subsidiary so far as those Profit/(Loss) are dealt within the holding company's accounts. | NIL | NIL |
| b) The net aggregate amount of the subsidiary's Profit/(Loss), for the previous financial years of the subsidiary since it became the holding company's subsidiary so far as those Profit/(Loss) are dealt within the holding company's accounts. | NIL | NIL |
| 5 Changes in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and holding company. | NA* | NA* |
| 6 Material changes which have occurred between the end of the subsidiary company's financial year and at the end of the holding company's financial year in respect of : | | |
| I) The subsidiary's fixed assets | NA* | NA* |
| II) Its investments | NA* | NA* |
| III) The money lent by it | NA* | NA* |
| IV) The money borrowed by it for any purpose. | NA* | NA* |

* Accounting year of the two subsidiary companies and the holding company ends on 31st March'2003.

Annexure to the Report of the Directors (Contd.)

ANNEXURE-D

MANAGEMENT DISCUSSIONS & ANALYSIS

Triveni has two main business segments Sugar and Small Steam Turbines, which account for 77% & 17% of turnover respectively. Other operations consist of High Speed Gears and Gear Boxes, Specialized Sugar Machinery, Water & Waste Water Treatment Equipment & Projects and Micro Hydel Turbines.

FINANCIALS

Profit before tax and non-recurring income was Rs.7.7 crores as compared to Rs.12.8 crores last year. Owing to the increase in the cost of cane in the sugar season 2001-02, the cost of production of sugar in our opening stock as on 1st April'2002 was much higher than the cost in the opening stock of the previous year. If we had not had the benefit of a record production of sugar at our Deoband and Khatauli Units in the season 2001-02, the increase in cost of production in the year under review would have been even higher. Owing to the record stocks of sugar in the country during the past year, all the sugar units were forced to substantially increase their sugar sales in order to keep their operations viable. This led to a steep slump in sugar prices and for the latter part of the year under review, open market prices were lower than even the zonal levy prices. This combination of higher cost of production for the sugar which was sold in the year under review and lower sales realizations, seriously eroded margins at our sugar units. Such a drop in sugar prices has never occurred in the past and this has had a major impact on the profitability of sugar units all over the country.

Sales & Profitability at our engineering units at Bangalore & Mysore were better than the previous year. Other business sales were almost the same as last year but profitability improved. An increased tax liability, specially the charges for deferred taxes, also impacted the profit after tax when compared to the previous year.

Cash from the divestments in fixed assets and shares made in the year 2001-2002 reduced the company's long term borrowings at the end of the 2001-02 financial year. This improved financial position, and the general decrease in interest rates in the market, reduced interest cost substantially for the year under review. In the latter half of the year, your Company's commercial paper was rated by ICRA as A1, and this will further reduce interest costs in 2003-04. However, while the average rate of

interest is expected to be lower in 2003-2004, because of the record production of sugar in the season which has just closed and regulated sugar releases by Government of India, the closing stock of sugar and total interest expense is expected to increase. Addition to fixed assets was Rs.9.4 crores and expenses on mainly software, technology & VRS which were amortized were Rs.4.6 crores. Basic earnings per share is Rs.3.9 and the book value per share is Rs. 89.7.

SUGAR

INDUSTRY SCENARIO & DEVELOPMENT

In 2002-2003 with an expected production of 195 lac tonnes, India will again be the largest producer of sugar in the world after Brazil. India's production constitutes 22% of the world sugar cane production and 14% of the total world sugar (cane & beet) production. There are over 450 lac cane growers including their dependants in this industry which is the 2nd largest Agro Processing Industry in the country. 43 lakh hectares of land are under sugarcane and an all India yield of 70 tonnes per hectare gives a cane production of 3010 lakh tonnes. Even with a much lower yield of 59 tonnes per hectare, U.P. is the largest producer of sugarcane with a cane production of over 1200 lakh tonnes. Sugar production in U.P. in 2002-03 will be a record at 55 lakh tonnes. Maharashtra is still the largest producer of sugar at around 62 lakh tonnes.

The lowest cost producer of sugar in the world is Brazil followed by Australia and Thailand. Our sugarcane productivity is one of the best in the world and if we have a reasonable sugarcane pricing policy and expand & modernize our plants, sugar production costs in India can compete with at least Thailand. Effective plant capacity is still under 3000 tonnes cane crushed per day which is about 25% of the average capacities in Brazil & Thailand.

The sugar industry is the growth engine for the rural economy and has the potential to transform this sector into a mass revenue generator for the nation and raise the standard of living and quality of life for the rural population. However, the industry is still subject to a variety of Government controls which are hindering its efficiency & growth.

Exports of sugar in 2002-03 are expected to be around 18 lac tonnes. This year Brazil will raise its exports from 100 lac tonnes to over 120 lac tonnes thereby depressing world market sugar prices further.



Annexure to the Report of the Directors (Contd.)

The sugar industry in Western U.P. where your Deoband & Khatauli units are located, are prone to diversion of cane to the alternate sweeteners gur & khandsari. Owing to low sugar prices, diversion of cane to gur & khandsari was much less this year and factories were able to crush through the month of May with record productions. On an all-India basis, 66% of cane comes to the sugar factories, 23% is consumed by the Gur and Khandsari industry and 11% is used for chewing & seed. In Western U.P., the drawl rate is around 45%, while in your sugar units it varies between 55% & 60%. Historically, the industry has experienced large sugar cycles of surpluses & shortages. However, for the last five years production has exceeded demand, something which has not happened for the past 50 years. With the gradual liberalization of the sugar industry and the globalization of our economy, we expect a much flatter sugar cycle in the future.

Around 55%-60% of sugar production in India is controlled by the Cooperative & State Government sugar factories. These factories are subsidized by the State Exchequer which enables them to pay high cane prices and allows the Government to coerce the private sector to do the same. Without annual State Government cash advances, many of them would have closed down.

With the recent liberalization in fuel policy, there is a movement of sugar factories to become agro complexes, producing high quality sugar, co-generating power from their baggasse and using their own molasses to produce ethanol for mixing with petrol. This is one of the biggest growth opportunities for this sector.

GOVERNMENT POLICY

In a judgement delivered in December'96 by a Division Bench of the Hon'ble Allahabad High Court in a writ petition by the West UP Sugar Mills Association, it was held that the Statutory Minimum Cane Price (SMP) can only be fixed by the Central Government and that there is no statutory provision permitting the State Government to fix the State Advised Cane Price (SAP)

In an appeal filed before the Hon'ble Supreme Court against the aforesaid decision, an interim order was passed by the Supreme Court in January'97 recording their prima facie view that State Government is not empowered to fix the SAP. However, the Lucknow Bench of the Allahabad High Court gave a contrary decision, holding that the price fixed by the State Government was the agreed price. On an appeal by the sugar mills association, this order was stayed by the Supreme Court.

Both the appeals are pending before the Supreme Court, and have been referred to a five judges bench which is yet to be constituted.

Pre-empting announcement of the SAP, even for the cooperative and corporation factories for 2002-03 sugar season, our sugar mills association filed a Writ Petition in the Allahabad High Court praying that the U.P. Government be restrained from announcing any SAP in violation of the earlier decision of the Allahabad High Court. While the petition was before the Court and a day before it was heard by the Division Bench, the State Government went ahead and issued an order fixing the SAP – This was done through a press release on 12.11.02.

The Court heard the matter on 13.11.02 and stayed the operation of the State Government's Order of 12.11.02 mentioned above and directed the State Government to desist from fixing the SAP till further orders in view of the judgement of Allahabad High Court itself of 1996 and the interim order of the Supreme Court of 1997. However, the factories of the U.P. Sugar Corporation and the U.P. Cooperative Federation Ltd. individually announced last year's cane price of Rs.95/- per quintal, saying that this was not as per the State Government's directives, but as a result of a dialogue with their growers.

The SMP for 2002-03 was announced at Rs.64.50 per quintal linked to a recovery of 8.5%. On the Prime Minister's initiative and under pressure from the U.P. Government, within a few weeks from the announcement of factorywise SMP on 12.12.02, the SMP for 2002-03 was revised. On 9.1.03 a revised SMP of Rs.69.50 per quintal linked to a recovery of 8.5% with a higher increase of Rs.0.82 per quintal for every 0.1% increase in recovery was notified.

This increase in the SMP was challenged by the UP Sugar Mills Association in a Writ Petition before the Delhi High Court. At a hearing on 4.2.03, the Additional Solicitor General, appearing on behalf of the Union of India, gave an assurance to the Court that no coercive steps to recover the increased SMP will be taken till the next date of hearing of the petition. This assurance stands. Similar petitions were also filed by Tamil nadu, Karnataka, & Andhra Pradesh associations in their respective High Courts. The Central Government has moved an application in the Supreme Court to transfer all these petitions to the Supreme Court. The matter will be listed for hearing after the summer vacation.

The Central Govt. has been following the regulated release mechanism for free sale sugar by issuing orders

Annexure to the Report of the Directors (Contd.)

under the Sugar (Control) Order, 1966 promulgated under the provisions of the Essential Commodities Act, 1955 (ECA '55). The Allahabad High Court in an interim order on 19.3.02 in the case of Shamkumbari Sugars, held the restriction on sale of free sugar as wholly arbitrary and illegal and violative of Articles 14 & 19 (1)(g) of the Constitution. The Central Government's Special Leave Petition (SLP) against this decision was also not entertained by the Supreme Court, and the SLP was dismissed on 12.7.2002.

In order to overcome this legal hurdle and with a view to strictly enforce the regulated release mechanism, the Central Government has brought in an amendment to the ECA'55 titled ECA (Amendment) Bill '2003 which incorporates the provisions of the Sugar (Control) Order, 1966 in the parent Act itself. This Amendment Act has just come into force and will help to reverse the steady decline in sugar prices over the past year.

COMPANY PERFORMANCE

The performance of the Company's sugar units for the past two sugar seasons are shown in the table below :

| Sugar Unit | 2002-2003 | | | | 2001-2002 | | | |
|---------------------------------------|-----------|---------|---------|--------|-----------|---------|---------|--------|
| | Khatauli | Deoband | Ramkola | Total | Khatauli | Deoband | Ramkola | Total |
| Capacity (TCD) | 11,750 | 10,000 | 3500 | 25,250 | 11,750 | 10,000 | 3500 | 25,250 |
| Crush (lac qtls) | 175.19 | 162.14 | 50.45 | 387.78 | 177.17 | 141.11 | 45.69 | 363.97 |
| Recovery (%) | 10.10 | 10.13 | 9.13 | 9.99 | 10.20 | 9.95 | 8.86 | 9.93 |
| Sugar production (Net – lac qtls) | 17.69 | 16.43 | 4.61 | 38.73 | 18.13 | 14.10 | 4.15 | 36.38 |
| % Increase (Dec) over previous yr. | (2) | 17 | 11 | 6 | 10 | 4 | 25 | 9 |

Your Company is the third largest producer of sugar in the country, and the Deoband and Ramkola units achieved record levels of cane crushed and sugar produced in the past year. The Khatauli & Deoband sugar mills closed crushing operations in the last week of May and Ramkola a few days earlier.

Almost all the private sugar units in the State decided not to accept the SAP and agreed to start the factories only on the revised Central Government notified SMP or on an advance towards this latter price. Some are trying to only pay the original SMP. Negotiations in this respect took quite long and delayed crushing operations for over a month. All our three sugar units started at the end of November/early December. Had we started on time, sugar production at Khatauli and Deoband would have been even higher.

The Central and State Governments are asking the industry to pay last year's cane price notwithstanding the legal position. However, this is not possible given the extremely low sugar price realizations in the past year and which are still prevalent in the market today. As a matter of abundant caution, we have taken the cane price applicable to our sugar units on the basis of the revised SMP of Rs.69.5 per qtl linked to a recovery of 8.5%, announced by the Honorable Prime Minister

of India. If we are successful in our court appeal against this price, then the difference between this SMP and the original SMP for 2002-03, which in our case comes to around Rs.5.9 per qtl., will be treated as income at that time.

The Government of U.P. gave concessions to the industry in the form of a reduction in purchase tax and society commission to the extent of Rs.2.50 per quintal of cane. The introduction of entry tax on our operations in U.P. was also delayed and these combined benefits which came to Rs.4.0 per quintal of cane, have been passed on to the farmers as cane price payments over and above the SMP.

There is a move in the Cane Department of Uttar Pradesh to allocate cane areas on a 5 year instead of a 1 year basis to each sugar unit. This will be a very welcome liberalization, and allow us to intensify our cane development efforts and achieve sustained improvement in cane yields and recoveries for the benefit of both the farmer and the factory.

Your company has embarked on a substantial Co-generation & Modernization Project costing Rs.84 crores, a substantial portion of which will be commissioned during the season 2004-2005. Most of



Annexure to the Report of the Directors (Contd.)

the old boilers and turbines are being replaced with new, efficient, high pressure boilers and turbo alternator sets. Steam would be generated at a pressure of 87 atmospheres and at a temperature of 515°C, which is one of the highest in the world for boilers operating on bagasse. We expect to export substantial quantities of electricity to the State grid during the season as well as during the off-season and we will run the co-generation plant for over 270 days on captive bagasse. This diversification will provide financial stability of Deoband unit and increase profits for the Company as a whole. Funding is being arranged through the Sugar Development Fund, ICICI and other bankers at competitive rates. The co-generation plant will be located on separate premises at Deoband and would have its own management.

OUTLOOK

Sugar production in the country in the sugar year 2002-03 which ends on 30th Sept.'03, is expected to cross 19.5 million tonnes versus 18.5 million tonnes last year. Exports are expected to increase from 1.1 million tonnes last year to 1.8 million tonnes in the year 2002-03. The increased despatches of sugar in the last year and better exports, will just about compensate for the increase in sugar production and closing stock at the end of the coming year on 30th September 2003 will not be appreciably lower than what it was last year. This will have a bearish impact on sugar prices.

However, once the regulated monthly sugar release mechanism comes into effect, we expect sugar realizations to improve and this impact will be felt in the second half of the current financial year. Area under cane at our units is expected to be about the same next year, but cane yields and recoveries will of course depend on the rainfall pattern in the next few months. Cane development efforts have increased at all the sugar units, and the Deoband Unit seems to have the best potential for a change in our cane varietal balance, and providing a better recovery.

TURBINES

Triveni is the predominant player in the steam based small power generation market. Steam Turbines are used either to drive rotating machinery such as sugar mills, pumps and compressors, or for power generation. The steam is delivered through boilers which run on a variety of conventional and non-conventional fuels such as sugarcane bagasse, rice husk etc. Triveni caters to

the small power generating sector, and has a complete range of Impulse Back Pressure, Condensing and Extraction Condensing Turbines.

INDUSTRY SCENARIO & DEVELOPMENT

This sector of the capital goods industry was the first to be opened to international competition, and has one of the lowest rates of import duties amongst all industries in India today. In fact, for supplies to the fertilizer and refining sectors, there is zero duty on imports, while we are subject to excise duties & sales tax. Under the EPCG Scheme where buyers must export a certain percentage of their savings in customs duty, the import duties are only 5%, and a number of industries are availing of this facility. The current 3-tier import duty structure is also skewed against the finished product, and import duties on complete turbines are less than for the raw material and components used in their manufacture. We have been continuously appealing to Government to remove these anomalies, and provide the capital good industry a level playing field with imports, but unfortunately, we have not had much success.

The power generation market in India is dominated by the public sector company Bharat Heavy Electricals Ltd. (BHEL) who can produce steam turbines from 6 to 500 MW. Alstom, whose turbine business is now part of Siemens and Belliss & Morcom are the other main local competitors. Toyo Denki of Japan, and Kaluga of Russia, have won orders with their imported turbines.

COMPANY PERFORMANCE

Triveni's Turbine Business Group (TBG) has been able to retain its predominance in the small power segment. A few years ago TBG took a conscious decision to move away from its traditional market of the sugar industry, to develop products for the bio-mass based independent power producers and others using co-generated power. This decision has stood us in good stead, as even though the sugar market for turbines declined very steeply last year, TBG recorded its highest ever turnover of Rs.119 crores. Besides developing suitable models, TBG has positioned itself to provide energy solutions rather than merely supplying Turbo Generators. Various initiatives such as Operation & Maintenance and Annual Maintenance Contracts aim at providing operational comfort and "upfront" assurance to those industries totally new to co-generation. A notable achievement last year was an order for a 15.3 MW Extraction Condensing Turbo Alternator set for a large paper factory

Annexure to the Report of the Directors (Contd.)

in Karnataka and this has been recently commissioned.

Exports were started in earnest in the year under review and our efforts have found a most encouraging response. We have completed supplies for a 9 MW T.G. Set to Kenya and are proud to have received an export order from Wartsila for a power plant order they are executing in Finland. We were selected from nineteen international competitors to be one of their two nominated sub-vendors. TBG expects its export sales of turbines to pick up substantially in the next two years.

OUTLOOK

Our initiatives to provide the best efficiencies benchmarked against our international competition is continuing. We expect to conclude our development of state of the art tapered and twisted blades in association with a leading design institute in the USA. We are also taking the help of well known consultants in this field in the UK and India.

When the electricity bill becomes an Act and power trading without the back-up of Power Purchase Agreements comes into effect, we expect many more small to medium sized independent power plants to come up. Returns in this sector are already good, and TBG is positioning itself to meet the increased demand when it materializes.

OTHER BUSINESS SEGMENTS

The Mysore Unit which produces high speed gears and gear boxes increased its sales by over 40% and its profitability by a larger percentage, both of which are records for the unit. The main reason for this excellent performance came from the sale of gears produced under license from Lufkin Industries of the USA. Some of these gears were designed and supplied by the Mysore Unit, and others followed a joint manufacturing programme with the internals coming from Lufkin. We have made good inroads into the retrofitting business for both Lufkin licensed and Triveni products. We hope to sustain a good rate of growth in sales for this Unit in the next 3-4 years, by when we expect Triveni Mysore to have become a substantial force for gear manufacturing in the Asian region.

We are having discussions with Lufkin Industries for the renewal of our Collaboration Agreement and expect this to be concluded in the coming year. We are also looking to upgrade and replace our existing Maag gear

hobber and gear grinder. This will entail fairly substantial capital expenditures in the next two years. We have started our export operations which are expected to grow in the next few years.

The sugar project at Athani which was commissioned during the end of last year is performing satisfactorily. Sales of SRI licensed products have been slow owing to reduced profitability in the sugar industry. Though sales have started picking up, we do not expect substantial growth till 2004-2005. We supplied a number of Micro Hydrel turbines for a private developer in Punjab and to APGENCO for their Kakatiya project in Andhra Pradesh. However, we are not seeing much future in this business line primarily because our efforts for technology alliance to expand our range of turbines to cater to the larger market have not fructified. We would like to concentrate our resources on the mini hydrel BOO sites we have in Punjab. The Punjab State Electricity Regulatory Commission viz. PSERC on 08.04.03 approved the signing of the Power Purchase Agreements, which we will now execute with the State Electricity Board. In the coming year, we propose to initiate construction at these sites subsequent to the achievement of financial closure.

We shall be renewing our license agreement with U.S. Filter/Envirex of the USA, which is a part of the Vivendi Group of France, for municipal water and sewage treatment projects and products. We also propose to expand our market reach in other sectors of municipal & industrial water & waste water treatment business.

RISKS & CONCERNS

Risks & concerns and sustainable growth opportunities have been covered under the various business segments in the management discussions given above.

HUMAN RESOURCES

Your company continues investing, energizing and developing people across all levels of the workers, staff and management. The main Directors' Report also refers to our initiatives in the Human Resources. As on 31st March'2003 our total employee strength was 3643 which includes seasonal employees at our sugar units. 12.7% are officers and the average age is 39 years. 2.4 days of training per officer and 3.4 days per supervisor were given during the year. Apart from training for employees, developmental programmes are conducted for spouses and the children of employees.



Annexure to the Report of the Directors (Contd.)

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The system of internal control comprises those controls established in order to provide reasonable assurance of :-

- a) Safeguarding assets against unauthorized use or disruption and
- b) Maintenance of proper accounting records and the reliability of financial information used within the business.

The key elements of the system are as follows :-

- a) Clearly defined organization structures and limits of authority.
- b) Corporate policies for financial reporting, accounting, information security, project appraisal and corporate governance.
- c) Annual budgets and long term business plans for all operating units, identifying key risk opportunities.
- d) An Internal Audit Department which reviews key business processes and control, including performing annual reviews.
- e) An Audit Committee, which approves audit plans and deals with significant control issues raised by internal and external audit.

Reports are circulated to senior management and action

taken to strengthen control where needed. The Internal Audit is carried out by a department internally and also by an independent agency, M/s Ernst & Young Pvt. Ltd. These reports and also the annual budgets, operating plans, projected appraisals, and corporate governance issues are reviewed by the Audit Committee which met 9 times during the past financial year.

BRANCH AND COST AUDITORS

For the year 2002-03 Virmani & Associates were the Branch Auditors for Bangalore, Mysore & Projects Division. M/s Rishi Mohan Bansal, Cost Accountant, were the Cost Auditor for the three sugar units – Khatauli, Deoband & Ramkola. The Branch Auditors & Cost Auditor were appointed by the Board. Central Government approved the appointment of the Cost Auditor.

Statements in this “Management Discussion and Analysis” describing the Company’s objectives, expectations and assessments etc. may be forward looking within the meaning of applicable laws and regulations. Actual results may differ from the statements expressed therein. Important factors that could influence the Company’s operations include demand and supply conditions affecting selling prices of finished goods, availability of inputs & their prices, change in Government policy, legislation and tax rates; political, defence and economic developments within and outside the country and other factors such as litigation and industrial relations.

ANNEXURE-E

REPORT ON CORPORATE GOVERNANCE

1) Company’s Philosophy on Code of Governance

A Corporate Governance Code was introduced by the Securities and Exchange Board of India (SEBI) by incorporating Clause-49 in the Listing Agreement of the Stock Exchanges. These have been implemented by the Company and it is complying in all material aspects with the features of corporate governance stipulated in the Listing Agreements.

The Company believes in and has consistently practiced good corporate governance. The Company creates an environment for the efficient, just and ethical conduct of the business and to enable the Management to meet its obligations in

a fair, transparent and equitable manner to all stakeholders viz. its shareholders, farmers, customers, employees and the community in which the Company operates. The Board of Directors believe in managing the Company’s affairs efficiently and in a responsible manner. The Company envisages the attainment of a high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally.

2) Board of Directors

The business of the Company is managed by the Board of Directors. The Board formulates the strategy and regularly reviews the performance of

Annexure to the Report of the Directors (Contd.)

the Company against previously agreed objectives. The Chairman and Managing Director alongwith the senior executives manages the day to day operations of the Company.

The present strength of the Board of Directors is nine. There was no change in the composition of the Board of Directors, as reported in the last report. Excepting the Chairman & Managing Director, all are independent Directors. The non-executive Directors are eminent industrialists and professionals with valuable experience in management, administration, finance and law, and bring with them a wide range of skills and experience to the Board. The Company did not have any pecuniary relationship or transaction with the Non-Executive Directors during the year under review except for the payment of meeting fees.

None of the Directors on the Board is a Member on more than 10 Committees, and Chairman of more than 5 Committees (as specified in Clause-49) across the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The constitution of the Board and the number of Directorships and Committee Memberships held in other companies as on date are given below :-

| Name of Director | Category | No. of Directorships in other companies (*) | No. of Committee positions held in other companies (*) | |
|---|------------------------------|---|--|--------|
| | | | Chairman | Member |
| Shri Dhruv M. Sawhney Chairman & Managing Director | Promoter, Executive | 2 | NIL | NIL |
| Shri F.C.Kohli | Independent Non-Executive | 9 | 2 | 2 |
| Shri J.B. Dadachanji(**) | Independent Non-Executive | 4 | NIL | 4 |
| Lt. Gen. K.K. Hazari (Retd.) | Independent Non-Executive | 2 | NIL | NIL |
| Shri M.K. Daga | Independent Non-Executive | 4 | NIL | 2 |
| Shri M.V. Subbiah | Independent Non-Executive | 11 | 4 | 4 |
| Shri R.C. Sharma | Independent Non-Executive | NIL | NIL | NIL |
| Shri S.K. Seth | Independent Non-Executive | NIL | NIL | NIL |
| Shri V. Venkateswarlu (IDBI Nominee) | Independent Non-Executive | NIL | NIL | NIL |

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

(**) Retires at the ensuing Annual General Meeting and is not seeking re-election.



Annexure to the Report of the Directors (Contd.)

Details of Directors seeking re-appointment at the ensuing Annual General Meeting

In respect of Directors seeking appointment or re-appointment, the Notice for the AGM contains the relevant information, like, brief resume of the Directors, nature of their expertise in specific functional areas and names of the companies in which they hold Directorship and membership of any Committee of the Board.

Board Procedures

The Board and its Committees meet at regular intervals for discussion on agenda items circulated well in advance. The senior management of the Company is invited to attend Board meetings, make presentations and provide clarifications as and when necessary. The Directors help bring an independent judgement on the Board's deliberations. They have complete and unfettered access to any information and to all employees of the Company. The agenda items include information as required under Annexure-1 to Clause 49 – Corporate Governance of Listing Agreement, such as strategy and business plans, annual operating & capital expenditure budgets, investment and exposure limits, adoption of quarterly and annual results of the Company and its operating divisions, review of major legal issues, compliance with statutory/regulatory requirements, HR related issues, purchase and disposal of equipment or property and major provisions and write offs.

Attendance Record of the Directors

The Board of Directors met four times during the financial year 2002-2003. The interval between any two successive meetings did not exceed four months. Board Meetings held on 22nd June'02, 24th July'02, 29th October'02 and 9th January'03. The attendance record of all Directors at Board meetings and the last Annual General Meeting (AGM) is as under :-

| Name of Director | No. of Board Meetings Attended | Attendance at last AGM 07.08.2002 |
|--|--------------------------------|-----------------------------------|
| Shri Dhruv M. Sawhney Chairman & Managing Director | 4 | Yes |
| Shri F.C.Kohli | 3 | No |
| Shri J.B. Dadachanji | 4 | No |
| Lt. Gen. K.K. Hazari (Retd.) | 4 | Yes |
| Shri M.K. Daga | 2 | No |
| Shri M.V. Subbiah | 3 | No |
| Shri R.C. Sharma | 2 | Yes |
| Shri S.K. Seth | 4 | Yes |
| Shri V. Venkateswarlu (IDBI Nominee) | 2 | No |

Executive Sub-Committee

The existing Executive Sub-Committee of the Board comprises of Mr. S.K. Seth (Chairman), Lt. Gen. K.K. Hazari (Retd.), Mr. R.C. Sharma and Mr. J.B. Dadachanji. The Chairman & Managing Director is not on the Executive Committee but he and other senior executives are called to the meetings as & when required. The Board has delegated powers to the Executive Sub-Committee in accordance with the provisions of the Indian Companies Act, 1956 to facilitate the working of the Board. The Executive Committee met six times during the year 2002-2003.

3) Audit Committee

The Audit Committee comprises of three Non-Executive Independent Directors viz. Mr. S.K. Seth (Ex-Chairman of New India Assurance Co. Ltd.), Chairman, Lt. Gen. K.K. Hazari (Retd.) (Ex Vice Chief of Army Staff) and Mr. V. Venkateswarlu (IDBI Nominee Director). These members have the requisite financial, accounting and management expertise. Vice President (Corporate Finance), Group General Manager (Finance), Manager (Internal Audit) along with the Internal Auditors, Statutory Auditors and the respective unit heads and the unit finance chiefs are invitees at the meetings of the Committee. The meetings are generally held in Delhi but some are held at the units so as to provide for closer interaction. The Company Secretary acts as the Secretary to the Audit Committee meetings. In respect of the Internal Audit Meetings, the Group General Manager (Finance) acts as coordinator.

The powers and role of the Audit Committee are as specified in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. However, the broad terms of reference of the Committee including :-

- to review the Company's financial reporting process and its financial statements.
- to review the accounting and financial policies and practices and compliance with applicable accounting standards.
- to review the efficiency of the internal control mechanism, monitor risk management policies adopted by the Company and its units, and ensure compliance with regulatory guidelines.
- to review reports furnished by the internal and statutory auditors, and ensure that suitable follow-up action is taken.

Annexure to the Report of the Directors (Contd.)

- to examine accountancy and disclosure aspects of all significant transactions.
- to review with management the annual, quarterly & half yearly financial statements including review of qualifications, if any, in the audit report before submission to the Board.
- to recommend appointment of external and internal auditors and fixation of audit fees.
- to seek legal or professional advice, if required.

Meetings & Attendance

The Audit Committee met nine times during the financial year 2002-2003 on 28th May'02, 3rd June'02, 4th June'02, 11th June'02, 14th June'02, 20th July'02, 17th October'02, 24th October'02 and 26th October'02. The attendance of each Audit Committee Member is as under :-

| Name of the Member | No. of meetings attended |
|-------------------------------------|--------------------------|
| Mr. S.K. Seth, Chairman | 9 |
| Lt. Gen, K.K. Hazari (Retd.) | 9 |
| Mr. V. Venkateswarlu (IDBI Nominee) | 3 |

Mr. S.K. Seth and Lt. Gen. K.K. Hazari (Retd.) attended the last AGM held on 7th August'2002.

4) Investors' Grievance and Share Transfer / Transmission Committee

Effective 22/6/2002, the Investors' Grievance and Share Transfer/ Transmission Committee was splitted and the name of the Investors' Grievance & Share Transfer/Transmission Committee was changed to Share Transfer/Transmission Committee with immediate effect to perform the existing duties such as approval of share transfers/ transmissions and other related activities excluding looking into the grievances of the shareholders/investors. There was no change in the composition of the Committee and it consists of four Non-Executive Independent Directors viz. Mr S.K. Seth – Chairman, Lt.Gen. K.K. Hazari (Retd.), Mr J.B. Dadachanji and Mr R.C. Sharma. Mr V.P. Ghuliani, Group General Manager (Legal) & Company Secretary has been designated as the Compliance Officer.

Meetings & Attendance

The Share Transfer/Transmission Committee met 22 times during the financial year 2002-2003 on 8th April 02, 24th April 02, 9th May 02, 25th May'02, 11th June'02,

29th June'02, 11th July'02, 29th July'02, 6th August'02, 26th August'02, 9th Sept.'02, 23rd Sept.'02, 7th October '02, 21st Oct.'02, 11th Nov.'02, 2nd Dec.'02, 21st Dec.'02, 9th Jan.'03, 28th Jan.'03, 12th Feb.'03, 28th Feb.'03 and 15th March 03. The attendance of each Committee Member is as under:-

| Name of the Member | No. of meetings attended |
|-----------------------------|--------------------------|
| Mr S.K. Seth, Chairman | 22 |
| Lt.Gen. K.K. Hazari (Retd.) | 22 |
| Mr J.B. Dadachanji | 20 |
| Mr R.C. Sharma | 16 |

A separate Investors' Grievance Committee was constituted with effect from 22/6/2002 to look into the redressal of shareholders and investors grievances such as non-receipt of transferred/transmitted share certificates/balance sheet/dividend warrants etc. The Committee consists of three Non-Executive Independent Directors viz. Mr S.K. Seth – Chairman, Lt.Gen.K.K. Hazari (Retd.) & Mr J.B. Dadachanji. Mr V.P. Ghuliani, Group General Manager (Legal) & Company Secretary has been designed as the Compliance Officer.

During the year ended 31st March 2003, 237 complaints relating to investor grievances were received from shareholders or the Stock Exchanges/SEBI, and all of them were resolved/replied suitably by furnishing the requisite information/documents. There were no investor grievances pending as on 31/3/2003. The Company confirms that 19 cases of physical share transfers and 84 requests for dematerialisation were pending as on 31st March, 2003. There were no share transfers pending for registration for more than 30 days as on 31st March, 2003.

Meetings and Attendance

The Investors' Grievance Committee, after it was split on 22nd June '02, met 3 times during the financial year 2002-2003 on 7th October'02, 21st December'02 & 15th March'03. The attendance of each Committee Member is as under :-

| Name of the Member | No. of meetings attended |
|-----------------------------|--------------------------|
| Mr S.K. Seth, Chairman | 3 |
| Lt.Gen. K.K. Hazari (Retd.) | 3 |
| Mr J.B. Dadachanji | 3 |



Annexure to the Report of the Directors (Contd.)

5) Remuneration Committee

(In Rupees)

There was no change in the composition of the Remuneration Committee as constituted by the Board on 7/6/2001 and it consists of three Non-Executive independent Directors viz. Mr J.B. Dadachanji, Mr S.K. Seth and Lt.Gen. K.K. Hazari (Retd.). The Chairman of the Committee is Mr J.B. Dadachanji. The broad terms of reference of the Committee remain unchanged.

The Company has only one Executive Director viz. Mr Dhruv M. Sawhney, CMD on the Board. During the year 2002-2003, necessity did not arise to hold any meeting of the Remuneration Committee as revision in the remuneration of managerial personnel was not considered. Hence no meeting was held.

Details of remuneration paid to Directors

Presently the Company is not paying any remuneration to its Non-Executive Directors except sitting fees for attending meetings of the Board and its Committees. Remuneration paid to all the Directors of the Company during the financial year ended 31st March'2003 is as under :-

| Name of the Director | |
|---|----------------------|
| Mr. Dhruv M. Sawhney Chairman & Managing Director Service Period | 31.03.00 to 30.03.05 |
| Remuneration paid (01.04.2002 to 31.03.2003) | In Rupees |
| Salary* | 48,00,000 |
| Contribution to PF & Other Funds* | 12,96,000 |
| Gratuity | 1,63,401 |
| Other Perquisites | 11,14,383 |
| Total | 73,73,784 |

* Includes arrears of Rs.22,86,000/-

| Name of the Director | Sitting Fees |
|------------------------------|--------------|
| Mr. F.C. Kohli | 15,000/- |
| Mr. J.B. Dadachanji | 1,02,500.- |
| Lt. Gen. K.K. Hazari (Retd.) | 1,57,500/- |
| Mr. M.K. Daga | 10,000/- |
| Mr. M.V. Subbiah | 15,000/- |
| Mr. R.C. Sharma | 75,000/- |
| Mr. S.K. Seth | 1,57,500/- |
| Mr. V. Venkateswarlu* | 25,000/- |

* The sitting fees of Mr. V. Venkateswarlu, Nominee Director of IDBI were paid to IDBI.

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

6) General Body Meetings

Location & time where last three AGMs were held :-

| Date | Location | Time |
|------------------------------|---|-----------|
| 7 th August'2002 | Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P. | 2.30 P.M. |
| 8 th August'2001 | Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P. | 2.00 P.M. |
| 17 th August'2000 | Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P. | 2.00 P.M. |

Location & time where last EGM was held :-

| | | |
|--------------------------------|---|-----------|
| 14 th February'2003 | Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, U.P. | 2.00 P.M. |
|--------------------------------|---|-----------|

Annexure to the Report of the Directors (Contd.)

All the resolutions including special resolutions, set out in the respective notices were passed by the shareholders. No resolution was put through postal ballot last year as per provisions of Section 192A of the Companies Act, 1956 and the rules framed thereunder. No special resolutions on matters requiring postal ballot are placed for shareholders' approval at the forthcoming Annual General Meeting.

Besides the aforesaid General Meetings, pursuant to an order dated 16th Jan.'03 of the Hon'ble Allahabad High Court, a meeting of the equity shareholders was held on 22nd February'2003 at Company's Guest House at Deoband Sugar Unit Complex, Deoband, District Saharanpur, Uttar Pradesh at 2.30 p.m. to consider and approve the Scheme of Arrangement between the Company and its Equity Shareholders. The Chairman and the Alternate Chairman of the meeting were also appointed by the Hon'ble High Court. The members present at the meeting in person and by proxy approved the Scheme by an overwhelming majority of 99.98% votes.

7) Other Disclosure

Disclosures on materially significant related party transactions

There is no significant or material related party transaction that have taken place during the year which have any potential conflict with the interest of the company at large. The detailed related party information and transactions have been provided in Note-13 of Schedule-26 - Notes to Accounts.

Details of Non-Compliance by the Company, penalties, stricture imposed on the Company by the Stock Exchanges, SEBI or any statutory authorities or any matter related to capital markets.

The Company has complied with all the requirements of the listing agreement with the Stock Exchanges and the regulations and guidelines of SEBI. No penalties or strictures have been imposed

by SEBI, Stock Exchanges or any statutory authorities on matters relating to capital markets during the last three years.

8) Means of Communication

The quarterly & half yearly unaudited financial results of the Company were sent to all the Stock Exchanges where its equity shares are listed, and the same were published in Economic Times (English) and Nav Bharat Times (Hindi) newspapers. The results are also displayed on Company's website www.trivenigroup.com

Detailed information on the Company's business and products is also displayed on the website. The Management Discussion & Analysis Report is at Annexure-D of the Director's Report.

9) General Shareholder Information

Annual General Meeting

| | |
|------------------------------|--|
| Day, Date & Time | Thursday, the 14 th of August'2003 at 2.00 P.M. |
| Venue | Company's Guest House at Deoband Sugar Unit Complex, Deoband, Distt. Saharanpur, U.P. – 247 554. |
| Financial Calendar | 2003-2004 - Financial Year April to March - First Quarterly Results By 31 st July'2003 - Half Yearly Results By 31 st October'2003 - Third Quarterly Results By 31 st January'2004 - Audited Annual Results By 30 th June'2004 |
| Dates of Book Closure | From Thursday, the 31 st of July'2003 to Thursday, the 7 th of August'2003 (both days inclusive). |
| Dividend Payment Date | By 11 th September'2003 |



Annexure to the Report of the Directors (Contd.)

Listing on Stock Exchanges

The Company's Equity Shares are listed at the following Stock Exchanges :-

| Sl. No. | Name and Address of Stock Exchanges | Stock Code |
|---------|---|-----------------------------------|
| 1. | The Delhi Stock Exchange Association Ltd., DSE House, 3/1, Asaf Ali Road New Delhi – 110 002. | 07042 |
| 2. | The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai – 400 023. | 532356 |
| 3. | National Stock Exchange of India Ltd. Exchange Plaza, 5 th Floor Plot No. C/1, G Block, Bandra (E) Mumbai – 400 051. | TEIL |
| 4. | The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata – 700 001. | Physical 30037 Demat 100-30037 |

The Company has paid listing fees for the Financial Year 2003-2004 to all the Stock Exchanges where its equity shares are listed except Calcutta Stock Exchange to which an application has been made for de-listing of equity shares.

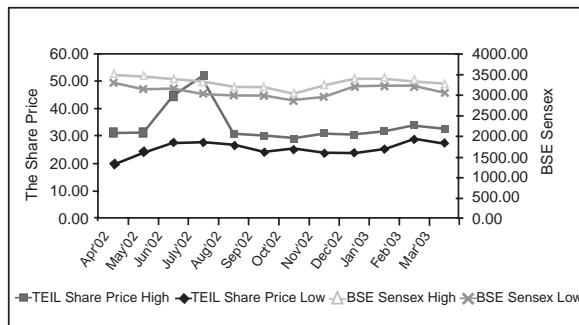
Stock Price Data : Year 2002-2003

(In Rs.)

| Month | Stock Exchange Mumbai (BSE) | | National Stock Exchange (NSE) | |
|-----------|-----------------------------|-------|-------------------------------|-------|
| | High | Low | High | Low |
| April | 30.95 | 19.85 | 29.70 | 19.55 |
| May | 31.00 | 24.05 | 30.45 | 23.25 |
| June | 44.75 | 27.45 | 42.00 | 28.10 |
| July | 52.05 | 27.65 | 51.15 | 28.40 |
| August | 30.50 | 26.75 | 30.15 | 26.10 |
| September | 30.00 | 24.10 | 30.40 | 26.10 |
| October | 28.95 | 25.30 | 30.00 | 25.00 |
| November | 31.00 | 24.00 | 30.75 | 24.00 |
| December | 30.25 | 24.00 | 29.50 | 24.30 |
| January | 31.60 | 25.15 | 31.50 | 25.05 |
| February | 34.00 | 29.00 | 32.20 | 29.00 |
| March | 34.10 | 27.45 | 31.65 | 28.05 |

Note :- There are no regular transactions at the Delhi & Calcutta Stock Exchanges and we are taking steps to get our shares delisted from the Calcutta Stock Exchange.

Stock Performance



Registered Office

Deoband, Distt. Saharanpur
Uttar Pradesh – 247 554
Tel. :- 01336-222185, 222497
Fax :- 01336-222220

Registrar and Share Transfer Agents

(For Equity Shares held in both Physical & Electronic Mode and for Preference Shares held in Electronic Mode Only)

M/s. Alankit Assignments Ltd.
205-208, Anarkali Market
Jhandewalan Extension
New Delhi – 110 055.
Tel. 23610220-24, 23546001
Fax 23552001
Email :- alankit@alankit.com

Share Department

Triveni Engineering & Industries Ltd.
Jeevan Tara Building
1st Floor, Gate No.4,
5, Parliament Street
New Delhi – 110 001.
Tel. :- 23362522-24, Fax :- 23362525
Email :- shares@trivenigroup.com

Share Transfer System

The approval of transfer of shares in the physical mode is done by the Share Transfer/Transmission Committee of the Board. The Committee meets frequently for approving share transfers and other related activities. The shares for transfers received in physical mode are transferred expeditiously and thereafter option letter for simultaneous demat of shares are being sent within a

Annexure to the Report of the Directors (Contd.)

period of 8 to 10 days from the date of receipt, provided the documents are complete and the shares under transfer are not under dispute. The share certificates duly endorsed are being returned immediately to those who do not opt for simultaneous transfer cum dematerialization. Confirmation in respect of the requests for dematerialization of shares is sent to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 15 days

Till 30/3/2003 the share transfer work of physical shares was being handled by the Company in-house at its Share Department and of shares held in electronic mode by M/s Alankit Assignments Ltd., New Delhi. In compliance of SEBI directions, effective 31/3/2003 the Company appointed M/s Alankit Assignments Ltd. as its Registrar & Share Transfer Agent (RTA) for shares held in both physical and electronic mode. Accordingly, all activities relating to Company's equity shares shall be undertaken by the aforesaid RTA.

Distribution of Shareholding as on 31st March'2003

| Group of Shares | Number of Share Holders | % | Number of Shares held | % to Total Shares |
|-----------------|-------------------------|------------|-----------------------|-------------------|
| 1-500 | 57371 | 98.50 | 26,43,097 | 21.51 |
| 501-1000 | 478 | 0.82 | 3,48,186 | 2.83 |
| 1001-2000 | 200 | 0.34 | 2,84,501 | 2.31 |
| 2001-3000 | 58 | 0.10 | 1,41,322 | 1.15 |
| 3001-4000 | 36 | 0.06 | 1,27,350 | 1.04 |
| 4001-5000 | 21 | 0.04 | 99,227 | 0.81 |
| 5001-10000 | 39 | 0.07 | 2,70,865 | 2.20 |
| 10001 & higher | 40 | 0.07 | 83,74,653 | 68.15 |
| Total | 58243 | 100 | 1,22,89,201 | 100 |

Shareholding Pattern as on 31st March, 2003

| Category | Number of Shares held | % Shareholding |
|---|-----------------------|----------------|
| Promoters | 76,49,351 | 62.24 |
| Financial Institutions and Insurance Cos. | 4,76,310 | 3.88 |
| Nationalised Banks | 7,890 | 0.06 |
| Mutual Funds | 8,361 | 0.07 |
| Non-Resident Individuals/ OCBs/FII's | 2,18,511 | 1.78 |
| Resident Individuals | 37,15,759 | 30.24 |
| Bodies Corporate | 2,06,360 | 1.68 |
| Others | 6,659 | 0.05 |
| Total | 1,22,89,201 | 100.00 |

Dematerialization of Shares & Liquidity

The Company's shares are compulsorily traded in the demat form with effect from 26th December'2000 for all categories of shareholders. The Company has entered into an Agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of shares. As on 31.03.03, 19.11% of total equity share capital of the Company had been dematerialized, of which 18.80% are the resident Indian holding.

Code No. allotted

By NSDL/CDSL : ISIN : INE256C01016

Outstanding GDR/ADR or Warrants

As on date there are no Global Depository Receipts (GDR), American Depository Receipt (ADR) or any convertible instruments pending conversion or any other instrument likely to impact the equity share capital of the Company.

Plant/Business Group Locations

| | |
|---------------------------------------|---|
| Sugar Business Group | Khatauli, Distt. Muzaffarnagar, U.P. – 251201 Deoband, Distt. Saharanpur, U.P. – 247 554 Ramkola, Distt. Kushinagar, U.P. – 274 305 |
| Turbine Business Group | 12-A, Peenya Industrial Area, Peenya, Bangalore – 560 058 |
| Gears Division | 1,2,3, Belagola Industrial Area, Metagalli K.R.S. Road Mysore – 570 016 |
| Projects & Engineering Business Group | D-196, Okhla Industrial Area, Phase-I New Delhi – 110 020 |

Address for Correspondence

In case of any difficulty, the Compliance Officer of the Company is to be intimated at the following address :

Mr. V.P. Ghuliani
Group General Manager (Legal) &
Company Secretary
Triveni Engineering & Industries Ltd.,
'Kailash', 2nd Floor, 26, Kasturba Gandhi Marg
New Delhi – 110 001.
Tel. :- 23310021, Fax :- 23310117



Annexure to the Report of the Directors (Contd.)

ANNEXURE- F

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

Auditors' Certificate on Compliance of Conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges.

TO THE MEMBERS OF TRIVENI ENGINEERING & INDUSTRIES LIMITED.

We have examined the compliance of conditions of Corporate Governance by Triveni Engineering & Industries Limited, for the year ended on March 31, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that there were no investor grievances pending at the year end.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
J. C. BHALLA & COMPANY
CHARTERED ACCOUNTANTS

Place : New Delhi
Date : June 7, 2003

(SUDHIR MALLICK)
PARTNER

Auditors' Report

TO THE MEMBERS OF TRIVENI ENGINEERING AND INDUSTRIES LIMITED

We have audited the attached Balance Sheet of Triveni Engineering & Industries Limited as at 31st March, 2003 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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 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.

We report that :

1. As required by Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate after considering the reports of the other auditors of the Company's Engineering Units, we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph "1" above:-
 - a) 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.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from the examination of the books and according to the

Auditors' Report (Contd.)

reports of the Engineering Units auditors where such audit has not been conducted by us.

- c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- d) The reports of the Engineering Units auditors have been forwarded to us and have been considered in preparing our report.
- e) The company has complied with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- f) On the basis of the written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as a Director of the Company 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 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 31st March, 2003 and
- b) In the case of the Profit and Loss Account of the profit for the year ended on that date.
- c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For and on behalf of
J. C. BHALLA & COMPANY
CHARTERED ACCOUNTANTS

Place : New Delhi
Date : June 7, 2003

(SUDHIR MALLICK)
PARTNER

Annexure to Auditors' Report

Referred to in Paragraph "1" of our report of even date on the accounts for the year ended on 31st March 2003 of Triveni Engineering & Industries Ltd.

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets. Physical verification of items of fixed assets has been carried out by the management during the year as per information given to us. As explained to us, no material discrepancies were noticed on such verification as compared to the available book records.
2. None of the fixed assets have been revalued during the year.
3. Stocks of finished goods, major items of stores and spare parts and raw materials have been physically verified by the Management to the extent practicable at reasonable intervals during the year or at the year end at all locations of the Company.
4. According to information given to us, the procedures for physical verification of the aforesaid stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. The discrepancies noticed on such verification as compared to the book records were not significant having regard to the size and nature of the operations of the Company and have been properly adjusted in the books of account.
6. On the basis of our examination of stock valuation we are of the opinion that the valuation of the above mentioned stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year.
7. The Company has not taken any loan secured or unsecured from companies, firms, and other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no Companies under the same management as defined in Section 370 (1B) of the Companies Act, 1956.
8. The company has granted unsecured loans to the Companies, firms, or other parties listed in the register maintained under Sec. 301 of the Companies Act, 1956. In our opinion and according to the information given to us terms and conditions of such loans are prima facie not prejudicial to the interest of the Company. We are informed that there are no



Annexure to Auditors' Report (Contd.)

- Companies under the same management as defined in Section 370 (1B) of the Companies Act, 1956.
9. As explained to us in respect of loans and advances in the nature of loan given by the company, the parties (other than disputed and doubtful cases) are generally regular in repaying the instalments of principal amounts and interest, where stipulated.
 10. 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 stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
 11. In our opinion and according to the information and explanations given to us, the transactions of sale of goods and materials made pursuant to contracts or arrangements entered/to be entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices of such goods as available with the Company or prices at which transactions of sale of similar goods and services have been made with other parties. There were no transaction for the purchase of goods and materials and sale of services aggregating during the year in excess of Rs.50,000/- (Rupees Fifty Thousand Only) or more in respect of each party made in pursuance of contracts or arrangements entered/ to be entered in the register maintained under section 301 of the Companies Act, 1956.
 12. As explained to us stocks are reviewed for determination of unserviceable or damaged stores and raw materials on the basis of technical evaluation and provision for loss has been determined and accounted for.
 13. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A of the Companies Act, 1956 and rules framed thereunder with regard to the deposits accepted from the public.
 14. In our opinion records have been maintained by the Company for the sale and disposal of realisable by-products and scrap wherever applicable.
 15. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
 16. We have broadly reviewed the books of accounts maintained by the company pursuant to the order made by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956, in respect of Sugar Units at Khatauli, Deoband & Ramkola and are of the opinion that prima facie the prescribed accounts and records have been maintained. However, we are not required to carry out and have not carried out a detailed examination of the records with a view to determine whether they are accurate or complete. The company is not required to maintain any cost records under section 209 (1) (d) of the Companies Act, 1956, in respect of activities carried out at other units of the Company.
 17. According to records of the company and information provided to us, Employees State Insurance and Provident Fund dues have been regularly deposited with the appropriate authorities.
 18. According to information and explanations given to us, there were no amounts outstanding as on 31st March, 2003 in respect of undisputed income tax, sales tax, wealth tax, custom duty and excise duty which were due for more than six months from the date they become payable.
 19. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices we have not come across any personal expenses which have been charged to Profit and Loss Account nor we have been informed of any such expenses by the Management in their representation to us, other than those payable under contractual obligations or in accordance with generally accepted business practices.
 20. The company is not a sick industrial company within the meaning of section 3 (1) (O) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For and on behalf of
J.C. BHALLA & COMPANY
CHARTERED ACCOUNTANTS

Place : New Delhi (SUDHIR MALLICK)
Date : June 7, 2003 PARTNER

BALANCE SHEET AS AT 31ST MARCH 2003

| | Schedule No. | 31.3.2003 Rs. | 31.3.2002 Rs. |
|---|-----------------|------------------------------|------------------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 12,28,93,610 | 12,28,93,610 |
| Reserves & Surplus | 2 | 1,23,49,44,766 | 1,21,04,86,700 |
| | | <u>1,35,78,38,376</u> | <u>1,33,33,80,310</u> |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 2,80,26,01,681 | 3,41,60,28,670 |
| Unsecured Loans | 4 | 18,38,46,174 | 19,97,95,749 |
| | | <u>2,98,64,47,855</u> | <u>3,61,58,24,419</u> |
| TOTAL FUNDS EMPLOYED | | <u>4,34,42,86,231</u> | <u>4,94,92,04,729</u> |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 5 | 2,38,73,22,595 | 2,31,33,24,735 |
| Less : Depreciation | | <u>97,23,94,938</u> | <u>89,35,54,770</u> |
| Net Block | | 1,41,49,27,657 | 1,41,97,69,965 |
| Capital Work-in-Progress/Advance against Capital expenditure | | 1,24,79,278 | 66,81,536 |
| Discarded Fixed Assets Pending Disposal/Sale | | 41,03,216 | 60,28,216 |
| Plant & Machinery acquired under Lease | | 24,18,67,888 | 23,29,74,696 |
| Pre-Operative Expenses - Pending Capitalisation | | <u>41,14,563</u> | <u>—</u> |
| | | 1,67,74,92,602 | 1,66,54,54,413 |
| INVESTMENTS | 6 | 22,95,74,461 | 22,89,32,961 |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| Inventories | 7 | 3,08,74,56,449 | 3,99,67,03,118 |
| Sundry Debtors | 8 | 37,18,77,796 | 47,06,40,770 |
| Cash and Bank Balances | 9 | 13,05,04,123 | 15,61,74,900 |
| Other Current Assets | 10 | 1,08,99,732 | 1,36,21,948 |
| Loans and Advances | 11 | 58,82,89,508 | 58,81,58,738 |
| | | <u>4,18,90,27,608</u> | <u>5,22,52,99,474</u> |
| LESS : CURRENT LIABILITIES & PROVISIONS | | | |
| Current Liabilities | 12 | 1,18,74,60,164 | 1,56,42,27,171 |
| Provisions | 13 | <u>34,25,95,881</u> | <u>39,81,57,445</u> |
| | | 1,53,00,56,045 | 1,96,23,84,616 |
| NET CURRENT ASSETS | | 2,65,89,71,563 | 3,26,29,14,858 |
| DEFERRED TAX LIABILITY (NET) | | (28,63,21,883) | (26,19,96,930) |
| MISCELLANEOUS EXPENDITURE | 14 | 6,45,69,488 | 5,38,99,427 |
| TOTAL ASSETS (NET) | | <u>4,34,42,86,231</u> | <u>4,94,92,04,729</u> |
| NOTES TO ACCOUNTS | | | |
| 26 This is the Balance Sheet referred to in our report of even date. | | | |

For and on behalf of
J.C.BHALLA & COMPANY
Chartered Accountants

SUDHIR MALLICK
Partner

Place : New Delhi
Date : June 7, 2003

V.P.GHULIANI
Group General Manager
(Legal) & Company Secretary

D.KHANNA
Vice President
(Corporate Finance & Planning)

DHRUV M. SAWHNEY
Chairman & Managing Director

S.K. SETH
Director & Chairman
Audit Committee



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2003

| | Schedule No. | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|-----------------|----------------------------|----------------------------|
| INCOME | | | |
| Income from Operations (Gross) | 15 | 7,03,51,88,264 | 6,03,29,16,092 |
| Less : Excise Duty | | 50,20,70,738 | 41,87,61,822 |
| Income from Operations (Net) | | 6,53,31,17,526 | 5,61,41,54,270 |
| Other Income | 16 | 4,72,41,081 | 21,43,49,919 |
| Decrease/Increase in Work-in-Progress/Finished Goods | 17 | (83,98,54,853) | 57,69,52,439 |
| | | <u>5,74,05,03,754</u> | <u>6,40,54,56,628</u> |
| EXPENDITURE | | | |
| Material Consumed | 18 | 3,97,55,85,272 | 4,20,76,97,894 |
| Manufacturing/Operating | 19 | 46,92,24,679 | 50,01,20,775 |
| Personnel | 20 | 49,59,39,652 | 46,23,90,933 |
| Administration | 21 | 25,74,35,996 | 27,11,73,491 |
| Financing | 22 | 31,15,62,294 | 49,91,34,915 |
| Selling | 23 | 6,24,50,439 | 6,12,65,217 |
| Depreciation *1 | | 9,93,20,083 | 10,30,29,746 |
| Amortisation | 24 | 4,92,29,749 | 4,27,49,525 |
| Off-season Expenses charged (Net) | 25 | (5,89,51,911) | (3,23,12,172) |
| | | <u>5,66,17,96,253</u> | <u>6,11,52,50,324</u> |
| Profit before Taxation | | 7,87,07,501 | 29,02,06,304 |
| Provision for Tax | | | |
| - Normal Tax Liability | | 63,00,000 | 55,50,000 |
| - Net Deferred Tax Charge | | 2,43,24,953 | 1,60,69,508 |
| Profit after Taxation | | <u>4,80,82,548</u> | <u>26,85,86,796</u> |
| Surplus Brought Forward | | 8,84,97,416 | 4,74,24,613 |
| Transfer from Debenture Redemption Reserve | | — | 4,99,99,333 |
| AVAILABLE FOR APPROPRIATION | | <u>13,65,79,964</u> | <u>36,60,10,742</u> |
| APPROPRIATIONS | | | |
| Dividend Adjustment of Previous Year | | (17,462) | 14,608 |
| Dividend Proposed on Equity shares | | 1,84,33,802 | 2,70,36,242 |
| Provision for Tax on Dividend | | 23,61,831 | — |
| Transfer to Molasses Storage Fund Reserve | | 9,33,199 | 4,62,476 |
| Transfer to General Reserve | | 1,00,00,000 | 25,00,00,000 |
| Surplus Carried Forward | | <u>10,48,68,594</u> | <u>8,84,97,416</u> |
| | | <u>13,65,79,964</u> | <u>36,60,10,742</u> |
| Earning per share (Note - 14 of Schedule - 26) - Basic/Diluted | | 3.91 | 21.86 |

NOTES TO ACCOUNTS

26

*1 Net of Rs. 36,94,220/- (Rs.33,00,960/-) additional depreciation on revalued assets transferred from Revaluation Reserve.

This is the Profit & Loss Account referred to in our report of even date.

For and on behalf of
J.C.BHALLA & COMPANY
Chartered Accountants

DHRUV M. SAWHNEY
Chairman & Managing Director

SUDHIR MALLICK
Partner

Place : New Delhi
Date : June 7, 2003

V.P.GHULIANI
Group General Manager
(Legal) & Company Secretary

D.KHANNA
Vice President
(Corporate Finance & Planning)

S.K. SETH
Director & Chairman
Audit Committee

Schedules to Accounts

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|---------------------|---------------------|
| 1. SHARE CAPITAL | | |
| AUTHORISED | | |
| 2,00,00,000 Equity Shares of Rs.10/- each | 20,00,00,000 | 20,00,00,000 |
| 2,00,00,000 Preference Shares of Rs.10/- each | 20,00,00,000 | 20,00,00,000 |
| | <u>40,00,00,000</u> | <u>40,00,00,000</u> |
| ISSUED | | |
| 1,22,90,001 Equity Shares of Rs.10/- each *1 | 12,29,00,010 | 12,29,00,010 |
| | <u>12,29,00,010</u> | <u>12,29,00,010</u> |
| SUBSCRIBED & PAID UP | | |
| 1,22,89,201 Equity Shares of Rs.10/- each *1 | 12,28,92,010 | 12,28,92,010 |
| Add : Paid up value of 800 Equity Shares forfeited | 1,600 | 1,600 |
| | <u>12,28,93,610</u> | <u>12,28,93,610</u> |

*1 Of the above Equity Shares

— 5,62,315 shares were allotted as fully paid up Bonus Shares by capitalisation of General Reserve and Preference Capital Redemption Reserve.

— 93,90,001 Equity shares of Rs.10/- each fully paid were issued, pursuant to amalgamation, to the shareholders of erstwhile Triveni Engineering & Industries Ltd.

| | 1.4.2002 Rs. | ADDITIONS Rs. | DEDUCTIONS Rs. | 31.3.2003 Rs. |
|------------------------------------|-----------------------|---------------------|--------------------|-----------------------|
| 2. RESERVES & SURPLUS | | | | |
| Capital Reserve | 12,89,105 | — | — | 12,89,105 |
| Revaluation Reserve - Fixed Assets | 19,41,22,515 | 8,47,909 *2 | 36,94,220 *1 | 19,12,76,204 |
| Molasses Storage Fund Reserve | 27,82,782 | 9,33,199 *1 | — | 37,15,981 |
| Share Premium | 67,52,67,215 | — | — | 67,52,67,215 |
| General Reserve | 12,94,28,686 | 1,00,00,000 *1 | — | 13,94,28,686 |
| Surplus | 8,84,97,416 | 10,48,68,594 *1 | 8,84,97,416 *1 | 10,48,68,594 |
| Amalgamation Reserve | 11,90,98,981 | — | — | 11,90,98,981 |
| | <u>1,21,04,86,700</u> | <u>11,66,49,702</u> | <u>9,21,91,636</u> | <u>1,23,49,44,766</u> |

*1 Transfer from/to Profit & Loss Account.

*2 Due to change in method of depreciation (Note 9 of Schedule 26).



Schedules to Accounts (Contd.)

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|-------------------------------|-----------------------|-----------------------|
| 3. SECURED LOANS | | |
| From Banks - | | |
| Cash Credit/WCDL/Overdraft *1 | 2,15,34,53,122 | 2,51,40,69,871 |
| Term Loan *2 | 77,04,375 | 1,16,21,096 |
| From Others *3 | 64,14,44,184 | 89,03,37,703 |
| | <u>2,80,26,01,681</u> | <u>3,41,60,28,670</u> |

* 1 Secured by pledge/hypothecation of the stock-in-trade, raw material, stores & spare parts, work-in-progress and receivable and a third charge created on fixed assets. Additionally these are guaranteed by the Managing Director in his personal capacity.

* 2 Secured by first pari-passu charge on block of assets of Sugar Unit Ramkola. Due within one year Rs.28,12,500/- (Rs.16,87,500/-).

* 3 Includes

a) Rs.50,00,00,000/- (Rs.79,10,72,366/-) due to financial institutions and secured by charges created/to be created by equitable mortgage and hypothecation of all moveable (except book debts) and immoveable assets of the company subject to bankers prior charges created/to be created on current assets for providing Working Capital facilities, on machinery purchased under IDBI/Hire Purchase Scheme. Due within one year Rs.11,25,00,000/- (Rs. 27,23,50,000/-).

b) Rs.7,75,00,000/- (Rs.7,75,00,000/-) due to Sugar Development Fund Government of India secured by second charge created over moveable/immoveable assets of Deoband Sugar Unit. Due within one year Rs.1,55,00,000/- (Rs.Nil).

c) Loan of Rs.6,14,48,326/- (Rs.1,56,87,346/-) due to HDFC Ltd and secured by charges created/to be created by equitable mortgage of land measuring 5760 Sq. Mts. and 4990 Sq. Mts. located at Deoband and land measuring 13 bighas, 11 biswa located at Khatauli and construction thereon present and future. Due within one year Rs.1,14,14,025/- (Rs. 31,99,394/-).

d) Rs. 24,95,858/- (Rs. 60,77,991/-) secured by hypothecation of certain fixed assets acquired under Loan/Hire Purchase Scheme. Due within one year Rs.16,11,489/- (Rs. 47,52,879/-).

4. UNSECURED LOANS

| | | |
|---------------------------|---------------------|---------------------|
| Fixed Deposits | 14,38,43,000 | 11,74,12,000 |
| Security Deposits | 8,05,559 | 8,10,559 |
| From U.P. Government | 67,67,236 | 67,67,236 |
| Interest Accrued and Due | 1,38,74,491 | 93,94,641 |
| Other Loans & Advances *1 | 1,85,55,888 | 6,54,11,313 |
| | <u>18,38,46,174</u> | <u>19,97,95,749</u> |

*1 Due within one year Rs. 83,48,104/- (Rs.5,47,16,028/-).

Schedules to Accounts (Contd.)

5. FIXED ASSETS

| | GROSS BLOCK | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------------|---------------------|--------------------------------------|----------------|--------------------|----------------------|------------------------|-----------------|-----------------|
| | COST AS AT 1.4.2002 | ADDITIONS DEDUCTIONS AS AT 31.3.2003 | UPTO 31.3.2002 | DURING THE YEAR *1 | ADJUSTMENT / SALE *2 | TODATE AS AT 31.3.2003 | AS AT 31.3.2003 | AS AT 31.3.2002 |
| LAND - (Freehold & Lease Hold) | 4,29,53,207 | — | — | — | — | — | 4,75,91,007 | 4,29,53,207 |
| BUILDINGS&ROADS | 55,08,64,458 | 6,64,793 | 7,87,06,642 | 1,10,60,364 | 25,15,637 | 8,72,51,369 | 46,66,76,325 | 47,21,57,816 |
| RAILWAYSIDING | 35,837 | — | 35,575 | 22 | 18,953 | 16,644 | 876 | 262 |
| PLANT&MACHINERY | 1,58,34,52,566 | 7,50,44,640 | 74,42,29,755 | 8,05,56,185 | 64,47,780 | 81,83,38,160 | 83,68,05,434 | 83,92,22,811 |
| FURNITURE&FIXTURE | 5,87,34,524 | 30,27,739 | 3,17,31,830 | 26,48,642 | 62,20,703 | 2,81,59,769 | 2,41,11,929 | 2,70,02,694 |
| COMPUTERS | 5,49,95,886 | 44,67,558 | 3,06,26,830 | 68,25,484 | 77,39,649 | 2,97,12,665 | 2,42,75,324 | 2,43,69,066 |
| VEHICLES | 2,22,88,257 | 31,13,666 | 82,24,138 | 19,23,606 | 12,31,413 | 89,16,331 | 1,54,66,762 | 1,40,64,119 |
| THIS YEAR | 2,31,33,24,735 | 9,40,19,432 | 89,35,54,770 | 10,30,14,303 | 2,41,74,135 | 97,23,94,938 | 1,41,49,27,657 | 1,41,97,69,965 |
| PREVIOUS YEAR | 2,26,70,85,863 | 11,05,52,168 | 83,09,34,835 | 10,63,30,706 | 4,37,10,771 | 89,35,54,770 | 1,41,97,69,965 | — |

*1 Includes Rs.36,94,220/- (Rs.33,00,960/-) transferred to Revaluation Reserve.

*2 Includes Rs. 8,47,909/- (Rs. Nil) addition to Revaluation Reserve due to change in method of depreciation (Refer Note 9 of Schedule 26).



Schedules to Accounts (Contd.)

| | | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|--|---------------------|---------------------|
| 6. INVESTMENTS - (Long Term) | | | |
| OTHER THAN TRADE | | | |
| GOVERNMENT SECURITIES | | | |
| UNQUOTED | | | |
| National Saving Certificates *1 | | 47,560 | 48,660 |
| OTHER SECURITIES | | | |
| QUOTED | | | |
| SHARES - Fully paid-up unless otherwise stated | | | |
| 2,700 (1,350) | Equity shares of Rs.10/- each of Housing Development Finance Corporation Ltd *2 | 16,875 | 16,875 |
| 500 | Equity shares of Rs.10/- each of HDFC Bank Ltd. | 5,000 | 5,000 |
| 1,821 | Ordinary shares in NBI Industrial Finance Co. Ltd. of Rs.10/- each [Market value not available] | 13,000 | 13,000 |
| 4,600 (Nil) | Equity shares of Rs.10/- each of Punjab National Bank | 1,42,600 | — |
| TRADE | | | |
| OTHER SECURITIES | | | |
| UNQUOTED | | | |
| EQUITY SHARES - Fully paid-up unless otherwise stated | | | |
| 4,34,730 | Equity shares of Rs.10/- each of Triveni Sperrysun Ltd | 43,47,300 | 43,47,300 |
| 99,993 | Equity shares of Rs.10/- each of The Engineering & Technical Services Ltd | 9,99,930 | 9,99,930 |
| 4,00,060 | Equity shares of Rs.10/- each of TOFSL Trading & Investment Ltd | 40,00,600 | 40,00,600 |
| 5,00,000 | Equity shares in Carvansarai Ltd. of Rs.10/- each | 50,00,000 | 50,00,000 |
| PREFERENCE SHARES - Fully paid-up unless otherwise stated | | | |
| 8,65,828 | 6% Non Cumulative Redeemable Preference Shares of Rs.100/- each of TOFSL Trading & Investment Ltd. | 8,65,82,800 | 8,65,82,800 |
| 12,49,129 | 6% Non Cumulative Redeemable Preference Shares of Rs.100/- each of The Engineering & Technical Services Ltd. | 12,49,12,900 | 12,49,12,900 |
| SUBSIDIARY COMPANIES (Wholly owned) - UNQUOTED - Fully paid-up | | | |
| 2,99,840 | Equity shares of Rs.10/- each of Triveni SRI Ltd. | 30,05,896 | 30,05,896 |
| 50,000 (Nil) | Equity shares of Rs.10/- each of Triveni Power Generation Ltd. | 5,00,000 | — |
| | | <u>22,95,74,461</u> | <u>22,89,32,961</u> |
| Book Value | | | |
| Aggregate amount of quoted investments | | 1,77,475 | 34,875 |
| Aggregate amount of unquoted investments | | 22,93,96,986 | 22,88,98,086 |
| | | <u>22,95,74,461</u> | <u>22,89,32,961</u> |
| Market value of quoted investments | | 14,79,970 | 10,42,307 |

*1 Includes Rs.38,560/- (Rs.36,060/-) kept as security.

*2 1,350 Equity Shares allotted as Bonus during the year.

Schedules to Accounts (Contd.)

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|-----------------------|-----------------------|
| 7. INVENTORIES | | |
| Patterns *1 | 27,13,806 | 20,48,283 |
| Loose Tools, Jigs & Fixtures *1 | 1,08,62,413 | 1,08,88,198 |
| Stocks *2 | | |
| - Stores & Spares | 9,19,08,993 | 7,85,59,981 |
| Less : Provision for obsolescence/slow moving stock | (30,50,000) | (30,50,000) |
| - Finished Goods | 2,71,33,45,504 | 3,64,83,82,799 |
| - Raw Materials & Components *3 | 9,18,59,105 | 10,73,30,421 |
| Less : Provision for obsolescence/slow moving stock | (10,00,000) | (10,00,000) |
| - Work-in-Progress *4 | 17,90,32,169 | 15,19,03,483 |
| - Scrap *1 | 17,84,459 | 16,39,953 |
| | <u>3,08,74,56,449</u> | <u>3,99,67,03,118</u> |
| *1 At estimated realisable value. | | |
| *2 As per inventory taken (including material at site) and certified by the officials of the company and valued at lower of cost and net realisable value. | | |
| *3 Includes Stock in Transit Rs.10,60,000/- (Rs.39,66,811/-) and lying at port Rs.30,79,203/- (Rs.44,11,288/-). | | |
| *4 Net of cost of completion of Rs.1,11,42,553/- (Rs.1,00,94,000/-). | | |
| 8. SUNDRY DEBTORS - (Unsecured) | | |
| Over Six Months | | |
| Considered Good | 15,77,11,188 | 16,04,75,582 |
| Considered Doubtful | 12,45,804 | 11,26,582 |
| | <u>15,89,56,992</u> | <u>16,16,02,164</u> |
| Less : Provision for doubtful debts | 12,45,804 | 11,26,582 |
| | <u>15,77,11,188</u> | <u>16,04,75,582</u> |
| Other Debts - Considered Good *1 | 21,41,66,608 | 31,01,65,188 |
| | <u>37,18,77,796</u> | <u>47,06,40,770</u> |
| *1 Net of post shipment finance of Rs.3,91,98,900/- availed against the security of confirmed standby letter of credit. | | |
| 9. CASH & BANK BALANCES | | |
| Cash, Stamps & Cheques in hand *1 | 3,06,75,259 | 8,95,16,560 |
| Balance with Post Office in | | |
| — Saving Account *2 | 6,95,637 | 3,53,628 |
| Balance with Scheduled Banks in | | |
| — Current Accounts | 6,41,25,999 | 2,11,10,050 |
| — Savings Accounts | 2,50,000 | 3,10,000 |
| — Fixed and Margin Deposits *3 | 3,47,57,228 | 4,48,84,662 |
| | <u>13,05,04,123</u> | <u>15,61,74,900</u> |
| *1 Includes Cheques in hand of Rs.2,46,32,979/- (Rs.8,25,30,258/-). | | |
| *2 Includes Rs.6,92,782/- (Rs.3,50,773/-) lying with Government Department as security. | | |
| *3 Includes deposits of Rs.1,75,35,290/- (Rs. 2,28,70,639/-) kept as security with banks/Government Departments against advances and guarantees. | | |
| 10. OTHER CURRENT ASSETS | | |
| Interest accrued on deposits and investments | <u>1,08,99,732</u> | <u>1,36,21,948</u> |



Schedules to Accounts (Contd.)

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|-----------------------|-----------------------|
| 11. LOANS & ADVANCES | | |
| (Unsecured, Considered Good unless otherwise stated) | | |
| Due from Subsidiary Companies (Wholly Owned) | 30,50,107 | 13,72,244 |
| Advances, pre-payments and other recoverable in cash or in kind or for value to be received | | |
| — Considered Good | 52,99,80,782 | 49,37,31,065 |
| — Considered Doubtful | 68,87,092 | 1,76,90,834 |
| | <u>53,68,67,874</u> | <u>51,14,21,899</u> |
| Less : Provision for doubtful advances | 68,87,092 | 1,76,90,834 |
| | <u>52,99,80,782</u> | <u>49,37,31,065</u> |
| Deposit - Excise Duty | 1,13,87,103 | 1,83,16,054 |
| Advance payment of Tax *1 | 4,38,71,516 | 7,47,39,375 |
| | <u>58,82,89,508</u> | <u>58,81,58,738</u> |
| *1 Net after adjustment of provision for taxation of Rs.3,59,27,063/- (Rs.2,96,27,063/-). | | |
| 12. CURRENT LIABILITIES | | |
| Trade & Other Creditors *1&2 | 88,63,83,190 | 1,23,85,60,795 |
| Advance from customers | 22,11,54,316 | 23,45,90,829 |
| Investors Education & Protection Fund *3 | | |
| - Unclaimed Dividend | 63,96,862 | 42,42,757 |
| - Unclaimed Matured Deposits | 26,18,000 | 31,30,500 |
| - Unclaimed Debenture Redemption | 11,22,207 | 12,89,063 |
| - Interest Accrued on above | 18,34,511 | 20,23,065 |
| Purchase Tax Payable | 21,07,050 | 13,50,943 |
| Interest Accrued But Not Due | 6,58,44,028 | 7,90,39,219 |
| | <u>1,18,74,60,164</u> | <u>1,56,42,27,171</u> |
| *1 Includes due to Directors Rs.29,718/- (Rs.7,141/-). | | |
| *2 Includes due to Small Scale Industrial Undertakings Rs. 2,05,84,987/- (Rs.2,65,98,251/-) | | |
| *3 Outstanding less than seven years. | | |
| 13. PROVISIONS | | |
| Proposed Dividend | 1,84,33,802 | 2,70,36,242 |
| Income Tax on Distributed Profits | 23,61,831 | — |
| Gratuity | 11,20,42,877 | 10,04,57,281 |
| Leave Encashment | 1,43,74,654 | 1,10,12,509 |
| Excise Duty on Closing Stock | 19,19,84,825 | 25,62,53,521 |
| Others | 33,97,892 | 33,97,892 |
| | <u>34,25,95,881</u> | <u>39,81,57,445</u> |
| 14. MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Technical Know-how Fee | 61,35,591 | 60,48,215 |
| Expenses in respect of rented premises | — | 4,08,238 |
| Cost of feasibility studies for new projects | 46,25,826 | — |
| Voluntary Retirement Scheme & Closure Compensation | 1,59,85,493 | 1,78,24,222 |
| Restructuring towards cost and operational efficiency & Software expenses | 3,68,09,367 | 2,82,25,955 |
| Others | 10,13,211 | 13,92,797 |
| | <u>6,45,69,488</u> | <u>5,38,99,427</u> |

Schedules to Accounts (Contd.)

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|-----------------------|-----------------------|
| 15. INCOME FROM OPERATIONS (GROSS) | | |
| Gross Sales *1 | | |
| — Domestic | 6,94,95,13,453 | 6,02,33,60,184 |
| — Exports *2 | 8,56,74,811 | 95,55,908 |
| | <u>7,03,51,88,264</u> | <u>6,03,29,16,092</u> |
| *1 Inclusive of service charges and contract receipts. | | |
| *2 Inclusive of export incentives. | | |
| 16. OTHER INCOME | | |
| Dividend (Gross) | | |
| — Trade Investments | — | 7,35,000 |
| — Other Investments | 35,000 | 17,875 |
| Rent | 1,53,541 | 1,54,804 |
| Profit on Sale of Assets*1 | — | 11,21,89,164 |
| Excess Provisions of expenses/Credit Balances & Amount written back *2 | — | 5,29,627 |
| Depreciation Written Back*3 | 1,02,68,257 | — |
| Profit on sale of long term Investment | — | 6,96,29,015 |
| Provision for Bad & Doubtful Debts & Advances written back (Net) | — | 61,15,742 |
| Provision for Diminution in value of investment written back | — | 253 |
| Exchange Rate Fluctuation | 8,71,470 | — |
| Buffer Stock Subsidy | 8,99,785 | — |
| Miscellaneous *4 | 3,50,13,028 | 2,49,78,439 |
| | <u>4,72,41,081</u> | <u>21,43,49,919</u> |
| *1 Net of Loss on sale of Assets/written off of Rs.Nil (Rs. 1,03,93,634/-) | | |
| *2 Net of Bad Debts & Amounts written off of Rs. Nil (Rs.1,82,28,603/-). | | |
| *3 Includes Rs. 91,83,801/- due to change in method of depreciation (Note 9 of Schedule 26). | | |
| *4 Income tax deducted at source Rs.50,400/- (Rs.90,777/-). | | |
| 17. DECREASE / INCREASE IN WIP & FINISHED GOODS | | |
| Stock At Commencement | | |
| — Work-In-Progress | 16,19,97,483 | 13,46,94,308 |
| — Finished Goods | 3,64,83,82,799 | 3,31,05,20,081 |
| | <u>3,81,03,80,282</u> | <u>3,44,52,14,389</u> |
| Less : Stock of Bagasse Consumed | 34,67,075 | 58,63,313 |
| | <u>3,80,69,13,207</u> | <u>3,43,93,51,076</u> |
| Stock At Close | | |
| — Work-In-Progress | 19,01,74,722 | 16,19,97,483 |
| — Finished Goods | 2,71,33,45,504 | 3,64,83,82,799 |
| | <u>2,90,35,20,226</u> | <u>3,81,03,80,282</u> |
| Add : Amount withdrawn from General Reserve | — | 23,21,53,886 |
| | <u>2,90,35,20,226</u> | <u>4,04,25,34,168</u> |
| Add/Less : Impact of Excise Duty on Finished Goods | 6,35,38,128 | (2,62,30,653) |
| Net Decrease / Increase | <u>(83,98,54,853)</u> | <u>57,69,52,439</u> |



Schedules to Accounts (Contd.)

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|-----------------------|-----------------------|
| 18. MATERIAL CONSUMED | | |
| Raw Material & Components | | |
| — Stock at Commencement | 10,63,30,421 | 9,11,26,775 |
| Purchases | 3,96,15,22,586 | 4,23,17,03,599 |
| | <u>4,06,78,53,007</u> | <u>4,32,28,30,374</u> |
| Less : Amount Capitalised | 14,08,630 | — |
| : Cost of Raw Material & Components sold | — | 88,02,059 |
| : Stock at Close | 9,08,59,105 | 10,63,30,421 |
| | <u>3,97,55,85,272</u> | <u>4,20,76,97,894</u> |
| 19. MANUFACTURING / OPERATING | | |
| Stores, Spares & Tools | 8,48,72,190 | 8,25,28,657 |
| Power & Fuel | 3,54,16,743 | 3,57,30,882 |
| Machining/Erection Charges | 3,68,09,142 | 5,68,74,618 |
| Designing & Consultancy | 11,93,897 | 14,57,982 |
| Machinery Lease Rent | 98,20,119 | 1,17,53,613 |
| Cane Development Charges | 1,46,03,184 | 2,05,37,405 |
| Provision for Cost of Completion of Jobs | 1,01,75,000 | 89,33,000 |
| Repairs & Maintenance: | | |
| — Plant & Machinery | 13,29,23,147 | 12,11,06,897 |
| — Building *1 | 1,28,56,748 | 1,49,98,239 |
| — General | 93,65,801 | 84,72,623 |
| Factory/Operational Expenses | 69,99,214 | 78,02,104 |
| Packing & Forwarding | 12,34,99,987 | 13,32,13,755 |
| | <u>47,85,35,172</u> | <u>50,34,09,775</u> |
| Less : Amount Capitalised | 1,84,046 | — |
| Less : Cost of Completion for earlier years adjusted | 91,26,447 | 32,89,000 |
| | <u>46,92,24,679</u> | <u>50,01,20,775</u> |
| *1 Includes repairs to rented premises. | | |
| 20. PERSONNEL | | |
| Salaries, Wages & Bonus | 39,51,56,653 | 36,33,86,781 |
| Gratuity | 2,34,00,783 | 1,90,92,058 |
| Contribution to Provident & Other Funds | 4,22,24,454 | 3,91,21,654 |
| Welfare | 3,60,13,047 | 4,14,35,186 |
| | <u>49,67,94,937</u> | <u>46,30,35,679</u> |
| Less : Amount Capitalised | 8,55,285 | 6,44,746 |
| | <u>49,59,39,652</u> | <u>46,23,90,933</u> |

Schedules to Accounts (Contd.)

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|---|---------------------|---------------------|
| 21. ADMINISTRATION | | |
| Travelling & Conveyance *1 | 6,77,75,755 | 7,02,15,382 |
| Rent | 1,91,41,166 | 2,26,26,808 |
| Insurance | 1,61,04,901 | 1,47,62,920 |
| Rates & Taxes | 1,14,06,907 | 77,90,275 |
| Directors' Fee | 5,57,500 | 6,42,500 |
| Bad Debts & Amount Written Off *2 | 1,17,24,994 | — |
| Loss on Sale/written off Fixed Assets *3 | 35,29,827 | — |
| Loss on Sale/written off Store & Spares *4 | 5,86,235 | 2,00,43,532 |
| Provision for Bad Doubtful Debts & Advances (Net) | 10,93,315 | — |
| Provision for obsolescence/slow moving stock | — | 10,50,000 |
| Provision for Doubtful Insurance Claim | — | 75,00,000 |
| Prior Period Adjustments (Net) | 2,47,970 | 27,30,073 |
| Office & Other Administration Expenses | 12,94,80,732 | 12,57,67,843 |
| | <u>26,16,49,302</u> | <u>27,31,29,333</u> |
| Less : Amount Capitalised | 42,13,306 | 19,55,842 |
| | <u>25,74,35,996</u> | <u>27,11,73,491</u> |
| | | |
| *1 Includes Directors' Travelling Rs.57,54,906/- (Rs.57,88,402/-). | | |
| *2 Net of Excess provision of expenses/Bad Debts recovered of Rs.42,94,664/- (Rs.Nil), Credit Balances written back of Rs.1,30,11,986/- (Rs.Nil) and Provision for Doubtful Debts & Advances written back of Rs.1,17,77,835/- (Rs.Nil). | | |
| *3 Net of Profit on sale of Assets of Rs.8,05,569/- (Rs.Nil). | | |
| *4 Net of Profit on sale of Stores & Spares of Rs.50,696/- (Rs.289/-). | | |
| 22. FINANCING | | |
| Interest on | | |
| — Debentures & Fixed Loans | 12,90,26,166 | 20,63,91,027 |
| — Others | 18,90,78,757 | 29,32,33,372 |
| Other Finance charges | 1,55,28,360 | 53,60,999 |
| | <u>33,36,33,283</u> | <u>50,49,85,398</u> |
| Less : Interest received on deposits and other accounts [Tax deducted at source Rs.8,12,047/- (Rs.10,65,664/-)] | 1,28,90,795 | 55,08,114 |
| Less : Interest Subsidy on Buffer Stock | 72,30,194 | — |
| | <u>31,35,12,294</u> | <u>49,94,77,284</u> |
| Less : Amount Capitalised | 19,50,000 | 3,42,369 |
| | <u>31,15,62,294</u> | <u>49,91,34,915</u> |
| | | |
| 23. SELLING | | |
| Commission | 4,10,28,061 | 3,81,42,526 |
| Royalty | 21,68,189 | 12,74,502 |
| Packing & Forwarding | 1,34,81,051 | 1,42,41,105 |
| After Sales Expenses & Others | 57,73,138 | 76,07,084 |
| | <u>6,24,50,439</u> | <u>6,12,65,217</u> |



Schedules to Accounts (Contd.)

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|----------------------|----------------------|
| 24. AMORTISATION | | |
| Research & Development | 23,06,843 | 26,87,554 |
| Voluntary Retirement Scheme & Closure Compensation | 1,02,05,782 | 82,50,808 |
| Machinery Lease Rental | 1,38,18,199 | 1,48,15,078 |
| Others | 2,28,98,925 | 1,69,96,085 |
| | <u>4,92,29,749</u> | <u>4,27,49,525</u> |
| 25. OFF SEASON EXPENSES CHARGED (NET) | | |
| Opening off - season deferred expenses | 6,12,08,213 | 4,05,43,263 |
| Closing off - season deferred expenses | 12,01,60,124 | 6,12,08,213 |
| | <u>(5,89,51,911)</u> | <u>(2,06,64,950)</u> |
| Add : Amount withdrawn from General Reserve | — | 1,16,47,222 |
| | <u>(5,89,51,911)</u> | <u>(3,23,12,172)</u> |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2003

| | 31.3.2003 | 31.3.2002 |
|--|------------------|-------------------|
| (Rs. in Lacs.) | | |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before Tax | 787.07 | 2,902.06 |
| Add : Depreciation | 890.52 | 1,030.30 |
| Miscellaneous Expenditure Written Off | 492.30 | 427.50 |
| Less : Incomes/Expenses treated separately | | |
| Dividend Income | 0.35 | 7.53 |
| Profit/(Loss) on sale of assets | (35.30) | 1,121.89 |
| Profit on sale/realised of investments | — | 696.29 |
| Interest Expenses | (3,316.83) | (5,046.43) |
| Interest Income | 201.21 | 55.08 |
| Miscellaneous Expenditure Incurred | 461.36 | 220.04 |
| Operating Profit before Working Capital changes | 4,859.10 | 7,305.46 |
| Changes in Working Capital | | |
| Changes in Inventories | 9,092.47 | (5,691.92) |
| Changes in Receivables | 987.63 | (967.55) |
| Changes in Other Trade Receivables | (257.68) | (62.39) |
| Changes in Current Liabilities | (4,146.20) | 4,328.00 |
| Direct Taxes Paid (Net) including wealth tax | 245.68 | 2.73 |
| Net Changes in Working Capital | 5,921.90 | (2,391.13) |
| Cash Flow from operating activities | 10,781.00 | 4,914.33 |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| Purchase of Fixed Assets | (1,039.26) | (1,105.52) |
| Sale of Fixed Assets | 57.24 | 3,104.60 |
| Purchase of Investments — Subsidiary company | (5.00) | — |
| — Others | (1.42) | — |
| Sale of Investments — Others | 0.01 | 745.29 |
| Changes in Loans & Advances | 68.03 | 156.69 |
| Interest Income | 156.13 | 59.93 |
| Dividend Income | 0.35 | 7.53 |
| Net Cash Flow in Investment Activities | (763.92) | 2,968.52 |



CASH FLOW STATEMENT (Contd.)

| | (Rs. in Lacs.) | |
|---|--------------------|-------------------|
| | 31.3.2003 | 31.3.2002 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Decrease in Short Term Borrowings (Net) | (204.29) | (630.86) |
| Decrease in Long Term Borrowings (Net) | (2,528.10) | (1,245.86) |
| Decrease/Increase in Cash Credit | (3,606.17) | 444.49 |
| Interest Paid | (3,405.87) | (5,014.10) |
| Machinery Lease Rentals | (230.77) | (290.91) |
| Redemption of Debentures | — | (499.99) |
| Dividend Paid (Including Tax on Distributed Profit) | (248.65) | (196.27) |
| Net Cash Flow used in Financing Activities | (10,223.85) | (7,433.50) |
| Net Decrease / Increase in Cash & Cash Equivalents | (206.77) | 449.35 |
| Opening Cash & Cash Equivalents | 1,329.53 | 880.18 |
| Closing Cash & Cash Equivalents | 1,122.76 | 1,329.53 |

Notes to Accounts Schedule 26.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of
J.C.BHALLA & COMPANY
Chartered Accountants

SUDHIR MALLICK
Partner

Place : New Delhi
Date : June 7, 2003

V.P.GHULIANI
Group General Manager
(Legal) & Company Secretary

D.KHANNA
Vice President
(Corporate Finance & Planning)

DHRUV M. SAWHNEY
Chairman & Managing Director

S.K. SETH
Director & Chairman
Audit Committee

26. NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Basis of preparation of Financial statements

These financial statements have been prepared on the accrual basis of accounting, under the historical cost convention, except for revaluation of certain fixed assets, and in accordance with the Companies Act, 1956 and the applicable accounting standards issued by the Institute of Chartered Accountants of India.

b) Fixed Assets

- i) Fixed assets are stated at cost of acquisition and subsequent improvements thereto including taxes, duties (excluding excise duty for which modvat claim is available), freight and other incidental expenses relating to acquisition and installation. In the case of sugar units, administrative and personnel expenses, estimated at 3% of the cost of machinery / building, are also capitalised alongwith the cost of equipments and building under installation / construction and/or put to use during the year. Plant & machinery at Deoband unit purchased prior to 1st November 1986 and a property at Head Office Delhi, are stated at revalued cost.
- ii) Interest on borrowings relating to acquisition of fixed assets is capitalized upto the period such assets are put to use for commercial production.
- iii) Pre-operative expenses for major projects are capitalized.
- iv) Discarded fixed assets are stated at lower of net book value (at the time of discarding of assets) or net realisable value. Wherever, the net book value of the assets cannot be reasonably determined, it is stated at net realisable value.

c) Recognition of Income / Expenditure

- i) Sales of product and services are recognised on despatch of goods or when the services are rendered. Gross sales are stated at contractual realisable values inclusive of excise duty and net of sales tax and trade discounts.
- ii) Profit on project related activities are recognized on completion or on substantial completion of the project. Provision is, however, made for foreseeable losses, if any, in respect of projects which have been substantially completed.
- iii) Escalation income at Project divisions is accounted for as per the terms of contract or when the same is accepted by the customer.
- iv) Export incentives are accounted for on accrual basis.
- v) Off-season expenses, other than interest expenses, selling expenses and non-operating expense / income earned during off-season, are deferred and are absorbed over the ensuing crushing season as estimated by the management.
- vi) Deferred Revenue expenditure incurred on rented premises is written off over a period of seven years.
- vii) Share issue expenses and preliminary expenses are written off over a period of ten years.
- viii) Certain revenue expenditure, if material, where its benefits is receivable in the subsequent period is treated as deferred revenue expenditure and is amortised as per following norms:

| | Months over which amortised |
|--|--------------------------------|
| 1. Front end fee on loans | Period of loan |
| 2. Restructuring fee towards cost and operational efficiency, Compensation to the employees under Voluntary Retirement Scheme, Software and Implementation support cost and Consultancy, Software and designs for R & D | 36 Months |
| 3. Compensation to employees on closure | 60 Months |
| 4. Technical know-how fee and training expenses of personnel with Foreign Collaborators | 72 Months |
| 5. Cost of feasibility studies for new projects | 36 Months |



NOTES TO ACCOUNTS (Contd.)

d) Foreign Currency Transactions

- i) Transactions denominated in foreign currencies are normally recorded at exchange rate prevailing at the date of transaction.
- ii) Monetary items denominated in foreign currencies at the year-end and not covered by forward exchange contracts are translated at year end rates and those covered by foreign contracts are translated at rate at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of the contract.
- iii) Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit & Loss Account except in cases where they relate to the loans and liabilities incurred for acquisition of Fixed Assets in which case they are adjusted to the carrying cost of such assets.

e) Inventories

- i) Inventories of raw materials & components, stores and spares are valued at lower of cost and net realisable value. Cost of raw materials, stores and spares is ascertained on weighted average basis and in the case of Projects Division, it is ascertained on specific cost basis.
- ii) Finished goods and Work-in-progress (other than of Projects Division) are valued at lower of cost and net realisable value. Excise duty is included in the value of finished goods.
- iii) Work-in-progress relating to project is valued at cost and cost for this purpose includes all direct allocable expenses (including specific selling expenses) and apportioning of all indirect expenses.
- iv) By products, Patterns, Loose tools, jigs and fixture and scrap are valued at estimated net realisable value.

f) Depreciation

- i) Depreciation on fixed assets is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 as amended by notification No.GSR 756E dated 16th December 1993.
- ii) The additional depreciation, as considered appropriate by the company, on increase in cost on account of revaluation is transferred to the Profit & Loss Account from the Revaluation Reserves and is thus not charged to Profit & Loss Account for the year.

g) Investments

Investments are valued at cost inclusive of expenses incidental to their acquisition. Investments meant for long term is carried at cost and any diminution in value, though material, is not recognized if such diminution in value, in the opinion of the management, is temporary in nature.

h) Retirement Benefits

Provision is made in the accounts on account of company's liability in respect of Gratuity and Leave Encashment benefits on the basis of actuarial valuation. Company's contribution to Superannuation scheme, recognized by the Income Tax authorities, is accounted on accrual basis.

i) Research & Development

All revenue expenses pertaining to research and development are charged to the Profit & Loss Account in the year in which they are incurred and expenditure of capital nature is capitalised as fixed assets. Expenditure incurred on software and design for research and development if material, where its benefit is receivable in the subsequent period is treated as deferred revenue expenditure for amortisation over a period of 36 months.

26. NOTES TO ACCOUNTS (Contd.)

j) Accounting of assets acquired under lease

In respect of plant & machinery acquired on lease before 1st April 2001, the principal value of the lease (including sale value on the expiry of lease), representing fair value of the assets, is amortized over technically estimated lives of such assets and unamortized value of such lease rentals are stated separately under the "Fixed Assets". Portion of the lease rentals representing finance cost are charged off in the period in which these accrue. Lease rentals of other assets, acquired before 1st April 2001 are charged off in the period in which these accrue.

k) Taxes on Income

Tax liability of the company is estimated considering the provisions of the Income Tax Act, 1961. Deferred Tax is recognised subject to the consideration of prudence, on timing differences, in respect of difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2. Contingent liabilities (to the extent not provided for)

- Outstanding Bills/Cheques discounted with banks and guarantees given to Banks against bank guarantees / letter of credit issued Rs.1,724.81 lacs (Rs.1,741.42 lacs).
- Guarantees given on behalf of United Shippers & Dredgers Ltd. Rs.47.70 Lacs (Rs.47.70 lacs) and on behalf of subsidiary company Triveni SRI Ltd Rs.1.00 lac (Rs.1.00 lac).
- Claims against the Company not acknowledged as debts :

| | | Rs. in Lacs | |
|------|--|-------------|--------|
| | | 2003 | 2002 |
| i) | Claims which are being contested by the company and in respect of which the company has paid amounts aggregating to Rs.417.34 lacs (Rs.330.36 lacs) under protest pending final adjudication of the cases. | 1032.22 | 987.74 |
| ii) | Income tax demands of Rs.530.87 lacs (Rs.518.80 lacs) which have been fully paid by the Company and are under appeal. The Company is contingently liable in respect of such demand (net of provisions held) aggregating to Rs.381.92 lacs (Previous year Rs.392.60 lacs) against such disputed liabilities. The amounts have not been provided in the accounts in view of reliefs expected in appeals. | 381.92 | 392.60 |
| iii) | Indeterminate liability arising from the claims of some employees and in respect of service tax, if any, on certain activities of the Company which are being contested by the Company. | | |

- Encashment of Bank Guarantees in earlier years, against which the Company has filed recovery suits / appeals in the Courts or made representation to the customer – Rs.1,008.17 lacs (Rs.1,057.07 lacs). Pending final decision, the amount of Rs.1,040.97 lacs (Rs.1069.87 lacs) paid against above (including cheque for Rs.20 lacs yet to be encashed) are included under "Advance Recoverable in Cash or in Kind" and Sundry Debtors and are considered good and no account are taken for claims by or against the Company.
- Rs.256.25 lacs paid to defaulting suppliers and contractors of the molasses base chemical project. The cases are subjudice and pending final outcome, such balances as appearing in Loans & Advances have been considered good and no account has been taken of claims by or against the Company.



NOTES TO ACCOUNTS (Contd.)

- (f) In accordance with the interim order of the Hon'ble Delhi High Court, the Sugar factory at Khatauli was treated as a new unit under the Incentive Scheme dated 15.11.1980 and it availed additional free sale sugar commencing from sugar season 1981-82 to 1986-87. Should the Writ Petition not succeed, the additional free sale sugar allowed on the basis of High Court's order, will be adjusted on quantitative terms over same number of years from the free sale quota of the Company out of the future seasons of production. The total impact including difference in excise duty between levy and free sale sugar is unquantifiable at this stage. However, the Company has given undertakings for Rs.110 Lacs (Rs.110 lacs) on account of differential Excise Duty.
3. Advances recoverable in cash or in kind include
- a) Due from the Company Secretary-Rs.Nil (Rs.0.16 lacs). Maximum amount due at any time during the year Rs.1.47 lacs (Rs.1.79 lacs).
- b) Rs.0.12 lacs(Rs.0.12 lacs) and Rs.1.92 lacs (Rs.1.45 lacs) on account of Security Deposit paid to the Managing Director and Company Secretary respectively against leased property.
4. Outstanding commitments for capital expenditure (net of advances) Rs.42.88 lacs (Rs.12.56 lacs).
5. Name of Small Scale Industrial Undertakings where the amount is outstanding for more than 30 days as at the year end are Gear India, G S Rollers, Maruti Tecno Rubber P Ltd, Kumar Industries, Haryana Engineering Works, Modern Engineering Works, Grindwell Engineers, Gulati Steel & Fab Pvt Ltd, Unison Engineers and Precision Engineers.
6. a) The Company has taken assets under lease of the value of Rs.824.80 lacs (Rs.1,249.43 lacs) before 31.03.2001. The future rental obligation as per the contracts is Rs.89.71 lacs (Rs. 416.69 lacs).
- b) The Company's Engineering Unit at Bangalore has taken assets under operating lease of the value of Rs.3.49 lacs (Rs.3.49 lacs). The total future minimum lease payment, as per contract are as follows :
- Not later than 1 year Rs.1.39 lacs (Rs.1.39 lacs)
 - Later than 1 year and not later than 5 years Rs.0.48 lacs (Rs.3.26 lacs)
 - Later than 5 year Nil (Nil)
7. a) During the year, the Company has changed its policy of providing hard furnishing to its employees and all such assets were sold to the employees. Accordingly, the Company has incurred an extraordinary loss of Rs.35.06 lacs included under the head loss on sale of assets in Schedule No.21.
- b) Based on technical evaluation unusable raw materials and components of the value of Rs.35.91 lacs has been written off in respect of Company's Engineering Unit at Bangalore and is included under the head material consumed.
8. Cane cost has been considered for the sugar units at the Statutory Minimum Price (SMP) announced by the Central Government for the respective sugar mills including the SMP subsequently announced (which is being legally contested) and concessions provided by the State Government for passing to the farmers, a part of which is considered towards liability, if any, under Rule 5A of the Sugar Control Order, 1966, though it is neither envisaged nor determinable presently. The said cane cost further considers higher price for early maturity variety cane and rebate of transport cost for cane collected from the out-centers in accordance with the recent judgement of Hon'ble Allahabad High Court.
9. During the year, the Company has changed method of depreciation from WDV to Straight Line in respect of some fixed assets of the sugar units with a view to evolve common method of depreciation for similar fixed assets. Consequently, excess depreciation of Rs.91.83 lacs charged upto 31.3.2002 has been written back and the depreciation for the year is higher by Rs.3.72 lacs. Thus profit for the year is higher by Rs.88.11 lacs as a result of this change.

26. NOTES TO ACCOUNTS (Contd.)

10. Pursuant to a Scheme of Arrangement duly sanctioned by the Hon'ble High Court of Judicature at Allahabad vide its order dated 27th March 2003, the paid up capital of the Company, though remains the same, has been with effect from the Appointed Date i.e. 1.4.2003, restructured as under :-

| | |
|---|------------------------|
| 83,15,206 Equity Shares of Rs.10/- each | Rs.8,31,52,060 |
| 39,73,995 – 12% Redeemable Cumulative Preference Shares of Rs.10/- each | Rs.3,97,39,950 |
| Total Paid-up Capital | Rs.12,28,92,010 |

The Preference shares are redeemable at a premium of Rs.32/- per share in two equal instalments on 1.4.2004 and 1.4.2005.

11. Pursuant to compliance of clause 32 of the Listing Agreement, on disclosure of Loans/advances in the nature of loans, the relevant information is provided hereunder:

(Rs.in Lacs)

| SL. No. | Particulars | As on 31.3.2003 | | Maximum amount due during the year | |
|---------|---|--------------------|-------------------------|------------------------------------|-------------------------|
| 1. | Loans & advances to Subsidiaries (Note1) | | | | |
| | - Triveni SRI Ltd | 30.07 | | 30.07 | |
| | - Triveni Power Generation Ltd | 0.43 | | 4.53 | |
| 2. | Loans & advances to Associates (Note1) | | | | |
| | - TOFSL Trading & Investments Ltd | 31.54 | | 37.47 | |
| | - The Engineering & Technical Services Ltd | 11.29 | | 68.26 | |
| | - Carvanserai Ltd (Note 2) | 660.27 | | 660.27 | |
| | | Rs. in Lacs | | No. of Shares | |
| 3. | Investments by the loanee in the shares of Triveni Engineering & Industries Ltd | As on 31.3.2003 | Maximum During the Year | As on 31.3.2003 | Maximum During the Year |
| | - TOFSL Trading & Investments Ltd | 947.89 | 947.89 | 16,09,700 | 16,09,700 |
| | - The Engineering & Technical Services Ltd | 1,262.36 | 1,262.36 | 12,19,150 | 12,19,150 |
| | - Carvanserai Ltd | 574.60 | 574.60 | 7,37,910 | 7,37,910 |

- Note : 1. There are no repayment schedule for the above loans and advances as these are in the nature of current account and repayable on demand.
2. No interest has been charged based on commercial consideration.



NOTES TO ACCOUNTS (Contd.)

12. In compliance with the Accounting Standard on "Taxation on Income" (AS-22) issued by Institute of Chartered Accountants of India the breakup of net deferred tax liability is provided below :

| Particulars | Deferred tax liability (deferred tax asset) Rs. In lacs | |
|---|---|-----------------|
| | 2003 | 2002 |
| Difference in Net Book values of Fixed Assets as per accounts & tax | 3,974.01 | 4,307.59 |
| Expenses deferred in books but Claimed in tax | 662.72 | 422.58 |
| Gratuity | (401.95) | (369.18) |
| Provisions disallowable u/s 43-B | (534.34) | (486.14) |
| Unabsorbed losses & depreciation | (862.01) | (1,271.43) |
| Others (net) | 24.79 | 16.55 |
| Net deferred tax liability | 2,863.22 | 2,619.97 |

13. Pursuant to compliance of AS-18 on Related Party disclosures, the relevant information is provided here below :

a) The details of related parties where transactions have taken place during the Year :

i) Subsidiaries (Group A)

Triveni SRI Limited – wholly owned subsidiary

Triveni Power Generation Ltd – wholly owned subsidiary

ii) Associates (Group B)

TOFSL Trading & Investment Limited

The Engineering & Technical Services Limited

Triveni Sperry Sun Limited

Carvanserai Limited

iii) Key Management Person (Group C)

Mr D M Sawhney, Chairman & Managing Director

iv) Key Management person relatives (Group D)

Mr Tarun Sawhney

Mr Nikhil Sawhney

Late Mr P C Sawhney

Late Mr Pawan Sawhney

v) Companies in which key management person or his relatives have substantial interest/significant influence (Group E)

Kameni Upaskar Limited

NOTES TO ACCOUNTS (Contd.)

13. b) Details of transactions with the related parties :

Rs. In lacs

| Nature of Transaction | GROUP | | | | | TOTAL |
|---|------------------|--------------------|------------------|-----------------|----------------|--------------------|
| | A | B | C | D | E | |
| 1. Sales and rendering of Services | 0.66 (2.72) | 9.60 (17.50) | - (-) | - (-) | - (-) | 10.26 (20.22) |
| 2. Purchases and receiving Services | 0.34 (6.80) | - (-) | - (-) | - (-) | - (-) | 0.34 (6.80) |
| 3. Purchase of Fixed Assets | - (-) | - (3.45) | - (-) | - (-) | - (-) | - (3.45) |
| 4. Rent Paid | - (-) | - (-) | 2.03 (0.62) | 1.09 (2.50) | 9.00 (7.20) | 12.12 (10.32) |
| 5. Amount Advanced / Refunded on Expense incurred (Net) | 8.11 (2.14) | -84.80 (-16.29) | - (-) | - (-) | - (-) | -76.69 (-14.15) |
| 6. Interest Received | 1.04 (0.83) | 4.32 (7.38) | - (-) | - (-) | - (-) | 5.36 (8.21) |
| 7. Interest Paid | - (-) | 6.34 (7.70) | - (-) | - (-) | - (-) | 6.34 (7.70) |
| 8. Remuneration | - (-) | - (-) | 73.74 (25.71) | 18.44 (4.66) | - (-) | 92.18 (30.37) |
| 9. Outstanding balances as on 31.3.2003 | | | | | | |
| - Loans & Advances | 30.50 (13.72) | 611.32 (680.64) | -0.18 (0.05) | 0.12 (0.41) | 3.60 (3.60) | 645.36 (698.42) |
| - Other current Assests | - (-) | 91.78 (100.78) | - (-) | - (-) | - (-) | 91.78 (100.78) |
| - Unsecured Loan | - (-) | - (15.00) | - (-) | - (-) | - (-) | - (15.00) |
| - Trade & Other Creditors | - (-) | 48.08 (47.34) | - (-) | - (-) | - (-) | 48.08 (47.34) |
| - Guarantees Outstanding | 1.00 (1.00) | - (-) | - (-) | - (-) | - (-) | 1.00 (1.00) |
| TOTAL | 41.65 | 686.64 | 75.59 | 19.65 | 12.60 | 836.13 |
| TOTAL (PREVIOUS YEAR) | (27.21) | (863.50) | (26.38) | (7.57) | (10.80) | (935.46) |

1. Figures for previous year are regrouped and rearranged wherever necessary to make them comparable.

2. Figures given in brackets relate to previous year.



NOTES TO ACCOUNTS (Contd.)

14. Pursuant to compliance of AS-20 on Earning per Share, the relevant information is provided here below:

| | | 2002-03 | 2001-02 |
|--|--------------|-------------|--------------|
| 1. Net profit after tax as per Profit & Loss Account | (Rs.) | 4,80,82,548 | 26,85,86,796 |
| 2. No. of Equity Shares during the year (weighted average) | | 1,22,89,201 | 1,22,89,201 |
| Earning per share – Basic/Diluted (1)/(2) | (Rs.) | 3.91 | 21.86 |

15. Office and other administrative expenses include the following amounts paid/payable to the Auditors on account of : (in Rs.)

| | Statutory Auditors | | Branch Auditors | | Cost Auditors | |
|--|--------------------|------------------|-----------------|-----------------|---------------|---------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Audit Fees | 9,25,050 | 8,88,300 | 2,88,750 | 2,43,600 | 52,500 | 53,025 |
| Fees for tax matters including tax audit | 3,08,700 | 3,08,700 | 1,10,250 | 88,200 | — | — |
| Management & Other Services | 3,10,988 | 3,12,828 | 47,250 | 63,000 | — | — |
| Reimbursement of Expenses | 62,237 | 57,193 | 5,36,459 | 5,13,582 | — | — |
| TOTAL | 16,06,975 | 15,67,021 | 9,82,709 | 9,08,382 | 52,500 | 53,025 |

16. Managing Director's Remuneration : (in Rs.)

| | 2002-03 | 2001-02 |
|------------------------------------|------------------|------------------|
| Salary * | 48,00,000 | 12,00,000 |
| Commission | — | — |
| Contribution to PF & Other Funds * | 12,96,000 | 3,24,000 |
| Gratuity | 1,63,401 | 1,24,599 |
| Other Perquisites | 11,14,383 | 9,23,160 |
| TOTAL | 73,73,784 | 25,71,759 |

* Includes arrears of Rs.22,86,000/-.

17. Statement of additional information (Rs. in Lacs)

| | 2002-03 | 2001-02 |
|--|---------|----------|
| a) Value of imports on CIF basis : | | |
| Raw Materials | 487.55 | 171.57 |
| Components & spare parts and Capital Goods | 277.71 | 129.54 |
| b) Expenditure in foreign currency | | |
| i) Travelling | 78.05 | 61.77 |
| ii) Royalty | 23.77 | 11.66 |
| iii) Technical know-how | 17.92 | — |
| iv) Commission on sale of Capital Goods | — | 85.47 |
| v) Others | 30.06 | 28.68 |
| vi) Dividend to NRIs | | |
| Amount remitted | 0.02 | 0.02 |
| No. of shareholders | 18 | 18 |
| No. of shares held | 1389 | 1389 |
| Year for Dividend Paid | 2001-02 | 2000-01 |
| c) Earnings in foreign exchange : | | |
| Exports of goods on F.O.B. basis | 808.91 | 83.36 |
| Exports of Capital Goods & Spare Parts | — | 3,479.82 |
| Others | 47.84 | 759.83 |

NOTES TO ACCOUNTS (Contd.)

d) Consumption of raw material, spare parts, components and stores :

| | 2002-03 | | 2001-02 | |
|---------------------|-------------|-------|-------------|-------|
| | Rs. in Lacs | % | Rs. in Lacs | % |
| i) Raw Material | | | | |
| - Directly imported | 1,163.88 | 2.93 | 513.61 | 1.22 |
| - Indigenous | 38,591.97 | 97.07 | 41,563.36 | 98.78 |
| ii) Spare Parts | | | | |
| - Directly imported | 3.86 | 0.45 | 14.56 | 1.76 |
| - Indigenous | 844.86 | 99.55 | 810.73 | 98.24 |

e) Licensed and Installed Capacities & Actual Production:

| Class of Goods | Units | Licensed Capacity | | Installed Capacity *1 & *2 | | Actual Production *2 | |
|---|---------------|-------------------|---------|-------------------------------|---------------|----------------------|-------------|
| | | 2002-03 | 2001-02 | 2002-03 | 2001-02 | 2002-03 | 2001-02 |
| Sugar | MT | NA | NA | 25,250 TCD | 25,250 TCD | 3,28,561.90 | 3,29,608.00 |
| Molasses | MT | NA | NA | -- | -- | 1,59,450.53 | 1,66,166.13 |
| Project & Engg Activities (Sugar, Pollution & Hydel) | Rs.in Lacs | NA | NA | NA | NA | 2,709.47 | 4,027.29 |
| Steam & Gas Turbines | Nos. | NA | NA | 96 | 96 | 52 | 80 |
| High Speed Reduction Gears | Nos. | NA | NA | 450 | 450 | 242 | 239 |

*1 As certified by officials of the company.

*2 Includes capital/captive production.

N.A. — Not Applicable

TCD — Metric Tons of cane crushed per day.

MT — Metric Tons



NOTES TO ACCOUNTS (Contd.)

f) Opening Stock, Closing Stock & Sales (Manufactured Goods)

| Class of Goods | Units | Opening Stock | | Closing Stock | | Sales (Gross) | |
|---|---------------|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|
| | | Qty | Value (Rs. in Lacs) | Qty | Value (Rs. in Lacs) | Qty | Value (Rs. in Lacs) |
| Sugar *1 | MT | 2,81,828.50 (2,49,306.00) | 35,870.41 (32,287.89) | 2,29,417.00 (2,81,828.50) | 26,849.74 (35,870.41) | 3,80,855.30 (2,96,987.60) | 50,876.23 (42,221.16) |
| Molasses *2 | MT | 44,626.98 (55,923.38) | 568.66 (690.43) | 13,919.67 (44,626.98) | 229.76 (568.66) | 1,83,236.26 (1,77,331.21) | 2,939.66 (2,974.01) |
| Steam & Gas Turbines *3 and related equipments | Nos | — (1) | — (68.65) | — (—) | — (—) | 52 (80) | 11,315.35 (9,515.49) |
| High Speed Reduction Gears | Nos | — (—) | — (—) | — (—) | — (—) | 242.00 (239.00) | 1,671.74 (1,240.19) |
| Project & Engg Activities (Sugar, Pollution & Hydel) | Rs.in Lacs | — (—) | — (—) | — (—) | — (—) | — (—) | 2,709.47 (4,027.29) |
| Others | Rs.in Lacs | — (—) | 44.76 (58.23) | 12.42 (—) | 53.96 (44.76) | — (—) | 839.43 (351.02) |

Figures in brackets pertains to previous year.

*1 Closing stock of sugar is after adjusting 118.10 MT (97.90 MT) on account of reprocessing loss.

*2 Closing stock of molasses is after adjusting 6,921.58 (131.32 MT shortage).

*3 Opening stock of turbine transferred to work-in-progress.

MT - Metric Tonnes

g) Break Up of Raw Material Consumed

| Class of Goods | Unit | 2002-03 | | 2001-02 | |
|------------------------------|------|-----------|------------|-----------|------------|
| | | Qty. | Rs.in Lacs | Qty. | Rs.in Lacs |
| Sugar Cane Bought outs *1 | MT | 32,65,696 | 30,546.32 | 33,34,197 | 33,391.45 |
| Others *1 | | | 7,223.28 | | 7,168.51 |
| | | | 1,986.25 | | 1,517.01 |
| | | | 39,755.85 | | 42,076.97 |

*1 Quantitative data has not been furnished as purchases are made in different Units i.e. weight, number etc.

18. Figures for the previous year are regrouped and rearranged wherever necessary. Figures given in brackets relate to previous year.

19. Schedule '1' to '26' form an integral part of the Balance Sheet and Profit & Loss Account.

DHRUV M. SAWHNEY
Chairman & Managing Director

V.P.GHULIANI
Group General Manager
(Legal) & Company Secretary

D.KHANNA
Vice President
(Corporate Finance & Planning)

S.K. SETH
Director & Chairman
Audit Committee

Place : New Delhi
Date : June 7, 2003

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

| | | | |
|--------------------|-----------------------|-------------|-----|
| Registration No. | 0 2 2 1 7 4 | Status Code | 2 0 |
| Balance Sheet Date | 3 1 0 3 2 0 0 3 | | |
| | Date Month Year | | |

II. Capital Raised during the year (Amount in Rs.Thousand)

| | | | |
|--------------|---------------|-------------------|---------------|
| Public Issue | 0 0 0 0 0 0 0 | Right Issue | 0 0 0 0 0 0 0 |
| Bonus Issue | 0 0 0 0 0 0 0 | Private Placement | 0 0 0 0 0 0 0 |

III. Position of Mobilisation and Deployment of Fund (Amount in Rs.Thousand)

| | | | |
|-------------------|---------------|--------------|---------------|
| Total Liabilities | 4 3 4 4 2 8 6 | Total Assets | 4 3 4 4 2 8 6 |
|-------------------|---------------|--------------|---------------|

Sources of Funds

| | | | |
|-----------------|---------------|-------------------|---------------|
| Paid Up Capital | 0 1 2 2 8 9 4 | Reserve & Surplus | 1 2 3 4 9 4 5 |
| Secured Loans | 2 8 0 2 6 0 1 | Unsecured Loans | 0 1 8 3 8 4 6 |

Application of Funds

| | | | |
|------------------------------|-----------------|-------------------|---------------|
| Net Fixed Assets * | 1 6 7 7 4 9 3 | Investments | 0 2 2 9 5 7 4 |
| Net Current Assets | 2 6 5 8 9 7 2 | Misc. Expenditure | 0 0 6 4 5 6 9 |
| Deferred Tax Liability (Net) | (-) 2 8 6 3 2 2 | | |

* Include Plant & Machinery acquired under lease.

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

| | | | |
|---|-----------------|-------------------|-----------------|
| Gross Turnover (including Other Income) | 0 7 0 8 2 4 2 9 | Total Expenditure | 0 7 0 0 3 7 2 2 |
| Profit Before Tax | 0 0 7 8 7 0 7 | Profit After Tax | 0 0 4 8 0 8 2 |
| Earning Per Share (In Rs.) | 3 . 9 1 | Dividend Rate % | 0 1 5 |

V. Generic Names of Three Principal Products/Services of Company

| | |
|-----------------------------|--|
| Item Code No. | 1 7 0 1 1 1 0 0 |
| Product Description | M A N U F A C T U R E O F S U G A R |
| Item Code No. | N . A . |
| Service/Product Description | P R O J E C T & E N G G . A C T I V I T I E S |
| Item Code No. | 0 0 0 0 8 4 0 6 |
| Product Description | M A N U F A C T U R E O F S T E A M T U R B I N E |



Auditors' Report

TO THE BOARD OF DIRECTORS OF TRIVENI ENGINEERING AND INDUSTRIES LIMITED

We have examined the attached Consolidated Balance Sheet of Triveni Engineering & Industries Limited and its Subsidiaries Triveni SRI Limited and Triveni Power Generation Ltd as at 31st March 2003 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended. 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 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.

We did not audit the financial statements of Triveni Power Generation Ltd which have been audited by the other auditor and whose report has been forwarded to us and considered by us in preparing our report.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the

Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statement.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

- (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2003;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
- (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year then ended.

For and on behalf of
J. C. BHALLA & COMPANY
CHARTERED ACCOUNTANTS

Place : New Delhi
Dated : June 7, 2003

(SUDHIR MALLICK)
PARTNER

CONSOLIDATED FINANCIAL STATEMENTS OF TRIVENI ENGINEERING & INDUSTRIES LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2003

| | 31.3.2003 | 31.3.2002 |
|--|-----------------------|-----------------------|
| | Rs. | Rs. |
| SOURCES OF FUNDS | | |
| SHAREHOLDERS' FUNDS | | |
| Share Capital | 12,28,93,610 | 12,28,93,610 |
| Reserves & Surplus | 1,23,23,91,028 | 1,21,03,26,523 |
| | 1,35,52,84,638 | 1,33,32,20,133 |
| LOAN FUNDS | | |
| Secured Loans | 2,80,26,01,681 | 3,41,60,28,670 |
| Unsecured Loans | 18,38,46,174 | 19,97,95,749 |
| | 2,98,64,47,855 | 3,61,58,24,419 |
| TOTAL FUNDS EMPLOYED | 4,34,17,32,493 | 4,94,90,44,552 |
| APPLICATION OF FUNDS | | |
| FIXED ASSETS | | |
| Gross Block | 2,38,73,99,138 | 2,31,34,01,278 |
| Less : Depreciation | 97,24,44,979 | 89,36,02,639 |
| Net Block | 1,41,49,54,159 | 1,41,97,98,639 |
| Capital Work-in-Progress/Advance against Capital expenditure | 1,24,79,278 | 66,81,536 |
| Discarded Fixed Assets Pending Disposal/Sale | 41,03,216 | 60,28,216 |
| Plant & Machinery acquired under Lease | 24,18,67,888 | 23,29,74,696 |
| Pre-Operative Expenses - Pending Capitalisation | 41,14,563 | — |
| Goodwill | 7,496 | 7,496 |
| | 1,67,75,26,600 | 1,66,54,90,583 |
| LONG TERM INVESTMENTS | | |
| In Associates - at original cost (including Rs.5,192,482/- of Goodwill (Net of Capital Reserve) arising on acquisition of associates as per equity method) | 1,43,47,830 | 1,43,47,830 |
| Add/(Less) : Accumulated Income/(Loss) from Associates | (14,41,063) | — |
| Others | 1,29,06,767 | — |
| | 21,17,51,951 | 21,15,79,235 |
| | 22,46,58,718 | 22,59,27,065 |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| Inventories | 3,08,82,33,182 | 3,99,70,00,059 |
| Sundry Debtors | 37,59,16,578 | 47,17,23,490 |
| Cash and Bank Balances | 13,13,59,705 | 15,84,35,578 |
| Other Current Assets | 1,08,99,732 | 1,36,24,696 |
| Loans and Advances | 58,61,08,923 | 58,70,20,921 |
| | 4,19,25,18,120 | 5,22,78,04,744 |
| LESS : CURRENT LIABILITIES & PROVISIONS | | |
| Current Liabilities | 1,19,13,44,084 | 1,56,68,80,725 |
| Provisions | 34,30,09,450 | 39,82,96,014 |
| | 1,53,43,53,534 | 1,96,51,76,739 |
| NET CURRENT ASSETS | 2,65,81,64,586 | 3,26,26,28,005 |
| DEFERRED TAX LIABILITY (NET) | (28,60,33,231) | (26,19,74,322) |
| MISCELLANEOUS EXPENDITURE | 6,74,15,820 | 5,69,73,221 |
| TOTAL ASSETS (NET) | 4,34,17,32,493 | 4,94,90,44,552 |

Notes attached thereto form an integral part of the Consolidated Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For and on behalf of
J.C.BHALLA & COMPANY
Chartered Accountants

SUDHIR MALLICK
Partner

DHRUV M. SAWHNEY
Chairman & Managing Director

Place : New Delhi
Date : June 7, 2003

V.P.GHULIANI
Group General Manager
(Legal) & Company Secretary

D.KHANNA
Vice President
(Corporate Finance & Planning)

S.K. SETH
Director & Chairman
Audit Committee



CONSOLIDATED FINANCIAL STATEMENTS OF TRIVENI ENGINEERING & INDUSTRIES LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2003

| | 31.3.2003 Rs. | 31.3.2002 Rs. |
|--|------------------------------|------------------------------|
| INCOME | | |
| Income from Operations (Gross) | 7,04,92,28,393 | 6,03,29,07,257 |
| Less : Excise Duty | <u>50,20,70,738</u> | <u>41,87,61,822</u> |
| Income from Operations (Net) | 6,54,71,57,655 | 5,61,41,45,435 |
| Income from Associates | 2,56,715 | — |
| Other Income | 4,72,88,132 | 21,42,29,919 |
| Decrease/Increase in Work-in-Progress/Finished Goods | <u>(83,94,72,421)</u> | <u>57,71,98,380</u> |
| | <u>5,75,52,30,081</u> | <u>6,40,55,73,734</u> |
| EXPENDITURE | | |
| Material Consumed | 3,98,37,49,867 | 4,20,81,69,896 |
| Manufacturing/Operating | 47,18,18,942 | 50,00,79,866 |
| Personnel | 49,77,90,367 | 46,23,90,933 |
| Administration | 25,89,94,847 | 27,08,16,684 |
| Financing | 31,16,50,141 | 49,90,79,871 |
| Selling | 6,26,16,556 | 6,12,65,217 |
| Depreciation | 9,93,22,255 | 10,30,30,832 |
| Amortisation | 5,00,75,829 | 4,31,07,741 |
| Off-season Expenses charged (Net) | <u>(5,89,51,911)</u> | <u>(3,23,12,172)</u> |
| | 5,67,70,66,893 | 6,11,56,28,868 |
| Profit before Taxation | 7,81,63,188 | 28,99,44,866 |
| Provision for Tax | | |
| - Normal Tax Liability | 63,00,000 | 55,58,800 |
| - Net Deferred Tax Charge | <u>2,40,58,909</u> | <u>1,62,78,572</u> |
| Profit after Taxation | 4,78,04,279 | 26,81,07,494 |
| Surplus Brought Forward | 8,79,19,725 | 4,75,12,066 |
| Transfer from Debenture Redemption Reserve | — | 4,99,99,333 |
| | <u>13,57,24,004</u> | <u>36,56,18,893</u> |
| AVAILABLE FOR APPROPRIATION | | |
| APPROPRIATIONS | | |
| Dividend Adjustment of Previous Year | (17,462) | 14,608 |
| Dividend Proposed on Equity shares | 1,84,33,802 | 2,70,36,242 |
| Provision for Tax on Dividend | 23,61,831 | — |
| Transfer to Molasses Storage Fund Reserve | 9,33,199 | 4,62,476 |
| Transfer to General Reserve | 1,00,00,000 | 25,00,00,000 |
| Surplus Carried Forward | <u>10,40,12,634</u> | <u>8,81,05,567</u> |
| | <u>13,57,24,004</u> | <u>36,56,18,893</u> |
| Earning per share - Basic/Diluted | 3.89 | 21.82 |

Notes attached thereto form an integral part of the Consolidated Profit & Loss Account.
This is the Profit & Loss Account referred to in our report of even date.

For and on behalf of
J.C.BHALLA & COMPANY
Chartered Accountants

SUDHIR MALLICK
Partner

Place : New Delhi
Date : June 7, 2003

V.P.GHULIANI
Group General Manager
(Legal) & Company Secretary

D.KHANNA
Vice President
(Corporate Finance & Planning)

DHRUV M. SAWHNEY
Chairman & Managing Director

S.K. SETH
Director & Chairman
Audit Committee

CONSOLIDATED FINANCIAL STATEMENTS OF TRIVENI ENGINEERING & INDUSTRIES LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2003

| | 31.3.2003 | (Rs. in Lacs) 31.3.2002 |
|--|------------------|----------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before Tax | 781.63 | 2,899.45 |
| Add : Depreciation | 890.54 | 1,030.31 |
| Miscellaneous Expenditure Written Off | 500.76 | 431.08 |
| Less : Incomes from Associates | 2.57 | — |
| Less : Incomes/Expenses treated separately | | |
| Dividend Income | 0.35 | 7.53 |
| Profit/(Loss) on sale of assets | (35.30) | 1,121.89 |
| Profit on sale/realised of investments | — | 696.29 |
| Interest Expenses | (3,316.98) | (5,046.43) |
| Interest Income | 200.48 | 55.63 |
| Miscellaneous Expenditure Incurred | 467.23 | 239.87 |
| Operating Profit before Working Capital changes | 4,854.58 | 7,286.06 |
| Changes in Working Capital | | |
| Changes in Inventories | 9,087.67 | (5,694.89) |
| Changes in Receivables | 958.07 | (949.17) |
| Changes in Other Trade Receivables | (242.79) | (52.86) |
| Changes in Current Liabilities | (4,131.17) | 4,332.22 |
| Direct Taxes Paid (Net) including wealth tax | 244.89 | 1.72 |
| Net Changes in Working Capital | 5,916.67 | (2,362.98) |
| Cash Flow from operating activities | 10,771.25 | 4,923.08 |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| Purchase of Fixed Assets | (1,039.26) | (1,105.52) |
| Sale of Fixed Assets | 57.24 | 3,104.60 |
| Purchase of Investments - Others | (1.74) | — |
| Sale of Investments - Others | 0.01 | 745.29 |
| Changes in Loans & Advances | 68.03 | 156.69 |
| Interest Income | 155.43 | 60.48 |
| Dividend Income | 0.35 | 7.53 |
| Net Cash Flow in Investment Activities | (759.94) | 2,969.07 |



CONSOLIDATED FINANCIAL STATEMENTS OF TRIVENI ENGINEERING & INDUSTRIES LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2003

| | (Rs. in Lacs) | |
|---|--------------------|-------------------|
| | 31.3.2003 | 31.3.2002 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Decrease in Short Term Borrowings (Net) | (212.49) | (630.86) |
| Decrease in Long Term Borrowings (Net) | (2,528.10) | (1,245.86) |
| Decrease/Increase in Cash Credit | (3,606.17) | 444.49 |
| Interest Paid | (3,406.02) | (5,014.10) |
| Machinery Lease Rentals | (230.77) | (290.91) |
| Redemption of Debentures | — | (499.99) |
| Dividend Paid (Including Tax on Distributed Profit) | (248.65) | (196.27) |
| Net Cash Flow used in Financing Activities | (10,232.20) | (7,433.50) |
| Net Decrease / Increase in Cash & Cash Equivalents | (220.89) | 458.65 |
| Opening Cash & Cash Equivalents | 1,352.20 | 893.49 |
| Closing Cash & Cash Equivalents | 1,131.31 | 1,352.14 |

Notes attached thereto form an integral part of the Consolidated Cash Flow Statement.

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of
J.C.BHALLA & COMPANY
Chartered Accountants

SUDHIR MALLICK
Partner

Place : New Delhi
Date : June 7, 2003

V.P.GHULIANI
Group General Manager
(Legal) & Company Secretary

D.KHANNA
Vice President
(Corporate Finance & Planning)

DHRUV M. SAWHNEY
Chairman & Managing Director

S.K. SETH
Director & Chairman
Audit Committee

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

- (a) The consolidated financial statements have been prepared to comply with the requirements of Clause 32 of the Listing Agreement and has been prepared in accordance with Accounting Standard – 21 on Consolidated Financial Statements, Accounting Standard – 23 on Accounting for Investments in Associates and Accounting Standard – 3 on Cash Flow Statements issued by Institute of Chartered Accountants of India.
- (b) The consolidated financial statements comprise the financial statements of Triveni Engineering & Industries Ltd (Holding Company) incorporated in India, its 100% subsidiaries Triveni SRI Limited and Triveni Power Generation Limited incorporated in India and proportionate accumulated income/(expenses) of Associates TOFSL Trading & Investment Ltd, The Engineering & Technical Services Ltd, Triveni Sperry Sun Ltd and Carvanserai Ltd.
- (c) The consolidated financial statements have been prepared based on a line-by-line consolidation using uniform accounting policies. The effects of inter company transactions are eliminated in consolidation.
- (d) The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statement as Goodwill or Capital Reserve as the case may be.
- (e) Investments other than in associates have been accounted as per Accounting Standard 13 on Accounting for Investments.
- (f) Other significant accounting policies

These are set out under “Significant Accounting Policies” as given in the respective Financial Statements of Triveni Engineering & Industries Limited and its subsidiaries.

- 2. The contingent liabilities of the group are predominantly that of the parent Company as there are no contingently liabilities in the subsidiaries. Further, the group is contingently liable for Rs.14.91 lacs in respect of Associates, being pro-rata to the investments in associates, excluding the cases where the amount is not quantifiable.
- 3.
 - a) During the year, the parent Company has changed its policy of providing hard furnishing to its employees and all such assets were sold to the employees. Accordingly, the parent Company has incurred an extraordinary loss of Rs.35.06 lacs.
 - b) During the year, the parent Company has changed method of depreciation from WDV to Straight Line in respect of some fixed assets of the sugar units of the parent Company with a view to evolve common method of depreciation for similar fixed assets. Consequently, excess depreciation of Rs.91.83 lacs charged upto 31.3.2002 has been written back and the depreciation for the year is higher by Rs.3.72 lacs. Thus profit for the year is higher by Rs.88.11 lacs as a result of this change.
 - c) Based on technical evaluation unusable raw materials and components of the value of Rs.35.91 lacs has been written off in respect of parent Company's Engineering Unit at Bangalore and is included under the head material consumed.
- 4. Cane cost has been considered for the sugar units at the Statutory Minimum Price (SMP) announced by the Central Government for the respective sugar mills including the SMP subsequently announced (which is being legally contested) and concessions provided by the State Government for passing to the farmers, a part of which is considered towards liability, if any, under Rule 5A of the Sugar Control Order, 1966, though it is neither envisaged nor determinable presently. The said cane cost further considers higher price for early maturity variety cane and rebate of transport cost for cane collected from the out-centers in accordance with the recent judgement of Hon'ble Allahabad High Court.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

5. Pursuant to compliance of AS-23 on Accounting for “Investments in Associates in Consolidated Financial Statements” the Company has accounted investment in Associates under the equity method. The relevant information of the investment in Associates is provided herebelow

| Name of Associate Companies | Country of Incorporation | Ownership interest and voting power | Original cost of Investments | Amount of Goodwill/ (Capital Reserve) included in original cost |
|---|--------------------------|-------------------------------------|------------------------------|---|
| 1 | 2 | 3 | 4 | 5 |
| Tofsl Trading & Investment Ltd | India | 49.38% | 40,00,600 | 1,80,027*1 |
| The Engineering & Technical Services Ltd. | India | 47.60% | 9,99,930 | (4,30,970)*1 |
| Triveni Sperry Sun Ltd | India | 49.97% | 43,47,300 | 4,43,425*1 |
| Carvanserai Ltd. | India | 49.48% | 50,00,000 | 50,00,000*2 |
| TOTAL | | | 1,43,47,830 | 51,92,482 |

*1 As on the date on which these Companies became Associates on the merger of erstwhile Triveni Engineering & Industries Limited with this Company.

*2 As on the date on which it ceased to be the subsidiary of the Company.

6. Pursuant to compliance of AS-18 on Related Party disclosures, the relevant information is provided here below :

a) The details of related parties where transactions have taken place during the year :

i) Associates (Group A) :

TOFSL Trading & Investment Limited
 The Engineering & Technical Services Limited
 Triveni Sperry Sun Limited
 Carvanserai Limited

ii) Key Management Person (Group B)

Mr D M Sawhney, Chairman & Managing Director

iii) Key Management person relatives (Group C)

Mr Tarun Sawhney
 Mr Nikhil Sawhney
 Late Mr P C Sawhney
 Late Mr Pawan Sawhney

iv) Companies in which key management person or his relatives have substantial interest/significant influence (Group D)

Kameni Upaskar Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

6. b) Details of transactions with the related parties :

Rs. In lacs

| | Nature of Transaction | GROUP | | | | TOTAL |
|----|---|--------------------|------------------|-----------------|----------------|--------------------|
| | | A | B | C | D | |
| 1. | Sales and rendering of Services | 9.60 (17.50) | - (-) | - (-) | - (-) | 9.60 (17.50) |
| 2. | Purchase of Fixed Assets | - (3.45) | - (-) | - (-) | - (-) | - (3.45) |
| 3. | Rent Paid | - (-) | 2.03 (0.62) | 1.09 (2.50) | 9.00 (7.20) | 12.12 (10.32) |
| 4. | Amount Advanced / Refunded on Expense incurred (Net) | -84.80 (-16.29) | - (-) | - (-) | - (-) | -84.80 (-16.29) |
| 5. | Interest Received | 4.32 (7.38) | - (-) | - (-) | - (-) | 4.32 (7.38) |
| 6. | Interest Paid | 6.34 (7.70) | - (-) | - (-) | - (-) | 6.34 (7.70) |
| 7. | Remuneration | - (-) | 73.74 (25.71) | 18.44 (4.66) | - (-) | 92.18 (30.37) |
| 8. | Outstanding balances as on 31.3.2003 | | | | | |
| | - Loans & Advances | 611.32 (680.64) | -0.18 (0.05) | 0.12 (0.41) | 3.60 (3.60) | 614.86 (684.70) |
| | - Other current Assets | 91.78 (100.78) | - (-) | - (-) | - (-) | 91.78 (100.78) |
| | - Unsecured Loan | - (15.00) | - (-) | - (-) | - (-) | - (15.00) |
| | - Trade & Other Creditors | 48.08 (47.34) | - (-) | - (-) | - (-) | 48.08 (47.34) |
| | TOTAL | 686.64 | 75.59 | 19.65 | 12.60 | 794.48 |
| | TOTAL PREVIOUS YEAR | (863.50) | (26.38) | (7.57) | (10.80) | (908.25) |

1. Figures for previous year are regrouped and rearranged wherever necessary to make them comparable.
2. Figures given in brackets relate to previous year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

7. Pursuant to compliance of AS 20 on Earning per share, the relevant information is provided here below :

| | | in Rs. | |
|--|---|----------------|----------------|
| | | 2002-03 | 2001-02 |
| 1. | Net profit after tax as per Profit & Loss Account Rs. | 4,78,04,279 | 26,81,07,494 |
| 2. | No. of Equity Shares during the year (weighted average) | 1,22,89,201 | 1,22,89,201 |
| Earning per Share - Basic/Diluted (1)/(2) Rs. | | 3.89 | 21.82 |

8. Pursuant to compliance of Accounting Standard - 17 regarding Segment Reporting the relevant information is provided in the attached schedule.
9. Figures for the previous year are regrouped and rearranged wherever necessary. Figures given in brackets relate to previous year.
10. a) Previous year figures do not include corresponding figures in respect of associates as the Accounting Standard on Investments in Associates has become mandatory from 1.4.2002.
- b) Figures for the previous year includes figures of only subsidiary Company M/s Triveni SRI Limited for six months ended 31.3.2002 whereas figures of current year includes figures of subsidiaries Triveni SRI Limited and Triveni Power Generation Ltd for the twelve months ended 31st March 2003.

In view of the above, previous year figures are not comparable with current year figures.

DHRUV M. SAWHNEY
Chairman & Managing Director

Place : New Delhi
Date : June 7, 2003

V.P.GHULIANI
Group General Manager
(Legal) & Company Secretary

D.KHANNA
Vice President
(Corporate Finance & Planning)

S.K. SETH
Director & Chairman
Audit Committee

SCHEDULE

Information on Segment Reporting of the Group for the year ended 31.3.2003

Rs.in Lacs

| | Sugar | | Steam Turbines | | Other Operations | | Eliminations | | Consolidated Total | |
|---|------------------|------------------|------------------|-----------------|------------------|-----------------|--------------|----------|--------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| REVENUE | | | | | | | | | | |
| External Sales | 54,578.49 | 45,601.29 | 11,864.58 | 9,928.01 | 4,049.21 | 4,799.77 | - | - | 70,492.28 | 60,329.07 |
| Less : Excise Duty | 4,091.21 | 3,216.41 | 789.24 | 792.47 | 239.52 | 169.27 | (99.26) | 9.47 | 5,020.71 | 4,187.62 |
| External Sales (Net) | 50,487.28 | 42,384.88 | 11,075.34 | 9,135.54 | 3,809.69 | 4,630.50 | | | 65,471.57 | 56,141.45 |
| Inter-segment Sales | - | - | 12.55 | 21.01 | 685.45 | 548.27 | (698.00) | (569.28) | - | - |
| Income from Associates | | | | | | | | | 2.57 | - |
| Other Income | 398.11 | 219.65 | 44.90 | 28.74 | 11.00 | 13.93 | - | - | 454.01 | 262.32 |
| Total Revenue | 50,885.39 | 42,604.53 | 11,132.79 | 9,185.29 | 4,506.14 | 5,192.70 | - | - | 65,928.15 | 56,403.77 |
| RESULT | | | | | | | | | | |
| Segment result | 3,134.06 | 6,309.04 | 1,213.68 | 790.70 | 407.45 | (66.10) | 5.19 | (6.19) | 4,760.38 | 7,027.45 |
| Unallocated expenses (Net) | | | | | | | | | 883.22 | 762.49 |
| Operating profit | | | | | | | | | 3,877.16 | 6,264.96 |
| Interest expense | | | | | | | | | (3,316.97) | (5,046.43) |
| Interest/Dividend Income | | | | | | | | | 200.82 | 63.16 |
| Income taxes (including deferred tax) | | | | | | | | | (303.59) | (218.37) |
| Profit from ordinary activities | | | | | | | | | 457.42 | 1,063.32 |
| Non-recurring items : | | | | | | | | | | |
| Profit on divestment of stake in a Joint venture company | | | | | | | | | - | 696.29 |
| Loss/Profit on sale/written off Fixed Assets (Net) | | | | | | | | | (35.30) | 1,121.89 |
| Loss on sale/written off Stores, Spares & Raw Materials (Net) | | | | | | | | | (35.91) | (200.43) |
| Excess Depreciation Written back (due to change in method) | | | | | | | | | 91.83 | - |
| Net profit | | | | | | | | | 478.04 | 2,681.07 |
| OTHER INFORMATION | | | | | | | | | | |
| Segment assets | 45,427.52 | 54,220.15 | 4,146.99 | 4,810.36 | 5,355.88 | 5,344.55 | | | 54,930.39 | 64,375.06 |
| Unallocated assets | | | | | | | | | 6,690.80 | 7,386.89 |
| Total assets | | | | | | | | | 61,621.19 | 71,761.95 |
| Segment liabilities | 9,559.53 | 13,545.97 | 3,380.48 | 3,046.58 | 1,589.98 | 2,218.96 | | | 14,529.99 | 18,811.51 |
| Unallocated liabilities | | | | | | | | | 33,538.35 | 39,618.24 |
| Total liabilities | | | | | | | | | 48,068.34 | 58,429.75 |
| Capital expenditure | 868.72 | 1,168.75 | 54.81 | 130.53 | 55.43 | 73.86 | | | | |
| Depreciation | 844.43 | 852.10 | 78.45 | 89.52 | 43.94 | 45.67 | | | | |
| Amortisation | 193.60 | 141.85 | 141.10 | 123.17 | 50.84 | 29.97 | | | | |

Notes:

1) The Group's operations have been categorised into two major business segments in accordance with the Accounting Standard (AS-17) "Segment Reporting" - these constitute 93.35% (91.22%) of the total turnover of the group. These segments are briefly described hereunder:

- a) Sugar: The Group is a manufacturer of white crystal sugar, having an aggregate manufacturing Capacity of 25,250 TCD (Tonnes crushed per day) spread over three manufacturing plants situated in Western UP and Eastern UP. along with bulk sale of sugar, the company also sells molasses and bagasse which are produced as by products.



SCHEDULE (Contd.)

- b) Steam Turbines: The Group is engaged in the manufacture of Steam turbines at manufacturing facilities located at Bangalore, Karnataka. The range of turbines manufactured are up to 15 MW. Apart from own R&D set up and indigenous technology, the company sources some technology from Peter Brotherhood, UK for limited range of turbines.
- 2) The other operation of the Group include Sugar Plant Machinery, Water/Waste Water Treatment, Mini Hydel Projects and manufacture of High Speed Gear pursued by the parent company Triveni Engineering & Industries Ltd. whereas Triveni SRI Ltd and Triveni Power Generation Ltd. are wholly owned subsidiary companies. The Triveni SRI Ltd. is engaged in providing specialised technological products and services (including audit and certification) in relation to the Sugar Industry from the technology sourced from Sugar Research Institute, Australia. Triveni Power Generation Ltd., as per its initial business plans, would be undertaking mini Hydel Projects on BOO basis.
- 3) There are no geographical segments as the volume of exports is minimal and the major turnover of the group takes place indigenously. There is further no major reliance on few customers or suppliers.
- 4) Inter segment transfers have been priced based on competitive market prices charged to external customers for similar goods. These are then eliminated on consolidation.
- 5) Segment result is segment revenue less segment expense. Segment expense include all expenses directly attributable to the segments and some portion of enterprise expenses that can be allocated on a reasonable basis to the segments. Interest expense, even on working capital facilities, is not included in segment expenses and accordingly, segment liabilities do not include any corresponding borrowings.