Revathi

30th Annual Report 2006 - 07

REVATHI EQUIPMENT LIMITED

Acquisition Criteria

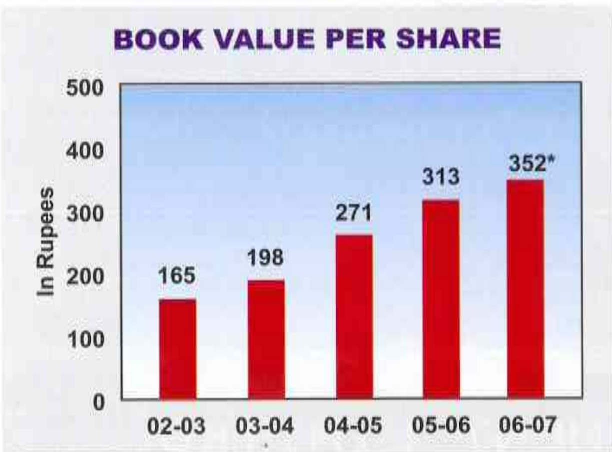
We use this space to communicate with potential sellers and their representatives, what we look for in a potential acquisition. If you, the reader, have no personal connection with a business that might be of interest to us but have a friend who does, perhaps you could pass this message on to him.

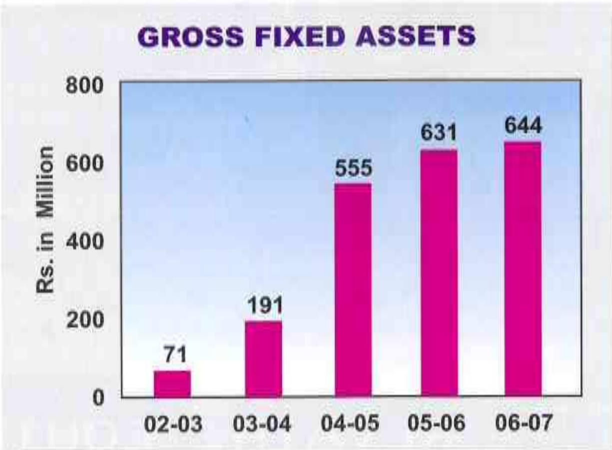
Here's the sort of business we are looking for :

1. Enterprise value in the region of Rs. 100 crores (Rs. 1 billion),
2. Demonstrated consistent earning power (future projections are of little interest to us, nor are "turnaround" situations),
3. Businesses earning good returns on equity while employing little or no debt,
4. Management in place,
5. Simple businesses,
6. An offering price.

We will not engage in unfriendly takeovers. We can promise complete confidentiality and a very fast answer as to whether we are interested. We prefer to buy for cash, but will consider issuing stock when we receive as much in intrinsic business value as we give.

Our favourite form of purchase is one where the company's owner-managers generate significant amounts of cash, sometimes for themselves, but often for their families or inactive shareholders. At the same time, these managers wish to remain significant owners who continue to run their companies just as they have in the past. We think we offer a particularly good fit for owners with such objectives. We invite potential sellers to check us out by contacting people with whom we have done business in the past.





* Consolidated

Revathi Equipment Limited

CORPORATE DATA

BOARD OF DIRECTORS

ABHISHEK DALMIA
Executive Chairman

P.M. RAJANARAYANAN
Managing Director

CHAITANYA DALMIA

RAVINDER KUMAR GILANI

S.C. KATYAL

V.S. RAJAN

SHARE TRANSFER AGENTS

S.K.D.C. CONSULTANTS LTD.,
P.B. No. 2979
No.11, STREET No. 1,
S.N. LAYOUT, TATABAD,
COIMBATORE - 641 012.

COMPANY SECRETARY

M.N. SRINIVASAN

REGISTERED OFFICE

POLLACHI ROAD,
MALUMACHAMPATTI POST,
COIMBATORE - 641 021.

BANKERS

STATE BANK OF INDIA
HDFC BANK LIMITED
CANARA BANK
DENA BANK

MANAGEMENT TEAM

K.V. RAMASUBRAMANIAN
Senior Vice - President
Business Unit Head - Drilling Equipment Division

S. HARIHARAN
Vice - President (Finance)

RAMAKRISHNAN SANJEEVI
Vice-President
Business Unit Head - Construction Equipment Division

AUDITORS

LODHA & Co.,
KOLKATA

Revathi's corporate performance vs. the Nifty

Year	Annual percentage change in		Relative results
	Per share book value of Revathi (1)	Nifty 50 with dividend included (2)	(1) - (2)
2002-03	15.6%	-11.7%	27.3%
2003-04	19.9%	86.3%	-66.4%
2004-05	38.4%	17.3%	21.1%
2005-06	18.1%	70.0%	-51.9%
2006-07	13.7%	13.80%	-0.1%
Average Annual Gain (FY03 - FY07)	19.9%	30.1%	-10.2%
Overall gain (FY 03 - FY 07)	148.0%	273.0%	-125.0%

Notes :

1. All data is for financial years and includes dividends paid, if any.
2. The Nifty-50 numbers are pre-tax and assume that dividends were reinvested, whereas the numbers for Revathi are after tax.
3. We think our investors should measure our performance against their general experience in the equity markets. While the Nifty-50 is not perfect (nor is anything else) as a measure of performance, it has the advantage of being widely known and reflects with reasonable accuracy the experience of investors generally with the market.
4. The reason we have used the "growth in book value" as against stock price is, that over time, we intend measuring our performance by checking if a rupee retained has created a rupee worth of market value.
5. If you expect, as we do, that owning a representative stock index would produce reasonably satisfactory results over a period of time, it follows that, for long-term investors, gaining small advantages over that index must prove rewarding.

CHAIRMAN'S LETTER

Our gain in net worth during FY07 was Rs.101 million, which increased the per share book value by 13.7%. Over the last four years (that is, since the present owners took over) per share book value, has grown from Rs.151 to Rs.352, which, after factoring in dividend paid during this period, works out to a rate of 19.9% compounded annually.

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The financial results look terrible, especially in an environment where year-on-year profit growth at something like twenty five percent (or better) seems to have become the norm for the Indian corporate sector. And they are. What's more, this period of pain may continue a while longer than I had originally anticipated. While the reasons are many, there is no hiding the fact that I miscalculated the pace at which some of our initiatives might progress. At these times, it is easy to get philosophical, and quote from books such as Fooled By Randomness or Why Most Things Fail, on what did us in. And while I do believe in the messages contained in those very interesting books, I also believe that some of the errors I made were avoidable. The bad news is that these are, in my view, systemic issues, which may take some time to address satisfactorily. While one gets to read about it, only experience makes the truth sink in, sometimes painfully. Just as earthly objects must attain escape velocity to overcome Earth's gravitational forces and launch into orbit, small organisations I find, need to work on multiple preparatory steps to break the size barrier and go on to the next level. So while the mid-course correction has begun, the results are not likely to be immediately apparent.

Every day, in countless ways, the competitive position of our business grows either weaker or stronger. If we are delighting customers, eliminating unnecessary costs and improving our products, we gain strength. But if we treat customers with indifference or tolerate bloat, our business will wither. On a daily basis, the effects of our actions are imperceptible. Cumulatively though, their consequences are enormous. When our long-term competitive position improves as a result of these unnoticeable actions, we describe the phenomenon as 'widening the moat'. Doing that is essential if we are to have the kind of business we want in a decade or two from now. We always hope to earn more money in the short-term. But when the short-term and long-term conflict, in my book, widening the moat must take precedence. Said more bluntly, this means Revathi continues to be at a stage where it needs to make significant investments of time (but not so significant investments of capital) to build the foundation that can support the growth that lies ahead. More on this a bit later.

After summarizing my thoughts on the state of the core construction and mining business, I now turn to the two strategic investments made by us this year.

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I have stated in the past that we would attempt to use the free cashflow generated by the core mining business to acquire meaningful (even control) positions in, what we believe to be well run businesses with strong market positions and a sustainable competitive advantage. During the go-go years immediately past, when private equity players of all hues were announcing a deal a week, holding cash was uncomfortable, but not as uncomfortable as doing something that might make us look stupid in the long run. I have heard of a syndrome popularly known as the bladder problem: the more cash one holds, the greater the pressure to piss it away. To be honest, it takes a lot of holding yourself back to not fall into the trap of parking money into the first opportunity that comes your way. Or the tenth. Like in test cricket, a few maiden years do not count. What ultimately counts is whether we have the patience to not be bowled out twice over in the space of five days. To finish first, we have to first finish.

I have also been influenced by the writings of Michael Mauboussin, chief investment strategist at Legg Mason Capital Management who, in his book, More Than You Know: Finding Financial Wisdom in Unconventional Places, writes, "The frequency of correctness does not matter; it is the magnitude of correctness that matters". So we bided our time. Until now. Hopefully, these businesses will serve us well in the long run.

This year marked the beginning of that journey, which, if things go as per plan, should metamorphose Revathi from a company manufacturing capital goods for the construction and mining industries to a kind of holding company with meaningful investments in diverse businesses.

We started our journey by taking a twenty six percent stake in Monarch Catalyst. Govind and I were introduced by a common friend over a breakfast meeting at Café Fontana on a cold December morning in 2005. I was initially skeptical about the opportunity, owing to the size of the firm and the age of the promoters. However, as our discussions progressed, I realized the truth behind the age-old wisdom, "looks can be deceptive". I have judged too soon in the past and was glad that I learnt my lesson well enough to probe deeper into this gem.

Monarch is India's largest producer (third largest globally), of catalysts for hydrogenating oils and fatty acids for the edible oil, personal care and cosmetics industries. They also produce process catalysts that reduce the time it takes for a chemical reaction to take place in industries such as pharmaceuticals and fine chemicals. The company was set up by two technocrats including Shanti bhai Vadalia, in 1973, who were joined by K. Ganesh shortly after. These four built a strong base, which was inherited by the next generation of the founding families. Since 1998, these two young and dynamic professionals, Hitesh Vadalia and Govind Krishnan Muthukumar have put Monarch on a different platform. Together, they have the energy and vision to put Monarch on the global map.

The biggest problem for catalyst users is disposing the chemical waste that arises at the end of the process. In classic entrepreneurial fashion, the boys converted this problem into an opportunity, wherein they offered to buy back the waste from their customers, thereby making catalyst waste a key raw material source. This is a typical example of a win-win mindset, which when applied to the right business, can create significant shareholder value. Another example of a customer first attitude is reflected in Monarch leveraging its significant technical strength and integrated manufacturing facilities to offer customised solutions to global customers. A reasonably consolidated industry structure ensures that a typical contract provides for passing on price risk arising out of fluctuations in raw material prices on to customers. This business model, combined with ever-increasing economies of scale, has yielded a return on equity exceeding thirty percent in all but three years since the boys took charge.

A confluence of all things positive led to a dream performance in our very first year of courtship. Monarch more than doubled its sales over the previous year and profits grew at a blistering 257%. All this was achieved, while simultaneously achieving a return on equity unmatched since FY00. While the company's business has been built on strong foundations, I would regard such a performance as a black swan event, unlikely to be matched in its magnitude.

Before I move on, a word of appreciation for Hitesh and Govind. Despite the fact that I have known them for just under eighteen months, I get a good feeling about having chosen them as business partners. They have the personal and professional qualities that one admires in a business associate and cherishes in a close friend.

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Our second investment was a forty percent stake in Potential Service Consultants, with an obligation to buy at a pre-agreed valuation, an additional eleven percent, thirty months after the date of the initial purchase. The connection here was to be made by the same common friend, who introduced us to Monarch, but after discussing a possible meeting for almost twelve months through this friend, we finally got introduced through another investment banking friend. We had last worked together almost five years ago. Over time, they spoke to us about multiple opportunities, but unfortunately we never found one that got us really excited. As a result of these misadventures, they perhaps concluded that we are too finicky an investor to waste time on. Gradually I stopped getting their calls, though we kept in touch socially. Then, in August last year, I got a call from Jacob about investing in an engineering design firm. I had been looking to invest in that space and had had a look at a few other opportunities, without success. When I heard his story, my interest was piqued.

Potential is one of the largest integrated engineering design firms in India servicing the construction industry. The company had been set up over two decades ago by three professionals, TS Gururaj, BRV Murthy and BSA Narayan, each a recognised authority in his field of specialisation. At the first meeting itself, the partners laid down their preconditions for selecting a new partner. It was a short list, which included that the firm name be preserved and that the people be looked after just as they had before the sale. After the deal was done, I learnt that they had chosen us over stronger contenders, for fear of having their pre-conditions diluted. For us though, it was a no-brainer. For in a people-intensive business, what matters most are the people. And for a company, which has attained a special status in the eyes of its customers, through painstaking hard work over twenty long years, the brand certainly is not inconsequential. Now Infosys today, by any other name may sound as sweet, but I am not sure if that would be the case when they were 1/300th their present size!

Here is what Potential does. It is typically recruited by an architectural firm to prepare detailed engineering drawings for a project. The combined specialisations of the three promoters cover engineering designs for civil, structures, electrical, public health and engineering, air-conditioning, fire-fighting and IT systems, among others. What distinguishes Potential from most of its competitors is that very few offer a comprehensive solution under one roof. Using these skills, Potential receives conceptual architectural drawings from architects and produces 'ready for construction' drawings which are handed over to a construction management company for translating into the actual building. Over the years, their work has spanned designing buildings for use as residential complexes, offices, malls, hotels and hospitals.

Potential is a live example of the tipping point principle. It took them eleven years to reach the Rs. Ten million billing and seventeen years to reach the strength of a hundred people. They were still south of Rs. thirty million in FY03, but since then, sales have grown at a compounded annual rate of eighty percent. The interesting part is that this has been achieved by increasing team size at a compounded rate of about thirty four percent. In effect, the revenue per employee has gone from Rs. 350,000 to Rs.1.4 million during this time period. This clearly is quite a significant change in such a short time period, especially for a company of this size.

And therein lies the rub. While the company is sitting on a two-year plus order book, every incremental improvement from here on will need important management inputs. There is no question that the team is technically robust, but the business is going to need strong management systems and processes to leverage those innate skills to reach its full promise. For contrast, it is instructive to note that world-beating tier I Indian IT companies, with all their scale and management competence have been able to attain a per employee revenue of about Rupees Twenty lacs. While Potential would aspire to reach those standards, it is clear that in the immediate term, any growth would have to come out of adding more people to the team. While hiring people in an intensely competitive market brings its own challenges, as the team grows, the complexity of managing it will increase in geometric progression. The good news is that the team is very alive to these challenges and is taking suitable steps to address these issues.

Before I end this section, a brief look at the financial side of this business is in order. On many of the critical metrics, such as return on equity, employee cost to sales, capital turnover ratio, net margins, etc., this business approximates numbers achieved in the IT/ITES business. I would like to add one caveat however. Potential has so far been run much like Revathi had been on maintenance mode. The investments needed in people and systems to manage growing complexity have not been made in the past. As these investments get committed, they will temporarily depress the financial performance. But if the factors driving the real estate industry remain stable, over a three year timescale, then I think this business should be able to achieve robust growth mirroring growth rates in the real estate industry.

Both these businesses are fairly small at the time of our investment, but small doors sometimes open up into large rooms. However, there is one crucial distinction between the two businesses. Whereas Potential is in a high growth industry, Monarch's growth will have to necessarily come out of winning market share over global competitors. The good news is the global players increasingly seem to find this sub-segment of catalysts as too small, with mediocre growth prospects. They seem to prefer focusing on environment catalysts (including catalytic converters used in automobiles) and it is not inconceivable that over time they may gradually vacate spaces in the market place for a player like Monarch to enter.

A question is bound to arise in the investors' mind - Why make passive investments when we can never get our hands on that money? Here is my thinking on the subject. Until these businesses are in a position to utilize their free cashflow to grow their core business, they would continue to invest internal accruals to fund such growth. This could be organic or inorganic. When they transform from being growth businesses to being cash cows, we would dividend out all the spare cash, which we then find new homes for. In essence, as long as we can ensure that the capital allocation is done by these businesses in a way that focuses on maximizing long-term shareholder value, we would be served well.

Before I move on, here is a statistic that should give us shareholders that warm fuzzy feeling. With these investments, Revathi, with its associate companies reaches out to a shade north of eight hundred families.

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Including the two segments described above, Revathi now has five business segments including construction and mining, power and treasury. Let us now look at the state of each.

Construction and Mining first. Despite what we all read about how commodities are booming and how mining must necessarily follow, the facts that we observe on the ground seem closer to "business as usual". There are no major inquiries, nor any impressive capital expenditure that we have so far come across while talking to mine owners. When we compare our results to competition, we find that while Atlas Copco's sales from its Construction and Mining segment grew sixteen percent, Ingersoll Rand's sales from its Drilling Solutions business fell eleven percent. Since Atlas' numbers include consumables, other equipment and trading activity, we see Ingersoll as a more direct comparison to our business. In contrast, our sales fell four percent. Intriguing as it is, the mining equipment business in the country seems to stick out as a sore thumb in an ocean of opportunity that has flooded the country.

We had started the process of diversifying our revenue base away from Coal India, indeed from India itself, back in March 2004. But so far we have, quite apparently, had limited success. If I were to put a finger on one single reason to explain this, it is that to create credibility with new customers in new markets for high value capital equipment takes time. It is an arduous process, the fruits of which, when they materialize, would be worth the time and effort being put in by the team. Until then, our financial results will remain exposed to the capriciousness that comes with putting (almost) all our eggs in one basket.

So we are all on the same page, it would be useful to briefly chronicle our efforts towards opening up new markets. We first initiated a dialog with Bucyrus in 2004, which got formalized into a five-year agreement in 2005. We got our first order for three machines towards the end of 2005, which was to be executed during calendar year 2006. After shipping the first machine in 2006 we got a repeat order for six more machines in 2007, for shipment during calendar 2007. If one were to look at the soft indicators or progress, ever since we signed the agreement, we have been getting a constant stream of visitors from Bucyrus offices all over the world. Just last week, we had visitors from Latin America, who felt very excited about the prospects of placing more orders after seeing the machine we had built for that market.

Several years ago we recognized that our older product lines wouldn't generate the kind of growth that would be required to grow our per share earnings at rates that create wealth. Accordingly, we developed a series of new products to try and fuel future growth. While we have built a lot of new products, so far, we have underestimated how long it would take to get prosperity out of them.

These are by no means the only arrow we have on our bow, aimed at the target of diversification of our revenue base. That brings me to our next arrow, construction equipment. We continue to build this sub-segment, which in my view can outgrow the mining equipment business in times to come. The initiatives taken this year included hiring a business unit head and a head of marketing. By and large, we now have an independent organisation, with a different DNA, for this business. Whereas the construction equipment business is high volume low margin, the mining equipment business is low volume relatively better margin. While an independent organisation adds costs initially, without it, the stresses to the existing organisation would prove counter-productive. Owing to the ground situation, we decided to defer the capital expenditure that I mentioned in last year's letter. We will now be using that money to expand capacity during FY08. To get a sense of the potential in this business, Greaves Cotton, which is the only listed player in the space, grew its Infrastructure Equipments segment by twenty eight percent and almost trebled their pre-interest and tax profit. It must be said though that they have been in the business for quite some time and only now are beginning to see such traction.

The segmental financials, while look sordid, hide the real story. Are things really as bad as they seem? At the topline level, things could surely be better, and hopefully will be better in FY08. On the costs side however, we need to factor in these realities. When bringing new products to market, many costs are incurred upfront, such as R&D, initial high-cost production (due to lack of economies of scale and learning curve issues), building credibility through participation in trade fairs, etc. The fact these new products have been bunched together has resulted in continued to depress earnings. When compared with the olden days, when the company was not making any fresh investments to seed future growth, the present set of numbers do not appear as terrible. In that sense, I think we are today on a stronger wicket than we might have been five years ago.

A quick word about material costs before I move on. Material costs have climbed across the board for all industries. Some have passed on these cost increases to their customers and some have not. In our case, we have passed on only a part. However, that does not fully explain the material cost numbers, which have also got impacted by the product mix. The industry structure of the construction equipment business will ensure that the margins would be leaner when compared with mining equipment. So as the contribution of this sub-segment will go up, so will the material cost to sales ratio.

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Let me now shine the light on our next segment, Power. While we were quite enthusiastic about this investment when we started out four years ago, some of that has waned in light of our actual experience since. Despite locating our wind assets on supposedly proven sites, the wind patterns, post investment, have flattered to deceive. Equally importantly, State Governments, who are responsible for creating evacuation capacity, probably have a much less demanding audience to address as compared with producers of wind turbines who have anxious (and demanding) shareholders. Given this treacherous landscape, we decided to take some money off the table. Towards this objective, we have signed an agreement with one of our vendors to buy back our turbines at our original cost. With this, our exposure would come down from Rs.523 million to Rs.409 million. As an aside, gain on sale of depreciable assets will be liable to income tax. Thus, the taxes we saved in FY04, when we made this investment, will now be paid back to the exchequer when the turbines are sold.

We had also invested in a gas-based power project, which was captive to India Cements. One of the terms of the agreement was that India Cements or their nominee would have a right to buy us out at any time. Perhaps owing to the stupendous run being witnessed by the cement industry, they decided to exercise that option sooner rather than later. As a result, right after the close of the year, that investment was also converted back to cash.

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Finally, we come to the last segment, Treasury. A significant part (Rs.363 million) of our free cash got deployed into two strategic investments, about which I wrote towards the beginning of this letter. Another significant portion (Rs.96 million) got used up in completing a share buyback program, whereunder we bought back 4.5% of the pre-buyback shares outstanding at an average price of Rs.671. Of this, only Rs.45 million was used up by year-end.

The equity portfolio continued to do well (there are some bright spots in our armory!) At year-end, we had Rs.141 million in secondary market equities, with an unrealized gain of Rs.13 million.

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While I have written about our unorthodox dividend policy in the past, it might be useful to look at the genesis of the conventional dividend policy that pervades the corporate world globally.

The global investment community has long been prejudiced against companies that retain all their earnings and don't pay dividends. This prejudice is rooted in the early part of the 20th century, when the majority of people bought bonds instead of stocks for investment purposes. People felt more comfortable with bonds because they were secured with the assets of the businesses, which meant that bondholders had first claim on assets of the company if it went bankrupt. Bonds paid interest to investors on a quarterly basis, so investors knew there was trouble with company if the interest check wasn't in the mail.

Common stocks at that time were considered dangerous for the financially naive, because of a lack of accounting regulations; majority owners and managements had enormous leeway to monkey with the books. But the strengthening of the regulatory framework has led to considerable improvement in the quality of accounting and disclosures.

But even though the investment status of common stocks has greatly improved, people retain their prejudice for getting that check in the mail. Be it for bonds or for common stocks, investors shy away from companies that don't pay a dividend. They see it as a sign of weakness. Many shareholder activists even attend Annual General Meetings to urge management to consider paying higher and higher dividends, often without regard to the propriety of a payout versus retention.

To this day it is not uncommon for some security analysts to assign a higher value to companies that pay a dividend than to those that don't. This is true even when the company that is retaining all its earnings in an infinitely better enterprise.

For intelligent investors, common stocks have always represented ownership in the underlying business, and ownership means the company's earnings belong to you, the investor. The investors/owners of the company, through their elected board of directors, can instruct the company's management either to pay out the earnings as dividends or to retain the earnings for further development and expansion of the company's business.

This arrangement places a great deal of emphasis on the integrity of the company's management to do what is best for the shareholders of the company. Dishonest management can often manipulate a board of directors into fulfilling management's desire to build grandiose empires that enrich the management but do little or nothing for the financial benefit of the shareholders.

Some of the world's most successful investors therefore, place a great amount of weight on the quality of a company's management when they make their investment decisions. One way to determine the quality of management is to see what it does with its earnings. Does it pay out dividends, or retain them? If it retains them, does it profitably employ them, or does it squander them on dreams of grandeur?

Mr. Buffett believes that the test to which management should hold itself in determining whether or not to pay out a dividend is, "Would the investors be better off removing the capital from the business and investing it in other enterprises?" For example, let's say company A has a great business that makes lots of money. Now, if the management can profitably put to work the money that the great business earns, then it would make sense to let management continue its course and improve the fortunes of the company. But if management makes foolish investment decisions with the company's earnings and ends up losing money, then the shareholders would have been better off taking earnings out of the company and investing them on their own.

Indeed, Bill Miller of Legg Mason sees dividends as an unfavorable form of shareholder returns. According to his estimation, they are generally reinvested back into the market and earn, on average, only the market rate of return. While he does look at dividends, Miller says he may not be interested in a firm if it announced a big dividend increase, because that could imply that management is finding it difficult to locate compelling internal growth avenues. Therefore, Miller's approach to investing is more focused on estimating the firm's growth in future cash flows.

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Andrew Carnegie, the Scottish American who founded what became US Steel, and who went on to become the richest man of his times, famously said, "Huge fortunes that flow in large part from society, should in large part, be returned to society. We need to take responsibility of those less fortunate than ourselves." In recent times, this philosophy has been exemplified by no less than the two richest men on the planet, Bill Gates and Warren Buffett. Closer home, we are all familiar with the deep seated ethic of the Tatas.

I too strongly believe in this dictum. At Revathi, this belief translates into building programs that impart education to the underprivileged. For if you give a man a fish, you feed him for a day, but if you teach him fishing, you feed him for a lifetime. This year, we spent Rs.1.3 million on various programs including primary education, scholarships and imparting hands-on training to people in our neighborhood. I feel if each fortunate human being takes responsibility for the underprivileged around him, society would not need the Government to create some of the support structures that though present, are glaring examples of human incompetence. Without this approach, we will have what the celebrated economist JK Galbraith called, "Private opulence and public squalor". Good while it lasts (for the fortunate ones of course), but unsustainable in the long run.

Abhishek Dalmia
Chairman of the Board

REPORT OF DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS REPORT

For the year ended March 31, 2007

Your Directors have pleasure in presenting the Thirtieth Annual Report together with the audited accounts of your Company for the year ended March 31, 2007.

Financial Results

All figures in Rs. million

Particulars	FY 07	FY 06
Total Income	930	961
Total Expenditure	761	743
Profit before tax	169	218
Less: Current tax	53	27
Less: Deferred tax	(9)	24
Profit after tax	125	167
Appropriation made as under:		
Transfer to General Reserve	13	17
Dividend including tax thereon	37	36
Surplus carried to Balance Sheet	75	114

Dividend

Your Directors recommend a dividend of Rs 10 per share absorbing Rs 31.4 million. The company will bear the dividend distribution tax of Rs 5.3 million.

Performance Review

Your company's focus on development of new products and new markets continues with more investments being made in this regard. A number of new drills both for domestic and export markets have been developed and some more are in progress. The progress in development of concrete equipments has been good as we are now able to offer a basket of products to the market comprising of Transit mixers, concrete pumps and batching plants; some more variants are being introduced this year.

Sales of your company declined marginally by 4% from Rs. 911 million to Rs. 877 million while profits before tax declined by 26% from Rs 218 million to 169 million. During last two years, we have been building the blocks for quantum growth requiring substantial upfront investment in various resources and particularly time. While some sales in domestic sector got delayed and spilled over to current year, export business development took more time than envisaged due to time taken by overseas buyers to test the machines and validate quality of the products. Your Company has incurred substantial upfront costs, time, manpower and investments in development of products and markets, in drills for overseas market and construction equipments for local market. These costs together with adverse product mix have resulted in lower profits.

Overview of the Economy

Indian economy has been growing at 8 to 9% - during last 3 years and is expected to grow around 8% in the current year. Manufacturing sector registered growth of 10% in real terms and services by 11.2%. Inflation continues to be a concern. Government continues its focus on infrastructure development particularly power and construction. In coal sector, 26 coal blocks with over 8 billion tons of proven reserves and 4 lignite blocks with 755 million tons have been allocated to Government companies and approved end-users. We expect to benefit from Government's thrust on increasing coal production to meet the infrastructure needs, as and when policy translates into action on the ground.

Business Environment

Revathi is engaged in supplying product needs of infrastructure sector. The blast hole drills are essential for production of coal, iron ore, lignite etc.; the major requirements come from coal mines. Revathi has now started offering a wider range of concrete equipments comprising of batching plants (that prepare the concrete mix), transit mixers (that transport the concrete mix) and concrete pumps (that lift the concrete to desired height). The product variants are being expanded to meet current and emerging needs of our customers.

The business outlook for domestic business for drills appears to be encouraging based on indications of requirements of various customers for the year. Construction equipments are expected to make their meaningful presence in the market this year.

Your Company's association with Bucyrus International, U.S.A. in development of various sizes of drills which increases their range of offerings and meets their market needs of such drills. These drills have undergone thorough testing and have been demonstrated to different customers. Bucyrus is confident of sourcing from your Company. The orders on hand for export approximate Rs 220 millions. The demand trend in world market is strong and our customers expect to increase their demand for our drills in ensuing years.

US $ depreciation is a cause of concern though we stand protected substantially for the year. We propose to take necessary steps to minimize the currency impact.

The growth initiatives undertaken in last two years and continued focus thereon during the year should start yielding results from this year onwards. These initiatives together with some other initiatives should show us in a different light in years to come.

The expansion of our facilities is in progress to allow us to increase our throughput to meet our projected volumes. We are also in the process of finalizing a separate facility for concrete equipments to provide for future needs.

While we expect to increase our sales substantially, the growth in profitability will be less than pro-rata because exports will yield hardly any spares and concrete equipment will contribute at lower rate, being the first year of full range introduction.

Associate Companies :

Your company made two strategic investments during the year.

Monarch Catalyst Private Ltd. Mumbai is a company engaged in specialty chemicals and your Company acquired a 26% stake therein. Monarch has carried out substantial expansion as well as consolidation of its capacities at a single location. Further capital expenditure is entailed to add capacities by installing add on equipments and to add facilities for other products. The part benefit of expansion has resulted in more than doubling the sales during the year.

Potential Service Consultants Private Limited, Bangalore is an engineering design services company, providing total engineering solutions to building / construction sector. Your company has acquired a 40% stake in the company and has agreed to acquire another 11% stake on pre- determined basis by July 2009. The company is largely Bangalore centric with some operations in Hyderabad and Chennai. It recorded a substantial jump in sales of 61% and the profit growth was impressive.

We expect both the above companies to record robust growth.

These investments are in the nature of permanent investments. Your company's philosophy is to partner for life and help the original promoters grow the business to a different level. Both shareholders' agreements provide for certain management control rights. We have accordingly consolidated the results.

Your company has divested in April 2007 the preference shares held in Coromandel Electric Company Ltd. of Rs. 5 crores.

Your Company has bought back 65,624 shares as on 31st March 2007 for Rs 44.6 million and these shares stand extinguished in terms of approval of SEBI.

Human Resources

Your company realizes that it has to re-orient its organization as dynamics of business are changing fast. The company is taking steps to retain its talent pool, enhance skill of existing people and recruit the most suited talent to spearhead its growth initiatives. Your company's business has been divisionalised and business unit heads are in place. Organizational development is our key priority.

Business Outlook and Prospects for FY 2007-08

We expect the coal mining sector and construction sector to continue to grow at an accelerated pace to meet the growing infrastructure needs. India is seen as a cost-effective source for many overseas buyers and with improvement in Indian quality standards, overseas buyers are willing to work in partnership with Indian companies. Your company is exploring various opportunities for improving its global reach. Your company is contemplating to enter into collaboration arrangements with overseas companies for new products in the field of construction and mining.

The financial year 2007-08 is a year of consolidation which should reflect the results of efforts made in the recent past.

Risks and Concerns:

Macro economic and industry outlook are encouraging. However inflationary pressures, power shortages and political uncertainties can change the situation substantially. Cost increases in raw materials, transport costs, infrastructure deficiencies like lack of roads, power , availability of shipping space in time, currency effect are some of our major concerns.

Cautionary Note

Certain statements in "management discussions and analysis" section may be forward looking and are stated as required by law and regulations. Many factors, both external and internal, may affect the actual results which could be different from what the Directors envisage in terms of performance and outlook.

Internal Control

The company is committed to maintaining an effective internal control environment and a system of accounting and control that provides assurance on the efficiency of operations, existence of internal controls and safeguarding of its assets and management of risks. The system of accounting and controls are modified and improved from time to time, in line with changes in business conditions and recommendations of internal auditors.

During the financial year under review, the Audit Committee met four times to examine the reports on internal control/audit systems, financial disclosures and monitoring the implementation of internal audit recommendations. Your company continues to focus on risk management and also evaluates the internal control systems continuously so as to minimize and mitigate risks and improve control systems.

Board constitution

In accordance with the Articles of Association of the company, Mr. V.S.Rajan and Mr. S.C.Katyal retire by rotation and being eligible, seek re-appointment.

Conservation of Energy

As regards conservation of energy, company continued its efforts by elimination of waste, improvement in power factor and by good maintenance of various equipments. No capital investment was made during the year in this regard. As the cost of energy in the total cost is insignificant and considering the nature of our industry, measurement of savings in energy could not be undertaken.

Technology Absorption

Particulars with regard to technology absorption as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are furnished in the annexure A and the same forms part of this report.

Foreign exchange earnings and outgo

The Company earned foreign exchange of Rs.62 million and the foreign exchange outgo during the year amounts to Rs.173 million.

Personnel/Industrial relations

Industrial relations were satisfactory during the year. The particulars, as required under section 217(2A) of the Companies Act, 1956 and the rules framed thereunder are furnished in the annexure B.

Directors' responsibility statement

The Board of Directors confirm that:

(i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) the directors had selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit or loss of the Company for that period ;

(iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the directors had prepared the annual accounts on a going concern basis.

Appreciation

The Directors express their sincere appreciation of dedicated efforts put in by our people and their commitment to make the company a high performance Company. The Directors also place on record their appreciation of the continued support and recognition provided by our esteemed customers.

For and on behalf of the Board of Directors

S.C. Katyal
Director

P.M.Rajanarayanan
Managing Director

COIMBATORE
May 18, 2007

ANNEXURE - A

Form for disclosure of particulars with respect to absorption

Research and Development (R&D)

1. Specific areas in which R&D carried out by the company	:	1. Development of blast hole drill for exports 2. Development of heavy hydraulic track drills for exports. 3. Development of crawler mounted exploration drills. 4. Development of 60 cubic metre (CUM) Concrete Pump. 5. Development of 20 CUM Concrete Pump.
2. Benefits derived as a result of the above R&D	:	New product development.
3. Future plan of action	:	Development of 1. Deep hole mud rotary drill. 2. Concrete pump of 45 CUM. 3. Batching plant of 60 CUM. 4. 17 M Boom Pump.
4. Expenditure on R&D :		
(a) Capital	:	Rs. 1.3 million
(b) Recurring	:	Rs.18.5 million
(c) Total	:	Rs.19.8 million
(d) Total R&D expenditure as a percentage of total turnover	:	2.2%

Technology absorption, adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation	:	Progressive indigenisation of Drifter, Transit Mixers, Batching Plant and Concrete Pump.
2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	:	Import substitution and cost reduction.
3. In case of Imported technology (Imported during the last 5 years reckoned from the beginning of the Financial Year), following information may be furnished :		
a. Technology imported	:	Technical know-how for manufacture of Batching Plant, Transit Mixer and Concrete Pump.
b. Year of Import	:	FY 2005-06/ FY 2006-07
c. Has technology been fully absorbed?	:	yes
d. If not fully absorbed, areas where this has not taken place, reasons therefore, and future plans of action	:	Not applicable

ANNEXURE - B

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2 A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007.

NAME	AGE	DESIGNATION / NATURE OF EMPLOYMENT	REMUNERATION in Rs.	QUALIFICATION / EXPERIENCE	DATE OF EMPLOYMENT	PREVIOUS EMPLOYMENT DESIGNATION / NAME OF EMPLOYER
Mr. Abhishek Dalmia.	38	Executive Chairman Contractual	4,539,725	FCA, AICWA, B.COM.(H) 15 Years	01.04.2003	Managing Director / Utkal Investments Ltd.
Mr. Rajanarayanan P.M.	58	Managing Director Contractual	4,013,068	B.E. (Mech.) 35 Years	20.10.1982	Area Sales Manager / Greaves Cotton & Co.Ltd.

NOTE : 1. Remuneration shown above has been computed under the provisions of Section 198 of the Companies Act, 1956.
2. Mr. Abhishek Dalmia is related to Mr. Chaitanya Dalmia, Director of the Company.
3. Mr.P.M.Rajanarayanan is not related to any of the Directors of the Company.

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2006-07

1. Company's philosophy on corporate governance:

The company is committed to enhancement of shareholder value and strongly believes that good corporate governance is one of the key tools for achieving this goal.

2. Board of Directors:

Name of Director	Category
Mr Abhishek Dalmia (Executive Chairman)	Executive, Not independent
Mr P.M. Rajanarayanan (Managing Director)	Executive, Not independent
Mr Chaitanya Dalmia	Non-Executive, Not independent
Mr Ravinder Kumar Gilani	Non-Executive, Independent
Mr S.C. Katyal	Non-Executive, Independent
Mr V.S. Rajan	Non-Executive, Independent

The Board, comprises of six directors, has one Executive Chairman, Managing Director and four non-executive directors. Half of the board comprised of independent directors.

All the above independent directors are fulfilling the following criteria of independence which was framed by the Board of Directors of the company:

Criteria for independence of a director

A non executive director shall be deemed to be an independent director for the purpose of clause 49 of the listing agreement if he satisfies the following conditions :

Apart from receiving sitting fees for attending board meetings & audit committee meetings and commission, if any, as may be decided from time to time, his pecuniary relationship or transaction by way of compensation, if any, received from the company, for other services rendered shall not be more than the following :

1. 2% of the Profit before tax excluding extra -ordinary items
   or
   1% of the Net Invoiced Sales of the Company whichever is higher in a financial year.

2. He is not related to promoters or management at the board level or at one level below the board;

3. He has not been an executive of the company in the immediately preceding three financial years;

4. He is not a partner or an executive or was not a partner or an executive during the preceding three years from December 31, 2005 of any of the following:

   the statutory audit firm or the internal audit firm that is associated with the company, and
   the legal firm(s) and consulting firm(s) that have the financial transactions with the company exceeding the following limit:

   2% of the Profit before tax excluding extra -ordinary items
   or
   1% of the Net Invoiced Sales of the Company whichever is higher in a financial year.

5. He is not a material supplier, service provider or customer or lessor or lessee of the company whose financial transaction(s) value with the company shall not be more than the following:

   2% of the Profit before tax excluding extra -ordinary items
   or
   1% of the Net Invoiced Sales of the Company whichever is higher in a financial year.

6. He is not a substantial shareholder of the company, i.e. owning two percent or more in the paid up share capital of the company.

During the year, four Board Meetings were held on April 18, 2006, June 29, 2006, July 21, 2006, October 25, 2006, January 06, 2007 and January 31, 2007. Composition of the Board, attendance at the Board Meetings, Committee Meetings and Annual General Meeting (in the financial year 2006-07) along with their membership on other Boards/Committees are given below:

Name of Directors	Attendance		Number of Directorship in other boards	Number of membership in other board/ committees **
	Board meetings	AGM		
Mr Abhishek Dalmia	6	1	14	-
Mr P.M. Rajanarayanan	4	1	-	-
Mr Chaitanya Dalmia	5	1	11	3
Mr S.C. Katyal	5	1	2	-
Mr Ravinder Kumar Gilani	3	1	1	-
Mr V.S. Rajan	5	1	-	-

Leaves of absence were given to the directors who had not attended the meetings.

** Audit Committee, Shareholders' Grievance Committee and Remuneration Committee have been considered for committee membership.

3. Audit Committee:

Terms of reference:

As per clause 49 of the listing agreement, the board defined the following powers, roles and responsibilities for the audit committee:

Powers of Audit Committee

The audit committee shall have powers, which should include the following:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of Audit Committee

The role of the audit committee shall include the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Significant adjustments made in the financial statements arising out of audit findings
  - Compliance with listing and other legal requirements relating to financial statements
  - Disclosure of any related party transactions
  - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

(The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India)

Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Composition:

The Audit Committee was formed on March 19, 2001. Audit committee meetings were held on April 18, 2006, July 21, 2006, October 25, 2006 and January 31,2007 and the attendance of the members are given below:

Name of members	No of meetings attended
Mr. S.C. Katyal (Chairman)	4
Mr. Ravinder Kumar Gilani	2
Mr. V.S. Rajan	4

Mr S.C. Katyal is the Chairman of the committee.
The Company Secretary acts as Secretary of the Committee.

4. Remuneration to Directors:

Remuneration Committee.

Remuneration Committee formed on April 14, 2003 has three members who are non-executive and independent directors. They are Mr.S.C.Katyal, Mr.Ravinder Kumar Gilani and Mr.V.S.Rajan. Chairman of the Committee is Mr.S.C.Katyal. Remuneration committee meeting was held on April 18, 2006 in 2006-07.

Terms of reference for Remuneration Committee:

i) to determine and recommend to the Board of Directors the remuneration package of the Managing Director and Wholetime Directors including periodical revisions therein.

ii) to approve, in the event of loss or inadequate profits in any year, the minimum remuneration payable to the Managing Director and Wholetime Directors within the limits and subject to the parameters prescribed in Schedule XIII to the Companies Act, 1956.

Directors' remuneration for 2006-07.

Particulars	Mr.Abhishek Dalmia Rupees	Mr P M Rajanarayanan Rupees
Salary	2,580,000	1,361,056
Commission	-	1,228,793
Perquisites	903,000	826,633
Leave salary-provision	145,125	117,712
Contribution to PF	309,600	163,327
Contribution to Super annuation and gratuity fund.	602,000	315,547
Total	4,539,725	4,013,068

Commission is based on performance criteria like sales, profit etc. subject to statutory limits.

Remuneration Policy

The remuneration of the Executive Chairman and the Managing Director is determined by the Board within the statutory limits subject to shareholders' approval and on the basis of recommendation of the Remuneration Committee. The non-executive directors are paid sitting fees @ Rs.2,000/- for each meeting of the Board or any Committee thereof attended by them.

Details of amount paid/payable to non-executive directors are as under:

Amount in Rupees

Particulars	Sitting fees	Consultancy charges	Commission	Total
Mr. Chaitanya Dalmia	10,000	nil	100,000	110,000
Mr. S.C.Katyal	18,000	2,200,000*	100,000	2,318,000
Mr. V.S.Rajan	18,000	nil	100,000	118,000
Mr. Ravinder Kumar Gilani	10,000	nil	100,000	110,000

*Figures are exclusive of service tax.

Details of Service contracts

The Company has entered into agreement with Mr.Abhishek Dalmia for his appointment as Executive Chairman for a period of 5 years from April 01, 2003 to March 31, 2008.

The Company has entered into agreement with Mr.P.M.Rajanarayanan for his appointment as Managing Director for a period of 5 years from February 10, 2003 to February 09, 2008. The notice period of the contract is three months.

Board has appointed Mr. P.M. Rajanarayanan as Managing Director, Subject to Shareholders approval, at their meeting held on May 18, 2007 with effective from April 1, 2007, for a period of three years pre closing the earlier agreements mentioned above.

The company renewed the consultancy agreement entered with Mr.S.C.Katyal for providing consultancy services for a period of three years from February 01, 2006. The consultancy fees payable per year would be Rs.2,200,000.

Shareholders' Grievance Committee:

Shareholders' Grievance Committee consists of the following directors:

Name of members
Mr S.C. Katyal Mr.V.S.Rajan Mr Ravinder Kumar Gilani

Mr. S.C. Katyal is the Chairman of the Committee.

Company Secretary Mr. M.N. Srinivasan is the Compliance Officer.

Purpose of forming the committee is to monitor the system of redressing the shareholders' complaints on transfer of shares, non-receipt of balance sheet, non-receipt of dividends etc.

The company received 8 complaints from shareholders for non-receipt of dividend, share certificates after splits, name correction in the share certificates. All these complaints were duly attended.

5. **General Body Meetings:**

Particulars of Annual General Meeting (AGM) held during the last three years:

Meeting	**27th AGM**	**28th AGM**	**29th AGM**
Date	**July 09, 2004**	**July 27, 2005**	**July 22, 2006**
Time	**10 A.M.**	**10 A.M.**	**10 A.M.**
Venue	**Indian Chamber of Commerce, Coimbatore**	**Indian Chamber of Commerce, Coimbatore**	**Indian Chamber of Commerce, Coimbatore**

Sl.No.	Resolutions Passed	Type	Resolutions Passed	Type	Resolutions Passed	Type
1	Adoption of Accounts	O	Adoption of Accounts	O	Adoption of Accounts	O
2	Declaration of Dividend	O	Declaration of Dividend	O	Declaration of Dividend	O
3	Re-appointment of Mr Chaitanya Dalmia as Director	O	Re-appointment of Mr S.C.Katyal as Director	O	Re-appointment of Mr Chaitanya Dalmia as Director	O
4	Re-appointment of Mr Ravinder Kumar Gilani as Director	O	Re-appointment of Mr V S Rajan as Director	O	Re-appointment of Mr Ravinder Kumar Gilani as Director	O
5	Appointment of Lodha & Co. as Statutory Auditors	O	Appointment of Lodha & Co. as Statutory Auditors	O	Appointment of Lodha & Co. as Statutory Auditors	O
6	Alteration of Memorandum of Association	S	Delisting of shares from Madras Stock Exchange.	S	Alteration of Articles of Association	S
7	Commencement of New Business	S			Payment of Consultancy fee	O
8					Commencement of New Business	S

O : ordinary resolution S : special resolution

6. **Disclosures:**

- There were no transactions with the promoters or directors or management or their subsidiaries that have potential conflict with the interests of the company.
- There were no instances of non-compliance or any matters related to capital markets during the last three years.

7. **Means of communication:**

Un-audited quarterly financial results subjected to limited review of the company are published in Business Standard, Business Line, (English) and in Malai Murasu (Tamil) newspapers. The results are also promptly forwarded to the Stock Exchanges in which the shares are listed. Further the results are uploaded in the web site of SEBI.

Management discussion and Analysis report forms a part of the directors' report to the shareholders.

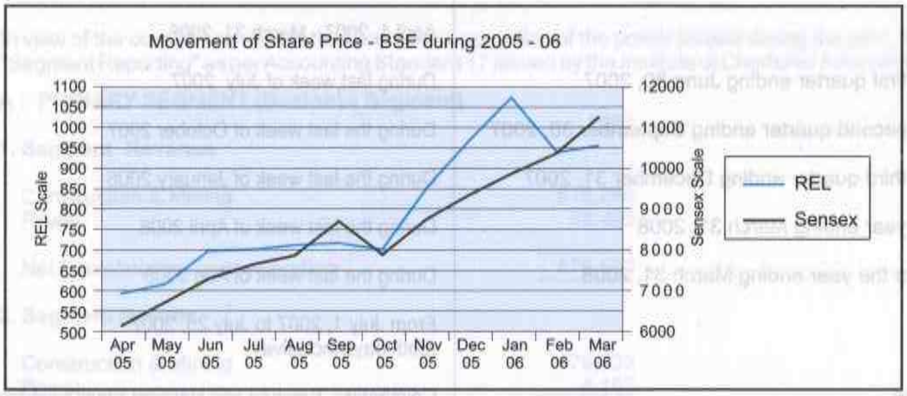
8. General shareholder information:

Date of Incorporation	May 30, 1977
Registered Office	Pollachi Road, Malumachampatti Post, Coimbatore 641 021
Plant Location (Drilling Equipments & Construction Equipments)	As above
Wind Turbine Plant Location	1.Gorera Village, Jaisalmer, Rajasthan State. 2.Melilandaikulam, Balabadraramapuram, Vadakkukavalkurichi, Tamilnadu
Date and time of Annual General Meeting	July 25, 2007, 10 A.M. at Coimbatore
Venue of Annual General Meeting	Indian Chamber of Commerce & Industry
Financial calendar	April 1, 2007 - March 31, 2008
Financial reporting for the first quarter ending June 30, 2007	During last week of July 2007
Financial reporting for the second quarter ending September 30, 2007	During the last week of October 2007
Financial reporting for the third quarter ending December 31, 2007	During the last week of January 2008
Financial reporting for the year ending March 31, 2008	During the last week of April 2008
Annual General Meeting for the year ending March 31, 2008	During the last week of Aug 2008
Date of book closure	From July 1, 2007 to July 25, 2007 (both days inclusive)
Listing on Stock Exchanges	Coimbatore, Bombay and National Stock Exchange
Stock Code	505368
Dividend Payment Date	Within 30 days from the date of AGM.
Outstanding GDR/ADR/Warrants	NIL

Market price data

Monthly high and low quotations as well as the volume of Shares traded at Bombay Stock Exchange.

2006 - 07				2005 - 06			
	Highest Rs.	Lowest Rs.	Volume Nos.		Highest Rs.	Lowest Rs.	Volume Nos.
April, 2006	1,106.05	861.15	77,047	April, 2005	648.00	525.45	167,786
May	944.75	644.55	70,100	May	690.00	541.50	115,043
June	748.00	550.60	77,232	June	753.70	607.05	812,643
July	675.00	504.00	34,410	July	788.40	685.00	1,237,38
August	665.00	576.00	28,057	August	827.75	657.50	474,894
September	722.75	610.00	47,679	September	774.00	665.00	132,727
October	667.00	570.00	60,846	October	775.00	680.00	86,040
November	670.00	580.00	81,137	November	884.00	695.00	133,072
December	649.00	576.10	49,780	December	975.00	860.00	75,123
January, 2007	693.50	610.00	68,939	January, 2006	1,214.40	960.00	96,337
February	735.00	636.05	100,427	February	1,060.00	901.10	55,870
March	703.45	623.00	55,487	March	1,050.10	890.00	71,672
Total			751,141	Total	-		3,458,545
% of volume traded to average number of shares outstanding			23.89				107.75



Registrars and Share Transfer Agents	S.K.D.C. Consultants Ltd., No.11 Street No.1, S N Layout, Tatabad, Coimbatore 641012 Email info@skdc-consultants.com Fax 0422-2499574 Phone 0422-6549995

Share Transfer System

Share transfer would be registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. The share transfer committee meets fortnightly/weekly depends on the number of transfers to be done.

The total number of shares transferred (phisically) during the year 2006-07 was 4542 (Previous year 2005).

Number of pending share transfers as on 31.03.07 : 2 transfers for 250 shares.

Transfer period in days	2006 - 07 No. of Transferees (folios)		No. of Shares	%	2005 - 06 No. of Transferees (folios)		No. of Shares	%
	New	Existing			New	Existing		
1 - 10	25	-	4,018	88.46	10	-	1,100	54.86
11 - 15	5	-	460	10.13	7	-	355	17.71
16 - 20	-	-	-	-	7	-	500	24.94
21 - 25	1	-	64	1.41	1	-	50	2.49
Total	31	-	4,542	100.00	25	-	2,005	100.00
% of volume transferred to average number of shares outstanding			0.14				0.06	

Distribution of shareholding as on March 31, 2007

	2006 - 07			
No. of Equity Shares held	No. of Share holders	% of Share holders	No. of Shares	% of Share holding
01 - 100	4,309	75.85	175,405	5.58
101 - 200	609	10.72	105,553	3.36
201 - 500	486	8.55	162,851	5.18
501 - 1000	154	2.71	115,363	3.67
1001 - 5000	100	1.76	187,551	5.97
5001 - 10000	9	0.16	66,575	2.12
10001 and above	14	0.25	2,330,878	74.13
Total	5,681	100.00	3,144,176	100.00

Distribution of shareholding as on March 31, 2006

	2005 - 06			
No. of Equity Shares held	No. of Share holders	% of Share holders	No. of Shares	% of Share holding
01 - 100	3,806	72.21	164,028	5.11
101 - 200	643	12.20	110,139	3.43
201 - 500	497	9.43	169,863	5.29
501 - 1000	183	3.47	141,299	4.40
1001 - 5000	114	2.16	215,749	6.72
5001 - 10000	14	0.27	100,167	3.12
10001 and above	14	0.27	2,308,555	71.92
Total	5,271	100.00	3,209,800	100.00

Category of shareholding as on March 31, 2007

	2006 - 07		
Category	No. of Share holders	Voting Strength %	No. of Shares held
Individuals	5,362	26.615	836,817
Bodies Corporate	217	68.559	2,155,600
Insurance Cos.	1	0.431	13,565
Directors & Relatives	4	0.708	22,255
NRI	93	0.695	21,856
Banks	1	0.003	100
OCB	1	0.166	5,235
Mutual Fund	2	2.823	88,748
FII	-	-	-
Total	5,681	100.000	3,144,176

Category of shareholding as on March 31, 2006

Category	2005 - 06		
	No. of Share holders	Voting Strength %	No. of Shares held
Individuals	4,894	27.047	868,162
Bodies Corporate	270	67.803	2,176,328
Insurance Cos.	1	0.423	13,565
Directors & Relatives	4	0.498	15,979
NRI	95	0.490	15,732
Banks	2	0.006	200
OCB	2	0.169	5,432
Mutual Fund	2	3.273	105,059
FII	1	0.291	9,343
Total	5,271	100.000	3,209,800

Promoters holdings as on March 31,2007

Particulars	Number of shares	% of holdings
Utkal investments Ltd	1922160	61.134
Renaissance Asset Management Co.P.Ltd.	31649	1.007
Total	1953809	62.141

Dematerialisation of shares and liquidity

The company has signed agreements with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialisation of the company's shares.

The ISIN number for the company is INE 617AQ1013.

Total number of shares dematerialised was 10,052 (0.31%) during 2006-07. 100 % of demat requests have been dematerialised within 30 days, out of which 95.81% were attended within 10 days.

Demat Processing systems

Demat Period in days	2006-07 No. of folios dematerialised	No. of shares	%	Demat Period in days	2005-06 No. of folios dematerialised	No. of shares	%
1 - 10	68	9,631	95.81	1 - 10	141	21,157	96.74
11 - 15	2	421	4.19	11 - 15	7	714	3.26
16 - 30	-	-	-	16 - 30	-	-	-
Total	70	10,052	100.00	Total	148	21,871	100.00

Details of Demat through Depositories

2006-07			2005-06		
Depository Name	Shares Dematerialised	% to Capital	Depository Name	Shares Dematerialised	% to Capital
N S D L	7,561	0.24	N S D L	19,372	0.60
C D S L	2,491	0.08	C D S L	2,499	0.08
Total	10,052	0.31	Total	21,871	0.68

Dematerialised shares as on March 31, 2007 30,19,160 (96.02%)

Address for correspondence:

M N Srinivasan,
Company Secretary & Compliance Officer,
Revathi Equipment Limited,
Pollachi Road,
Malumachampatti Post,
Coimbatore - 641 021.
Phone: 0422-2610851, 52, 53
Fax: 0422-2610427, 2610566
Email: srinivasan@revathi.co.in

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Revathi Equipment Limited:

We have examined the compliance of conditions of corporate governance by Revathi Equipment Limited, for the year ended on March 31, 2007, as stipulated in Clause 49 of Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the company for ensuring the 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, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As per the representation received from the registrar of the Company, no investor grievances are pending for a period exceeding one month against the Company.

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 Lodha & Co.
Chartered Accountants

14, Government Place East,
Place: Kolkata.
Date : 18 May, 2007.

R.P. Singh
Partner
Membership No. : 52438

AUDITORS' REPORT

To the members of
REVATHI EQUIPMENT LIMITED

We have audited the attached Balance Sheet of **Revathi Equipment Limited** ('the Company') as at 31st March 2007 and the Profit and Loss Account 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 the auditing standards generally accepted in India. Those standards require that we plan and perform audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003(as amended), issued by the Central Government in exercise of the power conferred by section 227 (4A) of the Companies Act, 1956 and according to the information and explanation given to us and on the basis of such checks as we considered appropriate, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

2. Further to the above, we report that;

   a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose 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 our examination of those books;

   c) The Balance Sheet, Profit and Loss Account and cash flow statement referred to in this report are in agreement with the books of accounts;

   d) In our opinion, the Profit and Loss account, the attached Balance Sheet and Cash Flow Statement of the Company as at 31st March, 2007, comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   e) On the basis of written representations received from the directors, as on 31 March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2007 from being appointed as a director of the Company in terms of Sec. 274 (1) (g) of the Companies Act, 1956.

   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the accounting policies and notes thereon 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:

      i) in case of the Balance Sheet, the state of affairs of the Company as at 31st March, 2007;
      ii) in case of the Profit and Loss Account, the Profit of the Company for the year ended on that date; and
      iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

For LODHA & CO.
Chartered Accountants

14, Government Place East
Place: Kolkata
May 18, 2007

R.P. Singh
Partner
Membership No. : 52438

REVATHI EQUIPMENT LIMITED

ANNEXURE (referred to in paragraph 1 of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;

(b) We are informed that the Company has carried out physical verification of its fixed assets during the year by the Company and no material discrepancies were noted on such verification.

(c) During the year, the Company has not disposed off substantial part of its fixed assets, which could affect the going concern status of the company.

(ii) (a) As explained to us, the stocks of finished goods, spare parts and raw materials (including components) have been physically verified by the management;

(b) In our opinion and according to information and explanation given to us the procedures of physical verification of inventory followed by the management are generally reasonable and adequate considering the items of the inventory, volume thereof, size of the Company and the nature of its business;

(c) In our opinion, the Company has maintained proper records of its inventory and the discrepancies between the physical stock and book records were not material.

(iii) According to information and explanations given to us, the Company has not taken or granted any loans, secured and unsecured, from/to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xiv) of the said order are not applicable to the Company.

(iv) Having regard to the explanation given that comparative quotations are not available in respect of items of branded/special nature purchased during the year, in our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods and services. Further during the course of our audit we have neither come across nor have we been informed of any instances of major weaknesses in the aforesaid internal control procedures and continuing failure on the part of the management to take corrective course of action in this regard.

(v) (a) To the best of our knowledge and belief and according to information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act 1956 have been entered in the register required to be maintained under that section; and

(b) Transactions of purchase of services etc. made in pursuance of such contracts or arrangements exceeding value in rupees five lacs, namely consultancy, taking premises on rent are proprietary/technical and of special nature and therefore comparable quotations thereof are not available and as such reasonableness with respect to prevailing market price as such is not ascertainable.

(vi) The Company has not accepted any deposits from the public during the year.

(vii) In our opinion, the internal audit carried out during the year by a firm of Chartered Accountants appointed by the management was commensurate with the size of the Company and the nature of its business.

(viii) The Company is in the process of compiling cost records as prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 for the power generation business.

(ix) (a) According to information and explanations given to us and as per the records of the Company examined by us, in our opinion the Company is regular in depositing with the appropriate authorities undisputed material statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess as applicable to it; and

(b) According to information and explanations given to us, there are no amount outstanding in respect of sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute. The particulars of income tax as at 31st March, 2007 which has not been deposited on account of dispute thereagainst are as follows:-

Name of the Statute	Nature of Dues	Amount under dispute not yet deposited (Rs.In'000)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	209.45 98.23 850.24 1,039.43 1,935.01	1982-83 1983-84 1984-85 1985-86 1986-87	High Court (Madras)

(x) The Company has no accumulated losses as on 31st March 2007 and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to banks.

(xii) According to information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the said order are not applicable to the company.

(xiv) Based on our examination of documents and records and evaluation of the related internal controls, in respect of dealing/trading in securities, in our opinion, proper records have been maintained of the transactions and contracts and timely entries have been made in those records excepting those which are undertaken at the corporate office for which entries have been done at the end of the month. We also report that the Company has held the shares, securities, debentures and other investments in its own name except to the extent exempted under section 49(5) of the Companies Act, 1956.

(xv) According to information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provision of clause 4(xv) of the Order is not applicable to the company.

(xvi) According to information and explanations given to us and based on the documents and records produced to us, the Company has applied the term loans raised during the year for the purpose for which they were raised.

(xvii) According to information and explanations given to us and on overall examination of the balance sheet of the Company, we report that the company has not used the funds raised on short-term basis for long-term investments.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.

(xix) The Company did not have any outstanding debentures during the year. Accordingly, the provision of clause 4(xix) of the order is not applicable to the Company.

(xx) The Company has not raised any money through a public issue during the year. Accordingly, provision of clause 4(xx) of the Order is not applicable to the company.

(xxi) During the course of our examination of the books of accounts carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the Company nor have we been informed of any such case by the management.

For LODHA & CO.
Chartered Accountants

14, Government Place East
Place: Kolkata
May 18, 2007

R.P. Singh
Partner
Membership No. : 52438

REVATHI EQUIPMENT LIMITED

BALANCE SHEET -- MARCH 31, 2007

(All amounts in thousands of Indian Rupees)

	Notes	2007	2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	2	31,442	32,098
Reserves and surplus	3	1,018,103	973,450
		1,049,545	1,005,548
LOAN FUNDS			
Secured loan	4	549,135	307,777
		549,135	307,777
DEFERRED TAX LIABILITIES, (net)	7	90,138	99,582
Total		1,688,818	1,412,907
APPLICATION OF FUNDS			
FIXED ASSETS	1(b) & 5		
Gross Block		643,757	630,698
Less: Depreciation		(203,585)	(139,402)
Net Block		440,172	491,296
Add: Capital Work-in-Progress		1,665	918
		441,837	492,214
INVESTMENTS	1(d) & 6	697,290	370,007
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	1(e) & 8	351,203	285,826
Sundry debtors	9	253,851	246,640
Cash and bank balances	10	115,486	179,586
Loans and advances	11	77,959	51,494
		798,499	763,546
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	199,904	144,041
Provisions	13	48,904	68,819
		248,808	212,860
Net current assets		549,691	550,686
Total		1,688,818	1,412,907

The accompanying notes are an integral part of this balance sheet

Lodha & Co Chartered Accountants	**Abhishek Dalmia** Executive Chairman	**P.M.Rajanarayanan** Managing Director
R.P.Singh Partner Membership Number: 52438	**M.N. Srinivasan** Company Secretary	**S.Hariharan** Vice President (Finance)
Kolkata May 18, 2007	Coimbatore May 18, 2007	

REVATHI EQUIPMENT LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in thousands of Indian Rupees)

	Notes	2007	2006
INCOME			
Gross Sales	1(f)&14	942,694	971,986
Less:Excise Duty		(66,120)	(58,142)
Net Sales		876,574	913,844
Other income	15	53,076	47,770
		929,650	961,614
EXPENDITURE			
Cost of materials	16	(475,777)	(503,286)
Employee costs	17	(55,224)	(43,449)
Manufacturing and other expenses	18	(129,171)	(99,146)
Interest and financial charges	19	(34,177)	(33,919)
Depreciation	1(b)&5	(66,729)	(63,182)
Less:Transferred from Revaluation Reserve		26	26
		(761,052)	(742,956)
Profit before taxes		168,598	218,658
Provision for taxes	20	(43,331)	(51,224)
Profit after taxes		125,267	167,434
PROFIT AND LOSS ACCOUNT, beginning of year		491,146	377,056
Profit available for appropriation		616,413	544,490
Proposed Dividend		(31,442)	(32,098)
Provision for Dividend Distribution Tax		(5,344)	(4,502)
Transfer to General Reserve		(12,527)	(16,743)
PROFIT AND LOSS ACCOUNT, end of year		567,101	491,146
Net profit available to equity shareholders		125,267	167,434
Weighted average number of shares used in computing basic earnings per share		3,204,418	3,209,800
Basic and diluted earnings per share (equity shares, par value Rs 10 each)		39.09	52.16

The accompanying notes are an integral part of this statement

Lodha & Co Chartered Accountants	**Abhishek Dalmia** Executive Chairman	**P.M.Rajanarayanan** Managing Director
R.P.Singh Partner Membership Number: 52438	**M.N. Srinivasan** Company Secretary	**S.Hariharan** Vice President (Finance)
Kolkata May 18, 2007	Coimbatore May 18, 2007	

REVATHI EQUIPMENT LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in thousands of Indian Rupees)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	168,598	218,659
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	66,703	63,156
Interest and dividend income	(29,190)	(33,454)
Write-down in the value of current investments	-	59
(Profit)/Loss on sale of investments	(22,538)	(12,792)
Interest on borrowings	28,462	28,931
Interest on lease	11	56
Profit on sale of fixed assets	(51)	(94)
	211,995	264,521
Changes in current assets and liabilities:		
(Increase)/Decrease in inventories	(65,377)	(74,200)
(Increase)/Decrease in trade and other receivables	(24,366)	5,225
(Decrease)/Increase in current liabilities and provisions	53,678	15,114
Direct taxes paid(Net of Refund)	(78,402)	(18,817)
Net cash provided by/(used in) operating activities	97,528	191,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of fixed assets	99	104
Purchase of fixed assets	(16,399)	(36,373)
Lease rent paid	(221)	(418)
Sale/redemption of investments	1,031,820	2,217,360
Purchase of investments	(1,336,565)	(2,145,473)
Interest and dividend received	27,892	34,921
Net cash provided by/(used in) investing activities	(293,374)	70,121
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from / (repayment) of long term borrowings	93,382	(26,465)
Proceeds from / (repayment) of short term borrowings	147,976	(110,000)
Buyback of shares including share premium	(44,457)	-
Interest paid	(28,648)	(28,977)
Dividend paid	(32,005)	(24,224)
Tax on dividends paid	(4,502)	(3,376)
Net cash provided by/(used in) financing activities	131,746	(193,042)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(64,100)	68,922
CASH AND CASH EQUIVALENTS		
Beginning of the year	179,586	110,664
End of the year	115,486	179,586

The accompanying notes are an integral part of this statement

Lodha & Co	**Abhishek Dalmia**	**P.M.Rajanarayanan**
Chartered Accountants	Executive Chairman	Managing Director
R.P.Singh	**M.N. Srinivasan**	**S.Hariharan**
Partner	Company Secretary	Vice President (Finance)
Membership Number: 52438		
Kolkata	Coimbatore	
May 18, 2007	May 18, 2007	

REVATHI EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007
(All amounts in thousands of Indian Rupees, unless otherwise stated)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the standards on accounting issued by the Institute of Chartered Accountants of India. The significant accounting policies are as follows:

(a) Use of Estimates

The preparation of financial statements require the management to make estimates and assumption that effect the reported amount of assets and liabilities and disclosures relating to contingent liabilities and assets as at the balance sheet date and the reported amounts of income and expenses during the year. Difference beteween the actual results and the estimates are recognised in the year in which the results become known/materialise.

(b) Fixed assets and depreciation

Fixed assets, other than freehold land and buildings, are stated at cost less accumulated depreciation. Freehold land and buildings were revalued on June 30, 1985 and are stated at their revalued value. The Company capitalises all costs relating to the acquisition and installation of fixed assets.

Depreciation is provided using the straight line method, pro-rata to the period of use of the assets, at the annual depreciation rates stipulated in Schedule XIV to the Companies Act, 1956, or based on the estimated useful lives of the assets, whichever is higher, as follows:

	Per cent
Buildings	1.64-3.34
Plant and machinery-other than Wind Turbines	10
Wind Turbines	10.34
Production tooling	20,33.33,50-100
Data processing equipment	25
Furniture and fittings	15
Office equipment	15
Vehicles	20
Intangible assets-computer software	25
Intangible assets-Technical knowhow	33.33

Plant and machinery given on operating lease are depreciated over the period of the lease. Depreciation on revalued buildings is charged over their remaining useful life as determined by the valuers. The difference between amount of the depreciation on the revalued building and the depreciation based on the original cost is transferred from the revaluation reserve to the profit and loss account.

Individual plant and machinery items, and other assets with an original cost of Rs 5,000/- or less are fully depreciated in the year of acquisition. Assets under finance lease are amortised over the useful life or lease term, as appropriate.

(c) Impairment of Fixed Assets

Fixed assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of the fixed assets is determined. An impairment loss is recognised, whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is greater of assets' net selling price or its value in use. In assessing value in use, the estimated future cash flows from the use of assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there has been change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss/reversal thereof, which in case of CGU, are allocated to its assets on a pro-rata basis, is adjusted to carrying value of the respective assets.

(d) Investments

Long term investments are stated at cost. Provision for diminution is made to recognise a decline, other than temporary, in the value of such investments.

Current investments are stated at the lower of cost and market value.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Material costs are determined on a first-in, first-out basis and the valuation of manufactured goods represents the cost of material, labour and all manufacturing overheads.

(f) Revenues

Sale of Equipments and spares are recognised on despatch of goods to customers and are net of excise duty, sales-tax, trade discounts and returns. Sale of power is accounted on delivery of electricity to grid in terms of power purchase agreement with the respective state electricity Board/Nigam. Service income is recognised upon rendering the services. Dividends, interests, incentives etc are accounted on accrual basis.

(g) Product warranty costs

Product warranty costs are accrued in the year of sale, based on past experience.

(h) Foreign currency transactions

Transactions in foreign currencies are accounted for, at the exchange rate prevailing on the date of transactions.Foreign currency monetary assets and liabilities at the year end are translated using the closing exchange rates.The loss or gain thereon and also on the exchange differences on settlement of the foreign currency transactions during the year are recognised as income or expenses and are adjusted to the respective heads of accounts except in cases where such differences relate to the fixed assets acquired from a country outside India,in which case,the same are adjusted to the cost of the respective assets.

(i) Research and development costs

Capital expenditure on research and development is included in fixed assets. Other expenditure on research and development is charged to the statement of profit and loss as incurred.

(j) Retirement benefits

Retirement benefits to employees comprise payments to gratuity, superannuation and provident funds. Annual contributions to gratuity funds are determined on the basis of actuarial valuations at the balance sheet date by the Life Insurance Corporation of India under Group Gratuity Cash accumulation scheme.

(k) Leave encashment

Liability for employees' leave encashment is provided at current encashable salary rates for the unavailed leave balance standing to the credit of the employees as at the date of the balance sheet in accordance with the rules of the Company.

(l) Income taxes

Provision for income tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognised for the future tax consequences attributable to timing differences, which are capable of reversal in one or more subsequent periods. The deferred tax assets and liabilities are recognized using the tax rates and tax laws that have been enacted/substantively enacted on the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is sufficient assurance that future taxable income will be available against which such deferred tax assets can be realised.

(m) Provision,Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.Contigent liabilities are disclosed by way of notes to accounts.Contingent assets are neither recognised nor disclosed in the financial statements.

(n) Borrowing Cost

Borrowing costs,that are attributable to the acquisition or construction of qualifying asset, are capitalised as part of the cost of such assets.A qualifying asset is one that necessarily takes substantial period of time to get ready for use.All other borrowing costs are charged to revenue.

2. SHARE CAPITAL

	2007	2006
Authorised		
3,500,000 (2006 - 3,500,000) equity shares of Rs.10/- each	35,000	35,000
Issued, subscribed and paid-up		
3,144,176 (2006 - 3,209,800) equity shares of Rs. 10/- each fully paid up	31,442	32,098

(i) Of the above equity shares, 1,922,160 shares are held by Holding Company-Utkal Investments Limited.
(ii) 2,407,350 equity shares have been issued as bonus shares by capitalisation of general reserve,share premium account and profit on reissue of forfeited shares.
(iii) 159,800 equity shares have been issued as fully paid-up pursuant to a contract without payment being received in cash
(iv) Board of Directors of the Company approved buy-back of shares from open market on June 29,2006 for the amount not exceeding Rs.100 million.Accordingly the Company bought back 65,624 shares for Rs.44,586 upto March 31,2007-Rs.656 was debited to share capital account,Rs.43,801 was debited to General Reserve and Rs.129 being the incidental expenses like brokerage,service tax,stock exchange transaction charges etc,were recognised as expenses.
(v) Capital Redemption Reserve for Rs.656 was created as per Sec 77 AA of the Companies' Act 1956.

3. RESERVES AND SURPLUS

	2007	2006
Capital reserve	149	149
Capital redemption reserve		
Balance, beginning of year	1683	1683
Transfer from General Reserve	656	-
Balance, end of year	2339	1683
Revaluation reserve		
Balance, beginning of year	3,703	3,729
Transfer to profit and loss account (see Note1(a) & 5)	(26)	(26)
Balance, end of year	3,677	3,703
General reserve		
Balance, beginning of year	476,768	460,024
Premium on Buy back of equity shares	(43,801)	-
Amount Transferred to Capital Redemption Reserve on Buyback of equity shares	(656)	
Transfer from profit and loss account	12,527	16,743
Balance, end of year	444,838	476,768
Profit and loss account	567,101	491,146
	1,018,103	973,449

4. SECURED LOAN

	2007	2006
Long Term Loan from Banks	398,750	274,417
Cash Credit	147,976	30,660
Vehicle Loan	2,409	2,700
	549,135	307,777

1. Long Term Loan of Rs 33,750(2006-Rs.48,750) from IDBI Bank Ltd is secured by exclusive charge on Wind Turbines located in Rajasthan; and further secured by subsequent and subservient charge on current assets of the Company.

2. Long Term loan of Rs. 85,000 (2006-Rs.119,000) from State Bank of India has been secured by exclusive charge on Wind Turbines located at Tirunelveli, Tamilnadu purchased out of the loan and pari-passu charge on the entire fixed assets of the Company viz.,land, building and machinery of the Company excluding assets specifically funded by other term loan lenders and pari-passu second charge on the current assets of the Company.

3. Long Term Loan of Rs.80,000 (2006-Rs.106,666)availed from ICICI Bank Ltd has been secured by exclusive charge on the Wind Turbines,located at Tirunelveli, Tamilnadu acquired out of the loan and pari-passu charge on the fixed assets of the Company excluding the assets relating to existing Wind Turbines.

4. Cash Credit Loan of Rs.147,976 under multiple banking arrangement has been secured by way of first pari-passu charge on entire current assets of the Company.

5. Long Term Loan of Rs.200,000(2006-Nil)from UTI Bank Ltd has been secured by first pari-passu charge on fixed assets of the Company excluding assets specifically charged to other lenders and second pari-passu charge on current assets of the Company.

6. Vehicle Loan of Rs.2,409 (2006-Rs.2,700) from ICICI Bank Ltd is secured by hypothecation of Vehicles.

5. FIXED ASSETS

	Balance, beginning of year	Additions/ charge	Deletions	Balance, end of year
Gross Block				
Freehold land	9,441	-	-	9,441
Buildings	23,021	660	-	23,681
Plant and machinery	550,957	6,494	200	557,251
Production tooling	7,049	2,481	-	9,530
Data processing equipment	10,729	2,501	739	12,491
Furniture and fittings	2,016	318	-	2,334
Office equipment	2,579	1,067	50	3,596
Vehicles	6,724	675	5	7,394
Intangible Asset-Tech knowhow	13,551	656	-	14,207
Intangible Asset-computer software	3,032	800	-	3,832
	629,099	15,652	994	643,757
Previous year	554,963	76,384	649	630,698
Accumulated depreciation				
Freehold land	-	-	-	-
Buildings	10,444	630 *	-	11,074
Plant and machinery	101,249	55,283	200	156,332
Production tooling	5,872	1,714	-	7,586
Data processing equipment	8,685	1,217	739	9,163
Furniture and fittings	1,574	116	-	1,690
Office equipment	1,780	374	6	2,148
Vehicles	2,282	1,385	1	3,666
Intangible Asset-Tech knowhow	4,731	5,119	-	9,850
Intangible Asset-computer software	1,185	891	-	2,076
	137,802	66,729	946	203,585
Previous year	76,857	63,182	637	139,402
Net Block				
Freehold land	9,441			9,441
Buildings	12,577			12,607
Plant and machinery	449,708			400,919
Production tooling	1,177			1,944
Data processing equipment	2,044			3,328
Furniture and fittings	442			644
Office equipment	799			1,448
Vehicles	4,442			3,728
Intangible Asset-Tech knowhow	8,820			4,357
Intangible Asset-computer software	1,847			1,756
	491,297			440,172
Previous year	478,106			491,296
Capital Work-in-progress	918			1,665

1. * Includes depreciation of Rs 26 (2006 -- Rs 26) transferred from revaluation reserve.
2. Cost of plant and machinery includes Rs.142 (2006 -- 142) in respect of assets given on lease. The accumulated depreciation on these asset Rs.134(2006-- Rs 127)
3. The Company had revalued its freehold land and buildings on June 30, 1985. The net amount added to the cost of fixed assets on such revaluation was Rs 4,239, under the following asset heads:

Freehold land	265
Buildings	3,974
	4,239

6. INVESTMENTS (non-trade)

	2007	2006
Long term		
Unquoted - Mutual Funds		
12,271 (2006-12,271) bonds of Rs.100 each of 6.75% Tax free US-64 Bonds of UTI	1,227	1,227
1,16,056 (2006-1,16,056)Units of Rs.100 each of 6.60% Tax free ARS Bonds of UTI	11,605	11,605
	12,832	12,832
Unquoted - Shares		
5,000 (2006-5,000) Shares of Rs.10000/- each in 12 year-15% Participating Cumulative Preference Shares in Coromandel Electric.Co.Ltd	50,000	50,000
3,26,325(2006-Nil)Equity Shares of Rs.10/-each in Potential Service Consultants Pvt.Ltd	300,750	-
1,50,800(2006-Nil)Equity Shares of Rs.100/-each in Monarch Catalyst Pvt. Ltd	62,400	-
	425,982	62,832
Quoted		
Shares		
11,290(2006-Nil) Equity Shares of Rs.10/-each in Aditya Birla Nuvo	6,773	-
2,65,380 (2006-2,65,380) Equity Shares of Rs.10/-each in Andhra Bank	14,503	14,503
40,000 (2006-50,000) Equity Shares of Rs.10/-each in Andhra Sugars Ltd	5,094	6,577
1,47,306(2006-57,626)Equity Shares of Rs.10/-each in Ashiana Housing Ltd	34,318	6,093
Nil (2006-7,000) Equity Shares of Rs.10/-each in Bharat Petroleum Corp.Ltd	-	2,302
5,00,000 (2006-5,00,000) Equity Shares of Rs.10/-each in Chambel Fertilizers & Chemicals Ltd	10,708	10,708
Nil (2006-500)Equity Shares of Rs.10/-each in Dwarikesh Sugars Ltd	-	122
Nil (2006-1,000)Equity Shares of Rs.10/-each in Flex Industries Ltd	-	93
20,000 (2006-30,000) Equity Shares of Rs.10/-each in Great Eastern Shipping	3,411	5,113
5,000(2006-Nil) Equity Shares of Rs.10/-each in Great Offshore Ltd	853	-
17,500(2006-30,500) Equity Shares of Re.1/-each in Hindustan Lever Ltd	2,034	3,635
Nil(2006-5,000)Equity Shares of Rs.10/-each in Hindustan Motor Ltd	-	159
Nil (2006-15,450)Equity Shares of Rs.10/-.each in Hindustan Petroleum Corp.Ltd	-	4,972
Nil(2006-12,200) Equity Shares of Rs.10/-each in Indian Oil Corporation Ltd	-	4,338
Nil(2006-1,000)Equity Shares of Rs.10/-each in Indian Petro Chemicals Ltd	-	239
Nil(2006-30,000) Equity Shares of Rs.10/-each in Indo Gulf Fertilizers Ltd	-	3,164
72,382 (2006-72,382) Equity Shares of Rs.10/-each in Indorama Synthetics	5,028	5,028
Nil(2006-1,000)Equity Shares of Rs.10/-each in Ingersoll Rand (India) Ltd	-	353
25,500 (2006-25,500) Equity Shares of Rs.10/-each in ITC Ltd	1,522	1,522
Nil (2006-250)Equity Shares of Rs.10/-each in Jet Airways Ltd	-	254
4,00,436 (2006-150,000)Equity Shares of Rs.10/-each in Lakshmi Vilas Bank Ltd	23,930	15,159
30,000 (2006-30,000) Equity Shares of Rs 10/-each in LIC Housing Finance Ltd	4,603	4,603
Nil(2006-82,191)Equity Shares of Rs.10/-each in Linc Pen Ltd	-	4,241
90,000(2006-Nil) Equity of Shares of Rs.10/- each in Mahanagar Telephone Nigam Ltd	12,793	-
Nil(2006-20,000)Equity Shares of Rs.10/-each in Mphasis Bfl Software Ltd	-	2,597
Nil (2006-5,000)Equity Shares of Rs.10/-each in Petronet LNG Ltd	-	294
Nil(2006-1,00,000)Equity Shares of Rs.10/-each in PNB Gilts Ltd	-	2,096
Nil (2006-5,000)Equity Shares of Rs.10/-each in Pricol India Ltd	-	221
Nil (2006-2,500)Equity Shares of Rs.10/-each in Reliance Energy Ventures Ltd	-	111
Nil(2006-53,199)Equity Shares of Rs.10/-each in South Indian Bank Ltd	-	3,531
Nil (2006-7,200)Equity Shares of Rs.10/-each in Tata Iron and Steel Co Ltd	-	2,485
50,000 (2006-50,000) Equity Shares of Rs.10/-each in Tata Spong	8,206	8,206
Nil(2006-25,000)Equity Shares of Rs.10/-each in Tata Teleservices(M) Ltd	-	728
Nil(2006-60,000) Equity Shares of Rs.10/-each in Union Bank of India Ltd	-	3,433
1,30,000 (2006-1,30,000) Equity Shares of Rs.10/-each in Vijaya Bank Ltd	6,937	6,937

	2007	2006
Current		
Mutual Funds		
Nil (2006-13,72,021) Units of Rs 10/-each in Birla Cash Plus Institutional Premium Plan Monthly Dividend Payout	-	13,757
1,50,782 (2006-Nil)Units of Rs.10/-each in Birla Fixed Term Plan-Quarterly series 9-Dividend payout	15,078	-
Nil (2006-8,32,530) Units of Rs.10/- each in Chola Short Term Floating Rate Fund Monthly Dividend Payout	-	8,423
10,03,961(2006-Nil) Units of Rs 10/-each in DBS Chola FMP series 6-QP-III-Dividend payout	10,039	-
5,00,000 (2006 --5,00,000) units of Rs 10/- each in Franklin India Smaller Companies Fund	5,000	5,000
10,00,000(2006-Nil)Units of Rs10/-each in Grindlays Fixed Maturity Plan-Quarterly series 6	10,000	-
10,00,000 (2006-10,00,000) Units of Rs.10/-each in Grindlays Fixed Maturity Plan 20 Growth Option	10,000	10,000
50,00,000 (2006-50,00,000) Units of Rs.10/-each in Grindlays Fixed Maturity Sixth Plan Growth Option	50,000	50,000
Nil (2006-9,93,985) Units of Rs 10/-each in HDFC Floating Rate Income Fund-STP Monthly Dividend Payout	-	10,066
Nil (2006-2,34,242) Units of Rs 10/-each in HDFC Monthly Income Plan -STP-Quarterly Dividend Payout	-	2,500
Nil (2006 -18,98,648) units of Rs 10/- each in HDFC Multiple Yield Fund- Growth	-	21,000
Nil (2006 --21,00,000) units of Rs 10/- each in HDFC Multiple Yield Fund-Plan 2005 Growth	-	21,000
Nil (2006 --19,93,566) units of Rs 10/- each in JM Floater Fund-STP-Dividend Payout	-	20,063
Nil (2006 --5,09,845) units of Rs 10/- each in Kotak Cash Plus Dividend Reinvestment	-	5,098
10,00,000 (2006-Nil)Units of Rs.10/- each in Kotak FMP-15 months series 1 Growth option	10,000	-
10,00,000(2006-Nil) Units of Rs.10/-each in Kotak FMP-6 months series 3 dividend payout	10,000	-
Nil (2006 --4,77,862) units of Rs 10/- each in Kotak Income Plus Monthly Dividend Reinvestment	-	5,145
Nil (2006 --5,00,000) units of Rs 10/- each in Pru ICICI Blended Plan-Plan A Dividend Payout	-	5,000
6,22,176(2006-Nil) units of Rs.10/- each in Prudential ICICI Floating Rate Fund growth	7,458	-
1,66,179(2006-Nil) Units of Rs.10/- each in Prudential ICICI Liquid Plan Growth Option	3,020	-
Nil (2006-5,23,669) Units of Rs.10/-each in Sundaram Money Fund Institutional Plan Monthly Dividend Payout	-	5,319
Nil(2006-953) Units of Rs.1000/-each in Tata Liquid Fund HIP Growth Option	-	1,046
	271,308	307,234
Less:Diminution in value of investments	-	(59)
	271,308	307,175
Refer Note 26 (I-a&b) for details of purchases and sales of investments during the year.	697,290	370,007
Book value of quoted Investments	140,713	123,815
Book value of Unquoted Investments	425,982	62,832
Book value of Investments in Mutual Funds	130,595	183,360
	697,290	370,007
Aggregate market value of quoted Investments	153,630	167,339
Aggregate NAV of investments in Mutual Fund	138,439	189,580

7. DEFERRED TAX LIABILITIES (NET)

	2007	2006
Deferred tax represents timing difference including those non-reversable during tax holiday period considering the reasonable estimation of profitability of wind turbines during that period in terms of Accounting Standard 22 and clarifications issued by the Institute of Chartered Accountants of India in this respect. Various components of deferred tax assets and liabilities are as follows:		
Depreciation	(91,329)	(99,738)
Others	1,191	156
	(90,138)	(99,582)

8. INVENTORIES

	2007	2006
Raw material and components, including goods-in-transit	130,664	138,651
Work-in-progress	158,205	81,712
Merchanting goods, including goods-in-transit	62,334	65,463
	351,203	285,826

9. SUNDRY DEBTORS (unsecured)

	2007	2006
Outstanding for more than six months		
Considered good	20,211	8,176
Considered doubtful	6,000	6,000
	26,211	14,176
Others		
Considered good	233,640	238,464
	259,851	252,640
Less: provision for doubtful debts	(6,000)	(6,000)
	253,851	246,640

10. CASH AND BANK BALANCES

	2007	2006
Cash in hand	669	624
Cheques on hand	-	94,572
Balances with scheduled banks		
- in Cash Credit	21,151	17,919
- in Current accounts	74,796	51,078
- Dividend accounts (restricted)	407	314
Deposit accounts, including margin money of Rs.14,573 (2006 - Rs. 11,189)	18,463	15,079
	115,486	179,586

11. LOANS AND ADVANCES

	2007	2006
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	43,856	33,740
Deposits	7,189	4,792
Balances with customs and excise authorities	11,158	6,944
Other receivables	7,745	6,018
Advance Payment of Tax (net of provision)	8,011	-
	77,959	51,494

Disclosure under clause 32 of the Listing Agreement:

Loans and Advances to Employees

	Max.Amt.outstanding during 2006-07	Outstanding at the end of the year
Housing Loan to employees (Interest @ 5%)	2,357	2,037
Other loans and advances (Interest free)	409	385

12. CURRENT LIABILITIES

	2007	2006
Acceptances	12,733	27,271
Sundry creditors		
-Payable to Small Scale Industrial undertakings	3,227	4,440
-Others	85,747	61,611
Unclaimed dividends and fixed deposits*	457	364
Advances from customers	62,062	15,831
Accrued expenses and other liabilities	35,678	34,524
	199,904	144,041

* These amounts are not yet due to be credited to Investors Education & Protection Fund.

The names of small-scale industrial undertakings to whom the amount outstanding (but not due) for more than 30 days as at March 31, 2007, are given below:

Apsara Industries	Insap Engineers Pvt Ltd	Sharp Engineering Works	Sekar Engineering Works
Fluidmech Equipment	Precise Hydraulics	Seva Industry	Venkateswaraa Engineering

The above information has been complied in respect of parties to the extent to which they could be identified as small-scale industrial undertakings on the basis of information available with the Company.

13. PROVISIONS

	2007	2006
Provision for tax, net		17,616
Proposed final dividend	31,442	32,098
Dividend distribution tax	5,344	4,502
Provision for warranty claims	12,118	14,603
	48,904	68,819

14. REVENUES

	2007	2006
Sale of drills / Construction Equipment	464,925	488,343
Sale of spares	374,298	379,054
Gross Sales	839,223	867,397
Less: Excise Duty	(66,120)	(58,142)
Net Sales	773,103	809,255
Sale of power	58,486	61,775
Service income	44,985	42,814
	876,574	913,844

15. OTHER INCOME

	2007	2006
Dividend from mutual funds and other investments from		
- Long term	20,080	19,741
- Current	5,353	9,132
Profit on sale of investments (net)		
- Long term	13,985	9,768
-Current	8,553	3,024
Interest on investments and deposits (gross of tax deducted at source of Rs. 739 (2006 - Rs. 382) includes Rs.1065 (2006 - Rs. 681) towards interest received on Income Tax Refunds	3,756	4,581
Profit on sale of fixed assets	51	94
Others	1,298	1,430
	53,076	47,770

16. COST OF MATERIALS

	2007	2006
Raw material and components consumed		
Opening stock	138,651	46,430
Add: Purchases	385,899	399,568
Less: Closing stock, including raw material and components in-transit	(130,664)	(138,651)
	393,886	307,347
Purchase of merchanting components	129,850	159,367
Processing charges and purchase of materials through sub-contractors	25,405	18,550
Decrease/(increase) in work-in-progress and merchanting components	(73,364)	18,021
	475,777	503,285

	2007	2006
17. EMPLOYEE COSTS		
Salaries, wages, allowances, bonus etc	40,255	34,422
Contribution to provident and other funds	6,664	5,378
Staff welfare expenses	8,305	3,649
	55,224	43,449
18. MANUFACTURING AND OTHER EXPENSES		
Consumption of stores, spares, small tools, jigs and fixtures	8,895	5,737
Power and fuel	4,088	3,802
Rent	3,045	2,385
Repairs and maintenance		
Buildings	4,848	2,207
Plant and machinery	1,331	623
Others	2,093	1,260
Insurance	3,147	3,158
Rates and taxes	2,384	1,597
Travelling and conveyance	23,652	19,679
Freight, clearing and packing	11,150	6,992
Legal and professional charges	13,353	9,137
Directors' sitting fees	56	50
Directors' Commission	400	400
Selling commission	19,605	20,725
Write-down in the value of Current Investment	-	59
Exchange loss, net	815	3,146
Bad debts and advances written-off (net of recoveries Rs.37 (2006 - Rs. 19))	2,728	1,283
Miscellaneous expenses	27,581	16,906
	129,171	99,146
19. INTEREST AND FINANCIAL CHARGES		
Interest		
Fixed loans	20,761	22,057
Cash credit	7,701	6,526
Others	11	404
Bank charges	5,704	4,932
	34,177	33,919
20. PROVISION FOR TAXES		
Current tax	51,000	24,500
Deferred tax	(9,444)	24,324
Fringe Benefit Tax	1,775	2,400
	43,331	51,224
21. CONTINGENT LIABILITIES		
Claims against the Company not acknowledged as debts		
Customer claims for damages	3,678	3,678
Income-tax	4,132	4,100
	7,810	7,778
22. CAPITAL COMMITMENTS		
On account of intangible assets	2,900	574
On account of tangible assets	495	773
	3,395	1,347
23. RESEARCH AND DEVELOPMENT EXPENDITURE		
Research and development expenditure	18,567	17,978

24. SUPPLEMENTARY DATA

a. Managerial remuneration

(i) Executive Chairman & Managing Director	2007		2006	
	Executive Chairman Mr.Abhishek Dalmia	Managing Director Mr.P.M.Rajanarayanan	Executive Chairman Mr.Abhishek Dalmia	Managing Director Mr.P.M.Rajanarayanan
Salary	2580	1361	2580	1173
Commission	-	1229	-	1569
Contribution to provident and other funds	912	479	912	414
Perquisites and other benefits	1048	944	1048	814
	4540	4013	4540	3970
(ii) Non Executive Directors				
Commission	400	-	400	
Total Managerial remuneration		8953		8,910

b. Computation of net profit in accordance with section 349 of the Companies Act, 1956

	2007	2006
Net profit before tax	168,598	218,658
Add: Managerial remuneration	8,953	8,910
Directors' sitting fees	56	50
Depreciation in the books of account	66,703	63,156
Loss on Sale of Fixed Assets	-	2
Loss on sale of Investments (including Notional Loss, if any)	2,158	1,428
	246,468	292,204
Less: Depreciation under section 350 of the Companies Act, 1956	66,703	63,156
Profit on sale of fixed assets	51	94
Profit on sale of Investment	24,696	14,161
Net profit under section 349 of the Companies Act, 1956	155,018	214,793
Maximum commission payable to Managing Director at 1 percent	1,550	2,148
Restricted to	1,229	1,569
Maximum commission payable to non-executive directors at 1 percent	1,550	2,148
Restricted to	400	400

Criteria of making payments to non - executive directors
(Clause 49 (IV)(E)(iii)of the listing agreement)
Non-executive Directors' remuneration are being recommended based on growth in book value not exeeding 1% of the net profit determined under Sec 349 of the Companies Act 1956. However consultancy fee shall be paid based on separate contract entered into with them for the services rendered.

Number of Equity shares held by non-executive directors :

Mr.Chaitanya Dalmia	Nil	Mr.S.C.Katyal	- 9290
Mr.V.S.Rajan	Nil	Mr.Ravindra Kumar Gilani	- Nil

c. Payments to auditors

(included in Miscellaneous expenses, excluding service tax)

	2007	2006
As auditors	230	230
Other services	130	133
Reimbursement of out-of-pocket expenses	311	257
	671	620

d. Value of imports on CIF basis

	2007	2006
Raw material, components and traded goods	170,270	166,591
	170,270	166,591

	2007	2006
e. Expenditure in foreign currency		
Travel	588	1071
Selling commission	524	722
Technical know-how	1,632	6,407
Others	-	5
	2,744	8205

f. Consumption of raw material and components

	Unit	2007 Quantity	2007 Value	2006 Quantity	2006 Value
Under carriage assemblies	Nos	37	21,860	26	17,425
Compressors and accessories	Nos	44	17,085	33	24,589
Electrical components		*	69,984	*	47,715
Hydraulic components		*	80,467	*	53,706
Pipes and valves		*	34,314	*	31,184
Gear/chain assemblies		*	38,807	*	17,309
Others (individually less than 10 per cent of total consumption)		*	131,369	*	115,419
			393,886		307,347

* It is not practicable to furnish quantitative information in view of the considerable number of items, with diverse size and nature.

Note:
The above figures are after adjustment of excesses and shortages ascertained on physical count and write off of obsolete and other items.

g. Consumption of imported and indigenous raw material, components, stores and spares

	2007 Value	2007 Percent	2006 Value	2006 Percent
Consumption of raw material and components				
Imported	134,795	34.22	81,546	26.53
Indigenous	259,091	65.78	225,801	73.47
	393,886	100.00	307,347	100.00
Consumption of stores and spares				
Indigenous	8,895	100.00	5,737	100.00
	8,895	100.00	5,737	100.00

Note:
See comments in Note 24(f) above.

	2007	2006
h. Earnings in foreign exchange		
FOB value of exports	61,624	49,458
	61,624	49,458

i. Purchase of merchanting goods

	2007 Quantity	2007 Value	2006 Quantity	2006 Value
Compressors	13	6,785	23	10,074
Others	*	123,065	*	149,293
		129,850		159,367

* It is not practicable to furnish quantitative information in view of the considerable number of items, with diverse size and nature.

j. Inventories and sales

	Unit	Opening stock Quantity	Opening stock Value	Sales Quantity	Sales Value	Closing stock Quantity	Closing stock Value
2007							
Waterwell rigs, blast hole rigs & Construction equipments	Nos	-	-	66	408,723	-	-
Merchanting goods	Nos	*	65,463	*	364,380	*	62,334
Power	KWH	0	-	20811070**	58,486	0	-
			65,463		831,589		62,334
2006							
Waterwell rigs, blast hole rigs & Construction equipments	Nos	-	-	45	439,191	-	-
Merchanting goods	Nos	*	57,121	*	370,064	*	65,463
Power	KWH	0	-	22020240***	61,775	-	-
			57,121		871,030		65,463

* It is not practicable to furnish quantitative information in view of the considerable number of items, with diverse size and nature.
**Billed (net of Unit 104,882 taken for consumption)
***Billed (net of Unit 110,774 taken for consumption)
Note:
Manufactured components represent components sold during the year and those identified for spares sales.

k. Installed capacity and production

Class of goods	Unit	Installed capacity 2007	Installed capacity 2006	Production quantity 2007	Production quantity 2006
Waterwell and blast hole rigs, Cons. Equipment	Nos	100*	100*	66	45
Manufactured components (see note)		**	**	**	**
Power	KWH	11150 (per hour)	11150 (Per hour)	21,497,894	22738675***

* As certified by the management and relied upon by the auditors. The installed capacity is subject to product mix, utilisation of plant and machinery and availing of sub-contracting facilities.
** It is not practicable to furnish quantitative information in view of the considerable number of items, with diverse size and nature.
*** as per the meter reading certified by the developer
Note: Manufactured components represent the components used for manufacture of waterwell and blast hole rigs, those sold during the year and those identified for spares sale.

l. A) Statement of purchases and sales/redemptions of investments other than shares during the year

	Purchases Value	Sales/Redemptions Value
Current, quoted		
Birla Mutual Fund	200,257	198,902
Chola Mutual Fund	230,119	228,630
HDFC Mutual Fund	110,341	169,337
ING Vysya Mutual Fund	5,000	5,000
JM Mutual fund	20,000	40,212
Kotak Mutual Fund	50,885	41,707
Prudential ICICI Mutual Fund	178,631	173,750
Standard Chartered Mutual Fund	10,000	-
Sundaram Mutual Fund	45,043	50,355
Tata Mutual Fund	10,000	11,278
	860,276	919,171

B) Statement of purchases and sales of investments in shares during the year

	Purchases Value	Sales Value
Aditya Birla Nuvo	22,723	27,443
All Cargo Logistics	30,669	30,985
Andhra Sugar	-	2,398
Ashiana Housing	28,247	93
Birla Global Finance	5,782	5,782
Bharat Petroleum Corporation Ltd	-	2,511
Dwarakesh Sugars	-	134
Flex Industries	-	58
Great Eastern Shipping	-	1,233
Hindustan Lever	-	3,457
Hindustan Motors	-	209
Hindustan Petroleum Corporation	-	4,824
Indian Oil Corp	-	6,270
Indian Petro Chem	-	269
Ingersol Rand	-	399
Jet Airways	-	246
Lakshmi Vilas Bank	11,886	-
LINC Pen	1,039	4,134
Maha nagar Telephone Nigam	12,794	-
Monarch Catalyst Pvt Ltd	62,400	-
Mphasis BFL Software	-	3,963
Petronet LNG	-	303
Potential Service Consultants Pvt.Ltd	300,750	-
PNB Gilts	-	1,940
Pricol India	-	162
Reliance Energy Ventures	-	112
South Indian Bank	-	4,512
Tata Tele Services	-	502
TISCO	-	3,450
Union Bank of India	-	7,319
	476,290	112,708

m. Related Party Disclosure

1. Enterprises where control exists:
   Utkal Investments Limited - Holding Company

2. Other related party with whom the company had transactions, etc.

(i) Key Management Personnel & their relatives :	
Mr. Abhishek Dalmia	Executive Chairman
Mr. Chaitanya Dalmia	Director
Mr. P. M. Rajanarayanan	Managing Director
Mrs. R. Radha	Relative of Managing Director
(ii) Mr. S.C. Katyal	Director / Consultant
(iii) Sri Hari Investments	Partnership firm where two directors are partners.

3. Associate Companies:
   Potential Service Consultants Pvt. Ltd.
   Monarch Catalyst Pvt. Ltd.

4. Disclosure of transactions between the related parties & the status of outstanding balances as on 31st March, 2007

(Rs. in 000's)

2006-07

	Holding	Partnership Firm	Key Management Personnel & their relatives	Director / Consultant
Rent expense	660		271	-
Directors sitting fees			10	46
Shares purchased at market price		6073		
Shares sold at market price		6074		
Dividend Income				
Consultancy Fee				2,199
Balances as on 31st March, 2007				
(a) Payable-remuneration			1229	400
(b)Rental Deposit			226	

	2005-06 Holding	Partnership Firm	Key Management Personnel & their relatives	Director / Consultant
Rent expense	660		271	-
Directors sitting fees			6	16
Shares purchased at market price		-		
Shares sold at market price		-		
Remuneration to Key Management Personnel -Refer Note 24 (a)				
Consultancy Fee				2033
Balances as on 31st March, 2006				
(a) Payable-remuneration			1569	
(b)Rental Deposit			226	100

27. SEGMENT REPORTING

In view of the commencement of the commercial operation of the power project during the year, the disclosure requirement under "Segment Reporting" as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India is given below:

A : PRIMARY SEGMENT (Business Segment) (Rs. in 000's)

	2007	2006
1. Segment Revenue		
Construction & Mining	818,088	852,069
Power	58,485	61,775
Net Sales/income from operation	876,573	913,844
2. Segment Results		
Construction & Mining	170,132	217,283
Power	4,167	7,583
Total	174,299	224,866
Add: Other un-allocable income net off	22,772	22,779
un-allocable expense	197,071	247,645
Less: Interest	28,473	28,987
Profit before tax	168,598	218,658
Current Tax	51,000	24,500
Deferred Tax	(9,444)	24,324
Fringe Benefit Tax	1,775	2,400
Profit after tax	125,267	167,434

3. Segment Assets and liabilities	Asset	Liabilities	Asset	Liabilities
Construction & Mining	718,613	202,349	625,762	148,320
Power	397,812	8,500	450,412	8,500
	1,116,425	210,849	1,076,174	156,820
Unallocated Corporate assets and liability	822,392	92,499	549,749	155,778
Total	1,938,817	303,348	1,625,923	312,598

4. Capital Expenditure and Depreciation	Capital Expenditure	Depreciation	Capital Expenditure	Depreciation
Construction & Mining	17,317	12,919	19,952	9,476
Power	-	53,360	57,350	53,083
	17,317	66,279	77,302	62,559
Unallocated Corporate assets and liability	-	424	-	598
Total	17,317	66,703	77,302	63,157

B. SECONDARY SEGMENT (Geographical segment)

	2007			
	Revenue	**Asset**	**Liabilities**	**Capital Expenditure**
Within India	815,001	1,932,535	222,389	15,652
Outside India	61,572	6,282	80,959	-
	2006			
	Revenue	Asset	Liabilities	Capital Expenditure
Within India	870,794	1,615,253	292,441	76,384
Outside India	43,050	10,670	20,157	-

C. SEGMENT INFORMATION

1) Segments have been identified in line with the Accounting Standard AS- 17 taking into account the organisation structure as well as the difference in risk and return.

2) The Company has disclosed Business Segment as the primary segment. These have been identified on the basis of the products of the company. Accordingly, the company has identified 'Construction & Mining' and 'Power' as the operating segments:

3) Composition of business segment

Name of Segment

Construction & Mining: Comprising of manufacturing and sale of Blast hole drills, Water well drills, Trac drills, Batching Plant, Concrete Pump, Transit Mixture and their spares; trading of spares; annual maintenance of the equipments

Power : Generation and sale of power

4) The segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and administrative expenses allocated on a reasonable basis as estimated by the management.

5) As part of secondary reporting revenues are attributed to geographic areas and therefore the analysis of geographical segment is demarcated into its India and outside India operations.

26 WARRANTIES

Disclosures as required in terms of Accounting Standard 29 " Provisions, Contingent Liabillities and Contingent Assets" becoming mandatory with effect from this year.

	2006-07	**2005-06**
Opening Balance as on 1/4/2006	14,602	14,285
Provided during the year	5,591	9,383
Amounts used during the year	8,075	9,066
Closing Balance as on 31/3/2007	12,118	14,602

27 PRIOR YEAR COMPARATIVES:

Prior year comparatives have been reclassified to conform with the current years presentation,wherever applicable.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(All amounts in thousands of Indian Rupees)

(a) Registration details

Registration number	:	TZ-780
State code	:	18
Date of balance sheet	:	March 31, 2007

(b) Capital raised during the period

Public issue	:	Nil
Rights issue	:	Nil
Bonus issue	:	Nil
Private placement	:	Nil

(c) Position of mobilisation and deployment of funds

Total liabilities and shareholders' funds	:	1,688,818
Total assets	:	1,688,818
Sources of funds		
Paid-up capital	:	31,442
Reserves and surplus	:	1,018,103
Secured loans	:	549,135
Unsecured loans	:	-
Application of funds		
Net fixed assets	:	441,837
Investments	:	697,290
Net current assets	:	549,691

(d) Performance of the Company

Turnover	:	876,574
Other income	:	53,076
Total expenditure	:	761,052
Profit before tax	:	168,598
Profit after tax	:	125,267
Earning per share (in Rs)	:	39.09
Dividend rate (%)	:	100%

(e) Generic names of three principal products/services of the Company

Item Code No (ITC Code)	:	8430 6900
Product Description	:	Blasthole drilling rigs
Item Code No (ITC Code)	:	8430 6900
Product Description	:	Ram trac drilling rigs
Item Code No (ITC Code)	:	8705 9000
Product Description	:	Waterwell drilling rigs
Item Code No (ITC Code)	:	8705 4000
Product Description	:	Concrete Mixer
Item Code No (ITC Code)	:	8413 4000
Product Description	:	Concrete Pumps
Item Code No (ITC Code)	:	8474 3110
Product Description	:	Concrete Batching Plant

The Board of Directors
Revathi Equipment Limited

1 We as required in terms of your letter dated 20th April, 2007 have reviewed the attached consolidated Balance Sheet of Revathi Equipment Limited and its associate companies (the Company) as on 31.3.07 and also consolidated Profit & Loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review as required in terms of the said letter.

2 We conducted our review in accordance with the Auditing and Assurance Standard (AAS) 33, "Engagements to Review Financial Statements" issued by the Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

3 The consolidated financial statements have been prepared voluntarily following the principles and policies stated in Note 1 and 2 of Schedule 14. The Companies consolidated are not the subsidiaries of Revathi Equipment Limited and therefore no such consolidation is required in terms of Accounting Standard 21 (AS 21-Consolidated Financial Statements) issued by the Institute of Chartered Accountants of India. Accordingly, we are neither required nor we are hereby confirming the truth and fairness of the said consolidated financial statement as required in terms of said accounting standard.

4 Based on the above, we report that

(i) We did not audit the financial statements of the associate companies whose financial statements reflect total assets of Rs.8,92,239 thousand as at 31st March 2007 and total revenues of Rs.10,62,683 thousand for the year ended on that date as considered in the consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our report so far as it relates to the amounts included in respect of the said associates is based solely on the report of the other auditors.

(ii) As indicated in Note 1 of Schedule 14 of the financial statement of the associated companies have been consolidated with effect from 1st April 2006, even though the shares of these companies have been acquired on subsequent dates as given in the said note. In absence of any such statement and relevant details prior and subsequent date to the acquisition of the shares impact thereof on the various figures of consolidated financial statements including the amount of goodwill computed and incorporated therein as such has not been ascertained.

(iii) As given in Note 2.2, 2.11 and 2.5 of Schedule 14 material impacts, if any, of the varying accounting policies with respect to depreciation, leave encashment policy and valuation of raw materials followed by the associate companies on the consolidated Financial Statements have not been ascertained and given effect to for the purpose of consolidation.

(iv) Goodwill as given in Note No. 2.14 has not been amortized and impact thereof on the financial statement has not been ascertained.

5 We further report that overall impact with respect to Para 1 and 4 above cannot be ascertained and commented upon by us and consequential effect on consolidated profit for the year and respective balances of assets / liabilities cannot be determined.

6 Subject to our comments in para 4(ii to iv) and 5 above, we report that nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Company has not been presented fairly in all material respect in accordance with the policies and procedures stated therein.

For **Lodha & Co.**
Chartered Accountants

Place: Kolkata
Date: 18th May, 2007

R.P. Singh
Partner
Membership No. 52438

REVATHI EQUIPMENT LIMITED

CONSOLIDATED BALANCE SHEET -- MARCH 31, 2007

	Schedule		As at 31st March, 2007 (Rs. In '000)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1		31,442
Reserves and Surplus	2		1,074,775
Other Shareholders' interest			
Share Capital		47,815	
Reserves		209,508	257,323
LOAN FUNDS			
Secured Loans	3		775,592
DEFERRED TAX LIABILITIES (Net) (NOTE No. 7 OF SCHEDULE 14)			104,773
TOTAL			2,243,906
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	1,286,854	
Less: Depreciation		240,857	
Net Block		1,045,997	
Add: Capital work in progress		1,665	1,047,662
Plant under construction			22,036
INVESTMENTS	5		343,111
CURRENT ASSETS, LOANS AND ADVANCES	6		
Inventories		441,930	
Sundry Debtors		516,373	
Cash and Bank Balances		182,850	
Loans and Advances		148,492	
		1,289,646	
LESS: CURRENT LIABILITIES AND PROVISIONS	7		
Current Libilities		349,680	
Provisions		108,870	
		458,550	
NET CURRENT ASSETS			831,096
TOTAL			2,243,906
NOTES	14		

The Schedules referred to above form part of the Balance Sheet.
This is the Consolidated Balance Sheet referred to in our certificate of even date.

Lodha & Co Chartered Accountants	**Abhishek Dalmia** Executive Chairman	**P.M.Rajanarayanan** Managing Director
R.P.Singh Partner Membership Number: 52438	**M.N. Srinivasan** Company Secretary	**S.Hariharan** Vice President (Finance)
Kolkata May 18, 2007	Coimbatore May 18, 2007	

REVATHI EQUIPMENT LIMITED
CONSOLIDATED PROFIT & LOSS ACCOUNT -- MARCH 31, 2007

	Schedule		Year ended 31st March, 2007 (Rs. In '000)
INCOME			
Sales of Goods & Services	8		1,855,059
Other Income	9		55,368
			1,910,427
EXPENDITURE			
Cost of materials	10		921,820
Employee costs	11		168,340
Manufauring and other expenses	12		269,431
Interest and financial charges	13		58,711
Depreciation	4		82,468
Less: Transferred from Revaluation Reserve			(26)
			1,500,743
Pofit before taxes			409,684
Provision for Taxation			
Current		130,171	
Deferred		(3,191)	
FBT		2,766	129,745
Profit After Taxation			279,939
Less: Other Shareholders' interest in income			108,779
NetProfit / (Loss)			171,161
PROFIT AND LOSS ACCOUNT, beginning of the year			491,146
Profit available for appropriation			662,307
Proposed dividend			31,442
Provision for Dividend Distribution Tax			9,234
Transfer to General Reserve			40,183
PROFIT AND LOSS ACCOUNT, end of the year			581,448
Earnings per Share (Basic and Diluted) (Note 9 on Schedule 14)			53.41

NOTES
The Schedules referred to above form part of the Profit & Loss Account
This is the Consolidated Profit & Loss referred to in our certificate of even date.

Lodha & Co
Chartered Accountants

R.P.Singh
Partner
Membership Number: 52438

Kolkata
May 18, 2007

Abhishek Dalmia
Executive Chairman

M.N. Srinivasan
Company Secretary

Coimbatore
May 18, 2007

P.M.Rajanarayanan
Managing Director

S.Hariharan
Vice President (Finance)

REVATHI EQUIPMENT LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	Year ended 31st March, 2007 (Rs. In '000)
1 SHARE CAPITAL	
AUTHORISED	
3,500,000 Equity Shares of Rs.10/- each	35,000
	35,000
ISSUED, SUBSCRIBED AND PAID UP	
3,144,200 equity shares of Rs. 10/- each fully paid up	31,442
	31,442
2 RESERVES AND SURPLUS	
Capital Reserve	149
Capital Redemption Reserve	2,339
Share Premium Account	14,669
Revaluation Reserve	3,677
General Reserve	472,494
Profit and Loss Account	581,448
	1,074,775
3 LOAN FUNDS	
SECURED LOANS	
Long Term Loan from Banks & Financial Institutions	514,824
Cash Credit/ Export Packing Credit/ Working Capital	258,359
Vehicle loans	2,409
	775,592

4 FIXED ASSETS

(Rs. In '000)

	Gross Block				Depreciation				Net Block
	Original / Revalued Cost of Assets as at 01.04.2006	Additions during the year	Original / Revalued Cost of Assets Sold/ Discarded / Adjusted	Total cost / Revaluation to 31.03.2007	Depreciation upto 31.03.2006	Depreciation for the year	Depreciation on Asset sold/ Adj.	Total Depreciation Written off to date	Balance As at 31.03.2007
TANGIBLE ASSETS									
Freehold Land	43,081	521	-	43,602	-	-	-	-	43,602
Buildings	85,459	* 27,157	-	112,616	11,132	3,025	-	14,157	98,459
Plant & Machinery	664,900	46,584	1,488	709,996	109,211	62,217	735	170,693	539,303
Production tooling	7,049	2,481	-	9,530	5,872	1,714	-	7,586	1,944
Data processing equipment	26,501	9,752	739	35,514	17,643	4,446	739	21,350	14,164
Furniture and fittings	5,704	7,006	-	12,710	2,692	656	-	3,349	9,362
Leasehold improvements	-	4,458	-	4,458	-	202	-	202	4,256
Office equipment	5,233	3,920	50	9,103	2,460	681	6	3,135	5,967
Vehicles	11,415	842	5	12,252	3,346	2,263	1	5,608	6,644
R&D Equipment	6,163	1,370	-	7,533	879	464	-	1,344	6,190
INTANGIBLE ASSETS									
Goodwill on consolidation	-	308,145	-	308,145	-	-	-	-	308,145
Intangible Asset-Tech knowhow	13,551	656	-	14,207	4,731	5,119	-	9,850	4,357
Intangible Asset-computer software	5,070	2,118	-	7,188	1,903	1,680	-	3,583	3,604
Total	874,125	415,011	2,282	1,286,854	159,870	82,468	1,481	240,857	1,045,997
Capital Work-in-progress	918			1,665					

1. * Includes depreciation of Rs 26 (2006 – Rs 26) transferred from revaluation reserve.

2. Cost of plant and machinery includes Rs.142 (2006 – 142) in respect of assets given on lease. The accumulated depreciation on these asset Rs.134(2006– Rs 127)

3. The Company had revalued its freehold land and buildings on June 30, 1985. The net amount added to the cost of fixed assets on such revaluation was Rs 4,239, under the following asset heads:

Freehold land	265
Buildings	3,974
	4,239

REVATHI EQUIPMENT LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

			Year ended 31st March, 2007 (Rs. In '000)
5 INVESTMENTS			
Long Term			
Quoted Shares			
In fully paid up equity shares			140,713
Unquoted			
In Mutual Fund			12,832
In fully paid up equity shares			50,088
Current			
Mutual Funds			139,479
Total			343,111
6 CURRENT ASSETS, LOANS AND ADVANCES			
INVENTORIES - At lower of cost or net realisable value			
Raw Materials		171,407	
Work-in-process		188,533	
Merchanting goods, including goods-in-transit		81,991	441,930
SUNDRY DEBTORS			
(Unsecured, unless stated otherwise below)			
Debts outstanding for more than six months			
Considered good		30,758	
Considered doubtful		6,000	
		36,758	
Others			
Considered good		485,616	
		522,373	
Less: Provisions for doubtful debtors		(6,000)	516,373
CASH AND BANK BALANCES			
Cash in hand		695	
Cheques in hand		3,663	
Balances with scheduled banks -			
- in Cash Credit		21,151	
- in Current accounts		90,227	
- Dividend accounts (restricted)		407	
Deposit accounts, including margin money of Rs. 14,573		66,707	182,850
LOANS AND ADVANCES			
(Unsecured, unless stated otherwise below)			
Advances Recoverable in Cash or in Kind or for value to be received		113,894	
Deposits		13,201	
Balance with Central Excise, Customs, Port Trust, etc.		13,215	
Other Receivables		8,183	148,492
			1,289,646

REVATHI EQUIPMENT LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

		Year ended 31st March, 2007 (Rs. In '000)
7 CURRENT LIABILITIES AND PROVISION		
LIABILITIES		
Acceptances	12,733	
Advances from customers	62,062	
Sundry Creditors	199,398	
Accrued Expenses and Other Liabilties	75,030	
Unpaid Dividends	457	349,680
PROVISIONS		
Provision for tax, net	50,220	
Proposed final dividend	31,442	
Dividend distribution tax	6,870	
Provision for Gratuity	8,221	
Provision for warranty claims	12,118	108,870
		458,550

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

8 SALES OF GOODS AND SERVICES		
Sales	1,608,645	
Less: Excise Duty And Cess	(142,128)	1,466,516
Other Services and Products		
Sale of power		58,486
Service income		44,985
Professional fees		285,072
		1,855,059
9 OTHER INCOME		
Income from Investments		
Dividend		21,152
Interest		3,756
Profit/(Loss) on Sale of Fixed Assets (Net)		(320)
Profit/(Loss) on Sale of Investments (Net)		23,064
Interest from banks		476
Sundry Income		7,240
		55,368
10 COST OF MATERIALS		
Raw material and components consumed		
Opening stock		152,353
Add: Purchases		880,449
Less: Closing stock, including raw material and components in-transit		(168,853)
		863,950
Purchase of merchanting components		129,850
Processing charges and purchase of materials through sub-contractors		25,405
Decrease/(increase) in work-in-progress and merchanting components		(97,386)
		921,820

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	Year ended 31st March, 2007 (Rs. In '000)
11 EMPLOYEE COSTS	
Salaries, wages,allowances,bonus etc	138,497
Contribution to provident and other funds	16,013
Staff welfare expenses	13,829
	168,340
12 MANUFACTURING AND OTHER EXPENSES	
Consumption of stores, spares, small tools, jigs and fixtures	11,657
Power and fuel	12,893
Rent	7,820
Repairs and maintenance	
Buildings	5,001
Plant and machinery	5,518
Others	3,088
Insurance	7,253
Rates and taxes	3,814
Travelling and conveyance	35,362
Freight, clearing and packing	19,367
Legal and professional charges	31,844
Directors' sitting fees	56
Directors' Commission	30,642
Selling commission	30,309
Exchange loss, net	815
Bad debts and advances written-off	3,105
Laboratory expenses	2,112
Labour charges (contract)	2,121
Water charges	2,115
Security charges	1,436
Sales tax paid	873
R & D Expenditure	1,434
Miscellaneous expenses	50,795
	269,431
13 INTEREST AND FINANCIAL CHARGES	
Interest	
Fixed loans	20,761
Cash credit	7,701
Others	19,464
Bank charges	10,784
	58,711

14. CONSOLIDATED NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007
(All amounts in thousands of Indian Rupees, unless otherwise stated)

1. a) Principles of Consolidation

The Consolidated Financial Statements of Revathi Equipment Limited ("the Company") and the following Companies ("Associate companies") have been consolidated on the basis as given below:

The financial statements (the Balance Sheet and the Profit & Loss Account) of the Company and associate companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and transactions if any and the resulting unrealized profits or losses.

The financial statements of the associate companies used in the consolidation are drawn upto 31st March 2007, the same reporting date as that of the Company.

The differential with respect to the cost of investments in the associate companies over the Company's portion of equity is recognized as Goodwill or Capital Reserve, as the case may be.

Other Shareholders' Interest in the net assets of the consolidated companies consists of (a) the amount of equity attributable to the other shareholders at the date on which investment in the associate companies is made and (b) the other shareholder's share of movements in equity since the date the acquisition of shares came into existence.

b) The list of associate companies which are included in this Consolidated Financial Statements along with the Company's holdings therein are under:

No	Name of the Company	Voting Power
1.	Potential Service Consultants Pvt. Ltd (Potential)	40 %
2.	Monarch Catalyst Pvt. Ltd (Monarch)	26 %

c) The associate Companies have not prepared the financial statements prior and subsequent to the date of the acquisition given as per 1(b) above. The goodwill computation has been made based on last audited financial statements of "Associate Companies" as at 31st March, 2006.

d) This being the first year of consolidation, comparable figures for the previous year is not available.

2. Significant Accounting Policies

2.1 Basis of Accounting:

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the standards on accounting issued by the Institute of Chartered Accountants of India.

2.2 Fixed assets and depreciation

Fixed assets, other than freehold land and buildings, are stated at cost less accumulated depreciation. Freehold land and buildings of the Company were revalued on June 30, 1985 and are stated at their revalued value. The Company capitalizes all costs relating to the acquisition and installation of fixed assets.

Depreciation is provided using the straight line method except at Potential, where depreciation is provided on written down value method, pro rata to the period of use of the assets, at the annual depreciation rates stipulated in Schedule XIV to the Companies Act, 1956, or based on the estimated useful lives of the assets, whichever is higher, as follows:

Buildings	1.64-3.34
Plant and machinery-other than Wind Turbines	10
Wind Turbines	10.34
Production tooling	20,33.33,50-100
Data processing equipment	25
Furniture and fittings	15
Office equipment	15
Vehicles	20
Intangible assets-computer software	25
Intangible assets-Technical know-how	33.33

Plant and machinery given on operating lease are depreciated over the period of the lease. Depreciation on revalued buildings is charged over their remaining useful life as determined by the valuers. The difference between amount of the depreciation on the revalued building and the depreciation based on the original cost is transferred from the revaluation reserve to the profit and loss account. Individual plant and machinery items, and other assets with an original cost of Rs 5 thousand or less are fully depreciated in the year of acquisition. Assets under finance lease are amortized over the useful life or lease term, as appropriate.

2.3 Impairment of Fixed Assets

Fixed assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of the fixed assets is determined. An impairment loss is recognized, whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is greater of assets' net selling price or its value in use. In assessing value in use, the estimated future cash flows from the use of assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there has been change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss/reversal thereof, which in case of CGU, are allocated to its assets on a pro-rata basis, is adjusted to carrying value of the respective assets.

2.4 Investments

Long-term investments are stated at cost. Provision for diminution is made to recognize a decline, other than temporary, in the value of such investments. Current investments are stated at the lower of cost and market value.

2.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Material costs are determined on a first-in, first-out basis / weighted average and the valuation of manufactured goods represents the cost of material, labour and all manufacturing overheads.

2.6 Revenues

Sale of Equipments and spares are recognised on despatch of goods to customers and are net of excise duty, except in respect of Monarch where gross sales has been shown in the Profit and Loss account. Sale of power is accounted on delivery of electricity to grid in terms of power purchase agreement with the respective state electricity Board/Nigam. Service income is recognised upon rendering of services. Dividends, interests, incentives etc are accounted on accrual basis. Income (Professional fee receipts) is recorded in the books on the basis of achievement of milestones as relevant to each contract/assignment or proportionate completion method as applicable. Expenses are accounted for on their accrual.

2.7 Product warranty costs

Product warranty costs are accrued in the year of sale, based on past experience. Liquidated damages are provided for based on the estimate made by the management.

2.8 Foreign currency transactions

Transactions in foreign currencies are accounted for, at the exchange rate prevailing on the date of transactions. Foreign currency monetary assets and liabilities at the year-end are translated using the closing exchange rates. The loss or gain thereon and also on the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expenses and are adjusted to the respective heads of accounts except in cases where such differences relate to the fixed assets acquired from a country outside India, in which case, the same are adjusted to the cost of the respective assets.

2.9 Research and development costs

Capital expenditure on research and development is included in fixed assets. Other expenditure on research and development is charged to the statement of profit and loss as incurred.

2.10 Retirement benefits

Retirement benefits to employees comprise payments to gratuity, superannuation and provident funds. Annual contributions to gratuity funds are determined on the basis of actuarial valuations at the balance sheet date by the Life Insurance Corporation of India under Group Gratuity Cash accumulation scheme.

2.11 Leave encashment

Liability for employees' leave encashment (other than Monarch Catalyst Pvt. Ltd where Leave encashment is accounted for on cash basis) is provided at current encashable salary rates for the unavailed leave balance standing to the credit of the employees as at the date of the balance sheet in accordance with the rules of the Company.

2.12 Income taxes

Provision for income tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences, which are capable of reversal in one or more subsequent periods. The deferred tax assets and liabilities are recognized using the tax rates and tax laws that have been enacted/substantively enacted on the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is sufficient future taxable income will be available against which such deferred tax assets can be realized.

2.13 Lease Rentals

1) Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

2) Finance Lease -Lease rentals in respect of finance lease are segregated into cost of assets and interest components by applying an implicit Internal Rate of Return. The cost component is capitalised and depreciated over the useful life or lease term, as appropriate and the interest component is charged as periodic cost.

2.14 Goodwill

Goodwill arising on consolidation of associate companies will be amortised from the subsequent year of acquisition.

3. Contingent Liability

Contingent Liabilities not provided for:	As at 31 March, 2007
Claims against the Company not acknowledged as debts (Customer claims for damages)	3,678
Income Tax matters in appeal	4,132
	7,810

4. Capital commitments

On account of intangible assets	2,900
On account of tangible assets	495
	3,395

5. Potential has taken office premises under Operating Lease, which are not non-cancelable and renewable by mutual consent on mutually agreeable terms. Lease rental payments of Rs.3,595 made by the Company during the year has been included in Rent in Schedule 12. As per the terms of the Lease rental agreement, refundable rental deposits have been paid by the Company, amounting to Rs.3,758, which has been included with 'Deposits' under "Loans and Advances" in Schedule 6.

6. During the year, Monarch has incurred losses on capital goods and revenue goods on account of natural calamities like fire, flood, etc. Monarch has raised a claim before the insurance company for the loss of these goods amounting to Rs. 5,283 which has not been settled as on date and therefore the loss, if any, arising on subsequent final settlement by the insurance company will be provided in the year in which the claim is settled.

7. Disclosure of Deferred Tax under Accounting Standard 22 - Accounting for taxes on Income.
Various components of deferred tax assets and liabilities are as follows:

	Closing as on 31st March, 2007
Deferred Tax Assets	
Others	1,825
Deferred Tax Liabilities	
Unabsorbed Depreciation	(106,598)
Deferred Tax Liability (net)	(104,773)

8. Related Party Disclosure:

Revathi Equipment Limited

1. Enterprises where control exists - Utkal Investments Ltd - holding company.
2. Other related parties with whom the company had transactions, etc.

(i) Key Management Personnel & their relatives :

Mr. Abhishek Dalmia	Executive Chairman
Mr. Chaitanya Dalmia	Director
Mr. P.M.Rajanarayanan	Managing Director
Mrs. R.Radha	Relative of Managing Director

(ii) Mr.S.C.Katyal — Director / Consultant

3. Disclosure of transactions between the related parties & the status of outstanding balances as on 31 st March, 2007.

Particulars	Holding	Partnership firm	Key Management & Personnel & their relatives	Director / Consultant
Rent expense	660	-	271	-
Directors sitting fees	-	-	10	46
Shares purchased at market price	-	6,073	-	-
Shares sold at market price	-	6,074	-	-
Consulting fee				2,199
Balance as on 31 st March 2007				
(a) payable remuneration	-	-	1,229	400
Rental deposit			226	-

As on 31 st March, 2006.

Particulars	Holding	Partnership firm	Key Management & Personnel & their relatives	Director / Consultant
Rent expense	660	-	271	-
Directors sitting fees	-	-	6	16
Remuneration to Key Management Personnel Refer Note 24 (a)				
Consulting fee	-	-	-	2,033
Balance as on 31 st March 2006				
(a) payable remuneration	-	-	1,569	-
Rental deposit	-	-	226	100

Potential Service Consultants P Ltd.

As on 31.03.2007

Related party - Partnership firm - PSC and others - Directors Mr.T.S.Gururaj, Mr.B.R.Venkatesa murthy and Mr. B.S. Aswathnarayan all are partners.

Lease rent of Rs. 518,925/= paid to PSC and others.

Directors remuneration Rs. 30,242,055/=.

Monarch Catalyst Pvt. Ltd

As on 31.03.2007

Directors remuneration Rs. 9 Million.

Salary paid to relative of a Director Rs. 182,850/=.

9.Earning Per Share:

Particulars	As at 31st March, 2007
Net Profit / (Loss)	171,161
Number of Equity Shares	3,204
Basic and Diluted Earnings per Share(Rs.)	53.41

10. Segment Reporting

S.No.	Particulars	
1.	Segment Revenue (Net sales / Income from each segment)	
	a)Construction and Mining	818,100
	b)Power	58,500
	c)Specialty & Chemicals	693,400
	d)Engineering Design Services	285,100
	Total	1,855,100
	Un-allocable Revenue	55,400
	Net Sales/Income from operation	1,910,500
2.	SEGMENT RESULTS (Profit before Tax and Interest from each segment)	
	a)Construction and Mining	170,100
	b)Power	4,200
	c) Specialty & Chemicals	139,100
	d) Engineering Design Services	119,100
	Total	432,500
	Less:Interest	(47,900)
	Add/(Less):Other un-allocable expenditure net off un -allocable income	25,200
	Total Profit Before Tax	409,800
3.	CAPITAL EMPLOYED (Segment Assets minus Segment Liabilities)	
	a)Construction and Mining	516,200
	b)Power	389,300
	c) Specialty & Chemicals	511,600
	d) Engineering Design Services	108,500
	Total	1,525,600
	Un-allocable assets and liabilities (net)	613,400
	Capital Employed	2,139,000

11. **Warranties**

Disclosures as required in terms of Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" become mandatory with effect from this year.

	2006-07
Opening balance as on 01/04/06	14,602
Provided during the year	5,591
Amount used during the year	8,075
Closing balance as on 31/03/07	12,118

12. The figures have been given in Rs. / thousands and rounded off to the nearest hundreds. The figures pertaining to the other companies have been regrouped / rearranged wherever considered necessary to bring them in line with the Company's financials statements.

13. Being the first year, in absence of relevant information with respect to balances as on the beginning of the year, the Consolidated Cash Flow statement for the year has not been presented.

As per our certificate of even date

For Lodha & Co
Chartered Accountants

R.P.Singh
Partner
Membership Number: 52438
14, Government Place East,
Kolkata
May 18, 2007

Abhishek Dalmia
Executive Chairman

M.N. Srinivasan
Company Secretary

Coimbatore
May 18, 2007

P.M.Rajanarayanan
Managing Director

S.Hariharan
Vice President (Finance)

Revathi Equipment Limited

TEN YEARS FINANCIAL HIGHLIGHTS

Rs. in million

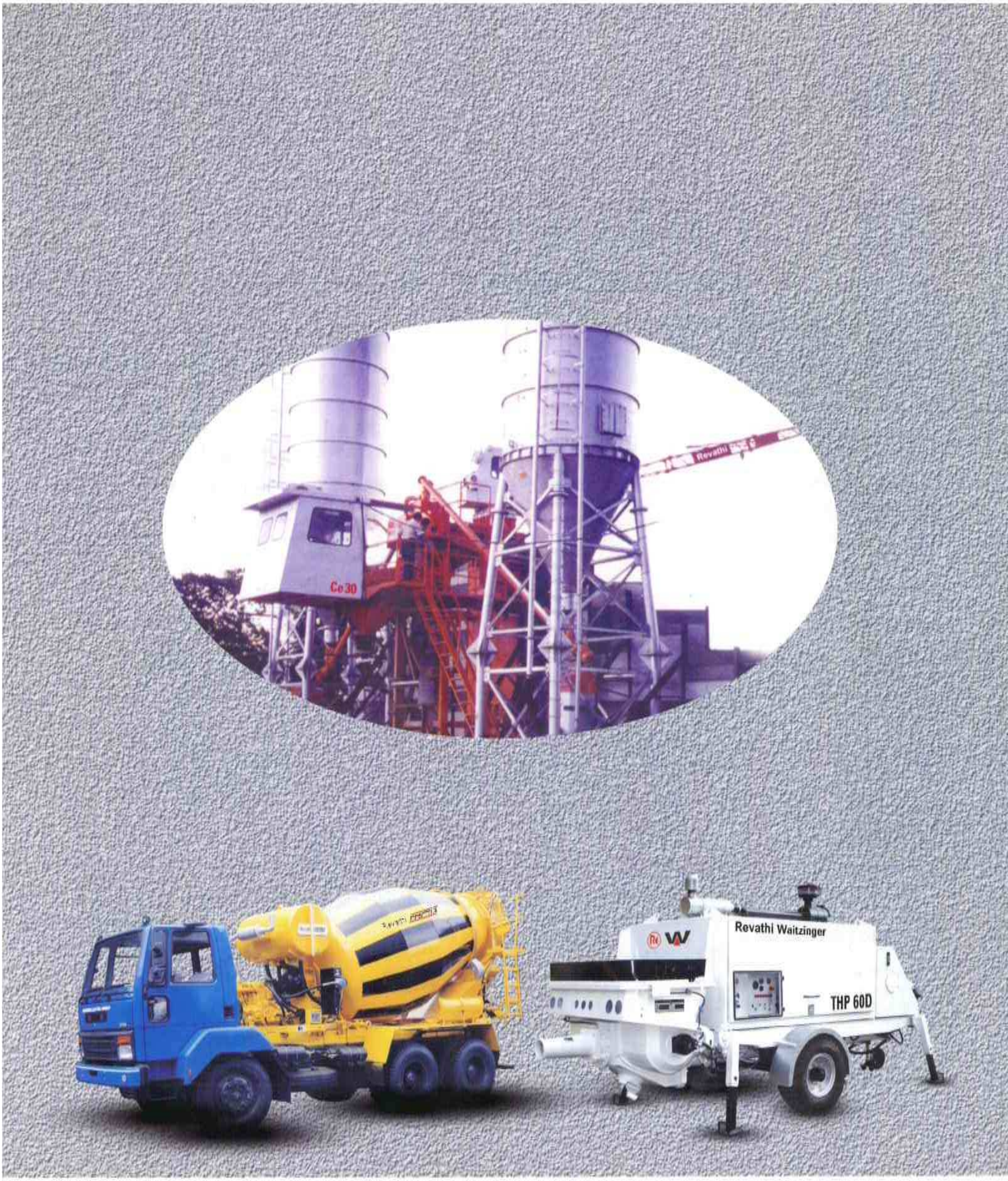
PARTICULARS	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Networth	255	352	445	434	485	529	635	871	1002	1046
Loans	28	7	7	13	3	-	-	444	308	549
Capital employed	283	359	452	447	488	529	635	1315	1310	1595
Revenues	477	638	555	494	470	509	450	656	914	877
Other income	14	14	47	17	33	28	30	49	48	53
EBITDA	151	199	202	175	141	167	170	250	311	264
Interest	2	3	2	1	1	1	-	12	29	28
Depreciation	6	5	5	5	4	4	5	31	63	67
PBT (before exceptional items)	143	191	195	169	136	162	165	207	219	169
Exceptional items	-	-	-	23*	9*	100**	-	150***	-	-
Profit before tax	143	191	195	146	127	62	165	357	219	169
Current tax	47	58	67	57	52	14	35	30	27	53
Deffered tax	-	-	-	-	8	4	15	63	24	9
Profit after tax	96	133	128	89	83	44	115	264	168	125
Shares outstanding	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.14
Book value per share (in Rupees)	79.29	109.59	138.51	135.31	150.98	164.74	197.75	271.35	313.2	352 #
Earning per share (in Rupees)	29.77	41.39	40.02	27.66	25.78	13.76	35.84	82.15	52.16	53 #
Return on networth	38%	38%	29%	20%	17%	8%	18%	30%	17%	13.7% #
Debt equity ratio	0.10:1	0.01:1	0.01:1	0.03:1	0.01:1	-	-	0.51:1	0.31:1	0.52:1
Effective tax rate	33%	30%	34%	39%	35%	29%	30%	26%	23%	26%
Dividend rate	60%	100%	100%	280%	100%	-	25%	75%	100%	100%
Number of shareholders (in numbers)	2832	2919	3187	3183	3721	4418	3907	4183	5271	5681

* Voluntary retirement scheme costs

** Non-solicitation / non-compete fees

*** Compensation received

Based on consolidated results



REVATHI EQUIPMENT LIMITED

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