

20th Annual Report



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Board of Directors

B G Raghupathy
Chairman & Managing Director

S. Rathinam
Director-Finance

V R Mahadevan
Whole Time Director

V K Gupta
Director

G Radhakrishnan
Director

S K Sridhar
Director

Sasikala Raghupathy
Director

Chief Executive Officers

A Swaminathan
Power Projects

Major H L Khajuria
Environmental Engineering

V Balakrishnan
Electrical Projects

P V N Sanjay
Energy

R Ramesh Kumar
President - Corporate & Secretary

GEA Energy System (India) Limited

Statutory Auditor

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

Internal Auditors

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

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

Bankers

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

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Registered Office

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

Corporate Office

443, Anna Salai, Teyanmpet, Chennai - 600 018

Regional Offices

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

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

Notice

To the Members of GEA Energy System (India) Limited

Notice is hereby given that the Twentieth annual general meeting of GEA Energy System (India) Limited will be held at the Registered Office at A-5, Pannamgadu Industrial Estate, Pannamgadu, Ramapuram (Post), Nellore District, Andhra Pradesh on Thursday, the 30th March, 2006 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS

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

SPECIAL BUSINESS

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

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

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

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

- I. Designation : Whole Time Director
- II. Remuneration:
- | | | |
|--------------------------|---|-----------------------|
| (1) Salary | : | Rs.60,000/- per month |
| (2) House Rent Allowance | : | Rs.30,000/- per month |
| (3) Special Allowance | : | Rs.60,000/- per month |

III. Perquisites :

- (a) Reimbursement of medical expenditure incurred for self and family subject to a ceiling of Rs.60,000/- per year.
- (b) Leave Travel Concession for self and family subject to a maximum of Rs.50,000/- per year.
- (c) Fees of clubs subject to a maximum of two clubs; this will not include admission and life membership fee.
- (d) Personal accident and medical insurance for self and family of which the premium not to exceed Rs.10,000/- per year.
- (e) Contribution towards provident fund will be subject to a ceiling of 12% of the salary.
- (f) Gratuity payable shall not exceed one half month's salary for each completed year of service.
- (g) Provision and maintenance of car with driver for use on company's business.
- (h) Unavailed leave will be allowed to be encashed as per rules of the company.

- (i) Provision of telephone at residence. Personal long distance calls shall be billed by the company to the appointee as per rules of the company.
- (j) Reimbursement of entertainment expenses properly incurred for the company's business.

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

III. Variation and Minimum Remuneration

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

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

I. Designation : Director - Finance

II. Remuneration :

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

III. Perquisites :

- (a) Reimbursement of medical expenditure incurred for self and family subject to a ceiling of Rs.64,000/- per year.
- (b) Leave Travel Concession for self and family subject to a maximum of Rs.50,000/- per year.
- (c) Fees of clubs subject to a maximum of two clubs; this will not include admission and life membership fee.
- (d) Personal accident and medical insurance for self and family of which the premium not to exceed Rs.10,000/- per year.
- (e) Contribution towards provident fund will be subject to a ceiling of 12% of the salary.
- (f) Gratuity payable shall not exceed one half month's salary for each completed year of service.
- (g) Provision and maintenance of car with driver for use on company's business.
- (h) Unavailed leave will be allowed to be encashed as per rules of the company.
- (i) Provision of telephone at residence. Personal long distance calls shall be billed by the company to the appointee as per Rules of the Company.

- (j) Re-imbursement of entertainment expenses properly incurred for the company's business.

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

III. Variation and Minimum Remuneration

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

By order of the Board

Place : Chennai
Date : 2nd March, 2006

R. Ramesh Kumar
President - Corporate & Secretary

Note:

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

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

Item No. 6 & 7

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

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

Item No. 8

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

Directors' Report

To the Members of GEA ENERGY SYSTEM (INDIA) LIMITED

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

Financial Results

(Rs. in Crores)

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

Appropriation

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

Results of Operations

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