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21ST 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
G Suresh	Captive Power
V Balakrishnan	Electrical Projects
G Mahadevan	Energy
S Ilanchezhiyan	Air Fin Cooler
R Ramesh Kumar	President - Corporate & Secretary

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

M/s. V Krishnan & Co.,
Chartered Accountants, Chennai

Bankers

State Bank of India
State Bank of Hyderabad
State Bank of Travancore
State Bank of Patiala
State Bank of Bikaner & Jaipur
State Bank of Mysore
State Bank of Indore
Industrial Development Bank of India
UCO Bank
Indian Bank
Corporation Bank

Registered office

A-5, Pannamgadu Industrial Estate,
Ramapuram Post, Nellore District, Pin: 524401

Corporate Office

443, Anna Salai, Teynampet, Chennai 600018

Regional Offices

48, Okhla Industrial Estate, Phase III
New Delhi 110020

25 E, Lorette Ville, Santacruz West,
Main Avenue, Mumbai 400054

To the members of GEA ENERGY SYSTEM (INDIA) LIMITED

Notice is hereby given that the Twenty First 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 Wednesday, the 11th July, 2007 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the period ended 31st March, 2007 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a director in the place of Mr. V. R. Mahadevan, who retires by rotation and being eligible for re-appointment, offers himself for re-appointment.
4. To appoint a director in the place of Mr. V. K. Gupta, 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 an ordinary resolution.

“RESOLVED that pursuant to Section 94 (1) (a) of the Companies Act, 1956 and other applicable provisions, if any, the authorized capital of the company be and is hereby increased from 15,00,00,000/- (Rupees Fifteen crores only) divided into 1,50,00,000 Equity Shares of Rs.10/- each to Rs.100,00,00,000/- (Rupees One hundred crores only) divided into 10,00,00,000 Equity shares of Rs.10/- each ranking pari passu with the existing shares.”

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

“RESOLVED that the existing Clause V (a) of the Memorandum of Association of the Company be deleted and the following new clause be substituted therefor.”

“The Authorised Share Capital of the Company is Rs.100,00,00,000/- (Rupees One hundred

only) divided into 10,00,00,000 Equity Shares of Rs.10/- (Rupees Ten only) each increased and / or reduced in accordance with relevant provisions of the Companies Act, 1956.”

8. To consider and, if deemed fit, to pass the following resolution, with or without modification, as a special resolution.

“RESOLVED that an amount of Rs.54,00,00,000/- (Rupees Fifty four crores only) standing to the credit of the Profit and Loss Account in the books of account of the company as on 31st March, 2007 be and is hereby capitalized and such sum be set free for distribution among the holders of existing fully paid up equity shares of Rs.10/- each of the Company, whose name appear in the Register of Members of the company on a date to be decided by the Board in this regard, as an increase of the amount of the share capital of the company held by the each such member, and not as income or in lieu of dividend, credited as fully paid up equity shares as bonus shares in the proportion of five new equity shares for every one existing fully paid up equity shares held.”

“FURTHER RESOLVED that the above proposal will be subject to the following terms and conditions :

- a. The new equity shares to be allotted as bonus shares will be allotted subject to the terms of the Memorandum and Articles of Association of the Company.
- b. The new equity shares shall rank pari passu in all respects with and carry the same rights as the existing fully paid up shares of the company and, notwithstanding the date or dates of allotment thereof, shall be entitled to participate in full in any dividend to be declared in respect of the financial year in which allotment of new equity shares pursuant to this resolution is made.”

“FURTHER RESOLVED that for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things whatsoever with regard to or in relation to the issue or allotment of bonus shares.”

9. To consider, and if deemed fit, to pass the following resolution, with or without modification, as a special resolution.

“RESOLVED that the regulations contained in the draft Articles of Association submitted to this meeting, duly initialed by the Chairman for the purpose of identification, be and are hereby approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of all the existing articles thereof.”

“RESOLVED FURTHER that the Secretary of the Company be and is hereby authorized to take all necessary steps for giving effect to the resolution.”

10. To consider and, if deemed fit, to pass the following resolution, with or without modification, as an ordinary resolution.

“RESOLVED THAT the company hereby approves the remuneration payable to Mr.B.G. Raghupathy, Managing Director as set out below and such remuneration shall be subject to the limits under section 198, 268, 310 and Schedule XIII of the Companies Act and the revision shall be effective from 1st April, 2007 and be valid for the remainder of the current term of appointment:

- a. Salary : Rs.10,00,000 per month
- b. Perquisites : Not exceeding a sum of annual salary
- c. Commission : 5% percent of net profits of the company per financial year as reduced by the sums of money paid by way of salary and perquisites during each such financial year.”

11. To consider, and if deemed fit, to pass the following resolution, with or without modification, as an ordinary resolution.

“RESOLVED that pursuant to Section 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 the company hereby approves the remuneration payable to Mr.V.R. Mahadevan, Whole Time Director of the Company be varied effect from 6th February, 2007 for the remainder of the current term of appointment :

I. Remuneration

- (a) Salary : Rs.82,500/- per month
- (b) Special Pay, allowances and reimbursement of expenses: Rs.1,63,500 per month.

II. Perquisites

- (a) Reimbursement of medical expenditure incurred for self and family subject to a ceiling of one month's salary per annum.
- (b) Leave Travel Concession for self and family.
- (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.
- (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 there under. 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.

"ALSO RESOLVED that all other terms and conditions of appointment approved by the Board and General meeting held on 1st June, 2005 and 30th March, 2006 respectively shall remain unaltered."

12. To consider and, if deemed fit, to pass the following resolution, with or without modification, as an ordinary resolution.

"RESOLVED that pursuant to Section 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 the company hereby approves the remuneration payable to Mr.S. Rathinam as Director- Finance of the Company be varied effect from 1st June, 2007 for the remainder of the current term of appointment :

I. Remuneration:

- (a) Salary : Rs.87,500/- per month
- (b) Special Pay, allowances and reimbursement of expenses: Rs.1,78,500 per month.

II. Perquisites

- (a) Reimbursement of medical expenditure incurred for self and family subject to a ceiling of one month's salary per annum.
- (b) Leave Travel Concession for self and family.
- (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.
- (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 there under. 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.

"ALSO RESOLVED that all other terms and conditions of appointment approved by the Board and General Meeting held on 2nd March, 2006 and 30th March, 2006 respectively shall remain unaltered."

13. To consider and, if deemed fit, to pass the following resolution, with or without modification, a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of

the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the company, including any Director, whether whole time or otherwise (except any director who is a promoter or belongs to the promoter group or otherwise, who holds, either by himself or through his relative, or through any body corporate, directly or indirectly, more than 10% of the outstanding equity Shares of the Company), of the Company, options exercisable into shares or securities convertible into equity shares not exceeding up to 1.5% of the paid-up capital of the Company at any point in time, under one or more employee stock option schemes ("the Schemes"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of Rs.10/- each fully paid-up on payment of requisite exercise price of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company."

"RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of the Securities, the Board/ Compensation Committee of the Board be and is hereby authorized on behalf of the Company to do all such acts, things, deeds and matters as it may, in its absolute discretion deem necessary or desirable for such purpose including but not limited to framing rules relating to taxation matters arising out of grant/ exercise of stock options and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) implementation of the Scheme (including to amend or modify any of the terms of such issue or allotment) without being required to seek any further consent or approval of the Members, as it may in its absolute discretion deem fit;

"RESOLVED FURTHER THAT the Board/Committee of the board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and any other applicable laws and to delegate all or any powers including fixing the grant price of

option herein conferred to any Committee of Directors and subject to necessary approval of the shareholders, if required.”

“RESOVED FURTHER THAT without prejudice to the generality of the above, but subject to the terms, as approved above by the members, the Board/Compensation Committee or such person who may be authorized in this regard by the Board/Compensation Committee, be and is hereby authorised to implement the Scheme, with or without modifications and variations, in one or more tranches in such manner as the Board/Compensation Committee or any other person authorized by the Board/Compensation Committee may determine.”

By order of the Board

Place : Chennai
Date : 25.05.2007

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 a member of the company. 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.