REVATHI EQUIPMENT LIMITED

34th Annual Report 2010-11

Acquisition Criteria

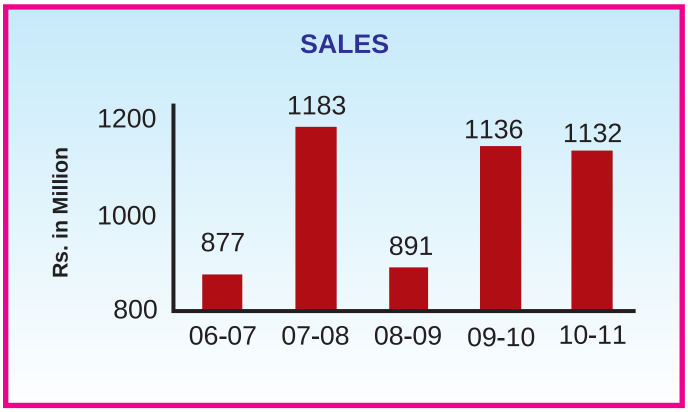
We use this space to communicate with potential sellers and their representatives, what we look for in a potential acquisition. If you, the reader, have no personal connection with a business that might be of interest to us but have a friend who does, perhaps you could pass this message on to him.

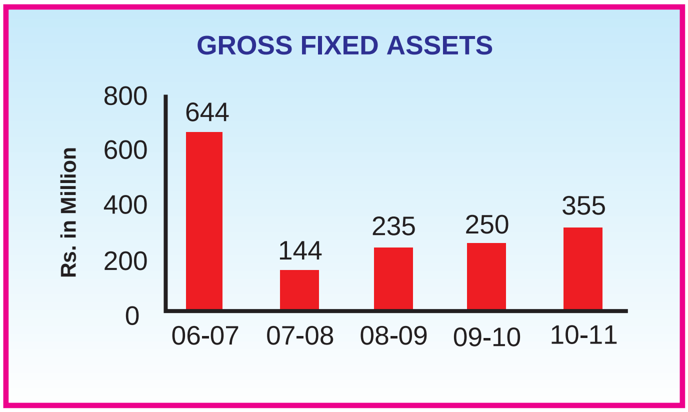
Here's the sort of business we are looking for:

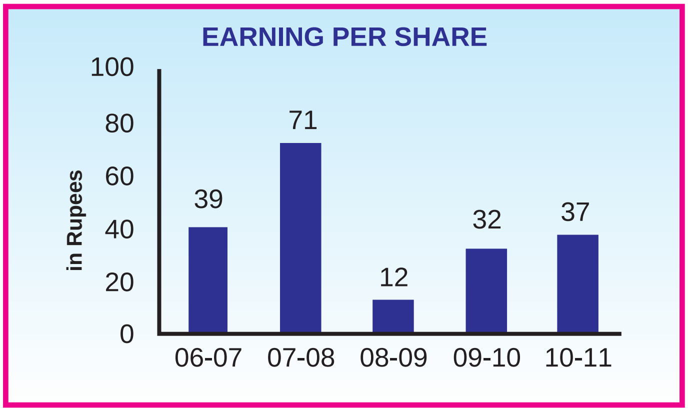
1. Enterprise value in the region of Rs. 100 crores (Rs. 1 billion),
2. Demonstrated consistent earning power (future projections are of little interest to us, nor are "turnaround" situations),
3. Businesses earning good returns on equity while employing little or no debt,
4. Management in place,
5.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

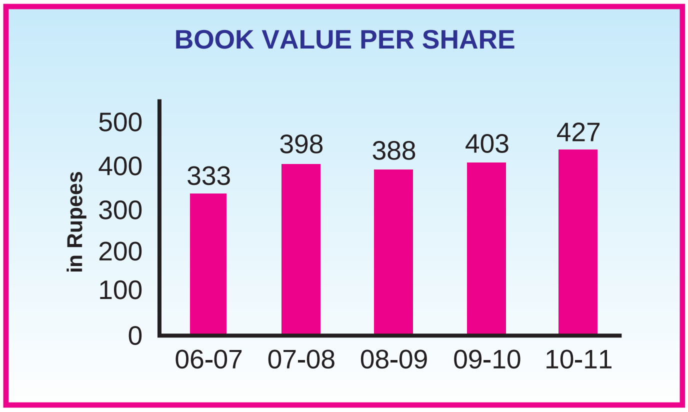
We will not engage in unfriendly takeovers. We can promise complete confidentiality and a very fast answer as to whether we are interested. We prefer to buy for cash, but will consider issuing stock when we receive as much in intrinsic business value as we give.

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.









Revathi Equipment Limited

CORPORATE DATA

BOARD OF DIRECTORS

ABHISHEK DALMIA
Executive Chairman

K. SUNIL KUMAR
Managing Director & CEO

CHAITANYA DALMIA

S.C. KATYAL

B.D. NARANG

B.V. RAMANAN

SHARE TRANSFER AGENTS

S.K.D.C. CONSULTANTS LTD.,
KANAPATHY TOWERS
3rd FLOOR, 1391/A-1, SATHY ROAD
GANAPATHY, COIMBATORE 641 006.

COMPANY SECRETARY

M.N. SRINIVASAN

REGISTERED OFFICE

POLLACHI ROAD,
MALUMACHAMPATTI POST
COIMBATORE - 641 050.
Website : http://www.revathi.co.in

BANKERS

AXIS BANK LIMITED
CANARA BANK
DENA BANK
HDFC BANK LIMITED
ICICI BANK LIMITED
STATE BANK OF BIKANER & JAIPUR
STATE BANK OF INDIA
IDBI BANK LIMITED
BANK OF INDIA

MANAGEMENT TEAM

S. HARIHARAN
Senior Vice - President (Finance)

L.S. SHASHI PRAKASHA
Vice - President
Business Unit Head - Drilling 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	9.0%	-11.7%	20.7%
2003-04	21.6%	86.3%	-64.7%
2004-05	41.3%	17.3%	24.0%
2005-06	19.1%	70.0%	-50.9%
2006-07	11.6%	13.8%	-2.2%
2007-08	16.6%	25.7%	-9.1%
2008-09	-2.5%	-35.4%	32.9%
2009-10	3.6%	75.3%	-71.7%
2010-2011	6.0%	12.4%	-6.4%
Average Annual Gain (FY03 - FY11	12.9%	25.0%	-12.1%
Overall gain (FY 03 - FY 11)	199.2%	496.3%	-297.1%

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 ratained has created a rupee worth of market value.
5. If you expect, as we do, that owing 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 consolidated net worth during FY11 was ₹75 million, which increased the per share book value by 6.1%. Over the last nine years (that is, since the present owners took over) per share book value, has grown from ₹151 to ₹427, which, after factoring in dividend paid during this period, works out to a rate of 13.0% compounded annually.

The above numbers are after providing for goodwill write-offs occasioned by the application of Accounting Standard 26. This Accounting Standard provides that if a company acquires a stake in another, at a price that is higher than the tangible net assets of the acquired business, then the balance would be deemed as goodwill, which must be written off over a specified period. The rationale perhaps is that in case of a sale, a business will at least realize a value based on its tangible assets, conservatively speaking. Therefore if the books have recorded the cost of acquisition as something higher than the book value, the balance ought to be written off, so that the books, after a specified period of time, will reflect the book value of the business.

Of course the fallacy with this reasoning is that businesses do have intangibles, which are not recorded on its books. Further, if the business is run well, the value of the intangibles will likely grow over time. Last but not the least, if the business is being run profitably, the book value will itself grow over time. However, the Accounting Standard recognizes goodwill only on the date of the acquisition and mandates a write down to the then prevailing book value over a specified number of years.

As a result of the application of this Standard, our per share book value has been understated by ₹78. In other words, had we not written off a part of this goodwill year after year, our gain in consolidated net worth during FY11 would be ₹155 million, which increased the per share book value by 10.2%. But for this charge, over the nine years, our per share book value has compounded annually at a rate of 15.0%.

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The macro economic environment for our business remained challenging. Less than healthy state of public finances, uncertainty in the minds of private players that create demand for our goods and services, a political environment not conducive to decision making and continuing concerns over the health of the global economy led to slow decision-making across industries that we serve.

When demand is slow, competitive intensity tends to increase as market participants try to maximize their volumes to cover their fixed costs and stay profitable. We observed the same phenomenon in our businesses where sales stayed flat, but our margins shrank.

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It has been almost a decade since we acquired control of Revathi. I think this is as good a time as any to reflect on our journey so far.

When we acquired Revathi from Atlas Copco, it was a one trick pony. The trick was admittedly quite profitable, and that created all sorts of side effects ranging from over-confidence to complacency to fossilization in the status quo. Over the next few years, we tried many things including developing new products, opening up new markets, starting a new business unit, etc. The intent was to try to diversify out of the single customer who contributed predominantly to our fortunes.

Due to a combination of factors though, none of these initiatives has so far done enough to redefine the complexion of the business. These factors include a couple of lost years due to market meltdown but if I were to really boil it down to one single factor, it is quality of execution. When you become wildly successful doing one thing, you get delusional about your capability to repeat your success doing other things.

While our track record on the operating business has been uninspiring, thankfully our experience with our investment operations has been fairly satisfactory. Whether it was our investment into public equities or wind energy assets or picking up a minority stake in an unrelated business or participating in a real estate venture, we have had very satisfactory outcomes.

Over the last nine years, the company, on standalone basis, earned a gross pre-tax profit of ₹1.6 billion. Of this, ₹537 million came out of investment operations. This excludes our investment in the real estate project, which will take another eighteen or so months to mature. Based on current market prices, my current estimate of pre-tax profit on that investment is ₹300 million. Including this unrealized gain, almost forty per cent of our money has been made outside of the business that we acquired.

Not included above, are the results from the fairly substantial ₹862 million investment we made to acquire a controlling stake in two engineering design companies, Potential and Semac (P+S). We now hold seventy per cent in the company that was merged through a court order during the current financial year. After we invested, P+S has, in aggregate, made a pre-tax profit of ₹160 million, excluding minority interests. This is despite the fact that out of the total investment period of about forty-two months, we lost about eighteen months to the global recession. During those dark days, we had to write-off about ₹100 million in bad debts, in a business with almost no bad debt history.

Overall, the business in which we acquired a majority stake at an equity value of ₹770 million in 2003 has produced gross pre-tax profits of ₹1.6 billion so far excluding an unrealized gain on the real estate investment and without counting gains on the above strategic investment.

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Our Drilling business has been overly dependent on the domestic coal sector. That has been the equivalent of riding on a bicycle in the jet age. The industry in which we have participated historically has moved at glacial speed and once you are at a certain market share, growing faster than market is impossible. My original plan was to let the management team decide the plan for the business they had become masters at while I would focus my attention on capital allocation. To be fair to the team they did try many new things but I realized that being a great dental surgeon does not mean those skills will translate into heart surgery. Given the fact that in this business it takes several years to develop and commercially exploit a new product, my reaction time on making mid-course corrections to the above approach was slower than I would have liked it to be. By the time I realized that the model needed tweaking, we were on the cusp of the recession, which placed severe constraints on making the much needed changes. For all changes require upfront investment and a few years of incubation before you start seeing some results. After the dust settled, we have commenced our 'new' journey and I am quite hopeful that future results will be better.

As mentioned in last year's letter, our agreement with Bucyrus to tap international markets drew to a close in October 2010. Over the five years that our arrangement was active, we learnt a lot about global markets. We also learnt a basic lesson – howsoever good intentions might be, it is the size of the win that determines resource allocation. For us, this relationship was important and we gained a lot along multiple dimensions, though not the financial one. But, for Bucyrus, it was too small to get senior management attention. So while there was a lot of collaborative effort, the financial results did not measure up to our expectations.

There were some other extraneous factors that affected the success of the partnership. After signing up with Bucyrus in 2005, we spent a couple of years in market research and product development. We did export a few machines to places as diverse as Serbia and Brazil. However, before we got warmed up, we were in the middle of the global downturn and by the time we came out of it, Bucyrus was preparing to sell itself to Caterpillar. So effectively, out of the five years, we were in aggressive mode only for about thirty months.

Knowing that continuing with the relationship would not serve our goals, we started preparing for life independent of Caterpillar (Bucyrus). In high value capital goods, the cycle time to reach inflexion point is at least five years. Some of the export markets we have opened up look quite promising. But, being new to these markets, it will take some time before we have a good understanding of the local competitive landscape and get a good handle on what kind of results we can expect to achieve.

During the year, Press Note 1, which imposed some limitations on the entry of foreign players into the Indian market was abolished. As a result, international companies that historically had Indian partners no longer need to get an approval from their erstwhile partners to come into India on their own. This will mean that global mining equipment companies will likely to set up their own manufacturing bases in the country, though we cannot be sure about the timing.

The financials for the year under review were pretty pedestrian owing in part to the slowdown in decision-making at our key customers' end. Substantial orders have remained live but have not been awarded for about three years now. There are other factors which are within our control and which we are gradually addressing.

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Our concreting business recorded its best ever year, with Revenues climbing almost 5x the previous year. This is just the beginning and, if the economy holds up, I am confident of posting strong Revenues in the coming years. Many factors contributed to these results, but at the core, it boils down to the quality of the team that was put in place late last year. We now have a decent team that is ably supported by a national dealer network that was set up during the year. While sales grew strongly, we will take another few years to reach critical mass. However, the direction is right and in a couple of years, the financial results for this business should start looking healthy.

This year was the year of undoing the past, when we had a sub-optimal team leading to a weak offering overall. Product quality issues were exacerbated by less than stellar after sales support. Most of these issues have been rectified, though the resurrection of the brand will require consistent quality, good technical support and good spare part availability over several years. The journey has started well and we will capitalize on this foundation in the years ahead.

In addition to the existing product line-up of batching plants, transit mixers and concrete pumps, during the year we also added vibrating hammers and piling rigs to our product basket.

Vibrating hammers are used for driving steel piles into the ground. Sheet Piles are steel sections (sheets) that are pushed into the ground in series for side consolidation/retention of earth prior to any deep excavation. The steel segments are typically interlocked to form a sort of continuous barrier. Common applications are marine piles (for construction of berths for jettys), metro rail projects with underground sections where the soil conditions are unstable, bridges (coffer dam to block water flow to facilitate construction of the main structure), large construction sites of housing/commercial projects. A new application that is emerging is solar farms.

Historically, Indian construction sites have used a winch or an excavator to drive the steel sheet into the ground. A vibrating hammer does the same job many times faster. For example, at a metro project site, the conventional method would take about four hours to drive an eight-meter long section into the ground, a job that the vibrating hammer can accomplish in ten minutes.

Piling rigs started becoming popular in India during the late 90's with NHAI road and bridges projects and later for the metro rail projects. Piling rigs replaced the conventional tripod since the boring rates were at least four times faster. Piling rigs were also insisted by authorities for projects within urban limits since they work with much lower noise. Piling rigs are commonly used for construction of flyovers, bridges, metro rail, power plant chimneys, structures that needs to withstand heavy loads, construction on soft soil strata, etc.

Traditionally piles were bored with a simple tripod and winch arrangement which cost about ' 10 lacs and achieved a drilling rate of one meter per hour in typical soil conditions. A piling rig costs twenty five times that and has a drilling rate of fifteen meters per hour. In addition to replacing fifteen tripod – winches, a piling rig, being crawler mounted is much more mobile and generates much less noise.

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During the year, we got the court order for the merger of the Potential Service Consultants Pvt. Ltd. and Semac Ltd. Accordingly Potential Semac Consultants Pvt. Ltd. (P+S) was born on July 8, 2010. P+S is now a seventy per cent subsidiary of Revathi.

The business turned around after a very tough two years. Though we were still shy of the Revenues we achieved in FY08, adjusted for write-offs billed in that year, we got back to almost the same profitability that we had achieved that year. We now have six offices in India and three in the Middle East, making us one of the few truly national, full service engineering design firms in the country.

We are a part of what is known as the AEC industry, AEC being Architecture – Engineering – Construction. Of these, we are offering architecture for industrial projects and engineering design for industrial and commercial projects. During the year, we also took a minority stake in the Noida-based architecture KPO company, Satellier. This company has been working with US and UK architects, on their global projects. Most of their work is architectural detailing.

The Mumbai office, which was the first new office we opened after we took over and which was started just before the meltdown turned profitable this year. This is proof of concept about opening up new markets and gives us confidence to expand further. The opening of Chennai and Navi Mumbai during the year comes out of that confidence. However, these initiatives obviously come at a cost. Every new office requires a significant and prolonged investment before it turns profitable. To that extent, the existing results get depressed. This happens in every business but in a people's business, the big costs are people, rent and travel, which add up to almost two thirds of Revenues. So a new office is a significant drag on current profitability.

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Monarch Catalysts continued to grow its topline and grew it almost 50% this year. However, profitability stayed at last year's levels. In the fight for market share, margin is the first casualty. That has been the story with Monarch ever since we invested. Back in FY07, when our Revenues were about a fourth of this year's levels, our net margin was approaching seven per cent. Since then, we have been hovering in the four to six per cent range due to a combination of nickel price fluctuations and fight for market share. Despite the fact that there are only three major players in the world market, including Monarch, this has remained a tough business. The lesson learnt is that size does matter. When all your customers are giants, you are unlikely to make supernormal profits, unless you are a monopoly.

The operating gross profit, which to me is a better indicator of performance in this business than Revenues, fell almost six per cent from last year, in large part due to intra-day nickel price fluctuation, which has been as high as five to six percent.

After holding the investment for touch short of five years, we sold it to a Group company on March 29th for ₹171 mn. After factoring in dividends, we achieved an IRR of about twenty four per cent on this investment. The sale was done on the basis of an independent valuation done by a firm with whom we have had no dealings in the past.

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The new team is earnest and the initiatives being undertaken are likely to bear fruit. A lot of activity is underway at Revathi and it is a matter of time before we convert this work into financial results.

Abhishek Dalmia
Chairman of the Board

REPORT OF DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS REPORT

For the year ended 31st March 2011

Your Directors have pleasure in presenting the Thirty fourth Annual Report together with the audited accounts of your Company for the year ended March 31, 2011

Financial Results

All figures in Rs. Million

Particulars	FY 11	FY 10
Total Income	1283	1206
Total Expenditure	1159	1071
Profit before tax	124	135
Less: Provision for tax	12	36
Profit after tax	112	99
Appropriation made as under:		
Transfer to General Reserve	–	–
Surplus carried to Balance Sheet	112	99

Dividend

No dividend has been declared considering the need to preserve cash for development in the financial year under review.

Performance Review

Net sales of your company in FY 2011 is Rs 1132 Million which is more or less at last year level .

PBT for the year was at Rs. 124 Million which includes Rs. 109 Million towards profit arising from sale of investments in Monarch Catalyst Private Ltd. (26% stake)

Lower than expected volume of sales had to bear the burden of infrastructure built for higher sales - Adverse product mix and inflation effect on material costs impacted PBT for the year.

Overview of the Economy

The Indian economy is projected to grow by 8.6 per cent, on the back of a sharp recovery in farm output.

While manufacturing remains static at 8.8% year on year, Mining and quarrying is likely to grow by 6.2%, compared to 6.9% a year ago.

Raising inflation and interest rates continue to be cause of concern.

The Indian economy is well on its way to grow at around 7.5% despite problems of inflation, deficit financing and much slower implementation of planned expenditures. However, sustaining such growth rates requires provision of infrastructure development with corresponding expenditure outlays.The worry is that pace of development is not in sync with the demands of a rapidly growing economy. The gaps are wide and project costs have increased due to all around cost inflation.

Inflation is high at 9%. Commodity supply chain with in the economy is not able to meet the surge in demand form increasing income levels of our populaion. It was food inflation which was main cause of worry but now metal and energy prices are tending to dent profitability and squeezing out the liquidity by Central Banks world over is the most preferred option to control commodity prices. High inflation, besides socio-economic impact, impacts the Infrastructure industry in more than oneway. First, there is a margin squeeze as all input costs, the employees and particularly input materials like steel, fuel and power, are on the increase. Second, RBI has been increasing the repo rates regularly resulting in squeezing the liquidity, reducing the availability of lendable funds and increase in borrowing costs. RBI has already raised its rates 9 times in last fifteen months and another one is on cards. This will slow down the economy and deferment of investment outlays is visible all around.

Infrastructure Industry Issues

The year 2010-11 was expected to be a watershed year for infrastructure development in India. What started with a band ended in a whimper. As the year progressed, there were major issues with implementation. Obviously, the opportunities could not be converted into well-planned initiatives on the ground.

The Government at the beginning of 2010 had plans to increase road construction from 9 kms to 20 kms per day; progress on this front is woefully inadequate. The power project story is also similar. Only 47% of hydel power and 60% of thermal power targets could be realized.

A survey by “Projects Today” states that total outstanding project investment as of March 11 grew by 16, much lower than 23% growth recorded as of March 10. This is not only because of drop in new projects but also because of lower rate of completion of various projects; many projects were stalled also.

While the slowdown is attributed to administrative issues with the nodal implementation agencies, the bigger problem is related to planning and policy which has to find a right balance between socio-economic and political considerations. There are serious issues with land acquisition, environmental clearances, and risk ownership issues in public-private partnerships. Theses need to be addressed at the earliest or else we may lose growth momentum. Industry confidence in decision making process is at its lowest.

Business Environment & Prospects

Your company's drill division products namely drillling equipments are predominantly sold to Coal India Ltd and its subsidiaries. Your company also sells to some private sector coal companies. As a result your company's drill division's growth depends more on prodcution of coal, lignite.

With increased industrialization and capacity addition, India's energy needs are increasing. Our dependence on coal is dominant for meeting the energy needs.

In the world, India is the third largest coal producing country. 75% of its energy need is being met by coal

Demand for coal is increasing. The demand for coal is expected to grow to 713 million tons in 2011-12 but the country's coal production is expected to grow upto 630 million tons. Coal India Ltd produces 82% of coal requirements. Government has been giving licenses to private sector to produce coat but most of them have yet to start because of clearnces by most governmental agencies. We expect pick up in demand from this sector in the coming years.

The company has created focus on export market in select markets and initial response is encouraging. Coal India is becoming aggressive in increasing the coal production leading to higher demand for Drills.

Government is committed to the development of infrastructure - Roads, bridges, Airports, Sea ports, rail etc. Further construction activity has been picking up. As a result, the demand for the concrete equipments has been growing. This fillip will acceleate the growth of the business of our construction equipment division. Your company is well positioned to meet the increasing needs of construction equipments.

Our prime focus this year is on cost improvements and improving our operating efficiencies as we have the product base and resource base both for Drill and Construction Industry businesses.

Structure and Developments

Monarch Catalyst P.Ltd.

Your company has sold its entire twenty six percent stake in Monarch Catalyst Private Ltd, Mumbai and made a profit of Rs 109 million.

Satellier Holdings Inc. USA

Your company has invested Rs 46.48.Million (US$ 1 Million) in Satellier Holdings Inc. USA. during the year acquiring 20% stake. Satellier is in the architecture KPO business.

Subsidiary Companies

Consequent to the merger of two subsidiary companies, your company's holding in the combined entity. i.e. Potential Semac Consultants Private Ltd, (P+S) has become 71% in its paid up capital. P+S provides Engineering Design solutions for building projects in the industrial and commercial segments.

Total income of P+S was at Rs 633 million in FY 11 as against Rs 463million in Fy10 registering an increase of 36.7% in total income. The subsidiary recorded an impressive turnaround with profits of Rs118 million against loss of Rs 55 million in prior year. Revenue enhancement initiatives as well as cost saving efforts, the gradual market turnaround coupled with new initiatives had resulted in better financial results for FY11.

Renaissance Construction Technologies India Ltd. (formerly called Revathi Drilling and Mining Ltd.,) wholly owned subsidiary, has not commenced its operations in FY 11.

Consolidated Financial Statements

Your directors have pleasure in attaching the consolidated financial statements by consolidating accounts of Revathi Equipment Ltd., Renaissance Construction Technologies India Ltd. (wholly owned subsidiary), Potential Semac Consultants Private Ltd. (subsidiary company) and Satellier Holdings Inc. USA under applicable Accounting Standards of the Institute of Chartered Accountants of India.

On consolidation basis, the total income for FY 11 was Rs 2238 Million (FY 10 – Rs 1986 Million) registering increase of 12.7%. Profit before tax (before amortization of goodwill) was Rs 152 million (FY 10 Rs 116 Million) recording increase of 31%. Amortization of goodwill was Rs. 75.7 Million (FY 10 Rs 71.2 Million).

Human Resources

Your company continues to take steps to retain its talent pool, enhance skill of existing people and recruit the most suited talent to spearhead its growth initiatives. Organizational development is our key priority.

Risks and Concerns

Slow down of purchase by Coal India Ltd and delay in domestic investments in infrastructure projects may impact business.

Inflation continues to be a cause for worry.

Cautionary Note

Certain statements in “management discussions and analysis” section describing Company's objectives, projections and expectations may be forward looking and are stated as required by law and regulations. Actual results may differ substantially or materially from those expressed or implied. Important events/developments that could impact the Company's operations include, inter alia, general slow down , implementation delays in starting/completing infrastructure projects, increasing interest rates and less availability of finance, changes in political/economic environment and other unpredictable national and international events. 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

Your 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.

Your Company has in place adequate systems of Internal Control to ensure compliance with policies and procedures. Internal Audit of two divisions of your Company are regularly carried out to review the internal control systems.

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 continue to focus on risk management and also evaluate 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. B.D.Narang and Mr. B.V.Ramanan 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 and the same forms part of this report.

Foreign exchange earnings and outgo

Your company earned foreign exchange of Rs. 113 million and the foreign exchange outgo during the year amounts to Rs 118 million.

Personnel/Industrial relations

Industrial relations were satisfactory during the year.

In terms of Sub- section (2A) of Section 217 of the Companies Act 1956, your company has no employee drawing salary exceeding Rs.60.00 lakhs per annum or Rs.5.00 lakhs per month during the year under review.

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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company at the end of the financial year and of the profit or loss of your 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 your company and for preventing and detecting fraud and other irregularities;

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

Auditors’ Report

Para 2 - Payment of managerial remuneration amounting to Rs. 247,000. - The company is in the process of obtaining the approval of shareholders and Central Government for waiver of excess remuneration of Rs. 247,000 paid to the Managing Director & CEO.

Appreciation

The Directors express their sincere appreciation of dedicated efforts put in by our people and their commitment to make your 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

Chennai
April 28, 2011

Abhishek Dalmia
Executive Chairman

K. Sunil Kumar
Managing Director & CEO