It is Possible

Triveni Engineering and Industries Limited

Annual Report 2007-08



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Forward-looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised.

The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

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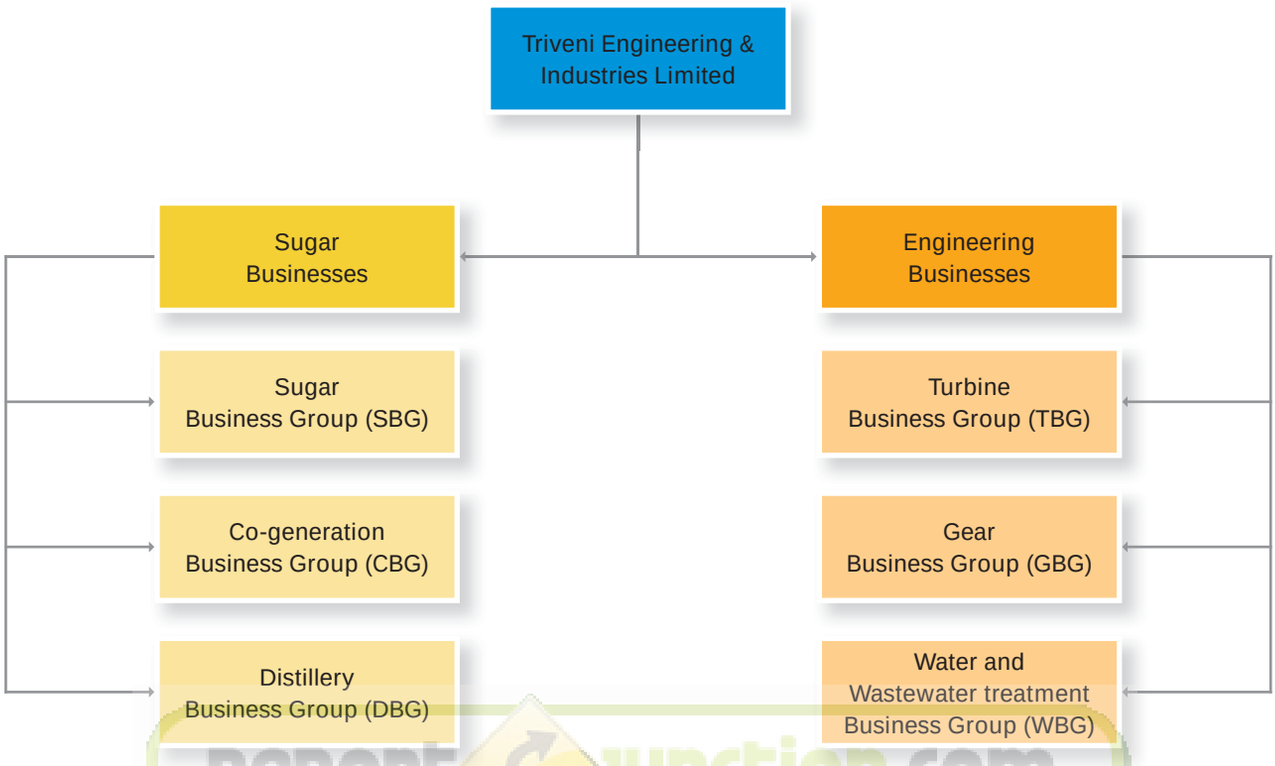
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About us

Our reputation

- One of the three leading producers of sugar in India
- Market leader in steam turbines upto 20 MW manufacturer up to 30 MW
- Market leader in high-speed gears and gearboxes
- A leading player in water and wastewater treatment equipment with widest range of offerings

Our locations

Corporate office
Noida, Uttar Pradesh

Sugar Business Group
Khatauli, Deoband, Ramkola, Sabithgarh, Chandanpur, Raninagal, Milak Narainpur– in Uttar Pradesh

Co-generation Business Group
Deoband and Khatauli, Uttar Pradesh

Distillery Business Group
Muzzafarnagar, Uttar Pradesh

Turbine Business Group
Bengaluru, Karnataka

Gear Business Group
Mysore, Karnataka

Water and wastewater treatment Business Group
Noida, Uttar Pradesh

Listings

Bombay Stock Exchange
(Stock code: TEIL)
National Stock Exchange
(Stock code: TRIVENI)

Employees as on 30.09.2008

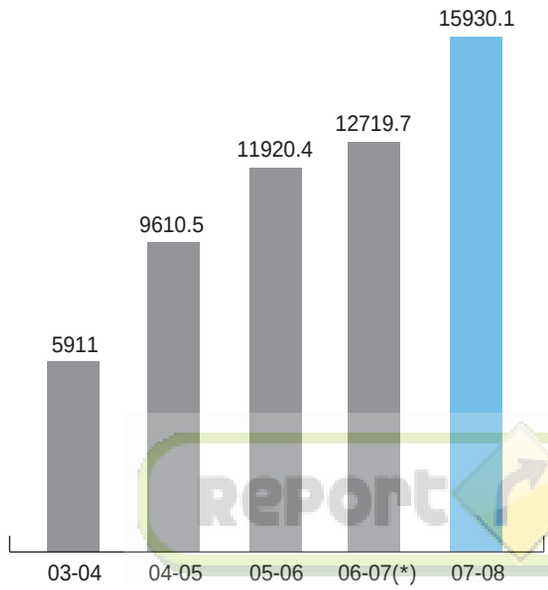
5209 employees

Order book as on 30.09.2008

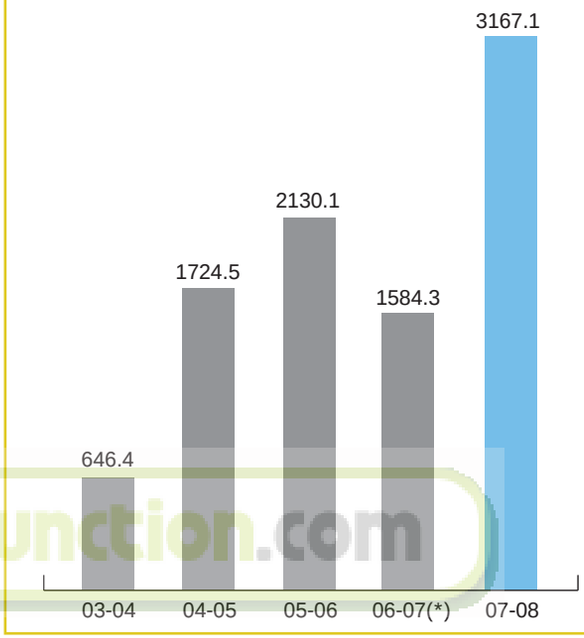
Rs. 7100 million

Financial highlights, 2007-08

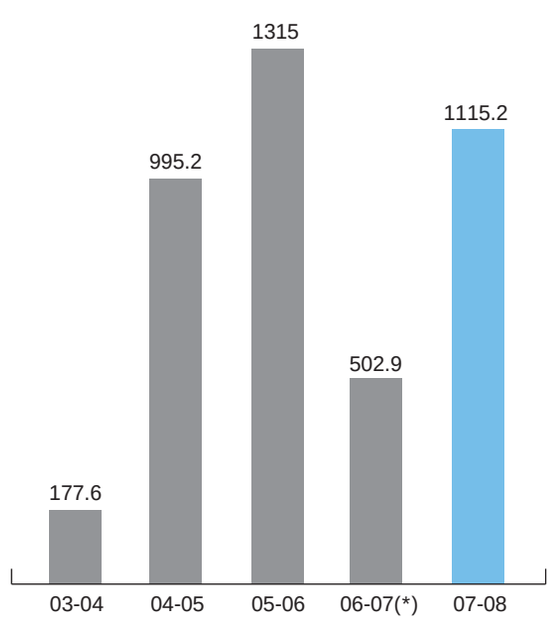
Net sales (Rs. in Million)



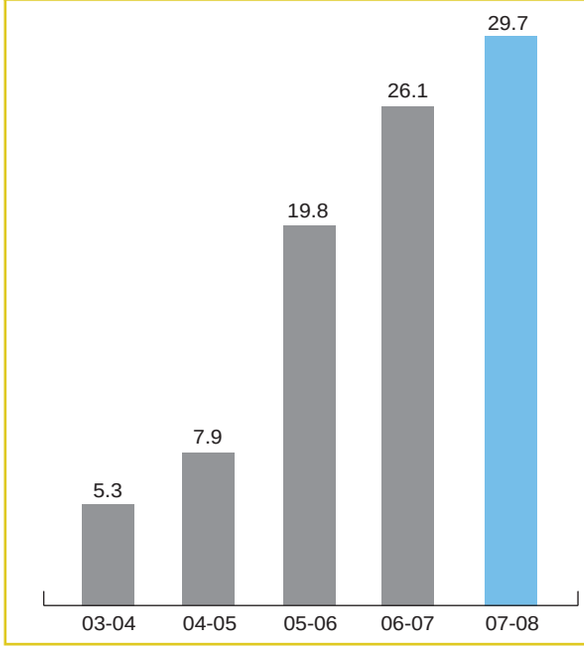
EBITDA (Rs. in Million)



PAT (Rs. in Million)



Book Value (Rs. per share)



(*) Annualised

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Chairman's Message



Dhruv M. Sawhney
Chairman & Managing Director

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Dear Members,

The true test of a business is the resilience of its performance in really hard times. The present environment of economic turmoil has raised questions on the viability of many a business. On that score, I take pride in reporting to you that Triveni Engineering stands robust and confident.

It has positioned itself in industry segments that will continue to see growth in off-take and improvement in operating parameters. Having continuously developed significant organisational capabilities, Triveni can withstand external challenges and to a very great extent, mitigate the risks inherent to the businesses in which we operate.

Our performance in the year under review is testimony to the effectiveness of our strategies. We have registered the highest ever turnover of Rs. 15.9 billion and an operating profit of Rs 3.2 billion, higher by 153 per cent over the corresponding twelve months. At a segmental level, the PBIT of sugar business, buoyed by an improvement in realisation in the fourth quarter of the financial year, reported a turnaround from a loss of Rs. 899.8 million in the past twelve months to PBIT of Rs. 358.8 million in the current 12 months. For the similar period, the engineering business continued to register positive growth of 27 per cent in PBIT.

All the same, it is more important today to look ahead with positive confidence than look back with satisfaction. The theme of this annual report enunciates our approach towards everything we do: courage tempered with prudence, and healthy realism tempered with strength of purpose. It is possible! We know our optimism will be severely tested, but we are confident of sustaining our record of continuous value creation.

With good reason.

The first good reason is the composition of our business portfolio.

Our two major business segments – sugar and engineering - are mutually exclusive in terms of growth factors and environment.

The sugar business is immune to the upheavals in the global economy, and dependent only on the sugar cycle. Indian sugar production was 26.3 million tonnes in the 2007-08 season as against 28.3 million tonnes in 2006-07. Meanwhile two successive years of high production had caused a large build-up of inventory. Inevitably, this further reduced realisations. As a result, sugar companies suffered losses and made delayed payments to farmers, which forced many farmers across the country to switch to alternate crops that were more remunerative at that point of time. Hence, sugar cane production is expected to fall tremendously during this season on account of the reduced area under cane and climatic factors. With this significant

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decline in sugar production, estimated at about 20 million tonnes during the current season, coupled with the rising consumption of about 3-4% year on year, we expect that the upturn in the economics of the sugar industry, which has already begun, to accelerate in the coming 12 months. Having used the downturn for investing in capacities and strengthening farmer relations, we expect to crush about the same quantity of cane as in the last season.

Our engineering businesses cater to the two most critical industries – power and water. Globally, the power sector has been a top priority for not just Governments but all industries. With improvements in technology, consistent supply of quality power has become an essential for the manufacturing sector. To ensure low cost at the same time, many industries like steel, metal and cement are increasingly opting for captive generation. Similarly, industries such as sugar, textiles, paper, pharmaceuticals, fertilisers and petrochemicals, which need steam and power as process inputs, are also shifting towards co-generation/ captive generation facilities. The Indian Government has planned to add another 76400 MW under the 11th Plan. The IPPs, co-generation and captive segments will account for almost one-third of this addition, resulting in a clear market demand for our turbine and gear divisions.

Our initiative in water and waste-water treatment is proving to generate good value. Our water business offers world-class solutions to industrial and municipal clients in ensuring reusability of water, and reduction in contamination, and provides customised solutions for desalination, process water, etc. While the world talks of slowdown affecting capital goods off-take, our confidence stems from our businesses' catering to diverse relevant segments that are indispensible to the growth and sustainability of the economy. However, in the short term, a word of caution on the overall economic scenario: the liquidity crunch and financial market turmoil may affect some of our clients who may have difficulty in arranging finances to complete their projects.

The second good reason is the capabilities and capacities we have created across our businesses.

Our consistent investments in capacities and capabilities have started yielding results. Consider this: we have invested over Rs. 11 billion in our sugar businesses by setting up four greenfield capacities apart from brownfield expansion of all three existing units. We added capacities for by-products such as power and alcohol, and intensified farmer relations. These investments have begun to pay off just as we are witnessing an upturn in sugar prices, making us an attractive player in the segment.

Similarly, we have consistently invested in building capacities and introducing a range of products and

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services in keeping with changing customer needs. We have always believed in providing our customers with a good value proposition through robust, efficient products of world-class quality with the highest levels of customer service. In doing so, we have invested in world class machines and equipment on par with the best in the industry globally. We have extended our product range in steam turbines to 30 MW, through our in-house Research and Development (R&D) efforts. We are continuously investing in R&D in association with some of the best design outfits globally.

The third good reason is the opportunity that service and refurbishment activities offer.

Being a technology driven organisation, servicing and refurbishment offers a great opportunity to us. Our extensive reach, combined with thorough expertise and world-class service standards, is enabling us to increase our penetration in this market segment. We have invested extensively in our service capabilities across our engineering businesses. As a result, we are seeing good growth in the refurbishment of old turbines and gearboxes, since during a slowdown, refurbishment is largely preferred over buying new equipment. Our core expertise in designing and customising plant and equipment, backed by our teams of capable R&D professionals, and investments in leading edge technology, makes us confident of sustaining our business even in tough times. In addition, we as a company are investing in global training practices in all our engineering businesses. During 2007-08, the company spent 5.74 man-day per officer in training and development. We are establishing a dedicated training school in Bangalore for providing training in design, engineering and customer care for all the engineering businesses.

The fourth good reason is the global opportunity that we enjoy in our engineering business.

Core expertise in engineered-to-order products, with superior service solutions offering a low-cost operating advantage, keeps us attractively poised to cater to the global markets today, especially when all industries are looking to reduce cost. We serve the power and water sectors, which are very relevant globally. The market for distributed power and non-conventional energy is expanding globally, and we expect this trend to continue. We have made inroads into this area by winning orders from difficult markets like Finland and Korea. This gives us the confidence to tap a higher share in these upcoming fields globally. Further, with the strengthening of the US dollar, the export proposition has become very attractive for our turbine division. We are also in talks with a number of international equipment manufacturers to be their preferred outsourcing partner for loose gears and other precision components. Our technological investments and efficient operations have made us highly cost-competitive in comparison to the global players, and this has further strengthened our service and refurbishment opportunity in overseas markets. We are also looking to expand our base overseas through partnerships, alliances and small acquisitions to fully exploit these opportunities in the course of time. To that end, the current environment may give us good opportunities in terms of value.

Owing to our inherent strengths, we expect an eventful 2008-09, when our raw material procurement initiatives should sustain credible performance in a challenging sugar scenario. We also look forward to strengthen our engineering businesses, considering our outstanding order book from all the divisions which on 30.09.2008 accounted for 108% of the divisional revenues in 2007-08.

Going forward, times will no doubt be more demanding. But then, we at Triveni have prepared well. On this positive note, I would like to thank all of you for your continuing support and encouragement. I assure you that our commitment remains towards building a strong, sustainable and value-creating company.



Dhruv M. Sawhney
Chairman & Managing Director

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