Revathi

29th Annual Report
2005 - 06

Revathi

REVATHI EQUIPMENT LIMITED

Acquisition Criteria

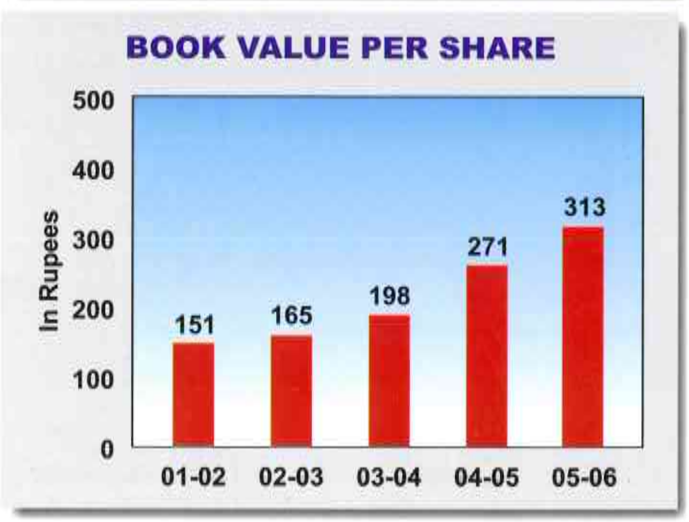
We use this space to communicate with potential sellers and their representatives, what we look for in a potential acquisition. If you, the reader, have no personal connection with a business that might be of interest to us but have a friend who does, perhaps you could pass this message on to him.

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.



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.

REGISTERED OFFICE

POLLACHI ROAD,
MALUMACHAMPATTI POST,
COIMBATORE - 641 021.

COMPANY SECRETARY

M.N. SRINIVASAN

BANKERS

STATE BANK OF INDIA
CANARA BANK
DENA BANK

MANAGEMENT TEAM

K.V. RAMASUBRAMANIAN
Senior Vice - President (Operations)

S. HARIHARAN
Vice - President (Finance)

M. UDHAYAKUMAR
General Manager (Engineering)

T.M. MURALIDHARAN
General Manager (Marketing)

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%	-51.9%
Average Annual Gain (FY03 - FY06)	21.8%	34.6%	-12.8%
Overall gain (FY 03 - FY 06)	119.9%	227.8%	-107.9%

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 FY06 was Rs.131 million, which increased the per share book value by 18.1%. Over the last three years (that is, since the present owners took over) per share book value, has grown from Rs.151 to Rs.313, which, after factoring in dividend paid during this period, works out to a rate of 21.8% compounded annually.

I would liken the effort being put into building tomorrow's Revathi as striking blows on a rock. While the results of each blow are not immediately discernible to the naked eye, there is no doubt that each successive blow takes us one step closer to the desired end-result. As we are using a new, untested hammer (business segments) to split the rock (achieve earnings growth), we are unable to comment on how many strikes will achieve our end goal. For the moment, what is clear though is that we are beginning to see cracks (sales growth) on the surface of that rock.

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According to a study spanning over a century, stocks and commodities have alternated leadership in regular cycles averaging about eighteen years. During the bull phase of the commodity cycle, commodity producing companies and those that support and serve them tend to do well. Given the recent record of global commodity prices, it seems that a new commodity bull phase is under way, and if the rear view mirror is any good, could last at least another decade or more.

It is probably this development that prompted one of the oldest and largest global mining equipment companies to open a dialog with us. They had perhaps started getting feelers from their customers about the possibility of supplying smaller size drilling rigs. However, the overall size of the market for such drills was probably too small for a $600 million company to go after, especially given their costs of designing a new range of drills.

This company has been servicing the needs of Coal India for many years and has known us all along. During one of the trade fairs, we got talking about the growing global mining market and about the possibility of collaborating to address this opportunity. The trade-off that we faced was building our own brand in international markets, a decidedly expensive and time consuming process, versus gaining a quick market entry in the presently hot mining market. In my view, there are no right answers to such questions and we opted for the latter option.

After long deliberations and multiple visits to each others' facilities, Revathi signed a principal-to-principal agreement with this company. Under the agreement, which was signed in October 2005, the 125-year old Bucyrus International Inc. would use their global presence to solicit business for smaller size mining equipment from their customers. Revathi would design and manufacture these for eventual sale to Bucyrus customers. Additionally, there would arise a need for us to offer spares and after sales service in due course.

However, all good things in life have some counterbalancing factors attached to them. That is not such a bad thing, as often it is these counterbalancing forces are responsible for maintaining an equilibrium state in the world around us. We like participating in opportunities where the upside: downside ratio is far and away in our favor. As is well known, product liability on products sold in the US market could be quite harsh. In our experience this is a risk worth taking. Hopefully, this is a liability that will never convert from being contingent to becoming real.

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Revathi has three business segments, construction and mining, power and treasury. Within these, the primacy of the construction and mining segment is likely to remain unchallenged in the foreseeable future. I will now outline the key features of each of these segments.

Net sales from the primary segment grew 32.8% over the previous year on the back of an 84% jump in sales of drilling equipment. However, this growth was offset by a combination of rising input costs, which we have not passed on to our customers and a comparatively unexciting product mix. Though we may have some control over improving operating margins, we have little control over creating a favorable product mix. This is one important reason why sometimes year-to-year comparisons of operating margins throw up intriguing results.

While we now have a wider range of drills, the newer drills have not contributed in any meaningful way to our performance this year. After trying out marketing arrangements with external players, we realized that the margins in smaller drills are not big enough to meet the expectations of two players. Accordingly, we would be looking to address these markets directly. Towards this end, this year we sold some of our smaller drills for construction-related applications.

Last year I had written about some initial work having been done to open up export markets for our drilling rigs. While we did execute the orders we had procured during FY05, our marketing arrangement with Bucyrus meant that we could not follow-up on the orders we supplied to customers in Australia and South Africa. It is hard to say at this point if Bucyrus will bring in more business through our door faster or would our interests have been better served by developing global markets ourselves. What is clear though is that the Bucyrus deal did cause us to lose some traction in the export markets during FY06. At present, we have some orders from Bucyrus which are to be executed during FY07. The performance of these machines will determine the degree of success our Bucyrus partnership achieves. The other variable that will affect our margins is the degree of localization that would be acceptable to global customers.

Our construction equipment division (within the primary segment) consists of a range of three equipments, batching plants, transit mixers and concrete pumps. In combination, they mix various aggregates with cement to produce concrete, transport such ready-mix concrete (RMC) from a central batching location to the construction site and pump the RMC to the exact location where the concrete is to be poured. While no official data is available on the size of the construction equipment market, we estimate the same at around Rs.4 billion, growing at about 25 per cent annually. We believe rate of growth of cement consumption and the project pipelines of construction companies are good proxies to estimate the potential of this sector.

While we expect this business to contribute fairly significantly to our future sales, there are a few factors that will weigh on its short-term profitability. The first, obvious factor is competitive intensity. There are two significant and established players in the market. Typically, the entry of a new player into such a market causes the incumbents to act in ways that makes the entry of a challenger difficult. Eventhough this hurts the profitability of the entire industry; the incumbents expect that the challenger, with lower volumes, would suffer greater damage than themselves.

Over time, as the seriousness of the challenger becomes obvious, rationality tends to return to the industry. In the meanwhile, we will focus on building scale during the irrational phase in the evolution of the industry. To create greater focus in this business, we have created a new strategic business unit for construction equipment. We are in the process of building new infrastructure to increase the volumes, which is expected to cost about Rs.60 million.

I will now comment on our second segment, which is Power. Our major investments in the Power segment have happened in wind energy. We started with 2.4 MW of installed capacity in Rajasthan and later added 8.75 MW in Tamil Nadu. This 11.15 MW of capacity has been set up at a total cost of Rs.523 million or a per MW cost of Rs.47 million. The rationale behind investing in wind energy was twofold - diversify our earnings stream away from fossil fuels and use the fiscal concessions to conserve cash to grow the size of our balance sheet. While a small balance sheet may not be a hindrance for a stable business, it does affect the plans of a company that has a growth agenda. For, amongst other things, the strength of the balance sheet is an indicator of the staying power of the company to its competitors.

Though these broad objectives have been achieved, this investment has not lived up to our expectations from a cash flow perspective. Here, the outcome in Rajasthan is significantly below expectations. Though the news from Tamil Nadu is better, even this has been below guaranteed levels of output. Overall, the impact on our pre-tax cash flow is approximately Rs.23 million this year.

We have also invested Rs. 50 million in a 25 MW gas-based power project also in Tamil Nadu. However, due to legal requirements, we classify this under Investments. Accordingly, the income earned on that investment is accounted for under Other Income. This plant became operational on schedule in November 2004 and has consistently exceeded its power generation and financial targets. So far we have received tax-free dividends of Rs.16.5 million in the seventeen months we have been invested. Once the accounts of the power generation company get finalized for FY06, we expect a final dividend, which would further enhance the above figure.

The third segment is Treasury. Our Treasury at the beginning of FY04 was Rs.366 million. Over the last three years, the business has produced Rs.839 million in cash flows (including Other Income of Rs.112 million and extraordinary income of Rs.150 million) and we have contracted net debt worth Rs.308 million.

As is to be expected for a business in growth mode, and which started with a low base, a significant amount of cash flow generated has been soaked up in incremental working capital (Rs.327 million). Another noteworthy reason that has caused this surge is the long lead times being quoted by component vendors (as evidenced by their burgeoning order books). Owing to this, we have had to order components much in advance to ensure timely deliveries to our customers and until our suppliers do not add capacities, we do not expect any significant changes on this front.

As mentioned a bit earlier, Rs.523 million has been invested in wind energy and Rs.50 million in the gas-based power project, thus taking the total investment in the Power segment to Rs.573 million. Rs.78 million has been used up in servicing equity and debt capital and Rs.77 million has been paid as taxes.

This leaves us with an investible surplus of Rs.499 million. On a net of debt basis, this figure contracts to Rs.191 million. Historically, the company's treasury has predominantly been deployed in debt funds of varying maturities (depending on our view on interest rates). After we took control, we had stated our intent to invest the free cash flow generated by the business into other free-standing businesses. These could be minority stakes or outright acquisitions. While we have made two such investments on a Group basis, none of these have been made through Revathi so far. At some level, this might prove to be a good thing, given the historical growth in the core business and prospects of further growth in the foreseeable future.

Since we did not make strategic investments through Revathi, we had to find other ways to improve the return profile on the Treasury to ensure that the cash hoard does not start weighing down on the return on net worth. Towards this goal, last year we decided to invest upto Rs.100 million (revised upwards to Rs.200 million during this year) into equities through the secondary markets. The reason we preferred equity investing is that such investments can be converted back to cash (without too much risk of a loss in the bull market of the year past, I might add) should a business need arise. At year-end, we had Rs.124 million worth of equity investments, on which the unrealized gain was Rs.44 million. Overall, our pre-tax realized return on average Treasury deployed during the year, including in debt funds, was 7.1%. If we include the unrealized gains, the figure goes up to 20.5%.

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I would like to spend some black ink on the red flags facing us. In the short- to medium-term, there are the usual red flags of growing competition and costs pressures from many directions, which I have elaborated earlier in this letter. I do not see these cost pressures abating in the near-term.

In the long-term, there is an even more serious issue that faces every manufacturer of capital goods for the coal mining industry. That factor is global warming. So far, most of the talk about global warming has merely been, in scientific parlance, 'noise'. However, as the supposed effects of global warming begin to stare humanity in the face, in the form of a growing frequency of natural calamities of increasing intensity, people are beginning to sit up and take notice. Insurance companies are beginning to tweak the premia they charge to cover risks from natural calamities. Thought leaders such as General Electric are beginning to use environment consciousness as a metric to measure employee performance. And GE's CEO, Jeff Immelt, is betting the company's future on green technologies. That to me signifies a serious change in people's attitudes about environment protection. And while that is a good thing for humanity, it is not so good for a company as dependent on coal as us!

Some of the technologies GE is trying to develop are collectively referred to as clean coal technologies. More specifically, they are classified as underground coal gasification (UCG) and surface coal gasification (SCG). While the former is in advanced stages of development and also has some test sites in Australia, the latter is still under development. What these technologies aim at doing is to extract the carbon trapped inside the coal without having to mine it. This technology solves multiple problems such as gaining economic access to difficult to retrieve coal reserves (such as those lying underneath cities or forests), cleaner residues on burning the gases (instead of coal) and elimination of residues such as fly ash that is generated upon burning coal.

What is unclear at this point is how quickly will these technologies become widespread and more specifically, how quickly will they get adopted in our own country. There are many reasons why their adoption in our country should be gradual. For starters, almost eighty percent of the coal produced in India is used by for generating power and producing steel and cement. For a nation which is staring at a huge infrastructure deficit, an investment of this magnitude cannot be de-commissioned overnight. Perhaps equally importantly, the political incentives of feeding the families of over half a million employees that directly depend on Coal India for their livelihood are not small in a democratic nation.

However, it is clear that globally, coal mining will see a disruptive technology in the form of UCG and SCG. And as and when it gets adopted widely, which is now visible on the horizon, there could be important consequences for the mining equipment industry.

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Enough heavy stuff! One of the most interesting books I read in the past year was Freakonomics, written jointly by Steven Levitt and Steve Dubner. The book questions conventional wisdom, which on many occasions enters the public consciousness without much thought or debate. The capital markets have had their own share of conventional wisdom, which, upon deeper thought, seem irrational. As Eddie Lampert said, "conventional wisdom many times turns out to be only conventional and not at all wisdom." Here then are some thoughts on the conventional wisdom of markets...

Stock liquidity is essential for efficient price discovery

Keynes made an acute observation on this subject. "...of the maxims of orthodox finance none, surely, is more anti-social than the fetish of liquidity, the doctrine that it is a positive virtue on the part of investment institutions to concentrate their resources upon the holding of "liquid" securities. It forgets that there is no such thing as liquidity of the investment for the community as a whole."

Stock splits create lasting value

Dividing a pizza into more slices does not give us any more pizza. Besides, if splits (or bonuses) created lasting value, companies that adopt this supposed 'easy way out' would get a higher than industry price-earnings multiple (PEx) on a sustained basis, regardless of future performance. If however, the PEx falls back to industry levels a few quarters after the split, then all the split created was temporary volatility. And as we all know, volatility is the enemy of the small investor. If splits created lasting value, there should have been calls to split the index when it touched 10,000!

Earnings guidance helps price discovery

On December 1, 2005, The Washington Post carried a story, in which the US Chamber of Commerce president and chief executive called on all publicly traded companies to stop offering quarterly earnings guidance, saying such predictions create a damaging focus on "meaningless short-term performance" and undermine a company's ability to manage for the long term.

The Washington Post Chairman and CEO, Don Graham said in a speech in 2004, "Quarterly earnings are not in the top 100 things you should care about if you want to value the company. If you care about that sort of thing, you shouldn't own our stock."

Our comment: Amen!

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Free markets are a good means of achieving economic efficiency, but they are capricious in the extreme when allocating perks. Financial rewards of educators do not reflect the significant value they add to a nation. On the other hand, investors sit in the comfort of their air-cooled offices allocating capital, but get paid much more. In my view, the role of philanthropy is to balance this capriciousness of the free market system.

Last year the Board decided that we must have a formal corporate social responsibility agenda. The prime focus of all our CSR activities has been chosen as education. Imparting primary education to underprivileged children in the communities in which we work and live, imparting hands-on shop-floor training to diploma students and providing concessional education loans to children of our people. On all these initiatives in aggregate, we decided to spend each year upto one per cent of our pre-tax profits of the preceding year.

This year, we spent Rs.2 million on building a school for underprivileged children. We also gave educational loans worth Rs.1.1 million and trained twenty one diploma students, some of whom we might employ in due course.

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We would be very likely to pay either large dividends or none at all because our test is whether we think we can use the money in a way that creates more than a rupee of market value for every rupee that we retain. Obviously, if we can keep a dollar and have it become worth more than a rupee on a present value basis, then it would be foolish to pay it out because shareholders can instead get Rs.1.10 or maybe Rs.1.20 - or whatever it may be - by selling the stock.

It's a very simple dividend philosophy and one whose logic we've explained in a past annual report. And I see nothing in terms of the principles of that philosophy that would change. We aren't going to make a decision every week, obviously, based on whether we can employ the earnings that week at a satisfactory rate of return - or every month. We base it on a reasonable expectancy about whether or not we can use our earnings advantageously over a couple of years or more.

Any given decision like that is subjective. But we're fairly objective about trying to figure out whether we are creating value or destroying value by retaining earnings over time. There's an objective test as to whether or not we do create more value - whether with each rupee of retained earnings, we actually do create an extra rupee or more of value.

We've retained earnings to date because we've felt that if we keep a rupee and use it to grow our core business or buy other businesses or whatever else it may be, that it will become worth more than rupee on a present value basis. There's no reason to keep a rupee in the business that will become worth 90p. So far, the news is good. Over the past three years we have earned Rs.546 million after taxes, of which we have retained Rs.473 million. The gain in market value over the same time period has been Rs.2540 million. Obviously this comparison cannot be made on a year-to-year basis, nor might it be appropriate to do it only during bull markets. We intend making this comparison regularly and checking if we are passing this test, failing which, we would be forced to revisit our dividend policy. We might do it via share repurchases or via dividends or some combination thereof.

Again, we'd never have a conventional dividend policy. The idea of paying out 20% of earnings - or 10% or 30% as dividends strikes us as nuts given our characteristics. You may get yourself into a position where you have to do it because you build these expectations in people's minds. However, there's no logic to it whatsoever. If you can create more than a rupee of value for each rupee you retain, why in the world would you pay any of it out? And if you can't, then why wouldn't you pay all of it out?

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I have been thinking about sharing some thoughts on the issues facing our nation. While these are not directly relevant to the company's performance, by being a part of the national ecosystem, it is obvious that we will be affected by whatever affects our country. Read on!

What is causing ever-increasing parts of the developed world to become uncompetitive vis-à-vis the Asian tiger and dragon economies? I think this question was answered by Alfred Marshall, the 19th century British economist who propounded the theory of demand and supply. Just as the demand and supply of commodities affects their market price, so I think it affects the market price of people. In the developed world, decades of high productivity at the workplace seems to have been offset by low productivity at home, which seems to have caused a worrisome demographic situation. In a decade I hear, the US will have ten million more jobs than applicants, for which they will need to 'import' people. We are all aware of the Japanese miracle during the '70s and '80s. What the world is realizing now is that there has been a price they have paid for staying at the workplace too long. China's one-child policy, kicked off in 1979 also seems to have caused a situation, whereby their population has now (over two decades after the policy was first introduced), started aging at a rapid pace.

This suggests to me a need for balance, especially in these economically exciting times India is witnessing. It is all too easy to focus on work, and forget the family. I am beginning to see Indians falling into that same trap no time to have kids. Sustained cost competitiveness owing to 'cheap labor' can only be attained if we ensure that supply keeps up with demand. The fact that India is now regarded as amongst the youngest economies in the world, with a forecast of continued youthfulness well into this century, arises out of the Malthusian 'population problem' that was created by us in the previous century. Only now, many decades later, are we beginning to realize the happy economic consequences of rapid procreation. Just one other statistic: It takes 2.16 births per couple to keep the population static.

While on the subject of contrasting the Anglo Saxon society with India, I would also like to briefly comment on some other aspects of these two societies. While the developed countries have given a lot of good things to the world, there have been some spectacular failures as well. Nuclear families (giving rise to a need for publicly funded social security), education system (which we hear is the symbol of mediocrity) credit card culture (borrowing from tomorrow to live it up today leading to rapidly evaporating public finances) and working women (broken marriages and inadequate children) have all led to serious societal problems. Contrast this with the joint family system (where the family takes responsibility for its aged), the gurukul system of education (based on the now widely regarded system of mentoring), saving-for-a-rainy-day attitude and home-makers (who invest their time in bringing up the next generation). Empirical evidence seems to suggest that whereas the 'new' systems have brought their society under severe strain, the Indian system has been tested over many millennia. It is time we start thinking about the consequences of blindly aping the West. It is also time we start respecting our own culture and traditions.

The above narrative would be a culture shock to many readers, appearing as it is in the annual report of a public company. However, given the experience of the developed world, it is quite clear that there are deep and important linkages between the health of society and the health of the economy, within which a business operates. If we as informed citizens are to play a role in building tomorrow's India, it is imperative that we think beyond merely earnings per share. This brief discussion is meant to be a thought starter amongst our thinking shareholders. A word of caution though - the mind tends to reject new ideas, especially those that go against long-held beliefs. We owe it to the idea to think about it rationally, rather than rejecting it outright, merely because it does not fit into our present mental framework.

About a year ago, I read a piece which said that among the toughest challenges for one of the leading global mining companies was finding enough qualified engineers to run their mines. As a result they were looking to recruit mining engineers from China and India! My guess is the citizenry of that country (where the mines are) finds it more lucrative to work in investment banks than to toil in mines. Just as riches tend to blunt the competitive instincts of members of a wealthy family, so too do they affect the hunger to strive of wealthy nations. Once a society gets used to the good life, it becomes progressively more difficult for it to work as hard as it used to when it struggled to make two ends meet. If this is true, the implications for India are obvious. We have the poor man's advantage and we must not squander it.

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When we started the year, we were a national company, but due to the untiring efforts of the team, we ended it with a global footprint. The journey for becoming a significant world player has begun and I, on behalf of all shareholders, congratulate the team for this momentous achievement.

Abhishek Dalmia
Chairman of the Board

REPORT OF DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS REPORT

For the year ended March 31, 2006

Your Directors have pleasure in presenting the Twenty Nineth Annual Report together with the audited accounts of your Company for the year ended March 31, 2006.

Financial Results

All figures in Rs. Million

Particulars	FY 06	FY 05
Total Income	961	704
Total Expenditure	743	497
Profit before tax and before exceptional income	218	207
Exceptional income	-	150
Profit before tax	218	357
Less: Current tax	24	30
Less: Deferred tax	24	64
Less: Fringe Benefit Tax	3	-
Profit after tax	167	263
Appropriation made as under		
Transfer to General Reserve	17	26
Dividend including tax thereon	36	27
Surplus carried to Balance Sheet	114	210

Dividend

Your Directors recommend a dividend of Rs 10 per share (against Rs 7.50 per share including special dividend of Rs 5 per share in prior year) absorbing Rs 32.098 million . The company will bear the dividend distribution tax of Rs 6.8 Million.

Performance Review

Your company has developed a number of new drilling products for domestic and export markets and a number of new concrete equipments to serve the construction sector. This has entailed upfront expenses on product development including sourcing of technology and market development as well as on initiatives to build infrastructure for the future.

Your company's sales significantly increased from Rs 656 million in 2004-05 to Rs 914 million, an increase of 39% mainly due to higher sales of equipments. However, profit before exceptional income and tax was marginally higher at Rs 218.7 million against Rs 207.4 million due to initiatives enumerated above and adverse product mix consequent to higher sales of equipments and input of material costs.

Overview of the Economy

The Indian economy is currently growing at the rate of around 8% after growing at 8.5% and 7.5% in previous two years. The growth trend over the last three years seems to reflect the beginning of a new phase of cyclical upswing in the economy starting from 2003-04. Higher savings, higher investments and higher growth are now feeding each other. The investments in all sectors and particularly in infrastructure are going to reinforce growth rate. The optimism has been reflected in bell weather BSE index scaling new highs of over 12000 in mid April, 2006 thereby re-affirming India as an investment destination for global equity investors. Inflation has been under control and hovers between 3.5 to 4%, though some have begun to question the accuracy of the official numbers. The Central Budget presented on February 28, 2006 on the backdrop of dream run of the economy, has tried to balance the needs of various sectors of the economy and commitment to ensure that economic growth moves in tandem with social development.

Business Environment

Revathi is engaged in infrastructure development as it manufactures and supplies Blast Hole Rigs and Water Well Rigs which are used for production of minerals like coal, iron ore, lignite. Majority of our Rigs are used by coal mining sector. This year has also seen the introduction of concrete equipments comprising of Batching plant, Transit Mixers and Concrete pumps which have been developed in technical collaboration with German collaborators. The sustenance and improvement in growth rate of 8% has put heavy emphasis on investment in infrastructure with energy sector being the single most important pre-requisite. Electricity, Gas and Water grew at lower rate of 5.6% against 7.6% earlier due to shortage of coal and gas for electricity generation. This has made Government to place renewed emphasis on increasing the coal production which is now targeted to grow at 7 to 8% as against average of 4% experienced over last four decades. While Government is going to step up investments in coal sector, private mining is also opening up. Your company is well positioned to take advantage of these developments.

The global demand for coal mining equipments is also on the upswing. Your company has entered into an Agreement with Bucyrus International Inc, an internationally reputed company in USA for development and marketing of specified Blast Hole drills manufactured per their specifications in the world market under their brand name. Our association with Bucyrus offers us an opportunity for export by leveraging our manufacturing and engineering base in India. In addition, your company has entered prestigious overseas markets with its other Drilling equipments. Year 2006-07 will see the first signs of exports to various countries. The export business has a huge growth potential and is expected to grow in ensuing years after our products have been deployed in various overseas market.

Your company continues to work on various growth initiatives. The current year will focus on building platform for growth by putting its various products in new markets and export markets involving product and market development expenses. Your company has initiated steps for setting up a self- contained manufacturing facility at Coimbatore, which will become operational by this year end at a cost of Rs. 6 crores. The company also plans to take up expansion of its existing facilities for scaling up of production of Drill Rigs during this year.

Business Outlook and Prospects for FY 2006-07

Your company's business strategy for the current year would be to continue to work on building platform for product development and market development and more particularly in respect of export market. By integrating individual technologies with its manufacturing and engineering capabilities, efforts will be made to meet increasing demand from domestic and export sector for its Drills and for other new Drilling equipments. All these efforts will entail costs and investments, the benefits of which will accrue from next year onwards. Lead times of key components are becoming longer which may impact our ability to keep costs under control and execute order in time.

The year has started with a healthy order book and your company expects to record good growth in revenues. The sales increase will accrue from higher sales of Drills both in domestic and export market as well as from concrete equipments. The sales of spares and service will improve with a time lag of approximately two years. It is for these reasons that growth in profits will lag behind in the years of product and market development.

Your Directors look forward to the future with confidence.

Cautionary Note

Certain statements in "management discussion 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 has employed experts to examine the key risk areas of the business and also evaluated the internal control systems so as to minimize and mitigate risks and improve control systems.

Board constitution

In accordance with the Articles of Association of the company, Mr. Chaitanya Dalmia and Mr. Ravinder Kumar Gilani 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.49.46 million and the foreign exchange outgo during the year amounts to Rs.174.79 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

Abhishek Dalmia
Executive Chairman

COIMBATORE
April 18, 2006

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.	:	Development of 1. Blast hole drill for exports. 2. Transit Mixer. 3. Truck mounted exploration drills. 4. Batching Plant.
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 higher sizes. 3. Batching plant of higher sizes. 4. Crawler mounted exploration drill. 5. Underground drill 6. Heavy hydraulic track drills for exports.
4. Expenditure on R&D :		
(a) Capital	:	Rs. 9.6 Million
(b) Recurring	:	Rs.18.0 Million
(c) Total	:	Rs.27.6 Million
(d) Total R&D expenditure as a percentage of total turnover	:	3%

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
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	:	-

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, 2006.

NAME	AGE	DESIGNATION / NATURE OF EMPLOYMENT	REMUNERATION IN Rs.	QUALIFICATION / EXPERIENCE	DATE OF EMPLOYMENT	PREVIOUS EMPLOYMENT DESIGNATION / NAME OF EMPLOYER
Mr. Abhishek Dalmia.	37	Executive Chairman Contractual	4,539,725	FCA, AICWA, B.COM.(H) 14 Years	01.04.2003	Managing Director / Utkal Investments Ltd.
Mr. Rajanarayanan P.M.	57	Managing Director Contractual	3,970,085	B.E. (Mech.) 34 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 2005-06

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 28, 2005, July 26,2005, October 25, 2005 and January 30,2006. Composition of the Board, attendance at the Board Meetings, Committee Meetings and Annual General Meeting (in the financial year 2005-06) 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	4	1	10	-
Mr P.M. Rajanarayanan	4	1	-	-
Mr Chaitanya Dalmia	3	1	9	3
Mr S.C. Katyal	4	1	1	-
Mr Ravinder Kumar Gilani	3	1	1	-
Mr V.S. Rajan	4	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:

- Oversee 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 28, 2005, July 26,2005, October 25, 2005 and January 30,2006 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	3
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 28 April 2005 in 2005-06. All members were present in the meeting.

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 2005-06.

Particulars	Mr.Abhishek Dalmia Rupees	Mr P M Rajanarayanan Rupees
Salary	2,580,000	1,172,954
Commission	-	1,569,132
Perquisites	903,000	723,660
Leave salary-provision	145,125	90,784
Contribution to PF	309,600	140,752
Contribution to Super annuation and gratuity fund.	602,000	272,803
Total	4,539,725	3,970,085

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	6,000	nil	100,000	106,000
Mr. S.C.Katyal	16,000	2,033,000 *	100,000	2,149,000
Mr. V.S.Rajan	16,000	nil	100,000	116,000
Mr. Ravinder Kumar Gilani	12,000	nil	100,000	112,000

*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 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 5 years from February 10, 2003 to February 09, 2008. The notice period of the contract is three months.

The company has 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.22,00,000 which is subject to the approval of shareholders under clause 49(I)(B) of the listing agreement.

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.

The 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 6 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	26th AGM	27th AGM	28th AGM
Date	July 11, 2003	July 09, 2004	July 27, 2005
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	Re-appointment of Mr S.C. Katyal as Director	O	Declaration of Dividend	O	Declaration of Dividend	O
3	Re-appointment of Mr V.S. Rajan as Director	O	Re-appointment of Mr Chaitanya Dalmia as Director	O	Re-appointment of Mr S.C. Katyal as Director	O
4	Appointment of Lodha & Co. as Statutory Auditors	O	Re-appointment of Mr Ravinder Kumar Gilani as Director	O	Re-appointment of Mr V.S. Rajan as Director	O
5	Appointment of Mr Chaitanya Dalmia as Director	O	Appointment of Lodha & Co. as Statutory Auditors	O	Appointment of Lodha & Co. as Statutory Auditors	O
6	Alteration of Memorandum of Association	S	Alteration of Memorandum of Association	S	Delisting of shares from Madras Stock Exchange.	S
7	Commencement of New Business	S	Commencement of New Business	S		
8	Remuneration to Executive Chairman	S				
9	Remuneration to Managing director	S				
10	Minimum remuneration to Ex-Managing Director	S				
11	Buy back of Shares	S				

O : ordinary resolution S : special resolution

1) The Special resolution was passed through postal ballot for the year 2002- 2003 for alteration of Memorandum of Association. The postal ballot was conducted as per Sec. 192A of the Companies Act, 1956 read with Companies (Passing of the resolution by postal ballot) and out of total of 248 members holding 1976303 shares, who had exercised the voting rights through postal ballot, 201 members holding 1956877 shares had voted for the Special resolution which worked out to 99.25% of the total votes polled in favour of the special resolution. (Votes of 10 Members holding 4663 shares were invalid). Pursuant to Rule 5(b) of the Companies Rules 2001, the Board of Directors at their meeting held on April 14, 2003 appointed Mr. M. D. Selvaraj as scrutinizer to conduct the postal ballot voting process in a fair & transact manner.

2) The Special resolution was passed through postal ballot for the year 2002-2003 for buyback of shares. The postal ballot was conducted as per Sec. 192A of the Companies Act, 1956 read with Companies (Passing of the resolution by postal ballot) and out of total of 243 members holding 1976112 shares, who had exercised the voting rights through postal ballot, 143 members holding 1947276 shares had voted for the Special resolution which worked out to 98.77% of the total votes polled in favour of the special resolution. (Votes of 10 Members holding 4663 shares were invalid). Pursuant to Rule 5(b) of the Companies Rules 2001, the Board of Directors at their meeting held on April 14, 2003 appointed Mr. M. D. Selvaraj as scrutinizer to conduct the postal ballot voting process in a fair & transact manner.

3) The Special resolution was passed through postal ballot for the year 2003-2004 for alteration of Memorandum of Association. The postal ballot was conducted as per Sec. 192A of the Companies Act, 1956 read with Companies (Passing of the resolution by postal ballot) and out of total of 179 members holding 1978138 shares, who had exercised the voting rights through postal ballot, 171 members holding 1973106 shares had voted for the Special resolution which worked out to 98.98% of the total votes polled in favour of the special resolution. (Votes of 7 Members holding 4682 shares were invalid). Pursuant to Rule 5(b) of the Companies Rules 2001, the Board of Directors at their meeting held on April 14, 2004 appointed Mr. M. D. Selvaraj as scrutinizer to conduct the postal ballot voting process in a fair & transact manner.

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.

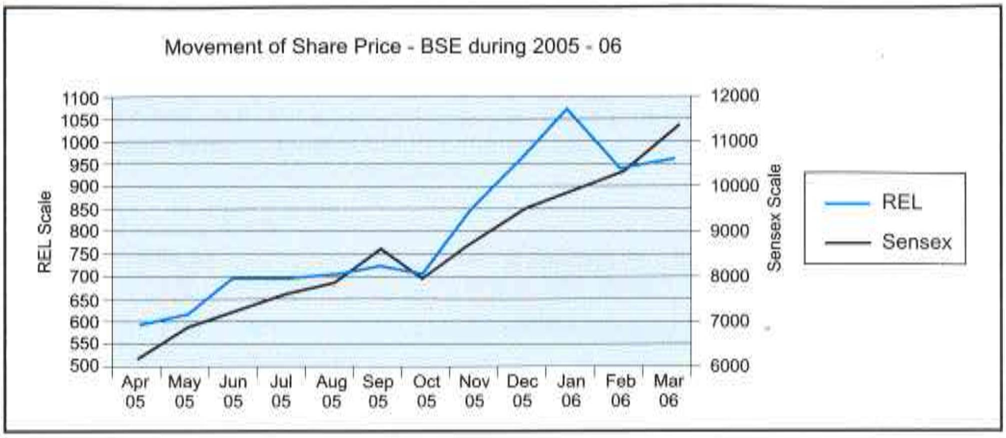
8. General shareholder information:

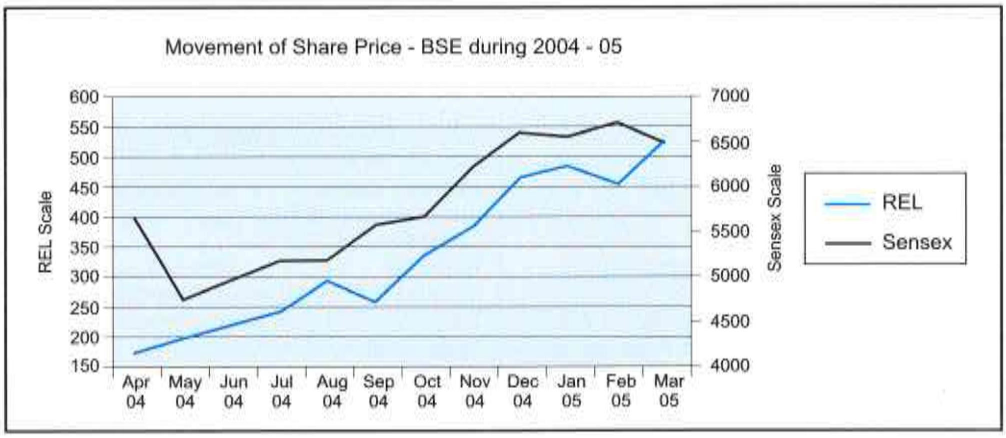
Date of Incorporation	May 30, 1977
Registered Office	Pollachi Road, Malumachampatti Post, Coimbatore 641 021
Plant Location (Drilling Equipments & Construction Equipments)	As above
Wind Turbine Plant Location	1.Gorera Village, Jaisalmer, Rajasthan State. 2.Melilandaikulam, Balabadraramapuram, Vadakkukavalkurichi, Tamilnadu
Date and time of Annual General Meeting	July 22, 2006, 10 A.M. at Coimbatore
Venue of Annual General Meeting	Indian Chamber of Commerce & Industry
Financial calendar	April 1, 2006 - March 31, 2007
Financial reporting for the first quarter ending June 30, 2006	During Third week of July 2006
Financial reporting for the second quarter ending September 30, 2006	During the last week of October 2006
Financial reporting for the third quarter ending December 31, 2006	During the last week of January 2006
Financial reporting for the year ending March 31, 2007	During the last week of April 2007
Annual General Meeting for the year ending March 31, 2007	During the last week of Aug 2007
Date of book closure	From July 13, 2006 to July 22, 2006 (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.

2005 - 06				2004 - 05			
	Highest Rs.	Lowest Rs.	Volume Nos.		Highest Rs.	Lowest Rs.	Volume Nos.
April, 2005	648.00	525.45	167,786	April, 2004	195.00	161.50	185,141
May	690.00	541.50	115,043	May	217.00	150.00	146,485
June	753.70	607.05	812,643	June	255.00	192.00	410,759
July	788.40	685.00	1,237,338	July	286.90	211.00	169,486
August	827.75	657.50	474,894	August	308.40	252.75	170,132
September	774.00	665.00	132,727	September	301.00	225.00	67,190
October	775.00	680.00	86,040	October	355.00	261.00	254,424
November	884.00	695.00	133,072	November	404.00	335.25	199,504
December	975.00	860.00	75,123	December	484.45	370.00	139,831
January	1,214.40	960.00	96,337	January	529.95	415.00	106,838
February	1,060.00	901.10	55,870	February	495.00	431.00	81,713
March, 2006	1,050.10	890.00	71,672	March, 2005	699.00	450.50	233,682
Total			3,458,545	Total			2,165,185
% of volume traded to average number of shares outstanding			107.75				67.46





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 0422-5549995

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 (physically) during the year 2005-06 was 2005. (Previous year 3995).

Number of pending share transfers as on March 31, 2006 : 4

Transfer period in days	2005 - 06				2004 - 05			
	No. of Transferees (folios)		No. of Shares	%	No. of Transferees (folios)		No. of Shares	%
	New	Existing			New	Existing		
1 - 10	10	-	1,100	54.86	28	-	3,954	98.97
11 - 15	7	-	355	17.71	-	-	-	-
16 - 20	7	-	500	24.94	1	-	41	1.03
21 - 25	1	-	50	2.49	-	-	-	-
Total	25	-	2,005	100.00	29	-	3,995	100.00

% of volume transferred to average number of shares outstanding: 0.06 (2005 - 06); 0.12 (2004 - 05)

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	5.12
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	0.26	2,308,555	71.92
Total	5,271	100.00	3,209,800	100.00

Distribution of shareholding as on March 31, 2005

2004 - 05				
No. of Equity Shares held	No. of Share holders	% of Share holders	No. of Shares	% of Share holding
01 - 100	2,722	65.07	150,909	4.70
101 - 200	655	15.66	114,461	3.57
201 - 500	505	12.07	172,381	5.37
501 - 1000	162	3.87	120,958	3.77
1001 - 5000	120	2.87	236,004	7.35
5001 - 10000	10	0.24	68,368	2.13
10001 and above	9	0.22	2,346,719	73.11
Total	4,183	100.00	3,209,800	100.00

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

Category of shareholding as on March 31, 2005

Category	2004 - 05		
	No. of Share holders	Voting Strength %	No. of Shares held
Individuals	3,940	25.412	815,675
Bodies Corporate	184	72.412	2,324,278
Insurance Cos.	1	0.423	13,565
Directors & Relatives	2	0.305	9,802
NRI	47	0.382	12,248
Banks	3	0.009	300
OCB	3	0.602	19,332
Mutual Fund	1	0.009	300
FII	2	0.446	14,300
Total	4,183	100.000	3,209,800

Promoters holdings as on March 31,2006

Particulars	Number of shares	% of holdings
Utkal investments Ltd	1922160	59.884
Renaissance Asset Management Co.P.Ltd.	31649	0.986
Total	1953809	60.870

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 21,871 (0.68 %) during 2005-06. 100 % of demat requests have been dematerialised within 30 days, out of which 92.33% were attended within 10 days.

Demat Processing systems

Demat Period in days	2005-06 No. of folios dematerialised	No. of shares	%	2004-05 No. of folios dematerialised	No. of shares	%
1 - 10	141	21,157	96.74	179	28,071	92.33
11 - 15	7	714	3.26	22	2,332	7.67
16 - 30	-	-	-	-	-	-
Total	148	21,871	100.00	201	30,403	100.00

Details of Demat through Depositories

2005-06			2004-05		
Depository Name	Shares Dematerialised	% to Capital	Depository Name	Shares Dematerialised	% to Capital
N S D L	19,372	0.60	N S D L	26,713	0.83
C D S L	2,499	0.08	C D S L	3,690	0.11
Total	21,871	0.68	Total	30,403	0.94

Dematerialised shares as on March 31, 2006 - 30,74,922 (95.80%)

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

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, 2006, 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: April 18, 2006.

R.P. Singh
Partner
Membership No. : 52438

AUDITOR'S 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 2006 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.

I. 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, 2006, 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, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2006 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 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, 2006;
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
April 18, 2006

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.

(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 weakness 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) We are informed that Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.

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

(b) According to information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.

(x) The Company has no accumulated losses as on 31st March 2006 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 and based on the documents and records produced to us, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares.

(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 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 excepting those held as a margin by the agents to facilitate the transactions undertaken by the company and/or 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.

(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.

(xx) The Company has not raised any money through a public issue during the year.

(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
April 18, 2006

R.P. Singh
Partner
Membership No. : 52438

REVATHI EQUIPMENT LIMITED

BALANCE SHEET -- MARCH 31, 2006

(All amounts in thousands of Indian Rupees)

	Notes	2006	2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	2	32,098	32,098
Reserves and surplus	3	973,450	842,641
		1,005,548	874,739
LOAN FUNDS			
Secured loan	4	307,777	444,242
		307,777	444,242
DEFERRED TAX LIABILITIES, (net)	7	99,582	75,258
Total		1,412,907	1,394,239
APPLICATION OF FUNDS			
FIXED ASSETS	1(a) & 5		
Gross Block		630,698	554,963
Less: Depreciation		(139,402)	(76,857)
Net Block		491,296	478,106
Add: Capital Work-in-Progress		918	40,929
		492,214	519,035
INVESTMENTS	1(c) & 6	370,007	429,161
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	1(d) & 8	285,826	211,626
Sundry debtors	9	246,640	239,830
Cash and bank balances	10	179,586	110,664
Loans and advances	11	51,494	64,995
		763,546	627,115
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	141,177	127,169
Provisions	13	71,683	53,903
		212,860	181,072
Net current assets		550,686	446,043
Total		1,412,907	1,394,239

The accompanying notes are an integral part of this balance sheet

Lodha & Co
Chartered Accountants

R.P.Singh
Partner
Membership Number: 52438

Kolkata
April 18, 2006

Abhishek Dalmia
Executive Chairman

M.N. Srinivasan
Company Secretary

Coimbatore
April 18, 2006

P.M.Rajanarayanan
Managing Director

S.Hariharan
Vice President (Finance)

REVATHI EQUIPMENT LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2006

(All amounts in thousands of Indian Rupees)

	Notes	2006	2005
INCOME			
Gross Sales	1(e)&14	971,986	704,409
Less:Excise Duty		(58,142)	(48,408)
Net Sales		913,844	656,001
Other income	15	47,770	48,907
		961,614	704,908
EXPENDITURE			
Cost of materials	16	(503,037)	(321,996)
Employee costs	17	(43,449)	(42,088)
Manufacturing and other expenses	18	(99,394)	(84,456)
Interest and financial charges	19	(33,919)	(18,292)
Depreciation	1(a)&5	(63,182)	(30,678)
Less:Transferred from Revaluation Reserve		26	26
		(742,955)	(497,484)
Profit before non- recurring and exceptional items & taxes		218,659	207,424
Non-recurring and exceptional income			
-Compensation received from Atlas Copco (I) Ltd	20	-	150,000
Profit before taxes		218,659	357,424
Provision for taxes	21	(51,224)	(93,740)
Profit after taxes		167,435	263,684
PROFIT AND LOSS ACCOUNT, beginning of year		377,056	167,190
Profit available for appropriation		544,491	430,874
Proposed dividend		(32,098)	(24,074)
Provision for dividend tax		(4,502)	(3,376)
Transfer to general reserve		(16,744)	(26,368)
PROFIT AND LOSS ACCOUNT, end of year		491,147	377,056
Net profit available to equity shareholders		167,435	263,684
Number of shares used in computing basic earnings per share		3,209,800	3,209,800
Basic and diluted earnings per share (equity shares, par value Rs 10 each)		52.16	82.15

The accompanying notes are an integral part of this statement

Lodha & Co
Chartered Accountants

R.P.Singh
Partner
Membership Number: 52438

Kolkata
April 18, 2006

Abhishek Dalmia
Executive Chairman

M.N. Srinivasan
Company Secretary

Coimbatore
April 18, 2006

P.M.Rajanarayanan
Managing Director

S.Hariharan
Vice President (Finance)

REVATHI EQUIPMENT LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2006

(All amounts in thousands of Indian Rupees)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax-before exceptional income	218,659	207,424
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	63,156	30,652
Interest and dividend income	(33,454)	(17,293)
Write-down in the value of current investments	59	-
(Profit)/Loss on sale of investments	(12,792)	(31,267)
Interest on borrowings	28,931	12,258
Interest on lease	56	88
Profit on sale of fixed assets	(94)	(165)
	264,521	201,697
Changes in current assets and liabilities:		
(Increase)/Decrease in inventories	(74,200)	(36,883)
(Increase)/Decrease in trade and other receivables	5,225	(149,061)
(Decrease)/Increase in current liabilities and provisions	15,114	56,231
Direct taxes paid(Net of Refund)	(18,817)	(31,895)
Net cash provided by/(used in) operating activities (before non recurring & exceptional items)	191,843	40,089
Non-recurring & exceptional income (Refer Schedule 20)	-	150,000
Net cash provided by/(used in) operating activities	191,843	190,089
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of fixed assets	104	170
Purchase of fixed assets	(36,373)	(405,811)
Lease rent paid	(418)	(417)
Sale/redemption of investments	2,217,360	2,029,060
Purchase of investments	(2,145,473)	(2,180,594)
Inter-corporate deposit	-	(40,000)
Interest and dividend received	34,921	17,050
Net cash provided by/(used in) investing activities	70,121	(580,542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	-	345,950
Repayment of long term borrowings	(26,465)	(11,708)
Proceeds from / repayment of short term borrowings	(110,000)	110,000
Interest paid	(28,977)	(12,026)
Dividend paid	(24,224)	(8,138)
Tax on dividends paid	(3,376)	(1,028)
Net cash provided by/(used in) financing activities	(193,042)	423,050
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,922	32,597
CASH AND CASH EQUIVALENTS		
Beginning of the year	110,664	78,067
End of the year	179,586	110,664

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 April 18, 2006	Coimbatore April 18, 2006	

REVATHI EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2006

(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) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) Product warranty costs

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

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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 recognised 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 depriciated over the useful life or lease term, as appropriate and the interest component is charged as periodic cost.

(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 these 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

	2006	2005
Authorised		
3,500,000 (2005 -3,500,000) equity shares of Rs.10/- each	35,000	35,000
Issued, subscribed and paid-up		
3,209,800 (2005 - 3,209,800) equity shares of Rs. 10/- each fully paid up	32,098	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

3. RESERVES AND SURPLUS

	2006	2005
Capital reserve	149	149
Capital redemption reserve	1683	1683
Revaluation reserve		
Balance, beginning of year	3,729	3,755
Transfer to profit and loss account (see Note1(a) & 5)	(26)	(26)
Balance, end of year	3,703	3,729
General reserve		
Balance, beginning of year	460,024	433,656
Transfer from profit and loss account	16,744	26,368
Balance, end of year	476,768	460,024
Profit and loss account	491,147	377,056
	973,450	842,641

4. SECURED LOAN

	2006	2005
Long Term Loan from Banks	274,417	333,750
Vehicle Loan	2,700	492
Cash Credit	30,660	110,000
	307,777	444,242

1. Long Term Loan of Rs 48,750 (2005-Rs.63,750) 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.119,000 (2005-Rs.150,000) 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.106,666 (2005-Rs.120,000) 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.30,660 under multiple banking arrangement has been secured by way of pari-passu first charge on Company's stocks and book debts and second charge on the fixed assets of the Company excluding assets specifically funded by other term lenders wherever situated as per hypothecation agreement in favour of multiple banks.

5. Vehicle Loan of Rs.2,700 (2005-Rs.492) 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	-	-	23,021
Plant and machinery	489,873	61,279	195	550,957
Production tooling	5,539	1,510	-	7,049
Data processing equipment	9,780	1,205	256	10,729
Furniture and fittings	2,028	-	12	2,016
Office equipment	2,468	287	176	2,579
Vehicles (on lease)	1,599	-	-	1,599
Vehicles (owned)	3,639	3,095	10	6,724
Intangible Asset-Tech knowhow	5,615	7,936	-	13,551
Intangible Asset-computer software	1,960	1,072	-	3,032
	554,963	76,384	649	630,698
Previous year	191,203	364,882	1,122	554,963
Accumulated depreciation				
Freehold land	-	-	-	-
Buildings	9,833	611*	-	10,444
Plant and machinery	46,598	54,844	193	101,249
Production tooling	4,837	1,035	-	5,872
Data processing equipment	8,086	855	256	8,685
Furniture and fittings	1,490	96	12	1,574
Office equipment	1,724	232	176	1,780
Vehicles (on lease)	1,280	320	-	1,600
Vehicles (owned)	1,102	1,180	-	2,282
Intangible Asset-Tech knowhow	1,369	3,362	-	4,731
Intangible Asset-computer software	538	647	-	1,185
	76,857	63,182	637	139,402
Previous year	47,294	30,678	1,115	76,857
Net Block				
Freehold land	9,441			9,441
Buildings	13,188			12,577
Plant and machinery	443,275			449,708
Production tooling	702			1,177
Data processing equipment	1,694			2,044
Furniture and fittings	538			442
Office equipment	744			799
Vehicles (on lease)	319			(1)
Vehicles (owned)	2,537			4,442
Intangible Asset-Tech knowhow	4,246			8,820
Intangible Asset-computer software	1,422			1,847
	478,106			491,296
Previous year	143,909			478,106
Capital Work-in-progress	40,929			918

1. * Includes depreciation of Rs. 26 (2005 - Rs. 26) transferred from revaluation reserve.
2. Cost of plant and machinery includes Rs.142 (2005 - Rs.142) in respect of assets given on lease. The accumulated depreciation on these asset Rs.127 (2005 - Rs. 119).
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

4. During the year, the company installed One Wind Turbine, which commenced commercial operation, on 18.04.05. Accordingly, the cost of Plant & Machinery aggregating to Rs.57,350 has been capitialised with effect from the above date.

6. INVESTMENTS (non-trade)

	2006	2005
Long term		
Unquoted - Mutual Funds		
12,271 (2005-12,271) bonds of Rs.100 each of 6.75% Tax free US-64 Bonds of UTI	1,227	1,227
1,16,056 (2005-1,16,056)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 (2005-5,000) Shares of Rs.10000/- each in 12 year-15% Participating Cumulative Preference Shares in Coromandel Electric.Co.Ltd	50,000	50,000
	62,832	62,832
Quoted		
Shares		
2,65,380 (2005-2,25,000) Equity Shares of Rs.10/-each in Andhra Bank*	14,503	9,691
50,000 (2005-50,000) Equity Shares of Rs.10/-each in Andhra Sugars Ltd	6,577	6,577
57,626 (2005-Nil)Equity Shares of Rs.10/-each in Ashiana Housing Ltd	6,093	-
7,000 (2005-7,000) Equity Shares of Rs.10/-each in Bharat Petroleum Corp.Ltd	2,302	2,302
5,00,000 (2005-5,00,000) Equity Shares of Rs.10/-each in Chambel Fertilizers & Chemicals Ltd	10,708	10,708
500 (2005-Nil)Equity Shares of Rs.10/-each in Dwarikesh Sugars Ltd	122	-
Nil (2005-15,000)Equity Shares of Rs.10/-each in Federal Bank Ltd	-	1,384
1,000 (2005-Nil)Equity Shares of Rs.10/-each in Flex Industries Ltd	93	-
30,000 (2005-11,500) Equity Shares of Rs.10/-each in Great Eastern Shipping	5,113	1,945
30,000 (2005-32,500) Equity Shares of Re.1/-each in Hindustan Lever Ltd	3,635	3,956
5,000 (2005-Nil)Equity Shares of Rs.10/-each in Hindustan Motors Ltd	159	-
15,450 (2005-15,450)Equity Shares of Rs.10/-.each in Hindustan Petroleum Corp.Ltd	4,972	4,972
12,200 (2005-12,200) Equity Shares of Rs.10/-each in Indian Oil Corporation Ltd	4,338	4,338
1,000 (2005-Nil)Equity Shares of Rs.10/-each in Indian Petro Chemicals Ltd	239	-
30,000 (2005-33,500) Equity Shares of Rs.10/-each in Indo Gulf Fertilizers Ltd	3,164	3,528
72,382 (2005-57,182) Equity Shares of Rs.10/-each in Indorama Synthetics	5,028	4,043
1,000 (2005-Nil)Equity Shares of Rs.10/-each in Ingersoll Rand (India) Ltd	353	-
25,500 (2005-1,700) Equity Shares of Rs.10/-each in ITC Ltd	1,522	1,522
250 (2005-Nil)Equity Shares of Rs.10/-each in Jet Airways Ltd	254	-
Nil (2005-7,000) Equity Shares of Rs.10/-each in Karur Vysya Bank.Ltd	-	1,977
150,000 (2005-Nil)Equity Shares of Rs.10/-each in Lakshmi Vilas Bank Ltd	15,159	-
30,001 (2005-33,006) Equity Shares of Rs 10/-each in LIC Housing Finance Ltd	4,603	5,064
82,191 (2005-Nil)Equity Shares of Rs.10/-each in Linc Pen Ltd	4,241	-
20,000 (2005-Nil)Equity Shares of Rs.10/-each in Mphasis Bfl Software Ltd	2,597	-
5,000 (2005-Nil)Equity Shares of Rs.10/-each in Petronet LNG Ltd	294	-
1,00,000 (2005-Nil)Equity Shares of Rs.10/-each in PNB Gilts Ltd	2,096	-
5,000 (2005-Nil)Equity Shares of Rs.10/-each in Pricol India Ltd	221	-
2,500 (2005-Nil)Equity Shares of Rs.10/-each in Reliance Energy Ventures Ltd	111	
53,199 (2005-Nil)Equity Shares of Rs.10/-each in South Indian Bank Ltd	3,531	-
7,200 (2005-Nil)Equity Shares of Rs.10/-each in Tata Iron and Steel Co Ltd	2,485	-
Nil (2005-11,500) Equity Shares of Rs.10/-each in Tata Metalik	-	2,020
50,000 (2005-16,000) Equity Shares of Rs.10/-each in Tata Sponge	8,206	2,916
25,000 (2005-Nil)Equity Shares of Rs.10/-each in Tata Teleservices(M) Ltd	728	-
60,000 (2005-60,000) Equity Shares of Rs.10/-each in Union Bank of India	3,433	3,134
1,30,000 (2005-1,00,000) Equity Shares of Rs.10/-each in Vijaya Bank Ltd	6,937	5,271
Nil (2005-20,000) Equity Shares of Rs.10/-each in Visual Software	-	2,414

*17,000(27,000-2005)shares amounting to Rs.929 (2005- Rs 1,163) are held as a margin by the agent

Current	2006	2005
Mutual Funds		
Nil (2005-19,97,963) Units of Rs 10/-each in Birla Cash Plus Institutional Premium Plan Daily Dividend Reinvestment Scheme	-	20,020
13,72,021 (2005-Nil) Units of Rs 10/-each in Birla Cash Plus Institutional Premium Plan Monthly Dividend Payout	13,757	-
Nil(2005-51,77,165)Units of Rs10/-each in Birla Floating Rate Fund	-	56,404
Nil (2005-15,20,824) Units of Rs.10/- each in Chola Liquid Institutional Plus Weekly Dividend Reinvestment Scheme	-	17,566
8,32,530 (2005-Nil) Units of Rs.10/- each in Chola Short Term Floating Rate Fund Monthly Dividend Payout	8,423	-
5,00,000 (2005 --Nil) units of Rs 10/- each in Franklin India Smaller Companies Fund	5,000	-
10,00,000 (2005-Nil) Units of Rs.10/-each in Grindlays Fixed Maturity Plan 20 Growth Option	10,000	-
50,00,000 (2005-50,00,000) Units of Rs.10/-each in Grindlays Fixed Maturity Sixth Plan Growth Option	50,000	50,000
9,93,985 (2005-Nil) Units of Rs 10/-each in HDFC Floating Rate Income Fund-STP Monthly Dividend Payout	10,066	-
2,34,242 (2005-Nil) Units of Rs 10/-each in HDFC Monthly Income Plan -STP- Quarterly Dividend Payout	2,500	-
18,98,648 (2005 --Nil) units of Rs 10/- each in HDFC Multiple Yield Fund- Growth	21,000	-
21,00,000 (2005 --Nil) units of Rs 10/- each in HDFC Multiple Yield Fund-Plan 2005 Growth	21,000	-
Nil (2005-18,81,875) units of Rs 10/- each in HDFC Cash Management Fund Savings Plan Weekly Dividend Reinvestment Scheme	-	20,000
Nil (2005-932)Units of Rs.10/- each HSBC Cash Fund-Institutional Plan Growth Option	-	10,300
19,93,566 (2005 --Nil) units of Rs 10/- each in JM Floater Fund-STP-Dividend Payout	20,063	-
5,09,845 (2005 --Nil) units of Rs 10/- each in Kotak Cash Plus Dividend Reinvestment	5,098	-
4,77,862 (2005 --Nil) units of Rs 10/- each in Kotak Income Plus Monthly Dividend Reinvestment	5,145	-
5,00,000 (2005 --Nil) units of Rs 10/- each in Pru ICICI Blended Plan-Plan A Dividend Payout	5,000	-
Nil (2005-12,28,720) Units of Rs.10/-each in Prudential ICICI Liquid Plan Growth Scheme	-	20,000
5,23,669 (2005-Nil) Units of Rs.10/-each in Sundaram Money Fund Institutional Plan Monthly Dividend Payout	5,319	-
Nil (2005-5,01,746) Units of Rs.10/-each in Sundaram Money Fund Institutional Plan Weekly Dividend Reinvestment Option	-	5,069
953 (2005-953) Units of Rs.1000/-each in Tata Liquid Fund HIP Growth Option	1,046	1,046
Nil (2005-10,980)Units of Rs.1000/-each in Templeton TMA Growth Scheme	-	18,103
Nil(2005-69,987) Units of 1000/-each in Templeton TMA Institutional Plan Weekly Dividend Reinvestment Scheme	-	70,059
	307,234	366,329
Less:Diminution in value of investments	(59)	-
	307,175	366,329
Refer Note 26 (I-A&B) for details of purchases and sales of investments during the year.	370,007	429,161
Book value of quoted Investments	123,815	77,762
Book value of Unquoted Investments	62,832	62,832
Book value of Investments in Mutual Funds	183,360	288,567
	370,007	429,161
Aggregate market value of quoted Investments	167,339	106,302
Aggregate NAV of investments in Mutual Fund	189,580	290,332

7. DEFERRED TAX LIABILITIES (NET)

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. Various components of deferred tax assets and liabilities are as follows:

	2006	2005
Voluntary retirement scheme costs	-	590
Depreciation	(99,738)	(76,086)
Others	156	238
	(99,582)	(75,258)

8. INVENTORIES

	2006	2005
Raw material and components, including goods-in-transit	138,651	46,430
Work-in-progress	81,712	108,075
Merchanting goods, including goods-in-transit	65,463	57,121
	285,826	211,626

9. SUNDRY DEBTORS (unsecured)

	2006	2005
Outstanding for more than six months		
Considered good	8,176	-
Considered doubtful	6,000	4,598
	14,176	4,598
Others		
Considered good	238,464	239,830
Considered doubtful	-	1,402
	252,640	245,830
Less: provision for doubtful debts	(6,000)	(6,000)
	246,640	239,830

10. CASH AND BANK BALANCES

	2006	2005
Cash in hand	624	533
Cheques on hand	94,572	4,376
Balances with scheduled banks		
- in Cash Credit	17,919	28,518
- in Current accounts	51,078	63,079
- Dividend accounts (restricted)	314	464
Deposit accounts, including margin money of Rs.11,189 (2005 - Rs 9,804)	15,079	13,694
	179,586	110,664

11. LOANS AND ADVANCES

	2006	2005
Secured		
Loan to body corporate (Secured against pledge of equity/preference shares of MMS Steel & Power Private Limited)	-	10,000
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	33,740	11,600
Inter Corporate Loan (Short-term)	-	30,000
Deposits	4,792	3,897
Balances with customs and excise authorities	6,944	3,221
Other receivables	6,018	6,277
	51,494	64,995

Disclosure under clause 32 of the Listing Agreement:

Loans and Advances to Employees	Max.Amt.outstanding during 2005-06	Outstanding at the end of the year	Int.outstanding at the end of the year
Housing Loan to employees (Interest @ 5%)	2,595	2,357	845
Other loans and advances (Interest free)	1,250	409	

12. CURRENT LIABILITIES

	2006	2005
Acceptances	27,271	14,567
Sundry creditors		
-Payable to Small Scale Industrial undertakings	4,440	1,704
-Others	61,611	71,637
Unclaimed dividends and fixed deposits*	364	514
Advances from customers	15,831	3,881
Accrued expenses and other liabilities	31,660	34,866
	141,177	127,169

* 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, 2006, are given below:

Apsara Industries	Emmem Engineering Co	NSK Engg Works	Sri Vinayaka Industries
Emperars Power Pack	Geco Grinding Centre	Sidharth Industry	Vijay Engg Products
Jeeva Industries	MAK Fabricators	Seva Industry	Unidynamiccs
C M Engineering & Traders	KMT Engineering	Sri Lakshmi Engg	Sri Lakshmi Industries
G R Industries	Mech Mach Systems	Surya Manufacturers	
MS Engineering	Sharp Engg Works	SK Engg Works	

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

	2006	2005
Provision for tax, net	17,616	9,533
Proposed final dividend	32,098	24,074
Dividend distribution tax	4,502	3,376
Provision for leave encashment	2,864	2,635
Provision for warranty claims	14,603	14,285
	71,683	53,903

14. REVENUES

	2006	2005
Sale of drills / Construction Equipment	488,343	277,092
Sale of spares	379,054	380,968
Gross Sales	867,397	658,060
Less: Excise Duty	(58,142)	(48,408)
Net Sales	809,255	609,652
Sale of power	61,775	15,159
Service income	42,814	31,190
	913,844	656,001

15. OTHER INCOME

	2006	2005
Dividend from mutual funds and other investments from		
- Long term	19,741	10,269
- Current	9,132	2,829
Profit on sale of investments (net)		
- Long term	9,768	19,800
-Current	3,024	11,459
Interest on investments and deposits (gross of tax deducted at source of Rs. 382 (2005 - Rs. 414) includes Rs.Nil (2005 - Rs. 543) towards interest received on Income Tax Refunds	4,581	4,195
Lease rentals	-	122
Profit on sale of fixed assets	94	163
Others	1,430	70
	47,770	48,907

16. COST OF MATERIALS

	2006	2005
Raw material and components consumed		
Opening stock	46,430	26,788
Add: Purchases	399,320	180,215
Less: Closing stock, including raw material and components in-transit	(138,651)	(46,430)
	307,099	160,573
Purchase of merchanting components	159,367	166,040
Processing charges and purchase of materials through sub-contractors	18,550	12,624
Decrease/(increase) in work-in-progress and merchanting components	18,021	(17,241)
	503,037	321,996

17. EMPLOYEE COSTS

	2006	2005
Salaries, wages, allowances, bonus etc	34,422	33,214
Contribution to provident and other funds	5,378	5,214
Staff welfare expenses	3,649	3,660
	43,449	42,088

18. MANUFACTURING AND OTHER EXPENSES

Consumption of stores, spares, small tools, jigs and fixtures	5,737	4,960
Power and fuel	3,802	4,146
Rent	2,385	2,366
Repairs and maintenance		
Buildings	2,207	2,006
Plant and machinery	623	429
Others	1,260	1,580
Insurance	3,158	1,940
Rates and taxes	1,597	861
Travelling and conveyance	19,679	15,782
Freight, clearing and packing	6,992	6,212
Legal and professional charges	9,137	6,613
Directors' sitting fees	50	64
Directors' Commission	400	400
Selling commission	20,725	19,731
Write-down in the value of Current Investment	59	-
Exchange loss, net	3,146	297
Bad debts and advances written-off (net of recoveries Rs.19 (2005- Rs. 33))	1,283	25
Miscellaneous expenses	17,154	17,044
	99,394	84,456

19. INTEREST AND FINANCIAL CHARGES

Interest	22,057	9,841
Fixed loans	6,526	2,417
Cash credit	404	88
Others	4,932	5,946
Bank charges	33,919	18,292

20. NON RECURRING & EXCEPTIONAL INCOME

Atlas Copco India Ltd together with Chicago Pneumatic Tool Company, USA sold their entire share holding in the Company in August 2002 and entered into non-compete/ non-solicitation agreements not to compete with Revathi Equipment Ltd for specified products, and solicit company's employees, customers for specified periods. However, consequent to its decision to re-enter the drilling business as part of worldwide acquisition, in this year, of drilling solutions business of Ingersoll Rand in India, a compensation of Rs. 150,000, as agreed on 24th June 2004, for cancellation of the above non-compete/non-solicitation agreements and termination of rights and obligations arising therefrom, pursuant to an out of court settlement, has been received and disclosed under Non Recurring & Exceptional Income and treated as revenue income for taxation purpose.	-	150,000

21. PROVISION FOR TAXES

Current tax	24,500	30,000
Deferred tax	24,324	63,740
Fringe Benefit Tax	2,400	-
	51,224	93,740

22. CONTINGENT LIABILITIES

Claims against the Company not acknowledged as debts		
Customer claims for damages	3,678	3,678
	3,678	3,678

23. CAPITAL COMMITMENTS

On account of intangible assets	574	2,934
On account of tangible assets	773	17,655

24. LEASE COMMITMENTS

In October 2001, the Company had taken on finance lease vehicle for a period of 60 months. The value of asset is Rs.1,599. The gross investment in lease is approximately Rs. 2,087. The future minimum lease payments and the present value of minimum lease payment under finance leases as of March 31, 2006 is as follows:

	Minimum lease payment	Present Value
Not later than one year	210	191
Later than one year and not later than five years	-	-
	210	191

25. RESEARCH AND DEVELOPMENT EXPENDITURE

	2006	2005
Research and development expenditure	17,978	13,672

26. SUPPLEMENTARY DATA

a. Managerial remuneration

(i) Executive Chairman & Managing Director	2006		2005	
	Executive Chairman Mr.Abhishek Dalmia	Managing Director Mr.P.M.Rajanarayanan	Executive Chairman Mr.Abhishek Dalmia	Managing Director Mr.P.M.Rajanarayanan
Salary	2580	1173	2580	1096
Commission	-	1569	-	1502
Contribution to provident and other funds	912	414	912	386
Perquisites and other benefits	1048	814	1048	747
	4540	3970	4540	3731
(ii) Non Executive Directors				
Commission *	400	-	400	-
Total Managerial remuneration		8910		8,671

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

	2006	2005
Net profit before tax	218,659	357,424
Add: Managerial remuneration	8,910	8,671
Directors' sitting fees	50	64
Depreciation in the books of account	63,156	30,652
Loss on Sale of Fixed Assets	2	-
Loss on sale of Investments including Notional Loss	1,428	-
	292,205	396,811
Less: Depreciation under section 350 of the Companies Act, 1956	63,156	30,652
Profit on sale of fixed assets	94	163
Profit on sale of Investment	14,161	31,259
Net profit under section 349 of the Companies Act, 1956	214,794	334,737
Maximum commission payable to Managing Director at 1 percent	2,148	3,347
Restricted to	1,569	1,502
Maximum commission payable to non-executive directors at 1 percent	2,148	3,347
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	- 7750
Mr.V.S.Rajan	Nil	Mr.Ravindra Kumar Gilani	- Nil

c. Payments to auditors

	2006	2005
As auditors* (included in Misc. exps)	230	230
Other services**	133	135
Reimbursement of out-of-pocket expenses**	257	250
	620	615

* excluding service tax.
**included in Legal and professional fees.

	2006	2005
d. Value of imports on CIF basis		
Raw material, components and traded goods	166,591	93,070
	166,591	93,070
e. Expenditure in foreign currency		
Travel	1071	610
Selling commission	722	324
Technical know-how	6,407	4,546
Others	5	5
	8,205	5,485

f. Consumption of raw material and components

	Unit	2006 Quantity	2006 Value	2005 Quantity	2005 Value
Under carriage assemblies	Nos	26	17,425	22	10,222
Compressors and accessories	Nos	33	24,589	21	10,265
Electrical components		*	47,715	*	20,253
Hydraulic components		*	53,706	*	30,758
Pipes and valves		*	31,184	*	19,549
Gear/chain assemblies		*	17,309	*	11,380
Others (individually less than 10 per cent of total consumption)		*	115,171	*	58,146
			307,099		160,573

* 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

	2006 Value	2006 Percent	2005 Value	2005 Percent
Consumption of raw material and components				
Imported	81,546	26.55	48,288	30.10
Indigenous	225,553	73.45	112,285	69.90
	307,099	100.00	160,573	100.00
Consumption of stores and spares				
Indigenous	5,737	100.00	4,960	100.00
	5,737	100.00	4,960	100.00

Note:
See comments in Note 26(f) above.

	2006	2005
h. Earnings in foreign exchange		
FOB value of exports	49,458	11,655
	49,458	11,655

i. Purchase of merchanting goods

	2006 Quantity	2006 Value	2005 Quantity	2005 Value
Compressors	23	10,074	20	9,450
Others	*	149,293	*	156,590
		159,367		166,040

* 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

		Opening stock		Sales		Closing stock	
2006	Unit	Quantity	Value	Quantity	Value	Quantity	Value
Waterwell, blast hole rigs & Construction equipments	Nos	-	-	45	439,191	-	-
Merchanting goods	Nos	*	57,121	*	370,064	*	65,463
Power	KWH	0	-	22020240***	61,775	0	-
			57,121		871,030		65,463

***Billed (net of Unit 110774 taken for consumption)

2005							
Waterwell and blast hole rigs	Nos	-	-	20	238,306	-	-
Merchanting goods	Nos	*	39,459	*	371,346	*	57,121
Power	KWH	0	-	4688377**	15,159	0	-
			39,459		624,811		57,121

**Billed (net of Unit 37,057 taken for consumption)

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

Note: Manufactured components represent components sold during the year and those identified for spares sales.

k. Installed capacity and production

		Installed capacity		Production quantity	
Class of goods	Unit	2006	2005	2006	2005
Waterwell and blast hole rigs, Cons. Equipment	Nos	100*	100*	45	20
Manufactured components (see note)		**	**	**	**
Power	KWH	11150 (per hour)	9900 (Per hour)	22,738,675	4741972***

* 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	590,127	653,551
Chola Mutual Fund	77,104	86,690
Franklin Templeton Mutual Fund	164,296	247,751
Kotak Mutual Fund	71,292	61,033
Sundaram Mutual Fund	5,435	5,244
Standard Chartered Mutual Fund	10,000	-
Prudential ICICI Mutual Fund	563,780	580,013
HDFC Mutual Fund	265,828	231,319
HSBC Mutual Fund	40,200	50,695
JM Mutual fund	30,235	10,170
	1,818,297	1,926,466

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

	Purchases Value	Sales Value
Ashiana Housing	6,093	-
Andhra Bank	30,679	25,658
Andhra Sugar	818	818
Alok Industries	359	394
Apolo Tyres	663	687
Aurobindo Pharma	740	768
Ashok Leyland	299	313
Bharat Electronics	382	421
BSEL Infra	196	215
IL&FS	50,000	50,249
Canara Bank	2,327	2,599
Cochin Refineries	1,030	1,095
Dwarakesh Sugars	403	282
Duncan Industries	624	570
Dredging Corporation	545	589
Diwan Housing	444	499
Engineers India	421	505
Federal Bank	-	2,440
Great Eastern Shipping	3,336	252
Flex Industries	93	-
Hindustan Lever	-	410
Hindustan Motors	557	381
Ingersol rand	670	327
IDFC	49,524	50,348
Indo Gulf Ferti.Ltd	-	444
Indo Rama Synth.Ltd	985	-
Indian Petro Chem	1,628	1,441
ITC	856	870
Ispat Industries	112	113
Jet Airways	480	231
JB Chemicals	119	131
Karur Vysya Bank	-	2,872
KCP sugars	697	722
Lakshmi Vilas Bank	15,158	-
LIC Housing Finance	-	639
LINC Pen	4,241	-
MPHASIS BFL Software	2,597	-
Oswal Chemicals	335	584
PVR Limited	11,520	11,718
Provogue	368	384
Petronet LNG	1,170	759
PNB Gilts	2,096	-
Pricol India	728	470
Prithvi Info	299	312
Ramsarup Industries	6,000	6,284
Ranbaxy	367	394
Reliance Industries	25,502	26,341
Reliance Energy	111	-
Sasken	47,996	48,187
Sterlite Opticals	466	505
Shyam Telecom	239	279
Satyam	750	750
Sadbhav Engineering	9,998	10,067
South Indian Bank	15,008	11,477
Tata Tele Services	1,478	815
Tata Metalik	-	1,584
Tulip IT Services	15,000	15,336
Tata Sponge	5,289	-
TISCO	2,485	-
TV Today	1,975	2,709
Union Bank of India	523	538
Vijaya Bank	275	302
Varun Shipping	123	137
Visual Software	-	3,679
	327,177	290,894

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

3. Disclosure of transactions between the related parties & the status of outstanding balances as on 31st March, 2006

(Rs. in 000's)

	Holding	Key Management Personnel & their relatives	Director / Consultant
Rent expense	660	271	-
Directors sitting fees		6	16
Remuneration to Key Management Personnel -Refer Note 26 (a)			
Dividend Income		--	--
Consultancy Fee			2,033
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)

	2006		2005	
1. Segment Revenue				
Drilling Equipments	842,126		640,841	
Power	61,775		15,160	
Construction Equipments	9,943		-	
Net Sales/income from operation	913,844		656,001	
2. Segment Results				
Drilling Equipments	229,538		196,669	
Power	7,583		(10,826)	
Construction Equipments	(12,255)		-	
Total	224,866		185,843	
Add: Other un-allocable income net off un-allocable expense	22,780		33,927	
Compensation Received (Refer note 20)	-		150,000	
	247,646		369,770	
Less: Interest & Financial charges	28,987		12,346	
Profit before tax	218,659		357,424	
3. Segment Assets and liabilities	**Asset**	**Liabilities**	Asset	Liabilities
Drilling Equipments	591,003	148,320	515,304	104,184
Power	450,412	8,500	483,815	37,810
Construction Equipments	34,759	-	-	-
	1,076,174	156,820	999,119	141,994
Unallocated Corporate assets and liability	549,749	119,178	577,019	115,163
Total	1,625,923	275,998	1,576,138	257,157
4. Capital Expenditure and Depreciation	**Capital Expenditure**	**Depreciation**	Capital Expenditure	Depreciation
Drilling Equipments	13,266	56,314	13,282	6,655
Power	57,350	5,654	391,295	23,998
Construction Equipments	6,686	1,189	-	-
	77,302	63,157	404,577	30,653
Unallocated Corporate assets and liability	-	-	1,234	-
Total	77,302	63,157	405,811	30,653

B. SECONDARY SEGMENT (Geographical segment)

	Revenue	Asset	Liabilities	Capital Expenditure
2006				
Within India	870,794	1,624,957	260,514	76,384
Outside India	43,050	966	15,484	-
2005				
Within India	644,337	1,575,166	257,157	364,882
Outside India	11,662	972	-	-

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 differencing 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 'Equipment' and 'Power' as the operating segments:

3) Composition of business segment

Name of Segment

Drilling Equipments : Comprising of manufacturing and sale of Blast hole drills,Water well drills, Trac drills and their spares; trading of spares; annual maintenance of the equipments

Power : Generation and sale of power

Construction Equipments: Comprising of manufacturing and sale of Concrete Batching Plant, Concrete Transit Mixture and Concrete Pump.

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.

28. WARRANTIES

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

	2006
Opening Balance as on 1/4/2005	14,285
Provided during the year	9,383
Amounts used during the year	6,424
Unused amount reversed during the year	2,642
Closing Balance as on 31/3/2006	14,602

29. 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, 2006

(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	:	1412,907
Total assets	:	1412,907

Sources of funds

Paid-up capital	:	32.098
Reserves and surplus	:	973450
Secured loans	:	955,150
Unsecured loans	:	307,777
		Nil

Application of funds

Net fixed assets	:	
Investments	:	492,214
Net current assets	:	370,007
		550,686

(d) Performance of the Company

Turnover	:	
Other income	:	913,844
Total expenditure	:	47,770
Profit before tax	:	742,955
Profit after tax	:	218,659
Earning per share (in Rs)	:	167,435
Dividend rate (%)	:	52.16
		100%

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

Item Code No (ITC Code)		
Product Description	:	8430 6900
	:	Blasthole drilling rigs
Item Code No (ITC Code)		
Product Description	:	8430 6900
	:	Ram trac drilling rigs
Item Code No (ITC Code)		
Product Description	:	8705 9000
	:	Waterwell drilling rigs

Revathi Equipment Limited

TEN YEARS FINANCIAL HIGHLIGHTS

Rs. in million

PARTICULARS	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Networth	180	255	352	445	434	485	529	635	871	1002
Loans	3	28	7	7	13	3	-	-	444	308
Capital employed	183	283	359	452	447	488	529	635	1315	1310
Revenues	401	477	638	555	494	470	509	450	656	914
Other income	12	14	14	47	17	33	28	30	49	48
EBITDA	101	151	199	202	175	141	167	170	250	311
Interest	5	2	3	2	1	1	1	-	12	29
Depreciation	5	6	5	5	5	4	4	5	31	63
PBT (before exceptional items)	91	143	191	195	169	136	162	165	207	219
Exceptional items	-	-	-	-	23*	9*	100**	-	150***	
Profit before tax	91	143	191	195	146	127	62	165	357	219
Current tax	33	47	58	67	57	52	14	35	30	27
Deffered tax	-	-	-	-	-	8	4	15	63	24
Profit after tax	58	96	133	128	89	83	44	115	264	168
Shares outstanding	1.60	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21
Book value per share (in Rupees)	112.60	79.29	109.59	138.51	135.31	150.98	164.74	197.75	271.35	313.2
Earning per share (in Rupees)	35.21	29.77	41.39	40.02	27.66	25.78	13.76	35.84	82.15	52.16
Return on networth	32%	38%	38%	29%	20%	17%	8%	18%	30%	17%
Debt equity ratio	0.02:1	0.10:1	0.01:1	0.01:1	0.03:1	0.01:1	-	-	0.51:1	0.31:1
Effective tax rate	36%	33%	30%	34%	39%	35%	29%	30%	26%	23%
Dividend rate	120%	60%	100%	100%	280%	100%	-	25%	75%	100%
Number of shareholders (in numbers)	2766	2832	2919	3187	3183	3721	4418	3907	4183	5271

* Voluntary retirement scheme costs

** Non-solicitation / non-complete fees

*** Compensation received

REVATHI EQUIPMENT LIMITED

Pollachi Road, Malumachampatti Post, Coimbatore - 641 021.
Phone : 91 - 422 - 2610851 (3 lines) Fax : 91 - 422 - 2610427