Revathi

27th Annual Report 2003-2004

REVATHI EQUIPMENT LIMITED

Acquisition Criteria

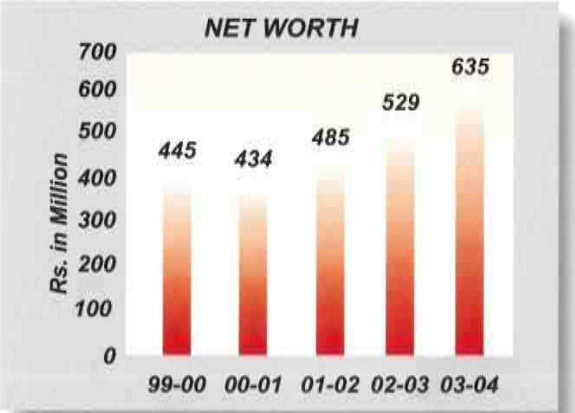
We use this space to communicate with potential sellers and their representatives, what we look for in a potential acquisition. If you the reader have no personal connection with a business that might be of interest to us but have a friend who does, perhaps you could pass this message on to him.
Here's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

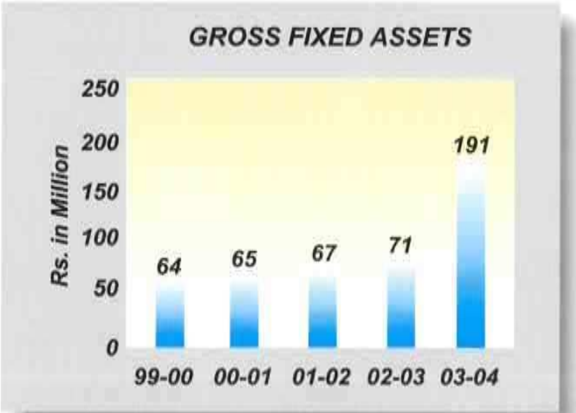
1. Enterprise value in the region of Rs.100 crores (Rs.1 billion),
2. Demonstrated consistent earning power (future projections are of little interest to us, nor are "turnaround" situations),
3. Businesses earning good returns on equity while employing little or no debt,
4. Management in place,
5. Simple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

Renaissance Group
New Delhi, India





Revathi

27th

Annual Report 2003 - 2004

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

LEGAL ADVISERS

KING & PARTRIDGE, CHENNAI.

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.

COMPANY SECRETARY

M.N. SRINIVASAN

REGISTERED OFFICE

POLLACHI ROAD,
MALUMACHAMPATTI POST,
COIMBATORE - 641 021.

BANKERS

STATE BANK OF INDIA
CANARA BANK
DENA BANK
STATE BANK OF BIKANER & JAIPUR

MANAGEMENT TEAM

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

S. HARIHARAN
Vice - President (Finance)

A. RAJALINGAM
General Manager (Engineering)

S. RAMAKRISHNAN
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%
Average Annual gain (FY03-FY04)	17.2%	28.2%	-11.0%
Overall gain (FY03-FY04)	37.3%	64.4%	-27.1%

Notes:

1. All data is for financial years and includes dividends paid, if any.

2. The Nifty-50 numbers are pre-tax and assume that dividends were reinvested, whereas the numbers for Revathi are after tax.

3. We think our investors should measure our performance against their general experience in the equity markets. While the Nifty-50 is not perfect (nor is anything else) as a measure of performance, it has the advantage of being widely known and reflects with reasonable accuracy the experience of investors generally with the market.

4. The reason we have used the "growth in book value" as against stock price is, that over time, we intend measuring our performance by checking if a rupee 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.

DIRECTORS' REPORT

For the year ended March 31st, 2004

Your Directors have pleasure in presenting the Twenty Seventh Annual Report together with the audited accounts of your Company for the year ended March 31, 2004.

Financial Results

	All figures in Rs. Millions	
Particulars	FY04	FY03
Total Income	480	536
Total Expenditure excluding extraordinary items	316	374
Profit before tax and before extra-ordinary items	164	162
Extraordinary items	-	100
Profit before tax	164	62
Less: Provision for tax	49	18
Profit after tax	115	44
Appropriation made as under		
Transfer to General Reserve	12	15
Dividend	9	-
Surplus carried to Balance Sheet	167	73

Dividend

We continue to scan the environment for worthwhile investment opportunities and if we find enough avenues, we believe our shareholders would be better served by our so deploying their money rather than returning it to them either in the form of dividends or share buybacks.

However, over the past two annual general meetings, we have been meeting with some of our shareholders. Our interactions with them have led us to believe that dividend income was an important decision driver for many of them to buy the stock. Therefore, for the moment, we would continue to pay dividends, albeit at significantly lower levels than has historically been the case. For FY04, we propose a dividend of 25%. We see this as suboptimal from the point of view of long-term value creation, but are willing to be flexible to accommodate the present shareholders of the company.

Management Discussion and Analysis

Business environment

Industry Overview, Risks and Concerns

External environment

Revathi is engaged in manufacture and sale of Blast Hole Drilling Rigs which are used in open cast mining. Revathi also caters to Water Well Drilling market and construction industry. As India continues to be a coal-fired economy, substantial portion of the energy needs are met by thermal power. We expect the demand for coal to continue. It is heartening to note that government is taking concrete steps to improve the financial position of the State Electricity Boards.

Internal environment

Your company has been examining many growth opportunities. We have invested Rs.116 million in Wind Energy. We have also participated financially in a Natural Gas based Power Project in Tamil Nadu which is expected to be commissioned in the third quarter of FY 05. Your company has also identified a few products in the infrastructure sector, which is expected to be a growth industry in the years to come.

Business Operations

Sales revenue during the year decreased by 10% to Rs.450 million.

Until last year, Coal India used to make equipment purchases for all its subsidiaries centrally. However, during the year equipment purchases have been decentralised whereby individual subsidiaries will make its own purchases. The delay in decision on purchase by subsidiaries has impacted net sales during the year. However, the shortfall is expected to be made up in the upcoming year.

PBT for the year is marginally higher than last year (before extraordinary expenses) at Rs.164 million (Rs.162 million previous year).

During the year, the company has commissioned 4 Wind turbines at Jaisalmer, Rajasthan at an investment of Rs.116 million. Accordingly, the company has now two reportable segments viz.,Drilling Equipment and Power.

Board constitution

In accordance with the Articles of Association of the company, Mr. Chaitanya Dalmia and Ravinder Kumar Gilani retire by rotation and being eligible, seek re-appointment.

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 three times to examine the reports on internal control/audit systems, financial disclosures and monitoring the implementation of internal audit recommendations.

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.12.59 million and the foreign exchange outgo during the year amounts to Rs.81.76 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 also wish to thank the financial institutions, banks and customers for their continued support and co-operation.

COIMBATORE
April 14, 2004

For and on behalf of the
Board of Directors

Abhishek Dalmia
Executive Chairman

ANNEXURE - A

Form for disclosure of particulars with respect to technology absorption.

Research and Development (R & D)

1.	Specific areas in which R & D carried out by the Company	:	1.Development of Diesel engine driven 250mm class crawler mounted Blast hole drill. 2.Design of 311 mm class crawler mounted Blast hole drill.
2.	Benefits derived as a result of the above R&D	:	New product development.
3.	Future plan of action	:	Development of 1.Light hydraulic track drill. 2.Universal drill for under ground mines.
4	Expenditure on R&D	:	
	(a) Capital	:	Rs. NIL
	(b) Recurring	:	Rs 8.79 million
	(c) Total	:	Rs.8.79 million
	(d) Total R&D expenditure as a percentage of total turnover	:	1.95 %

Technology absorption, adaptation and innovation

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation	:	Development of manual rod loader for track drill.
2.	Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.	:	Product improvement
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	:	Not applicable
	(b) Year of Import	:	Not applicable.
	(c) Has technology been fully absorbed ?	:	Not applicable
	(d) If not fully absorbed , areas where this has not taken place , reasons therefor, and future plans of action	:	Not applicable

ANNEXURE - B

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FORMING PART OF THE DIRECTOR'S REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2004.

NAME	AGE	DESIGNATION/ NATURE OF EMPLOYMENT	REMUNERATION in Rs.	QUALIFICATION / EXPERIENCE	DATE OF EMPLOYMENT	PREVIOUS EMPLOYMENT / DESIGNATION / NAME OF EMPLOYER
Mr. Abhishek Dalmia	35	Executive Chairman Contractual	4,539,725	FCA,AICWA B.Com. (H) 12 Years	01.04.2003	Managing Director / Utkal Investments Ltd.
Mr.Rajanarayanan P.M.	55	Managing Director Contractual	3,616,000	B.E. (Mech.) 32 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 was appointed as Executive Chairman with effect from April 1, 2003 and he is related to Mr. Chaitanya Dalmia.
3. Mr. P.M. Rajanarayanan is not related to any of the Directors of the Company.

Chairman's report

Our gain in net worth during FY04 was Rs.116 million, which increased the per share book value by 22%. Over the last two years (that is, since the present owners took over) per share book value, has grown from Rs.151 to Rs.202, which, after factoring in dividend paid during FY03, works out to a rate of 18.1% compounded annually. Despite its shortcomings, I think the book value calculation is useful as a slightly understated gauge for measuring the long-term rate of increase in our intrinsic value.

On a comparative basis, though it might appear that this year we were taken to the cleaners, I fully expected this result. For such large gains in the equity markets over the course of one financial year are about as rare as the *Mahakumbh* its occurrence during the average human life span is in the low single digit. Further, as noted in last year's report, we do expect to achieve "... average or perhaps poorer-than-average performance in rising markets".

We continue to measure our performance in comparison to the performance of the broader markets and unless we achieve gains in per share intrinsic value that outdo the Nifty's performance, we would be adding nothing to what you can accomplish on your own by purchasing an index fund. Even though historically, many Indian fund managers have been able to outperform the broader indices, I think as patient money coming into the equity markets increases, this statistic would start moving towards the developed world averages of one in seven. Therefore, if we are able to do better than the broad markets over the long term, we would have served our shareholders well.

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This is the first full year under the new ownership and at this juncture, I would like to share with you some of the principles we follow at Revathi and of which I think you should be aware. Although our form is corporate, our attitude is partnership. I think of our shareholders as owner-partners and of myself as the managing partner. Just as an investor would not check the market value of his house often, we believe intelligent stock investors should do likewise. Indeed, if we have good long-term expectations, short-term price changes are meaningless except to the extent they offer us an opportunity to increase our ownership at an attractive price.

As the managing partner, I think it is appropriate that I be as candid in my reporting to you as I would expect you to be, if our positions were reversed. Accordingly, through this letter to our shareholders, I will try to give as much value-defining information as can be conveyed in a document kept to reasonable length. The objective would be to tell you how the business is doing, with both positive and negative developments, so that you can make an informed assessment of what the business should be worth.

To more fully understand our overall guiding philosophy, I would urge all shareholders to read the Owners Manual which was written in 1996 by the Chairman of Berkshire Hathaway, Mr. Warren Buffett for his shareholders. It is available at http://www.berkshirehathaway.com.

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We have just completed another year in the history of Revathi. To the untrained eye, it might appear to be just another year, when sales dropped but mysteriously, the bottom-line grew. Observers, who examine the numbers a bit more closely, might realize that had it not been for the non-compete fee paid last year, the bottom-line would have stayed at last year's level. Therefore, they might conclude that another lackluster year comes to an end at a boring company.

From our perspective, both these observations are improper as FY04 has been the year when Revathi achieved adolescence. It is not yet an adult, but no longer is it a child. During FY04, the first steps were taken towards growing Revathi's hitherto stagnant topline. However, new business development is like pregnancy - you know there is a lot to be happy about, but you have nothing to show for it during the early stages. We are a bit like the superstitious 'mother-to-be', who doesn't want to talk about her condition until she absolutely must. Bear with me a bit longer and I will be ready to share with you more information about developments at your Company.

Meanwhile, I would like to explain another principle that guides our thinking and action at Revathi. I feel that telling outstanding CEOs, how to run their companies would be the height of stupidity. Most of our people wouldn't work for us if they got a lot of backseat driving. Besides, they are the Sachin Tendulkars of the business world and need no advice from us as to how to hold the bat or when to swing.

Nevertheless, Renaissance Group's ownership may make even the best of managers more effective for we eliminate all of the nonproductive activities that normally go with the job of CEO. Our people are totally in charge of their personal schedules. We give them a simple mission: Just run your business as if you own 100% of it; it is the only asset that you and your family will ever have; and you can't sell it during your lifetime. As a corollary, we tell them they should not let any of their decisions be affected even slightly by accounting considerations. We want our managers to think about what counts, not how it will be counted.

I would like to explain how this principle worked for us in FY04. We had been working on a new product for over eighteen months and there was real temptation to ensure that the product be despatched within the financial year. Doing so would have raised the reported profit significantly with consequent impact on the performance bonus payouts. However, it would have meant that the internal testing of the equipment would have to be compromised to meet the deadline. This could have led to defects being discovered by the customer. At this moment of truth, they were guided by a very important principle: Though the objective of business is to earn money, we can afford to lose money even a lot of money. But we cannot afford to lose reputation - even a shred of reputation. I am happy to report that they decided to not cut corners and defer the despatch from the last quarter of FY04 to the first quarter of FY05. Such attitude is rare and we are lucky to have people with such character, which when combined with competence has only one end-result- creation of sustainable shareholder value.

Very few CEOs of public companies operate under a similar mandate, mainly because they have owners who focus on short-term prospects and reported earnings. We ask our CEO to manage for maximum long-term value, rather than for next quarter's earnings. We certainly don't ignore the current results of our businesses - in most cases, they are of great importance - but we never want them to be achieved at the expense of our building ever-greater competitive strengths.

I believe the Revathi story demonstrates the benefits of Renaissance Group's approach. We haven't taught our CEO a thing - and never will - but we have created an environment that allows him to apply all of his talents to what's important. He does not have to devote his time or energy to press interviews, presentations by investment bankers or talks with financial analysts. Furthermore, he need never spend a moment thinking about market expectations for earnings per share. In this environment of freedom, both our CEO and the company can convert their almost limitless potential into matching achievements.

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We stand at the threshold of a momentous era in the history of India. Everything that was wrong about India could be summarized thus: "lack of self-belief" in our people. But that is changing, slowly but surely. People are beginning to believe in themselves and are realizing that they are second to none in the World. This change in mindset is a huge transformation and its impact will be felt by the World, over the next decade. There are many other things that are going in our favor as a nation, not the least of which is our average age. Commentators have said that India has and will continue to have, over the next few decades, amongst the youngest populations in the World. This is very significant development, since the countries that have a young population will get greater opportunities to service the needs of the aging World.

It is our firm belief that this is going to be India's golden era, one that will firmly place India amongst the most prosperous nations of the World within the next few decades. History will remember India's current generation of working men and women as the generation that was responsible for that stupendous transition. There is a lot of work to be done and very little time. We have to be the people who will be counted as the people who built modern India. It is us who have to lay the foundation of that magnificent country, the fruits of which will be enjoyed by our future generations. As Robert Frost put it, "The woods are lovely dark and deep, but I have promises to keep and miles to go before I sleep, and miles to go before I sleep..." These are promises we have made to our country and promises we have made to our children. The moment is upon us and we must seize the opportunity now.

We have not remained unaffected by these strong tailwinds blowing in our macro-economic environment. Over the course of the past year, due to the untiring efforts of our CEO, we have gone from being under-nourished to being a glutton in the matter of growth ideas. We now have our plates full of ideas, which need to be worked upon to convert them to financial results that would create shareholder value. Doubtless, this would take some time, but to my mind, the journey is now firmly underway.

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Revathi has been engaged in manufacture and sale of drilling rigs used in open cast mines, for tapping ground water and in the construction industry. The Company's products continue to be sold largely to the Coal industry thereby linking our fortunes with the fortunes of that industry. It is clear that India will continue to rely on coal for over half its energy needs even over the next few decades. The concrete steps taken by the Government to improve the financial condition of the State Electricity Boards are also well known. Yet this lack of diversification has been on our minds for some time now, but I did not act on it until this year.

This thumb-sucking on the part of your Chairman could have cost the Company dear had it not been for some rearguard action on the part of the management team. Our fears of putting all our eggs in one basket came true when Coal India decided to decentralize its capital equipment purchases. Ever since we came to know of this policy change, our team was thinking up ways of compensating for the drop in equipment sales that might occur due to the transition, and the results speak for themselves. Even though sales fell due to the shift in decision-making from the Coal India office to its eight subsidiaries, EBITDA was protected. The demand for our products did not change, it merely got postponed, and we expect to address that need in FY05.

The reduced orders from Coal India caused a change in product mix which also gets reflected in the higher EBITDA margins in the current year. The rest of the financials are more or less comparable with historical performance, except that some of the expense ratios start looking unpleasant due to the lower topline.

While we are quite upbeat about the prospects of the Indian coal and power sectors, nevertheless, we took our first steps towards achieving a more diversified revenue base this year. For we think that growing the topline is amongst the key drivers of shareholder value.

Last year, we had spoken of investing in opportunities that would fuel future revenues. The large jump in fixed assets represents one such investment. Towards the end of the year, we commissioned a small wind farm just outside Jaisalmer. Given our huge exposure to the coal sector, producing some clean energy helps us sleep a bit better. However, we have no intention of buying sleep with shareholder money, unless it is incidental to making them wealthier. This is the second coming of wind energy into India and this time, only the serious investors are getting in. Just recently there was a story about Reliance's plans to set up 500 MW of wind energy. As an aside, due to the fiscal concessions available to power projects, the deferred tax provisions made due to the prevalent Accounting Standards would cause a slight under-reporting of the true earnings per share in the year under consideration as well as a few years following the year in which the investment has been made.

In addition to the wind energy project, we have made another investment in the power sector, by subscribing to 15% participating preference shares in a captive power generation company. This project is based at Ramanathapuram in Tamil Nadu and should get commissioned in the second half of FY05.

Depending on the actual performance of these projects, we expect to make more investments in this sector in the future. Both these investments should significantly improve our returns on capital, when compared with the debt fund returns we were historically making. Though the power sector regulatory framework is only just starting to evolve, we feel that it is a sector which holds promise for the diligent investor.

I believe that these investments coupled with the initiatives taken on the new product development front would cause the company to move from being a play on the slow growing coal industry to being a play on India's infrastructure. This metamorphosis would take some more time, but the first signs would start becoming visible soon.

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This report would be incomplete without a standing ovation from my side, on behalf of all shareholders, to the people who 'made it happen'. They are the real heroes, who work conscientiously and tirelessly to produce the results that we see. It is a bit like the role of the coach in the Indian cricket team - without his contribution, the results we see in the field would be missing. We must ensure that we foster an organisation culture that allows them to focus their minds on only one thing - creating shareholder value.

There is a new buzz at the office and this reflects the general mood inside the Company. I wait with baited breath to see another fascinating year unfold at Revathi. Make sure you catch the action as it unfolds over the next four quarters.

Abhishek Dalmia

Executive Chairman

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2003-04

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 Directors	Category
Mr Abhishek Dalmia (Executive Chairman)	Executive, Non independent
Mr P.M.Rajanarayanan (Managing Director)	Executive, Non independent
Mr Chaitanya Dalmia	Non-Executive, Non 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.

"Independent director, as defined in clause 49 of the listing agreement, is one, who apart from receiving director's remuneration, does not have any other relationship or transactions with the company, its promoter, management or its subsidiary, which in judgement of the board may affect the independence of the directors."

During the year, Four Board Meetings were held on April 14, 2003, July 10, 2003, October 13, 2003, and January 12, 2004.Composition of the Board, attendance at the Board Meetings, Committee Meetings and Annual General Meeting (in 2003-2004) 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	7	2
Mr P M Rajanarayanan	4	1	-	-
Mr Chaitanya Dalmia	1	-	7	1
Mr S C Katyal	3	-	-	-
Mr Ravinder Kumar Gilani	3	1	1	-
Mr V S Rajan	2	-	-	-

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:

The Audit Committee reviews the areas of concern as well as internal audit reports with the management. Internal Auditors and Statutory Auditors are invited for these meetings whenever required. The Audit committee also recommends the remuneration to be paid to these auditors.

Quarterly results / Annual accounts are also reviewed before being put up to the Board for consideration.

Composition:

The Audit Committee was formed on March 19, 2001. Audit committee meetings were held on April 14, 2003, October 08, 2003 and January 12, 2004 in 2003-04 and the attendance of the members are given below:

Name of member	No. of meetings attended
Mr S C Katyal (Chairman)	3
Mr Ravinder Kumar Gilani	3
Mr V S Rajan	2

Mr S C Katyal is the Chairman of the committee.

The Company Secretary acts as Secretary of the Committee.

4. ***Remuneration to Directors:***

The remuneration paid/payable to Mr. Abhishek Dalmia, the Executive Chairman and Mr.P.M.Rajanarayanan, the Managing Director during 2003-2004 were as follows:

Particulars	Mr.Abhishek Dalmia Rupees in lakhs	Mr.P.M.Rajanarayanan Rupees in lakhs
Salary	25.80	10.20
Commission	0	15.30*
Perquisites	10.48	7.06
Contribution to PF & Other fund	9.12	3.60
Total	45.40	36.16

*Commission is based on performance criteria like sales, profit etc. subject to statutory limits.

Remuneration Policy

The remuneration of the Managing Director and Wholetime Directors 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:

Particulars	Amount in Rupees
Sitting fees	40,000
Professional charges	23,85,070*

*Figures are exclusive of service tax.

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.

Terms of reference for Remuneration Committee:

- to determine and recommend to the Board of Directors the remuneration package of the Managing Director and Wholetime Directors including periodical revisions therein.
- 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.

Shareholders' Grievance Committee:

Shareholders' Grievance Committee consists of the following directors.

Name of member
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 5 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	**24th AGM**	**25th AGM**	**26th AGM**
Date	**June 6,2001**	**October 19,2002**	**July11, 2003**
Time	**11.30 A.M.**	**10.00 A.M.**	**10.00 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	Declaration of Dividend	O	Declaration of Dividend	O	Re-appointment of Mr. S.C. Katyal as Director	O
3	Re-appointment of Mr. S.C.Katyal as Director	O	Appointment of Lodha & Co.as Statutory Auditors	O	Re-appointment of Mr. V.S.Rajan as Director	O
4	Re-appointment of Mr.Charlie Ekberg as Director	O	Appointment of Mr. Abhishek Dalmia as Director	O	Appointment of Lodha & Co.as Statutory Auditors	O
5	Appointment of Arthur Andersen Associates as Statutory Auditors	O	Appointment of Mr. V.S.Rajan as Director	O	Appointment of Mr. Chaitanya Dalmia as Director	O
6	Change in name of the company as Revathi Equipment Limited	S	Appointment of Mr. Ravinder Kumar Gilani as Director	O	Alteration of Memorandum of Association	S*
7	Alteration of Articles of Association consequent to the amendment in the Companies Act	S	Appointment of Mr.Ramesh Chandra Jain as Director	O	Commencement of New Business	S
8	Remuneration to Non-executive directors	S	Alteration of Articles of Association consequent to the amendment in the Companies Act	S	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

* The Special resolution was passed through postal ballot last year for alteration 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 have appointed Mr. M. D. Selvaraj as scrutinizer to conduct the postal ballot voting process in a fair & transparent manner.

** The Special resolution was passed through postal ballot last year 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 have appointed Mr. M. D. Selvaraj as scrutinizer to conduct the postal ballot voting process in a fair & transparent 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:*

Unaudited quarterly/half yearly financial results subjected to limited review of the company are published in Financial Express (English) and in Malai Murasu (Tamil) news papers. 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 discussions and Analysis report forms a part of the directors' report to the shareholders.

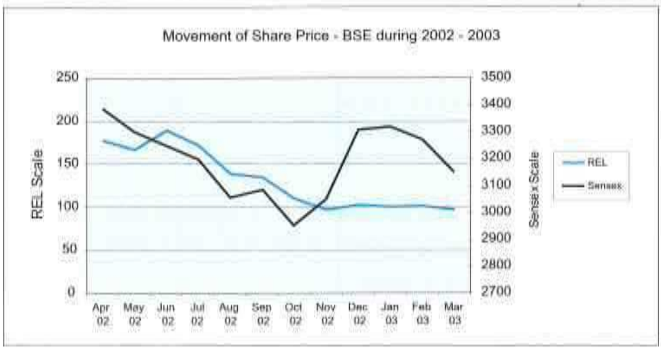
8. *General shareholder information:*

Date of Incorporation	May 30, 1977
Registered Office	Pollachi Road, Malumachampatti Post, Coimbatore 641 021
Plant Location(Drilling Equipment)	As above
Wind Turbine Plant location	Gorera Village, Jaisalmer, Rajasthan State
Date and time of Annual General Meeting	July 9, 2004, 10 A.M. at Coimbatore.
Venue of Annual General Meeting	Indian Chamber of Commerce & Industry, Coimbatore
Financial calender	April 1, 2004 - March 31, 2005
Financial reporting for the first quarter ending June 30, 2004	During last week of July 2004
Financial reporting for the second quarter ending September 30, 2004	During the third week of October, 2004
Financial reporting for the third quarter ending December 31, 2004	During the last week of January, 2005
Financial results for the year ending March 31, 2005	During the last week of April, 2005
Annual General Meeting for the year ending March 31, 2005	During the last week of August, 2005
Date of book closure	From July 1, 2004 to July 9, 2004 (both days inclusive)
Listing on Stock Exchanges	Coimbatore, Madras and Mumbai.
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, for 2003-2004 and 2002-2003 are:

	Highest Rs.	Lowest Rs.	Volume Nos.		Highest Rs.	Lowest Rs.	Volume Nos.
April, 2003	125	96	53,419	April, 2002	214	171	107.767
May	137	105	153,263	May	180	151	84,694
June	142	111	143,619	June	191	140	68,916
July	151	115	209,207	July	195	171	24,302
August	136	121	63,604	August	175	136	58,161
September	133	113	53,210	September	163	125	60,415
October	160	122	107,408	October	140	101	29,045
November	151	132	62,160	November	115	96	32,667
December	198	149	146,125	December	108	98	41,974
January, 2004	194	145	89,467	January, 2003	114	97	79,061
February	150	121	38,985	February	105	97	,25,271
March	164	130	30,128	March	105	95	20,671
Total			1,150,595	Total			632,944
% of volume traded to average number of shares outstanding			35.85				19.72



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 0422-2499856 & 2494704

Share Transfer System

Share transfers 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 2003-04 was 627327. (Previous year 491,412).

Number of pending share transfers as on 31.03.04: NIL

	2003-2004				2002-2003			
Transfer Period in days	No.of Transferees (folios)		No.of Shares	%	No.of Transferees (folios)		No.of Shares	%
	New	Existing			New	Existing		
1-10	9	4	4,311	0.69	74	5	490,988	99.91
11-15	18	6	415,110	66.17	7	1	424	0.09
16-20	15	1	1,382	0.22	-	-	-	-
21-25	9	4	206,524	32.92	-	-	-	-
Total	51	15	627,327	100.00	81	6	491,412	100.00
% of volume transferred to average number of shares outstanding			19.54				15.31	

Distribution of shareholding

As on March 31,2004

2003-2004				
No.of Equity Shares held	No.of Share holders	% of Share holders	No.of Shares	% of Share holding
01 - 100	2,461	62.99	153,975	4.80
101 - 200	677	17.33	118,618	3.70
201 - 500	501	12.82	168,259	5.24
501 - 1000	174	4.45	127,050	3.96
1001 - 5000	80	2.05	159,525	4.97
5001 - 10000	9	0.23	62,825	1.96
10001 and above	5	0.13	2,419,548	75.37
Total	3,907	100.00	3,209,800	100.00

As on March 31,2003

2002-2003				
No.of Equity Shares held	No.of Share holders	% of Share holders	No.of Shares	% of Share holding
01 - 100	2,907	65.80	173,825	5.42
101 - 200	769	17.41	133,314	4.15
201 - 500	514	11.63	170,826	5.32
501 - 1000	134	3.03	96,869	3.02
1001 - 5000	78	1.77	139,938	4.36
5001 - 10000	9	0.20	66,155	2.06
10001 and above	7	0.16	2,428,873	75.67
Total	4,418	100.00	3,209,800	100.00

Categories of shareholding

As on March 31,2004			
	2003-2004		
Category	No.of Share holders	Voting Strength %	No.of Shares held
Individuals	3,763	22.580	724,799
Bodies Corporate	109	76.078	2,441,942
Insurance Companies	2	0.733	23,512
Directors & Relatives	1	0.124	3,966
NRI	28	0.301	9,649
Banks	1	0.006	200
OCB	2	0.169	5,432
Mutual Fund	1	0.009	300
Total	3,907	100.00	3,209,800

As on March 31,2003			
	2002-2003		
Category	No.of Share holders	Voting Strength %	No.of Shares held
Individuals	4,263	21.711	696,885
Bodies Corporate	126	77.094	2,474,570
Insurance Companies	2	0.733	23,512
Directors & Relatives	1	0.006	186
NRI	20	0.214	6,885
Banks	1	0.006	200
OCB	4	0.226	7,262
Mutual Fund	1	0.009	300
Total	4,418	100.000	3,209,800

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. The company is also offering transfer cum demat facility.

Total number of shares dematerialised was 458,399 (14.28 %) during 2003-2004. 100 % of demat requests have been dematerialised within 30 days, out of which 95.07% were attended within 10 days

Demat Processing Systems

Demat Period in days	2003-04 Number of Folios Dematerialised	No.of Shares	%	2002-03 Number of Folios Dematerialised	No.of Shares	%
1-10	165	435,803	95.07	198	1,381,145	99.52
11-15	103	15,596	3.40	26	3,035	0.22
16-30	43	7,000	1.53	27	3,618	0.26
Total	311	458,399	100.00	251	1,387,798	100.00

Details of Demat through the Depositories

	2003-2004		2002-2003	
Depository Name	Shares Dematerialised	% to Capital	Shares Dematerialised	% to Capital
N S D L	455,676	14.20	1,387,006	43.21
C D S L	2,723	0.08	792	0.02
Total	458,399	14.28	1,387,798	43.24

Dematerialised shares as on March 31, 2004 30,22,719 (94.17%)

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 31st March, 2004, as stipulated in Clause 49 of Listing Agreement of the said Company with the 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, except that the Chairman of the Audit Committee was not present at the Annual General Meeting of the company, 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 and on behalf of
Lodha & Co.
Chartered Accountants

Place: Kolkata
Date: April 14, 2004

R.P.Singh
Partner

AUDITORS' REPORT

To the Members of

REVATHI EQUIPMENT LIMITED

We have audited the attached Balance Sheet of **Revathi Equipment Limited** as at 31st, March, 2004 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.

1. As required by the Companies (Auditor's Report) Order, 2003, 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 enclosed 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, 2004, 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 31st March, 2004 and taken on record by the Board of Directors, we report that none of the such directors is disqualified as on 31st March, 2004 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,2004.

      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 14,2004

R.P. Singh
Partner

REVATHI EQUIPMENT LIMITED

ANNEXURE (referred to in paragraph 1 of our report of even date)

(i) The Company has maintained proper records showing particulars including quantitative details and situation of its fixed assets. 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) As explained to us, the stocks of finished goods, spare parts and raw materials (including components) have been physically verified by the management

(iii) In our opinion, 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.

(iv) 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

(v) 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.

(vi) Having regard to the explanation about the practice followed by the company 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. 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.

(vii) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act 1956;

a) To the best of our knowledge and belief and according to information and explanations given to us, transactions that need to be entered into the register have been so entered.

b) Certain transactions of purchase of services etc. where each of such transactions is in excess of Rupees five Lakhs in respect of any party, namely consultancy, taking premises on rent are proprietary /technical and of special nature and therefore comparable quotations thereof are not available.

Having regards to this, in our opinion and according to the information and explanations given to us, where each of such transactions is in excess of Rupees five Lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.

(viii) The Company has not accepted any deposits from the public during the year. However, in our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to unpaid and unclaimed balance of the deposits accepted from the Public in earlier years.

(ix) In our opinion, the internal audit carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the company and the nature of its business.

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

(xi) According to the books and records examined by us in accordance with the generally accepted auditing practices in India and also based on the representations received from the management, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Customs Duty, Excise Duty, cess and other material applicable statutory dues with the appropriate authorities during the year.

(xii) The Company has no accumulated losses as on 31st March 2004 and as such para 4 (x) of the said order is not applicable to it.

(xiii) According to information and explanations given to us, the Company has not defaulted in repayment of loans from the banks.

(xiv) According to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xv) According to information and explanations given to us, and overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment. However, long term funds comprising of share capital and reserves and surplus have been used to finance net current assets of Rs. 2597.81 lakhs and current investment of Rs. 1951.39 lakhs as on 31st March 2004.

(xvi) 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.

(xvii) 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.

(xviii) Other paras of the Companies (Auditor's Report) Order, 2003, are not applicable to the company.

For LODHA & CO.
Chartered Accountants

14, Government Place East
Place: Kolkata
April 14, 2004

R.P.Singh
Partner

REVATHI EQUIPMENT LIMITED

BALANCE SHEET -- MARCH 31, 2004

(All amounts in thousands of Indian Rupees)

	Notes	2004	2003
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	2	32,098	32,098
Reserves and surplus	3	606,433	500,484
		638,531	532,582
LOAN FUNDS			
Secured loan	4	-	-
DEFERRED TAX LIABILITIES,(net)	7	11,517	-
Total		650,048	532,582
APPLICATION OF FUNDS			
FIXED ASSETS	1(a) & 5		
Gross Block		191,203	71,084
Less: Depreciation		(47,294)	(43,825)
Net Block		143,909	27,259
INVESTMENTS	1(b) & 6	246,358	288,627
DEFERRED TAX ASSETS,(net)	7	-	3,497
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	1(c) & 8	174,743	102,289
Sundry debtors	9	96,500	116,129
Cash and bank balances	10	78,067	77,752
Loans and advances	11	19,021	15,054
		368,331	311,224
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	85,741	92,681
Provisions	13	22,809	5,344
		108,550	98,025
Net current assets		259,781	213,199
Total		650,048	532,582

The accompanying notes are an integral part of this balance sheet

Lodha & Co
Chartered Accountants

R.P.Singh
Partner

Kolkata
April 14, 2004

P.M.Rajanarayanan
Managing Director

M.N. Srinivasan
Company Secretary

Coimbatore
April 14, 2004

Abhishek Dalmia
Executive Chairman

REVATHI EQUIPMENT LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2004

(All amounts in thousands of Indian Rupees)

	Notes	2004	2003
INCOME			
Gross Sales	1(d)&14	475,141	536,444
Less: Excise Duty		(25,017)	(27,545)
Net Sales		450,124	508,899
Other income	15	30,133	27,538
		480,257	536,437
EXPENDITURE			
Cost of materials	16	(207,534)	(275,960)
Employee costs	17	(38,422)	(33,790)
Manufacturing and other expenses	18	(60,979)	(54,794)
Interest and financial charges	19	(3,814)	(5,696)
Depreciation	1(a)&5	(4,993)	(3,943)
Less: Transferred from Revaluation Reserve		26	26
		(315,716)	(374,157)
Profit before non-recurring and exceptional items & taxes		164,541	162,280
Non-recurring and exceptional items			
- Non Solicitation / Non Compete Fees	20	-	(100,000)
Profit before taxes		164,541	62,280
Provision for taxes	21	(49,513)	(18,107)
Profit after taxes		115,028	44,173
PROFIT AND LOSS ACCOUNT, beginning of year		72,718	43,545
Profit available for appropriation		187,746	87,718
Proposed dividend		(8,024)	-
Provision for dividend tax		(1,028)	-
Transfer to general reserve		(11,503)	(15,000)
PROFIT AND LOSS ACCOUNT, end of year		167,191	72,718
Net profit available to equity shareholders		115,028	44,173
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)		35.84	13.76

The accompanying notes are an integral part of this statement

Lodha & Co
Chartered Accountants

R.P.Singh
Partner

Kolkata
April 14, 2004

P.M.Rajanarayanan
Managing Director

M.N. Srinivasan
Company Secretary

Coimbatore
April 14, 2004

Abhishek Dalmia
Executive Chairman

REVATHI EQUIPMENT LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2004
(All amounts in thousands of Indian Rupees)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	164,541	162,280
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	4,967	3,917
Interest and dividend income	(29,405)	(5,114)
(Profit)/Loss on sale of investments	4,013	(21,688)
Interest on borrowings	142	1,250
Interest on Lease	118	144
Profit on sale of fixed assets	11	(323)
	144,387	140,466
Changes in current assets and liabilities:		
(Increase)/decrease in inventories	(72,454)	(68,706)
(Increase)/decrease in trade and other receivables	16,569	13,087
(Decrease)/increase in current liabilities and provisions	(6,067)	21,518
Direct taxes paid(Net of Refund)	(26,518)	(19,942)
Net cash provided by operating activities (before non recurring & exceptional items)	55,917	86,423
Non-recurring & exceptional items (Refer note 20)	-	(100,000)
Net cash provided by operating activities	55,917	(13,577)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of fixed assets	9	337
Purchase of fixed assets	(121,663)	(5,907)
Lease rent paid	(417)	(417)
Sale/redemption of investments	1,116,292	2,015,600
Purchase of investments	(1,078,036)	(2,116,047)
Interest and dividend received	28,498	6,263
Net cash used in investing activities	(55,317)	(100,171)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Public deposits	-	(2,092)
Interest paid	(142)	(1,484)
Dividend paid	(143)	(32,098)
Net cash used in financing activities	(285)	(35,674)
NET INCREASE IN CASH AND CASH EQUIVALENTS	315	(149,422)
CASH AND CASH EQUIVALENTS		
Beginning of the year	77,752	227,174
End of the year	78,067	77,752

The accompanying notes are an integral part of this statement.

Lodha & Co
Chartered Accountants

R.P.Singh
Partner

Kolkata
April 14, 2004

P.M.Rajanarayanan
Managing Director

M.N. Srinivasan
Company Secretary

Coimbatore
April 14, 2004

Abhishek Dalmia
Executive Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2004

(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 :

	Percent
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

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 thousand 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) 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.

(c) 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 combined cost of material, labour and all manufacturing overheads.

(d) ***Revenues***

Sale of Equipments and spares are recognised on despatch of goods to customers. Sale of power is accounted on delivery of electricity to grid in terms of agreement with Rajasthan Rajya Vidyut Prasaran Nigam Ltd (RVPN). Sales comprise amounts invoiced for goods despatched, net of excise duty, sales-tax, trade discounts and returns. Service income is recognised upon rendering the services. Dividend from Investments are accounted on receipt basis. All other incomes like interest, incentive etc are accounted on accrual basis

(e) ***Product warranty costs***

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

(f) ***Foreign currency transactions***

Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency assets and liabilities are translated into rupees at the rates of exchange prevailing on the date of the balance sheet. All exchange differences are recognised in the statement of profit and loss, except those relating to the acquisition of fixed assets, which are adjusted in the cost of the relevant fixed assets.

(g) ***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.

(h) ***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.

(i) ***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.

(j) ***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 recognized 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 is recognized using the tax rates and tax laws that have been enacted / substantively enacted by the balance sheet date. Deferred tax assets are recognized 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.

(k) ***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 recognized 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 depreciated over the useful life or lease term, as appropriate and the interest component is charged as periodic cost.

(l) ***Basic earnings per share***

The earnings considered in ascertaining the Company's basic earnings per share represents the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year.

(m) ***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

	2004	2003
Authorised		
3,500,000 (2003 - 3,500,000) equity shares of Rs.10/- each	35,000	35,000
Issued, subscribed and paid-up		
3,209,800 (2003 - 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

	2004	2003
Capital reserve	149	149
Capital redemption reserve	1,683	1,683
Revaluation reserve		
Balance, beginning of year	3,781	3,807
Transfer to profit and loss account (see Note 1(a) & 5)	(26)	(26)
Balance, end of year	3,755,	3,781,
General reserve		
Balance, beginning of year	422,153	407,153
Transfer from profit and loss account	11,503	15,000
Balance, end of year	433,656	422,153
Profit and loss account	167,191	72,718
	606,433	500,484

4. SECURED LOAN

The cash credit facilities from banks are secured by a pari-passu first charge on the Company's current assets comprising raw materials, work-in-progress, finished goods, semi-finished goods, stores, spares and book debts and a pari-passu charge on the Company's fixed assets among the consortium banks.

5. **FIXED ASSETS**

	Balance, beginning of year	Additions/ charge	Deletions	Balance, end of year
Gross Block				
Freehold land	941	-	-	941
Buildings	23,021	-	-	23,021
Plant and machinery	27,853	117,977	776	145,054
Production tooling	4,600	773	510	4,863
Data processing equipment	8,937	431	224	9,144
Furniture and fittings	1,439	236	-	1,675
Office equipment	2,172	170	34	2,308
Vehicles (on lease)	1,599	-	-	1,599
Vehicles (owned)	522	1,665	-	2,187
Intangible asset-Computer software	-	411	-	411
	71,084	121,663	1,544	191,203
Previous year	66,532	5,907	1,355	71,084
Accumulated depreciation				
Freehold land	-	-	-	-
Buildings	8,611	611*	-	9,222
Plant and machinery	19,303	2,606	776	21,133
Production tooling	4,427	354	510	4,271
Data processing equipment	7,856	513	204	8,165
Furniture and fittings	1,311	96	-	1,407
Office equipment	1,349	238	34	1,553
Vehicles (on lease)	640	320	-	960
Vehicles (owned)	328	189	-	517
Intangible asset-Computer software	-	66	-	66
	43,825	4,993	1,524	47,294
Previous year	41,222	3,943	1,340	43,825
Net Block				
Freehold land	941			941
Buildings	14,410			13,799
Plant and machinery	8,550			123,921
Production tooling	173			592
Data processing equipment	1,081			979
Furniture and fittings	128			268
Office equipment	823			755
Vehicles (on lease)	959			639
Vehicles (owned)	194			1,670
Intangible asset-Computer software				345
	27,259			143,909
Previous year	25,310			27,259

1. * Includes depreciation of Rs. 26 (2003 - Rs. 26) transferred from revaluation reserve.

2. Cost of plant and machinery includes Rs. 142 (2003 - Rs. 1,036) in respect of assets given on lease. The accumulated depreciation on these assets is Rs. 112 (2003 - Rs. 990).

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 has installed 4 nos.of Wind Turbines (WT), which has commenced commercial operation on 10 th March 2004, the date on which the Company synchronizes the WT with the Grid System. Accordingly, the cost of the plant and machinery aggregating to Rs 115,600 has been capitalised with effect from that date..

	2004	2003
6. INVESTMENTS (non-trade)		
Long term		
Unquoted in Mutual Funds		
Nil (2003 - 119,784) units of Rs 10/- each of Unit Scheme 1964 of UTI	-	1,596
12,271 (2003- Nil) bonds of Rs. 100/-each of 6.75% tax free US-64 bonds of UTI	1,227	-
1,000,000 (2003 - 1,000,000) units of Rs 10/- each of Monthly Income Plan – 1999 of UTI	10,000	10,000
1,000,000 (2003 - 1,000,000) units of Rs 10/- each of Monthly Income Plan – 1999 Scheme (II) of UTI	10,000	10,000
	21,227	21,596
Less: Provision for diminution in value of investments	-	(835)
	21,227	20,761
In Shares Under same Management:		
Nil (2003 - 8,950,000) Shares of Rs.10/- each of 12% Non Cumulative Pref.Shares of Rennaissance Asset Management Co.(P) Ltd.	-	89,948
In Shares:		
3000 (2003 - Nil) Shares of Rs.10,000/- each of 12 year 15 % Participating Cumulative preference shares in Coramandel Electric Co. Ltd	30,000	-
	51,227	110,709
Current		
Unquoted		
Nil (2003-899,766) Units of 10/- each of IL&FS Liq.Fund	-	10,000
Nil (2003--619,552) units of Rs. 10/-each in Birla Cash Plus-Growth scheme of Birla Mutual Fund	-	10,000
2,859,851(2003-1,755,577) Units of Rs.10/- each in Grindlays Floating Rate	30,111	17,560
2,551,057(2003 -- NIl) unit of Rs 10/- each of Templeton Floating Rate income fund - short term growth	28,949	-
Nil (2003-2,283,022) Units of Rs10/- each in Pru.ICICI liquid growth	-	33,757
449, 261(2003-Nil)Units of Rs. 10/- each in FT India MIP plan 'A' growth	7,071	-
Nil (2003-2,034,095) Units of Zurich India Liquid Fund	-	26,530
6,324 (2003--Nil) units of Rs 1000/- each in Templeton India Treasury Management growth	10,000	-
Nil(2003-2,392,292) Units of Rs 10/-each in Sundaram Money Fund	-	30,018
Nil (2003 -- 26,781) units of Rs.10/-each in units of Rs1000/-each in Franklin Templeton TMA growth scheme	-	40,053
964,795(2003-Nil) Units of Rs.10/- each in Birla Floating Rate Fund -Longterm Plan growth	10,000	-
1,438,410(2003-Nil) Units of Rs.10/- each in Birla MIP Plan - C Growth	22,104	-
1,924,854(2003-Nil) Units of Rs.10/- each in JM High Liquidity Fund Growth	20,000	-
5,348,688(2003-Nil) Units of Rs.10/- each in Pru ICICI Floating Rate Plan	55,904	-
250,000(2003-Nil) Units of Rs.10/- each in Pru ICICI Income Multiplier fund	2,500	-
82,180(2003-Nil) Units of Rs.10/- each in TATA Monthly income fund growth	1,000	-
250,000(2003-Nil) Units of Rs.10/- each in HSBC MIP Savings growth	2,500	-
5000(2003-Nil) Units of Rs.10/- each in TATA MIP Plus Fund growth	5,000	-
Nil (2003-744,197) Units of Rs.10/- each in SBI Magnum Instacash Fund	-	10,000
	195,139	177,918
Less: Provision for diminution in value of investment	(8)	-
	195,131	177,918
	246,358	288,627

Refer Note 26(I) for details of purchases and sales of investments during the year.

		2004	2003
7.	***DEFERRED TAX ASSETS, (NET)***		
	Deferred tax represents timing difference including those 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 component of deferred tax assets and liabilities are as follows:		
	Voluntary retirement scheme costs	2,939	5,377
	Depreciation	(14,705)	(2,099)
	Others	249	219
		11,517	3,497
8.	***INVENTORIES***		
	Raw material and components, including goods-in-transit	26,788	44,640
	Work-in-progress	108,496	34,117
	Merchanting goods, including goods-in-transit	39,459	23,532
		174,743	102,289
9.	***SUNDRY DEBTORS (unsecured)***		
	Outstanding for more than six months		
	Considered good	2,007	4,181
	Considered doubtful	6,000	6,000
		8,007	10,181
	Others, considered good	94,493	111,948
		102,500	122,129
	Less: Provision for doubtful debts	(6,000)	(6,000)
		96,500	116,129
10.	***CASH AND BANK BALANCES***		
	Cash in hand	679	564
	Cheques on hand	-	5,442
	Balances with scheduled banks		
	-in Cash Credit	21,500	10,480
	-in Current accounts	41,667	44,225
	Dividend accounts (restricted)	528	671
	current accounts		
	Deposit accounts, including margin money of Rs. 9,804 (2003 - Rs. 9,200)	13,693	16,370
		78,067	77,752
11.	***LOANS AND ADVANCES (unsecured, considered good)***		
	Advances recoverable in cash or in kind or for value to be received	7,841	6,340
	Deposits	3,464	3,311
	Balances with customs and excise authorities	1,678	1,607
	Other receivables	6,038	3,796
		19,021	15,054

Disclosure under clause 32 of the Listing Agreement:

	Max. Amt. outstanding during 2003 - 04	Outstanding at the end of the year	Int. outstanding at the end of the year
Loans and Advances to Employees			
Housing Loan to employees (Interest @ 5%)	2,180	1,756	605
Other loan and advances (Interest free)	306	217	

		2004	2003
12.	***CURRENT LIABILITIES***		
	Acceptances	15,360	25,314
	Sundry creditors		
	-Payable to Small Scale Industrial undertakings	1,821	1,588
	-Others	29,145	19,351
	Unclaimed dividends and fixed deposits*	578	721
	Advances from customers	2,466	3,641
	Accrued expenses and other liabilities	36,371	42,066
		85,741	92,681

*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 31,2004 are given below:

• Anu Engineering Works • Emm Emm Engineering Works • Ever Tech Equipment • Geco Grinding Centre • Jeeva Industries • Mech-Mach Systems • M.S.Engineering • NSK Engineering Works • Selvam Engineering Works • Sidharth Industry • Sharp Engineering works • Seva Industry • Sri Lakshmi Engineering • Selvam Fabricators • S.K.Engineering • Vahini Industries

The above has been compiled based on information available with the Company.

		2004	2003
13.	**PROVISIONS**		
	Provision for tax, net	11,428	3,446
	Proposed dividend	8,025	-
	Dividend distribution tax	1,028	-
	Provision for leave en-cashment	2,328	1,898
		22,809	5,344
14.	**REVENUES**		
	Sale of drills	108,682	260,113
	Sale of spares	350,435	276,132
	Gross Sales	459,117	536,245
	Less:Excise Duty	(25,017)	(27,545)
	Net Sales	434,100	508,700
	Sale of Power	210	-
	Service Income	15,814	199
		450,124	508,899
15.	**OTHER INCOME**		
	Dividend from mutual funds and other investments from		
	-Long term	5,441	1,692
	-Short term	15,473	-
	Profit on sale of investments (net)		
	-Long term	-	720
	-Short term	-	20,967
	Interest on investments and deposits (gross of tax deducted at source of Rs. 213 (2003 - Rs. 580)) (Includes Rs. 6685 and Rs. 62 towards interest received on Income tax Refunds and on long term investments.)	8,491	3,422
	Lease rentals	538	173
	Profit on sale of fixed assets	-	323
	Exchange gain, net	60	-
	Others	130	241
		30,133	27,538
16.	**COST OF MATERIALS**		
	Raw material and components consumed		
	Opening stock	44,640	11,673
	Add: Purchases	141,891	217,830
	Less: Closing stock, including raw material and components in-transit	(26,788)	(44,640)
		159,743	184,863
	Purchase of merchanting components	126,230	115,825
	Processing charges and purchase of materials through sub-contractors	11,867	11,011
	Decrease/(increase) in work-in-progress and merchanting components	(90,306)	(35,739)
		207,534	275,960
17.	**EMPLOYEE COSTS**		
	Salaries, wages, allowances, bonus etc	31,255	24,551
	Contribution to provident and other funds	4,708	6,567
	Staff welfare expenses	2,459	2,672
		38,422	33,790

		2004	2003
18.	***MANUFACTURING AND OTHER EXPENSES***		
	Consumption of stores, spares, small tools, jigs and fixtures	2,013	1,714
	Power and fuel	3,425	3,580
	Rent	2,316	2,244
	Repairs and maintenance		
	Buildings	2,109	1,640
	Plant and machinery	392	274
	Others	1,675	1,541
	Insurance	620	647
	Rates and taxes	699	314
	Travelling and conveyance	15,047	10,848
	Freight, clearing and packing	4,733	3,225
	Legal and professional charges	5,746	3,360
	Directors' sitting fees	40	138
	Selling commission	7,974	7,900
	Loss on sale investments (net) (includes long term profit of Rs. 19)	4,013	-
	Exchange loss, net	-	674
	Bad debts and advances written-off (net of recoveries Rs.62)	543	(488)
	Miscellaneous expenses	9,634	17,183
		60,979	54,794
19.	***INTEREST AND FINANCIAL CHARGES***		
	Interest		
	Fixed loans	-	117
	Cash credit	24	68
	Others	118	1,065
	Bank charges	3,672	4,446
		3,814	5,696
20.	***NON RECURRING & EXCEPTIONAL ITEMS***	-	100,000

The exceptional charge of Rs.100,000 represents the Non Compete/Non Solicitation fees paid to Atlas Copco India Ltd based on the valuation report received from an independent valuer, so that Atlas Copco India Ltd (including all companies associated with it or with Atlas Copco, Sweden) cannot compete with Revathi Equipment Ltd for specified products, and solicit company's employees, customers for specified periods so as to allow the Company safeguard and maintain its competitive position. The expenditure being incurred for business expediency and entirely for the benefit of the business of the Company have been charged to Profit and Loss Account and treated as revenue expenditure for taxation purpose.

		2004	2003
21.	***PROVISION FOR TAXES***		
	Current tax	34,500	14,000
	Deferred tax	15,013	4,107
		49,513	18,107
22.	***CONTINGENT LIABILITIES***		
	Claims against the Company not acknowledged as debts		
	Income-tax	15,112	14,491
	Customer claims for damages	3,678	3,678
		18,790	18,169
23.	***CAPITAL COMMITMENTS***		
	On account of intangible assets	5,040	-
	On account of tangible assets		

24. ***LEASE COMMITMENTS***

In October 2001, the Company had taken on finance lease vehicle for a period of 60 months. The gross investment in lease is approximately Rs. 2,087. The present value of minimum lease payment is approximately Rs. 1,599. Future minimum lease payments under finance leases as of March 31, 2004 is as follows:

	Minimum lease payment	Present value
Not later than one year	417	380
Later than one year and not later than five years	637	512
	1,054	892

	2004	2003
25. RESEARCH AND DEVELOPMENT EXPENDITURE		
Research and development expenditure	8,789	8,093

26. SUPPLEMENTARY DATA

a. Managerial remuneration

	2004		2003	
	Executive Chairman Abhishek Dalmia	Managing Director P.M.Rajanarayanan	Managing Director P.M.Rajanarayanan	Managing Director R.K.Raghavendra
Salary	2580	1020	143	1,942
Commission	0	1530	0	0
Contribution to provident and other funds	912	360	50	523
Perquisites and other benefits	1048	706	350	681
	4540	3616	543	3,146

Mr. Abhishek Dalmia was appointed as Executive Chairman with effect from April 1,2003.
Mr. R.K. Raghavendra was Managing Director upto February 9, 2003 and
Mr. P.M. Rajanarayanan was appointed as Managing Director w.e.f. February 10, 2003.

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

	2004	2003
Net profit before tax	164,541	62,280
Add: Managerial remuneration	8,156	3,689
Directors' sitting fees	40	138
Depreciation in the books of account	4,967	3,943
Loss on Sale of Fixed Assets	11	-
Loss on sale of Investments -net	4,013	-
Profit on sale of fixed assets	-	323
	181,728	70,373
Less: Depreciation under section 350 of the Companies Act, 1956	4,967	3,943
Profit on sale of fixed assets	-	323
Profit on sale of investments -net	-	21687
Net profit under section 349 of the Companies Act, 1956	176,761	44,420
Maximum commission payable to Managing Director at 1 percent	1,767	-

c. Payments to auditors (included in legal and professional charges)

	2004	2003
As auditors*	230	230
Other services*	135	50
Reimbursement of out-of-pocket expenses	250	100
	615	380

* Excluding service tax.

d. Value of imports on CIF basis

	2004	2003
Raw material, components and traded goods	80,502	102,937
	80,502	102,937

e. Expenditure in foreign currency

	2004	2003
Travel	544	18
Selling commission	601	330
Others	9	415
	1,154	763

f. Consumption of raw material and components

	Unit	2004 Quantity	2004 Value	2003 Quantity	2003 Value
Under carriage assemblies	Nos	23	17,052	20	9,030
Compressors and accessories	Nos	18	7,824	22	12,467
Electrical components		*	17,155	*	18,217
Hydraulic components		*	26,713	*	45,131
Pipes and valves		*	17,873	*	18,904
Gear/chain assemblies		*	14,514	*	13,001
Others (individually less than 10 per cent of total consumption)		*	58,612	*	68,113
			159,743		184,863

* 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

	2004 Value	2004 Percent	2003 Value	2003 Percent
Consumption of raw material and components				
Imported	42,364	26.52	56,346	30.48
Indigenous	117,379	73.48	128,517	69.52
	159,743	100.00	184,863	100.00
Consumption of stores and spares				
Indigenous	2,013	100.00	1,109	100.00
	2,013	100.00	1,109	100.00

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

h. Earnings in foreign exchange

	2004	2003
FOB value of exports	12,587	4,932
	12,587	4,932

i. Purchase of merchanting goods

	2004 Quantity	2004 Value	2003 Quantity	2003 Value
Compressors	31	14,603	24	9,293
Others	*	111,627	*	106,532
		126,230		115,825

* 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

	Unit	Opening stock Quantity	Opening stock Value	Sales Quantity	Sales Value	Closing stock Quantity	Closing stock Value
2004							
Waterwell and blast hole rigs (including accessories)	Nos	-	-	13	93,691	-	-
Merchanting goods	Nos	*	23,532	*	340,409	*	39,459
Power	kWh	0	-	63130*	210	0	-
			23,532		434,310		39,459
* Billed (net of unit 753 taken for consumption)							
2003							
Waterwell and blast hole rigs (including accessories)	Nos	-	-	19	232,568	-	-
Merchanting goods	Nos	*	13,125	*	276,132	*	23,532
Power	kWh	0	-	0	-	0	-
			13,125		508,700		23,532

* 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

Class of goods	Unit	Installed capacity 2004	Installed capacity 2003	Production quantity 2004	Production quantity 2003
Waterwell and blast hole rigs	Nos	100*	100*	13	19
Manufactured components (see note)		**	**	**	**
Power	kWh	2400 (per hour)	0	63913***	0

* As certified by 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. Statement of purchases and sales/redemptions of investments other than shares during the year

	Purchases Nos	Purchases Value	Sales / Redemptions Nos	Sales / Redemptions Value
Current, quoted				
Birla Mutual Fund	6,918,443	82,558	5,134,790	60,454
Chola Mutual Fund	3,135,181	34,678	3,135,181	34,678
Franklin Templaton Mutual Fund	6,883,142	240,486	3,903,281	234,519
IL & FS Mutual Fund	6,543,678	81,309	7,443,444	91,309
SBI Mutual Fund	-	-	744,197	10,000
Sundaram Mutual Fund	9,238,652	110,765	11,630,944	140,783
Standard Chartered Mutual Fund	23,648,666	297,664	22,544,393	285,112
Prudential ICICI Mutual Fund	9,932,925	104,324	6,617,259	79,678
Zurich India Mutual Fund	2,471,565	26,834	4,505,660	53,364
HSBC Mutual Fund	250,000	2,500	-	-
JM Mutual Fund	5,868,694	60,919	3,943,840	40,919
Tata Mutual Fund	582,180	6,000	-	-
		1,048,037		1,030,816

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) Associates
   Rennaissance Asset Management Co. (P) Ltd.

   (ii) Key Management Personnel & their relatives:

Mr. Abhishek Dalmia	Executive Chairman
Mr. Chaitanya Dalmia	Relative
Mr. P.M. Rajanarayanan	Managing Director
Mrs. R. Radha	Relative

3. Disclosure of transactions between the related parties & the status of outstanding balances as on 31st March, 2004.

		Holding	Associate	Key Management Personnel & their relatives
1.	Rent expense	600		271
2.	Director sitting fees			2
3	Expenses Reimbursement			26
4.	Remuneration to Key management Personnel - Refer Note 26 (a)			
	Dividend income		3796	
.	Redemption of Investments		89500	
5.	Balances as on 31st March, 2004			
	(a) Payable - Remuneration			1543
	(b) Rental Deposit			226

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)

1. Segment Revenue		
Equipment	449,914	
Power	210	
Net Sales/income from operation	450,124	
2. Segment Results		
Equipment	152,289	
Power	(534)	
Total	151,755	
Add Other un-allocable income net of un-allocable expense	16,600	
	168,355	
Less: Interest and financial charges	3,814	
Profit before tax	164,541	
3. Segment Assets and liabilities	Assets	Liabilities
Equipment	397,148	85,094
Power	115,092	-
	512,240	85,094
Un-allocated corporate assets and liability	246,358	25,920
Total	758,598	111,014
4. Capital Expenditure and Depreciation	Capital Expenditure	Depreciation
Equipment	6,063	4,249
Power	115,600	718
	121,663	4,967
Un-allocated corporate assets and liability	-	-
Total	121,663	4,967

B. SECONDARY SEGMENT (Geographical Segment)

	Revenue	Assets	Liabilities	Capital Expenditure
Within India	437,312	508,870	85,094	121,663
Outside India	12,812	3,370	-	-

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

Equipment	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.

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. Prior year comparatives

Prior year comparatives have been reclassified to conform with the current year's 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, 2004
(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	:	650,048
	Total assets	:	650,048
	Sources of funds		
	Paid-up capital	:	32,098
	Reserves and surplus	:	606,433
	Secured loans	:	-
	Unsecured loans	:	-
	Application of funds		
	Net fixed assets	:	143,909
	Investments	:	246,358
	Net current assets	:	259,781
(d)	***Performance of the Company***		
	Turnover	:	450,124
	Other income	:	30,133
	Total expenditure	:	315,716
	Profit before tax	:	164,541
	Profit after tax	:	115,028
	Earning per share (in Rs)	:	35.84
	Dividend rate (%)		25%
(e)	***Generic names of three principal products/services of the Company***		
	Item Code No (ITC Code)	:	8430 6900
	Product Description	:	Blasthole drilling rigs
	Item Code No (ITC Code)	:	8430 6900
	Product Description	:	Ram Trac drilling rigs
	Item Code No (ITC Code)	:	8705 9000
	Product Description	:	Waterwell drilling rigs

Revathi Equipment Limited

Revathi

Registered Office : Pollachi Road, Malumachampatti Post, Coimbatore - 641 021

Proxy Form

I / We ____________________

of ____________________

being a Member / Members of Revathi Equipment Limited hereby appoint ____________________

____

of ______________ or failing him ____________________

of ______________ or failing him ____________________

of ____________________ as my / our proxy to vote for me / us and on

my / our behalf, at the Twenty Seventh Annual General Meeting of the Company to be held on Friday July 09, 2004 at 10.00 am and any adjournment thereof.

Signed this ______________ day of ______________ 2004.

Signed by the said ____________________

1 Re Revenue Stamp

Folio No. :
DP ID No. :
Client A/c No. :
No. of shares :

Note : This form duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

Revathi Equipment Limited

Revathi

Twenty Seventh Annual General Meeting

Attendance Slip

Folio No. :
DP ID No. :
Client A/c No. :
No. of shares :

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

Only members or their proxies are entitled to be present at the Meeting.

Name and Address : ____________________

____

I hereby record my presence at Twenty Seventh Annual General Meeting ____________________

____

* Signature of the Member / Proxy ______________

* Strike out whichever is not applicable.

BANK ACCOUNT PARTICULARS/ECS MANDATE FORM

i/ We ____________________ do hereby authorise Revathi Equipment Limited to

*Print the following details on my/our dividend warrant
* Credit my dividend amount directly to my Bank Account by ECS.

(*Strike out whichever is not applicable) **My / our Folio No.**: ____________________

Particulars of Bank Account: **DP ID No.** ______________ Client A/c No.: ______________

A. Bank Name : ____________________

B. Branch Name : ____________________

Address (for mandate only) : ____________________

C.9 Digit Code number of the Bank & Branch as appearing on the MICR cheque : ____________________

D. Account Type (Saving / Current) : ____________________

E. Account No. as appearing on the cheque book: ____________________

F. STD Code & Telephone No : ____________________

I / We shall not hold the Bank responsible if the ECS could not be implemented or the Bank discontinue(s) the ECS, for any reason.

Mail To:

S.K.D.C. CONSULTANTS LTD.,
P.B.No.:2979, No.11, Street No.1,
S.N.Layout, Tatabad,
Coimbatore - 641 012.

____
Signature of the Member

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the 9 digit code number.

In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank account particulars / ECS mandate.

Revathi

27th

Annual Report 2003 - 2004

REVATHI EQUIPMENT LIMITED

FIVE YEARS FINANCIAL HIGHLIGHTS

Rs. in million

	1999 - 00	2000 - 01	2001 - 02	2002-03	2003-04
Summary of operations					
Sales & other income	597.29	510.44	503.85	536.43	480.26
Profit before taxes	195.46	145.79	126.76	62.28	164.54
Profit after taxes	128.46	88.79	82.74	44.17	115.03
Dividends	35.63	99.04	32.10	NIL	9.05
Year end financial position					
Fixed Assets : Gross	64.55	65.18	66.53	71.08	191.20
Net	30.03	26.63	25.31	27.26	47.29
Total Assets : Net	455.94	451.24	491.78	532.58	638.53
Represented by					
Net Worth(excluding revaluation reserve)	444.61	434.36	484.63	528.80	634.77
Share capital	32.10	32.10	32.10	32.10	32.10
Reserves	416.37	406.09	456.34	500.48	606.43
Borrowings	7.47	13.05	3.34	NIL	NIL
Total funds	455.94	451.24	491.78	532.58	638.53
Ratios					
Earnings per Share (Rupees)	40.02	27.66	25.78	13.76	35.84
Dividends (%)	100	280	100	NIL	25%

Revathi

REVATHI EQUIPMENT LIMITED
Pollachi Road, Malumachampatti Post, Coimbatore - 641 021.
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