Annual Report 2011-12

PRAJ

Resilience

Board of Directors

From L to R : Prakash Kulkarni, Gajanan Nabar, Rajiv Maliwal, Pramod Chaudhari, Berjis Desai, Kishor Chaukar, Utpal Sheth, Sivaramakrishnan Iyer and Parimal Chaudhari

Company Information

PRAJ INDUSTRIES LIMITED

Board of Directors	**Executive Directors:** Pramod Chaudhari, Executive Chairman Gajanan Nabar, CEO & MD **Non-Executive Directors:** Berjis Desai Kishor Chaukar Parimal Chaudhari Prakash Kulkarni Rajiv Maliwal Sivaramakrishnan Iyer Utpal Sheth
Company Secretary	Dattatraya Nimbolkar
Auditors	B. K. Khare & Co.
Internal Auditors	Khare Deshmukh & Co.
Bankers	Bank of Maharashtra The Royal Bank of Scotland HSBC Ltd.
Solicitors	J. Sagar Associates, Mumbai
Registered Office	“PRAJ HOUSE”, Bavdhan, Pune 411 021, India
R & D Center	Praj Matrix – The Innovation Center Gat No. 402, 403, 1098, Village Urwade, Tal. Mulshi, Dist. Pune, India
Manufacturing Facilities	S. No. 748, Sanaswadi, Pune 412 207, India Gat No. 745, Sanaswadi, Pune 412 207, India
Export Oriented Unit	Kandla SEZ, Gandhidham, Kutch 370 230, Gujarat, India
Presence in	India,Thailand, The Netherlands, USA, Brazil, South Africa, Tanzania, Sierra Leone and UAE

Contents

Praj at Glance

	UOM	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04
SALES	₹ Mn	8804.441	5529.310	6022.840	7718.813	7016.267	6074.744	2674.985	2352.573	1065.187
OTHER INCOME	₹ Mn	432.295	247.739	424.517	241.797	386.827	89.328	25.326	30.658	21.388
TOTAL INCOME	₹ Mn	9236.736	5819.565	6447.357	7960.610	7403.094	6164.072	2700.311	2383.231	1086.575
TOTAL EXPENDITURE NET OF DEPRECIATION	₹ Mn	7975.777	5066.273	5111.594	6270.875	5603.961	5028.815	2349.938	2084.557	963.281
DEPRECIATION	₹ Mn	141.730	111.356	105.110	81.713	55.349	31.608	26.502	19.550	15.742
EBIDTA	₹ Mn	830.112	463.096	914.546	1451.808	1412.599	1048.446	330.356	269.809	109.582
PBT	₹ Mn	1119.229	599.420	1230.653	1608.022	1743.784	1103.649	323.871	279.124	107.553
PAT	₹ Mn	658.245	534.725	1138.847	1297.479	1535.437	865.293	244.125	217.577	81.381
NET BLOCK OF FIXED ASSETS + CWIP	₹ Mn	1829.211	1595.950	1441.252	1471.597	1059.683	454.528	279.022	210.783	178.135
SHARE CAPITAL	₹ Mn	359.096	369.557	369.477	366.862	366.324	167.800	162.225	81.113	81.113
RESERVES AND SURPLUS	₹ Mn	5148.677	5219.931	4953.857	4067.745	3142.041	1405.061	387.292	340.813	222.845
NET WORTH	₹ Mn	5507.773	5589.488	5323.334	4434.607	3508.395	1572.861	549.517	421.926	303.958
EPS BASIC	₹	3.58	2.89	6.18	7.08	8.55	5.19	3.01	2.68	1.00
RATIOS										
EBIDTA TO SALES	%	9%	8%	15%	19%	20%	17%	12%	11%	10%
PBT TO SALES	%	13%	11%	20%	21%	25%	18%	12%	12%	10%
PAT TO SALES	%	7%	10%	19%	17%	22%	14%	9%	9%	8%
RONW	%	12%	10%	23%	33%	60%	82%	50%	60%	29%
ROCE	%	20%	11%	24%	39%	67%	101%	63%	68%	29%
NO. OF SHARES	Nos.	179,548,092	184,778,723	184,738,492	183,431,082	183,161,810	83,900,066	81,112,520	8,111,252	8,111,252
DIVIDEND	%	81%	63%	72%	90%	99%	135%	63%	108%	45%
BOOK VALUE PER SHARE	₹	30.68	30.25	28.82	24.18	19.15	9.43	6.77	5.20	3.75
CASH EPS	₹	4.46	3.50	6.73	7.52	8.69	5.38	3.34	2.92	1.20

Resilient Organization

Enduring,Consolidating,Growing,Sustaining

We have delivered on the objectives the Company had set out for itself for the fiscal 2011-12. While the topline and performance has been in line with our expectations, the margins though improving, need further attention. We will be taking this up during the coming year. Your Company has shown great resilience in the face of a global slowdown . In fact, **resilience** is ingrained in your Company's fabric which allows it to **endure** tough times and bounce back, **consolidate** even against challenges, **grow** in the face of adversity and **sustain** the future. Just like the *'five elements'* of nature.

Your Company is an amalgam of various experiences and expertise. On one side, it is an engineering and projects Company given the fact that we undertake a large number of projects in which our process engineering plays a critical role. On another, we are a biotech Company, as the process solutions we offer encompass biotech platform, which are honed at Praj Matrix, our R & D Center.

Each area of expertise offers opportunities that will enhance our growth prospects. We will examine and build on each skill set for our future growth.

On the process engineering side your Company did undertake two new business lines over the past two years. Critical Process Equipment and Water & Wastewater Treatment Systems. The challenge now is to quickly integrate and scale up in the shortest time span. The best way is to consolidate and grow simultaneously. In line with this thought we have already resourced both the business lines adequately.

Our acquisition of Neela Systems with its niche business model of serving high purity water segment is proof of the Company putting its money where it can realize value.

To deliver on all aspects of the growth potential, your Company is working on a strategic growth plan. As we complete this plan, we will be happy to share the same with all.

We are also evaluating play in the biochemicals sector which is an outcome of our R & D focus. Praj Matrix has been working on various processes and biotech agenda which includes biochemicals, health & wellness and nutraceuticals. We are now in the process of developing business models for various opportunities. An identified team is developing a blue print for '*to-market*' strategy. The biochemicals market itself is a trillion dollar opportunity. It is expected to be the next frontier of technology play.

Most importantly, on the lignocellulose biomass to ethanol front, the Board has given an in-principle consent to move ahead with a plan to set up a commercial scale demo plant which will be a technological feat in itself. This is expected to put your Company on the global map of advanced biofuels.

The Company has endured tough times over the last two years. We are now back on the growth path. It is time to make the future sustainable.

Pramod Chaudhari
Executive Chairman

Pune, May 2012

Growth Dimensions

The world around us is changing rapidly and the challenges are mounting. Global Financial Crisis, unabated inflation, slide of Rupee, are some of the environmental factors which are posing huge challenges to organizations worldwide. In this environment, Companies which are nimble, balanced and growth oriented would stay ahead of the competition and thrive.

Good news is your Company is back on the growth track. Growth has many dimensions – one of which is financial indices. And financial indices invariably are an outcome of the quality of the output, quality of organization and quality of people. We had many WINS this year -to provide you a glimpse of some of them : – We achieved highest ever tonnage in manufacturing. We undertook three large ethanol projects on turnkey basis in international markets. We successfully commissioned the Waste Water Treatment facility at a textile park in India- a glowing example of our technological expertise. Critical Process Equipment's business has created strong customer relationships with global companies and is poised for exponential growth. Our Brewery plants business was accredited global supplier's status by a leading brewer.

To bring the balance in our portfolio it is essential that we substantially grow our Non-Ethanol portfolio. We took steps in that direction – Acquisition of Neela Systems – Niche High Pure Water Company, was one such step. Your company has created many such examples during the year, which make us feel confident that your company will charter a new horizon of growth with every coming year. Looking ahead, the work is quite cut out for us.

First thing first, our priority will be to consolidate and enhance our technology leadership in the Ethanol space. We created the Center for Innovation and Applied Technology which is engaged in creating robust processes which will provide customers value added propositions and help us increase repeat business.

We see a lot of synergies in the integration of Neela Systems.It is our endeavor to make this transition as smooth as possible, while gaining from the synergies.

Significant management efforts and focus would remain in exponentially growing our W&WWT[1] and Critical Process Eqipments business and consolidating our Brewery Plants business. We are making major commitments to drive operational excellence.

The Second Generation Bio Fuels program would get top priority for actualizing the Commercial Size Demo Plant. We will leave no stones unturned.

It is my sense that your company is at a break out stage in its life cycle and would experience a 'New Dimension of Growth'. We are currently working on a medium term strategy plan which would provide the Praj team with insights and direction in its growth trajectory. Our aim is to balance our portfolio and accelerate growth.

We are in to a challenging year but as you may agree strong organizations thrive under adversities.

Gajanan Nabar
CEO & Managing Director

Pune, May 2012

[1] Water & Wastewater Treatment Plants

Directors' Report

To The Members of Praj Industries Limited,

Your Directors are pleased to present the 26th Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2012.

Financial Results

In the year under review, your Company has achieved a significant growth in total income of ₹ 9237 Mn (previous year ₹ 5777 Mn). While the total income increased by 60%, Profit before Tax increased by 87% to ₹1119 Mn (previous year ₹ 599 Mn). Highlights of performance are indicated below:

(₹ in Mn)

	2011-12	2010-11
Turnover	**8805**	5529
Other Income	**432**	248
Total Income	**9237**	5777
Total Expenses	**8118**	5178
PBT	**1119**	599
PAT	**658**	535
(+) Balance in Profit & Loss Account	**3462**	3252
Profit Available for Appropriations	**4120**	3787
Appropriations		
- Dividend		
Interim	**-**	-
Final (Proposed)	**287**	233
- Dividend Tax	**47**	38
- Transfer to General Reserve	**66**	54
Balance in Profit & Loss Account	**3720**	3462

Dividend

The Board of Directors of your Company have recommended a dividend of ₹ 1.62 per equity share (81%) of face value of ₹ 2/- each for the Financial Year ended 31st March, 2012. The dividend is payable subject to shareholders' approval at the ensuing AGM. The dividend payout will be ₹ 334 Mn including dividend distribution tax.

Credit Rating

a) CRISIL has reaffirmed **"P1+"** rating to Company's short-term banking facilities which signifies that the degree of safety regarding timely payment of instruments is **very strong.**

b) CRISIL has also reaffirmed its rating of the Company's long-term bank facilities to **'AA/Stable'.**

The "AA" rating signifies **high safety** with regard to timely payment of long-term financial obligations.

Buy-back of Equity Shares

Your Company, pursuant to the approval of the Board of Directors under Section 77A of the Companies Act, 1956, decided to buy-back fully paid-up equity shares of the Company at a price not exceeding ₹90/- per equity share from the open market through the Stock Exchanges for an aggregate amount not exceeding ₹558.639 Mn being 10% of the aggregate of the Company's total paid-up equity share capital and free reserves as on 31st March, 2011.

The Company has closed the Buy-back on 24th April, 2012, after buying back 7,313,644 equity shares for a total consideration of ₹ 558.638 Mn (exclusive of Brokerage, STT and other charges) utilising the Securities Premium account. All the equity shares bought back have been extinguished. Post Buy-back, the paid-up equity shares of your Company stand at 177,465,079 nos.

Strategic Acquisition

During the year under review:

Your Company has acquired majority stake (50.20%) in Neela Systems Ltd " Neela" on 6th January, 2012 for a consideration of ₹ 646 Mn. Neela is a Mumbai based Company having business interests in Water Treatment and Modular Process Systems, focused on Biotech, Pharma, Life Sciences and Cosmetics Industries. Future arrangements provide for further increase in stake by Praj. Neela is now a subsidiary of your Company.

Subsidiaries

Your Company has formed a wholly owned subsidiary by name Praj Industries (Africa) Pty. Ltd., in South Africa on 19th July, 2011. Praj Industries (Africa) Pty. Ltd., also formed two wholly owned subsidiaries by name Praj Industries (Tanzania) Ltd., Tanzania and Praj Industries (Sierra Leone) Ltd., Sierra Leone on 20th September 2011 and 28th October 2011, respectively.

Apart from the above, Pacecon Engineering Projects Ltd., BioCnergy Europa B. V., Netherlands, Praj Jaragua Bioenergia S.A., Brazil, Praj Americas Inc., Texas, Houston, U.S.A and Praj Far East Co. Ltd., Thailand continue to be the subsidiaries of your Company and are operating in their respective areas.

The Central Government has granted exemption under Section 212(8) of the Companies Act, 1956, from attaching to the Balance sheet of the Company, the Accounts and the other documents of its Subsidiary Companies. In view of this, Consolidated Financial Statements of the Company, which include the results of the said Subsidiary Companies, are included in this Annual Report. Further, a statement containing the particulars prescribed under the terms of the said exemption for each of the Company's subsidiaries is also enclosed. Copies of Annual Accounts and related detailed information of all the subsidiaries can also be sought by any investor of the Company or its Subsidiaries on making a written request to the Company Secretary at the Registered Office of the Company in this regard. The Annual Accounts of the Subsidiary Companies are also available for inspection at the Company's and/or the concerned Subsidiaries' Registered Office.

Proceedings under Section 132 of the Income Tax Act, 1961

In the month of April 2012, proceedings were initiated by the Income Tax Department under Section 132 of the Income Tax Act, 1961. Though the Company is yet to receive a demand notice from the Income Tax Department, it is in the process of gathering the information / documents and tax advice.

Due to this, the Company is not in a position to reliably estimate the liability (if any) arising out of these proceedings. The management, on the basis of best estimate, has made a prudential provision of ₹250 Mn in the Statement of Profit and Loss which the Company presently believes to be adequate. In the subsequent quarters, when more clarity is achieved, the difference, if any, between the above referred provision and envisaged liability will be debited / credited to the Profit & Loss Account as the case may be.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis Report (Annexure 1), Sustainability Report (Annexure 2) and Report on Corporate Governance and Compliance Certificate on Corporate Governance (Annexure 3) are annexed to this report.

Directors

Mr. Berjis Desai and Mr. Rajiv Maliwal, Directors, retire by rotation from the Board and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Auditors

a) Internal Auditors

The Internal Auditors, M/s. Khare Deshmukh & Co., Chartered Accountants, Pune, have conducted internal audits periodically and submitted their reports to Audit Committee. Their reports have been reviewed by the Statutory Auditors and the Audit Committee.

b) Statutory Auditors

The Statutory Auditors, M/s. B. K. Khare & Co., Chartered Accountants, Mumbai, (Registration Number 105102W) hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

c) Cost Audit

Pursuant to the directives of the Ministry of Corporate Affairs, your Company has appointed Mr. Dhananjay V. Joshi & Associates, Cost Accountants as Cost Auditors of the Company under Section 233B of the Companies Act, 1956 for the year 2012-13.

Directors' Responsibility Statement

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, the Board of Directors states that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- The accounting policies selected have been applied consistently and judgements and estimates made 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 2011-12 and of the profit of the Company for that period;
- Proper and sufficient care has been taken 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;
- The annual accounts have been prepared on a going concern basis.

Employee Stock Option Plan

The information to be disclosed as per SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to this Report (Annexure 4).

Additional Statutory Information

Particulars of Employees:

The statement of particulars required pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Amendment Rules, 2011, forms a part of this report. However, as permitted by the Companies Act, 1956, the Report and Accounts are being sent to Members and other entitled persons excluding the above statement. Those interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office. The statement is also available for inspection at the Registered Office, during working hours up to the date of the Annual General Meeting.

"Group" for SEBI Takeover Regulations:

For the purpose of Regulation 2 (1) (t) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, persons constituting 'Group' as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 are – Mr. Pramod Chaudhari, Ms. Parimal Chaudhari, Moriyaset Trust, Mr. Parth Chaudhari, P-Cube Enterprises Private Limited, Turtle Communication and Fusiontech Ventures Private Limited.

Energy Conservation, Technology Absorption, Adaptation, Innovation:

Your Company values innovation and invests considerable resources in promoting this value. The Company is constantly enhancing its offerings in the market as it recognizes that this is the most effective way to grow sustainably. Each year, it incorporates incremental innovation in order to improve competitiveness of its offerings. The Company focuses on energy, water and product yields for its existing business lines. While Praj Matrix carries out discovery based Research & Development, application related innovation is carried out by the Center of Innovation & Applied Technology as well as various groups working in tandem with them. The Company drives innovation through 'market-in' approach and through 'internal initiatives'.

Your Company is proceeding with its in-house program for scale-up of its Lignocellulosic biomass to ethanol program. During the fiscal, your Company acquired the rights to Qteros 'Consolidated BioProcessing Platform', after ceasing of the Joint Development Program.

Your Company has;

- Developed Xylose (Pentose sugar) fermentation strain with scale up of the microbe to pilot plant with minimum media and very low retention time. When incorporated into Praj's LC to Ethanol Technology, it will add significant value in terms of cost of production.
- Incorporated a specially designed MVR evaporation system in its solutions which significantly reduces steam consumption.
- Developed a distillation system called ECOSMART wherein capacity expansion can be undertaken with performance intensification such as enhancement of biogas in biomethanation of distillery effluent and other process and wastewater treatment applications.
- Commissioned a Sequential Batch Reactor system for wastewater treatment in the agrichemicals sector. This system is offered entirely through internal developmental efforts. The system considerably reduces energy for treatment of wastewater

Other than this, your Company has introduced many new schemes and processes for lowering energy, water consumption and generation of wastewater. The initiatives taken by your Company to enhance its commitment to Sustainable Practices are given in the Sustainability Report, enclosed separately.

Foreign Exchange Earnings & Outgo

(₹ in Mn)

	31/03/2012	31/03/2011
Earnings	**3634**	1838
Outgo	**1554**	850
Net Foreign Exchange Earnings	**2080**	988

Your Company has retained its status as a net forex earner.

Acknowledgements

Your Directors wish to place on record their appreciation towards all associates including Customers, Collaborators, Government Agencies, Financial Institutions, Bankers, Suppliers, Shareholders, Employees and others who have reposed their confidence in the Company.

For and on behalf of the Board of Directors

Place: Pune
Date: 29th May, 2012

Pramod Chaudhari
Executive Chairman

Management Discussion & Analysis

Overview

During the fiscal, the emerging economies have shown resilience in the face of a challenging global environment. While there was some intermittent improvement in the US economy evident from the reported statistics a complete recovery is yet to take shape. The intensification of the debt crisis in Europe has had a far reaching impact across all of the Eurozone. The world economy can only reach its true potential if USA & EU nations are able to reverse their downslide.

Your Company has a strong presence in the emerging economies. This is reflected in your Company's performance with a 150% increase in overseas revenues. Your Company has references in more than 60 countries around the world.

Against this, the domestic market has witnessed a number of policy and fiscal issues which have started slowing down the pace of investments.

Your Company has diversified into synergistic businesses wherein it serves a multitude of industries. This not only de-risks the organization, but also provides wider experience base for future expansion in new business areas. This is in line with the Company's stated objectives of 25% of its revenues (to be gradually stepped up further) coming from non-ethanol businesses by 2013.

Financial Review

Your Company delivered the highest top-line performance ever during the fiscal. Your Company achieved ₹ 8,805 Mn revenue in terms of stand-alone financials with consolidated turnover at ₹ 10,031 Mn. The growth in stand alone sales revenues was 60% over previous fiscal. This increase was due to higher income from overseas business and additional revenue stream from non-ethanol businesses. EBIDTA (excluding other income) improved 79% over the previous fiscal at ₹ 830 Mn (₹ 463 Mn). PBT was ₹ 1,119 Mn and PAT at ₹ 658 Mn. Your Company remains debt free and cash positive. EPS for the fiscal has grown from ₹ 2.89 to ₹ 3.58. Net Capex for the year was ₹ 360 Mn.

Industry structure

Alcohol/ethanol industry

The year 2011-12 has been a watershed year in the history of ethanol business, especially in the US. The expiration of Volumetric Ethanol Excise Tax Credit or VEETC ($0.45 per gallon) and abolishment of import duties on fuel ethanol into the USA has a far reaching implication, one of them being the fast tracking of second generation ethanol process and scale up. Over the last year, we have seen announcements of new partnerships, scale up of capacities and other activities around this.

Your Company also has aspirations to be a significant technology player in this space.With in-principle consent of the Board for stepping up the efforts towards commercial scale demo plant for lignocellulosic biomass to ethanol plant, we expect to create a significant position for ourselves in advanced biofuels.

The past year has also seen global ethanol capacities being utilized to a larger extent. This gives a sense that new capacities should start scaling around the world. Some of the regions of interest are likely to be South East Asia and South Central America with country specific mandates in Philippines, Vietnam, Australia, Colombia, Argentina and Peru. In the case of first generation ethanol, it is apparent that the center of gravity has shifted away from the USA.

India continues to present a strong beverage alcohol plants opportunities with a growth rate of 10-12% (5 Year CAGR). Your Company has over 70% market share in India (on installed base).

Brewery/beer industry

Currently, your Company serves the market for brewery plants in India. Practically, every major beer producer has set up operations in India. With annual per capita beer consumption at two liters, the Indian beer industry is growing at the rate of 11-12% CAGR for the past five years. Growing disposable income, improvements in the quality of beer, steadily growing beer-consuming population base, changing climatic factors and evolving life style are the factors that have an impact on the growth of the beer industry.

Your Company has been investing into serving the changing expectations of beer producers.

Recently, your Company commissioned the largest brewery in India with the brew length of 300 hectoliter and total capacity of one million hectoliter per year.

Your Company is considered to be an integrated brewery plant supplier and is also working towards forging partnerships in this space to bring the best of the brewery experience to its customers in India and other emerging markets.

Water and wastewater treatment

Water scarcity, environmental concerns and challenges in manufacturing processes in various industries and pressure on municipal services are the key drivers for this business. Over a period of time, with increasing industrial activities across certain regions, the need for reduction, recycle and reuse of treated wastewater and zero liquid discharge will clearly enhance technology play in the water space.

Your Company introduced this business line a year ago and has already demonstrated its capabilities by offering critical technologies and systems for wastewater treatment to a number of industries including the Zero Liquid Discharge System for textile effluent at Thirupur textile belt. This plant is successfully commissioned.

Also, your Company plans to build sizable overseas opportunities and has identified regions of interest beyond India wherein it can offer value added services.

With the acquisition of Neela Systems, your Company can now be looked upon as a significant player in niche segments like pharmaceuticals, food and beverages, biotech and cosmetics.

Critical Process Equipment

With more and more sourcing of process equipment from India, we are seeing an uptick in the demand for critical equipments and systems that adhere to specific standards required in oil & gas, chemicals, fertilizers and several other industries.

Your Company has been certified for ASME U, U2 & H stamp and CE marked equipments. Your Company also has the capability to handle various metals and global design specifications and has moved up the value chain to offer bundled solutions which go beyond mere fabrication. It now serves customers in South East Asia and Middle East with possible future expansion into South and North America.

Your Company has set up another manufacturing unit at Kandla (SEZ Unit II) which can fabricate high-thickness vessels for industries with such requirement. This has augmented your Company's position as a competitive supplier in the international market.

Biotech Products

This business was introduced for its potential to deliver recurring revenue. Currently, the Company is supplying biotech based consumables like 'fermentation performance enhancers' for the distillery industry.

A GMP based manufacturing facility has been commissioned for this purpose. Located near Pune, this facility will look to scale up with other biotech products that will expand the portfolio and can serve industries outside the ethanol and sugar sector. The Company has identified Animal Feed Additives including amino acids and probiotics as an area of interest and is in the process of charting out a marketing plan.

Apart from this, your Company's R & D Center, Praj Matrix , is also working on other biotech products which can either be manufactured and marketed by your Company or licensed for production to the industry. The biotech production unit will be aligned for these product lines as well.

In time to come, we expect a bouquet of bio-based products for various applications.

Human Resources

Talent Acquisition and Management is a top priority. In line with its long term plans, the Company has initiated a succession planning process for specific functions which will ensure a pipeline of leadership.

The Company has also initiated talent acquisition from various top level management institutes as well as engineering institutes. Diversity management and inclusion of women and differently abled people in the workforce is also being given due attention.

Organization development in terms of creating a vibrant organization which will take the Company from the current level of performance to the next level is also being developed in line with the strategic requirements.

Organizational Initiatives

Bringing back the level of profits in line with earlier periods is being pursued aggressively. The Company has undertaken several programs which include the flagship Lean Management Program at the manufacturing facility. This will not only ensure cost reduction but also efficiency improvement and value enhancement for customers. It is expected to make your Company more competitive. Your Company has set up two Centers of Excellence – one for Innovation & Applied Technology and another for Engineering – in line with the objectives of the Company to enhance its competitive edge.

IT and Infrastructure

The physical operations are supported by a robust IT infrastructure and an in-house data centre. The company is making continuous investments in Business Process Automation and Information Technology. Plans are underway to implement and leverage current technology services this year to enhance existing infrastructure capacity, data security, data centralization & business process controls. This will help the company improve its efficiency in order to gain in the market, sustain growth and secure its operations. Specifically, your Company has undertaken the following:

1) Server Virtualization: Consolidates and reduces server footprint and help IT team do more with same team.

2) Internally developed Business Process automation on Intranet, private cloud: Improves operational efficiencies and optimizes infrastructure cost.

3) Public Cloud service adoption for payroll has also ushered better efficiencies and control.

Your Company will increasingly use virtual environment for servers and desktops which will have multiple benefits of hardware optimization, scalability, standardization and efficient administration. All this will also assist with better decision support systems.

Awards, Certifications & Recognition

The manufacturing operations of your Company are recognized for its quality delivery alongwith safety compliance. In recognition,

- Your Company received re-certification for its Sanaswadi manufacturing facility for U and H stamps. Certification for the new Kandla manufacturing facility for U and U2 stamps is in process. The ISO 9001-2008 certificate was also renewed in the FY 2011-12. The Company has also been awarded ISO 9001-14000 and OHSAS for Safety and Environment.

- Kandla Special Economic Zone, India conferred the Highest Exports Award in the category of Engineering and Metallurgical Products to the Kandla manufacturing unit.

- Praj has won the Export Promotion Council for EOU & SEZ (EPCES) Export Award for outstanding export performance from the Category-II Product Specific SEZ - MSME.

Your Company is a leading player in the industrial biotechnology and renewable energy field. In recognition of your Company's contributions;

- The Association of Biotechnology Led Enterprises (ABLE) elected Mr. Pramod Chaudhari as a member of the association for another three years term. Praj Matrix actively participates in the forum.

- Mr. Pramod Chaudhari has been elected as the Member of the World Council of Industrial Biotechnology (WCIB) recently. The WCIB is established to share experts' opinions to promote appropriate policies, research and business directions on industrial biotechnology. World Economic Forum (WEF, Geneva, Switzerland) is a founding member of this organization.

- Mr. Pramod Chaudhari is re-nominated as Co-Chairman of the CII National Renewable Energy Committee.
- Government of Karnataka conferred The Bio-Excellence Award for the year 2012 on your Company in recognition of the outstanding contribution to the BioIndustrial Sector.
- Praj Matrix – The Innovation Centre won the "Green Innovation Award" for Outstanding Research in the field of Green Chemistry and Engineering in the category of the Most Promising Technologies.
- CRISIL has reaffirmed its rating on your Company. The Cash Credit Facility has been assigned AA/Stable rating; Letter of Credit and Bank Guarantee facility has been assigned CRISIL A1+ rating and Proposed Long Term Bank Facility is assigned AA/Stable rating.

Future outlook

Your Company's growth plans are based on leveraging its process engineering experience and venturing into other synergistic businesses. The focus in the near term will be on progressing the technology for second generation biofuels to commercial scale and scaling the non-ethanol businesses.

The Company has also embarked upon developing a blue print for medium term strategic plan which will not only focus on how to scale up the current businesses but also examine adjacent spaces for diversification opportunities. This exercise is expected to be completed by end of fiscal 2012-13.

Risks and concerns

Your Company has a well-documented Risk Management Policy. The policy is reviewed periodically by the Management & Audit Committee and appropriately modified, as and when necessary. Based on the operations of the Company, risks are identified and steps are taken to mitigate the same.

Economic and Political situation in key markets of your Company is seen as an essential risk element. Your Company has no current exposure to any high risk markets.

As 30-50% of the Company's business comes from overseas markets, the Company has put in place a forex risk management system.

The Company is also exposed to raw material risk which shows considerable volatility. A suitable purchase and stocking policy is followed.

Apart from the above specific risks, the Company recognizes various risks inherent in the performance of a contract which may relate to commercial terms. The Company has a robust policy in place to counter these risks to the extent possible.

The Company is also exposed to risks on account of the sector it serves. Biofuels/Distillery and Brewery businesses are governed by the legislations of different geographies served by the Company. The Company has adequate geographical spread.

Internal control systems

The Company has instituted adequate internal control procedure(s) commensurate with the nature of its business and the size of its operations for the smooth conduct of its business. Internal audit is conducted continually, at all locations and covers the key areas of operations. It is an independent, objective and assurance function, responsible for evaluating and improving the effectiveness of risk management, control and governance processes. The Internal Auditors do not have any adverse comments on the internal control systems of the Company.

Forward looking statements

Statements in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's future plans, projections, estimates and expectations may constitute "Forward Looking" statements within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

Sustainability Report

Actions built on Values

The values espoused by your Company include respect for environment and society. We recognize that education, innovation and entrepreneurship will help promote and nurture these values. These values and the resultant actions determine and guide the sustainability agenda and the CSR activities of your Company.

Praj Foundation together with Praj Industries work to address sustainability related actions. Some of the agenda points are part of the Company's business initiatives. These include:

- Safety: Safety practices are a strong focus for the Company. This has seen the Company being awarded the OHSAS and ISO 14000 certification. The Company is committed to accident free and safe operations. The Company conducts various activities for creation and promotion of safety culture amongst all its employees and associates.
- Diversity: The Company believes that diversity at workplace creates a more balanced society. Over the years, it has made deliberate attempts to maintain gender balance. Women form 10% of the workforce. We also give opportunity to differently-abled people. We have also diversified our workforce through induction of people from every corner of the country. We plan to do so globally as well. We also subscribe actively to the 'Affirmative Action' agenda.
- Water & Energy: The Company has undertaken recycle of wastewater at various locations in order to reduce water consumption and waste discharge. At its Corporate Office, the Company reduced water consumption by 12% in 6 months through recycle and reuse of wastewater.

  The Company has also taken up a special drive to reduce energy consumption, in line with BEE norms, at various locations.
- To create greater sensitivity about societal responsibilities, your Company has initiated a program wherein employees are actively encouraged to volunteer in various social responsibility programs - either company sponsored or self identified. We have already conducted two programs under this initiative.

Other social initiatives include:

Environment

Praj Foundation has undertaken environment awareness program through Green Concepts at Girls Sainiki School which has completed four years. During the year, we have given away 5 Green Scholarships and 9 Green Awards in appreciation of the green practices undertaken by the students.

In another effort, Praj Foundation has instilled ecological awareness amongst school going children at three schools in rural areas around Pune . Under this program, called 'Dnyanrai', students plant and nurture trees within school premises and at their homes.

Praj Foundation partnered city based INORA to promote city farming through decentralised biodegradable waste management. So far, 300 tons of solid waste has been converted into compost every month. The program has also spawned 'social entrepreneurs', who through their association with the program, are also drawing meaningful livelihood.

Praj Foundation has selected a village near Praj Matrix, the R & D Center of your Company, for promoting organic farming concept. Under this program, 14 farmers have shifted from traditional to sustainable farming practices. This has helped them bring down their cultivation cost while maintaining the yields.

Praj Foundation is working with BAIF and OIKOS towards restoration of 'Sacred Groves'. This effort promotes biodiversity conservation in the hot spots of the western ghats. Two Sacred Groves have been identified and activities like community mobilization, ecological surveys, soil and water conservation efforts have been completed. Seeds collected from native trees are being used for raising seedlings to be used for plantation.

Praj Foundation has undertaken water resources development initiatives at Mandede village, near Pune wherein community wells were deepened. This has resulted in enough water even during summers.

Rainwater harvesting system has been installed at a students' welfare association hostel in Pune city with support from Praj Foundation. This follows the grant for solar water heating system installed earlier. This is in line with the promotion of eco-friendly practices within Pune City.

Health

Praj Foundation is actively working in the area of 'Preventive Health Care' for Women around Urwade covering more than 250 women in 3 adjacent villages. Activities like health awareness sessions, regular blood check up camps and developing kitchen gardens for nutritional security is undertaken. The results of these activities have been remarkable with 30% women attaining and maintaining high haemoglobin count.

Education

Praj Foundation has supported the establishment of food processing and testing facility at Vigyan Ashram, Pabal. This facility undertakes training of rural students and SH groups in learning processing technology for production of fruit and vegetables in a semi-commercial environment.

Praj is lead mentor to ITI Velhe (under the Government of India's PPP scheme) with other industry partners. During the year, the institute shifted to a well-equipped facility with workshop etc. Praj and its partners are assisting with design of new programs, laboratory and other facilities in order to enhance the quality of training thereby improving employability of rural youth.

Intrapreneurship

The Praj Maha-intrapreneur Award has now completed four years. The award recognizes intrapreneurs in various fields including social services. This year, your Company awarded six intrapreneurs from corporate and social sector. We have also brought out a compilation featuring past awardees in partnership with SIBM. Your Company also awards its own employees in order to promote intranpreneurship within the Company. For details, please see www.mahaintrapreneur.com

Your Company is working around the theme of environment, health, education and services to under-priviledged. It commands a lot of respect for what it has achieved so far. Your Company also undertakes impact assessment of its programs in order to understand the level of intervention required. Your Company is totally committed to inclusive growth and sustainability.

Report on Corporate Governance

1. Company's philosophy on Code of Governance

Corporate Governance sets forth guidelines for managing and sustaining a transparent, information-oriented culture wherein authority and responsibilities are co-existent and co-extensive. It also provides guidelines on accountability of various positions within the organisation. These values govern not only the Board of Directors, but also the management and the employees of the Company. This Governance protects and balances the interests of all stakeholders thereby enhancing shareholder value.

2. Board of Directors

a) Composition of the Board

The strength of the Board was nine Directors as on 31st March, 2012, comprising of two Whole-time Directors, seven Non-Executive Directors. Five of the Non-Executive Directors are Independent Directors.

b) Number of Board Meetings

Six Board Meetings were held during the year ended 31st March, 2012. The dates are – 28th April, 24th May, 22nd July, 13th October, 3rd December in the calendar year 2011 and 20th January in the calendar year 2012.

c) Attendance of Directors at Board Meetings, last Annual General Meeting (AGM) and number of other Directorships and Chairmanships / Memberships of Committees of each Director:

Name of Director	Nature of Directorship	Board Meetings attended during the year	Whether attended last AGM	No. of other Directorships[2]	No. of Committee Memberships[3]	
					Chairman	Member
Mr. Pramod Chaudhari	PD, ED	6	Yes	3	1	Nil
Mr. Gajanan Nabar	ED	5	Yes	1	Nil	1
Mr. Berjis Desai	ID, NED	6	Yes	10	2	8
Mr. Kishor Chaukar	ID, NED	4	Yes	15	1	6
Ms. Parimal Chaudhari[1]	PD, NED	5	Yes	Nil	Nil	1
Mr. Prakash Kulkarni	ID, NED	5	Yes	1	Nil	1
Mr. Rajiv Maliwal	ID, NED	5	Yes	3	Nil	Nil
Mr. Sivaramakrishnan S. Iyer	ID, NED	5	Yes	5	4	2
Mr. Utpal Sheth	NED	4	Yes	8	Nil	Nil

{PD – Promoter Director, ED – Executive Director, ID – Independent Director, NED – Non-Executive Director}

1 Ms. Parimal Chaudhari is wife of the Executive Chairman, Mr. Pramod Chaudhari. None of the other directors is related to any other director.

2 Excludes private, foreign & Section 25 Companies.

3 Memberships / Chairmanships of only Audit Committee and Investors' Grievance Committee have been considered for this purpose.

All relevant information suggested under the Clause 49 of the Listing Agreement is furnished to the Board from time to time.

Code of conduct:

The Board has introduced a Code of Conduct for Directors and members of Senior Management. The Code is posted on Company's website www.praj.net

The Board members and Senior Management personnel have affirmed compliance with the Code. A declaration to that effect signed by Mr. Gajanan Nabar, CEO & MD forms part of this Report.

3. Committees of the Directors:

a) Audit Committee

Terms of reference: The terms of reference of Audit Committee include overseeing the Company's financial reporting process and disclosure of financial information, reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval; reviewing with the management, the performance of Statutory and Internal Auditors and adequacy of internal control systems and all other matters specified under Clause 49 of the Listing Agreement with Stock Exchanges.

Composition: As on 31st March, 2012, the Audit Committee of the Company comprises of three Independent Non-Executive Directors namely Mr. Berjis Desai (Chairman of the Committee), Mr. Sivaramakrishnan S. Iyer and Mr. Prakash Kulkarni. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Meetings: This Committee has met five times during the year i.e. on 28th April, 24th May, 21st July, 12th October, in the calendar year 2011 and 19th January in the calendar year 2012.

Attendance of each Member at the Audit Committee meetings held during the year:

Name of Director	No. of Meetings	Meetings attended
Mr. Berjis Desai	5	4
Mr. Prakash Kulkarni	5	5
Mr. Sivaramakrishnan S. Iyer	5	4

In addition to the members of Audit Committee, Executives of Accounts Department, Secretarial Department and Representatives of the Statutory and Internal Auditors attend the Audit Committee Meetings. Senior functional executives are also invited as and when required, to provide necessary inputs to the Committee. The Company Secretary acts as the Secretary of the Audit Committee.

b) Remuneration Committee:

Terms of reference: The Remuneration Committee has been constituted to recommend / review the remuneration of Executive Directors of the Company.

Composition: As on 31st March, 2012, the Remuneration Committee of the Company comprises of four Independent Non-Executive Directors namely Mr. Berjis Desai (Chairman of the Committee), Mr. Rajiv Maliwal, Mr. Sivaramakrishnan S. Iyer and Mr. Utpal Sheth.

Meetings: This Committee has met two times during the year ended 31st March, 2012. The dates are 24th May, 2011 and 22nd July 2011.

Attendance of each Member at the Remuneration Committee meetings held during the year:

Name of Director	No. of Meetings	Meetings attended
Mr. Berjis Desai	2	2
Mr. Rajiv Maliwal	2	2
Mr. Sivaramakrishnan S. Iyer	2	2
Mr. Utpal Sheth	2	2

Remuneration Policy:

The Remuneration Policy of the Company takes into account the individual performance and contribution of the Director, the profitability of the Company, prevalent industry standards and government policy in this regard.

i) Remuneration of Executive Directors:

The aggregate value of Salary & Perquisites including commission for the year ended 31st March, 2012 to the Executive Directors is as follows:

Mr. Pramod Chaudhari, Executive Chairman ₹ 57.726 Mn (Salary ₹ 15.3 Mn, Perquisites ₹ 19.926 Mn, Commission ₹ 22.5 Mn, besides this, he is also entitiled to Provident Fund, Superannuation, Gratuity and encashment of leave, as per the rules of the Company.), Mr. Gajanan Nabar, CEO & MD ₹ 22.544 Mn (Salary ₹ 7.2 Mn, Perquisites ₹ 12.844 Mn and commission ₹ 2.5 Mn).

Under ESOP 2005 Grant IV 1,250,000 Options have been granted to Mr. Gajanan Nabar at Fair Market Value and the same are exercisable by him according to the terms of the Scheme.

The current tenure of office of the Executive Chairman is for a period of 5 years from the date of appointment. As per agreement, Severance Fee is restricted to 36 months' salary.

The tenure of office of the CEO & MD is for a period of 44.5 months from the date of appointment. As per agreement, Severance Fee is restricted to 6 months' salary.

ii) Compensation to Non-Executive Directors:

As a policy, the Company does not pay any sitting fees to Directors for attendance of the Meetings. The shareholders of the Company had, in the 23rd Annual General Meeting held on 9th July, 2009, approved payment of commission on profits to Non-Executive Directors for a period of five years up to a limit of 3% of the net profit of the Company calculated in accordance with the provisions of the Companies Act, 1956. The Board of Directors is authorised, within this limit, to decide the quantum and the recipients for such payment.

The Commission to Non-Executive Directors for 2011-12 is ₹ 6.5 Mn. The details are as follows:

Mr. Berjis Desai ₹ 1.08 Mn, Mr. Kishor Chaukar ₹ 0.63 Mn, Ms. Parimal Chaudhari ₹ 0.99 Mn, Mr. Prakash Kulkarni ₹ 1.28 Mn, Mr. Rajiv Maliwal ₹ 0.45 Mn, Mr. Sivaramakrishnan S. Iyer ₹ 1.62 Mn and Mr. Utpal Sheth ₹ 0.45 Mn.

Shares held and Options granted to Non-Executive Directors as on 31/03/2012:

Name of Director	Number of Equity Shares held	Stock Options outstanding	Grant Price per option (₹)	Last date for conversion of options
Mr. Berjis Desai	1,481,450	Nil	N. A.	N. A.
Mr. Kishor Chaukar	Nil	Nil	N. A.	N. A.
Ms. Parimal Chaudhari	11,700,000	Nil	N. A.	N. A.
Mr. Prakash Kulkarni	5,000	Nil	N. A.	N. A.
Mr. Rajiv Maliwal	20,000	Nil	N. A.	N. A.
Mr. Sivaramakrishnan S. Iyer	180,000	Nil	N. A.	N. A.
Mr. Utpal Sheth	120,100	Nil	N. A.	N. A.

c) Shareholders' / Investors' Grievance Committee:

Composition: As on 31st March, 2012, the Shareholders' / Investors' Grievance Committee of the Board comprises of two Directors namely Ms. Parimal Chaudhari and Mr. Sivaramakrishnan S. Iyer (Chairman of the Committee).

Meetings: This Committee has met three times during the year ended 31st March, 2012. The dates are – 24th May, 22nd July, 13th October, in the calendar year 2011.

Attendance of each Member at the Shareholders' / Investors' Grievance Committee meetings held during the year:

Name of Director	No. of Meetings	Meetings attended
Ms. Parimal Chaudhari	3	3
Mr. Sivaramakrishnan S. Iyer	3	3

During the year the Company has received 6 complaints which were attended to. No investors' complaint is pending as on 31st March, 2012.

Mr. Dattatraya Nimbolkar, VP - Finance & Accounts and Company Secretary is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreements with the Stock Exchanges.

d) **Compensation & Share Allotment Committee:**

Composition: As on 31st March, 2012, the Compensation & Share Allotment Committee of the Board comprises of five Directors namely Mr. Berjis Desai, Mr. Gajanan Nabar, Mr. Pramod Chaudhari, Mr. Prakash Kulkarni and Mr. Sivaramakrishnan S. Iyer (Chairman of the Committee).

Meetings: This Committee has met two times during the year ended 31st March, 2012. The dates are 24thMay, 2011 and 13th October, 2011.

Attendance of each Member at the Compensation and Share Allotment Committee meetings held during the year:

Name of Director	No. of Meetings	Meetings attended
Mr. Berjis Desai	2	2
Mr. Gajanan Nabar[1]	2	Nil
Mr. Pramod Chaudhari	2	2
Mr. Prakash Kulkarni[1]	2	Nil
Mr. Sivaramakrishnan S. Iyer	2	2

[1] Members w.e.f. 13th October, 2011.

e) **Share Buy-back Committee:**

Composition: As on 31st March, 2012, the Share Buy-back Committee of the Board comprises of three Directors namely Mr. Gajanan Nabar (Chairman of the Committee), Mr. Pramod Chaudhari and Mr. Sivaramakrishnan S. Iyer.

Meetings: This Committee has met two times during the year ended 31st March, 2012. The dates are 3rd December, 2011 and 20th January, 2012.

Attendance of each Member at the Share Buy-back Committee meetings held during the year:

Name of Director	No. of Meetings	Meetings attended
Mr. Gajanan Nabar	2	1
Mr. Pramod Chaudhari	2	2
Mr. Sivaramakrishnan S. Iyer	2	2

General Body Meetings:

Details of last three Annual General Meetings (AGMs) are given in table below:

Year	Venue	Date & Time	Special Resolutions passed
2008-09	"PRAJ HOUSE", Bavdhan, Pune 411 021	9th July, 2009 10.30 a.m.	a) Alteration of Articles of Association b) Payment of commission to Non-Executive Directors of the Company at enhanced rate.
2009-10	"PRAJ HOUSE", Bavdhan, Pune 411 021	23rd July, 2010 10.00 a.m.	Nil
2010-11	"PRAJ HOUSE", Bavdhan, Pune 411 021	22nd July, 2011 10.00 a.m.	a) Issue of shares under Employee Stock Option Plan 2011 to employees of the Company. b) Issue of shares under Employee Stock Option Plan 2011 to employees of the subsidiaries of the Company.

4. Disclosures:

a. Related Party Transactions:

Please refer to Note No. 28 of Notes to Standalone Financial Statement for significant related party transactions.

b. Statutory Compliance, Penalties and Strictures:

There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges, or any other statutory authority on any matter relating to the Capital Market during the last three years.

c. Listing Agreement Compliance:

The Company complies with all the requirements of the Listing Agreement including the mandatory requirements of Clause 49 of the Agreement.

d. Whistle Blower Policy:

The Company has a mechanism for employees to report their concerns about unethical behaviour, financial impropriety etc. There is inherent assurance about non victimisation of employees using this mechanism.

5. Disclosure regarding appointment / re-appointment of Directors:

Mr. Berjis Desai

Date of birth : 02/08/1956

Date of appointment : 27/08/1993

Qualification : LLB. Masters degree in law from Cambridge University.

Expertise in specific functional area:

His expertise lies in laws relating to mergers and acquisitions, securities, international commercial arbitration and in financial and international business law.

Directorships held in other public companies (excluding foreign companies and Section 25 Companies):

Currently, Mr. Berjis Desai is on the Board of following Companies:

Sterlite Industries (India) Ltd., The Great Eastern Shipping Company Ltd., Edelweiss Financial Services Ltd., Adani Power Ltd., Deepak Nitrite Ltd., Himatsingka Seide Ltd., DCW Ltd., NOCIL Ltd., Greatship (India) Ltd., Emcure Pharmaceuticals Ltd.

Memberships / Chairmanships of committees of public companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee):

Sterlite Industries (India) Ltd.	Member – Shareholders' Grievance Committee Member – Audit Committee
NOCIL	Chairman – Investor Grievance Committee
Praj Industries Ltd.	Chairman – Audit Committee
The Great Eastern Shipping Co. Ltd.	Member – Audit Committee Member – Shareholders' Grievance Committee
Edelweiss Financial Services Ltd.	Member – Shareholders'/Investors' Grievance Committee Member – Audit Committee
Greatship (India) Ltd.	Member – Audit Committee
Emcure Pharmaceuticals Ltd.	Member – Audit Committee

Shareholding in the Company:

He holds 1,481,450 (0.81%) shares of the Company in his name as on 31st March, 2012.

Mr. Rajiv Maliwal

Date of birth	:	26/11/1960
Date of appointment	:	14/08/2009
Qualification	:	Mechanical Engineer from BITS and post graduate in Business Administration from IIM Bangalore.

Expertise in specific functional area:

Mr. Maliwal has vast experience in investing and managing large businesses in financial service industry.

Directorships held in other public companies (excluding foreign companies and Section 25 Companies):

Currently, Mr. Rajiv Maliwal is on the Board of following companies:

ECI Engineering & Construction Company Ltd., Ramky Infrastructure Ltd., Man Infraconstruction Ltd.

Memberships / Chairmanships of committees of public companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee):

Nil

Shareholding in the Company:

He holds 20,000 (0.01%) shares of the Company in his name as on 31st March, 2012.

Mr. Pramod Chaudhari

Date of birth	:	26/11/1949
Date of appointment	:	08/11/1985
Qualification	:	Mechanical Engineer from IIT, Bombay, Advanced Management Programme, Harvard Business School, USA

Expertise in specific functional area:

His career spans over 41 years of professional and entrepreneurial endeavour. He established Praj in 1985. Since then he has built PRAJ into a global Company.

Directorships held in other public companies (excluding foreign companies and Section 25 Companies):

Currently, Mr. Pramod Chaudhari is on the Board of following Companies:

Man Infraconstruction Ltd., Neela Systems Ltd. and Nichrome India Ltd.

Memberships / Chairmanships of committees of public companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee):

Neela Systems Ltd., Chairman of Audit Committee

Shareholding in the Company:

He holds 32,400,000 (17.81%) shares of the Company in his name as on 31st March, 2012.

6. Investor Services:

a. Share Transfer Process

The Company's shares, which are in compulsory dematerialised (demat) list, are transferable through the depository system. Shares in physical form are processed by Registrar and Transfer Agent, LinkIntime India Private Limited (formerly known as Intime Spectrum Registry Limited). The share transfers are processed within a period of 15 days from the date of receipt of the transfer documents by LinkIntime India Private Limited.

b. Investor Help-desk

Share transfers and all other investor related activities are attended to and processed at the office of our Registrar and Transfer Agents viz LinkIntime India Private Limited. Their address is given in the section on Shareholders' Information.

c. **Dividends**

Dividends and other related activities are handled jointly by in-house Secretarial Department and Registrar and Transfer Agent. Investor services like electronic information system for payment of dividend have been introduced for those investors whose email ids are available with the Company.

7. Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification:

As per the requirement of Clause 49 of the Listing Agreement, a Certificate duly signed by CEO and CFO of the Company was placed at the Board Meeting of the Company held on 29th May, 2012.

All mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company and the extent of adoption of non-mandatory requirement is as follows –

Non-Mandatory requirements:

Chairman's Office:

The Company has an Executive Chairman and the office with required facilities is provided and maintained at the Company's expenses for use by the Chairman.

Retirement Guidelines:

Executive Directors will retire at the age of 65 years and Non-Executive Directors retire at the age of 70 years. However, the Board is at liberty to grant extensions.

Shareholders' Rights:

The financial results are published in the Indian Express, Loksatta, Economic Times, Pune Mumbai and Business Standard all editions and are also displayed on the Company's website and therefore, have not been separately circulated to the shareholders.

Training of Board Members:

The present Board of Directors is comprised of well experienced professionals and entrepreneurs.

Mechanism for evaluating Non-Executive Board Members:

Presently the evaluation of Non-Executive Directors is being done by Executive Directors and Lead Non-Executive Director.

Prevention of Sexual Harassment Policy:

The Company has a policy and mechanism for preventing sexual harassment of employees.

8. Certificate on Corporate Governance:

The Company has obtained a Certificate from Dr. K. R. Chandratre, Practising Company Secretary regarding Compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and the same is annexed.

9. Additional Information for Shareholders:

Annual General Meeting:
Date & Time : Friday, 20th July, 2012
Venue : "PRAJ HOUSE", Bavdhan, Pune 411 021
Financial Year : 1st April to 31st March
Financial Calendar

For the year ended 31st March, 2012 quarterly results were announced on:

Results for the quarter ended June 2011	22nd July, 2011
Results for the quarter ended September 2011	13th October, 2011
Results for the quarter ended December 2011	20th January, 2012
Results for financial year ended March 2012	29th May, 2012

For the year ended 31st March, 2013, the tentative announcement dates are:

Results for the quarter ending June 2012	Third week of July 2012
Results for the quarter ending September 2012	Third week of October 2012
Results for the quarter ending December 2012	Third week of January 2013
Results for financial year ended March 2013	Third week of May 2013

Date of Book Closure : 16th July, 2012 to 20th July, 2012 (both days inclusive)
Dividend payment Date : On or after 1st August, 2012.
Stock / Scrip Code / ISIN / CIN

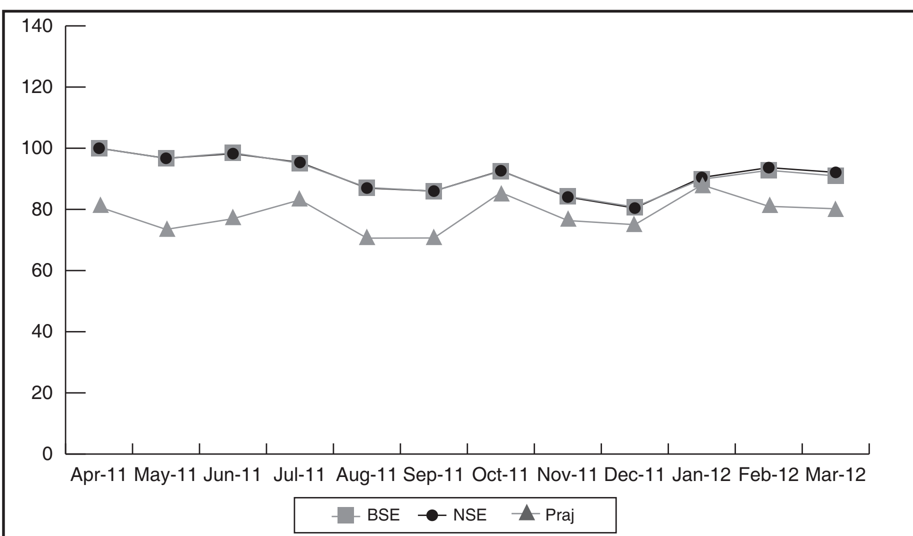
National Stock Exchange Ltd. (NSE)	PRAJIND
Bombay Stock Exchange Ltd. (BSE)	522205
ISIN with NSDL & CDSL	INE074A01025
Company Identification Number (CIN)	L27101PN1985PLC038031

The Annual Listing Fees for 2012-2013 have been paid to both the Stock Exchanges.

Stock Market Data

Monthly high / low during the year 2011-2012 on BSE & NSE:

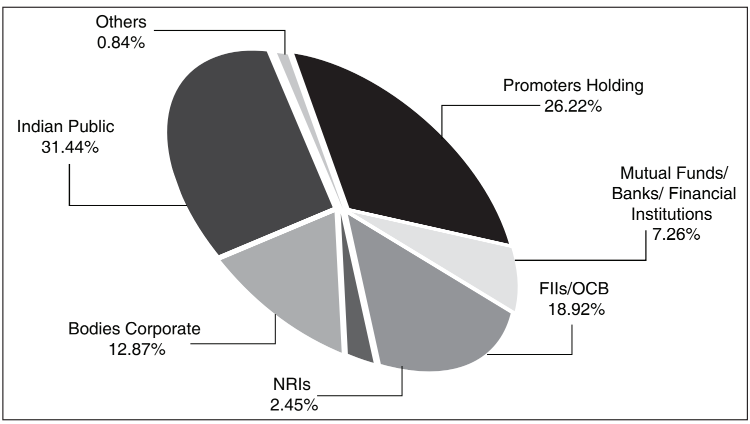
Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2011	85.20	71.80	85.25	71.80
May 2011	81.10	67.50	81.90	67.15
June 2011	77.00	68.00	78.00	68.10
July 2011	95.45	72.40	94.70	72.55
August 2011	85.70	64.30	85.50	64.20
September 2011	78.65	62.10	78.80	67.80
October 2011	85.75	68.40	85.85	67.95
November 2011	86.65	66.70	86.75	66.00
December 2011	84.50	67.90	87.00	67.75
January 2012	92.70	74.30	92.40	73.90
February 2012	92.45	76.10	92.45	77.50
March 2012	82.70	74.25	82.50	74.15



Shareholding Pattern as on 31st March, 2012:

	31/03/2012		31/03/2011	
Category	**No. of shares of ₹ 2/- each**	**% of holding**	**No. of shares of ₹ 2/- each**	**% of holding**
Promoters Holding	47700000	26.22	46620000	25.23
Total (A)	**47700000**	**26.22**	**46620000**	**25.23**
Non-Promoter Holding				
Mutual Funds	5469661	3.01	8079153	4.37
Financial Institutions/Banks	7743026	4.25	8663184	4.69
Foreign Institutional Investors	32807679	18.03	21674293	11.73
Bodies Corporate	23430515	12.87	25017284	13.54
Indian Public	57199714	31.44	64154321	34.72
Clearing Members	1465514	0.81	642253	0.35
Non-Resident Indians	4451835	2.45	8245685	4.46
Overseas Corporate Bodies	1622250	0.89	1622250	0.88
Trusts	60300	0.03	60300	0.03
Total (B)	**134250494**	**73.78**	**138158723**	**74.77**
Total (A) + (B)	**181950494**	**100.00**	**184778723**	**100.00**

*** Kindly refer to Note No. 42 of Standalone Financial Statement.**



Distribution of shareholding as on 31st March, 2012:

Shareholding of nominal value	Shareholders	Percentage	Nominal Value of Equity Shares in ₹	Percentage
1 - 5000	115294	98.33	45663416	12.55
5001 - 10000	1050	0.89	7666914	2.11
10001 - 20000	442	0.38	6632816	1.82
20001 - 30000	127	0.11	3235944	0.89
30001 - 40000	86	0.07	3091398	0.85
40001 - 50000	44	0.04	2046018	0.56
50001 - 100000	83	0.07	5959288	1.64
100001 and above	125	0.11	289605194	79.58
Total	**117251**	**100.00**	**363900988**	**100.00**

*** Kindly refer to Note No. 42 of Standalone Financial Statement.**

Dematerialisation of Shares and Liquidity:

As on 31st March, 2012, 99.76% of shareholding was held in dematerialised form with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). In terms of the notification issued by SEBI, trading in the equity shares of the Company is permitted only in dematerialised form w.e.f. 15th March, 2000.

Physical and Demat Shares:

	As on 31/03/2012	%
No. of Shares held by NSDL	105440529	57.95
No. of Shares held by CDSL	76076463	41.81
Physical Shares	433502	0.24
Total	**181950494**	**100.00**

*** Kindly refer to Note No. 42 of Standalone Financial Statement.**

Unclaimed Dividend:

Members may please note that pursuant to Section 205C of the Companies (Amendment) Act, 1999, the dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company will be transferred to the Investor Education and Protection Fund (IEPF) set up by Government of India and no payments shall be made in respect of any such claims.

Given below are the dates of declaration of dividend and corresponding dates when unpaid/ unclaimed dividends are due for transfer to the IEPF.

Financial Year	Type	Date of Declaration	Due date of transfer to IEPF
2004-05	2nd Interim Dividend 04-05	23/04/2005	28/05/2012
2005-06	Interim Dividend 05-06	09/04/2006	14/05/2013
2006-07	Interim Dividend 06-07	14/10/2006	18/11/2013
2006-07	2nd Interim Dividend 06-07	12/03/2007	16/04/2014
2007-08	Interim Dividend 07-08	29/01/2008	05/03/2015
2008-09	Interim Dividend 08-09	02/02/2009	09/03/2016
2009-10	Interim Dividend 09-10	20/01/2010	24/02/2017
2010-11	Dividend 2010-11	22/07/2011	27/08/2018

Shareholders are advised to confirm from/with their records and claim the amount well before due date; if not encashed earlier.

Investor Services:

The share transfer for electronic shares and physical shares is handled by Link Intime India Pvt. Ltd., Pune.

The Company has constituted Investor Grievances Committee for redressing shareholders and investors complaints. Mr. Dattatraya Nimbolkar, VP - Finance & Accounts and Company Secretary is the Compliance Officer.

In order to facilitate investor servicing, the Company has designated an e-mail id investorsfeedback@praj.net mainly for registering complaints by investors. Shareholders are requested to address their complaints, if any, on this designated email id only for quick redressal thereof.

Address for correspondence:

As stated earlier investors are requested to contact Link Intime India Pvt. Ltd., Block No. 202, 2nd floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001 for queries and share related matters.

Shares held in Electronic Form:

The members holding shares in electronic mode should address their correspondences to their respective Depository Participant regarding change of address (including e-mail address), change of bank account mandate and nomination.

Means of Communication:

- The quarterly / half-yearly financial results: Quarterly / half yearly financial results are published in widely circulating dailies such as Indian Express, Loksatta, Economic Times, Pune & Mumbai, and Business Standard all editions.
- News Release, Presentations etc.: Official news release, detailed presentations made to media, analysts etc. are displayed on the Company's website www.praj.net. Official Media Releases are sent to the Stock Exchanges.
- Website: The Company's website www.praj.net contains a separate dedicated section “Investor Lounge” where information for shareholders is available. The Annual Report of the Company is also available on the website in a downloadable form.
- Annual Report: Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion Analysis (MDA) Report forms part of the Annual Report. The quarterly / half - yearly un-audited financial results and official news releases were displayed on the Company's website.
- NSE Electronic Application Processing System (NEAPS): The NEAPS is a web based application designed by NSE for corporates. The shareholding pattern and Quarterly Compliance Report on Corporate Governance are also filed electronically on NEAPS.

Declaration for Compliance with Code of Conduct

To the members of **PRAJ INDUSTRIES LIMITED**

Pursuant to Clause 49 I (D) (ii) of the Listing Agreement, I hereby declare that all Board members and senior management personnel are aware of the provisions of the Code of Conduct laid down by the Board and made effective from 28th January, 2006. All Board members and senior management personnel have affirmed compliance with the Code of Conduct.

For Praj Industries Limited

GAJANAN NABAR
CEO & MD

Place : Pune
Date : 29th May, 2012

Certificate on Compliance with Clause 49 of the Listing Agreement by Praj Industries Limited

To the Members of **PRAJ INDUSTRIES LIMITED**

I have examined the compliance by **PRAJ INDUSTRIES LIMITED** ('the Company') of the requirements under Clause 49 of the Listing Agreement, entered into by the Company with the Stock Exchanges, for the year ended 31st March, 2012.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures adopted, and implementation thereof, by the Company for ensuring compliance with the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements of the Company.

I 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.

Dr. K. R. Chandratre
Practising Company Secretary
FCS No. 1370
Certificate of Practice No. 5144

Place : Pune
Date : 29th May, 2012

Disclosures pursuant to the provisions of SEBI (ESOS and ESPS) Guidelines, 1999

Sr. No.	Particulars	ESOP 2005 Grant III – 9th July, 2009	ESOP 2005 Grant IV – Plan A – 16th Nov., 2010	ESOP 2005 Grant IV – Plan B – 16th Nov., 2010
1	Details of meeting	Annual General Meeting held on 23rd July, 2005.		
2	Options Granted (including impact of bonus)	3,029,626	1,250,000	700,000
3	Pricing Formula	At fair market value	At fair market value	At fair market value
4	Options vested	1,684,075	Nil	Nil
5	Options exercised	4,100	Nil	Nil
6	The total number of shares arising as a result of exercise of options	4,100	Nil	Nil
7	Options lapsed / cancelled	896,926	Nil	21,000
8	Variation of terms of options	Nil	Nil	Nil
9	Money realised by exercise of options during the year	Nil	Nil	Nil
10	Total number of options in force	2,128,600	1,250,000	679,000
11	Employee-wise details of options granted to Senior Managerial Personnel:–			
	Gajanan Nabar	-	1,250,000	-
	Balu Sarma	15,000	-	30,000
12	Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year:–			
	Gajanan Nabar	-	1,250,000	-
13	Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	-	-	-

14. **Proforma adjusted net income and earning per share:**

Particulars	₹
Net income as reported (in Mn)	658.24
Add: Intrinsic Value Compensation Cost (in Mn)	Nil
Less: Fair Value Compensation Cost (in Mn)	37.73
Adjusted Proforma Net Income (in Mn)	620.51
Basic Earning Per Share –	
As Reported	3.58
Adjusted Proforma	3.41
Diluted Earning Per Share –	
As Reported	3.57
Adjusted Proforma	3.41

15. **Assumptions used to estimate the Fair Value of Options using Black-Scholes option pricing model:**

Particulars		Date of Grants		
		9th July, 2009	16th Nov., 2010 Plan A	16th Nov., 2010 Plan B
1)	Risk-free interest rate	4.09% - 5.40%	7.35% - 7.79%	7.10%
2)	Expected Life	2-3 years	2-3 years	1-3 years
3)	Expected Volatility	83.45%	76.64%	80.77%
4)	Expected Dividend Yield	0.93%	2.57%	2.57%
5)	Price of the underlying share in market at the time of grants	₹ 81.75	₹ 72.70	₹ 72.70

16. (i) **Weighted-average exercise price of options granted:**

Sr. No.	Particulars	₹
1	Exercise price equals market price	78.21
2	Exercise price is greater than market price	N.A.
3	Exercise price is less than market price	N.A.

(ii) **Weighted-average fair value of options granted during the year:**

Sr. No.	Particulars	₹
1	Exercise price equals market price	N.A.
2	Exercise price is greater than market price	N.A.
3	Exercise price is less than market price	N.A.

Auditors' Report

To the Members of Praj Industries Limited

1. We have audited the attached Balance Sheet of Praj Industries Limited ('the Company') as at 31st March, 2012, the statement of Profit and Loss and the cash flow statement for the year ended on that date annexed thereto. 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.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   v. On the basis of the written representations received from the directors, as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;

      a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2012;

      b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and

      c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **B. K. Khare & Co.**
Firm Registration No. 105102W
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of our report of even date

Re: Praj Industries Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of fixed assets by which major fixed assets are verified by the management at reasonable intervals. In our opinion, this periodicity of physical verification is reasonable having regards to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The inventory, except goods in transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year end, written confirmations have been obtained.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to information and explanations given to us and on the basis of our examination of the records of the inventory, the Company is maintaining proper records of inventory. Discrepancies noticed on verification between the physical stocks and the book records were not material and have been appropriately dealt with in the books of account.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act'). Therefore, the provisions of sub-clause (b), (c), (d), (e), (f) and (g) of sub-para (iii) of para 4 of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time

(vi) The Company has not accepted any deposits from the public. Therefore, the provisions of Section 58A and 58AA and any other relevant provisions of the Companies Act, 1956 and rules framed thereunder are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Rupees in Million	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act, 1956	Demand on account of non-submission of statutory declaration forms	1.19	F.Y. 2003-2004	Deputy Commissioner (Appeals)

(x) The Company does not have accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company. However, in respect of transactions relating to investment in securities, the Company has maintained proper records of transactions and contracts during the year and timely entries have been made therein. Further, such securities have been held by the Company in its own name.

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

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an 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.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

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

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

Balance Sheet as at 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

	Notes	31/03/2012	31/03/2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	3	**359.096**	369.557
Reserves and Surplus	4	**5148.677**	5219.931
Non-current liabilities			
Deferred Tax Liabilities (Net)	5	**131.903**	143.167
Long Term Provisions	6	**55.202**	52.860
Current liabilities			
Trade Payables	7	**1397.677**	1282.650
Other Current Liabilities	7	**2178.675**	1655.417
Short Term Provisions	8	**1577.709**	962.858
TOTAL		**10848.939**	9686.440
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	9	**1618.935**	1363.810
Intangible Assets	9	**27.111**	55.053
Capital Work-in-Progress		**98.086**	139.054
Non-Current Investments	10	**899.341**	252.319
Long Term Loans and Advances	11	**116.268**	67.169
Other Non-Current Assets	12	**100.020**	100.015
Current Assets			
Current Investments	13	**1350.000**	2388.100
Inventories	14	**740.835**	628.542
Contracts in Progress	26	**689.020**	253.498
Trade Receivables	15	**2576.110**	1987.232
Cash and Bank Balances	16	**1171.762**	1275.185
Short Term Loans and advances	17	**1461.451**	1176.463
TOTAL		**10848.939**	9686.440
Summary of Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

For and on behalf of the Board of Directors of Praj Industries Limited

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts and Company Secretary

Sivaramakrishnan S. Iyer
Director

Statement of Profit and Loss for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

	Notes	31/03/2012	31/03/2011
Income			
Revenue from operations (Gross)	18	**9108.545**	5769.146
Less: Excise Duty		**304.104**	239.836
Revenue from operations (Net)		**8804.441**	5529.310
Other Income	19	**432.295**	247.739
Total Revenue		**9236.736**	5777.049
Expenses			
Cost of materials consumed	20	**5487.553**	3314.988
(Increase)/Decrease in inventories of Finished Goods and Work-in-Progress	21	**(30.151)**	(106.089)
Employee Benefit Expenses	22	**884.587**	718.858
Finance costs	23	**1.448**	0.059
Depreciation and amortisation expenses	9	**141.730**	111.356
Other Expenses	24	**1632.340**	1138.457
Total expenses		**8117.507**	5177.629
Profit before tax		**1119.229**	599.420
Tax Expense			
Current Tax		**472.247**	74.953
Deferred Tax charge/(credit)		**(11.263)**	(10.258)
Profit/(Loss) after tax		**658.245**	534.725
Earning per share			
1. Basic [nominal value of ₹ 2 each (March 31, 2011 ₹ 2)]	30	**3.58**	2.89
2. Diluted [nominal value of ₹ 2 each (March 31, 2011 ₹ 2)]	30	**3.57**	2.89
Summary of Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

For and on behalf of the Board of Directors of Praj Industries Limited

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts and Company Secretary

Sivaramakrishnan S. Iyer
Director

Cash Flow Statement for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
A.	**Cash flow from operating activities**		
	Net profit before tax	**1119.229**	599.420
	Adjustments for:		
	Loss on sale of fixed assets	**1.244**	1.942
	Gain on redemption of mutual fund investments	**(208.735)**	(27.700)
	Provision for doubtful debts and advances	**22.741**	29.846
	Excess provision/creditors written back	**(15.977)**	(45.696)
	Provision for diminution in investments	**-**	72.029
	Unrealised foreign exchange loss/(gain) (net)	**1.736**	(14.226)
	Depreciation and amortisation	**141.730**	111.356
	Interest earned	**(102.570)**	(78.975)
	Dividend from mutual fund investments	**(28.923)**	(65.429)
	Interest charged	**1.448**	0.059
	Operating profit before working capital changes	**931.923**	582.626
	Changes in working capital		
	(Increase)/decrease in trade receivables	**(555.700)**	(892.229)
	(Increase)/decrease in inventories (including contracts in progress)	**(547.815)**	(187.161)
	(Increase)/decrease in long-term loans and advances	**(2.053)**	5.921
	(Increase)/decrease in short-term loans and advances	**(109.545)**	(115.194)
	(Increase)/decrease in other non-current assets	**(0.005)**	993.500
	Increase/(decrease) in trade payables	**90.682**	469.077
	Increase/(decrease) in other current liabilities	**464.692**	276.383
	Increase/(decrease) in long-term provisions	**2.342**	(17.641)
	Increase/(decrease) in short-term provisions	**79.062**	56.613
	Cash generated from operations	**353.583**	1171.895
	Direct taxes paid (including taxes deducted at source), net of refunds	**(169.394)**	(60.014)
	NET CASH FROM OPERATING ACTIVITIES	**184.189**	1111.881
B.	**Cash flow from investing activities**		
	Purchase of fixed assets and intangibles	**(359.815)**	(249.561)
	Investments:		
	- in subsidiaries	**(647.022)**	(9.324)
	- in mutual funds	**(5730.094)**	(7677.328)
	- in debentures and bonds	**-**	(49.967)
	Sale of investments		
	- in mutual funds	**6826.929**	7827.501
	- in debentures and bonds	**150.000**	-
	Proceeds from sale of fixed assets	**2.485**	9.391
	Interest received on investments	**99.015**	78.366
	Dividend received on investments	**28.923**	65.429
	Investment in fixed deposits	**0.100**	(750.100)
	NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**370.521**	(755.593)

Cash Flow Statement for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
C.	**Cash flow from financing activities**		
	Proceeds from exercise of employee stock options	**-**	2.019
	Payment towards buy-back of Shares	**(405.828)**	-
	Dividend paid including dividend distribution tax	**(270.590)**	-
	Interest paid	**(1.448)**	(0.059)
	NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**(677.866)**	1.960
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(123.156)**	358.248
	Cash and cash equivalents at the beginning of the year	**525.085**	167.042
	Add: effect of exchange rate changes on cash and cash equivalents	**19.833**	(0.205)
	Cash and cash equivalents at the end of the year	**421.762**	525.085

The accompanying notes are an integral part of the Cash Flow Statement

As per our report of even date.

For and on behalf of the Board of Directors of
Praj Industries Limited

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts
and Company Secretary

Sivaramakrishnan S. Iyer
Director

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

1. Nature of business

Praj Industries Limited (the Company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of Process and Project Engineering. The Company caters to both domestic and international markets. Further, the Company also provides design and engineering services.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

2.2 Presentation and disclosure of financial statements

During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

2.3 Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

2.4 Revenue recognition

a) Contract revenue

Revenue from fixed price contracts is recognised when the outcome of the contract can be estimated reliably by reference to the percentage of completion of the contract on the Balance sheet date. Percentage of completion is determined as a proportion of costs incurred-to-date to the total estimated contract costs. In respect of process technology and design and engineering contracts percentage of completion is measured with reference to the milestones specified in the contract, which in the view of the management reflects the work performed and to the extent it is reasonably certain of recovery.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity and allocable to the contract. Costs that cannot be attributed to contract activity are expensed when incurred.

When the final outcome of a contract cannot be reliably estimated, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. Provision for expected loss is recognised immediately when it is probable that the total estimated contract costs will exceed total contract revenue.

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

Variations, claims and incentives are recognised as a part of contract revenue to the extent it is probable that they will result in revenue and are capable of being reliably measured.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the Company, some of which are of a technical nature, concerning, where relevant, the percentage of completion, costs to completion, the expected revenues from the project/activity and the foreseeable losses to completion.

Execution of contracts necessarily extends beyond accounting periods. Revision in costs and revenues estimated during the course of the contract are reflected in the accounting period in which the facts requiring the revision become known.

b) Service revenue

Revenue from services is recognised as the related services are performed.

c) Product sales

Revenue from sale of goods is recognised on transfer of significant risks and rewards of ownership when goods are dispatched and the title passes to the customers, net of discounts and rebates granted. Sales are recorded exclusive of sales tax.

d) Interest and dividend income

Interest on deployment of surplus funds is recognised using the time proportion method based on the underlying interest rates.

Dividend income is recognised when the right to receive payment is established.

e) Export benefits

Export benefits in the form of duty draw back/ DEPB claims etc. are recognised on receipt basis.

2.5 Tangible assets

Tangible assets are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of tangible asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing tangible assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

2.6 Depreciation:

Depreciation on tangible assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher.

Assets costing individually ₹ 5,000 or less are depreciated at the rate of 100%.

Building and other constructions on leasehold land are depreciated over the lease term or the useful life, whichever is shorter.

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

2.7 Intangible assets and amortisation

Intangible assets are recognised when the asset is identifiable, is within the control of the Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured.

Acquired intangible assets consisting of technical know how, brand and software, are recorded at acquisition cost and amortised on straight-line basis based on the following useful lives, which in management's estimate represents the period during which economic benefits will be derived from their use:

Asset	Useful Life
Brand	10 Years
Technical Knowhow	5-10 Yeas
Software	5 Years

2.8 Impairment of assets

The carrying amounts of the Company's assets including intangible assets are reviewed at each Balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated, as the higher of the net selling price and the value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. If at the Balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reinstated at the recoverable amount subject to a maximum of depreciable historical cost.

2.9 Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

2.10 Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.11 Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are translated using the exchange rate prevailing at the reporting date.

Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Forward Contracts

The premium or discount arising at the inception of forward exchange contract is amortised and recognised as an expense/income over the life of the contract. Exchange differences on such contracts, except the contracts which are long-term foreign currency monetary items, are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognised as income or as expense for the period.

2.12 Leases

Lease payment under an operating lease is recognised as an expense in the Statement of Profit and Loss on a straight line basis over the lease term.

2.13 Employee benefits

a) Short-term employee benefits

Employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and are recognised in the period in which the employee renders the related service.

b) Post employment benefits (defined benefit plans)

The employees' gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined at each Balance sheet date based on an actuarial valuation using the projected unit credit method. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

c) Post employment benefits (defined contribution plans)

Contributions to the provident fund and superannuation fund, which are defined contribution schemes, are recognised as an expense in the Statement of Profit and Loss in the period in which the contribution is due.

d) Long-term employee benefits

Long-term employee benefits comprise of compensated absences and other employee incentives. These are measured based on an actuarial valuation carried out by an independent actuary at each Balance sheet date unless they are insignificant. Actuarial gains and losses and past service costs are recognised immediately in the Statement of Profit and Loss.

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

2.14 Provisions and Contingencies

Provision is recognised in the Balance sheet when, the Company has a present obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. A disclosure by way of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

2.15 Income taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which the timing differences originate. However, the company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

(All amounts are in Indian rupees million unless otherwise stated)

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset in accordance with the *Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961,* the said asset is created by way of credit to the statement of profit and loss and shown as “MAT Credit Entitlement.” The Company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

2.16 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period as reduced by number of shares bought back, if any. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.17 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012		31/03/2011	
3.	**Share capital**				
	Equity Share capital				
	Authorised shares (No. million)				
	450 (31st March, 2011: 450) equity shares of ₹ 2 each		**900.000**		900.000
	Issued, subscribed and fully paid-up shares (No. million)				
	179.548 (31st March, 2011: 184.779) equity shares of ₹ 2 each		**359.096**		369.557
			359.096		369.557
a)	**Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:**				
		No. million	**Amount**	No. million	Amount
	At the beginning of the period	**184.779**	**369.557**	184.738	369.477
	Add: Allotted during the period pursuant to exercise of employees stock options (Refer Note 34)	**-**	**-**	0.040	0.080
	Less: Shares bought back during the period pursuant to buy back scheme (Refer Note 42)	**5.231**	**10.461**	-	-
	Outstanding at the end of the period	**179.548**	**359.096**	184.779	369.557

b) Terms/ Rights attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of the equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st March, 2012, the amount of per share dividend recognised as distributed to equity shareholders was ₹ 1.62 (31st March, 2011 ₹ 1.26).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company after distributing all preferetial amounts.

c) Shares held by holding/ultimate holding company and/or their subsidiaries/associates:

The company does not have any holding or ultimate holding company.

d) Details of shareholders holding more than 5% shares in the company:

Equity shares of ₹ 2 each fully paid	No. million	% of holding	No. million	% of holding
Pramod Chaudhari (Promoter)	**32.40**	**18.05%**	31.50	17.05%
Parimal Chaudhari (Promoter)	**15.30**	**8.52%**	15.12	8.18%
Tata Capital Financial Services Limited	**13.42**	**7.47%**	13.42	7.26%
Rakesh Jhunjhunwala	**13.65**	**7.60%**	12.40	6.71%
Government Pension Fund Global	**9.22**	**5.14%**	-	-

e) Shares reserved for issue under options:

Shares reserved for issue under the Employee Stock Option Plan (ESOP) please refer Note 34.

f) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

	No. million	No. million
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium*	**91.373**	91.373
Equity shares allotted as fully paid-up pursuant to contracts for consideration other than cash	**-**	-
Equity shares bought back by the Company (Refer Note 42)	**5.231**	-

* The Company has declared Bonus in the ratio of 1:1 during the financial year 2007-08.

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
4.	**Reserves and Surplus**		
	Capital Reserve	**0.033**	0.033
	Amalgamation Reserve	**3.063**	3.063
	Capital Redemption Reserve		
	Balance as per last financial statements	**-**	-
	Add: Transferred from securities premium (Refer Note 42)	**10.461**	-
	Balance at the end of year	**10.461**	-
	Securities Premium		
	Balance as per last financial statements	**1128.653**	1126.714
	Add: ESOPs exercised	**-**	1.939
	Less: Utilisation for buy back of equity shares (Refer Note 42)	**405.828**	-
	Balance at the end of year	**722.825**	1128.653
	General Reserve		
	Balance as per last financial statements	**625.611**	572.111
	Add: Amounts transferred from Surplus balance in statement of profit and loss	**65.900**	53.500
	Balance at the end of year	**691.511**	625.611
	Surplus in the Statement of Profit and Loss		
	Balance as per last financial statements	**3462.571**	3251.936
	Profit as per statement of profit and loss	**658.245**	534.725
	Less: Appropriations		
	Proposed final equity dividend	**287.493**	232.821
	Tax on proposed equity dividend	**46.639**	37.769
	Transfer to general reserve	**65.900**	53.500
	Net Surplus in Statement of Profit and Loss	**3720.784**	3462.571
	Total Reserves and Surplus	**5148.677**	5219.931

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
	Non-current liabilities		
5.	**Deferred Tax Liabilities (Net)**		
	Deferred tax liability		
	Difference between tax depreciation and depreciation/amortisation charged for financial reporting	**268.987**	259.455
		268.987	259.455
	Deferred tax asset		
	Provision for Employee Benefits	**(35.224)**	(15.576)
	Provision for doubtful debts and advances	**(23.543)**	(17.656)
	Provision for diminution in investments	**(15.580)**	(15.951)
	Long Term Capital losses	**(50.003)**	(51.193)
	Other items	**(12.734)**	(15.912)
		(137.084)	(116.288)
	Deferred tax liability (Net)	**131.903**	143.167
6.	**Long-term provisions**		
	Provision for leave encashment	**17.748**	21.827
	Provision for gratuity (Refer Note 33 b)	**37.454**	31.033
		55.202	52.860
	Current Liabilities		
7.	**Trade Payable and other Current liabilities**		
	Trade Payables		
	-Dues to Micro and Small enterprises under MSMED Act, 2006*	**34.934**	3.462
	-Dues to other parties	**1362.743**	1279.188
		1397.677	1282.650
	* No interest is due / payable to parties under the MSMED Act, 2006		
	Other current liabilities		
	Advances received from customers	**1844.556**	1401.796
	Dues to customers relating to contracts in progress (Refer Note 26)	**159.979**	206.279
	Other Payables	**168.520**	42.239
	Unclaimed Dividends	**5.620**	5.103
		2178.675	1655.417
8.	**Short-term provisions**		
	Provision for taxation	**1084.402**	612.155
	Proposed final dividend	**287.493**	232.821
	Provision for dividend tax on proposed dividend	**46.639**	37.769
	Performance Incentive	**128.625**	50.501
	Provision for leave encashment	**24.550**	23.868
	Provision for gratuity (Refer Note 33 b)	**6.000**	5.744
		1577.709	962.858

(All amounts are in Indian rupees million unless otherwise stated)

9. Fixed assets

	Intangible assets			Tangible Assets							
	Technical Knowhow	Softwares	Praj Brand	Land (Freehold)	Buildings	Plant and machinery	Computers & Office Equipment	Vehicles	Furniture and fixtures	Total	Previous period
Gross Block											
As at 1st April, 2011	64.800	73.208	56.923	231.408	573.022	580.182	126.606	29.833	149.733	1885.715	1737.129
Additions during the year	-	-	-	-	127.277	200.516	11.924	11.954	20.971	372.642	167.312
Deletions during the year	-	-	-	-	-	-	-	6.241	0.314	6.555	18.726
As at 31st March, 2012	**64.800**	**73.208**	**56.923**	**231.408**	**700.299**	**780.698**	**138.530**	**35.546**	**170.390**	**2251.802**	**1885.715**
Accumulated depreciation and amortisation											
As at 1st April, 2011	41.950	46.697	51.231	-	57.581	159.381	59.834	10.634	39.544	466.852	362.890
Charge for the year	8.492	13.758	5.692	-	31.444	57.640	10.930	2.463	11.311	141.730	111.356
Depreciation on deletions	-	-	-	-	-	-	-	2.733	0.093	2.826	7.394
As at 31st March, 2012	**50.442**	**60.455**	**56.923**	**-**	**89.025**	**217.021**	**70.764**	**10.364**	**50.762**	**605.756**	**466.852**
Net Carrying Value											
As at 31st March, 2012	**14.358**	**12.753**	**-**	**231.408**	**611.274**	**563.677**	**67.766**	**25.182**	**119.628**	**1646.046**	**1418.863**
As at 31st March, 2011	22.850	26.511	5.692	231.408	515.441	420.801	66.772	19.199	110.189	1418.863	

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
	Non-Current Assets		
10.	**Non Current Investments**		
	Trade Investments (valued at cost unless stated otherwise)		
	Unquoted equity investments		
	Investments in subsidiaries		
	Pacecon Engineering Projects Limited	**5.355**	5.355
	308,350 (31st March, 2011 : 308,350) equity shares of ₹10 each fully paid		
	Praj Far East Co., Limited	**2.454**	2.454
	19,598 (31st March, 2011 : 19,598) equity shares of Thai Baht 100 each fully paid		
	BioCnergy Europa B.V.	**35.262**	35.262
	300,000 (31st March, 2011 : 300,000) equity shares of Euro 1 each fully paid		
	Praj Jaragua Bioenergia S.A.	**72.029**	72.029
	3,018,651 (31st March, 2011 : 3,018,651) equity shares of Brazil Rial 1each fully paid		
	Praj Americas Inc.	**9.281**	9.281
	40,000 (31st March, 2011 : 40,000) equity shares of US Dollar 5 each fully paid		
	Neela Systems Limited	**645.711**	-
	25,10,000 (31st March, 2011 : Nil) equity shares of ₹10 each fully paid		
	Praj Industries (Africa) Pty. Limited		
	121 equity shares at no par value (31st March, 2011 : Nil)	**1.311**	-
		771.403	124.381
	Less : Provision for Diminution in value of investment	**72.029**	72.029
		699.374	52.352
	Other Investments (valued at cost unless stated otherwise)		
	Quoted Investments in Non-Convertible Debentures / Bonds:		
	Redeemable Non-Convertible Unsecured Zero Coupon Bond Issued by Rural Electrification	**49.967**	49.967
	Corporation Limited- 3680 Units , (31st March, 2011 : 3680)		
	Redeemable Non-Convertible Secured Debentures Issued by Citifinancial Consumer		
	Finance (India) Limited - Nil Units, (31st March, 2011 : 1500)	**-**	150.000
		49.967	199.967
	Quoted Mutual Funds:		
	HDFC FMP 400D GR SR XXI- 15,000,000 Units, (31st March, 2011 : Nil)	**150.000**	-
		899.341	252.319
	Aggregate value of unquoted investments	**699.374**	52.352
	Aggregate value of quoted investments	**199.967**	199.967
	Market value of quoted investments	**201.578**	199.967
11.	**Long Term Loans and Advances**		
	Capital Advances	**85.079**	38.033
	Deposits	**29.868**	29.136
	Other Advances	**1.321**	-
		116.268	67.169
12.	**Other Non-Current Assets**		
	Deposits with banks (Refer Note 16)	**100.020**	100.015
		100.020	100.015

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

	31/03/2012	31/03/2011
13. Current Investments (valued at lower of cost and fair value unless stated otherwise)		
Quoted Mutual Funds		
AXIS FMP-SERIES 1-RETAIL Growth- Nil Units, (March 31, 2011 : 5,000,000 Units)	-	50.000
BSL FIXED TERM PLAN-SR CF-Growth- Nil Units, (March 31, 2011:15,000,000 Units)	-	150.000
BSL FT PLAN SR CI-Growth - Nil units, (March 31, 2011: 15,000,000 Units)	-	150.000
BSL FT PLAN SR CM-Growth -Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
BSL GOVT.SECURITIES LONG TERM Growth-Nil Units, (March 31, 2011: 721,144.312 Units)	-	20.000
DSPBR FMP 12M S6 Growth-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
HDFC GILT FUND LONG TERM-Growth-Nil Units, (March 31, 2011: 5,209,300.478 Units)	-	100.250
ICICI PRU GILT FUND PF OPTION-Nil Units (March 31, 2011: 2,661,754.842 Units)	-	50.000
IDFC FIXED MATURITY YEARLY SR-33-Nil Units, (March 31, 2011: 20,000,000 Units)	-	200.000
IDFC FIXED MATURITY YEARLY SR-34-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
KOTAK FMP SR 30- 366 days-Nil Units , (March 31, 2011: 5,000,000 Units)	-	50.000
KOTAK FMP SR 34- 366 days-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
KOTAK FMP SR 43-Nil Units , (March 31, 2011: 5,000,000 Units)	-	50.000
RELIANCE FHF XVI SERIES 2-Nil Units , (March 31, 2011: 10,000,000 Units)	-	100.000
RELIANCE FHF XVII SERIES 1-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
RELIGARE FMP SR V PLAN A-Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
SBI DEBT FUND SR 15 MONTHS- Nil Units , (March 31, 2011 : 10,000,000)	-	100.000
SUNDARAM BNP FTP AN 367 DAYS-Growth-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
SUNDARAM BNP FTP AP 367 DAYS-Growth-Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
SUNDARAM BNP FTP AW 366 DAYS-Growth-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
TATA FIXED MATURITY PLAN SR 27 SCHEME A-Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
TATA FIXED MATURITY PLAN SR 29 SCHEME C-Nil Units, (March 31, 2011: 5,000,000 Units)	-	50.000
DSPBR LIQUIDITY FUND-Nil Units, (March 31, 2011: 17,844.494 Units)	-	17.850

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
13.	**Current Investments (valued at lower of cost and fair value unless stated otherwise) (Contd.)**		
	SBI DEBTS FUND SERIES-367days-1-Growth-10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	AXIS FMP-SR 15 -370DAYS-Growth - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	AXIS FMP-SR 16 -370DAYS-DIVD - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	DSPBR FMP 12M S7 Growth - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	DWS FMP SERIES 90 -DIVIDEND - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	HDFC FMP 375D JULY11 DIV - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	IDFC FMP SER 45 Growth - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	TATA FMP SR 36 SCHEME C-DIV - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	BSL FT PLAN SR DQ-Growth - 15,000,000 Units, (March 31, 2011: Nil Units)	**150.000**	-
	IDFC FMP SER 56 Growth - B7 - 15,000,000 Units, (March 31, 2011: Nil Units)	**150.000**	-
	RELIANCE FHF XXI SERIES 13 - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	TATA FMP SR 37 SCHEME C-Growth - 10,000,000 Units, (March 31, 2011: Nil Units)	**100.000**	-
	TEMPLETON ST INCOME MONTH - 31,045 Units, (March 31, 2011: Nil Units)	**50.000**	-
	Total	**1350.000**	2388.100
	Aggregate amount of quoted investments	**1350.000**	2388.100
	Market value of quoted investments	**1411.578**	2456.069

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
	Current Assets		
14.	**Inventories (valued at lower of cost and net realisable value)**		
	Raw Materials	**581.979**	499.837
	Work in Progress	**98.583**	63.745
	Finished goods	**60.273**	64.960
		740.835	628.542
15.	**Sundry debtors (unsecured)**		
	Over six months		
	- Considered good	**436.925**	261.499
	- Considered doubtful	**62.419**	42.249
	Others, considered good	**2139.185**	1725.733
		2638.529	2029.481
	Less: Provision for doubtful debts	**62.419**	42.249
		2576.110	1987.232
16.	**Cash and bank balances**		
	Balances with banks		
	On current accounts	**202.868**	455.889
	Deposits with original maturity of less than 3 months	**211.000**	10.000
	On unclaimed dividend account	**5.753**	5.257
	Cheques, drafts on hand	**-**	51.336
	Cash on hand	**2.141**	2.603
		421.762	525.085
	Other bank balances		
	Deposits with maturity for more than 12 months	**100.020**	100.015
	Deposits with maturity for more than 3 months but less than 12 months	**750.000**	750.100
		850.020	850.115
	Less: Amounts disclosed under other non-current assets (Refer Note 12)	**(100.020)**	(100.015)
		750.000	750.100
		1171.762	1275.185
17.	**Short Term Loans and advances (Unsecured, considered good)**		
	Advances to suppliers	**177.443**	122.932
	Other Receivable (net)	**149.876**	185.241
	Advance income tax [including tax deducted at source ₹ 65.204 (31st March, 2011 ₹ 49.976)]	**991.898**	822.504
	Balances with Central Excise, Customs and VAT authorities	**142.234**	45.786
		1461.451	1176.463

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

			31/03/2012	31/03/2011
18.	**Revenue from operations**			
	Sale of Goods		**8277.007**	5628.586
	Add: Closing Contracts in progress		**529.041**	47.219
	Less: Opening Contracts in progress		**47.219**	313.244
	Less: Excise duty		**289.654**	232.962
		(a)	**8469.175**	5129.599
	Sale of Services	(b)	**202.866**	337.334
	Other Operating Revenue (Scrap Sales)		**146.850**	69.251
	Less: Excise duty		**14.450**	6.874
		(c)	**132.400**	62.377
	Total Revenue from operations (Net)		**8804.441**	5529.310
19.	**Other income**			
	Dividend from mutual fund investments		**28.923**	65.429
	Gain on redemption of mutual fund investments (net)		**208.735**	27.700
	Interest			
	- on fixed deposits (Tax deducted at source (₹ 8.463; 31st March, 2011 : ₹ 6.884)		**84.846**	68.935
	- others (tax deducted at source ₹ 0.845; 31st March, 2011 ₹ 0.016)		**17.724**	10.040
	Excess provision / creditors written back		**15.977**	45.696
	Other non-operating income (Refer Note 43)		**76.090**	29.939
			432.295	247.739
20.	**Cost of materials consumed**			
	Raw material consumed		**5487.553**	3314.988
			5487.553	3314.988
	Details of materials consumed:			
	Stainless Steel material-plates, coils, tubes etc.		**1044.624**	684.197
	Other Raw materials, intermediaries, components, bought outs & other items		**4442.929**	2630.791
			5487.553	3314.988
21.	**(Increase)/Decrease in inventories of Finished Goods and Work in Progress**			
	Inventories at the end of the year			
	Work in Progress		**98.583**	63.745
	Finished goods		**60.273**	64.960
			158.856	128.705
	Inventories at the beginning of the year			
	Work in Progress		**63.745**	15.902
	Finished goods		**64.960**	6.714
			128.705	22.616
	(Increase)/Decrease in inventories		**(30.151)**	(106.089)

Notes to Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
22.	**Employee Benefit Expenses**		
	Salaries, wages and bonus	**799.875**	644.443
	Contributions to provident and other funds (Refer Note 33 a)	**28.724**	27.882
	Gratuity Expense (Refer Note 33 b)	**14.393**	10.769
	Staff welfare	**41.595**	35.764
		884.587	718.858
23.	**Finance costs**		
	Interest Expense	**1.448**	0.059
		1.448	0.059
24.	**Other Expenses**		
	Consumption of Stores and spares	**116.961**	64.487
	Site expenses and labour charges	**249.408**	187.858
	Freight and transport	**296.616**	154.892
	Bad debts written off/Provision for doubtful debts and advances	**22.741**	29.846
	Sales commission	**237.464**	106.240
	Travel and conveyance	**144.798**	116.092
	Professional consultancy charges	**114.790**	125.542
	Insurance	**20.894**	15.088
	Rent (Refer Note 29)	**27.007**	28.389
	Power and fuel	**48.360**	33.075
	Advertising and exhibition expenses	**23.089**	26.744
	Communication expenses	**20.636**	16.842
	Testing charges	**17.691**	10.790
	Repairs and maintenance:		
	Building	**8.044**	2.988
	Plant and Machinery	**17.649**	11.015
	Others	**35.514**	29.951
	Auditors' remuneration		
	for audit services	**2.361**	2.295
	for taxation services	**0.400**	0.400
	for other services	**0.155**	0.155
	out of pocket expenses	**0.050**	0.020
	Buy Back Expenses*	**3.068**	-
	Rates and taxes	**1.551**	1.405
	Loss on sale of fixed assets (net)	**1.244**	1.942
	Loss on Sale/Provision for diminution in value of investment	**-**	72.029
	Foreign exchange fluctuation loss/(gain) (net)	**29.283**	(42.515)
	Miscellaneous expenses	**192.566**	142.887
		1632.340	1138.457

* Includes ₹ 1.000 in respect of buy-back related services renderred by auditors

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

25. Capital commitments, contingent liabilities and secured loans

	31/03/2012	31/03/2011
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**47.370**	141.128
Contingent liabilities		
Claims against Company not acknowledged as debts (primarily relating to performance related claims filed by customers)	**35.679**	35.831
Disputed demands in appeal towards income tax, Service tax and sales tax	**1.191**	39.090
Guarantee issued in respect of obligations of a subsidiary	**181.773**	Nil
Unfulfilled Export Obligations under EPCG scheme to be fulfilled over 8 years	**129.711**	292.064
Secured Loans		
Working Capital borrowings from consortium of bankers are secured by a first charge by way of hypothecation of company's inventories and book debts both present and future. It is further secured by way of first charge of hypothecation of movable fixed assets. Additionally there is collateral security by way of mortgage on company's property situated at Pune.		

26. Disclosures pursuant to Accounting Standard 7 (Revised) – Construction Contracts

	31/03/2012	31/03/2011
Contract revenue recognised during the year	**8115.099**	4,944.175
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	**8115.099**	4,944.175
Customer advances outstanding for contracts in progress	**1617.851**	1001.633
Retention money due from customers for contracts in progress	**295.433**	292.727
Gross amount due from customers for contract work (presented as Contracts in progress)	**689.020**	253.498
Gross amount due to customers for contract work (presented as Dues to customers relating to contracts in progress)	**(159.979)**	(206.279)

27. Segment reporting

The Company's activities involve predominantly one business segment i.e. Process and Project Engineering, which are considered to be within a single business segment since these are subject to similar risks and returns. Accordingly, Process and Project Engineering comprise the primary basis of segmental information as set out in these financial statements, which therefore reflect the information required by AS 17 - Segment Reporting, with respect to primary segments.

The Company has identified India and Rest of the World as geographical segments for secondary segmental reporting. Geographical sales are segregated based on the location of the customer who is invoiced or in relation to which the sale is otherwise recognised. Assets other than receivables used in the Company's business or liabilities contracted have not been identified

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

to any of the reportable segments, as these are used interchangeably between segments. All assets other than receivables are located in India. Similarly, capital expenditure is incurred towards fixed assets located in India.

Secondary segmental information

Particulars	India		Rest of the world		Total	
	31/03/2012	31/03/2011	**31/03/2012**	31/03/2011	**31/03/2012**	31/03/2011
Segment sales	**4533.935**	3821.563	**4270.506**	1707.747	**8804.441**	5529.310
Segment assets	**1558.955**	1361.883	**1017.155**	625.349	**2576.110**	1987.232

28. Related party transactions

a) Parties where control exists

Subsidiaries	Pacecon Engineering Projects Limited Praj Far East Co. Limited BioCnergy Europa B.V. Praj Jaragua Bioenergia S.A. Praj Americas Inc. (from June 2009) Praj Industries (Africa) Pty. Limited Neela Systems Limited* *The Company has acquired 50.20% stake in the Company as per agreement dated 6th January, 2012

b) Key management personnel and their relatives

Executive Chairman	Mr. Pramod Chaudhari
CEO & Managing Director	Mr. Gajanan Nabar (From 15-11-2010)
CEO & Managing Director	Mr. Shashank Inamdar (Upto 14-11-2010)
Relative of key management personnel	Mrs. Parimal Chaudhari

c) Transactions and balances with related parties have been set out below:

Particulars	31/03/2012	31/03/2011
Pacecon Engineering Projects Limited		
Advances provided and recovered during the year	**-**	10.000
Expenses incurred and reimbursed thereof	**24.340**	19.489
Note: The Company renders certain services such as use of office space, communication etc. to the subsidiary for which no charges are recovered.		
BioCnergy Europa B.V.		
Sale of Goods and Services	**-**	5.651
Payable	**3.206**	2.258
Expenses incurred and reimbursed thereof	**12.317**	5.656
Receivable	**4.800**	4.296
Praj Far East Co. Limited		
Sales commission	**16.875**	49.138
Payable	**-**	2.793
Expenses incurred and reimbursed thereof	**0.762**	1.619

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

28. Related party transactions (Contd.)

Particulars	31/03/2012	31/03/2011
Praj Jaragua Bioenergia S.A.		
Sales Commission	4.123	-
Capital contribution	-	4.548
Praj Americas Inc.		
Sales Commission	17.986	6.167
Payable	0.981	6.333
Expenses incurred and reimbursed thereof	0.056	8.866
Capital contribution	-	9.281
Praj Industries (Africa) Pty. Limited		
Capital contribution	1.311	-
Neela Systems Limited		
Capital contribution	645.711	-
Pramod Chaudhari		
Remuneration including commission on profit	60.327	45.993
Dividend	39.690	-
Payable	24.030	13.950
Gajanan Nabar (From 15-11-2010)		
Remuneration including commission on profit	22.544	22.566
Payable	4.280	8.846
Shashank Inamdar (Upto 14-11-2010)		
Remuneration including commission on profit	-	6.878
Dividend	-	-
Parimal Chaudhari		
Commission on profit	0.990	0.630
Dividend	14.515	-
Payable	0.990	0.630

29. Leases

The Company has entered into operating lease arrangements for office space, equipments and residential premises for its employees. Certain lease arrangements provide for cancellation by either party and also contain a clause for renewal of the lease agreement. Lease payments on cancellable and non-cancellable operating lease arrangements debited to the profit and loss account and the future minimum lease payments in respect of non-cancellable operating leases are summarised below:

	31/03/2012	31/03/2011
Future minimum lease payments in respect of non-cancellable leases		
- amount due within one year from the Balance sheet date	17.979	21.469
- amount due in the period between one year and five years	5.240	21.387
- amount due after five years	4.130	4.206
Lease payments debited to the Statement of Profit and Loss		
- cancellable leases	5.233	6.158
- non-cancellable leases	21.774	22.231

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

30. Earnings per share

	31/03/2012	31/03/2011
Reconciliation of basic and diluted shares used in computing earnings per share		
Number of shares considered as basic weighted average shares outstanding for computing basic earnings per share	**184,090,695**	184,756,383
Add: effect of dilutive issue of shares/options	**112,682**	122,856
Number of shares considered as weighted average shares and potential shares outstanding for computing diluted earnings per share	**184,203,377**	184,879,239
Computation of basic and diluted earnings per share		
Net profit after tax attributable to equity shareholders	**658.245**	534.725
Basic earnings per equity share of ₹ 2 each	**3.58**	2.89
Diluted earnings per equity share of ₹ 2 each	**3.57**	2.89

31. Cash and cash equivalents

	31/03/2012	31/03/2011
At the beginning of the year		
Cash and Cheques in hand	**53.939**	2.671
Balances with banks*	**461.146**	164.371
Deposits with banks	**10.000**	Nil
	525.085	167.042
At the end of the year		
Cash and cheques in hand	**2.141**	53.939
Balances with banks*	**208.621**	461.146
Deposits with banks	**211.000**	10.000
	421.762	525.085

Notes:

1. Deposits with banks having maturity of more than three months aggregating to ₹ 850.020 (31st March, 2011: 850.115) are not readily liquid and have been excluded from cash and cash equivalents.
2. *Balance with bank include bank balances in relation to unclaimed dividends ₹ 5.753 (31st March, 2011: 5.257)

32. Quantitative information of foreign exchange instruments outstanding as at the Balance Sheet date

The foreign currency forward contracts outstanding as at the Balance sheet date aggregate USD 19.750 millions and GBP Nil (31st March, 2011: USD 20.850 millions, GBP Nil).

The following foreign currency receivables/ advances/payables balances are outstanding at the Balance sheet date, which are not hedged by foreign exchange instruments:

Nature of exposure	**31/03/2012**	31/03/2011
Balances in bank accounts	**36.008**	68.460
Advances paid	**132.299**	44.731
Payables representing creditors and other payables	**447.211**	248.644
Advances received	**921.538**	527.840
Receivables	**21.459**	3.876

(All amounts are in Indian rupees million unless otherwise stated)

33. Employee benefits

a) Defined contribution plans

The Company has recognised ₹ 28.724 (31st March, 2011 ₹ 27.882) towards post employment defined contribution plans comprising of provident and superannuation fund in the Profit and loss account.

b) Defined benefit plan

In accordance with the Payment of Gratuity Act, 1972, the Company is required to provide post employment benefit to its employees in the form of gratuity. The Company has maintained a fund with the Life Insurance Corporation of India to meet its gratuity obligations. In accordance with the Standard, the disclosures relating to the Company's gratuity plan are provided below:

Reconciliation of opening and closing balance of obligation

Particulars	31/03/2012	31/03/2011
Liability at the beginning of the year	**71.893**	66.758
Current service cost	**9.859**	8.009
Interest cost	**5.815**	5.011
Benefits paid	**(1.972)**	(8.250)
Actuarial (gain)/loss on obligations	**2.496**	0.365
Liability at the end of the year	**88.091**	71.893

Reconciliation of opening and closing balance of fair value of plan assets

Particulars	31/03/2012	31/03/2011
Fair value of plan assets at the beginning of the year	**35.116**	32.500
Expected return on plan assets	**3.514**	3.006
Contributions by the employer	**5.744**	-
Benefits paid	**-**	-
Actuarial gain/(loss) on plan assets	**0.263**	(0.390)
Fair value of plan assets at the end of the year	**44.637**	35.116

Expense recognised in Statement of Profit and Loss

Particulars	31/03/2012	31/03/2011
Current service cost	**9.859**	8.009
Interest cost	**5.815**	5.011
Expected return on plan assets	**(3.514)**	(3.006)
Total actuarial (gain)/loss	**2.233**	0.755
Total expenses included in Note 22	**14.393**	10.769

Amount recognised in the Balance sheet

Particulars	31/03/2012	31/03/2011
Defined benefit obligation as at end of the year	**88.091**	71.893
Fair value of plan assets at the end of the year	**(44.637)**	(35.116)
Net liability	**43.454**	36.777

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

Actual return on plan assets

Particulars	31/03/2012	31/03/2011
Expected return on plan assets	**3.514**	3.006
Actuarial gain/(loss) on plan assets	**0.263**	(0.390)
Actual return on plan assets	**3.777**	2.616

Principal actuarial assumptions

Particulars	31/03/2012 (%)	31/03/2011 (%)
Discount rate	**8.50%**	8.20%
Expected rate of return on plan assets	**9.25%**	9.25%
Salary increment rate	**8.00%**	8.00%

Composition of plan assets

Particulars	31/03/2012 (%)	31/03/2011 (%)
Central government securities	**53.04%**	53.04%
State government securities	**0.00%**	0.00%
Approved marketable securities	**0.00%**	0.00%
Bonds/debentures etc	**42.77%**	42.77%
Loans	**0.00%**	0.00%
Equity	**4.00%**	4.00%
Liquid fund/money market instruments	**0.19%**	0.19%
Total	**100.00%**	100.00%

Notes:

1. Expected rate of return on plan assets is based on actuarial expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.
2. The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors on long-term basis.

34. Employee stock options

The Compensation Committee of the Company established the Employee Stock Option Plan on 23rd July, 2005. Employees covered by the Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. Total of 8,100,265 (including impact of bonus) stock options were approved in the Annual General Meeting of the Company held on 23 July 2005, of which the employees have been granted 2,759,139 stock options on 12 October 2005 ('Grant I'), 2,311,500 stock options on 28th December, 2006 ('Grant II') and 3,029,626 stock options on 9th July, 2009 ('Grant III') with a vesting period of 3 years. Stock options under Grant II lapsed on 28th December, 2010. In the Meeting of the Compensation and Share Allotment Committee held on 16th November, 2010 it was decided to utilise the surrendered and lapsed options out of Grant II to grant them to new CEO & MD in terms of his appointment letter and also to senior executives of the Company at the relevant market price as Grant IV. The total options granted under Grant IV are 1,950,000 options out of which 1,250,000 options(Plan A) were granted to CEO & MD with vesting period of 5 years and 700,000 options (Plan B) were granted to Senior Executives of the Company with vesting period of 2 years.

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

The stock options vest in a graded manner equally over the period of vesting, each vesting taking effect as per the terms of the grant. The stock options granted are exercisable at 100% of the fair market value of the underlying equity shares of the Company as on the date of grant.

Grant I

Particulars	31/03/2012	31/03/2011
Options outstanding at the beginning of the year (*)	-	53,902
Granted during the year	-	-
Less: Exercised	-	36,131
Less: Cancelled	-	17,771
Options outstanding at the end of the year	-	-
Options exercisable at the end of the year	-	-

(*) Grant I exercise period has been extended by one year as approved in Board Meeting held on 9th July, 2009.

Grant II

Particulars	31/03/2012	31/03/2011
Options outstanding at the beginning of the year	-	1,860,359
Granted during the year	-	-
Less: Exercised	-	-
Less: Cancelled	-	1,860,359
Options outstanding at the end of the year	-	-
Options exercisable at the end of the year	-	-

Grant III

Particulars	31/03/2012	31/03/2011
Options outstanding at the beginning of the year	2,427,250	2,848,876
Granted during the year	-	-
Additional options on account of allotment of bonus shares	-	-
Less: Exercised	-	4,100
Less: Cancelled	298,650	417,526
Options outstanding at the end of the year	2,128,600	2,427,250
Options exercisable at the end of the year	783,049	310,449

Grant IV (*)

Particulars	31/03/2012	31/03/2011
Options outstanding at the beginning of the year	**1,950,000**	-
Granted during the year	-	1,950,000
Less: Exercised	-	-
Less: Cancelled	**21,000**	-
Options outstanding at the end of the year	**1,929,000**	1,950,000
Options exercisable at the end of the year	-	-

(*) Grant IV consists of Plan A-1,250,000 options and Plan B - 700,000 options.

35. Expenditure on research and development activities

Revenue expenditure on research and development is charged under respective heads of account in the year in which it is incurred. Capital expenditure on research and development is

Notes to the Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

included as part of fixed assets and depreciated on the same basis as other fixed assets.

Particulars	31/03/2012	31/03/2011
Capital expenditure (excluding advances)	95.939	58.473
Revenue expenditure	177.693	129.575

36. Dividends remitted in foreign currency:

Particulars	31/03/2012	31/03/2011
Number of shareholders	2	-
Number of shares held	7,173,385	-
Year to which dividend relates	2010-11	2010-11
Amount remitted	9.038	-

37. Imported and indigenous raw materials, intermediates components and spares consumed during the year:

	31/03/2012		31/03/2011	
		%		%
Raw materials, spares and consumables				
Indigenous	4362.572	78	2702.288	83
Imported	1211.791	22	571.098	17
	5574.363	100	3273.386	100

38. Value of imports on CIF basis:

	31/03/2012	31/03/2011
Raw materials	409.559	316.621
Capital goods	82.705	50.904
Components and spare parts	754.056	284.035

39. Earnings in foreign currency:

	31/03/2012	31/03/2011
FOB value of exports	3513.562	1625.624
Design and engineering services, software and consultancy	119.986	212.428

40. Expenditure in foreign currency:

	31/03/2012	31/03/2011
Sales commission	226.038	97.987
Professional consultancy	6.185	29.187
Travelling	28.187	16.789
Others	47.185	54.254

41. Taxes

a) The Company has not recognised MAT credit entitlement to the extent of ₹ 220.381 in respect of Income Tax paid in view of uncertainty of its utilisation for payment of tax in foreseeable future.

b) Subsequent to the balance sheet date i.e. 31st March, 2012, in April 2012, the Income Tax Department initiated proceedings against the Company under Section 132 of the Income Tax Act, 1961.

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(All amounts are in Indian rupees million unless otherwise stated)

As on the date of adoption of accounts by the Board of directors (29th May, 2012), the Company is yet to receive a demand notice from the Income Tax Department and is also in the process of gathering information/documents and tax advice. Due to this, the Company is not in a position to reliably estimate the liability (if any) arising out of these proceedings. The management, on the basis of best estimate, has made a prudential provision of ₹ 25 Crores in the Statement of Profit and Loss. In the subsequent quarters, when more clarity is achieved, the difference, if any, between the above referred provision and envisaged liability will be debited/credited to the profit and loss account, as the case may be.

42. Buy-back of Shares

During the year the Company had announced a buy-back of equity shares with effect from 26th December, 2011 as per section 77A of the Companies Act, 1956. Pursuant to the board of directors approval for buy-back the Company has bought back 5,230,631 shares upto 31st March, 2012 through open market transactions for an aggregate amount of ₹ 405.828, by utilising Securities Premium of ₹ 405.828. Capital Redemption Reserve has been created out of securities premium for ₹10.461 being the nominal value of shares bought back in terms of Section 77A of the Companies Act, 1956.

Out of 5,230,631 shares bought back upto 31st March, 2012, 2,402,402 shares were extinguished in April 2012. To that extent the disclosure of number of equity shares and value thereof, as mentioned in financial statements and Corporate Governance Report differ.

The buy-back of equity shares was completed on 24th April, 2012. On completion of buy back the Company has bought back (including above) total 7,313,644 shares for an aggregate amount of ₹ 558.638.

43. Insurance Claim

During the year the Company has received insurance claim of ₹ 60.351 (31st March, 2011: ₹ 59.413) for damage occurred for certain project from Insurance Company.

44. Acquisition of Neela Systems Limited

The Company has acquired 50.20 % stake in Neela Systems Limited on 6th January, 2012 for a total consideration of ₹ 645.711.

45. Prior year comparatives

Till the year end 31st March, 2011, the company had adopted pre-revised Schedule VI as required by the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to confirm to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principle followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

For and on behalf of the Board of Directors of
Praj Industries Limited

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts
and Company Secretary

Sivaramakrishnan S. Iyer
Director

Place: Pune
Date: 29th May, 2012

Auditors' Report on Consolidated Financial Statements

Auditors' Report to the Board of Directors of Praj Industries Limited on the Consolidated Financial Statements of Praj Industries Limited and its Subsidiaries.

1) We have audited the attached Consolidated Balance Sheet of Praj Industries Limited ('the Company'), its Subsidiaries; hereinafter referred to as the "Group" as at March 31, 2012, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. 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.

2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining, on a 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3) We did not audit the financial statements of Praj Far East Co. Limited, Neela Systems Limited and Praj Industries (Africa) Pty. Limited included in the consolidated financial statements, which constitute total assets of ₹1,098.138 million as at March 31, 2012, total revenue of ₹384.238 million and cash flows amounting to ₹133.700 million for the year then ended. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of the other auditors.

4) The Consolidated financial statements include unaudited financial statements of subsidiaries Praj Jaragua Bioenergia S.A., BioCnergy Europa B.V. whose financial statements reflect total assets of ₹ 616.799 million as at March 31, 2012, total revenue of ₹589.805 million and net cash flow of (₹ 21.221) million for the year ended on that date were reviewed by the local accountants in the respective countries where the said subsidiaries have been incorporated and on which we have relied upon, based solely on certification by the Company's management.

5) We report that the Consolidated Financial Statements have been prepared by company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended).

6) Based on our audit and on consideration of reports of other auditors on separate financial statements of the components, and to the best of our information and according to the explanations given to us, in our opinion the attached Consolidated Financial Statements, give a true and fair view in conformity with the accounting principles generally accepted in India :

   a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;

   b) In the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

   c) In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

Consolidated Balance Sheet as at 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

	Notes	31/03/2012	31/03/2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**359.096**	369.557
Reserves and surplus	4	**5174.588**	5219.567
Non-current liabilities			
Long Term borrowings	5	**24.000**	-
Deferred tax liability (net)	6	**120.881**	127.076
Long term provisions	7	**58.120**	52.860
Current liabilities			
Short term borrowings	8	**189.544**	-
Trade Payables	9	**2062.486**	1746.112
Other current liabilities	10	**2600.776**	1752.458
Short term provisions	11	**1704.751**	971.986
Minority Interest		**255.492**	31.553
TOTAL		**12549.734**	10271.169
ASSETS			
Non Current Assets			
Fixed Assets			
Tangible Assets	12	**1939.215**	1365.286
Intangible Assets	12	**28.312**	55.166
Goodwill	12	**439.524**	2.269
Capital Work-in-Progress		**98.086**	139.054
Non Current Investments	13	**200.077**	200.077
Long Term Loans and Advances	14	**118.760**	67.816
Other Non Current Assets	15	**100.020**	100.015
Current Assets			
Current Investments	16	**1350.000**	2388.100
Inventories	17	**906.200**	630.855
Contracts in progress	29	**722.083**	269.893
Trade Receivables	18	**3298.411**	2243.385
Cash and bank balances	19	**1618.068**	1579.463
Short Term Loans and advances	20	**1730.978**	1229.790
TOTAL		**12549.734**	10271.169
Summary of Significant accounting policies	2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

For and on behalf of the Board of Directors of Praj Industries Limited

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts and Company Secretary

Sivaramakrishnan S. Iyer
Director

Consolidated Statement of Profit and Loss for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

	Notes	31/03/2012	31/03/2011
Income:			
Revenue from operations (Gross)	21	**10356.146**	6889.127
Less: Excise Duty		**325.044**	239.836
Revenue from operations (Net)		**10031.102**	6649.291
Other income	22	**443.375**	253.051
Total Revenue		**10474.477**	6902.342
Expenses:			
Cost of materials consumed	23	**5697.546**	3648.539
(Increase) / Decrease in inventories of Finished Goods and Work in Progress	24	**(17.416)**	233.824
Employee Benefit Expenses	25	**955.714**	755.831
Finance costs	26	**11.539**	0.173
Depreciation and amortisation	12	**163.472**	111.989
Other Expenses	27	**2469.002**	1495.006
Total Expenses		**9279.857**	6245.362
Profit before tax & prior period items		**1194.620**	656.980
Less: Prior period items (net)		**1.792**	-
Profit before tax		**1192.828**	656.980
Tax Expense			
- Current tax		**496.786**	78.376
- Deferred tax charge/(credit)		**(7.258)**	8.622
Profit after tax before Minority Interest		**703.300**	569.982
Minority interest		**24.358**	(7.531)
Profit / (Loss) after Minority interest		**678.942**	577.513
Earning per share			
1. Basic [nominal value of ₹ 2 each (March 31, 2011 ₹ 2)]	33	**3.69**	3.13
2. Diluted [nominal value of ₹ 2 each (March 31, 2011 ₹ 2)]	33	**3.69**	3.12
Summary of Significant accounting policies	2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

For and on behalf of the Board of Directors of Praj Industries Limited

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts and Company Secretary

Sivaramakrishnan S. Iyer
Director

Consolidated Cash Flow Statement for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
A.	**Cash flow from operating activities**		
	Net profit before tax	**1192.828**	656.980
	Adjustments for:		
	Loss on sale of fixed assets	**5.123**	2.457
	Gain on redemption of mutual fund investments	**(208.735)**	(27.700)
	Provision for doubtful debts and advances	**27.352**	34.403
	Excess provision/creditors written back	**(19.753)**	(47.510)
	Unrealised foreign exchange (loss) (net)	**1.736**	(14.226)
	Depreciation and amortisation	**163.472**	111.989
	Interest earned	**(108.258)**	(82.115)
	Dividend from mutual fund investments	**(28.943)**	(65.445)
	Interest charged	**11.539**	0.173
	Operating profit before working capital changes	**1036.361**	569.006
	Changes in working capital		
	(Increase)/decrease in trade receivables	**(820.139)**	(1092.630)
	(Increase)/decrease in inventories (including contracts in progress)	**(433.442)**	(149.431)
	(Increase)/decrease in long term loans and advances	**(2.130)**	5.809
	(Increase)/decrease in short term loans and advances	**(167.008)**	(135.417)
	(Increase)/decrease in other current assets	**(23.918)**	1002.753
	(Increase)/decrease in other non-current assets	**(3.052)**	-
	Increase/(decrease) in trade payables	**141.082**	717.438
	Increase/(decrease) in other current liabilities	**686.274**	237.083
	Increase/(decrease) in long term provisions	**(3.646)**	(17.641)
	Increase/(decrease) in short term provisions	**79.370**	56.613
	Cash generated from operations	**489.752**	1193.583
	Direct taxes paid (including taxes deducted at source), net of refunds	**(169.647)**	(60.622)
	NET CASH FROM OPERATING ACTIVITIES	**320.105**	1132.961
B.	**Cash flow from investing activities**		
	Purchase of fixed assets and intangibles	**(364.296)**	(250.221)
	Investments:		
	- in subsidiaries	**(642.803)**	-
	- in mutual funds	**(5730.094)**	(7677.328)
	- in debentures & bonds	**-**	(49.967)
	Sale of investments		
	- in mutual funds	**6826.929**	7827.501
	- in debentures & bonds	**150.000**	-
	Proceeds from sale of fixed assets	**3.022**	14.008
	Interest received on investments	**103.817**	81.294
	Dividend received on investments	**28.943**	65.445
	Investment in fixed deposits	**(10.054)**	(750.100)
	NET CASH FROM / (USED) IN INVESTING ACTIVITIES	**365.464**	(739.368)

Consolidated Cash Flow Statement for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
C.	**Cash flow from financing activities**		
	Increase in long term borrowings	**2.087**	-
	Decrease in long term borrowings	**(8.085)**	-
	Increase in short term borrowings from Bank	**259.963**	-
	Decrease in short term borrowings from Bank	**(259.259)**	-
	Proceeds from exercise of employee stock options	**-**	1.939
	Payment towards buy-back of Shares	**(405.828)**	-
	Dividend paid including dividend distribution tax	**(270.590)**	-
	Interest paid	**(11.539)**	(0.173)
	NET CASH FROM / (USED) IN FINANCING ACTIVITIES	**(693.251)**	1.766
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(7.682)**	395.359
	Cash and cash equivalents at the beginning of the year	**789.517**	394.363
	Add: effect of exchange rate changes on cash and cash equivalents	**19.833**	(0.205)
	Cash and cash equivalents at the end of the year	**801.668**	789.517

The accompanying notes are an integral part of the Consolidated Cash Flow Statement

As per our report of even date.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No. 044784

Place: Pune
Date: 29th May, 2012

For and on behalf of the Board of Directors of Praj Industries Limited

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts and Company Secretary

Sivaramakrishnan S. Iyer
Director

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

1. Nature of business

Praj Industries Limited (the Parent Company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of Process and Project Engineering. The Company caters to both domestic and international markets. Further, the Company also provides design and engineering services.

2. Significant accounting policies:

2.1 Basis of preparation of financial statements

The Consolidated financial statements of Praj Industries Limited (the 'Parent Company') and its subsidiaries (collectively referred to as 'the Group'), have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standards ("AS") prescribed in the Companies (Accounting Standards) Rules, 2006.

2.2 Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Group, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of consolidated financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Group has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

2.3 Use of estimates

The preparation of Consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results may differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods.

2.4 Basis of consolidation

These Consolidated financial statements include the financial statements of Praj Industries Limited and its subsidiaries. The subsidiaries considered in the consolidated financial statements are summarised below:

% of shareholding in equity shares

Name of the subsidiary	Country of incorporation	31/03/2012	31/03/2011
Pacecon Engineering Projects Ltd.	India	99.53%	99.53%
Praj Far East Co. Ltd.	Thailand	100.00%	100.00%
Praj Americas Inc	United States of America	100.00%	100.00%
BioCnergy Europa B.V.	Netherlands	60.00%	60.00%
Praj Jaragua Bioenergia S.A.	Brazil	54.00%	54.00%
Neela System Limited	India	50.20%	NA
Praj Industries (Africa) Pty. Ltd.	South Africa	100.00%	NA

These Consolidated financial statements are prepared in accordance with the principles and procedures prescribed by Accounting Standard 21- "Consolidated Financial Statements" ('AS-21'). The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting unrealised profits in full.

The Consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements.

(All amounts are in Indian rupees million unless otherwise stated)

The difference between the cost of investment in the subsidiary Company over the net assets as on the date of acquisition is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.

The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the Consolidated Statement of Profit and Loss as the profit or loss on disposal of investment in subsidiary.

Minority Interest's share of net profit in consolidated subsidiaries for the year is identified and adjusted against the income of the Group in order to arrive at the net income attributable to shareholders of the Parent Company.

Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separate from liabilities and the equity of the Parent Company's shareholders.

2.5 Goodwill arising on consolidation

The goodwill recorded in these consolidated financial statements has been amortised over the period of 10 years. The Group evaluates the carrying amount of its goodwill whenever events or changes in circumstances indicate that its carrying amount may be impaired, for diminution other than temporary.

2.6 Revenue recognition

a) Contract revenue

Revenue from fixed price contracts is recognised when the outcome of the contract can be estimated reliably by reference to the percentage of completion of the contract on the Balance Sheet date. Percentage of completion is determined as a proportion of costs incurred-to-date to the total estimated contract costs. In respect of process technology and design and engineering contracts percentage of completion is measured with reference to the milestones specified in the contract, which in the view of the management reflects the work performed and to the extent it is reasonably certain of recovery.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity and allocable to the contract. Costs that cannot be attributed to contract activity are expensed when incurred.

When the final outcome of a contract cannot be reliably estimated, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. Provision for expected loss is recognised immediately when it is probable that the total estimated contract costs will exceed total contract revenue.

Variations, claims and incentives are recognised as a part of contract revenue to the extent it is probable that they will result in revenue and are capable of being reliably measured.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the Group, some of which are of a technical nature, concerning, where relevant, the percentage of completion, costs to completion, the expected revenues from the project / activity and the foreseeable losses to completion.

Execution of contracts necessarily extends beyond accounting periods. Revision in costs and revenues estimated during the course of the contract are reflected in the accounting period in which the facts requiring the revision become known.

b) Service revenue

Revenue from services is recognised as the related services are performed.

c) Product sales

Revenue from sale of goods is recognised on transfer of significant risks and rewards of ownership when goods are dispatched and the title passes to the customers, net of discounts and rebates granted. Sales are recorded exclusive of sales tax.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

d) Interest and dividend income

Interest on deployment of surplus funds is recognised using the time proportion method based on the underlying interest rates.

Dividend income is recognised when the right to receive payment is established.

e) Export benefits

Export benefits in the form of duty draw back/ DEPB claims etc. are recognised on receipt basis.

2.7 Tangible assets:

Fixed assets are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the Statement of Profit and Loss for the period during which such expenses are incurred.

Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

2.8 Depreciation:

Depreciation on tangible assets of Group is provided using the straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher, except written down value method is followed by Neela System Limited (Indian subsidiary) on all fixed assets at the rates specified in Schedule XIV of the Companies Act, 1956.

Assets costing individually ₹ 5,000 or less are depreciated at the rate of 100%.

Building and other constructions on leasehold land are depreciated over the lease term or the useful life, whichever is shorter.

2.9 Intangible assets and amortisation

Intangible assets are recognised when the asset is identifiable, is within the control of the Group, it is probable that the future economic benefits that are attributable to the asset will flow to the Group and cost of the asset can be reliably measured.

Acquired intangible assets consisting of technical knowhow, brand and software, are recorded at acquisition cost and amortised on straight-line basis on the useful lives, which in management's estimate represents the period during which economic benefits will be derived from their use.

2.10 Impairment of assets

The carrying amounts of assets including intangible assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated, as the higher of the net selling price and the value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. If at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reinstated at the recoverable amount subject to a maximum of depreciable historical cost.

(All amounts are in Indian rupees million unless otherwise stated)

2.11 Investments

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

2.12 Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis except for Neela System Limited, Indian subsidiary is determined on the basis of FIFO method.

Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.13 Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date.

Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Forward Contracts

The premium or discount arising at the inception of forward exchange contract is amortised and recognised as an expense/income over the life of the contract. Exchange differences on such contracts, except the contracts which are long-term foreign currency monetary items, are recognised in the Statement of Profit and Loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognised as income or as expense for the period.

2.14 Foreign currency translation

The Consolidated financial statements are reported in Indian rupees. Pursuant to paragraph 24 of AS-11 (revised 2003), the financial statements of the foreign subsidiaries, being non-integral operations, are translated into Indian rupees as follows:

Income and expense items are translated by using a monthly simple average exchange rate for the period.

Assets and liabilities, both monetary and non-monetary are translated at the closing rate.

All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under Reserves and surplus.

2.15 Leases

Lease payment under an operating lease is recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

2.16 Employee benefits

a) Short term employee benefits

Employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and are recognised in the period in which the employee renders the related service.

b) Post employment benefits (defined benefit plans)

The employees' gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined at each Balance Sheet date based on an actuarial valuation using the projected unit credit method. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

c) Post employment benefits (defined contribution plans)

Contributions to the provident fund and superannuation fund, which are defined contribution schemes, are recognised as an expense in the Statement of Profit and Loss in the period in which the contribution is due.

d) Long term employee benefits

Long term employee benefits comprise of compensated absences and other employee incentives. These are measured based on an actuarial valuation carried out by an independent actuary at each Balance sheet date unless they are insignificant. Actuarial gains and losses and past service costs are recognised immediately in the Statement of Profit and Loss.

2.17 Provisions and contingencies

Provision is recognised in the Balance Sheet when, the Group has a present obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. A disclosure by way of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

2.18 Income taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit and Loss.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

In the situations where the Group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognised in respect of timing differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which the timing differences originate. However, the Group restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Group writes down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Group recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognises MAT credit as an asset in accordance with the *Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961,* the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement". The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

2.19 Earnings per share

Basic earnings per share of Group calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period as reduced by number of shares bought back, if any. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.20 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

3. Share capital

	31/03/2012	31/03/2011
Equity Share capital		
Authorised shares (No. million)	**900.000**	900.000
450 (31 March, 2011: 450) equity shares of ₹ 2 each		
Issued, subscribed and fully paid-up shares (No. million)		
179.548 (March 31, 2011: 184.779) equity shares of ₹ 2 each	**359.096**	369.557
	359.096	369.557

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:

	31/03/2012		31/03/2011	
	No. million	**Amount**	No. million	Amount
At the beginning of the period	**184.779**	**369.557**	184.738	369.477
Add: Allotted during the period pursuant to exercise of employees stock options (Refer note 37)	**-**	**-**	0.040	0.080
Less: Shares bought back during the period pursuant to buy-back scheme (Refer note 39)	**5.231**	**10.461**	-	-
Outstanding at the end of the period	**179.548**	**359.096**	184.779	369.557

b. Terms/ Rights attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of the equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012, the amount of per share dividend recognised as distributed to equity shareholders was ₹ 1.62 (March 31, 2011 ₹ 1.26)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distributing all preferential amounts.

c. Shares held by holding/ultimate holding company and/or their subsidiaries/associates:

The Company does not have any holding or ultimate holding company.

d. Details of shareholders holding more than 5% shares in the Company:

	31/03/2012		31/03/2011	
	No. million	**% of holding**	No. million	% of holding
Pramod Chaudhari (Promoter)	**32.40**	**18.05%**	31.50	17.05%
Parimal Chaudhari (Promoter)	**15.30**	**8.52%**	15.12	8.18%
Tata Capital Financial Services Limited	**13.42**	**7.48%**	13.42	7.26%
Rakesh Jhunjhunwala	**13.65**	**7.60%**	12.40	6.71%
Government Pension Fund Global	**9.22**	**5.14%**	-	-

e. Shares reserved for issue under options:

Shares reserved for issue under the Employee Stock Option Plan (ESOP)

f. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

	31/03/2012	31/03/2011
	No. million	No. million
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium*	**91.373**	91.373
Equity shares allotted as fully paid-up pursuant to contracts for consideration other than cash	**-**	-
Equity shares bought back by the Company (Refer note 39)	**5.231**	-

* The Company has declared Bonus in the ratio of 1:1 during the financial year 2007-08.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
4.	**Reserves and Surplus**		
	Capital reserve	**0.033**	0.033
	Amalgamation reserve	**3.063**	3.063
	Capital redemption reserve		
	Balance as per last financial statements	**-**	-
	Add: Transferred from securities premium (Refer note 39)	**10.461**	-
	Balance at the end of year	**10.461**	-
	Securities premium account		
	Balance as per last financial statements	**1128.653**	1126.714
	Add: ESOPs exercised	**-**	1.939
	Less: Utilisation for buy-back of equity shares (Refer note 39)	**405.828**	-
	Balance at the end of the year	**722.825**	1128.653
	General reserve		
	Balance as per last financial statements	**627.600**	574.100
	Add: Transferred from Statement of Profit and Loss	**65.900**	53.500
	Balance at the end of the year	**693.500**	627.600
	Foreign currency translation reserve		
	Balance at the beginning of the year	**1.600**	(0.388)
	Add: Due to transactions during the year	**5.578**	1.988
	Balance at the end of the year	**7.178**	1.600
	Surplus in the Statement of Profit and Loss		
	Balance as per last financial statement	**3458.618**	3205.195
	Profit as per Statement of Profit and Loss	**678.942**	577.513
	Less: Appropriations		
	Dividend	**287.493**	232.821
	Tax on dividend	**46.639**	37.769
	Transfer to General reserve	**65.900**	53.500
	Net Surplus in Statement of Profit and Loss	**3737.528**	3458.618
	Total Reserves and Surplus	**5174.588**	5219.567
	Non-Current liabilities		
5.	**Long term Borrowings**		
	Term Loan Borrowings from Banks	**24.000**	-
		24.000	-

Notes:

(a) Term Loan facility of the subsidiary Neela Systems Ltd., is from State Bank of India (IFB), Malad (West), Mumbai is repaid by an equal monthly instalment of ₹ 20 millions per month.

(b) The Facility is secured by first charge on Company's entire Fixed Assets acquired or to be acquired, wherever situated. It is further collaterally secured by mortgage of Land at Wada of the Company.

(c) Further the facilities are Collaterally Secured by way of Equitable Mortgage on Office Premises at 4/8 and 4/5, Piramal Industrial Estate and also by way of extension of Equitable Mortgage on Residential Flat, 1101 of Himanshu Shah (Managing Director).

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
6.	**Deferred tax liability (net)**		
	Deferred tax liability		
	Difference between tax depreciation and depreciation/ amortisation charged for financial reporting	**269.922**	259.455
	Deferred tax asset		
	- employee benefits	**(35.224)**	(0.083)
	- provision for doubtful debts and advances	**(24.667)**	(17.656)
	- provision for diminution in investments	**(15.580)**	(15.951)
	- long term capital loss	**(50.003)**	(47.496)
	- other items	**(23.567)**	(51.193)
		(149.041)	(132.379)
	Deferred tax liability (net)	**120.881**	127.076
7.	**Long term provisions**		
	Provision for leave encashment	**19.134**	21.827
	Provision for gratuity	**38.986**	31.033
		58.120	52.860
	Current liabilities		
8.	**Short Term Borrowings**		
	Secured Loans		
	Cash Credit Loan	**189.544**	-
		189.544	-

Notes

(a) Cash Credit facility of the subsidiary Neela Systems Ltd., is from State Bank of India (IFB), Malad (West), Mumbai is secured by first charge on the Company's entire stock and collaterally secured by charge on the fixed assets.

(b) The Facility is secured by first charge on Company's entire current assets both present and future, wherever situated. It is further collaterally secured by mortgage of Land at Wada of the Company.

(c) Further the facilities are Collaterally Secured by way of Equitable Mortgage on Office Premises at 4/8 and 4/5, Piramal Industrial Estate and also by way of extension of Equitable Mortgage on Residential Flat, 1101 of Himanshu Shah (Managing Director).

(d) The balance of Fixed deposit with State Bank of India of ₹ 16.508 million is under lien to lenders SBI as margin money for bank guarantee and letter of credit as security and also as security for cash credit account.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
9.	**Trade Payables**		
	-Dues to Micro and Small enterprises under MSMED Act, 2006 *	**37.153**	3.462
	-Dues to other parties	**2025.333**	1742.650
		2062.486	1746.112
	* No interest is due / payable to parties under the MSMED Act, 2006		
10.	**Other current liabilities**		
	Advances received from customers	**2115.902**	1502.629
	Dues to customers relating to contracts in progress (Refer note 29)	**213.884**	222.107
	Current Maturities of Long Term Loan from Bank	**24.001**	-
	Other Payables	**241.369**	22.619
	Unclaimed dividend	**5.620**	5.103
		2600.776	1752.458
11.	**Short term provisions**		
	Provision for taxation	**1211.136**	621.283
	Proposed final dividend	**287.493**	232.821
	Provision for dividend tax on proposed dividend	**46.639**	37.769
	Performance Incentive	**128.625**	50.501
	Provision for leave encashment	**24.749**	23.868
	Provision for gratuity	**6.109**	5.744
		1704.751	971.986

(All amounts are in Indian rupees million unless otherwise stated)

12. Fixed and intangible assets

	Intangible assets				Tangible Assets							
	Goodwill	Technical Knowhow	Softwares	Praj Brand	Land (Freehold)	Buildings	Plant and machinery	Computers & Office Equipment	Vehicles	Furniture and fixtures	Total	Previous year
Gross Block												
As at 1 April 2011	2.269	64.800	82.094	56.923	238.076	799.320	712.886	151.880	34.692	167.385	2310.325	1746.035
Additions /adjustments (**)	448.466	-	0.537	-	-	128.215	202.850	12.447	11.954	21.106	825.575	168.414
Deletions	-	-	6.247	-	-	-	2.868	12.897	7.394	2.120	31.526	23.823
As at 31 March 2012	**450.735**	**64.800**	**76.384**	**56.923**	**238.076**	**927.535**	**912.868**	**151.430**	**39.252**	**186.371**	**3104.374**	**1890.626**
Accumulated depreciation and amortisation												
As at 1 April 2011	-	41.950	54.247	51.231	-	91.267	183.754	76.918	12.594	45.284	557.245	365.048
Charge for the year	11.211	8.492	13.957	5.692	-	36.357	61.449	11.758	2.657	11.899	163.472	111.989
Deletions / adjustments (**)	-	-	5.774	-	-	-	1.975	10.850	3.235	1.560	23.394	9.132
As at 31 March 2012	**11.211**	**50.442**	**62.430**	**56.923**	**-**	**127.624**	**243.228**	**77.826**	**12.016**	**55.623**	**697.323**	**467.905**
Net Carrying value												
As at 31 March 2012	**439.524**	**14.358**	**13.954**	**-**	**238.076**	**799.911**	**669.640**	**73.604**	**27.236**	**130.748**	**2407.051**	**1422.721**
As at 31 March 2011	2.269	22.850	26.624	5.692	231.408	515.441	420.801	67.665	19.199	110.772	1422.721	

(**) Includes the effect of translation of assets held by foreign subsidiaries which are considered as non-integral in terms of AS 11 (revised 2003)

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

	31/03/2012	31/03/2011
Non Current Assets		
13. Non Current Investments:		
Quoted Investments (valued at cost unless stated otherwise)		
Investments in Debentures and bonds:		
Redeemable Non-Convertible Unsecured Zero Coupon Bond Issued by Rural Electrification Corp Ltd. - 3680 Units, (March 31, 2011: 3680)	**49.967**	49.967
Redeemable Non-Convertible Secured Debentures Issued by Citifinancial Consumer Finance (India) Ltd. - Nil Units, (March 31, 2011: 1500)	**-**	150.000
Quoted Mutual Funds:	**150.000**	-
HDFC FMP 400D GR SR XXI - 15,000,000 Units, (March 31, 2011 : Nil)		
	199.967	199.967
Unquoted Investments:		
Investment in Shares	**0.102**	0.102
5100 (March 31, 2011: 5100) shares of ₹20 each fully paid of The Cosmos Co-operative Bank Limited		
Investment in National Saving Certificate	**0.008**	0.008
	0.110	0.110
	200.077	200.077
Aggregate value of unquoted investments	**0.110**	0.110
Aggregate value of quoted investments	**199.967**	199.967
Market value of quoted investments	**201.578**	199.967
14. Long Term Loans and Advances		
Capital Advances	**85.283**	38.033
Deposits	**32.156**	29.783
Other Advances	**1.321**	-
	118.760	67.816
15. Other Non Current Assets		
Non current bank balances (Refer note 19)	**100.020**	100.015
	100.020	100.015

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
16.	**Current Investments (valued at lower of cost and fair value unless stated otherwise)**		
	Quoted Mutual Funds		
	AXIS FMP-SERIES 1-RETAIL Growth- Nil Units, (March 31, 2011: 5,000,000 Units)	-	50.000
	BSL FIXED TERM PLAN-SR CF-Growth- Nil Units, (March 31, 2011:15,000,000 Units)	-	150.000
	BSL FT PLAN SR CI-Growth - Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
	BSL FT PLAN SR CM-Growth -Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
	BSL GOVT. SECURITIES LONG TERM Growth-Nil Units, (March 31, 2011: 721,144.312 Units)	-	20.000
	DSPBR FMP 12M S6 Growth-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
	HDFC GILT FUND LONG TERM-Growth-Nil Units, (March 31, 2011: 5,209,300.478 Units)	-	100.250
	ICICI PRU GILT FUND PF OPTION-Nil Units (March 31, 2011: 2,661,754.842 Units)	-	50.000
	IDFC FIXED MATURITY YEARLY SR-33-Nil Units, (March 31, 2011: 20,000,000 Units)	-	200.000
	IDFC FIXED MATURITY YEARLY SR-34-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
	KOTAK FMP SR 30- 366 days-Nil Units, (March 31, 2011: 5,000,000 Units)	-	50.000
	KOTAK FMP SR 34- 366 days-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
	KOTAK FMP SR 43-Nil Units , (March 31, 2011: 5,000,000 Units)	-	50.000
	RELIANCE FHF XVI SERIES 2-Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
	RELIANCE FHF XVII SERIES 1-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
	RELIGARE FMP SR V PLAN A-Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
	SBI DEBT FUND SR 15 MONTHS- Nil Units, (March 31, 2011: 10,000,000)	-	100.000
	SUNDARAM BNP FTP AN 367 DAYS-Growth-Nil Units, (March 31, 2011: 15,000,000 Units)	-	150.000
	SUNDARAM BNP FTP AP 367 DAYS-Growth-Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
	SUNDARAM BNP FTP AW 366 DAYS-Growth-Nil Units, (March 31, 2011 : 15,000,000 Units)	-	150.000
	TATA FIXED MATURITY PLAN SR 27 SCHEME A-Nil Units, (March 31, 2011: 10,000,000 Units)	-	100.000
	TATA FIXED MATURITY PLAN SR 29 SCHEME C-Nil Units, (March 31, 2011: 5,000,000 Units)	-	50.000
	DSPBR LIQUIDITY FUND-Nil Units, (March 31, 2011: 17,844.494 Units)	-	17.850
	SBI DEBTS FUND SERIES-367days-1-Growth-10,000,000 Units, (March 31, 2011: Nil Units)	100.000	-
	AXIS FMP-SR 15 -370DAYS-Growth - 10,000,000 Units, (March 31, 2011: Nil Units)	100.000	-
	AXIS FMP-SR 16 -370DAYS-DIVD - 10,000,000 Units, (March 31, 2011: Nil Units)	100.000	-
	DSPBR FMP 12M S7 Growth - 10,000,000 Units, (March 31, 2011: Nil Units)	100.000	-
	DWS FMP SERIES 90 -DIVIDEND - 10,000,000 Units, (March 31, 2011: Nil Units)	100.000	-
	HDFC FMP 375D JULY11 DIV - 10,000,000 Units, (March 31,2011: Nil Units)	100.000	-
	IDFC FMP SER 45 Growth - 10,000,000 Units, (March 31,2011: Nil Units)	100.000	-
	TATA FMP SR 36 SCHEME C-DIV - 10,000,000 Units, (March 31, 2011: Nil Units)	100.000	-
	BSL FT PLAN SR DQ-Growth - 15,000,000 Units, (March 31, 2011: Nil Units)	150.000	-
	IDFC FMP SER 56 Growth - B7 - 15,000,000 Units, (March 31, 2011: Nil Units)	150.000	-
	RELIANCE FHF XXI SERIES 13 - 10,000,000 Units, (March 31, 2011: Nil Units)	100.000	-
	TATA FMP SR 37 SCHEME C-Growth - 10,000,000 Units, (March 31, 2011: Nil Units)	100.000	-
	TEMPLETON ST INCOME MONTH - 31,045 Units, (March 31, 2011: Nil Units)	50.000	-
	Total	**1350.000**	**2388.100**
	Aggregate amount of quoted investments	1350.000	2388.100
	Market value of quoted investments	1411.578	2456.069

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

	31/03/2012	31/03/2011
Current Assets		
17. Inventories (valued at lower of cost and net realisable value)		
Raw materials and stores	**700.012**	499.837
Work in progress	**145.915**	66.058
Finished goods	**60.273**	64.960
Total	**906.200**	630.855
18. Trade Receivables		
Unsecured		
Over six months		
- Considered good	**513.116**	271.001
- Considered doubtful	**70.442**	48.802
Others, considered good	**2785.295**	1972.384
	3368.853	2292.187
Less: Provision for doubtful debts	**70.442**	48.802
	3298.411	2243.385
19. Cash and bank balances		
Balances with banks		
in current accounts	**580.650**	719.340
Deposits with original maturity of less than 3 months	**211.000**	10.000
On unclaimed dividend account	**5.753**	5.257
Cheques, drafts on hand	**-**	51.336
Cash on hand	**4.265**	3.584
Sub total	**801.668**	789.517
Other bank balances	**-**	-
Deposits with original maturity for more than 12 months	**100.020**	100.015
Deposits with original maturity for more than 3 months but less than 12 months	**800.000**	789.946
Margin money deposits	**16.400**	-
Less: Amounts disclosed under other non-current assets (Refer note 10)	**(100.020)**	(100.015)
Total	**1618.068**	1579.463
20. Short Term Loans and advances		
Advances to suppliers	**266.254**	152.299
Other Receivable	**154.588**	189.721
Advance income tax [including tax deducted at source ₹ 65.204 (2011: Rs 49.976)]	**1114.466**	840.962
Balances with Central Excise,Customs and VAT authorities	**195.670**	46.808
Total	**1730.978**	1229.790

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

			31/03/2012	31/03/2011
21.	**Revenue from operations**			
	Sale of Goods		**8883.058**	6449.801
	Add: Closing Contracts in progress		**508.199**	47.789
	Less: Opening Contracts in progress		**47.789**	308.958
	Less: Excise duty		**310.594**	232.962
		(a)	**9032.874**	5955.670
	Sale of Services	(b)	**865.828**	631.244
	Other Operating Revenue (Scrap Sales)		**146.850**	69.251
	Less: Excise duty		**14.450**	6.874
		(c)	**132.400**	62.377
	Total Revenue from operations (Net)		**10031.102**	6649.291
22.	**Other income**			
	Dividend from mutual fund investments		**28.943**	65.445
	Gain on redemption of mutual fund investments (net)		**208.735**	27.700
	Interest			
	- on fixed deposits		**88.906**	72.075
	- others		**19.315**	10.040
	Excess provision / creditors written back		**19.753**	47.510
	Other non-operating income		**77.723**	30.281
			443.375	253.051
23.	**Cost of materials consumed**			
	Raw material consumed		**5697.546**	3648.539
			5697.546	3648.539
	Details of materials consumed:			
	Stainless Steel material-plates, coils, tubes etc.		**1133.481**	753.058
	Other Raw materials, intermediaries, components, bought outs & other items		**4564.065**	2895.481
			5697.546	3648.539
24.	**(Increase)/Decrease in inventories of Finished Goods and Work in Progress**			
	Inventories at the end of the year			
	Work in Progress		**145.915**	66.058
	Finished goods		**60.273**	64.960
			206.188	131.018
	Inventories at the beginning of the year			
	Work in Progress		**123.812**	64.419
	Finished goods		**64.960**	300.423
			188.772	364.842
	(Increase)/Decrease in inventories		**(17.416)**	233.824

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

		31/03/2012	31/03/2011
25.	**Employee Benefit Expenses**		
	Salaries, wages and bonus	**873.100**	680.693
	Contributions to provident and other funds (Refer note 36 a)	**25.023**	28.605
	Gratuity Expense	**14.393**	10.769
	Staff welfare	**43.198**	35.764
		955.714	755.831
26.	**Finance costs**		
	Interest Expense	**11.539**	0.173
		11.539	0.173
27.	**Other Expenses**		
	Consumption of Stores & spares	**116.961**	64.487
	Site expenses and labour charges	**487.395**	439.792
	Freight and transport	**299.301**	154.921
	Bad debts written off/Provision for doubtful debts and advances	**28.028**	34.403
	Sales commission	**203.326**	50.935
	Travel and conveyance	**160.510**	121.286
	Professional consultancy charges	**701.767**	339.26
	Insurance	**23.794**	16.521
	Rent (Refer note 28)	**29.277**	29.802
	Power and fuel	**49.179**	33.202
	Advertising and exhibition expenses	**23.679**	23.639
	Communication expenses	**24.494**	17.882
	Testing charges	**17.839**	10.886
	Repairs and maintenance:		
	- Building	**8.044**	2.988
	- Plant and Machinery	**17.761**	11.015
	- Others	**35.783**	30.027
	Auditors' remuneration		
	- for audit services	**5.790**	3.987
	- for taxation services	**0.450**	0.500
	- for other services	**0.198**	0.202
	- out of pocket expenses	**0.050**	0.020
	Buy-back Expenses*	**3.068**	-
	Rates and taxes	**1.779**	1.405
	Loss on sale of fixed assets (net)	**1.244**	1.940
	Foreign exchange fluctuation loss (gain) (net)	**32.444**	(42.104)
	Miscellaneous expenses	**196.841**	148.010
		2469.002	1495.006

*Includes ₹1.000 in respect of buy-back related services rendered by auditors.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

28. Capital commitments, contingent liabilities and secured loans

	31/03/2012	31/03/2011
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**47.370**	141.128
Contingent liabilities		
Claims against Group not acknowledged as debts (primarily relating to performance related claims filed by customers)	**35.679**	35.831
Disputed demands in appeal towards income tax, Service tax & sales tax	**1.191**	39.090
Guarantee issued in respect of obligations of a subsidiary	**181.773**	Nil
Unfulfilled Export Obligations under EPCG scheme to be fulfilled over 8 years	**129.711**	292.064

29. Disclosures pursuant to Accounting Standard 7 (Revised) – Construction Contracts

	31/03/2012	31/03/2011
Contract revenue recognised during the year	**8388.626**	5192.864
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	**8388.626**	5192.864
Customer advances outstanding for contracts in progress	**1685.663**	1060.989
Retention money due from customers for contracts in progress	**306.112**	298.135
Gross amount due from customers for contract work (presented as Contracts in progress)	**722.083**	269.893
Gross amount due to customers for contract work (presented as Dues to customers relating to contracts in progress)	**(213.884)**	(222.107)

30. Segment reporting

The Group's activities involve predominantly one business segment i.e. Process and Project Engineering, which are considered to be within a single business segment since these are subject to similar risks and returns. Accordingly, Process and Project Engineering comprise the primary basis of segmental information as set out in these financial statements, which therefore reflect the information required by AS 17 - Segment Reporting, with respect to primary segments.

The Group has identified India and Rest of the World as geographical segments for secondary segmental reporting. Geographical sales are segregated based on the location of the customer who is invoiced or in relation to which the sale is otherwise recognised. Assets other than receivables used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as these are used interchangeably between segments.

Secondary segmental information

Particulars	**India**		**Rest of the world**		**Total**	
	31/03/2012	31/03/2011	**31/03/2012**	31/03/2011	**31/03/2012**	31/03/2011
Segment sales	**5115.585**	4070.252	**4915.519**	2579.038	**10031.10**	6649.290
Segment assets	**1873.887**	1505.404	**1424.524**	737.981	**3298.41**	2243.385

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

31. Related party transactions

a) Key management personnel and their relatives

Executive Chairman	Mr. Pramod Chaudhari
CEO & Managing Director	Mr Gajanan Nabar (From 15-11-2010)
CEO & Managing Director	Mr. Shashank Inamdar (Up to 14-11-2010)
Relative of key management personnel	Mrs. Parimal Chaudhari

b) Transactions and balances with related parties have been set out below:

Particulars	31/03/2012	31/03/2011
Pramod Chaudhari		
Remuneration including commission on profit	**60.327**	45.993
Dividend	**39.690**	-
Payable	**24.030**	13.950
Gajanan Nabar (From 15-11-2010)		
Remuneration including commission on profit	**22.544**	22.566
Payable	**4.280**	8.846
Shashank Inamdar (Up to 14-11-2010)		
Remuneration including commission on profit	**-**	6.878
Dividend	**-**	-
Parimal Chaudhari		
Commission on profit and sitting fees	**0.990**	0.630
Dividend	**14.515**	-
Payable	**0.990**	0.630

32. Leases

The Group has entered into operating lease arrangements for office space, equipments and residential premises for its employees. Certain lease arrangements provide for cancellation by either party and also contain a clause for renewal of the lease agreement. Lease payments on cancellable and non-cancellable operating lease arrangements debited to the Statement of Profit and Loss and the future minimum lease payments in respect of non-cancellable operating leases are summarised below:

	31/03/2012	31/03/2011
Future minimum lease payments in respect of non-cancellable leases		
- amount due within one year from the Balance Sheet date	**17.979**	21.469
- amount due in the period between one year and five years	**5.240**	21.387
- amount due after five years	**4.130**	4.206
Lease payments debited to the Statement of Profit and Loss		
- cancellable leases	**7.503**	7.571
- non-cancellable leases	**21.774**	22.231

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

33. Earnings per share

	31/03/2012	31/03/2011
Reconciliation of basic and diluted shares used in computing earnings per share		
Number of shares considered as basic weighted average shares outstanding for computing basic earnings per share	**184,090,695**	184,756,383
Add: Effect of dilutive issue of shares / options	**112,682**	122,856
Number of shares considered as weighted average shares and potential shares outstanding for computing diluted earnings per share	**184,203,377**	184,879,239
Computation of basic and diluted earnings per share		
Net profit after tax and minority interest attributable to equity shareholders	**678.942**	577.513
Basic earnings per equity share of ₹ 2 each	**3.69**	3.13
Diluted earnings per equity share of ₹ 2 each	**3.69**	3.12

34. Cash and cash equivalents

At the beginning of the year	31/03/2012	31/03/2011
Cash & Cheques in hand	**54.920**	3.624
Balances with banks*	**720.369**	389.140
Deposits with banks	**1.673**	1.599
	776.962	394.363
At the end of the year		
Cash & Cheques in hand	**4.131**	54.920
Balances with banks*	**586.536**	720.369
Deposits with banks	**211.000**	1.673
	801.667	776.962

Notes:

1. Deposits with banks having maturity of more than three months aggregating to ₹ 916.420 (March 31, 2011: ₹ 898.288) are not readily liquid and have been excluded from cash and cash equivalents and ₹16.400 is underlien to with SBI bank as margin money.
2. *Balance with bank include bank balances in relation to unclaimed dividends ₹5.753 (March 31, 2011: ₹5.257)

35. Quantitative information of foreign exchange instruments outstanding as at the Balance Sheet date

The foreign currency forward contracts outstanding as at the Balance Sheet date aggregate USD 19.750 million and GBP Nil (March 31, 2011: USD 20.850 million, GBP Nil).

The following foreign currency receivables/advances/payables balances are outstanding at the Balance sheet date, which are not hedged by foreign exchange instruments:

Nature of exposure	31/03/2012	31/03/2011
Balances in bank accounts	**36.698**	68.561
Advances paid	**132.299**	44.731
Payables representing creditors and other payables	**438.727**	232.965
Advances received	**921.538**	527.840
Receivables	**21.459**	3.876

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

36. Employee benefits

a) Defined contribution plans.

The Group has recognised ₹ 28.724 (March 31, 2011 ₹ 27.882) towards post employment defined contribution plans comprising of provident and superannuation fund in the Statement of Profit and Loss.

b) Defined benefit plan

In accordance with the Payment of Gratuity Act, 1972, the Group is required to provide post employment benefit to its employees in the form of gratuity. The Group has maintained a fund with the Life Insurance Corporation of India to meet its gratuity obligations. In accordance with the Standard, the disclosures relating to the Group's gratuity plan are provided below:

Reconciliation of opening and closing balance of obligation

Particulars	31/03/2012	31/03/2011
Liability at the beginning of the year	71.893	66.758
Current service cost	9.859	8.009
Interest cost	5.815	5.011
Benefits paid	(1.972)	(8.250)
Actuarial (gain)/loss on obligations	2.496	0.365
Liability at the end of the year	**88.091**	71.893

Reconciliation of opening and closing balance of fair value of plan assets

Particulars	31/03/2012	31/03/2011
Fair value of plan assets at the beginning of the year	35.116	32.500
Expected return on plan assets	3.514	3.006
Contributions by the employer	5.744	-
Benefits paid	-	-
Actuarial gain/(loss) on plan assets	0.263	(0.390)
Fair value of plan assets at the end of the year	**44.637**	35.116

Expense recognised in Statement of Profit and Loss

Particulars	31/03/2012	31/03/2011
Current service cost	9.859	8.009
Interest cost	5.815	5.011
Expected return on plan assets	(3.514)	(3.006)
Total actuarial (gain)/loss	2.233	0.755
Total expenses	**14.393**	10.769

Amount recognised in the Balance Sheet

Particulars	31/03/2012	31/03/2011
Defined benefit obligation as at end of the year	88.091	71.893
Fair value of plan assets at the end of the year	(44.637)	(35.116)
Net liability	**43.454**	36.777

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

Actual return on plan assets

Particulars	31/03/2012	31/03/2011
Expected return on plan assets	**3.514**	3.006
Actuarial gain/(loss) on plan assets	**0.263**	(0.390)
Actual return on plan assets	**3.777**	2.616

Principal actuarial assumptions

Particulars	31/03/2012 (%)	31/03/2011 (%)
Discount rate	8.50%	8.20%
Expected rate of return on plan assets	9.25%	9.25%
Salary increment rate	8.00%	8.00%

Composition of plan assets

Particulars	31/03/2012 (%)	31/03/2011 (%)
Central government securities	**53.04%**	53.04%
State government securities	**0.00%**	0.00%
Approved marketable securities	**0.00%**	0.00%
Bonds/debentures etc.	**42.77%**	42.77%
Loans	**0.00%**	0.00%
Equity	**4.00%**	4.00%
Liquid fund/money market instrument	**0.19%**	0.19%
Total	**100.00%**	100.00%

Notes:

1. Expected rate of return on plan assets is based on actuarial expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

2. The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors on long term basis.

37. Employee stock options

The Compensation Committee of the Company established the Employee Stock Option Plan on 23 July 2005. Employees covered by the Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. Total of 8,100,265 (including impact of bonus) stock options were approved in the Annual General Meeting of the Company held on 23 July 2005, of which the employees have been granted 2,759,139 stock options on 12 October 2005 ('Grant I'), 2,311,500 stock options on 28 December 2006 ('Grant II') and 3,029,626 stock options on 9 July 2009 ('Grant III') with a vesting period of 3 years. Stock options under Grant II lapsed on 28 December 2010. In the Meeting of the Compensation and Share Allotment Committee held on 16th November 2010 it was decided to utilise the surrendered and lapsed options out of Grant II to grant them to new CEO & MD in terms of his appointment letter and also to Senior Executives of the Company at the relevant market price as Grant IV. The total options granted under Grant IV are 1,950,000 options out of which 1,250,000 options (Plan A) were granted to CEO & MD with vesting period of 5 years and 700,000 options (Plan B) were granted to Senior Executives of the Company with vesting period of 2 years.

The stock options vest in a graded manner equally over the period of vesting, each vesting taking effect as per the terms of the grant. The stock options granted are exercisable at 100% of the fair

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

market value of the underlying equity shares of the Company as on the date of grant.

Grant I

Particulars	31/03/2012	31/03/2011
Options outstanding at the beginning of the year (*)	-	53,902
Granted during the year	-	-
Less: Exercised	-	36,131
Less: Cancelled	-	17,771
Options outstanding at the end of the year	-	-
Options exercisable at the end of the year	-	-

(*) Grant I exercise period has been extended by one year as approved in Board Meeting held on 9 July 2009.

Grant II

Particulars	31/03/2012	31/03/2011
Options outstanding at the beginning of the year	-	1,860,359
Granted during the year	-	-
Less: Exercised	-	-
Less: Cancelled	-	1,860,359
Options outstanding at the end of the year	-	-
Options exercisable at the end of the year	-	-

Grant III

Particulars	31/03/2012	31/03/2011
Options outstanding at the beginning of the year	2,427,250	2,848,876
Granted during the year	-	-
Additional options on account of allotment of bonus shares	-	-
Less: Exercised	-	4,100
Less: Cancelled	298,650	417,526
Options outstanding at the end of the year	2,128,600	2,427,250
Options exercisable at the end of the year	783,049	310,449

Grant IV (*)

Particulars	31/03/2012	31/03/2011
Options outstanding at the beginning of the year	1,950,000	-
Granted during the year	-	1,950,000
Less: Exercised	-	-
Less: Cancelled	21,000	-
Options outstanding at the end of the year	1,929,000	1,950,000
Options exercisable at the end of the year	-	-

(*) Grant IV consists of Plan A - 1,250,000 options and Plan B - 700,000 options.

38. Taxes

- The Group has not recognised MAT credit entitlement to the extent of ₹ 220.381 in respect of Income Tax paid in view of uncertainty of its utilisation for payment of tax in foreseeable future.
- Subsequent to the Balance Sheet date i.e. 31st March 2012, in April 2012, the Income Tax Department initiated proceedings against the Company under Section 132 of the Income-tax Act, 1961.

  As on the date of adoption of accounts by the Board of directors (29th May 2012), the Company is yet to receive a demand notice from the Income Tax Department and is also in the process of gathering information / documents and tax advice. Due to this, the Company is not in a position to reliably estimate the liability (if any) arising out of these proceedings.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

(All amounts are in Indian rupees million unless otherwise stated)

The management, on the basis of best estimate, has made a prudential provision of ₹ 25 Crores in the Statement of Profit and Loss. In the subsequent quarters, when more clarity is achieved, the difference, if any, between the above referred provision and envisaged liability will be debited/credited to the Statement of Profit and Loss, as the case may be.

39. Major Events

a) Buy-back of Shares

During the year the Company has announced a buy-back of equity shares with effect from December 26, 2011 as per Section 77A of the Companies Act, 1956. Pursuant to Board of Directors approval for buy-back the Company has bought back 5,230,631 shares through open market transactions for an aggregate amount of ₹ 405.828, by utilising Securities Premium of ₹ 405.828. Capital Redemption Reserve has been created out of securities premium for ₹10.461 being the nominal value of shares bought back in terms of Section 77A of the Companies Act, 1956.

Out of 5,230,631 shares bought back upto March 31, 2012, 2,402,402 shares were extinguished in April 2012. To that extent the disclosure of number of equity shares and value thereof, as mentioned in financial statements and Corporate Governance Report differ.

The buy-back of equity shares was completed on April 24, 2012. On completion of buy-back the Company has bought back (including above) total 7,313,644 shares for an aggregate amount of ₹ 558.638.

b) Insurance Claim

During the year the Group has received insurance claim of ₹ 60.351 (March 31, 2011: ₹ 59.413) for damage occurred for certain project from Insurance Company.

c) Acquisition of Neela Systems Limited

During the year, on 6th January 2012, the Company acquired 50.20% stake in Neela Systems Limited, a Company serving pharmaceuticals, life sciences, healthcare, F&B and cosmetics industry. Total Assets and Total Liabilities as on the date of acquisition were ₹98.06 crores and ₹ 58.77 crores respectively. The Consolidated results for the year ended as on 31st March 2012, include, Turnover of ₹ 31.10 crores and PAT of ₹ 2.31 crores (that is turnover and PAT from the date of acquisition, namely 6th January 2012) in respect of Neela Systems Limited. The full year turnover and PAT of Neela Systems Limited is ₹ 93.70 crores and ₹12.47 crores respectively. In Consolidated Statement of Assets and Liabilities as on 31st March 2012, Total Assets include ₹ 90.57 crores and Total Liabilities include ₹ 46.67 crores in respect of Neela Systems Limited.

40. Prior year comparatives

Till the year end March 31, 2011, the Group had adopted pre-revised Schedule VI as required by the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Group. The Group has reclassified previous year figures to confirm to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principle followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

For and on behalf of the Board of Directors of Praj Industries Limited

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts and Company Secretary

Sivaramakrishnan S. Iyer
Director

Place: Pune
Date: 29th May, 2012

Statement Pursuant to Section 212 of the Companies Act, 1956, Relating to Subsidiary Companies as of 31st March, 2012

(Currency: Indian rupees millions, except share data)

1	NAME OF THE SUBSIDIARY COMPANY	Praj Industries (Africa) Pty. Limited, South Africa	Praj Americas Inc. USA	Praj Far East Co., Ltd. Thailand	BioCnergy Europa BV, Netherlands	Praj Jaragua Bioenergia S.A. Brazil	Neela Systems Limited, India	Pacecon Engineering Projects Limited, India
2	FINANCIAL PERIOD OF THE SUBSIDIARY ENDED ON	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012
3	HOLDING COMPANY'S INTEREST	100% of Equity Capital	100% of Equity Capital	100% of Equity Capital	60% of Equity Capital	54% of Equity Capital	50.20% of Equity Capital	99.53% of Equity Capital
4	CAPITAL	1.311	9.281	5.007	29.385	135.831	50.000	3.098
5	RESERVES	1.839	(5.776)	5.006	51.304	(134.268)	195.269	0.265
6	TOTAL ASSETS	181.988	4.519	10.425	615.151	1.648	904.798	265.835
7	TOTAL LIABILITIES	181.988	4.519	10.425	615.151	1.648	904.798	265.835
8	INVESTMENTS	NIL	NIL	NIL	NIL	NIL	NIL	0.110
9	TURNOVER	40.347	16.980	32.859	589.689	-	308.121	273.528
10	NET AGGREGATE PROFIT / (LOSS) FOR THE CURRENT YEAR - (BEFORE TAXES)	2.404	(6.463)	2.370	7.043	(1.727)	68.113	13.070
11	PROVISION FOR TAXATION (INCLUDING DEFERRED TAXES)	0.728	-	0.305	1.616	-	22.052	3.843
12	PROFIT AFTER TAX	1.676	(6.463)	2.065	5.427	(1.727)	46.061	9.227
13	PROPOSED DIVIDEND	NIL	NIL	NIL	NIL	NIL	NIL	NIL
14	NET AGGREGATE PROFITS/LOSSES FOR THE CURRENT FINANCIAL YEAR SINCE BECOMING SUBSIDIARY SO FAR AS IT CONCERNS THE MEMBERS OF THE HOLDING COMPNAY DEALT WITH OR PROVIDED FOR IN ACCOUNTS OF THE HOLDING COMPANY	NIL	NIL	NIL	NIL	NIL	NIL	NIL
15	NET AGGREGATE PROFITS/LOSSES FOR THE CURRENT FINANCIAL YEAR SINCE BECOMING SUBSIDIARY SO FAR AS IT CONCERNS THE MEMBERS OF THE HOLDING COMPNAY NOT DEALT WITH OR PROVIDED FOR IN ACCOUNTS OF THE HOLDING COMPANY	1.676	(6.463)	2.065	3.256	(0.933)	23.123	9.184

Statement Pursuant to Section 212 of the Companies Act, 1956, Relating to Subsidiary Companies as of 31st March, 2012

(Currency: Indian rupees millions, except share data)

1	NAME OF THE SUBSIDIARY COMPANY	Praj Industries (Africa) Pty. Limited, South Africa	Praj Americas Inc. USA	Praj Far East Co., Ltd. Thailand	BioCnergy Europa BV, Netherlands	Praj Jaragua Bioenergia S.A. Brazil	Neela Systems Limited, India	Pacecon Engineering Projects Limited, India
16	NET AGGREGATE PROFITS/LOSSES FOR THE PREVIOUS FINANCIAL YEAR SINCE BECOMING SUBSIDIARY SO FAR AS IT CONCERNS THE MEMBERS OF THE HOLDING COMPNAY DEALT WITH OR PROVIDED FOR IN ACCOUNTS OF THE HOLDING COMPANY	N.A.	NIL	NIL	NIL	NIL	N.A.	NIL
17	NET AGGREGATE PROFITS /LOSSES FOR THE PREVIOUS FINANCIAL YEAR SINCE BECOMING SUBSIDIARY SO FAR AS IT CONCERNS THE MEMBERS OF THE HOLDING COMPNAY NOT DEALT WITH OR PROVIDED FOR IN ACCOUNTS OF THE HOLDING COMPANY	NIL	0.153	0.798	7.222	(73.237)	NIL	(9.150)
18	NET AGGREGATE AMOUNTS RECEIVED AS DIVIDEND FOR THE PREVIOUS FINANCIAL YEARS SINCE BECOMING SUBSIDIARY DEALT WITH IN THE ACCOUNTS OF THE HOLDING COMPANY IN THE FINANCIAL YEARS	NIL	NIL	NIL	NIL	NIL	NIL	NIL
19	ORIGINAL CURRENCY	ZAR	US DOLLAR	THAI BAHT	EURO	BRAZILIAN REAL	INR	INR
20	EXCHANGE RATE AS ON 31ST MARCH, 2012 IN INR-CLOSING RATE	6.74	50.83	1.68	67.64	28.41	-	-
21	EXCHANGE RATE FROM 1ST APRIL, 2011 TO 31ST MARCH, 2012 IN INR-AVERAGE RATE	6.46	48.10	1.56	66.18	28.31	-	-

For and on behalf of the Board of Praj Industries Limited

Pramod Chaudhari
Executive Chairman

Gajanan Nabar
CEO & Managing Director

Dattatraya Nimbolkar
VP - Finance & Accounts
and Company Secretary

Sivaramakrishnan S. Iyer
Director

Place: Pune
Date: 29th May, 2012

Notice

Notice is hereby given that the Twenty-Sixth Annual General Meeting of **PRAJ INDUSTRIES LIMITED** will be held on **Friday, 20th July, 2012 at 10.00 a.m.** at the Registered Office of the Company at “PRAJ HOUSE”, Bavdhan, Pune 411 021 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012 and the Statement of Profit and Loss for the year ended on that date together with the reports of Board of Directors and the Auditors thereon.

2. To declare Dividend on Equity Shares.

3. To appoint a Director in place of Mr. Berjis Desai who retires by rotation and being eligible offers himself for re-appointment.

4. To appoint a Director in place of Mr. Rajiv Maliwal who retires by rotation and being eligible offers himself for re-appointment.

5. To appoint the Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and authorise Board to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following Resolution as an **Ordinary Resolution:**

   “RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions (including any Statutory modifications or re-enactments thereof for the time being in force), if any, of the Companies Act, 1956 (hereinafter referred to as ‘The Act’), the consent of the Company be and is hereby accorded to the re-appointment of Mr. Pramod Chaudhari as Executive Chairman of the Company for a period of three years with effect from 1st August, 2012 on the remuneration as set out in the agreement tabled before the meeting and initialed by a Director for the purpose of identification.

   RESOLVED FURTHER THAT in the event of any enhancement of the limits specified in Schedule XIII to the Act, the Board of Directors be and is hereby authorised to vary and / or upwardly revise the remuneration within such enhanced limits.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, to give effect to the Resolution.”

By Order of the Board of Directors

Dattatraya Nimbolkar
VP - Finance & Accounts
and Company Secretary

Place: Pune
Date: 29th May, 2012

Notes:-

(a) **A Member of the Company entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a Proxy to attend and vote on a Poll instead of himself and the Proxy need not be a member of the Company.**

(b) The instrument appointing the Proxy should be lodged with the Company at its Registered Office not less than forty-eight hours before the commencement of the Meeting. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.

(c) An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.

(d) The brief resumes of the Directors, who are to be appointed / re-appointed, including nature of their expertise, their shareholding in the Company, etc. details are furnished in the report on Corporate Governance, which forms part of the Directors' Report. Members are advised to refer to the same.

(e) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 16th July, 2012 to Friday, 20th July, 2012 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Meeting.

(f) (i) Members holding shares in physical form are requested to send certified copy of their Income Tax Permanent Account Number (PAN) Card, including for all joint holders, to the Registrar and Transfer Agents of the Company.

(ii) To further Company's environment friendly agenda and to participate in MCA's Green Initiative, members are requested to register / update their e-mail address with their DP. Members who are holding shares in physical form are requested to send their e-mail address at investorsfeedback@praj.net for updation.

(g) Relevant documents referred to in the Notice are open for inspection by the members at the Registered Office on working days between 3.00 p.m. and 5.00 p.m. up to the date of the Meeting.

By Order of the Board of Directors

Dattatraya Nimbolkar
VP - Finance & Accounts
and Company Secretary

Place: Pune
Date: 29th May, 2012

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

ITEM NO. 5

The Company had entered into an agreement dated 11th July, 2007 with Mr. Pramod Chaudhari re-appointing him as Executive Chairman of the Company for a term of five years w.e.f. 1st August, 2007. It is now proposed to re-appoint him as Executive Chairman w.e.f. 1st August, 2012 for a further period of three years. Further, it is also proposed to revise the remuneration payable to him as per the recommendations of Remuneration Committee of Directors.

The information relevant for considering the resolution is as under:

Praj Industries is an integrated process engineering and solutions provider for biofuels, brewery, water & wastewater and process equipment globally for the last twenty seven years. The Company's financial and export performance has been given in the enclosed audited accounts for the year ended on 31st March, 2012.

Mr. Pramod Chaudhari is a B.Tech in Mechanical Engineering from IIT, Bombay. He is Promoter and Founder Director of Praj Industries Limited. He has over 41 years experience in the industry, as a professional and an entrepreneur.

While approving the revised remuneration the Company has complied with the requirements under Schedule XIII of the Companies Act, 1956. The remuneration payable to Mr. Pramod Chaudhari, Executive Chairman shall be as under:-

SALARY

Salary not exceeding ₹ 1,800,000/- per month.

PERQUISITES AND ALLOWANCES

i. In addition to the salary payable, the Executive Chairman shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, leave travel concession for himself and his family, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Mr. Pramod Chaudhari, such perquisites and allowances to be restricted to 125% of the annual salary. Besides this, Mr. Pramod Chaudhari is also entitiled to Provident Fund, Superannuation, Gratuity and encashment of leave, as per the rules of the Company.

ii. For the purpose of calculating the above ceiling, the perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, they shall be evaluated at actual cost.

   Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

iii. Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

PERFORMANCE BONUS

In addition to salary and perquisites, Performance Bonus shall be paid to him. The quantum of Performance Bonus will be decided by the Board of Directors considering the performance of the Company and Praj Group Companies and his individual performance.

COMMISSION

In addition to salary and Performance Bonus, Commission on profits shall be paid to him depending upon the profitability of the Company and Praj Group Companies. The Board of Directors will decide the quantum considering the performance of the Companies within the overall limits approved by the members.

The total payments under the head Performance Bonus and Commission taken together shall not exceed 3% of profit before tax of consolidated accounts of the Company subject to statutory limit of Section 309 of the Companies Act, 1956.

Minimum Remuneration

Notwithstanding anything to the contrary contained herein above, where in any Financial Year during the currency of the tenure of Mr. Pramod Chaudhari, the Company has no profit or its profits are in-adequate, the Company will pay remuneration by way of salary and perquisite and allowances as specified above as minimum remuneration subject to the overall ceiling as set out in Section II of Part II of Schedule XIII as may be amended from time to time.

OTHER BENEFITS

Benefits under any other scheme, provisions and amenities as are granted / likely to be granted to the Senior Executives of the Company in accordance with the Company's Practice, Rules & Regulations in force from time to time.

Apart from the remuneration aforesaid , Mr. Pramod Chaudhari will be entitled to the reimbursement of expenses incurred in connection with the business of the Company.

This may be treated as an abstract of the Agreement between the Company and Mr. Pramod Chaudhari, pursuant to Section 302 of the Companies Act, 1956.

None of the Directors other than Mr. Pramod Chaudhari and Ms. Parimal Chaudhari is in any way concerned or interested in the said resolution.

By Order of the Board of Directors

Dattatraya Nimbolkar
VP - Finance & Accounts
and Company Secretary

Place: Pune
Date: 29th May, 2012

PRAJ INDUSTRIES LIMITED

Registered Office : "PRAJ HOUSE", Bavdhan, Pune 411 021

TWENTY-SIXTH ANNUAL GENERAL MEETING – FRIDAY, 20TH JULY, 2012

ADMISSION SLIP

(To be handed over at the entrance of the Meeting Hall)

DP ID & Client ID / Folio No.	
No. of Shares	

I certify that I am a Member/Proxy for the Member of the Company and hereby record my presence at the **TWENTY-SIXTH ANNUAL GENERAL MEETING** being held at "PRAJ HOUSE", Bavdhan, Pune 411 021 on **Friday**, **20th July, 2012** at 10.00 a.m.

______________________________ ______________________________

Name of Member/Proxy (in block letters) Member's/Proxy's Signature

Note: A Member/Proxy holder attending the Meeting must complete this Attendance Slip and hand it over at the entrance.

Tear Here

PRAJ INDUSTRIES LIMITED

Registered Office : "PRAJ HOUSE", Bavdhan, Pune 411 021

PROXY FORM

TWENTY-SIXTH ANNUAL GENERAL MEETING – FRIDAY, 20TH JULY, 2012

DP ID & Client ID / Folio No.	
No. of Shares	

I/We ____ of ____________________________ in the state of _____________________ being a member/members of Praj Industries Limited, hereby appoint ______________________ of ______________________ or failing him/her _______________________ of ____________________________ as my/our proxy to attend and vote for me/us on my/our behalf, at the **TWENTY-SIXTH ANNUAL GENERAL MEETING** of the Company to be held on **Friday**, **20th July, 2012** at "PRAJ HOUSE", Bavdhan, Pune 411 021 at 10.00 a.m. and at any adjournment thereof.

Affix
15 paise
Revenue
Stamp

Signature

Place: ____________________

Date: ____________________

Note : This Proxy form duly signed across the Revenue Stamp must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the Meeting.


PRAJ
Helping the World
move towards
a Bio-based Economy
We have taken another step forward in moving the World towards renewable fuels.
We are working on plans to set up a lignocellulosic biomass to ethanol commercial demo plant.
Because we feel
it will make all the difference.
www.praj.net / info@praj.net