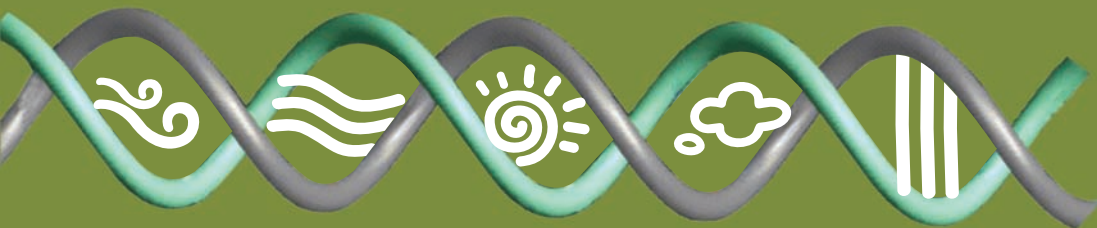


Annual Report 2009-10



Stronger Alignment with Sustainability



Vision

We aim to be the most preferred organization for all stakeholders through environment friendly, sustainable solutions that can make the world a better place.

Mission

- Develop and deliver cost-effective, safe, clean and reliable solutions that will maximize prosperity of our customers.
- Promote and nurture a culture of innovation, intrapreneurship and diversity that realizes the potential of each individual.
- Be a socially responsible corporate citizen.
- Create wealth for our stakeholders.

Values

- Integrity
- Intrapreneurship
- Innovation
- Respect

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Company Information

PRAJ INDUSTRIES LIMITED

Board of Directors	:	Executive Directors : Pramod Chaudhari, Executive Chairman Shashank Inamdar, CEO & MD
		Non-Executive Directors : Anil Joshi Berjis Desai Kishor Chaukar Parimal Chaudhari Rajiv Maliwal Sivaramakrishnan Iyer Utpal Sheth
Company Secretary	:	Deepak Mogal
Auditors	:	B.K. Khare & Co.
Internal Auditors	:	Khare Deshmukh & Company
Bankers	:	Bank of Maharashtra State Bank of India Royal Bank of Scotland (Formerly ABN Amro Bank N.V.) 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	:	Gat No. 105, Alandi Markal Road, Dhanori, Taluka Khed, Dist. Pune 412 105. India Kandla SEZ, Gandhidham, Kutch 370 230, Gujarat. India
Presence in	:	India, Thailand, The Netherlands, USA, Brazil & UAE.

Chairman's Statement



Aligning with Sustainability

Aligning with sustainability does not merely come from offering technology. It also comes from holistically driving the agenda. We have spelt this out in our **Sustainability Metrics** wherein the three **Es** – **E**veryone (People), **E**arth (Planet), **E**arnings (Profit) together drive the fourth dimension **E**volve (change) which in turn leads to growth. I can proudly say that we are one of early ones to adopt the **Four E** concept for understanding the interplay of these factors on the performance of the Company.*

Aligning with Sustainability demands us to draw a road map. The directions are set through **Innovation, Entrepreneurship** and **Education**. We are already addressing each of these facets at Praj. In some, we may have scored high and in some we have a distance to cover. But, the attempt has been to balance each one so that we can preserve the core and create a 'built-to-last' organization.

Our core in terms of innovation remains robust. This is borne out by the progress made on the Cellulose-to-Ethanol program being carried out at **Praj Matrix – The Innovation Center**. In a matter of one year, we have achieved significant milestones and are exploring scale up. This is documented in the Management Discussion and Analysis. Our Evaporation followed by Incineration system for wastewater treatment in distilleries is another testimony to our commitment to innovation. We will continue to work with this spirit.

Our entrepreneurial spirit is alive and thriving. Our entry into water and wastewater systems gives credence to this fact. Environment has been the steering thought, so it was very natural for us to venture into water and wastewater treatment, another dimension of clean technology.

(* Annual Report 2006-07)



We will continually explore new avenues of business which will provide high growth potential. We are presently working on programs through Praj Matrix in biochemicals and biomaterials which will deliver high value products. In biochemicals, we have already made a start with bioconsumables for fermentation industry where we are expanding geographically. This will also provide us with annuity business. As part of the sustainability agenda, we have always been focused upon basic elements of life addressing water, air, earth, fire and ether.

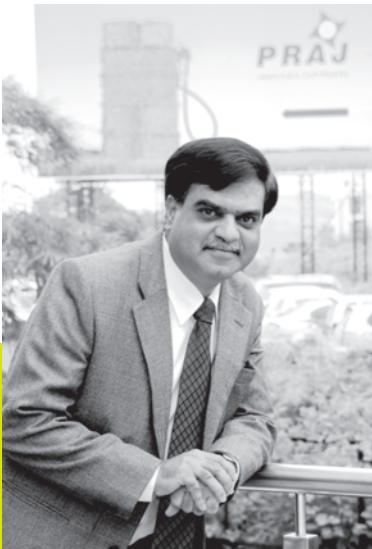
We believe in sustainability of business and performance. It is a challenging task to ensure course correction, especially against adverse economic conditions. Despite some slowdown in the growth trajectory, we continue to work towards sustaining shareholders' interest. I believe that our core business will regain momentum and we shall soon be back on track.

Lastly, *Alignment with Sustainability* is not all about business and commerce. We have also designed our Sustainability Agenda to include CSR activities, activities related to Health, Safety and Environment and our Human Resources policies.

Alignment with Sustainability is all about business and beyond business.

Pramod Chaudhari
Executive Chairman

Pune, May 2010



From the Desk of CEO & Managing Director

Looking Forward & Onwards

The FY 2009-10 was a year where your Company demonstrated resilience which saw it safeguarding the interest of the Company and its shareholders in the aftermath to a rather unprecedented economic turmoil. The situation continues to be dynamic and unpredictable as some of the recent events show.

During the year we made every attempt to be in step with the times. We have tightened our belt on commercial and financial practices. You will observe that we have brought down the debtors days and reigned in the inventory levels. We have observed that the Company has benefited significantly through use of techniques and methods aimed at improving operational efficiency. We continue to employ new techniques towards this end.

At the same time, we have kept an eye on our growth objectives. We used this period to re-evaluate our growth strategy. Our strategy for growth is a blend of increase in current business reach, moving into adjacent spaces, exploring new and diverse opportunities. We have enhanced our scope in current businesses by extending into auxiliary areas, thereby helping clients reduce investment risk. We are fully prepared to take on such assignments and are already pitching for the same.

We have moved into adjacent spaces like water & wastewater treatment systems and customized engineering and manufacturing where we offer equipment for industrial processes. We are actively pursuing business opportunities in these areas.

New ideas and diverse opportunities are continually being scanned. We hope to give shape to some of these ideas in the coming year.

As a knowledge driven Company, quality of human capital is critical. While we had made investment into human resources by way of addition to talent pool in the past, we have also been focusing on enhancing the productivity of the same through various initiatives including stronger performance driven systems and talent development programs. The ReInvent program launched in the Company aims at empowerment, intrapreneurship and institutionalisation. We will continue to build a strong team for a strong brand equity.

Our foremost agenda for the coming year will be to consolidate our position in our current businesses while leveraging our global brand for new business lines, thereby ensuring the interest of all stakeholders.

Shashank Inamdar

Pune, May 2010

Directors' Report

To The Members of Praj Industries Limited,

Your Directors are pleased to present the 24th Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2010, together with the notice of the Annual General Meeting.

Financial Results

In the year under review, your Company has recorded a total income of Rs. 6447 million (previous year Rs. 7957 million). While the total income decreased by 19 %, Profit before Tax decreased by 23% to Rs. 1231 million (previous year Rs. 1608 million). The performance was impacted by adverse global market conditions, against which your Company's performance can be considered modest.

(Rs. in million)

	2009-10	2008-09
Turnover	6023	7719
Other Income	424	238
Total Income	6447	7957
Total Expenses	5216	6349
PBT	1231	1608
PAT	1139	1298

Dividend

The Board of Directors had declared an Interim Dividend of Rs. 1.44 per share on Face Value of Rs. 2/- per share (72 %) for the financial year 2009 – 2010. The Board has decided not to recommend any further dividend for the Financial Year 2009-2010.

Credit Rating

- 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.
- CRISIL has also upgraded its rating of the Company's long-term bank facilities to 'AA/Stable' from 'AA-/Stable'. The "AA" rating signifies high safety with regard to timely payment of long-term financial obligations.

Subsidiaries

Pacecon Engineering Projects Ltd. (PEPL), BioEnergy Europa B. V., Netherlands, Praj Jaragua Bioenergia S.A., Brazil and Praj Far East Co. Ltd., Thailand are subsidiaries of your Company and are operating in their respective areas.

During the year under review, your Company divested its shareholding in Praj Schneider Inc., USA. Consequently, it ceases to be a subsidiary of your Company. This decision was taken keeping in mind the need to re-structure its business in North and

South America. This led the Company to incorporate a new wholly owned subsidiary in Texas, Houston called Praj Americas Inc.

Your Company has applied to the Central Government for exemption from attaching the audited accounts of the subsidiaries to the Annual Accounts of your Company, for the financial year ended 31st March, 2010. The said application is under process and final approval letter is awaited. A statement containing brief financial details of the Company's subsidiaries for the year ended 31st March, 2010 is included in the annual report. The annual accounts of these subsidiaries will be made available for inspection to members of the Company / its subsidiaries upon request at the registered office of the Company.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and 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

During the year under review, Mr. Rajiv Maliwal has been appointed as Additional Director with effect from 14th August, 2009. He holds office upto the date of the ensuing Annual General Meeting. He is eligible for appointment as Director. Mr. Daljit Mirchandani retired at the 23rd Annual General Meeting held on 9th July, 2009.

Mr. Berjis Desai and Mr. Kishor Chaukar retire by rotation in terms of Article 83 of the Articles of Association of the Company and being eligible offer themselves for re-appointment.

Auditors

a) Internal Auditors

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

b) Statutory Auditors

The Statutory Auditors, M/s. B. K. Khare & Co., Chartered Accountants, Mumbai, 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.

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 along with proper explanation relating to material departures;
- 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 2009-10 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

- During the year, your Company allotted 1,307,410 equity shares on exercise of options under the Employee Stock Option Plan 2005 Grant I & II. Consequent to the above, the Issued, Subscribed and Paid – up Equity Share Capital of your Company increased from 183,431,082 equity shares (Rs. 366.862 million) to 184,738,492 equity shares (Rs. 369.477 million) as of March 31, 2010.
- During the year, the Company has issued Grant III of Options under the Employee Stock Option Plan 2005 aggregating 3,029,626 options to its eligible employees at the rate of Rs. 81.75 per option.
- The information to be disclosed as per SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to this Report (Annexure 4).

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, 2002, 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 and the same will be sent by post. The statement is also available for inspection at the Registered Office, during working hours upto the date of the Annual General Meeting.

Energy Conservation, Technology Absorption, Adaptation, Innovation

The technology, plant & equipment offered by your Company adopts sustainability criterion in terms of energy, water, environment, safety and social dimensions.

Towards this end, your Company carries out R & D for systems that will enhance sustainability.

The Company specifically focusses on innovation and has set up a facility called Praj Matrix – The Innovation Center, which is currently engaged in development of cellulosic ethanol program.

Your Company has taken an initiative to enhance its commitment to sustainable practices. A Sustainability Report is separately enclosed. Towards these initiatives, the Annual Report for the year ended 31st March, 2010 contains only those details that are statutorily required to be published in the Annual Report along with Abridged Standalone Financial Statements prepared in compliance with the provisions of Section 219 of the Companies Act, 1956. The complete and full set of Annual Report is made available on the Company's web-site at www.praj.net in the Investor's Lounge Section. The same is also available for inspection at the Registered Office during working hours upto the date of the Meeting. Any member interested in obtaining a copy of the full Annual Report may write to the Company Secretary or email us at investorsfeedback@praj.net

Foreign Exchange Earnings & Outgo

	Rs. in millions	
	31/03/2010	31/03/2009
Earnings	2676	3553
Outgo	762	1018
NFE	1914	2535

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

Shashank Inamdar
CEO & MD

Sivaramakrishnan Iyer
Director

PLACE : PUNE
DATE : 29TH MAY, 2010

Annexure 1

Management Discussion & Analysis

Overall Review

The real impact of the global meltdown on the capital goods industry became more pronounced during the FY 2009-10, as investments came under pressure and many project sponsors re-evaluated their priorities. During this period, it was considered that the Company should act with prudence and bide its time for revival of the global economy. It was felt that we should not lose the edge that we have created for ourselves, in terms of the market and technology.

While India continues to lead the turnaround, we see signs of revival in some of our international markets. In some markets the wait could be longer. We will keep evaluating the markets constantly and intensify our efforts as markets revive.

Financial Review

Your Company recorded performance in line with the prevailing market trends. Inspite of the challenging environment, your Company continues to post high double digit margin at 20%. Although a drop over the previous fiscal, the performance can be termed as satisfactory, against the backdrop of external climate. The Company has a strong cash position which it plans to deploy towards growth initiatives.

Operating Environment & Opportunities

Market conditions continue to be challenging. Biofuels is a relatively new business paradigm. Improved economic conditions will likely see resumption of biofuels investments. The bioethanol industry saw 17% increase in production with existing capacities coming on line, even in the USA, on the back of improved crush margins. The share of ethanol in global gasoline fuel use increased from 3.7% to 5.4% in the Year 2009.

Strategic Focus - Second Generation Field Demo Plant

Praj Matrix – The Innovation Center, the R & D facility of Praj, began pilot scale trials on second generation, lignocellulosic ethanol plant over a year ago. The pilot plant, with a capacity of 2 metric tons/day feedstock (dry basis), involves a thousand fold scale up. The program involves working with feedstocks like bagasse, corn cobs and wood chips. Within this period, the pilot plant has made significant headway. Key milestones include:

- Optimization of Fractionation of streams (C5, C6 and Lignin)
- Novel approach to enzymatic hydrolysis process
- Proprietary C5 mutant micro-organism and C6 micro-organism
- Validation of Energy and Effluent Management System

A patent for the process has been filed.



It is now time to optimize and scale up these findings to the next level. The Board of your Company has taken a decision to invest into a field demo plant. Various models of this investment are under exploration. The field demo plant will provide vital data towards commercialization.

Market Dynamics

Alcohol/Ethanol Industry Review

Of the total revenues of the Company, revenues from India usually constitute between 50 and 60%. And, 40-50% of total business comes from offerings for bioethanol production. While new capacities in USA are presently on hold, USA presents the largest opportunity for advanced biofuels at 21 bln gallons per annum till 2022. First generation will continue to come on line in EU, Latin America and South East Asia where mandates have been announced but are yet to take effect in terms of capacity building. Feedstock prices, which were earlier on the upswing, are also well under control. Starch sources are seeing good supply position as also adequate capacity for sugar production, which is yet another source of comfort. Sugar prices having come off, will lead to increased capacity addition for ethanol production mainly in countries which are producing ethanol directly from sugarcane.

India is still predominantly a beverage alcohol market with a YOY growth of 12-15%. The Group of Ministers formed to advise the Government on Fuel Ethanol policy have recommended a purchase price of ethanol, which upon implementation should spur further interest in augmenting ethanol capacities.

Your Company has also gained the distinction of becoming the largest cassava based ethanol plant supplier in the South East Asia region.

Beer Industry Review

Brewery Plant & Equipment business is a steady stream. Beer Plants account for 10-12% of our revenue mix. Almost 60% of India's beer flows from plants supplied by us.

Praj has undertaken steps to enhance its revenue streams from brewery business and is now pitching for business in overseas markets. We expect encouraging results in the ensuing years.

Biodiesel Industry Roundup

The market for biodiesel has been subdued due to high feedstock prices which in turn have impacted the Biodiesel Plants business of your Company. Meanwhile, your Company focused on creating significant differentiators for its biodiesel offering. A demo plant has been installed at Praj-Matrix to study contemporary technologies for biodiesel production.

Feedstock continues to be a major challenge as also excess capacity in some regions. The Company has been working with non-food crops, including *Jatropha* and *Safflower* (non-edible variety) through its agri-division.

Biochemicals Solution

The biochemicals solutions group supplies bionutrients, additives and catalysts that act as performance enhancers. Praj supplies a range of nutrients to the fermentation industry like distilleries and breweries which is consumed in the course of production. Praj is currently expanding this range to address processes outside the distillery and brewery line. This business is seen as adding annuity revenues. Currently, this segment constitutes a small proportion of total revenues.

Awards, Certifications & Recognition

Your Company's work continues to be appreciated. We have recently received the *Emerging Enterprise Award in Cleantech* by Cleantech Forum, a worldwide organization engaged in bringing cleantech sector on the same platform.

We have also received award for Export Performance for the year 2008-09 from Engineering Export Promotion Council (EEPC) who has given us the Top Exports Award - (Medium Enterprise) Gold Trophy. We have received the gold trophy second year in a row. An award for export performance has been received from The Ministry of Industry, Government of Maharashtra.



We have received ISO 9001:2008 from TUV during the year. This certifies that our internal processes are more and more in line with our customers.

For a fourth year in a row, Chairman of your Company has been invited to lead the agenda of the Biofuels Industry as the Chairman of the National Biofuels Committee, CII, (2010-11). The Committee has done some exemplary work in documenting different aspects of biofuels including carbon footprinting and realistic price for biofuels in India, which have also been shared with the concerned agencies.

Our Executive Chairman, Pramod Chaudhari, got an opportunity to represent the country at the COP15 Copenhagen Summit on Climate Change. Representation at this forum holds tremendous significance, as the business of the Company concerns itself with the climate change mitigation process.

Business Model

In order to serve its customers as a single point solution provider for biofuels, water & wastewater treatment and brewery, your Company has scaled up its business model to undertake complete EPC*, EPCM** contracts that would not only improve competitiveness, but also increase revenues per contract. The Company has made adequate preparations to address different geographies, in terms of capacity and capabilities. In many of the earlier projects, your Company has been providing back up for this scope of work.

(* Engineering, Procurement & Construction; ** Engineering, Procurement & Construction Management)

Resources

Your Company's resources in terms of manufacturing capacity, human resources, engineering services, supply chain and customer engagement are being improved and amalgamated in line with the growth plans and new offerings.

Business Network

The Company has adequate coverage in terms of manpower and establishment in key locations to serve markets globally. Apart

from India, the Company has presence in Thailand, UAE, Africa, South & Central America, North America and Europe. For South and North America, Praj has recently established a Company in Houston, Texas.

Human Capital

The business model of your Company demands high caliber personnel, as each offering of the Company is customized and needs a deep insight into the technology and delivery of solutions. This has led the Company to devise performance management system which takes into account capabilities that need to be constantly upgraded, whether through training programs or through other interventions. Recognizing the long term goals, the Company has launched a middle management leadership program.

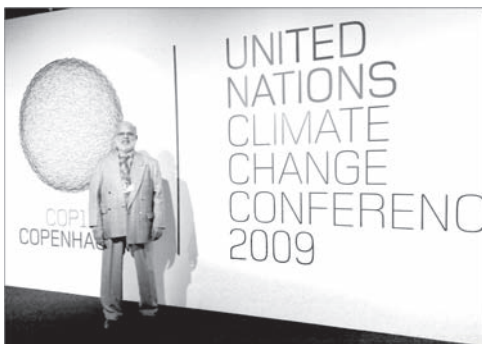
Considering the change in business model to EPC, the Company has inducted talent which would enable the Company to make these offerings competently.

Future Outlook

Your Company has been working on a long range plan for some time. The plan examined opportunities in synergistic areas as also new ideas that would spur growth. Timelines for the same are now being brought forward and two new business lines have been rolled out. One is Water & Wastewater business and another is Customized Engineering & Equipment. These businesses derive strength from our existing business of providing solutions for wastewater treatment for distilleries and breweries and process equipment fabrication of high standard.

Water & Wastewater Treatment

The Company has introduced new business line for water and wastewater treatment systems for industrial and municipal segments. Availability of clean water is a growing challenge and technology-driven solutions are the need of the hour. Praj has been offering these solutions for its existing business



which is now being extended to other segments. The Company has retained a reputed business consulting firm for enabling quick scale-up.

Starting with domestic market, the Company plans to grow the business globally. The estimated market size is in the region of Rs. 400 bln over a span of five years. The Company has already resourced the business group and has achieved a small breakthrough in this sector. The Company is in advanced stage of preparation for this business.

Customized Engineering & Manufacturing

This business line concerns itself with offering process equipment for industrial applications. Your Company is leveraging its sound reputation and capabilities in fabrication of high quality equipment and systems.

Through this business line, your Company gets access to general process industry, opening multiple industry opportunities. The Company is growing these businesses as it sees a good growth in the general process industry.

Your Company is also working on several other growth related programs.

Risks & 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 situation in key markets of your Company is seen as an essential risk element. The Company has created a strong presence in emerging economies which have been relatively unhurt in this crisis which providing it with a partial hedge. Also, the Company has brought forward its growth plans in synergistic areas like water and wastewater treatment business.

As 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. The price of Stainless Steel, which is the main raw material for the equipment supplied and sourced by the Company is, at times, volatile. While the Company hedges against these fluctuations, the Company is still exposed to this price risk.

Apart from the above mentioned specific risks, the Company recognizes various risks inherent in the performance of a contract which may relate to commercial terms or political and geographical risks. 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 and Brewery business is governed by the legislation of different geographies served by the Company. The Company has adequate geographical spread.

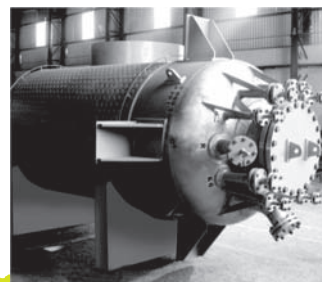
Internal Control Systems

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 Statement

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.



Annexure 2

Sustainability Report

Incorporating Corporate Social Responsibility and Environmental Sustainability

Sustainability can be defined as an ability to endure. Sustainable activities are those that "meet present needs without compromising the ability of future generations to meet their needs".

The vectors of sustainability include Social, Economic and Environmental measures in relation to a 'for-profit' organizations. We do believe that the long term performance of our Company is an aggregate of our performance as well as the well-being of the society we operate in and the state of environment. Having recognized this, your Company is focusing on Corporate Social Responsibility and Environmental Sustainability as the central pillars.

Apart from the Company's business activities which focus on clean and green technologies (as stated in its vision), the Company also performs voluntary actions that contribute to sustainable living.

The Company undertakes internal and external initiatives which meet the goals of Sustainability. In addition, Praj is contributing to the corpus of Praj Foundation, which assists the Company in CSR activities.

Elaborated below are activities undertaken during the FY 2009-10 through Praj Foundation and Praj's GreenGroup, which is charged with the responsibility of sustainable work and living space.



Environment

Clean city

Disposal of solid waste is a growing challenge for rapidly developing municipalities. Recognizing this, your Company is focusing on some aspects of management of solid waste. Praj foundation and INORA are jointly implementing a project of Decentralised Biodegradable Waste Management through nine Satellite centers located in different parts of the city. The idea is to create awareness and teach the methods involved in biodegradation of waste through vermin-composting. This is done through a series of committee meetings, training sessions and demonstrations.

In last two years more than 83 residential societies/institutions have installed composting units. The total quantity composted averages 4 MT/day.

A competition titled 'Garden from Waste' was organized for citizens who employ this method and use the compost in their kitchen garden. This also promotes use of organic nutrients/fertilizers.



Stream of life

Water is becoming more and more scarce, more so in the rural areas. In the previous fiscal, Praj Foundation supported the Ecological Society in the 'Nirmal Ganga Abhiyan', a project for ecological restoration of existing streams in three villages near Pune. These streams are being restored with the help of school children, teachers & villagers. Participating students have created loose boulder structures for soil and water conservation and planted 4350 nos. native species along the banks of the stream.

Praj Silver Jubilee Bio Diversity Park

This a Public Private Partnership project. An area of 2 acres has been allotted by Pune Municipal Corporation on BOT basis near the Pashan lake in the vicinity of the Corporate Head Office of the Company. A tree plantation drive was initiated on the occasion of 'World Environment Day'. 240 plants of 25 native species have been planted by dignitaries as well as Praj employees and their families.

Energy Efficient Workplace

Praj has initiated an exercise which involves auditing and installing systems for energy reduction and efficiency at different locations. The Company has already demonstrated reduction of 10% in energy intake at the Corporate Office as also 9% reduction in CO2 emission. Praj has also implemented an Energy Monitoring System (EMS).

The Bureau of Energy Efficiency (BEE), an agency of the Government of India, under the Ministry of Power, has accorded a *One star rating* to the Praj Building. Your Company would like to take the efforts further through adherence to CII Mission and other internal initiatives.

Other initiatives

Your Company is a signatory to the CII Mission on Sustainable Growth wherein it commits to reduce the impact of its operations on the ecology. Some key tenets of this document involve, reduction in energy and water consumption, reduction in waste generation, increase in renewable energy consumption

Your Company has instituted a Health, Safety and Environment Policy which is in effect at various locations. Some highlights during the year include:

- Reduction in accidents/Safe operations leading to reduced accidents
- Safety training for staff
- Environmental monitoring at manufacturing centers
- Started preparations for ISO 14001 and OHSAS 18001 at various locations
- Conducted courses on workplace stress, healthy living and health check up camps

Praj has partnered the CII National Biofuels Committee and E & Y on a study to arrive at quantum of Carbon Mitigation through use of biofuels. This first-of-its-kind study has been documented by CII and circulated to various stakeholders.

Education

Adoption of Technical Education Institute

Industrial Training Institutes (ITIs) have been imparting vocational training throughout the country. In order to improve the employability quotient of students from rural areas, the Government announced a scheme wherein Corporates would participate in the upgradation of Government led institutes through various interventions. Praj has undertaken mentorship of an ITI at Velhe, near Pune. During the first year of this mentorship, a 3-months 'hardware networking course' was initiated and completed. This ITI holds special significance as people from this area have the least access to educational facilities, leave alone technical education. The first batch has successfully completed the course. Students have already enrolled for the second batch. Other courses are also in the offing.

Green Group Employee Engagement

Employees engage themselves in green group activities, a forum created for awareness, education and implementation of sustainable



living practices. This includes transportation to and from workplace, travelling for official purpose; green gardening at home; appreciation of wild-life or simply donating blood.

Human Capacity Building

Praj believes that Intrapreneurship (internal entrepreneurship; www.mahaintrapreneur.com) is an important concept for development of organizations. In order to promote this trait amongst professionals, Praj announced the Mahaintrapreneur Award. In the Year 2009, the first competitive award nominations were called for and announced. Your Company is happy with the process and the outcome. The Company plans to continue with these awards.

Learning by Doing

Praj Foundation is jointly implementing a project of Environment Awareness & Conservation with a residential school near Pune - Girls Sainiki School. This initiative was undertaken in FY 2008-09 wherein students undertook bio-composting of kitchen waste which was then applied to the kitchen garden at the school. Having found it very useful, the activity was continued during the FY 2009-10. Under the 'One tree One student' programme, 255 trees planted on the campus, are being nurtured by the students. A Green Scholarship has been instituted to recognize efforts of the most environment friendly student.

Sustainability Workshop

Praj Foundation conducted Sustainability Workshop with a view to create awareness amongst small and medium scale enterprises in and around the city of Pune, for adoption of sustainable practices at workplace. Two such sessions have been conducted so far.

Health

Awareness

Praj Foundation is continuing the project of Health Awareness in villages adjoining Pune City. During the current fiscal 15 Health awareness sessions were conducted benefiting 706 women and 300 adolescent girls. Three health camps were organized benefiting 443 women and adolescent girls. For creating nutritional security, 120 kitchen gardens have been established.

Biomedical Waste Disposal

Biomedical waste, another solid waste management issue, has been identified as the key areas of intervention by Praj Foundation (PF). It is important to treat biomedical waste safely. In the city of Pune itself, 1.2 tons/day of biomedical waste gets generated. While the treatment is being carried out scientifically, transportation of this waste requires a specially designed vehicle. PF donated a Biomedical Waste Disposal Van to Pune Municipal Corporation to enable safe transportation of Biomedical Waste. The van is regularly being used to transport the waste to the incinerator plant.



Annexure 3

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 organization. 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, 2010, comprising of two Whole-time Directors, seven Non-Executive Directors. Five of the Non-Executive Directors are Independent Directors.

b) Number of Board Meetings

Four Board Meetings were held during the year ended 31st March, 2010. The dates are – 21st April, 9th July, 12th October, in the calendar year 2009 and 20th January, in the calendar year 2010.

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	No. of Committee Memberships*	
					Chairman	Member
Mr. Pramod Chaudhari	PD, ED	4	Yes	2	Nil	1
Mr. Shashank Inamdar	PD, ED	4	Yes	Nil	Nil	Nil
Mr. Anil Joshi	ID, NED	4	Yes	5	3	8
Mr. Berjis Desai	ID, NED	4	Yes	8	3	7
Mr. Kishor Chaukar	ID, NED	4	Yes	14	1	4
Ms. Parimal Chaudhari	PD, NED	3	Yes	Nil	Nil	1
Mr. Rajiv Maliwal \$	ID, NED	2	N.A.	3	Nil	1
Mr. Sivaramakrishnan S. Iyer	ID, NED	4	Yes	5	4	1
Mr. Utpal Sheth	NED	4	Yes	7	Nil	Nil
Mr. Daljit Mirchandani #	ID, NED	1	Yes	–	–	–

Notes:

- (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) PD – Promoter Director, ED – Executive Director, ID – Independent Director, NED – Non-Executive Director.
- (3) *Committee Membership of only Audit Committee and Investors' Grievance Committee is considered for this purpose.
- (4) Directorships in Foreign Companies and Private Limited Companies are excluded in the above table.
- (5) \$ Appointed as an Additional Director of the Company on 14th August, 2009.
- (6) # Retired on 9th July, 2009.

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. Shashank Inamdar, 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 the Stock Exchanges.

Composition: As on 31st March, 2010, the Audit Committee of the Company comprises of three Independent Non-Executive Directors namely Mr. Berjis Desai (Chairman of the Committee w.e.f. 9th July, 2009), Mr. Sivaramakrishnan S. Iyer and Mr. Anil Joshi. 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 four times during the year i.e. on 21st April, 8th July, 12th October, in the calendar year 2009, 20th January, in the calendar year 2010.

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

Name of Director	No. of Meetings	Meetings attended
Mr. Anil Joshi	4	4
Mr. Berjis Desai \$	4	2
Mr. Daljit Mirchandani #	4	2
Mr. Sivaramakrishnan S. Iyer	4	4

\$ Member w.e.f. 9th July, 2009.

Member upto 9th July, 2009.

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, 2010, the Remuneration 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. Anil Joshi.

Meetings : This Committee has met twice during the year ended 31st March, 2010. The dates are – 21st April and 9th July in the calendar year 2009.

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

Name of Director	No. of Meetings	Meetings attended
Mr. Anil Joshi \$	2	Nil
Mr. Berjis Desai	2	2
Mr. Daljit Mirchandani #	2	2
Mr. Sivaramakrishnan S. Iyer	2	2

\$ Member w.e.f. 9th July, 2009.

Member upto 9th July, 2009.

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 and Perquisites including commission for the year ended 31st March, 2010 to the Executive Directors is as follows:

Mr. Pramod Chaudhari, Executive Chairman Rs. 58.13 Mn. (Salary Rs. 13.14 Mn., Perquisites Rs. 17.09 Mn. and Commission Rs. 27.90 Mn.), Mr. Shashank Inamdar, CEO & MD Rs. 21.45 Mn. (Salary Rs. 4.64 Mn., Perquisites Rs. 5.11 Mn. and Commission Rs. 11.70 Mn.). Besides this the Executive Directors are also entitled to provident fund, superannuation, gratuity and encashment of leave, as per the rules of the Company.

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

The tenure of office of the CEO & MD is for a period of 3 years from the date of appointment. As per agreement Severance Fees 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 Commission to Non-Executive Directors for 2009-10 is Rs. 5.40 Mn. The details are as follows:

Mr. Anil Joshi Rs. 0.360 Mn., Mr. Berjis Desai Rs. 0.945 Mn., Mr. Kishor Chaukar Rs. 0.720 Mn., Ms. Parimal Chaudhari Rs. 0.945 Mn., Mr. Rajiv Maliwal Rs. 0.270 Mn., Mr. Sivaramakrishnan S. Iyer Rs. 1.800 Mn. and Mr. Utpal Sheth Rs. 0.360 Mn.

Shares held and Options granted to Non-Executive Directors as on 31/03/2010 :

Name of Director	Number of Equity Shares held	Stock Options outstanding	Grant Price per option (Rs.)	Last date for conversion of options
Mr. Anil Joshi	Nil	Nil	N. A.	N. A.
Mr. Berjis Desai	1,481,450	Nil	N. A.	N. A.
Mr. Kishor Chaukar	Nil	Nil	N. A.	N. A.
Ms. Parimal Chaudhari	6,673,077	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	Nil	Nil	N. A.	N. A.

c) Shareholders'/Investors' Grievance Committee:

Composition : As on 31st March, 2010, the Shareholders'/Investors' Grievance Committee of the Board comprises of three Directors namely Mr. Sivaramakrishnan S. Iyer (Chairman of the Committee), Mr. Anil Joshi and Ms. Parimal Chaudhari.

Meetings : This Committee has met four times during the year ended 31st March, 2010. The dates are – 21st April, 9th July, 12th October, in the calendar year 2009 and 20th January, in the calendar year 2010.

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

Name of Director	No. of Meetings	Meetings attended
Mr. Anil Joshi	4	4
Ms. Parimal Chaudhari	4	3
Mr. Sivaramakrishnan S. Iyer	4	4

During the year the Company has received 27 complaints which were attended to. No investors' complaint is pending as on 31st March, 2010.

Mr. Deepak Mogal, 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, 2010, the Compensation & Share Allotment Committee of the Board comprises of three Directors namely Mr. Berjis Desai (Chairman of the Committee), Mr. Sivaramakrishnan S. Iyer and Mr. Shashank Inamdar.

Meetings: This Committee has met four times during the year ended 31st March, 2010. The dates are – 21st April, 9th July, 12th October, in the calendar year 2009 and 20th January, in the calendar year 2010.

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	4	4
Mr. Daljit Mirchandani #	4	1
Mr. Pramod Chaudhari #	4	2
Mr. Shashank Inamdar	4	4
Mr. Sivaramakrishnan S. Iyer	4	4

Members upto 9th July, 2009

4. General Body Meetings:

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

Year	Venue	Date & Time	Special Resolutions passed
2006-07	'PRAJ HOUSE', Bavdhan, Pune 411 021	5th June, 2007 10.30 a.m.	a) Issue of Bonus Shares b) Re-appointment of CEO & MD c) Re-appointment of Executive Chairman d) Payment of commission to Non-Executive Directors
2007-08	'PRAJ HOUSE', Bavdhan, Pune 411 021	27th June, 2008 10.30 a.m.	a) Alteration of Articles of Association
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.

5. Disclosures:

a) Related Party Transactions:

Please refer to Schedule No. 18.4 of Notes to Accounts for materially 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.

6. 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 acts as a Director on the Board of various Companies viz. Sterlite Industries (India) Ltd., The Great Eastern Shipping Company Ltd., National Organic Chemical Industries Ltd., Edelweiss Capital Ltd., Deepak Nitrite Ltd., Centrum Capital 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	– Investors' Grievance Committee
Praj Industries Ltd.	Chairman	– Audit Committee
Emcure Pharmaceuticals Ltd.	Member	– Audit Committee
The Great Eastern Shipping Co. Ltd.	Member	– Audit Committee
	Member	– Shareholders' Grievance Committee
Centrum Capital Ltd.	Chairman	– Investors' Grievance Committee
Greatship (India) Ltd.	Member	– Audit Committee
Edelweiss Capital Ltd.	Member	– Shareholders'/Investors' Grievance Committee

Shareholding in the Company :

He holds 1,481,450 (0.80%) shares of the Company in his name as on 31st March, 2010.

Mr. Kishor Chaukar

Date of birth : 01/08/1947

Date of Appointment : 19/06/2007

Qualification : Post graduate in Management from IIM Ahmedabad.

Expertise in specific functional area :

Mr. Kishor Chaukar is a member of Group Corporate Centre which is engaged in strategy formulation at the house of TATA. He is also actively involved in CSR activities of Tata Group.

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

Currently, Mr. Kishor Chaukar acts as a Director on the Board of various Companies viz. Tata Industries Ltd., Tata Advanced Materials Ltd., Tata Teleservices Ltd., Tata Autocomp Systems Ltd., Tata Communications Ltd., IDFC Private Equity Company Ltd., Tata Investment Corporation Ltd., Tata Business Support Services Ltd., Tata Petrodyne Ltd., TSR Darashaw Ltd., Tata Industrial Services Ltd., Tata Yazaki Autocomp Ltd., Tata Teleservices (Maharashtra) Ltd., Tata AIG Life Insurance Co. Ltd.

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

Tata Autocomp Systems Ltd.	Member	– Audit Committee
Tata Teleservices Ltd.	Member	– Audit Committee
Tata Communications Ltd.	Chairman	– Investors' Grievance Committee
Tata Business Support Services Ltd.	Member	– Audit Committee
Tata Industrial Services Ltd.	Member	– Audit Committee

Shareholding in the Company : Nil

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 acts as a Director on the Board of various Companies viz. 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):

Mr. Rajiv Maliwal is a member of Audit Committee of Man Infraconstruction Ltd.

Shareholding in the Company:

He holds 20,000 (0.01%) shares of the Company in his name as on 31st March, 2010.

Mr. Shashank Inamdar, CEO & MD:

Date of birth : 20/07/1955

Date of Appointment : 13/12/1985

Qualification : Chemical Engineer from IIT Bombay.

Expertise in specific functional area :

Mr. Inamdar has extensive experience in general management including marketing, design, engineering, project execution, manufacturing and development. Trained in plant engineering, design and bio-tech processes, he has in-depth experience in chemical engineering, process technology and bio-technology.

Directorships held in other public companies (excluding foreign companies and section 25 companies) : Nil

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

Shareholding in the Company :

Mr. Shashank Inamdar is the Promoter of the Company and holds 1,522,828 (0.82%) shares of the Company in his name as on 31st March, 2010.

7. Investor Services:

a) Share Transfer Process

The Company's shares, which are in compulsory dematerialized (demat) list, are transferable through the depository system. Shares in physical form are processed by Registrar and Transfer Agent, Link Intime 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 Link Intime India Private Limited.

b) Investor Help – desk

Share transfers and all other investors related activities are attended to and processed at the office of our Registrar and Transfer Agents viz. Link Intime 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 R & T Agent. During the year, investor services like electronic information system for payment of dividend has been introduced for those investors whose e-mail ids are available with the Company.

8. 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, 2010.

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 requirements are 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 60 years and Non-Executive Directors will retire at the age of 65 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 and Mumbai & 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 and 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.

9. 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.

10. Additional Information for Shareholders:

Annual General Meeting:

Date & Time : 23rd July, 2010 at 10.00 a.m.

Venue : "PRAJ HOUSE", Bavdhan, Pune 411 021

Financial Year : 1st April to 31st March

Financial Calendar:

For the year ended 31st March, 2010 quarterly results were announced on :

Results for the quarter ended June 2009	9th July, 2009
Results for the quarter ended September 2009	12th October, 2009
Results for the quarter ended December 2009	20th January, 2010
Results for financial year ended March 2010	29th May, 2010

For the year ended 31st March, 2011, the tentative announcement dates are :

Results for the quarter ending June 2010	Third week of July 2010
Results for the quarter ending September 2010	Third week of October 2010
Results for the quarter ending December 2010	Third week of January 2011
Results for last quarter ending March 2011	Third week of April 2011

Date of Book Closure : 19th July, 2010 to 23rd July, 2010 (both days inclusive)

**Listing on Stock Exchange
(Stock Code)**

: **The Company's shares are listed on:**

Bombay Stock Exchange Ltd., Mumbai (522205)

National Stock Exchange of India Ltd. (PRAJIND)

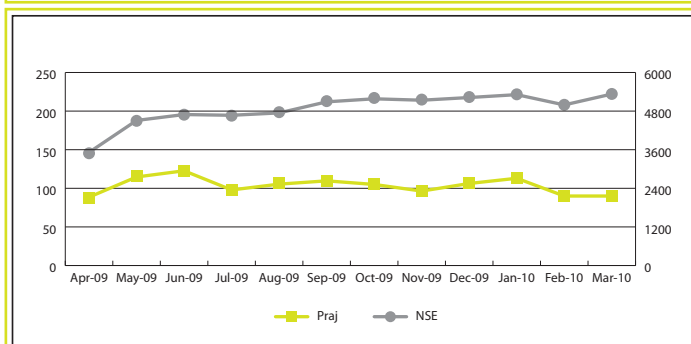
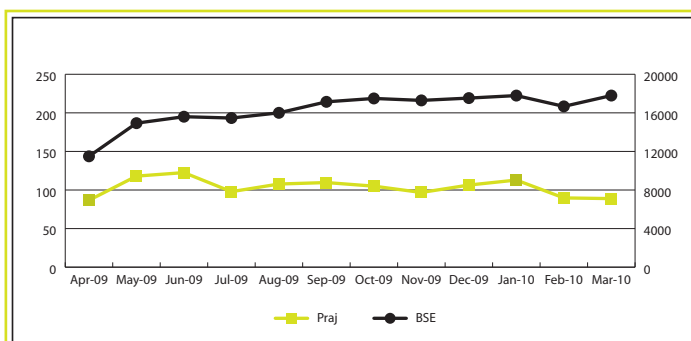
The Annual Listing Fees for 2010-2011 have been paid to both the Stock Exchanges.

The ISIN Number allotted to Company's Equity Shares is INE074A01025.

Stock Market Data

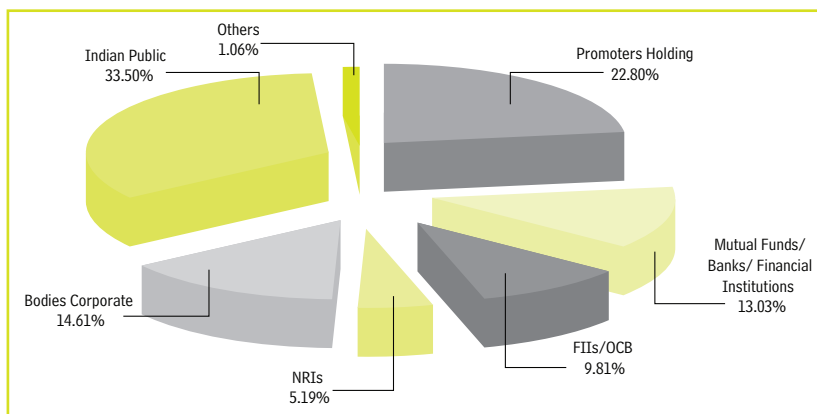
Monthly high/low during the year 2009-2010 on BSE & NSE:

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2009	86.70	57.80	88.55	57.10
May 2009	118.00	65.90	114.70	66.25
June 2009	122.55	88.10	122.70	88.20
July 2009	97.85	70.00	97.90	70.00
August 2009	107.75	81.90	105.40	82.00
September 2009	109.65	95.10	109.65	90.00
October 2009	105.00	83.10	105.00	83.05
November 2009	96.80	77.90	96.40	77.80
December 2009	106.40	88.55	106.25	88.55
January 2010	112.90	81.65	113.00	81.50
February 2010	89.75	78.60	90.00	78.70
March 2010	88.85	81.50	90.00	82.00



Shareholding Pattern as on 31st March, 2010:

Category	No. of shares of Rs. 2/- each	% of holding	Shares pledged	
			No. of shares	%
Promoters Holding	42124432	22.80	0	0
Total (A)	42124432	22.80	0	0
Non-Promoter Holding				
Mutual Funds/Banks	16674862	9.03		
Financial Institutions/Banks	7386162	4.00		
Foreign Institutional Investors	16494663	8.93		
Bodies Corporate	26997986	14.61		
Indian Public	61898952	33.50		
Clearing Members	1839145	1.00		
Non-Resident Indians	9581840	5.19		
Overseas Corporate Bodies	1622250	0.88		
Trusts	118200	0.06		
Total (B)	142614060	77.20		
Total (A) + (B)	184738492	100.00	0	0


Distribution of shareholding as on 31st March, 2010:

Holdings	Shareholders		Shares	
	Number	% to total	Number	% to total
Upto 500	139088	98.21	28321473	15.33
501 to 1000	1351	0.95	4963256	2.69
1001 to 2000	605	0.43	4450154	2.41
2001 to 3000	155	0.11	1947490	1.05
3001 to 4000	95	0.07	1693029	0.92
4001 to 5000	61	0.04	1387898	0.75
5001 to 10000	94	0.07	3410436	1.85
10001 and above	173	0.12	138564756	75.00
Total	141622	100.00	184738492	100.00

Dematerialisation of Shares and Liquidity:

As on 31st March, 2010, 99.72% of shareholding was held in dematerialized 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 dematerialized form w.e.f. 15th March, 2000.

Physical and Demat Shares:

	As on 31/03/2010	%
No. of Shares held by NSDL	122752929	66.45
No. of Shares held by CDSL	61470141	33.27
Physical Shares	515422	0.28
Total	184738492	100.00

Investor Services:

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

The Company has constituted Investors' Grievance Committee for redressing shareholders and investors complaints. Mr. Deepak Mogal, 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, only on this designated e-mail id 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 correspondence to their respective Depository Participant regarding change of address, change of bank account mandate and nomination.

INVESTOR SAFEGUARDS

In order to serve you better and enable you to avoid risks while dealing in securities you are requested to follow general safeguards as below :

Demat Your Shares

Members are requested to convert their physical holding to demat form through any of the nearest depository participant (DPs) to avoid hassles involved with physical shares such as possibility of loss, mutilation, and to ensure safe and speedy transaction in securities.

Register Your National Electronic Clearing Services (NECS) Mandate

RBI has initiated NECS for credit of Dividend directly to the Bank Account of shareholders. Members holding shares in electronic mode are requested to register their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS Code details) with their Depository Participant. Members holding shares in physical form are requested to intimate their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS Code details) to the Company's R & T Agent.

Do not Forget to Encash Your Dividend

Please encash your dividend promptly to avoid hassles of revalidation/losing your rights of claim owing to transfer of unclaimed dividend beyond seven years to Investor Education and Protection Fund Account.

Update Your Address

To receive all communications promptly please update your address registered with the Company or DPs, as may be applicable.

Consolidate Your Multiple Folios

Members are requested to consolidate their holding held under multiple folios to save them from burden of receiving multiple communication and corporate benefits.

Register Nominations

To help your successors get the shares transmitted in their favour please register your Nomination. Members desirous of availing this facility may submit nomination in Form 2B prescribed under the Companies (Central Government's) General Rules & Forms, 1956. Members holding their shares in dematerialized form are requested to register their nomination directly with their respective DPs.

Prevention of Fraud

There are certain instances of fraudulent transactions observed relating to dormant folios where the share holder has either expired or has gone abroad. Hence we urge to exercise due diligence and notify us of any change in address/stay in abroad or demise of any shareholder as soon as possible. Do not leave your Demat account dormant for long. Periodic statement of holding should be obtained from concerned DP and holding should be verified.

Confidentiality of Security Details

Do not disclose your Folio no./DP ID/ Client Id to an unknown person. Do not hand over signed blank transfer deeds/delivery instructions slips to any unknown person.

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 and 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 and 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.

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 28 January 2006. All Board members and senior management personnel have affirmed compliance with the Code of Conduct.

For PRAJ INDUSTRIES LIMITED

SHASHANK INAMDAR
CEO & MD

PLACE : PUNE
DATE : 29 MAY 2010

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 31 March 2010.

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 : 29 MAY 2010

Annexure 4

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

Sr. No.	Particulars	ESOP 2005 Grant I 12th October, 2005	ESOP 2005 Grant II 28th December, 2006	ESOP 2005 Grant III 9th July, 2009
1.	Details of meeting	Annual General Meeting held on 23rd July, 2005.		
2.	Options Granted (including impact of bonus)	2,759,139	2,311,500	3,029,626
3.	Pricing Formula	At fair market value	At fair market value	At fair market value
4.	Options vested	2,759,139	1,655,812	Nil
5.	Options exercised	2,440,486	79,107	Nil
6.	The total number of shares arising as a result of exercise of options.	2,440,486	79,107	Nil
7.	Options lapsed/cancelled	264,751	372,034	180,750
8.	Variation of terms of options	Nil	Nil	Nil
9.	Money realised by exercise of options	Rs. 609.58 lacs	Rs. 0.65 lacs	Nil
10.	Total number of options in force	53,902	1,860,359	2,848,876
11.	Details of options granted to Senior Managerial Personnel:			
	V. A. Datar	60,000	Nil	Nil
	Berjis Desai	90,000	Nil	Nil
	S. S. Iyer	120,000	Nil	Nil
	Ajit Lele	25,000	Nil	Nil
	R. V. Chaudhari	30,000	Nil	Nil
	Arun Tengshe	18,000	8,100	Nil
	Anil Deshpande	18,000	8,100	Nil
	Balu Sarma	Nil	Nil	15,000
12.	Any other employee/Non-Executive Director who receives a grant in any one year of option amounting to 5% or more of option granted during that year :			
	Berjis Desai	90,000	Nil	Nil
	S. S. Iyer	120,000	Nil	Nil
13.	Identified employee 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.	N.A.	N.A.	N.A.

14. Proforma adjusted net income and earning per share:

Particulars	Rs.
Net income as reported (in millions)	1138.847
Add: Intrinsic Value Compensation Cost	Nil
Less: Fair Value Compensation Cost (in millions)	54.502
Adjusted Proforma Net Income (in millions)	1084.345
Basic Earning Per Share –	
As Reported	6.18
Adjusted Proforma	5.89
Diluted Earning Per Share –	
As Reported	6.16
Adjusted Proforma	5.87

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

Particulars	Date of Grants		
	12th October, 2005	28th December, 2006	9th July, 2009
1. Risk-free interest rate	6.23% - 6.54%	7.53% - 7.68%	4.09% - 5.40%
2. Expected Life	2–3 years	2–3 years	2–3 years
3. Expected Volatility	60.31%	61.47%	83.45%
4. Expected Dividend Yield	5.56%	4.07%	0.93%
5. Price of the underlying share in market at the time of Options grants	Rs. 93.30	Rs. 185.86	Rs. 81.75

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

Sr. No.	Particulars	Rs.
1.	Exercise price equals market price	85.72
2.	Exercise price is greater than market price	NA
3.	Exercise price is less than market price	NA

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

Sr. No.	Particulars	Rs.
1.	Exercise price equals market price	39.77
2.	Exercise price is greater than market price	NA
3.	Exercise price is less than market price	NA

Praj At a Glance

	UOM	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03
SALES	Rs. Min	6022.84	7718.81	7016.27	6074.74	2674.98	2352.57	1065.19	881.56
OTHER INCOME	Rs. Min	424.52	241.80	386.83	89.33	25.33	30.66	21.39	12.91
TOTAL INCOME	Rs. Min	6447.36	7960.61	7403.10	6164.07	2700.31	2383.23	1086.58	894.47
TOTAL EXPENDITURE NET OF DEPRECIATION	Rs. Min	5111.59	6270.88	5603.96	5028.82	2349.94	2084.56	963.28	831.06
DEPRECIATION	Rs. Min	105.11	81.71	55.35	31.61	26.50	19.55	15.74	15.99
EBIDTA (Excl. Other Income)	Rs. Min	914.55	1451.81	1412.60	1048.45	330.36	269.81	109.58	66.00
PBT	Rs. Min	1230.65	1608.02	1743.79	1103.65	323.87	279.12	107.55	47.43
PAT	Rs. Min	1138.85	1297.48	1535.44	865.29	244.13	217.58	81.38	24.26
NET BLOCK OF FIXED ASSETS + CWIP	Rs. Min	1441.25	1471.60	1059.68	454.53	279.02	210.78	178.14	175.94
SHARE CAPITAL	Rs. Min	369.48	366.86	366.32	167.80	162.23	81.11	81.11	81.11
RESERVES AND SURPLUS	Rs. Min	4953.86	4067.74	3142.08	1405.06	387.29	340.81	222.85	182.64
NET WORTH	Rs. Min	5323.33	4434.60	3508.40	1572.86	549.52	421.93	303.96	263.75
EPS (Basic)	Rs.	6.18	7.08	8.55	5.19	3.01	2.68	1.00	0.30
RATIOS									
EBIDTA TO SALES (Excl. Other Income)	%	15	19	20	17	12	11	10	7
PBT TO SALES	%	20	21	25	18	12	12	10	5
PAT TO SALES	%	19	17	22	14	9	9	8	3
RONW	%	23	33	60	82	50	60	29	11
ROCE	%	25	40	69	104	68	73	33	20
NO. OF SHARES	Nos.	184,136,528	183,350,588	179,536,155	166,717,368	81,112,520	81,112,520	81,112,520	81,112,520
DIVIDEND	%	72	90	99	135	63	108	45	NIL
BOOK VALUE PER SHARE	Rs.	28.82	24.19	19.54	9.43	6.77	5.20	3.75	3.25
CASH EPS	Rs.	6.73	7.52	8.86	5.38	3.34	2.92	1.20	0.50

Notes :

1. Face Value of share @ Rs. 2/- per share.
2. RONW in FY 2006-07, 2007-08 reflects increase in capital due to preferential allotment.
3. Book Value per share reflects increase in number of shares consequent to issue of bonus shares.

AUDITORS' REPORT

To The Members, Praj Industries Limited

We have audited the attached Balance Sheet of **Praj Industries Limited**, as at 31st March, 2010 and also the Profit and Loss Account 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.

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.

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

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 purpose 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account 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 written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 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, 2010;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended as on that date.

For and on behalf of

B. K. KHARE & CO.
CHARTERED ACCOUNTANTS

U. B. JOSHI
PARTNER

PLACE : PUNE
DATED : 29 MAY 2010

MEMBERSHIP NO. 044097
FIRM REGISTRATION NO. 105102W

Annexure to the Auditors' Report

Referred to in paragraph 1 of our Report of even date:

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a programme of physical verification of fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regards to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- ii. (a) The inventory, except goods-in-transit and stocks lying with the 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 the third parties at the year end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories 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 registered maintained under Section 301 of the Companies Act, 1956 ('the Act').
- 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 with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weakness in internal control system.
- v. (a) In our opinion and according to information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) Not applicable since value of transactions in respect of any party does not exceed five lakh rupees.
- 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 there under are not applicable.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Act for any of the products manufactured/services rendered by the Company.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been regular in depositing amounts deducted/accrued in the books of account in respect of 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 with the appropriate authorities.

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, Sales-Tax, Wealth-Tax, Service-Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31/03/2010 for the period of more than six months from the date they became payable.

As explained to us, the Company did not have any dues on account of cess under Section 441A of the Act since the aforesaid Section has not yet been made effective by the Central Government.

- (b) According to the information and explanations given to us, there are no dues of Income-Tax, Sales-Tax, Wealth-Tax, Service-Tax, Customs Duty and Excise Duty, which have not been deposited with the appropriate authorities on account of disputes other than those mentioned below

Name of statute	Nature of dues	Amount (in millions)	Period to the which amount relates	Forum where pending
Central Sales Tax Act, 1956	Demand on account of non-submission of statutory declaration forms	3.91	F.Y. 2002-03	Deputy Commissioner (Appeals)
Central Sales Tax Act, 1956	Demand on account of non-submission of statutory declaration forms	1.19	F.Y. 2003-04	Deputy Commissioner (Appeals)
Income Tax Act, 1961	Demand on account of Assessment Order	3.76	F.Y. 2002-03	Income Tax Appellate Tribunal

- x. The Company does not have accumulated losses at the end of the financial year and has not incurred any cash losses in the financial year and the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in payment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not chit fund or in nidhi/mutual benefit fund / society.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks 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 are of the opinion that funds raised on short-term basis have not been used for long-term investment.
- xviii. According to the information and explanations given to us, during the year, the Company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issues.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For and on behalf of

B. K. KHARE & CO.
CHARTERED ACCOUNTANTS

PLACE : PUNE
DATED : 29 MAY 2010

U. B. JOSHI
PARTNER
MEMBERSHIP NO. 044097
FIRM REGISTRATION NO. 105102W

Balance Sheet as at 31/03/2010

(Currency : Indian rupees millions, except share data)

	Schedule	31/03/2010	31/03/2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	369.477	366.862
Reserves and surplus	3	4953.857	4067.745
		5323.334	4434.607
Deferred tax liability (net)	4	153.421	131.504
Secured Loans	5	-	127.435
		5476.755	4693.546
APPLICATION OF FUNDS			
Fixed and intangible assets			
Gross block	6	1737.129	1595.885
Less : Accumulated depreciation and amortisation		362.890	261.685
Net book value		1374.239	1334.200
Capital work-in-progress (including capital advances)		67.013	137.397
		1441.252	1471.597
Investments	7	2771.124	2141.733
Current assets, loans and advances			
Inventories	8	282.948	602.625
Contracts in progress	18.2	411.932	870.650
Sundry debtors	9	1124.849	1747.533
Cash and bank balances	10	1261.064	1127.778
Loans and advances	11	1220.454	950.210
		4301.247	5298.796
Less : Current liabilities and provisions			
Current liabilities	12	2206.824	3401.600
Provisions	13	830.044	816.980
		3036.868	4218.580
Net current assets		1264.379	1080.216
		5476.755	4693.546
Significant accounting policies	1		
Notes to the financial statements	18		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report attached.

FOR B. K. KHARE & CO.
CHARTERED ACCOUNTANTS

U. B. JOSHI
PARTNER
MEMBERSHIP NO.: 044097
FIRM REGISTRATION NO. 105102W

PLACE : PUNE
DATE : 29 MAY 2010

For and on behalf of Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

SHASHANK INAMDAR
CEO & MD

DEEPAK MOGAL
COMPANY SECRETARY

SIVARAMAKRISHNAN S. IYER
DIRECTOR

Profit and Loss Account for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

	Schedule	31/03/2010	31/03/2009
Income			
Gross sales and services		6193.915	7934.542
Less : excise duty		171.075	215.729
Net sales and services	18.16	6022.840	7718.813
Other income	14	424.517	238.034
		6447.357	7956.847
Expenditure			
Cost of materials consumed	15	3433.738	3840.269
Personnel cost	16	606.625	630.342
Manufacturing, selling and other costs	17	933.604	1683.152
Depreciation and amortisation	6	105.110	81.713
Interest costs		3.300	3.870
		5082.377	6239.346
Profit before tax, exceptional items & prior period items		1364.980	1717.501
Less : Exceptional items	18.23	74.717	109.479
Profit before tax & prior period items		1290.263	1608.022
Less : Prior period items (net)	18.7	59.610	—
Profit before tax		1230.653	1608.022
Less : Provision for tax			
- Current tax	18.22	69.885	242.157
- Deferred tax		21.921	58.886
- Fringe benefit tax		-	9.500
Profit after tax		1138.847	1297.479
Balance in Profit and loss account brought forward		2538.234	1757.044
Amounts available for appropriation		3677.081	3054.523
Appropriations			
Dividend		265.947	330.176
Tax on dividend		45.198	56.113
Transfer to general reserve		114.000	130.000
Balance in Profit and loss account carried forward		3251.936	2538.234
Basic earnings per share of face value of Rs. 2 each	18.6	6.18	7.08
Diluted earnings per share of face value of Rs. 2 each	18.6	6.16	7.02
Significant accounting policies	1		
Notes to the financial statements	18		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached.

FOR B. K. KHARE & CO.
CHARTERED ACCOUNTANTS

U. B. JOSHI
PARTNER
MEMBERSHIP NO.: 044097
FIRM REGISTRATION NO. 105102W

PLACE : PUNE
DATE : 29 MAY 2010

For and on behalf of Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

SHASHANK INAMDAR
CEO & MD

DEEPAK MOGAL
COMPANY SECRETARY

SIVARAMAKRISHNAN S. IYER
DIRECTOR

Cash Flow Statement

for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
A. Cash flow from operating activities		
Net profit before tax	1230.653	1608.022
Adjustments for :		
Loss on sale of fixed assets	0.957	0.790
Gain on redemption of mutual fund investments	(47.789)	(60.798)
Surplus on liquidation of shares in subsidiary (Praj Far East Pte Limited)	-	(2.434)
Provision for doubtful debts and advances	10.085	201.410
Provision for diminution in current investments	0.728	2.235
Provision for diminution in long-term investments	-	109.479
Unrealised foreign exchange (gain) (net)	(165.265)	239.831
Depreciation and amortisation	105.110	81.713
Interest earned	(72.474)	(33.337)
Dividend from mutual fund investments	(77.121)	(122.752)
Interest charged	3.300	3.870
Operating profit before working capital changes	988.184	2028.029
Changes in working capital		
(Increase)/decrease in sundry debtors	612.599	(364.185)
(Increase)/decrease in inventories (including contracts in progress)	778.395	(415.787)
(Increase)/decrease in loans and advances	69.007	(83.964)
Increase/(decrease) in current liabilities	(983.127)	15.004
Increase/(decrease) in provisions	(56.640)	53.503
Cash generated from operations	1408.418	1232.600
Direct and fringe benefit taxes paid (including taxes deducted at source), net of refunds	(314.003)	(218.332)
NET CASH FROM OPERATING ACTIVITIES	1094.415	1014.268
B. Cash Flow from investing activities		
Purchase of fixed assets and intangibles	(84.011)	(516.820)
Purchase of investments:		
- in subsidiaries	(10.795)	(61.184)
- in mutual funds	(7554.980)	(9046.077)
- in debentures	(50.000)	(100.000)

Cash Flow Statement for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
Sale of investments		
- in subsidiary	–	5.426
- in mutual funds	7001.915	9656.258
Proceeds from sale of fixed assets	0.809	0.433
Interest received on investments	38.538	11.388
Dividend received on investments	77.121	122.752
Investment in fixed deposits	(246.475)	(792.917)
NET CASH (USED) IN INVESTING ACTIVITIES	(827.878)	(720.741)
C. Cash Flow from financing activities		
Proceeds from exercise of employee stock options	61.024	15.052
Proceeds from share application money pending allotment	–	(0.031)
Dividend paid including dividend distribution tax	(311.145)	(386.289)
(Decrease)/Increase in short-term borrowings and bank overdraft	(127.435)	127.435
Interest paid	(3.300)	(3.870)
NET CASH FROM FINANCING ACTIVITIES	(380.856)	(247.703)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(114.319)	45.824
Cash and cash equivalents at the beginning of the year (Refer Schedule 18.8)	280.738	235.914
Add : effect of exchange rate changes on cash and cash equivalents	1.130	(1.000)
Cash and cash equivalents at the end of the year (Refer Schedule 18.8)	167.549	280.738

The schedules referred to above form an integral part of the Cash Flow Statement.

As per our report attached.

FOR B. K. KHARE & CO.
CHARTERED ACCOUNTANTS

U. B. JOSHI
PARTNER
MEMBERSHIP NO.: 044097
FIRM REGISTRATION NO. 105102W

PLACE : PUNE
DATE : 29 MAY 2010

For and on behalf of Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

DEEPAK MOGAL
COMPANY SECRETARY

SHASHANK INAMDAR
CEO & MD

SIVARAMAKRISHNAN S. IYER
DIRECTOR

Schedules to the Financial Statements for the year ended 31/03/2010

(Currency: Indian rupees millions, except share data)

1. Significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements 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 and with the relevant provisions of the Companies Act, 1956, to the extent applicable.

1.2 Use of estimates

The preparation of 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.

1.3 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.

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.

1.4 Fixed assets and depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of acquisition includes inward freight, duties, taxes and other directly attributable expenses.

Depreciation on fixed assets is provided on the straight-line method pro-rata to the period of use. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 have been adopted by the Company, which in the view of the management reflects the useful life of the related fixed asset.

Assets costing individually Rs. 5,000 or less are depreciated at the rate of 100%. Building and other constructions on leasehold

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land are depreciated over the lease term or the useful life, whichever is shorter. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and estimated net realisable value and are disclosed separately in the financial statements.

Capital work-in-progress includes the cost of fixed assets that are not ready for intended use at the Balance Sheet date and advances paid to acquire capital assets before the Balance Sheet date.

1.5 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 know-how	5-10 years
Software	5 years

1.6 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.

1.7 Investments

Investments that are readily realisable and intended to be held for not more than one year from the date on which such investment is made are classified as current investments. Current investments are carried at lower of cost and fair value, which is determined for each individual investment. Cost includes related expenses such as commission / brokerages etc.

Long-term investments are carried at cost less any other than temporary diminution in value, determined separately for each individual investment.

Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

1.8 Inventories

Inventories are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost is determined on the basis of the weighted average method and includes expenditure in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of labour and overheads.

1.9 Foreign currency transactions

Transactions denominated in foreign currency are recorded at rates that approximate the exchange rate prevailing on the date of the respective transaction.

Exchange differences arising on foreign exchange transactions settled during the year are recognized in the Profit and Loss account of the year. Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are

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translated at the year end closing exchange rate and the resultant exchange differences are recognized in the Profit and Loss account.

The premium or discount arising at the inception of the forward exchange contracts related to underlying receivables and payables are amortised as an expense or income recognised over the period of the contracts. Gains or losses on renewal or cancellation of foreign exchange forward contracts are recognised as income or expense for the period.

1.10 Leases

Lease payment under an operating lease is recognised as an expense in the Profit and Loss account on a straightline basis over the lease term.

1.11 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 Profit and Loss account.

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 Profit and Loss account 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 Profit and loss account.

1.12 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.

1.13 Income taxes

Income-tax comprises of current tax and fringe benefit tax (i.e., amount of tax for the period determined in accordance with the income-tax law) and deferred tax (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that they will be realised in future; however, where there is unabsorbed depreciation and carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Timing differences, which reverse within the tax holiday period, do not result in tax consequence and therefore no deferred taxes are recognised in respect of the same. For this purpose, the timing differences, which originate first, are considered to reverse first.

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1.14 Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extra-ordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e., the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and issues of bonus shares effected prior to the approval of the financial statements by the Board of Directors.

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(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
2. Share capital		
Authorised capital		
450,000,000 equity shares of Rs. 2 each	900.000	900.000
(2009 : 450,000,000 equity shares of Rs. 2 each)		
Issued, subscribed and paid-up capital		
184,738,492 equity shares of Rs. 2 each fully paid up	369.477	366.862
(2009 : 183,431,082 equity shares of Rs. 2 each fully paid up)		
Of the above :		
1,307,410 equity shares of Rs. 2 each were allotted during the financial year 2009-10 pursuant to the exercise of stock options.		
269,272 equity shares of Rs. 2 each were allotted during the financial year 2008-09 pursuant to the exercise of stock options.		
91,372,879 equity shares of Rs. 2 each issued as bonus shares during the financial year 2007-08 by capitalisation of securities premium account.		
7,300,125 equity shares of Rs. 2 each were allotted during the financial year 2007-08 pursuant to the conversion of warrants.		
588,740 equity shares of Rs. 2 each were allotted during the financial year 2007-08 pursuant to the exercise of stock options.		
40,556,260 equity shares of Rs. 2 each issued as bonus shares during the financial year 2005-06 by capitalisation of securities premium account.		
4,320,000 equity shares of Rs. 10 each were allotted to share holders of Praj Engineering Limited, during the financial year 2002-03 pursuant to a scheme of amalgamation without payment being received in cash. (*)		
896,652 equity shares of Rs. 10 each (converted were allotted to shares holders of Praj Finance Limited, during the financial year 1997-98 pursuant to a scheme of amalgamation without payment being received in cash. (*)		
1,350,000 equity shares of Rs. 10 each issued as bonus shares during the financial year 1993-94 capitalisation of reserves. (*)		
21,491 equity shares of Rs. 10 each were allotted during the financial year 1989-90 pursuant to contracts without payment having been received in cash. (*)		
(*) During the financial year 2005-06 the Company subdivided the equity shares of Rs. 10 each in to five shares of Rs. 2 each. Consequently these shares were converted into 32,940,715 equity shares of Rs. 2 each.		

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	31/03/2010	31/03/2009
3. Reserves and surplus		
Capital reserve	0.033	0.033
Amalgamation reserve	3.063	3.063
Securities premium account		
Balance at the beginning of the year	1068.304	1053.790
Add : additions on account of :		
- exercise of employee stock options	58.410	14.514
Less : utilisation during the year	—	—
Balance at the end of the year	1126.714	1068.304
General reserve		
Balance at the beginning of the year	458.111	328.111
Add : transferred from Profit and loss account	114.000	130.000
Balance at the end of the year	572.111	458.111
Profit and loss account	3251.936	2538.234
	4953.857	4067.745
4. Deferred tax liability (net)		
Deferred tax liability		
Arising out of timing differences in depreciation	259.845	245.579
Deferred tax asset		
Arising out of timing differences in		
- employee benefits	(11.015)	(18.825)
- provision for doubtful debts and advances	(23.877)	(80.150)
- others	(14.350)	(15.100)
- Long-term capital loss	(57.182)	—
Net deferred tax liability	153.421	131.504
5. Secured Loans		
Working Capital Borrowings from Banks	—	127.435
	—	127.435

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6. Fixed and intangible assets

	Intangible assets		Tangible Assets					Total	Previous period
	Technical Knowhow	Softwares	Praj Brand	Land (Freehold)	Buildings *	Plant and machinery	Computers & Office Equipment	Vehicles and furniture	
Gross Block									
At 01/04/2009	64.800	60.858	56.923	231.408	405.306	498.298	125.223	26.844	1045.380
Additions during the year	-	6.984	-	-	80.678	46.136	2.572	1.483	552.873
Deletions during the year	-	-	-	-	-	3.264	0.256	2.162	2.368
At 31/03/2010	64.800	67.842	56.923	231.408	485.984	541.170	127.539	26.165	1595.885
Accumulated depreciation and amortisation									
At 01/04/2009	24.965	21.567	39.846	-	32.152	69.506	42.581	7.926	181.118
Charge for the year	8.493	11.804	5.692	-	11.982	45.949	11.518	2.392	81.713
Depreciation on deletions	-	-	-	-	-	2.963	0.104	0.838	1.146
At 31/03/2010	33.458	33.371	45.538	-	44.134	112.492	53.995	9.480	261.685
Net Block									
At 31/03/2010	31.342	34.471	11.385	231.408	441.850	428.678	73.544	16.685	1334.200
At 31/03/2009	39.835	39.291	17.077	231.408	373.154	428.792	82.642	18.918	864.262

* Includes improvements to Leasehold Buildings

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	31/03/2010	31/03/2009
7. Investments		
Long-term, trade, unquoted		
Subsidiaries		
Pacecon Engineering Projects Limited	5.355	5.355
308,350 (2009 : 308,350) equity shares of Rs.10 each fully paid		
Praj Schneider Inc.	–	218.958
Nil (2009 : 15,300) equity shares of US Dollar 1 each fully paid		
Praj Far East Co., Limited	2.453	2.453
19,598 (2009 : 19,598) equity shares of Thai Baht 100 each fully paid		
BioCnergy Europa B.V.	35.262	35.262
300,000 (2009 : 300,000) equity shares of Euro 1 each fully paid		
Praj Jaragua Bioenergia S.A.	67.481	41.515
2,839,451 (2009 : 1,646,267) equity shares of Brazil Rial 1 each fully paid		
Sub-Total (a)	110.551	303.543
Long term, non-trade, quoted		
AXIS FMP-Series 1-Retail Growth- 5,000,000 Units, (2009 : Nil)	50.000	–
DSP Blackrock FMP 12 Months Series 3 - Nil Units, (2009 : 5,000,000)	–	50.000
DSP Blackrock -12 Months Series -1 - Nil Units, (2009 : 5,000,000)	–	50.000
DSP Blackrock FMP 12 Months Series 2 - Nil Units, (2009 : 10,000,000)	–	100.000
Fortis FTP Plan A - Series 13 - Nil Units, (2009 : 10,000,000)	–	100.000
HSBC Fixed Term Series - 57 - 370 Days - Nil Units, (2009 : 5,000,000)	–	50.000
Religare 13 Months FMP - 2,000,000 Units, (2009 : 2,000,000)	20.000	20.000
SBI Debt Fund Series 13 Months - 10,000,000 Units, (2009 : 10,000,000)	100.000	100.000
SBI Debt Fund SR 15 Months- 10,000,000 Units, (2009 : Nil)	100.000	–
Sundaram Plan 1 - Nil Units, (2009 : 5,000,000)	–	50.000
SBNPP FTP 367 Days Series P - 10,000,000 Units, (2009 : Nil)	100.000	–
Sundaram FTP 367 Days S8 - 5,000,000 Units, (2009 : 5,000,000)	50.000	50.000
Redeemable Non-Convertible Secured Debentures issued by Citi Financial Consumer Finance (India) Limited 1500 Units (2009 : Nil)	150.000	–
Redeemable Non-Convertible Secured Debentures issued by Citicorp Finance (India) Limited Nil Units (2009 : 1000) (*)	–	100.000
(*)Out of the above 500 units were kept as security against Line of Credit made available to Subsidiary Praj Schneider Inc.		
Sub-Total (b)	570.000	670.000
Current, non-trade, quoted		
Birla Sun Life Dynamic Bond Fund - 5,637,775 Units, (2009 : 5,367,000)	62.135	59.138
Birla Sun Life Short Term Opportunity - 10,049,002 Units, (2009 : Nil)	100.514	–
Birla Sun Life Short Term Fund - Nil Units, (2009 : 15,286,757)	–	152.952
Birla Sun Life Sweep Fund Dividend - 6,138,640 Units, (2009 : 7,102,303)	61.555	71.359
BSL Dynamic Bond Fund - M - 10,050,142 Units, (2009 : Nil)	105.374	–
BSL Interval IF Quarterly SR 1- 5,000,000 Units, (2009 : Nil)	50.000	–

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	31/03/2010	31/03/2009
7. Investments (Contd.)		
Canara Robeco Liquid Plus - Nil Units, (2009 : 25,327)	—	0.352
DSP Blackrock Money Manager Fund - Nil Units, (2009 : 49,895)	—	50.000
DWS Cash Opportunity Fund - 9,728,384 Units, (2009 : Nil)	100.000	—
DWS Ultra Short Term Bond Fund - Nil Units, (2009 : 9,962,544)	—	100.530
Fortis Money Plus - Nil Units, (2009 : 10,189,067)	—	102.011
Fortis Short Term Income Fund - Nil Units, (2009 : 5,172,436)	—	51.740
HDFC Arbitrage Fund - Nil Units, (2009 : 5,088,166)	—	52.039
HDFC Floating Rate Income Fund - Nil Units, (2009 : 4,931,988)	—	50.000
IDFC Money Manager-Plan B- 30,141,165 Units, (2009 : Nil)	302.049	—
JM Money Manager Fund Super Plus - Nil Units, (2009 : 4,880,858)	—	50.000
Kotak Long Term Floater - Nil Units, (2009 : 4,986,163)	—	50.263
Kotak Quarterly Interval Plan SR 3 - 10,040,777 Units, (2009 : Nil)	100.408	—
LICMF Floating Rate - 29,856,645 Units, (2009 : Nil)	302.976	—
LICMF Saving PLS -WKLY- 10,113,911 Units, (2009 : Nil)	101.165	—
Principal Cash Mgmt Fund - Nil Units, (2009 : 10,055,133)	—	100.640
Principal Money Manager Fund - 9,617,135 Units, (2009 : Nil)	100.024	—
Reliance Medium Term Fund - Nil Units, (2009 : 8,955,255)	—	153.130
Reliance Mntly Intvl S - II - 4,997,252 Units, (2009 : Nil)	50.000	—
Religare - Arbitrage Fund - Nil Units, (2009 : 4,846,135)	—	50.000
Religare Active Income Fund - 10,006,525 Units, (2009 : Nil)	100.065	—
Religare Credit Opportunities Fund - 20,058,737 Units, (2009 : Nil)	201.202	—
Religare Liquid Fund - Nil Units, (2009 : 3,081,200)	—	30.800
Religare Short Term Plan - Nil Units, (2009 : 5,172,295)	—	51.806
SBI Magnum Insta Cash Fund - Dividend Daily - Nil Units, (2009 : 52,176)	—	0.874
SBI Magnum Insta Cash Fund - Dividend Weekly - Nil Units, (2009 : 15,775)	—	0.178
Tata Floater Fund - Nil Units, (2009 : 10,119,297)	—	102.092
Templeton Floating Rate Income - 35,348,051 Units, (2009 : Nil)	353.834	—
Sub-Total (c)	2091.301	1279.904
Total (a) + (b) + (c)	2771.852	2253.447
Less : Diminution in value of investments *	0.728	111.714
Sub Total (d)	0.728	111.714
Grand Total (a) + (b) + (c) - (d)	2771.124	2141.733
Note :		
* Includes Diminution for Long-term investments in subsidiary Praj Schneider Inc.	—	109.479
* Includes Diminution in current investments	0.728	2.235
Total	0.728	111.714
Aggregate amount of quoted investments	2660.573	1947.669
Market value of quoted investments	2673.570	1975.436

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Investments purchased and sold during the year 2009-10	Units (Nos.)	Value
7. Investments (Contd.)		
Name of the scheme		
Birla STF - Instl Daily	198,852	1.990
Birla Sweep Fund Dividend	276,516,263	2794.884
Canara Robeco Short Term	10,110,885	101.937
Canara Robeco Treasury Adveata	96	0.001
DSP BR Money Manager	684	0.684
DSPBR Floating Rate Fund	50,186	50.246
DWS Cash Opportunity Fund-Weekly	9,979,785	100.567
DWS Credit Opportunities	15,443,305	154.744
DWS Money Plus Fund	9,706,939	101.890
DWS Ultra Short Term Fund	334,854	3.374
Fortis Money Plus	10,615,433	106.205
Fortis STIF INSTL Plus	209,212	2.093
HDFC Cash Mgmt Treasury A	5,022,083	50.307
HDFC Floating Rate Income Fund	152,711	1.548
HDFC FRF Income Fund STP	3,230,705	50.000
HDFC Short Term Plan	9,676,140	100.000
HSBC Income Fund STI Plus	10,073,605	101.329
ICICI Flexible Income Plan	5,287,399	101.636
ICICI Pru STP DR Fortnight	4,223,035	50.810
IDFC Cash Fund - Plan C-Daily	19,996,887	200.019
JM Money Manager Fund SUP	147,677	1.519
Kotak Flexi Debt-WKLY	4,911,874	50.035
Kotak Floater	10,211,584	102.935
LICMF Liquid Fund	27,324,492	300.026
Principal Floating Rate Fund	212,714	2.127
Reliance Medium Term Fund	323,267	5.526
Reliance Money Manager	100,302	100.424
Reliance Money Manage - Growth	40,379	50.000
Religare Credit Opportunities Growth Fund	19,470,215	200.000
Religare Liquid Fund	58,750	0.588
Religare STP - Daily	5,260,758	52.895
SBI Magnum Insta Cash - DIV Option	37	—
SBI Magnum Insta Cash Fund	132	0.002
SBNPP Ultra ST Fund WKLY	4,804,469	50.456
Tata Floater Fund	366,301	3.693
Templeton India Treasury Mgmt	299,827	300.028
Templeton India Ultra SBF	4,973,155	50.211
UTI Treasury Adv Fund	50,191	50.238

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	31/03/2010	31/03/2009
8. Inventories		
Raw materials and stores	282.148	601.451
Work-in-progress	—	—
Finished goods	—	—
Goods in transit	0.800	1.174
	282.948	602.625
9. Sundry debtors		
Unsecured		
Over six months		
- Considered good (*)	152.096	449.235
- Considered doubtful	58.085	223.654
Others, considered good	972.753	1298.298
	1182.934	1971.187
Less : Provision for doubtful debts	58.085	223.654
	1124.849	1747.533
(*) includes receivable from BioCnergy Europa B.V. (Refer Schedule 18.4)	3.052	—
10. Cash and bank balances		
Cash in hand	2.671	0.586
Balances with scheduled banks		
- in current accounts	164.814	280.120
- in deposit accounts	1093.515	847.040
Balances with non-scheduled banks in current accounts (*)		
- Citi Bank Bogota Colombian Peso Account	—	—
- Absa International Banking , South African Rand Account	0.064	0.032
- Bangkok Bank Public Co. Ltd., Thai Baht Account	—	—
	1261.064	1127.778
(*) Maximum amount outstanding at any time during the year		
- Citi Bank Bogota Colombian Peso Account	—	0.127
- Absa International Banking , South African Rand Account	0.165	1.014
- Bangkok Bank Public Co. Ltd., Thai Baht Account	—	0.004

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	31/03/2010	31/03/2009
11. Loans and advances		
Unsecured, considered good unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received (*)	104.027	178.605
Less : Considered doubtful	14.756	18.225
	89.271	160.380
Advance income tax and tax deducted at source	962.499	648.668
Deposits	35.057	42.076
Less : Considered doubtful	1.465	0.963
	33.592	41.113
Balances with excise and customs	74.620	58.342
Advance towards share application money (*)	4.505	19.676
Accrued interest on deposit	55.967	22.031
	1220.454	950.210
(*) includes advances receivable from subsidiaries - (Refer Schedule 18.4)		
Praj Jaragua Bioenergia S.A.	4.505	19.676
Maximum amount outstanding at any time during the year	30.671	20.098
Pacecon Engineering Projects Limited	—	14.962
Maximum amount outstanding at any time during the year	16.500	14.962
12. Current liabilities		
Creditors for goods and services :		
- Dues to Micro and Small enterprises under MSMED Act, 2006(*)	4.937	6.153
- Dues to other parties (**)	657.754	743.431
	662.691	749.584
Advances from customers(***)	1224.165	2204.727
Dues to customers relating to contracts in progress (Refer Schedule 18.2)	98.687	216.348
Provident and other funds payable	4.251	1.732
Bonus and exgratia payable	12.451	14.696
Other payables	198.536	209.460
Unclaimed dividend (****)	6.043	5.053
	2206.824	3401.600
(*) No interest is due/payable to parties under the MSMED Act, 2006		
(**) includes payables to subsidiary company BioCnergy Europa B.V. & Praj Far East Co.	3.575	7.442
(***) includes advance received from subsidiary company BioCnergy Europa B.V.	0.754	34.435
(****) There is no amount due and outstanding to be credited to Investor Education and Protection Fund.	—	—
13. Provisions		
Compensated absences	36.243	34.282
Gratuity	34.258	39.380
Performance incentives	23.500	76.979
Taxation	736.043	666.339
	830.044	816.980

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	31/03/2010	31/03/2009
14. Other income		
Foreign exchange fluctuation gain (net)	95.484	—
Dividend from mutual fund investments	77.121	122.752
Gain on redemption of mutual fund investments (net)	47.789	57.034
Bad debt written off, recovered	109.682	—
Interest		
- on fixed deposits (tax deducted at source (Rs 16.334; 2009 : Rs. 6.162)	72.474	27.404
Surplus on liquidation of shares in subsidiary (Praj Far East Pte Limited)	—	2.434
Miscellaneous income	21.967	28.410
	424.517	238.034
15. Cost of materials consumed		
Raw material consumed	3375.813	3756.629
Stores and spares consumed	57.925	83.640
	3433.738	3840.269
16. Personnel cost		
Salaries, wages and bonus	560.497	585.868
Contributions to provident and other funds	24.038	21.566
Staff welfare	22.090	22.908
	606.625	630.342
17. Manufacturing, selling and other costs		
Site expenses and labour charges	215.073	307.436
Freight and transport	127.443	252.893
Bad debts written off/Provision for doubtful debts and advances	10.085	201.410
Sales commission	105.387	151.278
Travel and conveyance	114.685	125.594
Professional consultancy charges	56.318	54.345
Insurance	26.059	32.618
Rent	28.662	28.677
Power and fuel	34.234	27.307
Advertising and exhibition expenses	16.588	20.055
Communication expenses	20.229	19.416
Testing charges	11.182	15.463
Repairs and maintenance:		
- Building	0.988	11.153
- Plant and Machinery	7.624	14.554
- Others	21.129	41.686
Auditors' remuneration		
- for audit services	2.000	2.000
- for taxation services	0.400	0.400
- for other services	0.155	0.133
- out of pocket expenses	0.031	0.063
Loss on sale of fixed assets (net)	0.957	0.790
Provision for diminution in value of current investment	0.728	2.235
Rates and taxes	1.610	1.980
Miscellaneous expenses	132.037	140.328
Foreign exchange fluctuation loss (gain) (net)	—	231.338
	933.604	1683.152

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18. Notes to the financial statements

18.1 Capital commitments, contingent liabilities and secured loans

	31/03/2010	31/03/2009
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	73.998	62.962
Contingent liabilities		
Claims against Company not acknowledged as debts (primarily relating to performance related claims filed by customers)	20.639	20.639
Disputed demands in appeal towards income tax & sales tax	8.704	8.704
Guarantee issued in respect of obligations of a subsidiary	-	50.000
Unfulfilled Export Obligations under EPCG scheme to be fulfilled over 8 years	313.170	324.753
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.		

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

	31/03/2010	31/03/2009
Contract revenue recognised during the year	5477.971	7014.613
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	5477.971	7014.613
Customer advances outstanding for contracts in progress	892.395	1874.136
Retention money due from customers for contracts in progress	134.746	336.438
Gross amount due from customers for contract work (presented as Contracts in progress)	411.932	870.650
Gross amount due to customers for contract work (presented as Dues to customers relating to contracts in progress)	(98.687)	(216.348)

18.3 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 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.

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18.3 Segment reporting (Contd.)

Secondary segmental information

Particulars	India		Rest of the world		Total	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009	31/03/2010	31/03/2009
Segment sales	3556.014	3798.038	2466.826	3920.775	6022.840	7718.813
Segment assets	906.925	975.149	217.924	772.384	1124.849	1747.533

18.4 Related party transactions

a) Parties where control exists

Subsidiaries	Pacecon Engineering Projects Limited Praj Far East Co. Limited Praj Schneider Inc. (upto 28-02-2010) BioEnergy Europa B.V. Praj Jaragua Bioenergia S.A. Praj Americas Inc. (from June 2009)
---------------------	--

b) Key management personnel and their relatives

Executive Chairman	Mr. Pramod Chaudhari
CEO & MD	Mr. Shashank Inamdar
Relative of key management personnel	Mrs. Parimal Chaudhari

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

Particulars	31/03/2010	31/03/2009
Pacecon Engineering Projects Limited		
Advances provided and recovered during the year	16.500	2.500
Expenses incurred and reimbursed thereof	18.182	14.962
Receivable	—	14.962

Note: The Company renders certain services such as use of office space, communication etc. to the subsidiary for which no charges are recovered.

Praj Schneider Inc.		
Sales commission (*)	48.000	32.020
Payable	—	0.419
Sale of Services	—	7.922
Expenses incurred and reimbursed thereof (*)	29.188	0.061
(*) Includes prior period expenditure 59.610 (Nil)		
BioEnergy Europa B.V.		
Sales Commission	8.437	14.200
Sale of Goods & Services	401.368	705.364

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18.4 Related party transactions (Contd.)

Particulars	31/03/2010	31/03/2009
Payable	2.697	34.434
Expenses incurred and reimbursed thereof	2.966	0.614
Receivable	3.052	—
Praj Far East Co. Limited		
Sales commission	7.618	20.504
Payable	1.632	7.126
Expenses incurred and reimbursed thereof	—	0.103
Purchase of goods	2.093	—
Praj Jaragua Bioenergia S.A.		
Capital contribution	25.966	41.508
Advance towards share application money	4.505	19.676
Praj Americas Inc.		
Expenses incurred and reimbursed thereof	3.362	—
Pramod Chaudhari		
Remuneration including commission on profit	60.364	65.161
Dividend	42.062	52.030
Shashank Inamdar		
Remuneration including commission on profit	22.239	22.802
Dividend	2.193	2.741
Parimal Chaudhari		
Commission on profit	0.945	1.125
Dividend	13.656	17.195

18.5 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:

	31/03/2010	31/03/2009
Future minimum lease payments in respect of non-cancellable leases		
- amount due within one year from the Balance sheet date	13.908	19.826
- amount due in the period between one year and five years	17.387	33.743
- amount due after five years	2.274	2.249
Lease payments debited to the Profit and Loss Account		
- cancellable leases	7.685	6.499
- non-cancellable leases	20.977	22.178

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18.6 Earnings per share

	31/03/2010	31/03/2009
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	184,136,528	183,350,588
Add : effect of dilutive issue of shares/options	670,172	1,384,680
Number of shares considered as weighted average shares and potential shares outstanding for computing diluted earnings per share	184,806,700	184,735,268
Computation of basic and diluted earnings per share		
Net profit after tax attributable to equity shareholders	1138.847	1297.479
Basic earnings per equity share of Rs. 2 each	6.18	7.08
Diluted earnings per equity share of Rs. 2 each	6.16	7.02

18.7 Prior period items (net)

Prior period items comprise the following:

Particulars	31/03/2010	31/03/2009
Sales commission	48.000	—
Others	11.610	—
Total	59.610	—

18.8 Cash and cash equivalents

	31/03/2010	31/03/2009
At the beginning of the year		
Cash in hand	0.586	1.428
Balances with banks	280.152	223.046
Deposits with banks	—	11.440
	280.738	235.914
At the end of the year		
Cash in hand	2.671	0.586
Balances with banks	164.878	280.152
Deposits with banks	—	—
	167.549	280.738

Notes:

- Deposits with banks having maturity of more than three months aggregating to Rs. 1093.515 (2009 : 847.040) are not readily liquid and have been excluded from cash and cash equivalents.
- Cash and cash equivalents include bank balances in relation to unclaimed dividends Rs 6.201 (2009 : 5.158)

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18.9 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 1.750 & GBP Nil (2009 : USD 22.250, GBP 2.250).

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	31/03/2010	31/03/2009
Balances in foreign currency bank accounts	56.019	1.835
Foreign currency advances (*)	36.281	28.247
Foreign currency payables representing creditors and other payables	103.316	187.673
Foreign currency payables representing advances from customers	466.768	1464.594
Foreign currency receivables	153.929	—

(*) includes advance towards share application money to Praj Jaragua Bioenergia S.A. Rs. 4.505 (2009 : 19.676).

18.10 Employee benefits

The disclosures in accordance with the requirements of Accounting Standard 15 (Revised 2005) Employee Benefits are provided below :

a) Defined contribution plans

The Company has recognised Rs. 24.038 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	31/03/2010	31/03/2009
Liability at the beginning of the year	58.998	44.036
Current service cost	7.199	7.229
Interest cost	4.130	3.393
Benefits paid	(1.671)	(2.168)
Actuarial (gain)/loss on obligations	(1.898)	6.508
Liability at the end of the year	66.758	58.998

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

Particulars	31/03/2010	31/03/2009
Fair value of plan assets at the beginning of the year	19.619	11.514
Expected return on plan assets	2.323	1.388
Contributions by the employer	11.000	7.000
Benefits paid	(0.010)	—
Actuarial (gain)/loss on plan assets	(0.432)	(0.283)
Fair value of plan assets at the end of the year	32.500	19.619

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

Expense recognised in Profit and Loss Account

Particulars	31/03/2010	31/03/2009
Current service cost	7.199	7.229
Interest cost	4.130	3.393
Expected return on plan assets	(2.323)	(1.388)
Total actuarial (gain)/loss	(1.466)	6.791
Total expenses included in Schedule 16	7.540	16.025

Amount recognised in the Balance Sheet

Particulars	31/03/2010	31/03/2009
Defined benefit obligation as at end of the year	66.758	58.998
Fair value of plan assets at the end of the year	(32.500)	(19.618)
Net liability	34.258	39.380

Actual return on plan assets

Particulars	31/03/2010	31/03/2009
Expected return on plan assets	2.323	1.388
Actuarial gain/(loss) on plan assets	(0.432)	(0.283)
Actual return on plan assets	1.891	1.105

Principal actuarial assumptions

Particulars	31/03/2010 (%)	31/03/2009 (%)
Discount rate	8.00%	7.10%
Expected rate of return on plan assets	9.25%	9.25%
Salary increment rate	8.00%	8.00%

Composition of plan assets

Particulars	31/03/2010 (%)	31/03/2009 (%)
Central government securities	56.00%	56.09%
State government securities	0.00%	11.18%
Approved marketable securities	0.00%	2.96%
Bonds/debentures etc	36.00%	22.03%
Loans	0.00%	0.36%
Equity	6.00%	5.64%
Liquid fund/money market instruments	2.00%	1.74%
Total	100.00%	100.00%

Notes:

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

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18.11 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').

The stock options vest in a graded manner equally over three years with each vesting taking effect on the expiry of 12 months from the date of grant. These can be exercised within a period of three years from the date of vesting. 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	31/03/2010	31/03/2009
Options outstanding at the beginning of the year (*)	1,380,774	1,616,109
Granted during the year	—	—
Additional options on account of allotment of bonus shares	—	—
Less : exercised	1,306,710	215,431
Less : cancelled	20,162	19,904
Options outstanding at the end of the year	53,902	1,380,774
Options exercisable at the end of the year	53,902	1,380,774

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

Grant II

Particulars	31/03/2010	31/03/2009
Options outstanding at the beginning of the year	1,944,709	2,109,334
Granted during the year	—	—
Additional options on account of allotment of bonus shares	—	—
Less : exercised	700	53,841
Less : cancelled	83,650	110,784
Options outstanding at the end of the year	1,860,359	1,944,709
Options exercisable at the end of the year	1,204,671	1,577,405

Grant III

Particulars	31/03/2010	31/03/2009
Options outstanding at the beginning of the year	—	—
Granted during the year	3,029,626	—
Additional options on account of allotment of bonus shares	—	—
Less : exercised	—	—
Less : cancelled	180,750	—
Options outstanding at the end of the year	2,848,876	—
Options exercisable at the end of the year	—	—

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18.12 Expenditure on research & 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 included as part of fixed assets and depreciated on the same basis as other fixed assets.

Particulars	31/03/2010	31/03/2009
Capital expenditure (excluding advances)	49.538	366.019
Revenue expenditure	95.471	61.758

18.13 Dividends remitted in foreign currency:

Particulars	31/03/2010	31/03/2009
Number of shareholders	2	2
Number of shares held	9,151,895	12,529,969
Year to which dividend relates	2009-10	2008-09
Amount remitted	13.179	22.553

18.14 Managerial remuneration

	31/03/2010	31/03/2009
Salary and allowances	29.840	34.043
Perquisites	11.030	10.605
Contribution to provident and other funds	2.134	1.915
Commission to executive directors	39.600	41.400
	82.604	87.963

Information relating to managerial remuneration does not include provision for gratuity and leave encashment, which is provided on an overall basis. Perquisites are valued by management at cost/fair values.

Computation of net profit in accordance with Section 198 and Section 309(5) of the Companies Act, 1956

		31/03/2010	31/03/2009
Profit as per Profit and Loss Account	a	1230.653	1608.022
Add			
Directors remuneration		43.004	46.563
Depreciation and amortisation		105.110	81.713
Commission		45.000	48.150
Provision for doubtful debts and advances		10.085	201.410
Exceptional item (Loss / Provision for diminution in value of investments)		74.717	109.479
Loss on sale of fixed assets		0.957	0.790
Sub-total	b	278.873	488.105
Less			
Depreciation and amortisation		105.110	81.713
Gain on redemption of mutual funds (net)		47.789	57.034
Sub-total	c	152.899	138.747
Net profit as per Section 309(5)	a + b - c	1356.627	1957.380

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

Maximum remuneration payable to whole time directors	135.663	195.738
@10% of above as per Companies Act,1956		
Actual remuneration paid/payable to whole time directors	82.604	87.963
Maximum Commission payable to Non-Executive Directors @ 1% of profits above	13.566	19.573
Actual Commission payable to Non-Executive Directors	5.400	6.750

18.15 Consumption of raw material, intermediates, components etc.

Units (in '000)	31/03/2010		31/03/2009	
	Quantity	Value	Quantity	Value
Stainless steel material – plates/coils M Ton	5,284	637.880	5,217	963.439
Other raw materials, intermediates, components, # bought outs, spares and other hardware items	Numerous	2795.858	Numerous	2876.830
		3433.738		3840.269

In the absence of a common expressible unit, it is not practical to give quantitative information in units.

18.16 Details of licensed capacity, installed capacity, production, stock of manufactured goods and turnover

Details of turnover

	31/03/2010		31/03/2009	
	Quantity	Value	Quantity	Value
Distillation, Brewery, Pollution Control, Fermentation Plants etc. and allied equipments (Refer Note 5)	Numerous	5370.731	Numerous	6844.915
MashTone and other equipments (Refer Note 5)	Numerous	82.798	Numerous	81.494
Service income related to supervision of erection and commissioning activities, design and engineering services, software, consultancy etc. (Refer Note 4)	Not applicable	512.957	Not applicable	723.622
Scrap sales (Refer Note 4)	Not applicable	56.354	Not applicable	68.782
		6022.840		7718.813

Notes:

1. Considering the nature of the Company's activities relating to Process and Project Engineering, it is not practical to provide quantitative data of installed capacity, production and stock of manufactured goods. This being a technical matter, management's assessment has been relied upon by the auditors.
2. Licensed capacity is not applicable in terms of the Government of India's notification No. S.O. 477(E) dated 25 July, 1991.
3. For paragraph 3(ii) of Part II of Schedule VI to the Companies Act, 1956, the classes of goods dealt with by the Company are grouped under suitable product heads.
4. The Company's income from erection and commissioning, design and engineering, software, consultancy and scrap cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.
5. In the absence of a common expressible unit, it is not practical to give quantitative information in units.

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18.17 Imported and indigenous raw materials, intermediates components and spares consumed during the year

	31/03/2010		31/03/2009	
	Rs	%	Rs	%
Raw materials, spares and consumables				
Indigenous	2891.786	84	3082.925	80
Imported	541.952	16	757.344	20
	3433.738	100	3840.269	100

18.18 Value of imports on CIF basis :

	31/03/2010	31/03/2009
Raw materials	166.906	405.159
Capital goods	5.617	115.810
Components and spare parts	326.721	280.445

18.19 Earnings in foreign currency:

	31/03/2010	31/03/2009
FOB value of exports	2403.867	3018.071
Design and engineering services, software and consultancy	272.069	534.445

18.20 Expenditure in foreign currency :

	31/03/2010	31/03/2009
Sales commission (*)	145.919	141.897
Professional consultancy	34.285	17.864
Travelling	22.419	14.431
Others (*)	60.276	42.417
(*) Includes expenditure for prior period aggregating Rs. 59.610 (2009 : Nil)		

18.21 Preferential issue proceeds

	31/03/2010	31/03/2009
Proceeds from preferential issue pending for utilisation	-	384.500
Utilised/paid for research and development purposes	-	(369.703)
Used for other business purposes	-	(14.797)
	-	-

18.22 Taxes

In consonance with retrospective amendment to Section 10AA of the Income Tax Act, related to the profit derived by SEZ undertaking which was ascertained hitherto based on the business of the assessee instead of the business of undertaking, the excess provision of current tax of earlier financial years 2007-08 & 2008-09 of Rs. 131.500 is written back during the year. Accordingly current tax expense of Rs. 69.885 is net of the said write back.

Long-term capital loss is adjustable against future capital gains considering the quantum of investible surplus available with the Company.

Schedules To The Financial Statements for the year ended 31/03/2010

(Currency : Indian rupees millions, except share data)

18.23 Exceptional item

During the year, the process of divestment of Praj Schneider Inc., the wholly owned subsidiary of the company in USA was completed. Consequently the loss of Rs 74.717 (net of write back of Rs 34.763) has been taken to Profit and Loss Account and shown under 'exceptional items'.

18.24 Prior year comparatives

Previous year's figures have been regrouped/reclassified to conform to the current year's presentation.

For and on behalf of the Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

SHASHANK INAMDAR
CEO & MD

DEEPAK MOGAL
COMPANY SECRETARY

SIVARAMAKRISHNAN S. IYER
DIRECTOR

PLACE: PUNE
DATE: 29 MAY 2010

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

L 2 7 1 0 1 P N 1 9 8 5 P L C 0 3 8 0 3 1

Date

Month

Year

Balance Sheet Date

3 1

0 3

2 0 1 0

II. Capital Raised during the year (Amounts in Rs. Thousands)

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

Other

0 2 6 1 5

III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)

Total Liabilities

5 4 7 6 7 5 5

Total Assets

5 4 7 6 7 5 5

Sources of Funds

Paid up Capital

3 6 9 4 7 7

Reserves & Surplus

4 9 5 3 8 5 7

Secured Loan

N I L

Unsecured Loan

N I L

Deferred Tax Liability (Net)

1 5 3 4 2 1

Application of Funds

Net Fixed Assets

1 4 4 1 2 5 2

Investments

2 7 7 1 1 2 4

Net Current assets

1 2 6 4 3 7 9

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

IV. Performance of the Company (Amount in Rs. Thousands)

Total Income

6 4 4 7 3 5 7

Total Expenditure

5 2 1 6 7 0 4

Profit Before Tax

1 2 3 0 6 5 3

Profit After Tax

1 1 3 8 8 4 7

Earning per Share

0 6 . 1 8

Dividend Rate %

7 2

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code

8 4 1 9 4 0 2 0

D I S T I L L E R Y P L A N T S
E Q U I P M E N T

8 4 3 8 4 0 4 0

B R E W E R Y M A C H I N E R Y

8 5 2 4 9 1 1 3

I T S O F T W A R E A N D
I T E N A B L E D
S E R V I C E S

For and on behalf of the Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

SHASHANK INAMDAR
CEO & MD

DEEPAK MOGAL
COMPANY SECRETARY

SIVARAMAKRISHNAN S. IYER
DIRECTOR

PLACE : PUNE
DATE : 29 MAY 2010

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Praj Industries Limited

We have audited the attached Consolidated Balance Sheet of Praj Industries Limited ('the Company' or 'the parent Company') and its subsidiaries (as per list appearing in schedule 1.3 of the consolidated financial statements) 'collectively referred to as "the Group", as at 31 March 2010, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

1. 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 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.
2. We did not audit the financial statements of Praj Far East Co. Ltd. and BioEnergy Europa B.V. whose financial statements reflect total assets of Rs. 269.313 million as at 31 March 2010, total revenues of Rs. 1506.421 million and net cash inflows of Rs. 118.705 million for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us. Our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.
3. The consolidated financial statements include unaudited financial statements of subsidiaries- Praj Jaragua Bioenergia S.A. and Praj Schneider Inc. (included up to the date of divestment of subsidiary 28 February, 2010) whose financial statements reflect total assets of Rs. 7.167 million as at 31 March 2010, total revenues of Rs. 126.719 million and net cash outflows of Rs. 16.156 million for the year ended on that date and on which we have relied upon, based solely on certification by the Company's management.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard -21, Consolidated Financial Statements, prescribed in the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the reports of the other auditors on separate financial statements of subsidiaries and on the financial information of the components and read with Para 3 above, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements, read with the notes thereon, 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 31 March 2010;
 - b) In the case of the consolidated Profit and Loss Account, of the Profit for the year ended on that date; and
 - c) In the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of

B. K. KHARE & CO.
CHARTERED ACCOUNTANTS

U. B. JOSHI
PARTNER

PLACE : PUNE
DATED : 29 MAY 2010

MEMBERSHIP NO. 44097
FIRM REGISTRATION NO. 105102W

Consolidated Balance Sheet as at 31 March 2010

(Currency : Indian rupees millions, except share data)

	Schedule	31/03/2010	31/03/2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	369.477	366.862
Reserves and surplus	3	4908.715	3982.415
		5278.192	4349.277
Deferred tax liability (net)	4	119.022	106.659
Secured Loans	5	–	181.638
Minority Interest		36.960	27.496
		5434.174	4665.070
APPLICATION OF FUNDS			
Fixed and Intangible assets			
Goodwill		2.269	60.734
Gross block	6	1743.766	1631.933
Less : Accumulated depreciation and amortisation		365.049	290.579
Net book value		1378.717	1341.354
Capital work-in-progress (including capital advances)		67.013	137.397
		1447.999	1539.485
Investments	7	2660.683	1948.594
Current assets, loans and advances			
Inventories	8	331.465	899.372
Contracts in progress	18.2	419.850	871.902
Sundry debtors	9	1185.158	1866.769
Cash and bank balances	10	1535.378	1293.403
Loans and advances	11	1261.275	984.432
		4733.126	5915.878
Less: Current liabilities and provisions			
Current liabilities	12	2562.595	3892.605
Provisions	13	845.039	846.282
		3407.634	4738.887
Net current assets		1325.492	1176.991
		5434.174	4665.070
Significant accounting policies	1		
Notes to the Consolidated financial statements	18		

The schedules referred to above form an integral part of the Consolidated Balance sheet.

As per our report attached.

FOR B. K. KHARE & CO.
CHARTERED ACCOUNTANTS

U. B. JOSHI
PARTNER
MEMBERSHIP NO. 044097
FIRM REGISTRATION NO. 105102W

PLACE : PUNE
DATE : 29 MAY 2010

For and on behalf of Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

DEEPAK MOGAL
COMPANY SECRETARY

SHASHANK INAMDAR
CEO & MD

SIVARAMAKRISHNAN S. IYER
DIRECTOR

Consolidated Profit and Loss Account for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

	Schedule	31/03/2010	31/03/2009
Income			
Gross sales and services		7515.473	9757.903
Less: excise duty		171.075	215.729
Net sales and services		7344.398	9542.174
Other income	14	456.695	248.382
		7801.093	9790.556
Expenditure			
Cost of materials consumed	15	3153.873	4439.273
Personnel cost	16	697.966	853.669
Manufacturing, selling and other costs	17	2517.225	2840.891
Depreciation and amortisation	6	107.350	88.721
Interest costs		3.590	5.557
		6480.004	8228.111
Profit before tax & exceptional items		1321.089	1562.445
Less: Exceptional items	18.12	40.184	109.478
Profit before tax		1280.905	1452.967
Less: Provision for tax			
- Current tax	18.11	70.218	249.893
- Deferred tax		12.364	18.169
- Fringe benefit tax		-	9.500
Profit after tax before Minority Interest		1198.323	1175.405
Minority interest		2.467	(36.543)
Net profit after Minority interest		1195.856	1211.948
Balance in Profit and Loss Account brought forward		2434.484	1738.825
Amounts available for appropriation		3630.340	2950.773
Appropriations			
Dividend		265.947	330.176
Tax on dividend		45.198	56.113
Transfer to general reserve		114.000	130.000
Balance in Profit and loss account carried forward		3205.195	2434.484
Basic earnings per share of face value of Rs. 2 each	18.6	6.49	6.61
Diluted earnings per share of face value of Rs. 2 each	18.6	6.47	6.56
Significant accounting policies	1		
Notes to the Consolidated financial statements	18		

The schedules referred to above form an integral part of the Consolidated Profit and loss account.

As per our report attached.

FOR B. K. KHARE & CO.
 CHARTERED ACCOUNTANTS

U. B. JOSHI
 PARTNER
 MEMBERSHIP NO. 044097
 FIRM REGISTRATION NO. 105102W

PLACE : PUNE
 DATE : 29 MAY 2010

For and on behalf of Board

PRAMOD CHAUDHARI
 EXECUTIVE CHAIRMAN

SHASHANK INAMDAR
 CEO & MD

DEEPAK MOGAL
 COMPANY SECRETARY

SIVARAMAKRISHNAN S. IYER
 DIRECTOR

Consolidated Cash Flow Statement for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
A. Cash flow from operating activities		
Net profit before tax	1280.905	1452.967
Adjustments for:		
Loss on sale of fixed assets	1.028	0.790
Gain on redemption of mutual fund investments	(47.789)	(58.068)
Surplus on liquidation of shares in subsidiary (Praj Far East Pte Limited)	–	(2.434)
Provision for doubtful debts and advances	13.701	201.410
Provision for diminution in current investments	0.728	2.236
Exceptional item	40.184	–
Unrealised foreign exchange (gain) (net)	(165.265)	239.831
Depreciation and amortisation	107.350	88.721
Interest earned	(75.454)	(29.575)
Dividend from mutual fund investments	(77.136)	(122.804)
Interest charged	3.590	5.557
Operating profit before working capital changes	1081.842	1778.631
Changes in working capital		
(Increase)/decrease in sundry debtors	681.611	(345.164)
(Increase)/decrease in inventories (including contracts in progress)	1019.961	(712.201)
(Increase)/decrease in loans and advances	70.477	(43.837)
Increase/(decrease) in current liabilities	(1153.123)	401.633
Increase/(decrease) in provisions	(70.012)	61.506
Cash generated from operations	1630.756	1140.568
Direct and fringe benefit taxes paid (including taxes deducted at source), net of refunds	(321.038)	(233.125)
NET CASH FROM OPERATING ACTIVITIES	1309.718	907.443
B. Cash flow from investing activities		
Purchase of fixed assets and intangibles	(86.685)	(524.973)
Purchase of investments		
- in mutual funds	(7616.978)	(9047.010)
- in debentures	(50.000)	(100.000)
Sale of investments		
- in mutual funds	7001.950	9758.466
Proceeds from sale of fixed assets	0.809	0.431
Proceeds from liquidation of subsidiary	–	5.426

Consolidated Cash Flow Statement for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
Interest received on investments	40.476	7.203
Dividend received on investments	77.136	122.804
Investment in fixed deposits	(248.670)	(814.289)
NET CASH (USED) IN INVESTING ACTIVITIES	(881.962)	(591.942)
C. Cash flow from financing activities		
Proceeds from exercise of employee stock options	61.024	15.053
Proceeds from share application money pending allotment	–	(0.031)
Dividend paid including dividend distribution tax	(311.145)	(386.289)
(Decrease)/Increase in short-term borrowings and bank overdraft	(181.638)	165.330
Interest paid	(3.590)	(5.557)
NET CASH FROM FINANCING ACTIVITIES	(435.349)	(211.494)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(7.593)	104.007
Cash and cash equivalents at the beginning of the year (Refer schedule 18.7)	400.826	303.245
Less: Cash & Cash Equivalent on sale/liquidation of subsidiaries	–	(4.580)
Add: effect of exchange rate changes on cash and cash equivalents	1.130	(1.846)
Cash and cash equivalents at the end of the year (Refer Schedule 18.7)	394.363	400.826

The schedules referred to above form an integral part of the Consolidated Cash flow statement.

As per our report attached

FOR B. K. KHARE & CO.
CHARTERED ACCOUNTANTS

U. B. JOSHI
PARTNER
MEMBERSHIP NO. 044097
FIRM REGISTRATION NO. 105102W

PLACE : PUNE
DATE : 29 MAY 2010

For and on behalf of Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

DEEPAK MOGAL
COMPANY SECRETARY

SHASHANK INAMDAR
CEO & MD

SIVARAMAKRISHNAN S. IYER
DIRECTOR

Schedules forming part of the Consolidated Financial Statements

for the year ended 31 March 2010

1. Significant accounting policies:

1.1 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.

1.2 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.

1.3 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:

Name of the subsidiary	Country of incorporation	Percentage shareholding in equity shares
Pacecon Engineering Projects Ltd.	India	99.53%
Praj Far East Co. Ltd.	Thailand	100.00%
Praj Schneider Inc. (formerly C.J. Schneider Inc.) (upto 28 February 2010)	United States of America	100.00%
BioEnergy Europa B.V.	Netherlands	60.00%
Praj Jaragua Bioenergia S.A.	Brazil	54.00%

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 unrealized 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.

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 Profit and Loss Account 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.

1.4 Goodwill arising on consolidation

The goodwill recorded in these Consolidated financial statements has not been amortised, but instead evaluated for impairment. 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.

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

1.5 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.

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.

1.6 Fixed assets and depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of acquisition includes inward freight, duties, taxes and other directly attributable expenses.

Depreciation on fixed assets is provided on the straightline method based on useful lives of assets estimated by the management.

Assets costing individually Rs. 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. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and estimated net realisable value and are disclosed separately in the Consolidated financial statements.

Capital work-in-progress includes the cost of fixed assets that are not ready for intended use at the Balance Sheet date and advances paid to acquire capital assets before the Balance Sheet date.

1.7 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 on the useful lives, which in management's estimate represents the period during which economic benefits will be derived from their use.

Schedules forming part of the Consolidated Financial Statements

for the year ended 31 March 2010

1.8 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.

1.9 Investments

Investments that are readily realisable and intended to be held for not more than one year from the date on which such investment is made are classified as current investments. Current investments are carried at lower of cost and fair value, which is determined for each individual investment. Cost includes related expenses such as commission/brokerages etc.

Long-term investments are carried at cost less any other than temporary diminution in value, determined separately for each individual investment.

Profit or Loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

1.10 Inventories

Inventories are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost is determined on the basis of the weighted average method and includes expenditure in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of labour and overheads.

1.11 Foreign currency transactions

Transactions denominated in foreign currency are recorded at rates that approximate the exchange rate prevailing on the date of the respective transaction.

Exchange differences arising on foreign exchange transactions settled during the year are recognized in the Profit and Loss Account of the year. Monetary assets and liabilities in foreign currency, which are outstanding as at the year end, are translated at the year end closing exchange rate and the resultant exchange differences are recognized in the Profit and Loss Account.

The premium or discount arising at the inception of the forward exchange contracts related to underlying receivables and payables are amortised as an expense or income recognised over the period of the contracts. Gains or losses on renewal or cancellation of foreign exchange forward contracts are recognised as income or expense for the period.

1.12 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:

- a) Income and expense items are translated by using a monthly simple average exchange rate for the period.
- b) Assets and liabilities, both monetary and non-monetary are translated at the closing rate.
- c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under Reserves and surplus.

1.13 Leases

Lease payment under an operating lease is recognised as an expense in the Profit and Loss Account on a straightline basis over the lease term.

1.14 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.

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

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 Profit and Loss Account.

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 Profit and Loss Account 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 Profit and Loss Account.

1.15 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.

1.16 Income taxes

Income-tax comprises of current tax and fringe benefit tax (i.e., amount of tax for the period determined in accordance with the respective income-tax laws of each country) and deferred tax (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that they will be realised in future; however, where there is unabsorbed depreciation and carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Timing differences, which reverse within the tax holiday period, do not result in tax consequence and therefore no deferred taxes are recognised in respect of the same. For this purpose, the timing differences, which originate first, are considered to reverse first.

1.17 Earnings per share

In determining earnings per share, the Group considers the net profit after tax and includes the post tax effect of any extra-ordinary/exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e., the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and issues of bonus shares effected prior to the approval of the financial statements by the Board of Directors.

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
2. Share capital		
Authorised capital		
450,000,000 equity shares of Rs. 2 each	900.000	900.000
(2009 : 450,000,000 equity shares of Rs. 2 each)		
Issued, subscribed and paid-up capital		
184,738,492 equity shares of Rs. 2 each fully paid up	369.477	366.862
(2009: 183,431,082 equity shares of Rs. 2 each fully paid up)		
1,307,410 equity shares of Rs. 2 each were allotted during the financial year 2009-10 pursuant to the exercise of stock options.		
269,272 equity shares of Rs. 2 each were allotted during the financial year 2008-09 pursuant to the exercise of stock options.		
91,372,879 equity shares of Rs. 2 each issued as bonus shares during the financial year 2007-08 by capitalisation of securities premium account.		
7,300,125 equity shares of Rs. 2 each were allotted during the financial year 2007-08 pursuant to the conversion of warrants.		
588,740 equity shares of Rs. 2 each were allotted during the financial year 2007-08 pursuant to the exercise of stock options.		
40,556,260 equity shares of Rs. 2 each issued as bonus shares during the financial year 2005-06 by capitalisation of securities premium account.		
4,320,000 equity shares of Rs. 10 each were allotted to share holders of Praj Engineering Limited, during the financial year 2002-03 pursuant to a scheme of amalgamation without payment being received in cash. (*)		
896,652 equity shares of Rs. 10 each (converted were allotted to shares holders of Praj Finance Limited, during the financial year 1997-98 pursuant to a scheme of amalgamation without payment being received in cash. (*)		
1,350,000 equity shares of Rs. 10 each issued as bonus shares during the financial year 1993-94 capitalisation of reserves. (*)		
21,491 equity shares of Rs. 10 each were allotted during the financial year 1989-90 pursuant to contracts without payment having been received in cash. (*)		
(*) During the financial year 2005-06 the Company subdivided the equity shares of Rs. 10 each in to 5 shares of Rs. 2 each. Consequently these shares were converted in to 32, 940, 715 equity shares of Rs. 2 each.		

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
3. Reserves and Surplus		
Capital reserve		
Balance at the beginning of the year	0.032	3.627
Less : on liquidation of subsidiary	—	3.595
	0.032	0.032
Amalgamation reserve	3.063	3.063
Securities premium account		
Balance at the beginning of the year	1068.304	1053.789
Add : additions on account of:		
- exercise of employee stock options	58.409	14.515
Balance at the end of the year	1126.713	1068.304
Foreign currency translation reserve		
Balance at the beginning of the year	14.407	2.661
Add: due to transactions during the year	(14.795)	11.746
Balance at the end of the year	(0.388)	14.407
General reserve		
Balance at the beginning of the year	462.125	330.366
Add : transferred from Profit and loss account	114.000	130.000
Less : Adjustment related to erstwhile subsidiary	(2.025)	1.759
Balance at the end of the year	574.100	462.125
Profit and loss account	3205.195	2434.484
	4908.715	3982.415
4. Deferred tax liability (net)		
Deferred tax liability		
Arising out of timing differences in depreciation	259.845	245.579
Deferred tax asset		
Arising out of timing differences in		
- employee benefits	(11.015)	(18.825)
- provision for doubtful debts and advances	(23.873)	(80.150)
- others	(48.753)	(39.945)
- Long-term capital loss (Refer Schedule 18.11)	(57.182)	—
Net deferred tax liability	119.022	106.659
5. Secured Loans		
Working Capital Borrowings from Banks	—	181.638
	—	181.638

Schedules forming part of the Consolidated Financial Statements

for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

6. Fixed and intangible 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 year
Gross Block											
At 01/04/2009	64,800	61,484	56,923	231,408	405,306	498,298	127,336	32,422	153,956	1,631,933	1,070,990
Additions / adjustments (**)	-	7,054	-	-	80,678	46,136	2,991	2,717	1,475	141,051	563,311
Deletions (***)	-	-	-	-	-	3,264	0,256	5,983	19,715	29,218	2,368
At 31/03/2010	64,800	68,538	56,923	231,408	485,984	541,170	130,071	29,156	135,716	1,743,766	1,631,933
Accumulated depreciation and amortisation											
At 01/04/2009	24,965	21,600	39,846	-	32,152	69,519	43,661	13,253	45,583	290,579	198,398
Charge for the year	8,493	11,946	5,692	-	11,982	45,951	12,002	3,286	7,998	107,350	88,721
Deletions/Adjustments (***)	-	(0,052)	-	-	0,007	2,976	0,877	5,984	23,088	32,880	(3,460)
At 31/03/2010	33,458	33,598	45,538	-	44,127	112,494	54,786	10,555	30,493	365,049	290,579
Net Block											
At 31/03/2010	31,342	34,940	11,385	231,408	441,857	428,676	75,285	18,601	105,223	1,378,717	1,341,354
At 31/03/2009	39,835	39,885	17,077	231,408	373,154	428,779	83,675	19,169	108,372	1,341,354	872,592

(*) includes construction on leasehold land and rights to use thereof.

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

(***) Include deletions on account of disposal of subsidiary.

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
7. Investments		
Long-term, non-trade, quoted		
Investment in Mutual Funds	420.000	570.000
Redeemable Non-Convertible Secured Debentures issued by CitiFinancial Consumer Finance (India) Limited 1500 Units (2009 : Nil)	150.000	—
Redeemable Non-Convertible Secured Debentures issued by Citicorp Finance (India) Limited Nil Units (2009 : 1000)*	—	100.000
*Out of the above 500 units are kept as security against Line of Credit made available to Subsidiary Praj Schneider Inc.		
Sub-Total (a)	570.000	670.000
Current, non-trade, quoted		
Investment in Mutual Funds	2091.301	1279.904
Less : Provision for diminution in value of investment	0.728	2.236
Sub-Total (b)	2090.573	1277.668
Current, non-trade, unquoted		
Investment in National Saving Certificates	0.008	0.008
Investment in Shares	0.102	0.918
Sub-Total (c)	0.110	0.926
Grand Total (a) + (b) + (c)	2660.683	1948.594
8. Inventories		
Raw materials and stores	330.665	898.198
Work-in-progress	—	—
Finished goods	—	—
Goods in transit	0.800	1.174
	331.465	899.372
9. Sundry debtors		
Unsecured		
Over six months		
- Considered good	148.519	107.058
- Considered doubtful	61.662	223.655
Others, considered good	1036.639	1759.711
	1246.820	2090.424
Less : Provision for doubtful debts	61.662	223.655
	1185.158	1866.769

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
10. Cash and bank balances		
Cash in hand	3.624	1.387
Balances with banks		
- in current accounts	389.140	397.956
- in deposit accounts	1142.614	894.060
	1535.378	1293.403
11. Loans and advances		
Unsecured, considered good unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received	116.666	204.216
Less : Considered doubtful	14.796	18.225
	101.870	185.991
Advance income tax and tax deducted at source	988.665	667.807
Deposits	35.592	42.497
Less : Considered doubtful	1.465	0.963
	34.127	41.534
Balances with excise and customs	79.182	66.647
Accrued interest on deposit	57.431	22.453
	1261.275	984.432
12. Current liabilities		
Creditors for goods and services :		
- Dues to Micro and Small enterprises under MSMED Act, 2006.	4.937	6.153
- Dues to other parties	812.832	797.029
	817.769	803.182
Advances from customers	1369.180	2240.502
Dues to customers relating to contracts in progress (Refer Schedule 18.2)	110.899	234.236
Provident and other funds payable	4.712	2.382
Bonus and exgratia payable	12.451	14.696
Other payables	241.541	592.554
Unclaimed dividend	6.043	5.053
	2562.595	3892.605
13. Provisions		
Compensated absences	36.243	47.654
Gratuity	34.258	39.380
Performance incentives	23.500	76.979
Income Tax	751.038	682.269
	845.039	846.282

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

	31/03/2010	31/03/2009
14. Other income		
Foreign exchange fluctuation loss (gain) (net)	94.429	—
Dividend from mutual fund investments	77.136	122.804
Gain on redemption of mutual fund investments (net)	47.789	58.068
Bad debt written off, recovered	123.664	0.378
Interest		
- on fixed deposits	75.454	29.575
Surplus on liquidation of shares in subsidiary (Praj Far East Pte Limited)	—	2.434
Miscellaneous income	38.223	35.123
	456.695	248.382
15. Cost of materials consumed		
Raw material consumed	3095.946	4355.702
Stores and spares consumed	57.927	83.571
Decrease/(Increase) in inventories	—	—
	3153.873	4439.273
16. Personnel cost		
Salaries, wages and bonus	647.284	797.099
Contributions to provident and other funds	28.427	33.232
Staff welfare	22.255	23.338
	697.966	853.669
17. Manufacturing, selling and other costs		
Site expenses and labour charges	429.861	286.195
Freight and transport	127.328	252.921
Bad debts written off/Provision for doubtful debts and advances	13.701	229.716
Sales commission	89.333	84.554
Travel and conveyance	117.581	215.601
Professional consultancy charges	1405.296	1103.827
Insurance	37.136	50.379
Rent	32.506	43.566
Power and fuel	34.614	27.363
Advertising and exhibition expenses	20.179	35.174
Communication expenses	23.243	26.541
Testing charges	11.192	15.463
Repairs and maintenance:		
- Building	1.224	11.157
- Plant and Machinery	7.624	14.554
- Others	22.335	46.543
Auditors' remuneration:		
- for audit services	2.991	2.608
- for taxation services	0.400	0.400
- for other services	0.155	0.233
- out of pocket expenses	0.031	0.069
Loss on sale of fixed assets (net)	1.028	0.790
Provision for diminution in value of current investment	0.728	2.236
Rates and taxes	1.610	1.980
Miscellaneous expenses	137.129	155.020
Foreign exchange fluctuation loss (gain) (net)	—	234.001
	2517.225	2840.891

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

18. Notes to the Consolidated financial statements

18.1 Capital commitments and contingent liabilities

	31/03/2010	31/03/2009
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	73.998	62.962
Contingent liabilities		
Claims against group not acknowledged as debts (primarily relating to performance related claims filed by customers)	21.041	21.041
Disputed demands in appeal towards income tax & sales tax	8.704	8.704
Unfulfilled Export Obligations under EPCG scheme to be fulfilled over 8 years	313.170	324.753
Secured Loans		
Working Capital borrowings from banks 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 and debentures. Additionally there is collateral security by way of mortgage on company's property situated at Pune.		

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

	31/03/2010	31/03/2009
Contract revenue recognised during the year	5675.704	7246.627
Aggregate amount of contract costs incurred and recognised profits (less recognised losses)	5675.704	7246.627
Customer advances outstanding for contracts in progress	915.153	1888.527
Retention money due from customers for contracts in progress	138.330	348.643
Gross amount due from customers for contract work (presented as Contracts in progress)	419.850	871.902
Gross amount due to customers for contract work (presented as Dues to customers relating to contracts in progress)	(110.899)	(234.236)

18.3 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.

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

Secondary segmental information

Particulars	India		Rest of the world		Total	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009	31/03/2010	31/03/2009
Segment sales	3753.748	4030.052	3590.650	5512.122	7344.398	9542.174
Segment assets	969.940	1074.869	215.218	791.901	1185.158	1866.770

18.4 Related party transactions

a) Key management personnel and their relatives

Executive Chairman	Mr. Pramod Chaudhari
CEO & MD	Mr. Shashank Inamdar
Relative of key management personnel	Mrs. Parimal Chaudhari

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

Particulars	31/03/2010	31/03/2009
Pramod Chaudhari		
Remuneration including commission on profit	60.364	65.161
Dividend	42.062	52.030
Shashank Inamdar		
Remuneration including commission on profit	22.239	22.802
Dividend	2.193	2.741
Parimal Chaudhari		
Commission on profit	0.945	1.125
Dividend	13.656	17.195

18.5 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 Profit and Loss and the future minimum lease payments in respect of non-cancellable operating leases are summarised below :

	31/03/2010	31/03/2009
Future minimum lease payments in respect of noncancellable leases		
- amount due within one year from the Balance Sheet date	13.908	19.826
- amount due in the period between one year and five years	17.387	33.743
- amount due after five years	2.274	2.249
Lease payments debited to the Profit and loss account		
- cancellable leases	11.580	21.388
- non cancellable leases	20.926	22.177

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

18.6 Earnings per share

	31/03/2010	31/03/2009
Reconciliation of basic and diluted shares used in computing earnings per share		
Number of shares considered as basic weighted average shares outstanding	184,136,528	183,350,588
Add: effect of dilutive issue of shares / options	670,172	1,384,680
Number of shares considered as weighted average shares and potential shares outstanding for computing diluted earnings per share	184,806,700	184,735,268
Computation of basic and diluted earnings per share		
Net profit after tax and minority Interest attributable to equity shareholders	1195.856	1211.948
Basic earnings per equity share of Rs. 2 each	6.49	6.61
Diluted earnings per equity share of Rs. 2 each	6.47	6.56

18.7 Cash and cash equivalents

	31/03/2010	31/03/2009
At the beginning of the year		
Cash in hand	1.387	2.146
Balances with banks	397.956	275.449
Deposits with banks	1.483	25.650
	400.826	303.245
At the end of the year		
Cash in hand	3.624	1.387
Balances with banks	389.140	397.956
Deposits with banks	1.599	1.483
	394.363	400.826

Notes:

- Deposits with banks having maturity of more than three months aggregating to Rs. 1141.015 (2009 : 892.577) are not readily liquid and have been excluded from cash and cash equivalents.
- Cash and cash equivalents include bank balances in relation to unclaimed dividends Rs 6.201 (2009 : 5.158)

18.8 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 1.750 & GBP Nil (2009: USD 22.250, GBP 2.250).

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

Nature of exposure	31/03/2010	31/03/2009
Balances in foreign currency bank accounts	56.019	1.835
Foreign currency advances	31.776	8.571
Foreign currency payables representing creditors and other payables	96.689	130.627
Foreign currency payables representing advances from customers	465.886	1464.594
Foreign currency receivables	146.420	—

18.9 Employee benefits

The disclosures in accordance with the requirements of Accounting Standard 15 (Revised 2005) Employee Benefits are provided below :

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

a) Defined contribution plans

The Holding company has recognised Rs. 28.427 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 Holding company is required to provide post employment benefit to its employees in the form of gratuity. The Holding 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 Holding company's gratuity plan are provided below :

Reconciliation of opening and closing balance of obligation

Particulars	31/03/2010	31/03/2009
Liability at the beginning of the year	58.998	44.036
Current service cost	7.199	7.229
Interest cost	4.130	3.393
Benefits paid	(1.671)	(2.168)
Actuarial (gain)/loss on obligations	(1.898)	6.508
Liability at the end of the year	66.758	58.998

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

Particulars	31/03/2010	31/03/2009
Fair value of plan assets at the beginning of the year	19.619	11.514
Expected return on plan assets	2.323	1.388
Contributions by the employer	11.000	7.000
Benefits paid	(0.010)	—
Actuarial (gain) / loss on plan assets	(0.432)	(0.283)
Fair value of plan assets at the end of the year	32.500	19.619

Expense recognised in Profit and loss account

Particulars	31/03/2010	31/03/2009
Current service cost	7.199	7.229
Interest cost	4.130	3.393
Expected return on plan assets	(2.323)	(1.388)
Total actuarial (gain)/loss	(1.466)	6.791
Total expenses included in Schedule	7.540	16.025

Amount recognised in the Balance Sheet

Particulars	31/03/2010	31/03/2009
Defined benefit obligation as at end of the year	66.758	58.998
Fair value of plan assets at the end of the year	(32.500)	(19.618)
Net liability	34.258	39.380

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

Employee benefits

Actual return on plan assets

Particulars	31/03/2010	31/03/2009
Expected return on plan assets	2.323	1.388
Actuarial gain/(loss) on plan assets	(0.432)	(0.283)
Actual return on plan assets	1.891	1.105

Principal actuarial assumptions

Particulars	31/03/2010 (%)	31/03/2009 (%)
Discount rate	8.00%	7.10%
Expected rate of return on plan assets	9.25%	9.25%
Salary increment rate	8.00%	8.00%

Composition of plan assets

Particulars	31/03/2010 (%)	31/03/2009 (%)
Central government securities	56.00%	56.09%
State government securities	0.00%	11.18%
Approved marketable securities	0.00%	2.96%
Bonds/debentures, etc.	36.00%	22.03%
Loans	0.00%	0.36%
Equity	6.00%	5.64%
Liquid fund/money market instruments	2.00%	1.74%
Total	100.00%	100.00%

Notes:

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

18.10 Employee stock options

The Compensation Committee of the Holding 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 Holding 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 Holding 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').

The stock options vest in a graded manner equally over three years with each vesting taking effect on the expiry of 12 months from the date of grant. These can be exercised within a period of three years from the date of vesting. The stock options granted are exercisable at 100% of the fair market value of the underlying equity shares of the Holding company as on the date of grant.

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency : Indian rupees millions, except share data)

Grant I

Particulars	31/03/2010	31/03/2009
Options outstanding at the beginning of the year (*)	1,380,774	1,616,109
Granted during the year	-	-
Additional options on account of allotment of bonus shares	-	-
Less: exercised	1,306,710	215,431
Less: cancelled	20,162	19,904
Options outstanding at the end of the year	53,902	1,380,774
Options exercisable at the end of the year	53,902	1,380,774

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

Grant II

Particulars	31/03/2010	31/03/2009
Options outstanding at the beginning of the year	1,944,709	2,109,334
Granted during the year	-	-
Additional options on account of allotment of bonus shares	-	-
Less: exercised	700	53,841
Less: cancelled	83,650	110,784
Options outstanding at the end of the year	1,860,359	1,944,709
Options exercisable at the end of the year	1,204,671	1,577,405

Grant III

Particulars	31/03/2010	31/03/2009
Options outstanding at the beginning of the year	-	-
Granted during the year	3,029,626	-
Additional options on account of allotment of bonus shares	-	-
Less: exercised	-	-
Less: cancelled	180,750	-
Options outstanding at the end of the year	2,848,876	-
Options exercisable at the end of the year	-	-

18.11 Taxes

In consonance with retrospective amendment to Section 10AA of the Income Tax Act, related to the profit derived by SEZ undertaking which was ascertained hitherto based on the business of the assessee instead of the business of undertaking, the excess provision of current tax of earlier financial years 2007-08 & 2008-09 of Rs. 131.500 is written back during the year. Accordingly current tax expense of Rs. 70.218 is net of the said write back.

Long term capital loss is adjustable against future capital gains considering the quantum of investible surplus available with the company.

18.12 Exceptional item

During the year, the process of divestment of Praj Schneider Inc. the wholly owned subsidiary of the Group in USA was completed. Consequently the loss of Rs. 40.184 has been taken to Profit and Loss Account and shown under 'exceptional items'.

18.13 Prior year comparatives

Previous year's figures have been regrouped/reclassified to conform to the current year's presentation.

For and on behalf of the Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

SHASHANK INAMDAR
CEO & MD

DEEPAK MOGAL
COMPANY SECRETARY

SIVARAMAKRISHNAN S. IYER
DIRECTOR

PLACE : PUNE
DATE : 29 MAY 2010

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

(Currency: Indian rupees millions, except share data)

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES AS OF 31 MARCH 2010

1. NAME OF THE SUBSIDIARY COMPANY	Pacecon Engineering Projects Limited, India	Praj Far East Co. Ltd. Thailand	BioEnergy Europa BV, Netherlands	Praj Jaragua Bioenergia S.A. Brazil
2. FINANCIAL PERIOD OF THE SUBSIDIARY ENDED ON	31/03/2010	31/03/2010	31/03/2010	31/03/2010
3. HOLDING COMPANY'S INTEREST	99.53% of Equity Capital	100% of Equity Capital	60% of Equity Capital	54% of Equity Capital
4. CAPITAL	3.098	5.007	29.385	133.307
5. RESERVES	10.694	4.329	22.942	(128.992)
6. TOTAL ASSETS	181.555	18.395	250.917	7.167
7. TOTAL LIABILITIES	181.555	18.395	250.917	7.167
8. INVESTMENTS	0.110	NIL	NIL	NIL
9. TURNOVER	197.734	36.965	1470.455	—
10. NET AGGREGATE PROFIT / (LOSS) FOR THE CURRENT YEAR -(BEFORE TAXES)	(25.856)	1.472	43.755	(32.517)
11. PROVISION FOR TAXATION (INCLUDING DEFERRED TAXES)	(9.546)	0.322	—	—
12. PROFIT AFTER TAX	(16.309)	1.150	43.755	(32.517)
13. PROPOSED DIVIDEND	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 COMPANY DEALT WITH OR PROVIDED FOR IN ACCOUNTS OF THE HOLDING COMPANY	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 COMPANY NOT DEALT WITH OR PROVIDED FOR IN ACCOUNTS OF THE HOLDING COMPANY	(16.233)	1.150	26.253	(17.559)
16. NET AGGREGATE PROFITS / LOSSES FOR THE PREVIOUS FINANCIAL YEAR SINCE BECOMING SUBSIDIARY SO FAR AS IT CONCERNS THE MEMBERS OF THE HOLDING COMPANY DEALT WITH OR PROVIDED FOR IN ACCOUNTS OF THE HOLDING COMPANY	NIL	NIL	NIL	NIL

Schedules forming part of the Consolidated Financial Statements for the year ended 31 March 2010

1. NAME OF THE SUBSIDIARY COMPANY	Pacecon Engineering Projects Limited, India	Praj Far East Co. Ltd. Thailand	BioCnergy Europa BV, Netherlands	Praj Jaragua Bioenergia S.A. Brazil
17. NET AGGREGATE PROFITS / LOSSES FOR THE PREVIOUS FINANCIAL YEAR SINCE BECOMING SUBSIDIARY SO FAR AS IT CONCERNS THE MEMBERS OF THE HOLDING COMPANY NOT DEALT WITH OR PROVIDED FOR IN ACCOUNTS OF THE HOLDING COMPANY	26.647	2.607	(27.590)	(40.250)
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
19. ORIGINAL CURRENCY	INR	THAI BAHT	EURO	BRAZILIAN REAL
20. EXCHANGE RATE AS ON 31 MARCH, 2010 IN INR-CLOSING RATE	—	1.40	59.84	25.15
21. EXCHANGE RATE FROM 1 APRIL 2009 TO 31 MARCH, 2010 IN INR-AVERAGE RATE	—	1.42	67.47	25.67

For and on behalf of the Board

PRAMOD CHAUDHARI
EXECUTIVE CHAIRMAN

SHASHANK INAMDAR
CEO & MD

DEEPAK MOGAL
COMPANY SECRETARY

SIVARAMAKRISHNAN S. IYER
DIRECTOR

PLACE : PUNE
DATE : 29 MAY 2010

NOTICE

Notice is hereby given that the Twenty-fourth Annual General Meeting of PRAJ INDUSTRIES LIMITED will be held on Friday, 23 July 2010 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 31 March 2010 and the Profit and Loss Account for the year ended on that date together with the reports of Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Berjis Desai who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Kishor Chaukar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint the Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and authorize Board to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Rajiv Maliwal who was appointed as an Additional Director w.e.f. 14 August 2009, pursuant to Section 260 of the Companies Act, 1956 and who holds office up to this Annual General Meeting and for the appointment of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company whose period of office will be liable to retirement by rotation."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 317 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, approval of the Company be and is hereby accorded to the re-appointment of Mr. Shashank N. Inamdar as a Managing Director, designated as CEO & MD, of the Company, by extending his present term for a further period of 2 (Two) years with effect from 1 August 2010 on the modified terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and/or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

By Order of the Board of Directors

DEEPAK MOGAL
COMPANY SECRETARY

PLACE : PUNE
DATE : 29 MAY 2010

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 authorizing 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 and 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, 19 July 2010 to Friday, 23 July 2010 (both days inclusive) for the purpose of the Meeting.
- (f)
 - (i) Members are requested to convert their physical holding to demat to avoid hassles involved with physical shares, such as possibility of loss, mutilation, and to ensure safe and speedy transaction in securities. Members are also requested to notify change of address, bank details, ECS mandates, e-mail id, if any, to their Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar & Transfer Agent of the Company i.e. M/s Link Intime India Pvt. Ltd., Pune, in respect of their physical share folios to avoid procedural delays.
 - (ii) Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Registrar & Transfer Agent M/s. Link Intime India Pvt. Ltd., Pune, for consolidation into a single folio.
 - (iii) **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 & Transfer Agent of the Company.**
- (g) Members attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
- (h) The unclaimed dividends up to the Company's financial year 1998 have been transferred to General Revenue Account of the Central Government.

Pursuant to Sections 205A and 205C of the Companies Act, 1956, any money transferred to Unpaid Dividend Account, which remains unpaid or unclaimed for a period of 7 years from the date of such transfer, shall be transferred by the Company to a fund called Investor Education and Protection Fund, set up by the Central Government. Accordingly, the unclaimed dividend for the years 2003-2004 onwards will become transferable at the end of seven years respectively, to the said Fund and no claims shall lie against the Fund or the Company in respect of individual amounts thereafter. Shareholders are, therefore, requested to check and send their claims, if any, for the relevant financial years from 2003-04 onwards before the respective amounts become due for transfer to the above Fund.

- (i) 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. upto the date of the Meeting.

ANNEXURE TO THE NOTICE

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

ITEM NO. 5

Mr. Rajiv Maliwal was appointed as an Additional Non-Executive Independent Director of the Company with effect from 14 August 2009. As per the provisions of Section 260 of the Companies Act, 1956 (the Act), he holds office up to the date of this Annual General Meeting. The Company has received a notice from a member along with a deposit of Rs. 500/- as per Section 257 of the Act signifying his intention to propose the candidature of Mr. Rajiv Maliwal for the office of Director of the Company.

Mr. Rajiv Maliwal is a Co-founder and Managing Director of Sabre Capital, a private equity firm. He is an IIM and BITS Pilani Alumni and has had extensive experience in investing and managing large businesses in financial service industry. The Board of Directors recommends his appointment as Non-Executive Independent Director of the Company, liable to retire by rotation.

None of the Directors, other than Mr. Rajiv Maliwal himself, is in any way concerned or interested in this resolution.

ITEM NO. 6

Mr. Shashank N. Inamdar was appointed as Managing Director of the Company from 1 August 2007 for an initial period of three years, which is now sought to be extended by a further period of two years. Accordingly, the present proposal is to seek the members' approval for the re-appointment of and remuneration payable to Mr. Shashank N. Inamdar as a Managing Director, designated as CEO & MD, in terms of the applicable provisions of the Companies Act, 1956. The Board of Directors of the Company (the 'Board') at its meeting held on 29 May 2010 has, subject to the approval of members, extended the present term of Mr. Shashank N. Inamdar for a further period of 2 years from the expiry of his present term, on the modified terms and conditions.

Mr. Shashank N. Inamdar upon re-appointment as Managing Director shall continue to hold office of the CEO & MD. Broad particulars of the terms of re-appointment and remuneration payable to Mr. Shashank N. Inamdar are as under:

SALARY

Salary not exceeding Rs. 500,000/- per month. The starting salary shall be Rs. 450,000/- per month.

PERQUISITES AND ALLOWANCES

- (i) In addition to the salary payable, the CEO & MD 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. Shashank N. Inamdar from time to time.
- (ii) For the purpose of calculating the above ceiling, the perquisites and allowances shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereto. 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 his tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

PERFORMANCE BONUS

In addition to the salary, perquisites and allowances as above, Performance Bonus shall be paid to him depending upon the performance of the Company and his individual performance. The quantum of performance bonus will be as approved by the Board of Directors within the overall limits approved by the members.

COMMISSION

In addition to salary, perquisites & allowance and Performance Bonus as above, Mr. Shashank N. Inamdar shall also be entitled to receive commission on net profits. The quantum of commission payable to him for each financial year will be as approved by the Board of Directors within the overall limits approved by the members.

MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Shashank N. Inamdar, the Company has no profits or its profits are inadequate the Company will pay remuneration by way of salary and perquisites 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 and the same as may be amended from time to time.

OTHER BENEFITS

Mr. Shashank N. Inamdar shall be entitled to benefits under any other schemes, 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. Shashank N. Inamdar will be entitled to the reimbursement of expenses incurred in connection with the business of the Company.

Mr. Shashank N. Inamdar satisfies all the conditions set out in Part-I of Schedule XIII to the Companies Act, 1956 for being eligible for the re-appointment. A brief resume of Mr. Shashank N. Inamdar along with information, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is provided in the Report on Corporate Governance forming part of the Annual Report. This may be treated as an abstract of the terms of re-appointment of Mr. Shashank N. Inamdar under Section 302 of the Companies Act, 1956.

None of the Directors, other than Mr. Shashank N. Inamdar himself, is in any way concerned or interested in this resolution. The Board commends the Resolution set out at Item No. 6 of the Notice for your approval.

By Order of the Board of Directors

PLACE : PUNE
DATE : 29 MAY 2010

DEEPAK MOGAL
COMPANY SECRETARY

PRAJ INDUSTRIES LIMITED

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

TWENTY FOURTH ANNUAL GENERAL MEETING – FRIDAY, 23rd JULY, 2010

ADMISSION SLIP

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

Folio No./Client Id _____

I certify that I am a Member/Proxy for the Member of the Company and hold _____

Shares. I hereby record my presence at the **TWENTY FOURTH ANNUAL GENERAL MEETING** being held at "PRAJ HOUSE", Bavdhan, Pune 411 021 on **23rd July, 2010** at 10.00 a.m.

Name of Member/Proxy (in block letters)

Member's/Proxy's Signature

Notes:

1. A member/proxy desiring to attend the Meeting must complete this Attendance Slip and hand it over at the entrance.
2. A member/proxy desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.

----- ✂ ----- Tear Here ----- ✂ -----

PRAJ INDUSTRIES LIMITED

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

PROXY FORM

TWENTY FOURTH ANNUAL GENERAL MEETING – FRIDAY, 23rd JULY, 2010

Folio No. / Client Id _____

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 FOURTH ANNUAL GENERAL MEETING** of the Company to be held on **23rd July, 2010** at "PRAJ HOUSE", Bavdhan, Pune 411 021 at 10.00 a.m. and at any adjournment thereof.

Place: _____

Signature _____

Date: _____

Affix
Re. 1
Revenue
Stamp

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



BRENT CRUDE OIL

We don't have to go out of the way to save environment...

At Praj, we have dedicated ourselves to developing environment-friendly solutions for ethanol and bio-diesel production. With over 450 references in more than 45 countries, Praj has one of the largest resource base to support the cause of environment. At the state-of-the-art R & D facility, Matrix - The Innovation Centre, Praj is evolving technology solutions that will provide new avenues for a sustainable future.

We will continue to work towards greener and cleaner planet.

...It's in our business.



PRAJ Industries Limited,
Praj House, Bavdhan, Pune 411 021, INDIA.
Tel: +91-20-22951511. Fax: +91-20-22951718.
E-mail: info@praj.net; Website: www.praj.net




Praj Industries Limited

Praj House, Bavdhan, Pune 411 021. India.

Tel. : +91 20 22951511 / 22952214 Fax : +91 20 22951718 / 22951515

E-mail : info@praj.net Web : www.praj.net



Your company has taken an initiative to enhance its commitment to sustainable practices by way of printing of Annual Report in an abridged format on eco-friendly paper. This initiative is expected to reduce paper use by approx. 9 tons translating into environment benefits ranging from saving of trees, conserving energy, reducing solid waste, decreasing pollution, reducing waste water generation and improving health standards.

The electronic version of Annual Report is also available on the company's website at www.praj.net in the Investor's Lounge Section.

