



HBL POWER SYSTEMS LIMITED

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HBL POWER SYSTEMS LIMITED



Board of Directors	Dr. A J Prasad Mr. Ashok Nagarkatti Mr. J K Verma Mrs. M Kavita Prasad Mr. P Ganapathi Rao Mr. M S Ramakrishna Mr. V V Rao Mrs. Preeti Khandelwal	Chairman & Managing Director Director-Battery Technology Director-Operations IDBI Nominee Director
Audit Committee	Mr. P Ganapathi Rao Mrs. M Kavita Prasad Mr. V V Rao	Chairman
Company Secretary	Mr. D Mabu Basha	
Registered Office	8-2-601, Road # 10 Banjara Hills, Hyderabad - 500 034	
Location of Plants	1. Aliabad (V), Shameerpet(M), RR Dist., AP 2. Nandigoan(V), Kothur(M), Mahabubnagar Dist., AP 3. Seripally (V), Bhoothpur(M), Mahabubnagar Dist., AP 4. Kandivalasa (V), Poosapatirega(M), Vizianagaram Dist., AP 5. VSEZ, Vishakhapatnam, AP 6. Thumkunta (V), Shameerpet(M), R R Dist, AP. 7. Haridwar, Uttarakhand 8. IMT, Manesar, Haryana	
Auditors	M/s Satyanarayana & Co. Chartered Accountants Secunderabad	
Cost Auditors	M/s Narasimha Murthy & Co. Cost Accountants, Hyderabad	
Bankers	State Bank of India State Bank of Hyderabad IDBI Bank Ltd. State Bank of Indore.	



NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Members of **HBL POWER SYSTEMS LIMITED** will be held at Surana Udyog Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 on Thursday, the 17th day of September 2009 at 4.00 p.m., to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt Audited Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended on 31st March 2009, together with the Director's Report and the Auditor's Report thereon.
2. To declare Dividend for the year ended 31st March 2009.
3. To appoint a Director in place of Mr. M S Ramakrishna, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the year 2009-10 till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration. M/s Satyanarayana & Co., Chartered Accountants, the retiring auditors are eligible for re-appointment.

SPECIAL BUSINESS:

(A) TO CONSIDER AND IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION THE FOLLOWING RESOLUTIONS AS ORDINARY RESOLUTIONS:

5. Sub-division of existing Equity Shares of Rs.10/- each into 10 shares of Rs.1/- each:

"RESOLVED THAT pursuant to the provisions of Section 94(1) (d) and other applicable provisions, if any, of the Companies Act, 1956 and provisions of Article 50 of the Articles of Association of the Company and subject to the approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the existing equity shares of 2,42,79,555 of Rs.10/- each subdivided into 24,27,95,550 equity shares of Rs.1/- each (from face value of Rs.10/- equity share into 10 share of Rs.1/- each) and Capital Clause of Memorandum and Article 4(1) of the Articles of Association be altered accordingly.

RESOLVED FURTHER THAT the Board of Directors of the Company ("the Board" which expression shall also include a committee formed thereof) be and is hereby authorised to issue new share certificates in lieu of the cancellation of the old certificates representing the sub divided equity shares with new distinctive numbers, consequent to the subdivision of shares as aforesaid and/ or credit the shareholders' accounts maintained with the Depositories, subject to rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960 and the Articles of Association of the Company and to inform the Depositories and the Registrar and Transfer Agent of the Company to execute all the documents, instruments and writings as may be required in this connection and to delegate all or any of the powers herein vested in the Board, to any committee thereof or to any Director(s) or the Company Secretary, to give effect to this resolution.



RESOLVED FURTHER THAT fractional entitlements, if any, arising out of the subdivision of equity shares, as resolved above, be vested in a special account held by M/s Karvy Computershare Private Limited, the Registrar and Share Transfer Agent of the Company, be and are hereby authorised to act as Trustee for this purpose, and these entitlements be dealt by the Committee constituted by Board /Trustee in the best interests of the Members.

RESOLVED FURTHER THAT the sub-division shall be effective from such date as may be decided by the Board of Directors/Committee in consultation with the Stock Exchanges”.

6. To amend Clause V of the Memorandum of Association:

“RESOLVED THAT Clause V of the Memorandum of Association of the Company be deleted and substituted by the following:

The Authorised Share Capital of the Company is Rs. 30,00,00,000/- (Rupees Thirty Crores) Only divided into 30,00,00,000 equity shares of Rs.1/- (Rupee One) each only”.

7. To revise the Borrowing Powers of the Board:

“RESOLVED THAT the Board of Directors of the Company be and is are hereby authorised under Section 293(1)(d) of the Companies Act, 1956 to borrow money from time to time up to a limit not exceeding in aggregate an amount of Rs. 500 crores (Rupees five hundred crores) only notwithstanding that the money to be borrowed by the Company together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers from time to time in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves i.e. to say reserves not set apart for any specific purpose”.

8. To Appoint Mrs. Preeti Khandelwal as a Director of the Company:

“RESOLVED THAT Mrs. Preeti Khandelwal, who was appointed as Additional Director and whose term of office expires on the conclusion of this Annual General Meeting be and is hereby appointed as Director, be liable to determination by retirement by rotation as per the provision of Section 255 of the Companies Act, 1956”.

(B) TO CONSIDER AND IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION THE FOLLOWING RESOLUTION AS SPECIAL RESOLUTION:

9 To amend the Article 4 of the Articles Association:

“RESOLVED THAT Article 4(1) of the Articles of Association of the Company be deleted and substituted by the following:

The Authorised Share Capital of the Company is Rs. 30,00,00,000/- (Rupees Thirty Crores) Only divided into 30,00,00,000 equity shares of Rs.1/- (Rupee One) each only”.

For and on behalf of the Board

Place: Hyderabad
Date : July 30, 2009

D Mabu Basha
Company Secretary



Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Proxies, in order to be effective, should be completed, stamped and signed and must be deposited at the Registered Office or Investor Service Department of the Company not less than 48 hours before the commencement of the meeting.
3. The Explanatory Statement, as required by Section 173(2) of the Companies Act, 1956 in respect of item No.5 to 9 set out above is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from **10th September, 2009 to 17th September, 2009** (both days inclusive).
5. The dividend, if any, declared would be paid to those members whose names appear on the Register of Members of the Company as on **17th September, 2009**.
6. Members desirous of making nomination in respect of their shareholding may approach the Company for obtaining prescribed form and return the same duly filled in and signed for registration with the Company.
7. Members are requested to intimate immediately their change of address to the Company, quoting Registered Folio Number, Change in the address, if any, with the Pin Code Number.
8. Members attending the meeting are requested to bring with them the Attendance slip attached to the Annual Report duly filled in and signed and hand over the same at the entrance of the hall.



EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 5:

The Board of Directors in their meeting held on 25th June, 2009 has approved the Sub-division of the existing equity shares of Rs.10/- each into 10 shares of Rs.1/- per share, to improve the liquidity of shares in the stock market, so that trading volumes are improved, as this will widen the scope for small investors to pick up the scrip in smaller denomination.

Your Directors commend the Resolution for the approval of the Shareholders as an Ordinary Resolution.

None of the Directors are interested in this resolution.

Item No. 6:

In order to comply with the provisions of Companies Act, 1956 to affect Sub-division of shares (item no. 5 of Agenda), the Memorandum of Association are proposed to be amended.

Your Directors commend the Resolution for the approval of the Shareholders as an Ordinary Resolution.

None of the Directors are interested in this resolution.

Item No.7:

To borrow funds to meet the Company's capital expansion activities to expand the existing capacities of the Company, your Directors sought your approval for the proposed enhanced borrowing limits/ powers.

Your Directors commend the Resolution for the approval of the Shareholders as an Ordinary Resolution.

None of the Directors are interested in this resolution.

Item No. 8:

Mrs. Preeti Khandelwal, was appointed as Additional Director of the Company with effect from 2nd March, 2009. Now it is proposed to appoint her as Director subject to retirement by rotation and to comply with the provisions of Corporate Governance as per Listing Agreement.

Your Directors commend the resolution for the approval of Shareholders as an Ordinary Resolution.

None of the directors other than Mrs. Preeti Khandelwal is interested in this resolution.

Item No. 9:

In order to comply with the provisions of Companies Act, 1956 to affect Sub-division of shares (item no. 5 of Agenda), the Articles are proposed to be amended.

Your Directors commend the Resolution for the approval of the Shareholders as Special Resolution.

None of the Directors are interested in this resolution.

For and on behalf of the Board

Place: Hyderabad
Date : July 30, 2009

D Mabu Basha
Company Secretary



BRIEF PARTICULARS OF DIRECTORS PROPOSED FOR APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

(In pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mr. M S Ramakrishna	Mrs. Preeti Khandelwal
Date of Birth	06.09.1954	24.03.1971
Date of first appointment	30.10.2006	02.03.2009
Qualification	Graduate in Commerce.	B Com, ACS
Expertise in specific functional Area	He is one of the Founder Directors of Karvy Group Companies. He was instrumental in diversifying Karvy into the field of Medical Transcription.	She is a Practicing Company Secretary and has expertise in Company law and FEMA related issues.
Details of other Directorships	<ol style="list-style-type: none"> 1. Karvy Consultants Limited 2. Karvy Stock Broking Limited 3. Karvy Investor Services Limited 4. Karvy Global Services Limited 5. Karvy Inc., USA 6. Karvy Insurance Broking Limited 7. Karvy Financial Services Limited 8. Karvy Global Services Inc/USA 9. Karvy Comtrade Limited 10. Andhra Cements Limited 11. Athena Projects Private Ltd 12. Athena Infra Projects Pvt. Ltd (GIPL) 13. Athena Energy Ventures Pvt. Ltd 14. Athena Demwe Power Pvt. Ltd 15. Countrywide Power Transmission Limited 16. Ckar Systems Private Limited 17. East India Petroleum Ltd 18. East Coast Energy Pvt. Ltd 19. Karvy Computershare Private Ltd 20. Himshakti Projects Pvt. Ltd 21. Muthe Power Private Limited 22. Sainj Hydro Power Pvt. Ltd 23. Viz Projects Pvt. Ltd 	R-Squart Innovations (P) Ltd.
Details of Committee and membership status.	Member of Share Transfer Committee	-NA-



DIRECTORS' REPORT

Dear Members,

Your Board of Directors take pleasure in presenting the Annual Report for the financial year ended on 31st March 2009. The financial performance is presented below.

Rs. In Lakhs			
Sl. No.	Particulars	2008-09	2007-08
1	Net Sales	124390	97276
2	Operating Profit before interest, depreciation and extra-ordinary items	19977	15480
3	Other Income	509	370
4	Finance Cost	3883	3175
5	Depreciation	2784	1546
6	Extra-ordinary losses/non-recurring cost	136	103
7	Provision for tax & tax adjustment	4372	4075
8	Deferred tax liability	215	242
9	Net Profit	9096	6709
10	Transfer to General Reserve	8000	6000
11	Earnings per Share (Diluted) (Rs.)	37.46	27.63
12	Dividend	30%	15%

Performance Review 2008-09:

Overall Sales of the Company for the year 2008-09 has recorded Rs. 124390 lakhs compared to previous year of Rs. 97276 lakhs. This increase is on account of utilization of additional capacities installed particularly VRLA and NICAD batteries at Vizianagaram and VSEZ units respectively. The comfortable order book position for these Batteries resulted in increase in sales volumes by 28% over last year, increase in export sales by 50% over last year.

Expansion plans:

The demand for your Company's products is encouraging despite general economic slowdown. To meet the additional demand, an expansion plan to create additional capacity is underway and is expected to commercialize during the next 18 months. This 18 months plan involves a capex of Rs.340 crores, including term loans of Rs.250 crores. This is part of Rs.240 crores capex planned last year.

Dividends:

Your Directors are pleased to recommend a dividend of Rs.3/- per equity share of Rs.10/- fully paid up share @30% (Previous Year 15%) for the Financial Year 2008-09, subject to the approval of the members at the ensuing Annual General Meeting. The proposed dividend including Corporate Dividend Tax will absorb Rs.852.17 lakhs.



Subsidiary Companies:

HBL (UK) Limited a 100% subsidiary in UK has a Trademark violation case initiated against it during financial year 2006 as a first defendant and the Parent company as a second defendant by SAFT AB. The company initiated winding up proceedings. Considering liquidation proceeding and non-availability of audited financial statements of the Subsidiary Company, the investment of Rs.72.29 lakhs; advance against investment of Rs.30.95 lakhs and other dues Rs.14.40 lakhs have been fully provided for in these financial statements.

HBL Power Systems (M) SDN BHD a Joint venture company in Malaysia has reported a profit of Rs.16.52 lakhs for the year and accumulated loss of Rs.3.51 lakhs up to 31.03.2009. This loss is considered temporary as it is a trade loss and hence no provision is made in the accounts for the fall in the value of investment. Further a sum of Rs. 16.24 lakhs remitted towards share capital is shown under loans and advances pending allotment of shares.

BHAGIRATH ENERGY SYSTEMS PVT. LTD.(BES) a wholly owned subsidiary in Nepal is in process of winding up and hence the latest audited financial statement are not available. Provision for diminution in the value of investment, which was Rs.79.44 lakhs, has been made based on Official Liquidator's Certificate of cash available as on 31.03.2005. No further provision is considered necessary, as there is no reduction in cash balance as on 31.03.2009.

Directors' Responsibility Statement:

In Compliance with the Provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record -

1. That in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
2. That the Accounting Policies adopted are consistently followed and the judgments 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 and the Profit and Loss Account of the Company for the Financial Year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities; and
4. That the Annual Accounts have been prepared on a Going Concern basis.

Corporate Governance:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled "Report on Corporate Governance" is attached to the Annual Report.

Consolidation of Accounts:

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its Subsidiaries are annexed to this Annual Report. The Consolidated Accounts includes HBL Power Systems (M) SDN BHD, Malaysia; Bhagirath Energy Systems Pvt. Ltd, Nepal and HBL ELTA Avionics Systems Private Limited, a Jointly Controlled Entity (Proportionate holding of 50% as per AS-27). Only as regard to the other subsidiary i.e. HBL (UK) Ltd, is having problems and limitation in providing financial information.



The note below explains the status of the HBL (UK) Subsidiary:

HBL (UK) Ltd, U.K: is under winding up process. The claim for trademark violation as made during the year 2005-06 is maintaining the status quo. In the absence of financial information the consolidation exercises could not be concluded.

A statement pursuant to Section 212(1) of the Companies Act, 1956 in respect of HBL Power Systems (M) SDN. BHD., Malaysia and Bhagirath Energy Systems Pvt. Ltd, Nepal are appended to the Annual Report, except HBL (UK) Ltd.

Auditors' Report:

The Board noted the contents of the Auditors Report. The Board has considered the observations/queries as raised by the Statutory Auditors and the explanations are as under.

- 1. Point No 5 (a):** *Reference is invited to note 5(h) Schedule 20(B) regarding legal case for infringement of 'Trade Mark' against wholly owned subsidiary in UK and the Company which is also mentioned as 2nd defendant and the claim of UK Pounds 200,000 towards damages which is not provided for, for the reasons explained in the notes referred to the above. We are not in position to comment on the non-accountal of the same as the matter is reported to be 'sub-judice'.*

Our Reply:

The management is of the view that the provision need not be made as the company has already removed the word 'NIFE' from its name, which was the main contention of the claimant. Both parties have reached an understanding that the claim will not be pursued.

- 2. Point No 5 (b):** *Reference is invited Note no 17 of Schedule - 20 the balances appearing under sundry debtors, creditors, advances to suppliers/from customers and claims recoverable are subject to confirmation/reconciliation and consequential adjustments, the impact of which is not quantifiable by us.*

Our Reply:

Letters for confirmation of balances as appearing under Debtors and Creditors, Advances to the suppliers have been sent by the Company. Some of the parties have replied confirming the balances. This is a continuous process and the company has not faced any problem on this account.

- 3. Point No 5 (c):** *Reference is invited to Note No.13 of Schedule 20 regarding disclosure made under section 22 of the MSMED Act, 2006. The information is as compiled by the management and relied upon by us. Further the company has neither paid nor provided the applicable interest on such dues from the date the Act came into force and the amount of which is not ascertained.*

Our reply:

The Company has written letters to all the Vendors requesting them to provide their status certificate and outstanding balances under MSMED Act, 2006, to be disclosed under Schedule VI of the Companies Act. The Company has received replies from some Vendors; many have not responded to complete the process of compilation of data in time, hence the same was not provided. The company is of the view that the amount will not be of material nature.

Annexure referred to in Paragraph 4 of Our report of even date (under CARO Report):

4. **Point No i (a)**: there has been a shifting of location of Fixed Assets and interdivisional transfer of assets. However, the Company is yet to maintain and update the assets register showing location wise details, Asset wise Original Cost/Depreciation/written down value and other relevant details/ identification details.

Our reply:

The company has already taken steps to update the Location/ Division wise fixed assets register as recommended by the Auditor.

5. **Point No i (b)**: the Fixed assets have not been physically verified by the management. In the absence of physical verification, we are not in position to comment on the discrepancies, if any, between physical and book balances and the impact thereof.

Our Reply:

The company has already initiated steps for physical verification of the assets.

6. **Point No iv** : During the course of our Audit, no major weakness have been noticed in the internal control in respect of these areas. *However, the internal control procedures with regard to (input VAT credit, input Service Tax Credit available and utilization thereof (b) timely and prompt capitalization of fixed assets including linking the additions to the Assets already in existence (c) obtention of balance confirmation from vendors and customers and review/ reconciliation thereof with book balances need to be stream-lined and strengthened considering increasing volume of business and transaction.*

Our Reply:

The company already initiated measures for timely action to improve the same.

7. **Point No vii** : The company has appointed a firm of Chartered Accountants to cover the internal audit function of certain manufacturing divisions and *there is no internal audit system at Branches and certain manufacturing locations/ divisions. Further, in our opinion, the scope and coverage of internal audit wherever in existence needs to be enlarged to be commensurate with the size of the divisions and nature of business, particularly in the areas of accounting of input VAT / input Service Tax, review of vendors and customer balances for proper and timely accounting and identifying the relevant components of the costs relating to Fixed Assets / Capital Work in Progress and the Capitalisation thereof on erection / put to use.*

Our Reply:

The company has already taken appropriate steps to strengthen and enlarge the scope of Internal Audit. Accordingly the company has already appointed a firm of Chartered Accountants as Internal Auditors for VSEZ and Viziangaram units.

8. **Point No xvi:** The term loans raised by the company to the extent utilized were prima facie applied for the purpose of which the loans were obtained *except for a capital expenditure of Rs.1600 lakhs which is beyond the scope of assets included in the sanctioned term loans.*

Our Reply:

In view of rapid growth in several business lines, capital expenditure requirements like balancing equipment, factory/auxiliary sheds and space for electronic projects came up during last two years, which were not envisaged in original proposals. To meet time schedules without delay, these assets were funded from internal accruals and term loans as sanctioned. The company intends to approach the banks with a revised estimate to include these additional assets in earlier sanctioned loans. This will take effect in 2009-10 year.

Directors:

Mr. MS Ramakrishna, Director retiring by rotation and being eligible, offer himself for re-appointment.

Auditors:

M/s Satyanarayana & Co., Chartered Accountants, Auditors of the Company retires at the forthcoming Annual General Meeting and is eligible for re-appointment. Audit Committee has recommended for the re-appointment of M/s Satyanarayana & Co., Chartered Accountants as Auditors at the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, by the Company for the year 2009-10 will be within the limit prescribed under Section 224(1-B) of the Companies Act, 1956.

The Board of Directors recommends their re-appointment.

Cost Auditor:

Your company proposes to re-appoint the cost auditors M/s Narashima Murthy & Co., Hyderabad, subject to the approval from Central Government.

Personnel & Industrial Relations:

Your Company continues to enjoy cordial relations with the employees.

There were no employees, covered by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.



Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo:

The information required under Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in a separate statement attached hereto and forms part of this report.

Compliance Certificate from a Practicing Company Secretary:

The Company obtained a Compliance Certificate under section 383A of the Companies Act, 1956 is annexed to this report.

Acknowledgements:

Your Directors take this opportunity to thank all the Company's Bankers and Financial Institutions, the concerned Central and State Government Departments, Agencies for their support and co-operation to the Company. The Board has special appreciation for the employees for their dedicated services.

The Board of Directors also thanks all its Shareholders for the confidence reposed in the Management.

For and on behalf of the Board

Place: Hyderabad
Date : July 30, 2009

Dr. A J Prasad
Chairman and Managing Director

ANEXURE TO THE DIRECTORS' REPORT FOR THE YEAR 2008-09

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

- A. Conservation of Energy: Operations of the Company are not energy intensive. However, energy saving devices such as re-cycling of Heat and use of alternate sources of energy, which is LPG, are being implemented
- B. Technology Absorption: We have in-house R&D facilities. We may avail the Consultancy Services from overseas experts for strengthening our technology, as and when needed. We are in the process of absorbing the technology so developed and improved further.

C. Foreign Exchange Earnings and Outgo: (Rs.Lakhs)

Sl. No.	Particulars	2008-09	2007-08
1	Value of Imports on C.I.F. (Cash basis)		
	Raw Materials, Components & Spares	39097.45	25213.61
	Capital items/ Equipment	1141.16	953.94
2	Expenditure in Foreign Currency		
	Commission on export Sales	36.93	92.50
	Traveling expenses	84.31	63.61
	Royalty	45.94	31.16
	Professional charges	23.35	34.09
	Technical Know How	340.46	20.58
	Marketing Expenses	104.48	17.60
3	Investments	-	-
4	Foreign Exchange Earnings		
	Export sales	11674.85	7874.75



**Statement pursuant to Section 212 of the Companies Act, 1956
Relating to Subsidiary Companies:**

Name of the Subsidiary Company	HBL (UK) Ltd.	Bhagirath Energy Systems Pvt. Ltd.	HBL Power Systems (M) SDN. BHD.
Financial year of the Subsidiary company ended on	31.03.2009	31.03.2009	31.03.2009
No. of Share in the subsidiary company held by HBL Power Systems Ltd.	93,000	1,72,160	1,60,000
Extent of interest	100%	100%	80%
The net aggregate of losses of the subsidiary companies so far as concerned to the members of HBL POWER SYSTEMS LTD			
1. Deals with in the accounts of HBL POWER SYSTEMS LTD amounted to (Rs. in lakhs):			
a. for subsidiary's financial year ended 31st March, 2009	Nil	Nil	Nil
b. for previous financial year of the subsidiary since it became subsidiary of HBL POWER SYSTEMS LTD.	Nil	Nil	Nil
2. Not dealt within the accounts of HBL POWER SYSTEMS LTD to (Rs. In lakhs):			
a. for subsidiary's financial year ended 31st March, 2009	NA**	NA*	16.52
b. for previous financial year of the subsidiary since it became subsidiary of HBL POWER SYSTEMS LTD	NA**	NA*	(3.51)

Change in the interest of HBL POWER SYSTEMS LTD, not applicable since all the accounts are drawn between the end of the subsidiary's financial year and up to 31st March 2009.

*Company is under voluntary winding up.

**The Company's wholly owned subsidiary HBL(UK) Ltd., is under liquidation.

For and on behalf of the Board

Place: Hyderabad
Date : July 30, 2009

Dr. A J Prasad
Chairman and Managing Director



COMPLIANCE CERTIFICATE

Registration No. of the Company: - 01- 06745 of 1986-87

CIN : L40109AP1986PLC006745

Nominal Capital: Rs.30,00,00,000/-

To
The Members
HBL Power Systems Limited
8-2-601, Road No.10
Banjara Hills
Hyderabad - 500 034

I have examined the registers, records, books and papers of HBL Power Systems Limited as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2009. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions of the Act and the rules made thereunder and all entries there in have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure "B" to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities as per the provisions of the Act and the rules made there under along with additional fee wherever required.
3. The Company, being a public limited company, comments are not required.
4. The Board of Directors duly met six times respectively on 23/04/2008; 25/06/2008; 28/07/2008; 03/10/2008; 03/11/2008; and 30/01/2009 in respect of which meetings proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The company closed its Register of Members from 01st September 2008 to 04th September 2008 (both days inclusive) and necessary compliance of Section 154 of the Act has been made.
6. The Annual General Meeting for the financial year ended on 31/03/2008 was held on 04/9/2008 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-ordinary General Meeting was held during the financial year.

8. The Company has not advanced any loan to its Directors and / or persons or firms or companies referred to under Section 295 of the Act.
9. The company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.
10. The company has made necessary entries in the register maintained under section 301 of the Act.
11. The Company has obtained necessary approvals from the Board of Directors, the members and applied to the Central Government for approval pursuant to section 314 of the Act.
12. The Board of Directors or the duly constituted Committee of Directors has approved the issue of duplicate share certificates.
13. The Company has -
 - (i) delivered all the certificates on allotment of securities and on lodgment thereof for transfer/ transmission or any other purpose in accordance with the provisions of the Act;
 - (ii) deposited the amount of dividend declared in a separate bank account on 07/09/2008 which is within five days from the date of declaration of such dividend;
 - (iii) paid/posted warrants for dividend to all the members within a period of 30 (thirty) days from the date of declaration and that all unclaimed / unpaid dividend has been transferred to Unpaid Dividend Account of the Company with M/s Axis Bank Limited, Secunderabad on 14/10/2008.
 - (iv) Transferred the amounts in unpaid dividend account which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
 - (v) duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted and the appointment of directors and additional directors has been duly made.
15. The appointment of the Managing Director/Whole-time Director/ Manager has been made in compliance with the provisions of Section 269 read with Schedule XIII to the Act and an application has been made to the Central Government in respect of the appointment of Mr. M S S Srinath as President under Section 314(1-B) and the approval is awaited.
16. The company has not appointed any sole selling agents during the financial year.
17. The company was not required to obtain any approvals of the Company Law Board, Regional Director, Registrar and / or such other authorities as may be prescribed under various provisions of the Act during the financial year. However, an application was made to the Central Government under Section 314(1B) and the approval is awaited.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The company has not issued any shares/debentures/other securities during the financial year.



20. The company has not bought back any shares during the financial year.
21. The company has not issued any preference shares/debentures so far and hence the question of redemption does not arise.
22. There were no transactions necessitating the company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has not invited/accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
24. The amounts borrowed by the company from Directors, members, public, financial institutions, banks and others during the financial year ending 31st March 2009 is/are within the borrowing limits of the company and that necessary resolutions as per Section 293(1)(d) of the Act have been passed in duly convened annual general meeting.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate consequently no entries are made in the Register kept for the purpose.
26. The company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one State to another during the year under scrutiny.
27. The company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. The company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.
29. The company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
30. The company has not altered its Articles of Association during the financial year.
31. There was/were no prosecution initiated against or show cause notices received by the company and no fines and penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
32. The company has not received any money as security from its employees during the financial year.
33. The company has not constituted a separate Provident Fund Trust for its employees or class of employees as contemplated under section 418 of the Act.

Place: Hyderabad
Date : 25th July, 2009

Name of the Company Secretary : Y. Ratan Kumar
C.P No : 1112

ANNEXURE - A

REGISTERS AS MAINTAINED BY THE COMPANY:

- | | |
|---|-----------|
| 1. Register of Members and | U/s 150 |
| Index of Members | U/s 151 |
| 2. Registers & Returns | U/s 163 |
| 3. Minutes Book of Meetings | U/s 193 |
| 4. Books of Accounts | U/s 209 |
| 5. Register of Directors,
Managing Directors & Secretary | U/s 303 |
| 6. Register of Director's Shareholding | U/s 307 |
| 7. Register of Particulars of Contracts | U/s 301 |
| 8. Register of Directors' Attendance | |
| 9. Register of Shareholders' Attendance | |
| 10. Register of Proxies | |
| 11. Register of Investments/Loans | U/s 372 A |
| 12. Register of Charges | U/s 143 |
| 13. Register of Duplicate Share Certificates under Rule 7 of the Companies
(Issue of Share Certificate) Rules, 1960. | |

ANNEXURE - B

Forms and Returns as filed by the company with the Registrar of Companies / Central Government during the financial year ending on 31st March, 2009.

Sl. No.	Form No.	Filed u/s	For	Date of filing	Whether filed within the prescribed time Yes/No.	If delay in filing whether required additional fee paid Yes/no.
1.	23C	233B	31.01.2008	09.05.2008	Yes	N.A.
2.	23	192	04.01.2008	25.07.2008	No	Yes
3.	23	192	23.04.2008	17.06.2008	No	Yes
4.	25C	269	23.04.2008	22.07.2008	Yes	N.A
5.	32	303	15.04.2008	22.05.2008	No	Yes
6.	32	303	23.04.2008	27.05.2008	No	Yes
7.	17	138	29.05.2008	07.06.2008	Yes	N.A
8.	8	125	28.06.2008	27.07.2008	Yes	N.A
9.	8	125	28.06.2008	23.07.2008	Yes	N.A.
10.	8	125	28.06.2008	23.07.2008	Yes	N.A.
11.	23AC/ACA	220	04.09.2008	19.09.2008	Yes	N.A
12.	23	192	04.09.2008	23.09.2008	Yes	N.A
13.	20B	159	04.09.2008	27.10.2008	Yes	N.A
14.	32	303	07.10.2008	27.10.2008	Yes	N.A.
15.	32	303	30.01.2009	06.02.2009	Yes	N.A
16.	8	125	31.01.2009	12.02.2009	Yes	N.A
17.	8	125	02.02.2009	18.02.2009	Yes	N.A.
18.	32	303	02.03.2009	17.03.2009	Yes	N.A.



REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2008-09

Company's Philosophy:

The Company follows the Principles of Corporate Governance:

1. **VISION: HBL's** vision is to organize India's engineering talent into a globally competitive business, whether in manufacturing or services. We want to become a learning organization to export technology from India. Our choice is for businesses with technological barriers and /or engineering intensity.
2. **VALUES:**
 - + Fairness to all
 - + Innovative spirit
 - + Craftsmanship
 - + Entrepreneurial opportunism
 - + Development of individuals
 - + Harmonious coexistence
3. **THE HBL WAY:**
 - + To initially try to achieve the very best we can do, and then improve further.
 - + Self learning, like Ekalavya.
 - + Compensation based on value added rather than seniority or qualifications.
 - + Unconventional when convention comes in the way of business sense.
 - + Pride in being Indian.

Board of Directors Composition and Category of Directors as on 31st March 2009:

In pursuance of Clause 49 of the Listing Agreement the Board consists of 8 Directors:

4 are Independent Directors; 3 are Executive Directors, which includes the Chairman and Managing Director and 1 Director is a non-executive promoter director.

Sl. No.	Name & Designation	Category	No of Meetings Held	No of Meetings Attended	No of other Director-ships	Attendance at last AGM
1	Dr. A J Prasad Chairman & Managing Director	Promoter & Executive Director	6	6	2	Yes
2	Mr. Ashok Nagarkatti Whole-Time Director	Executive Director	6	-	1	No
3	Mr. J K Verma Whole-Time Director	Executive Director	6	4	Nil	Yes
4	Mrs.M Kavita Prasad Director	Non-Executive Director	6	6	4	No
5	Mr. V V Rao* Nominee Director	Independent Director	2	2	1	NA
6	Mr. P Ganapati Rao Director	Independent Director	6	6	Nil	No
7	Mr. M S Ramakrishna Director	Independent Director	6	5	23	No
8	Mrs. Preeti Khandelwal # Director	Independent Director	-	-	1	NA

*Mr. V V Rao nominee of IDBI appointed as Director with effect from 07.10.2008 in place of Dr. (Smt.) D Chitra Rao at the meeting held on 3.10.2008.

#Mrs. Preeti Khandelwal, appointed as an Additional Director with effect from 02.03.2009 at the meeting held on 30.01.2009.

Details of Changes in Directorship during the year 2008-09

Name	Status	No. of Meeting held	No. of Meetings attended	Attendance at Last AGM	Date of joining	Date of Cessation
Mr. S N Rajesh	Independent Director	6	Nil	No	30.10.2006	30.01.2009
Dr. (Smt.) D Chitra Rao	Nominee Director	3	2	No	13.5.2003	07.10.2008

During the period from 30.01.2009 to 02.03.2009 out of 7 Directors in the Board, Board consisted only 3 Independent Directors as against stipulated 4 Independent Directors. The gap was on account of resignation of one Independent Director on 30.01.2009, such vacancy was filled by appointing a new Independent Director with effect from 02.03.2009 i.e. within 180 days period of such resignation as permitted in Clause 49 of the Listing Agreement and as on 31.03.2009 the Board has 4 Independent Directors out of a total strength of 8 Directors. The Company shall continue to comply with the code of Corporate Governance in respect of Composition of the Board.

Meetings of the Board of Directors:

During the financial year 2008-09, there were six meetings of the Board of Directors:

- i) 23rd April, 2008 ii) 25th June, 2008 iii) 28th July, 2008
iv) 3rd October, 2008 v) 3rd November, 2008 vi) 30th January, 2009

Directors Remuneration Committee:

There have been no major changes in the Composition and compensation of the Board and hence the need is not yet felt for forming of such a Committee.

Directors Remuneration for the year ended March 31, 2009:

Name of the Directors	Designation	Remuneration Paid for the year (Rs.)
Dr. A J Prasad	Chairman and Managing Director	10,88,423
Mr. Ashok Nagarkatti	Director- Battery Technology	15,49,896
Mr. J K Verma	Director-Operations	17,36,943
Total		43,75,262
Add: Commission on profit to Dr. A J Prasad		4,26,35,000
Grand Total		4,70,10,262

Non-Executive Director and Independent Directors were paid sitting fees for the Board meetings attended by them.

Name of Directors	Meetings Held	Meetings Attended	Sitting Fees Paid. in Rs
Mrs. M Kavita Prasad	6	6	6,000
Mr. P Ganapathi Rao	6	6	6,000
Mr. M S Ramakrishna	6	5	5,000
Dr.(Smt.) D Chitra Rao	3	2	2,000
Mr. V V Rao	2	2	2,000
Mr. S N Rajesh	6	NIL	-
Mrs. Preeti Khandelwal	NA	NA	-
Total			21,000

Mrs. M Kavita Prasad, Director has been paid Rs.3.60 lakhs as rental charges for the premises owned by her, which was under lease to the Company.

Audit Committee:

1. Terms of Reference & Composition:

Terms of reference of this committee cover the matters under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Audit Committee has been reconstituted on 25th April 2005 and on 3rd October, 2008. The Audit Committee consists of three Non-Executive Members out of which two are Independent Directors. Chief Finance Officer Mr. P Satish Kumar and Auditors are invitees to meetings. The Company Secretary of the Company is the Ex-Officio Secretary of the Audit Committee. The Committee met Four times (4 meetings) during year on 25th June 2008, 28th July 2008, 3rd November 2008 and 30th January 2009 respectively.

Name of the Director	Status	Membership Status	No. of meetings attended
Mr. P Ganapati Rao	Member & Chairman of the Committee	Independent Director	4
Mrs. M Kavita Prasad	Member	Non-Executive Director	4
Dr. (Smt.) D Chitra Rao	Member	Independent Director	1
Mr. V V Rao	Member	Independent Director	1

The agenda and minutes of the Audit Committee was discussed and ratified by the Board at subsequent meetings.

The Chairman of the Committee and other two members are professionals in their respective fields of activity with vast experience, having in-depth financial and accounting knowledge.

The terms of reference of the Audit Committee are broadly as under:

- + Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- + Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- + Discussion with external auditors before the audit commences of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- + Reviewing the financial statements including quarterly/half yearly financial information.
- + Reviewing management and annual financial statements before submission to the Board, focusing primarily on:
 - Changes in accounting policies and practices;
 - Major accounting entries based on exercise of judgment by management;
 - The method of Capitalization of the Capital WIP/ Assets
 - Significant adjustments arising out of audit;

- Compliance with accounting standards;
- Compliance with Stock Exchanges and legal requirement concerning financial statements;
- Related party transactions as per Accounting Standard 18.
- + Reviewing the company's financial and risk management policies.
- + Disclosure of contingent liabilities.
- + Reviewing adequacy of internal control system with the management, external and internal auditors.
- + Reviewing the adequacy of internal audit function, the structure of the internal audit report, approval of audit plan and its execution, staffing and seniority of the official heading the department, report structure, coverage and frequency of internal audit.
- + Discussion with internal auditors of any significant findings and follow-up-thereon.

Share Transfer/ Investors Grievances Committee:

The Share Transfer Committee has been reconstituted on 25th April 2005 and on 3rd October, 2008, due to changes in composition of the Board. To look after the Transfer of Shares, Demat, Remat, etc. and to address the Investors grievances. The Committee met on 15th April, 2008; 30th April, 2008, 20th June, 2008; 21st July 2008; 11th August, 2008; 20th August, 2008; 1st September, 2008; 20th September, 2008; 30th October, 2008; 10th December, 2008; 10th January, 2009; 28th February, 2009 and 31st March, 2009.

Composition:

Mrs. M Kavita Prasad	Chairperson of the Committee
Mr. P Ganapathi Rao	Member
Dr. (Smt.) D Chitra Rao (Since Resigned)	Member
Mr. M S Ramakrishna	Member

Mr. D Mabu Basha, Company Secretary is the Compliance Officer.

Details of Investor Complaints/Queries during the year 2008-09.

Sl. No.	Nature of Complaints / Query	Opening Balance of Complaints / Queries	Number of Complaints/ Queries received	Number of Complaints/ Queries attended	Number of Complaints pending
1	Non-receipt of Dividend Warrants	Nil	32	32	Nil
2	Non-receipt of Securities	Nil	04	04	Nil
3	Non Receipt of Stickers Against payment of Allotment Money for the IPO of 1992.	Nil	03	03	Nil
4	Non-receipt of Share Certificates after Transfer	Nil	07	07	Nil
	TOTAL	Nil	46	46	Nil

Venue and Time of the last three Annual General Meetings:

Date	Venue	Time	No. of Special Resolutions Passed
September 4, 2008	Federation of AP Chambers of Commerce & Industry, Red Hills, Hyderabad-500 004	4.00P.M.	4
September 26, 2007	-do-	4.30 P.M.	3
September 30, 2006	-do-	4.00 P.M	2

The resolutions were passed on show of hands with requisite majority

Postal Ballot:

The Company has not availed the benefits of Postal Ballot during the year.

Risk Management:

The Board has been very meticulous in making aware all the members about the potential hazards that the company can be exposed to. It is this meticulous functioning and close monitoring that the company has a distinct advantage of reducing the hazards is it a Business or Financial risk or Legal and Statutory risk or a Management risk. In fact the very Philosophy of the Corporate Governance vouches the effort in imparting the right education and management practices at functional level.

Prevention of Insider Trading - code of conduct:

The Company has framed a Code for Prevention of Insider Trading based on SEBI [Insider Trading] Regulations, 1992. This code is applicable to all Directors/ Designated Senior Management Personnel and it is posted on website of the company. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

Annual Declaration regarding compliance with code is obtained from every person covered by the code. A declaration to this effect signed by CEO is forming part of this report.

Disclosures:

Related Party Transactions:

There are no materially significant related party transactions having potential conflict with the interests of the Company. However, all the related party transactions required to be disclosed as per AS 18 are given in the annual accounts for the year under review.

Shareholding of Non executive directors as on 31.03.2009:

Sl. No.	Name	No. of Shares held	%
1.	Mrs. M Kavita Prasad	4,03,465	1.66
2.	Mr. P Ganapathi Rao	Nil	Nil
3.	Mr. V V Rao	Nil	Nil
4.	Mr. M S Ramakrishna	Nil	Nil
5.	Mrs. Preeti Khandelwal	Nil	Nil

Compliances by the Company:

The company has complied with the requirements of the Stock Exchange, SEBI and other statutory authorities on all matters related to capital market. There were no non-compliance issues raised either by SEBI or Stock Exchanges for the transactions of the Company during last three years.

The Company has also been facing claims on its Subsidiary in UK on account of Trademark's violation in the UK. This has resulted in having an operational difficulty resulting in the Accounts/ Financial Statements are not being available for presenting the Group performance by consolidating all the Information / Financial Statements. Hence the Company is unable to attach the financial statements of UK subsidiary, in pursuance to Section 212 of the Companies Act, 1956 to this Annual Report.

Whistle Blower Policy:

The company does not have any Whistle Blower Policy as of now, but no personnel is being denied access to the Audit Committee.

Non Mandatory Requirement:

The Company not adopted the Non Mandatory Requirement as specified in annexure 1D of Clause 49 of the Listing Agreement.

Means of Communications:

The Company has displayed its financial results on websites at www.hbl.in for the information of shareholders and public. The financial results of the Company are usually published either in Business Line or The Financial Express (English) and Andhra Prabha or Andhra Bhoomi (Telugu).

In accordance with Clause 51 of the Listing Agreement the Company has displayed the Shareholding pattern, Quarterly/ Annual Financial results, Annual Report and other compliances as required under the corporate governance guidelines on the Electronic Data Information Filing and Retrieval (EDIFAR) System website at: www.sebiedifar.nic.in. (SEBI website) maintained by National Informatics Centre (NIC).

General Shareholder Information:

1. Date, Time & Venue : 17th September 2009 at 4.00 p.m.
Forth Coming Annual : Surana Udyog Auditorium,
General Meeting : Federation of AP Chambers of Commerce and
Industry, Red Hills, Hyderabad - 500 004
2. Financial Year : Financial year 2008-09
Financial Reporting :
First quarter ending 30/6/08 : 28th July, 2008
Half-year Ending 30/9/08 : 3rd November, 2008
Third quarter ending 31/12/08 : 30th January, 2009
Audited Annual Results : 25th June, 2009
3. Dates of Book-Closure : From 10.09.2009 to 17.09.2009
(Both days inclusive)
4. Dividend : Dividend on Equity Share Capital @30%
5. Registered Office : 8-2-601, Road no.10, Banjara Hills,
Hyderabad - 500 034

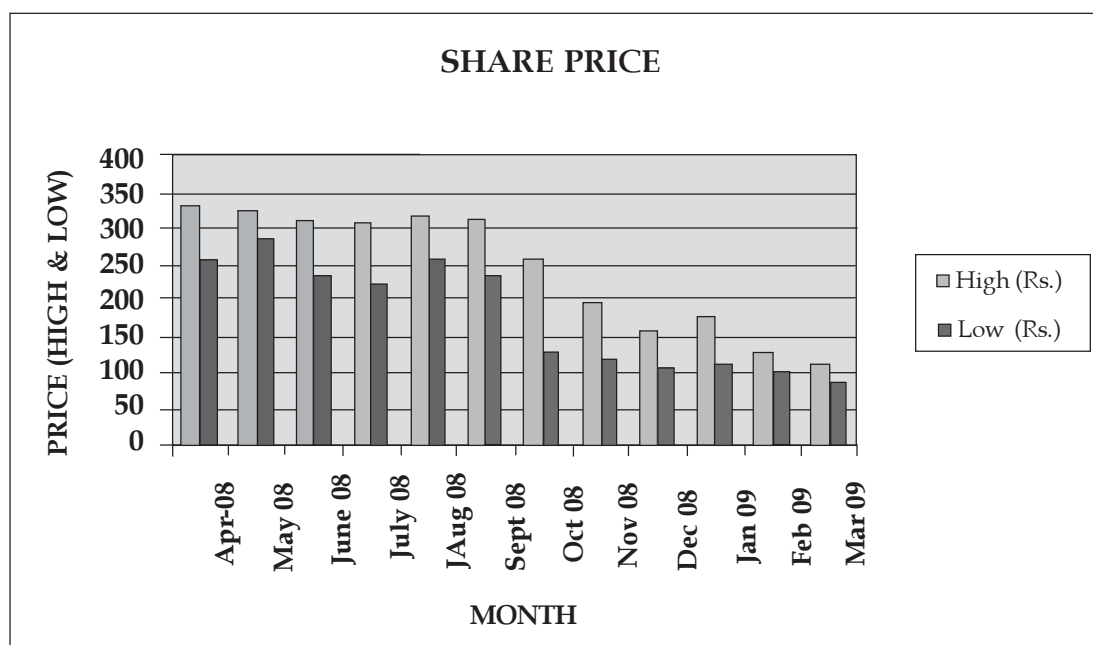


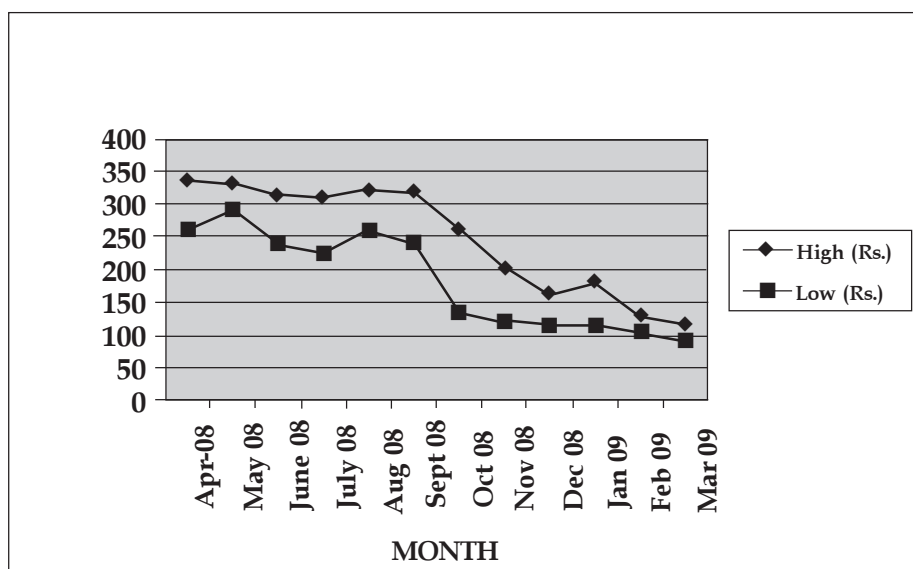
6. Secretarial Office : Sy.no.26, Kubera Towers
Trimulgherry, Secunderabad - 500 015
Contact person: Mr. D Mabu Basha
Phone: 040-27791641, 27795434
Fax: 040-27795419
E-Mail: contact@hbl.in
investor@hbl.in
7. Registrars for Electronic Transfer and Physical Transfer of Shares : M/S Karvy Computershare Private Limited
17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500081
Contact Person: Mr. S Krishnan, Senior Manager
Phone nos. 040-23420815-20
Fax: 040-23420859
E-mail : mailmanager@karvy.com
8. Plant Locations :
 1. Aliabad(V), Shameerpet(M), RR Dist., AP
 2. Nandigoan(V), Kothur(M), Mahabubnagar Dist., AP
 3. Seripally (V), Bhoothpur,(M) Mahabubnagar Dist., AP
 4. Kandivalasa(V),Poosapatirega(M), Vizianagaram Dist., AP
 5. VSEZ, Visakhapatnam, AP
 6. Thumkunta(V), Shameerpet(M), RR Dist, AP
 7. Haridwar, Uttarakhand
 8. IMT, Manesar, Haryana
9. Listing on Stock Exchanges : Bombay Stock Exchange Limited, Mumbai
National Stock Exchange of India Limited, Mumbai
10. Stock Code-BSE : 517271
BSE/ NSE Trading name : HBL P SYS/ HBLPOWER
Demat ISIN number: : INE 292BO1013

11. Stock Market Price Data during 2008-09:

Quoted at The Bombay Stock Exchange Limited, Mumbai

Month	High Price	Low Price	Close Price	No. of Shares Traded	Turnover Rs.
April 2008	334.95	260.00	306.00	31187	94,41,580.00
May 2008	330.00	291.25	300.00	18921	58,96,436.00
June 2008	312.00	240.00	250.00	27429	70,28,493.00
July 2008	309.00	225.00	274.30	18990	51,31,232.00
August 2008	320.00	260.00	294.80	81751	2,36,68,822.00
September 2008	315.00	240.00	252.10	95152	2,51,25,926.00
October 2008	260.00	134.20	180.10	28019	51,31,612.00
November 2008	202.00	120.05	123.10	136150	1,78,79,997.00
December 2008	160.00	115.10	145.90	83481	1,09,13,218.00
January 2009	179.80	115.15	116.30	15341	21,34,391.00
February 2009	128.80	104.00	111.55	58552	68,10,990.00
March 2009	117.00	90.20	104.70	189895	2,01,29,146.00





12. Distribution of Shareholding as on 31st March 2009:

Shareholder Category	No. of Shares held	% of Shares held
a) Indian Promoters and relatives	1,76,92,646	72.87
b) Foreign promoters	—	—
c) Foreign Collaborator	—	—
d) Others (Public, Bodies Corporate, etc.)	65,86,909	27.13
Total	2,42,79,555	100.00

Distribution of Shareholding as on 31st March 2009 as follows:

Sl. No	Category From - To	No. of shareholders	% of shareholders	Amount (Rs.)	% of Amount
1	1 - 5000	8368	93.65	89,89,520	3.70
2	5001 - 10000	233	2.61	17,82,210	0.74
3	10001 - 20000	165	1.85	25,03,950	1.03
4	20001 - 30000	57	0.64	14,10,240	0.58
5	30001 - 40000	19	0.21	6,63,970	0.27
6	40001 - 50000	18	0.20	8,17,890	0.34
7	50001 - 100000	29	0.32	20,88,140	0.86
8	100001 and above	40	0.52	22,45,39,630	92.48
	Total	8929	100.00	24,27,95,550	100.00

13. Unclaimed Dividend:

From the financial year 1997-98 Unclaimed dividend has to be transferred to 'the Investor Education and Protection Fund (IEPF)' established by Central Government. Accordingly the Company has transferred the unclaimed dividend amount to IEPF for the financial year 1997-98 on 21st November 2005; 1998-99 on 12.02.2007 and 1999-2000 on 29.01.2008.

It is the Company's Moral responsibility to inform that those shareholders who have not claimed the dividend amount of respective years do lodge their claim as early as possible with the Company. Please note that once the Unclaimed Dividend is transferred to IEPF, Government of India, the entitlement for any such claims would have to be forfeited.

AGM in which Dividend Declared	Date of Declaration of Dividend	Rate of Dividend	Total Dividend Rs.	Book Closure / Record Date	Unclaimed Dividend as on 31.03.2009 Rs.	Due for transfer to IEPF
17th	23.08.2003	15%	3,01,08,485	18.08.2003 to 23.08.2003	3,29,901	14.09.2010
18th	23.09.2004	12%	2,40,86,788	16.09.2004 to 23.09.2004	2,77,632	13.11.2011
19th	24.09.2005	15%	3,01,08,485	19.09.2005 to 24.09.2005	3,05,351	09.11.2012
20th	30.09.2006	15%	3,64,19,662	25.09.2006 to 30.09.2006	2,76,068	13.11.2013
21st	26.09.2007	15%	3,64,19,662	20.09.2007 to 26.09.2007	2,51,097	09.11.2014
22nd	04.09.2008	15%	3,64,19,833	01.09.2008 to 04.09.2008	3,30,418	14.10.2015

14. Share Transfer System:

As per notification issued by SEBI, the shares of the Company are traded compulsorily in dematerialised form by all investors with effect from 8th May, 2000.

The Company has appointed M/s Karvy Computershare Private Limited as Registrars and Share Transfer Agents for share transfer work. The Company processes shares sent for transfer or transmission thrice every month. Transfers / Transmissions which are complete in all respects are processed and the Demat-cum-Transfer Option Letter sent to the shareholder giving 30 days time to exercise their option. If the shareholder does not exercise the option within 30 days the concerned physical share certificates is sent to the shareholder. The share transfers / transmissions takes around 15 days time. Since the Transfer cum Demat Scheme was withdrawn by SEBI with effect from 6/2/2004, the company is sending physical share certificates to the shareholders immediately after transfer.

Dematerialization of shares and liquidity as on 31.03.2009:

Form of existence	Agency	No of Share Holders	No of shares	% of Total Issued Capital
Dematerialized	Central Depositories Securities Limited (CDSL)	1,122	1,36,25,895	56.12
-do-	National Securities Depositories Limited (NSDL)	4,213	67,02,732	27.61
Physical		3,594	39,50,928	16.27
Total		8,929	2,42,79,555	100.00

In case of enquiries relating to shareholders accounting records, share transfers, transmissions of shares, change of addresses for physical shares, or non receipt of dividend warrants, loss of share certificates etc. should be addressed to the Company's offices mentioned above or its Registrars.

15. Outstanding GDRs, ADRs, Warrants or Convertible Instruments etc., as on date: Nil

16. CEO and CFO Certification:

The certificate from CEO and CFO of the Company regarding Compliance under Clause 49 of the Listing agreement is annexed.

17. Compliance Certificate:

The Certificate on Compliance with Corporate Governance by the Company from Statutory Auditor as required under Clause 49 of the Listing Agreement is annexed.

For and on behalf of the Board

Place: Hyderabad
Date: 30th July 2009

Dr A J Prasad
Chairman & Managing Director

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchange the Board Members and the Senior Management Personnel has affirmed to the compliance with code of conduct for the year ended 31st March, 2009.

For and on behalf of the Board

Place: Hyderabad
Date: 30th July 2009

Dr A J Prasad
Chairman & Managing Director



CEO AND CFO CERTIFICATION

We, A J Prasad, Chairman and Managing Director and P Satish Kumar, Chief Finance Officer, responsible for the financial functions certify that:

- a) We have reviewed the financial statements and cash flow statement to the best of our knowledge and belief;
 - i) These statements do not contain any material untrue statements or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2009 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal control for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the Statutory Auditors and Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i) There has not been any significant changes in internal control over financial reporting during the year under reference.
 - ii) There has not been any significant changes in accounting policies apart from change in the Depreciation Policy with regard to Dies & Moulds requiring disclosure in the note forming part of Financial statement; and
 - iii) We are not aware of any instance during the year of any significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place: Hyderabad
Date: 30.07.2009

P Satish Kumar
Chief Finance Officer

A J Prasad
Chairman and Managing Director



**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE
GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To
The Members of
M/s HBL Power Systems Limited

We have examined the compliance of conditions of corporate governance by HBL Power Systems Limited for the year ended 31st March 2009 as stipulated under Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and *subject to the following*, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

Composition of the Board:

For the period from 30.01.09 to 02.03.09, out of 7 Directors in the Board, there were only 3 Independent Directors as against stipulated 4 Independent Directors. The gap was due to resignation of one Independent Director on 30.01.09. However, the Board has filled the vacancy by appointing a new Independent Director w.e.f. 02.03.09 and thus replaced by a new Independent Director within the permitted period of 180 days from the date of such resignation.

Audit Committee:

The audit committee has 3 directors as members, out of which two are Independent and one Non-executive, the Chairman being Independent Director.

The Chairman of the audit committee was not present at the last Annual General Meeting held on September 4, 2008.

Further, the quorum of the audit committee shall be minimum of two Independent Directors present. However, in the meetings held on July 28, 2008 and November 3, 2008 only one Independent Director was present besides non-executive Director.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the record maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for Satyanarayana & Co.
Chartered Accountants

Ch. Seshagiri Rao
Partner
Membership No.: 18523

Place : Hyderabad
Date: 30th July, 2009



Management Discussion and Analysis 2008-09

ECONOMIC ENVIRONMENT:

Financial performance during 08-09 has been very satisfactory in spite of the slowdown that has badly impacted many industries during this period. The main reason is, of course, that HBL's key customers are in strong industries, whose investments are not influenced by short-term consumer discretion.

This position has been further supported by HBL bankers, the SBI group and IDBI, who were not affected by developments that impacted some banks (and consequently their clients).

Finally, the Indian Rupee depreciated even against the US dollar, while the Chinese Remnimb and other currencies appreciated. This offered HBL some relief from global competition. And, HBL did not have any participation in exchange derivatives, which created losses to many companies.

Nevertheless, there is increased uncertainty and it is not wise to make a forecast of sales for FY 2010.

BATTERIES:

During 2008 -09, HBL signed an agreement to establish a joint venture in the Kingdom of Saudi Arabia for a manufacturing plant. This plant will initially produce Alkaline Nickel batteries, and later, VRLA and other lead batteries. There are two reputed local partners: Advanced Electronics Company, and Abdullah H. Al Shuwayer & Sons T&C Company, each contributing 30% of the equity and HBL 40%. The total project outlay, to be incurred during 2009 - 11 is approximately 30 million US Dollars.

The joint venture, called Gulf Batteries Company Ltd, will also export to several other markets beyond meeting the demand in Saudi Arabia itself.

ELECTRONICS:

HBL ELTA commenced exports and future prospects are commensurate to the scale of the investment.

Railway Electronic Signaling Products should be qualified during this year, thus completing ten years. From our initial miniscule outlays in 2000 - 01, the development budget has steadily gone up to about Rs. 5 crores for 09-10. The technical results are extraordinary, given our lack of background and are similar to HBL's success in developing specialized battery technology.

Delays have continued, although there has still been no set back as such, in several projects.

One of the two major Defence Electronics tenders (referred to in last years report) has been cancelled and will be refloated. The other may be decided by early 2010, or may also be refloated.

It is not uncommon to take ten years to establish a new business, and for HBL Defence and Railway Electronics were both new businesses in 2000. Management is confident that all the effort and investment in Electronics will yield good results during 2010 - 12.

INVESTMENTS:

The company invested about Rs.54 crores on Battery projects and about Rs.40 crores on Electronics projects during the year, across various units.



The investments cover infrastructure like new factory and auxiliary buildings, plant and machinery, equipment, technology fees and miscellaneous fixed assets.

These investments were financed by Term loans from banks and required margin money from HBL's internal accruals. Despite increase in term loans, the company's term debt/net worth ratio as on 31st March, 2009 remained healthy at 0.50 and well within the norm of 1.50.

FUTURE OUTLOOK:

A small card, first printed over ten years ago, and which all HBL employees are expected to carry in their wallets, says:

"HBL's vision is to organize India's engineering talent into a globally competitive business, whether in Manufacturing or services. We want to become a learning organization to export technology from India. Our choice is for businesses with technological Barriers and/or engineering intensity".

Technological barriers are not permanent; many countries today can produce even nuclear weapons in spite of strenuous efforts by major governments. HBL does not expect its present competitive advantage to last forever.

Engineering intensity has recently become more prominent in services, as compared to manufacturing. And in India, services are growing as a component of GDP.

HBL is responding to changing realities, and plans to gradually move into engineering services. Our deliverables in Railway and Defence Electronics already have a higher service component than batteries. Future activities will be further along this direction.



AUDITORS' REPORT

To
The Members of
M/s. HBL POWER SYSTEMS LIMITED
Hyderabad

1. We have audited the attached Balance Sheet of M/s. HBL Power Systems Limited, Hyderabad as at March 31, 2009, the Profit and Loss account, and also the cash flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Attention is invited to Note 12 and Note 15 of Schedule 20 regarding change in the Accounting Policy with retrospective effect and Extraordinary items and the resultant impact on the accounts disclosed in the notes referred to.
4. As required by the Companies (Auditors Report) Order (CARO) 2003, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered necessary and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
5. Our comments on the financial statements for the year are as under:
 - a) *Reference is invited to Note 5(h) Schedule 20(B) regarding legal case for infringement of 'Trade Mark' against the wholly owned subsidiary in UK and the Company which is also mentioned as 2nd defendant and the claim of UK Pounds 200,000 towards damages which is not provided for the reasons explained in the notes referred to above. We are not in a position to comment on the non accountal of the same as the matter is reported to be 'sub-judice'.*
 - b) *Reference is invited to Note No. 17 of Schedule 20*
The balances appearing under Sundry Debtors, Creditors, Advances to Suppliers / From Customers and claims recoverable are subject to confirmation / reconciliation and consequential adjustments, the impact of which is not quantifiable by us.
 - c) *Reference is invited to Note No.13 of Schedule 20 regarding disclosure made under section 22 of the MSMED Act, 2006. The information is as compiled by the management and relied upon by us. Further the company has neither paid nor provided the applicable interest on such dues from the date the Act came into force and the amount of which is not ascertained.*



5. Further to our Comments in the annexure referred to in paragraph 4 and subject to our comments given in paragraph 5 above, we report that:
- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred in sub section 3(c) of Section 211 of the Companies Act 1956, to the extent applicable.
 - e) On the basis of the written representations received from the directors as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of sections 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the accounting policies and notes forming part of the accounts and further read with our comments given in the annexure referred to in Paragraph 4 and *subject to comments given in Paragraph 5 above, the impact of which is not quantifiable*, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the affairs of the Company as at March 31, 2009;
 - ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for **Satyanarayana & Co.,**
Chartered Accountants

Hyderabad
25-06-2009

Ch Seshagiri Rao
Partner
Membership No. 18523

Reg : HBL Power Systems Ltd.

Annexure referred to in Paragraph 4 of our report of even date :

- (i) (a) The Company has maintained yearwise particulars and record of Fixed Assets acquired showing the description, location and other particulars along with the costs incurred at the time of initial acquisition. *Subsequent to acquisition, there have been shifting of location of Fixed Assets and interdivisional transfer of Assets. However, the Company is yet to maintain and update the Assets register showing locationwise details, Assetwise original cost / Depreciation / written down value and other relevant details / identification details.*
- (b) *The Fixed assets have not been physically verified by the management. In the absence of physical verification, we are not in a position to comment on the discrepancies, if any, between physical and book balances and the impact thereof.*
- (c) The Company has not disposed off of fixed assets having, affect on going concern.
- (ii) (a) The Inventories within the factory premises/stores have been physically verified by the management during the year and also at the year end. For material, lying with sub-contractors confirmations have been obtained in some cases. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management, are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material and such differences have been properly dealt with and physical inventories have been considered and valued for the purpose of financial statements.
- (iii) (a) The company has not granted any advances in the nature of Loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As the company has not granted any loans, the clause relating to rate of interest and other terms and conditions of loans given by the company is not applicable to the company.
- (c) As the company has not granted any loans, the clause relating to receipt of the principal and interest is not applicable to the company.
- (d) As the company has not granted any loans, the clause relating to steps taken for recovery of the principal and interest on over dues of more than one lakh is not applicable to the company.
- (e) The company had taken unsecured loan from its Holding company in previous years and the loan has been paid back during the year.
- (f) The rates of interest and other terms and conditions of such unsecured loans taken by the company, are prima facie not prejudicial to the interest of the company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate

internal control procedures commensurate with the size of the company and the nature of its business, for purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness have been noticed in the internal control in respect of these areas. *However, the internal control procedures with regard to (a) Input VAT Credit, Input Service Tax Credit available and utilization thereof (b) timely and prompt capitalization of Fixed Assets including linking the additions to the assets already in existence, (c) obtention of balance confirmation from vendors and customers and review / reconciliation thereof with book balances, needs to be streamlined and strengthened considering increasing volume of business and transactions.*

- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section, to the extent applicable
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at mutually agreed prices having regard to the explanation that certain items purchased / sold are of special nature for which suitable alternatives do not exist to compare with prevailing market prices.
- (vi) The company has not accepted any deposits from public.
- (vii) The company has appointed a firm of Chartered Accountants to cover the internal audit function of certain manufacturing divisions and there is no internal audit system at Branches and certain manufacturing locations / divisions. Further, in our opinion, the scope and coverage of internal audit wherever in existence needs to be enlarged to be commensurate with the size of the divisions and nature of business, particularly in the areas of accounting of Input VAT / Input Service Tax, review of vendors and customer balances for proper and timely accounting and identifying the relevant components of the costs relating to Fixed Assets / Capital Work in Progress and the Capitalisation thereof on erection / put to use.
- (viii) We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory duties applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31.03.09 for a period more than six months from the date they became payable except sales tax of Rs.49.20 lakhs.

(b) According to the information and explanations given to us, the following demands have not been deposited on account of disputes.

Name of the statute	Nature of the dues	Amount In Rs.Lakhs	Forum where the Dispute is pending
Excise Act 1944	Claim for duty on Intermediate goods emerged out of Jobworks and used in the manufacture of exempted Finished Goods.	94.85	Departmental Appeal before High Court, Mumbai
Customs Act	Classification of goods	4.71	CESAT - Bangalore
	“ “	31.96	Dy. Commissioner, Chennai
CST Act	Rebate to customers disallowed	9.77	STAT - A.P

- (x) The company has no accumulated losses and it has not incurred cash losses during the financial year covered by our audit and in 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 repayment of dues to financial institutions and Banks.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or Nidhi / Mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures or other investments. Therefore, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) The company has given guarantee for loan sanctioned to a Joint Venture Company by Bank amounting to Rs.927.13 lakhs, the terms and conditions of which are prima facie, not prejudicial to the interest of the company. The company also gave a corporate guarantee for USD 1079100 (Rs.546.46 lakhs) to a foreign company towards advances paid to the said Joint Venture Company.
- (xvi) On the basis of the records examined by us and on the basis of review of utilisation of funds pertaining to term loans on an over all basis, the term loans raised by the company to the extent utilised were prima facie applied for the purpose of which the loans were obtained except for a capital expenditure of Rs.1600 lakhs which is beyond the scope of assets included in the sanctioned term loans.
- (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) During the year under review, the company has not made any preferential allotment of shares to any parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The company has not issued any debentures.



- (xx) During the year the company has not raised funds on 'Public issue'. Hence disclosure on the end use of money is not applicable.
- (xxi) Based upon the audit procedures performed for the purpose of reporting true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

for **Satyanarayana & Co.**
Chartered Accountants

Hyderabad
25-06-2009

Ch. Seshagiri Rao
Partner
Membership No.18523

Balance Sheet as at March 31, 2009



	Schedule	As at March 31, 2009 Rs.		As at March 31, 2008 Rs.	
Sources of Funds					
<i>Share Holders Funds</i>					
Share Capital	1		24,27,95,550		24,27,95,550
Reserves and Surplus	2		3,60,79,05,133		2,78,35,66,236
<i>Loan Funds</i>					
Secured Loans	3		3,50,40,79,973		3,27,83,83,604
Unsecured Loans	4		17,16,36,510		24,61,36,510
<i>Deferred taxes</i>					
Deferred Income Tax	5		14,91,42,000		12,75,86,000
Total			7,67,55,59,166		6,67,84,67,900
Application of Funds					
Fixed Assets	6	3,67,60,10,206		3,05,38,87,495	
<i>Less: Depreciation to date</i>		87,48,45,691		60,55,54,944	
Net Fixed Assets		2,80,11,64,515		2,44,83,32,551	
Intangible Assets		8,03,54,964	2,88,15,19,479	9,06,11,174	2,53,89,43,725
Capital Works in Progress	7		66,37,40,459		34,48,21,831
Investments	8		3,36,35,700		3,61,35,700
Current Assets, Loans and Advances	9				
Inventories		1,79,98,26,192		1,72,46,65,368	
Receivables		2,82,63,56,247		2,73,00,55,876	
Cash & Bank Balances		81,70,27,695		47,92,95,683	
Loans & Advances		42,45,71,156		4,20,927,088	
		5,86,77,81,290		5,35,49,44,015	
<i>Less: Current Liabilities and Provisions</i>	10				
Current Liabilities		1,53,53,39,746		1,43,13,60,910	
Provisions		24,08,83,615		17,32,17,135	
		1,77,62,23,361		1,60,45,78,045	
Net Current Assets			4,09,15,57,929		3,75,03,65,970
Miscellaneous expenditure (to the extent not written off)					
Preliminary Expenses	11		51,05,599		82,00,674
Total			7,67,55,59,166		6,67,84,67,900
Accounting Policies & Notes on Accounts	20				

Per Our Report of even date annexed
for M/s **Satyanarayana & Co.**
Chartered Accountants

On Behalf of the Board

Ch Seshagiri Rao
Partner
M.No: 18523

Dr A J Prasad
Chairman & Managing
Director

M. Kavita Prasad
Director

Place : Hyderabad
Date : 25th June 2009

Place : Hyderabad
Date : 25th June 2009

D. Mabu Basha
Company Secretary

Profit & Loss Account for the Year ended March 31, 2009



Particulars	Schedule	Year Ended March 31, 2009 Rs.	Year Ended March 31, 2008 Rs.
Income			
Gross sales	12	14,01,26,75,583	11,33,97,35,053
Less : Duties and taxes	12A	1,57,37,17,730	1,61,21,70,569
Net sales		12,43,89,57,853	9,72,75,64,484
Other Income	13	5,08,85,209	3,70,48,061
		12,48,98,43,062	9,76,46,12,545
Expenditure			
Material Cost	14	8,20,30,37,130	6,42,25,20,085
Manufacturing Cost	15	63,97,05,760	46,36,42,825
Employees Cost	16	72,73,57,313	59,74,43,785
Administrative and Selling Cost	17	86,09,35,683	69,59,67,621
Finance Cost	18	38,82,89,196	31,75,23,346
Depreciation		27,83,97,097	15,45,83,740
Amortisation of Intangible Assets		1,02,56,210	-
		11,10,79,78,389	8,65,16,81,402
Profit before extra-ordinary items		1,38,18,64,673	1,11,29,31,143
Extra-ordinary items	19	1,35,81,692	1,03,23,850
Profit before tax		1,36,82,82,981	1,10,26,07,293
Less:Income Tax Provision		42,00,00,000	37,00,00,000
Less:Wealth Tax Provision		6,50,000	4,25,000
Less: Fringe Benefit Tax Provision		1,50,00,000	1,26,00,000
Less:Deferred Tax liability/ (asset) for the year		2,15,56,000	2,42,00,000
Less:Income & Wealth Tax Adj. relating to Previous Years		15,20,488	2,45,03,851
Profit after Tax		90,95,56,493	67,08,78,442
Surplus as per last Balance Sheet		17,08,57,201	14,25,87,558
		1,08,04,13,694	81,34,66,000
Less: Appropriations			
Transfer to General Reserve		80,00,00,000	60,00,00,000
Provision for Dividend		7,28,38,665	3,64,19,333
Tax on dividend		1,23,78,931	61,89,466
		88,52,17,596	64,26,08,799
Surplus Carried to Balance Sheet		19,51,96,098	17,08,57,201
Earnings per Share (Diluted)		37.46	27.63
Accounting Policies & Notes on Accounts	20		

Per Our Report of even date annexed
for M/s.Satyanarayana & Co.
Chartered Accountants

On Behalf of the Board

Ch. Seshagiri Rao
Partner
M.No: 18523

Dr A J Prasad
Chairman & Managing
Director

M. Kavita Prasad
Director

Place : Hyderabad
Date : 25th June 2009

Place : Hyderabad
Date : 25th June 2009

D. Mabu Basha
Company Secretary

Schedules Forming Part of Balance Sheet



	As at March 31, 2009 Rs.		As at March 31, 2008 Rs.
Schedule : 1			
Share Capital			
Authorised			
3,00,00,000 Equity shares of Rs.10 each <i>(Previous Year 3,00,00,000 Equity shares of Rs.10 each)</i>	<u>30,00,00,000</u>		<u>30,00,00,000</u>
Issued , Subscribed & Paid-up			
2,42,79,555 Equity shares of Rs.10 each <i>(Previous Year 2,42,79,555 Equity shares of Rs.10 each)</i>	<u>24,27,95,550</u>		<u>24,27,95,550</u>
	<u>24,27,95,550</u>		<u>24,27,95,550</u>
Schedule : 2			
Reserves and Surplus			
Capital Reserve	1,02,300		1,02,300
Investment Subsidy from State Government	55,77,050		55,77,050
Share Premium Account	70,70,29,685		7,070,29,685
General Reserve			
Opening Balance	1,90,00,00,000	1,30,00,00,000	
Add: Transferred from Profit & Loss Account	<u>80,00,00,000</u>	<u>60,00,00,000</u>	1,90,00,00,000
Surplus as per Profit & Loss Account	<u>19,51,96,098</u>		<u>17,08,57,201</u>
	<u>3,60,79,05,133</u>		<u>2,78,35,66,236</u>
Schedule : 3			
Secured Loans			
Term Loan from			
IDBI Corp Loan	37,50,000		1,12,50,000
IDBI Corp Loan(Project)	60,60,05,815		30,73,00,000
IDBI Short term Loan	30,00,00,000		-
SB Indore Corp Loan	-		2,70,68,471
SB Indore Corp Loan(Project)	28,22,01,992		28,00,08,070
SBI Corporate Loan	7,57,17,046		15,14,37,547
SBI Adhoc Loan	-		24,40,23,532
SBH Corporate Loan	28,34,59,694		28,94,26,910
Exim Bank Corporate Loan	63,014		10,03,31,507
Axis Bank Loan (Project)	35,37,29,560		14,05,55,250
HDFC	66,51,722		87,19,317
State Bank of India			
Short term Loan	80,66,26,242		-
Cash Credit	17,33,19,407		67,16,34,019
FCNR B Demand Loan	-		38,46,38,967

Schedules Forming Part of Balance Sheet



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Export Packing Credit	7,75,83,784	8,37,18,840
Stand by line of credit	29,411	5,00,83,978
State Bank of Hyderabad		
Cash Credit	3,57,17,374	17,22,69,979
Export Packing Credit	13	98,23,291
Stand by line of credit	17	4,04,52,327
IDBI Bank		
Cash Credit	32,32,44,744	20,44,15,665
Export Packing Credit	-	1,73,30,000
State Bank of Indore		
Cash Credit	10,50,07,107	1,68,85,339
SBI Factors		
Bills Discounted	-	2,11,97,246
From Others		
Against Vehicles	1,93,78,246	16,051,360
Against Equipment	5,15,94,785	4,58,13,349
	<u>7,09,73,031</u>	<u>2,97,61,989</u>
	<u>3,50,40,79,973</u>	<u>3,27,83,83,604</u>
Schedule : 4		
Unsecured Loans		
Interest Free Sales Tax Loan	17,16,36,510	17,16,36,510
Inter Corporate Deposit from Holding Company	-	7,45,00,000
	<u>17,16,36,510</u>	<u>24,61,36,510</u>
Schedule : 5		
Deferred Taxes		
Deferred Income Tax Liability	12,75,86,000	10,33,86,000
Add : Deferred tax liability for the year	2,15,56,000	2,42,00,000
	<u>14,91,42,000</u>	<u>12,75,86,000</u>

Schedule : 6
Fixed Assets (at Cost)

Figs. in Rs.

Description	Gross Block			Depreciation Block			Net Block	
	As On April 1, 2008	Additions	Adjustments/ Deletions	As On April 1, 2008	For the Period	Adjustments/ Deletions	As On March 31, 2009	As On March 31, 2008
		March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2008
Land - Freehold	12,42,10,567	2,21,53,851	1,681	-	-	-	14,63,62,737	12,42,10,567
Land - Leasehold	89,56,549	3,00,000	-	-	-	-	92,56,549	89,56,549
Buildings - Factory	56,15,24,861	13,79,30,318	-	7,05,39,577	2,05,48,310	-	60,83,67,292	49,09,85,284
Buildings - Others	3,92,28,444	2,05,150	-	3,94,33,594	6,39,433	-	3,63,68,525	3,68,02,808
Plant & Machinery	2,07,96,52,172	43,59,34,549	1,45,81,827	42,82,71,492	23,41,25,637	44,60,169	1,84,30,67,934	1,65,13,80,680
Office Equipment	11,64,08,532	1,97,64,241	42,42,922	5,50,93,362	1,16,65,684	29,84,710	6,81,55,515	6,13,15,170
Furniture & Fixtures	4,33,97,714	84,73,442	3,47,191	1,74,34,848	30,36,963	1,16,973	3,11,69,127	2,59,62,866
Vehicles	8,03,19,876	1,85,70,250	20,35,469	3,16,01,249	83,81,064	15,44,492	5,84,16,836	4,87,18,627
Technical Library	1,88,780	-	-	1,88,780	-	-	-	-
Sub Total (A)	3,05,38,87,495	64,33,31,801	2,12,09,090	60,55,54,944	27,83,97,091	91,06,344	2,80,11,64,515	2,44,83,32,551
Intangible Assets								
New Product Development Expenditure	9,06,11,174	-	* 1,02,56,210	-	-	-	8,03,54,964	9,06,11,174
Sub Total (B)	9,06,11,174	-	1,02,56,210	-	-	-	8,03,54,964	9,06,11,174
Grand Total (A+B)	3,14,44,98,669	64,33,31,801	3,14,65,300	60,55,54,944	** 27,83,97,091	91,06,344	2,88,15,19,479	2,53,89,43,725
Previous Year	2,22,68,33,674	93,35,85,157	1,59,20,162	46,33,50,008	15,45,83,740	1,23,78,804	2,53,89,43,725	

*Amortisation during the year

** Reference is invited to Note No : 12

Schedules Forming Part of Balance Sheet



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Schedule : 7		
Capital Work in Progress (At Cost)		
Machinery under Erection	15,16,76,384	13,36,17,991
Civil Works in Progress	34,48,52,628	7,48,95,543
Advances for Capital Works/Equipment	14,55,53,725	12,48,05,728
Pre-operative Expenses pending to be capitalised	2,16,57,722	1,15,02,569
	<u>66,37,40,459</u>	<u>34,48,21,831</u>
Schedule : 8		
Investments (At Cost)		
No. of Face Shares Held	Value (Rs.)	Details
A Trade - Quoted		
150000	10	SBI Mutual Fund -
		15,00,000
100000 (100000)	10	SBI-Infrastructure Fund-I-Growth SBI Mutual Fund SBI One India Fund -
		10,00,000
B Non Trade - Quoted		
200 (200)	10 (10)	Indian Lead Ltd
		10,000
C Non Trade - Un quoted (Equity)		
1 In Subsidiary Companies		
172160 (172160)	100 Nepal Rs.	Bhagirath Energy Systems Private Ltd. Nepal
		1,07,60,000
		<u>29,47,500</u>
		<u>78,12,500</u>
93000 (93000)	GBP 1	HBL (UK) Ltd Less: Provision
		72,28,523
		<u>72,28,523</u>
		-
160000 (160000)	1 RM	HBL Power Systems(M)SDN BHD Malaysia
		20,03,200
		20,03,200
2 In Joint Venture Company		
100000 (100000)	10	HBL Elta Avionic Systems Pvt Ltd
		2,25,00,000
3 In Other Companies		
41000	10	Naval Systems & Technologies Pvt Ltd
		4,10,000
90000 (90000)	10	Kairos Engineering Ltd.
		9,00,000
		<u>3,36,35,700</u>
		-
Aggregate Market Value of Quoted Investments		<u>3,61,35,700</u> <u>25,99,500</u>

Schedules Forming Part of Balance Sheet



Schedule : 9	As at	As at
Current Assets, Loans and Advances	March 31, 2009	March 31, 2008
	Rs.	Rs.
A. Inventories		
<i>(As taken, valued and certified by the management)</i>		
Raw Materials, Components & Consumables	91,95,48,235	83,80,06,739
Stores & Spares	2,70,88,921	1,31,24,192
Tools & Fixtures	49,64,406	52,20,470
Semi Finished Goods	50,58,16,678	74,83,06,274
Finished Goods	33,73,40,509	11,85,64,943
Materials in Bonded Warehouse / Transit	50,67,443	14,42,750
	<u>1,79,98,26,192</u>	<u>1,72,46,65,368</u>
B. Sundry Debtors (Unsecured & Considered Good)		
For a period exceeding Six Months	41,58,75,049	26,10,51,302
Less: Provision for bad and doubtful debts	<u>14,39,577</u>	<u>89,74,973</u>
Others	2,41,19,20,775	2,47,79,79,547
<i>(note: Includes Rs. 1908 Lakhs less than 6 months as per payment terms)</i>	<u>2,82,63,56,247</u>	<u>2,73,00,55,876</u>
C. Cash and Bank Balances		
Cash on Hand	21,01,296	28,02,825
Cheques on Hand	-	8,64,83,009
Balances with Scheduled Banks in:		
Current Accounts	16,99,55,895	8,61,00,218
No-lien accounts	28,19,19,188	9,16,537
Dividend Current Account	17,70,467	14,57,509
E E F C Accounts	1,048	16,17,174
Fixed Deposits	6,72,93,031	1,07,33,350
Margin Money Deposits	29,39,86,770	28,91,85,061
	<u>81,70,27,695</u>	<u>47,92,95,683</u>
D. Loans and Advances		
<i>(Unsecured and Considered Good and recoverable in Cash or kind or for value to be received)</i>		
Advance for investment pending allotment of shares	49,19,785	49,19,785
Less : Provision	<u>30,95,327</u>	<u>30,95,327</u>
Advances for Purchases and others	15,29,81,140	13,35,29,580
Others Advances	1,51,75,851	1,59,79,785
Excise & Customs Deposits	10,04,29,757	12,98,99,493
Service Tax Input /VAT receivable	4,49,76,624	4,71,25,754
Deposits with Government and Others	5,47,97,221	5,27,29,534
Claims Recoverable	1,93,81,806	1,89,01,998
Interest Accrued	3,50,04,299	2,09,36,486
	<u>42,45,71,156</u>	<u>42,09,27,088</u>
TOTAL (A+B+C+D)	<u>5,86,77,81,290</u>	<u>5,35,49,44,015</u>

Schedules Forming Part of Balance Sheet



	As at March 31, 2009 Rs.		As at March 31, 2008 Rs.
Schedule : 10			
Current Liabilities and Provisions			
A. Current Liabilities			
Bills Payable	18,74,60,967		49,30,19,823
Sundry Creditors - for supplies	88,07,36,236		64,81,51,456
Sundry Creditors - for expenses	16,76,71,917		16,80,75,988
Advances from Customers	26,56,44,761		9,53,21,563
Advances for Projects	50,00,000		50,00,000
Other Liabilities	1,13,21,913		74,11,004
Directors Current Accounts	1,57,34,648		1,29,24,173
Unpaid Dividend	17,69,304		14,56,903
	<u>1,53,53,39,746</u>		<u>1,43,13,60,910</u>
B. Provisions			
Provision for Excise & Custom Duty	2,25,00,425		1,11,58,834
Provision for Commission on Profits	4,26,35,000		3,41,60,000
Provision for Earned Leave Encashment	1,22,94,000		1,55,60,816
Provision for Warranties	6,94,56,100		4,74,81,600
Provision for. contribution to valuable employee scheme	10,90,000		10,90,000
Provision for Income Tax/Wealth Tax/FBT	97,11,52,360	54,54,03,935	
Less: Advance taxes paid on account	<u>96,34,61,866</u>	<u>76,90,494</u>	<u>52,42,46,849</u>
Provision for Dividend	7,28,38,665		3,64,19,333
Tax on dividend	1,23,78,931		61,89,466
	<u>24,08,83,615</u>		<u>17,32,17,135</u>
Tota (A+ B)	<u>1,77,62,23,361</u>		<u>1,60,45,78,045</u>
Schedule : 11			
Miscellaneous expenditure (to the extent not written off)			
Preliminary Expenses :			
Expenses on Preferential/Rights Issue as per last Balance Sheet	82,00,674	1,12,95,750	
Less: Amortised during the year	<u>30,95,075</u>	<u>51,05,599</u>	<u>30,95,076</u>
			82,00,674

Schedules Forming Part of Profit & Loss Account



	For the Year Ended March 31, 2009 Rs.	For the Year Ended March 31, 2008 Rs.
<u>Schedule : 12</u>		
Gross Sales		
Domestic Sales	12,49,50,54,772	10,37,92,14,624
Export Sales	1,23,84,02,264	83,43,40,154
Installation Charges Received	2,58,81,305	1,11,81,340
Works contract Receipts	11,81,78,701	7,75,53,150
Service charges Received	12,73,37,809	3,35,98,009
Testing Charges Received	78,20,732	38,47,776
	<u>14,01,26,75,583</u>	<u>11,33,97,35,053</u>
<u>Schedule : 12 A</u>		
Duties & Taxes		
Excise Duty	1,29,86,46,347	1,31,59,84,448
Sales Tax	26,00,01,855	29,09,81,354
Service Tax	1,50,69,528	52,04,767
	<u>1,57,37,17,730</u>	<u>1,61,21,70,569</u>
<u>Schedule : 13</u>		
Other Income		
Interest Received (TDS Rs. 68,99,216/-)	3,12,62,312	2,51,08,782
Rent Received	10,55,000	-
Gain on Redemption of Mutual Fund	1,03,166	-
Profit on sale of assets	71,514	29,13,677
Bad debts written off recovered	10,97,779	-
Excess Provisions / Old Credit Balances no longer required written back	1,21,28,617	44,27,120
Miscellaneous Income	15,77,590	30,91,911
Duty Drawback Received	35,89,231	15,06,571
	<u>5,08,85,209</u>	<u>3,70,48,061</u>
<u>Schedule : 14</u>		
A. Material Cost		
Materials Consumed		
Materials, Components & Other Material Consumed	7,84,82,98,237	6,80,73,72,821
Freight Inward	6,19,88,169	5,25,10,679
Less : Internal Capitalisation	<u>2,08,110</u>	<u>41,68,801</u>
	<u>7,91,00,78,296</u>	<u>6,85,57,14,699</u>
Job Work Charges	26,92,44,804	16,99,78,945
Material Cost	<u>8,17,93,23,100</u>	<u>7,02,56,93,644</u>

Schedules Forming Part of Profit & Loss Account



	For the Year Ended March 31, 2009 Rs.	For the Year Ended March 31, 2008 Rs.
B. Increase / (Decrease) in Inventory		
i) Opening Stocks		
a) Finished Goods	11,85,64,943	26,497,414
b) Semi Finished Goods	74,83,06,274	23,72,00,244
ii) Closing Stocks		
a) Finished Goods	33,73,40,509	11,85,64,943
b) Semi Finished Goods	50,58,16,678	74,83,06,274
	<u>84,31,57,187</u>	<u>86,68,71,217</u>
	<u>(2,37,14,030)</u>	<u>60,31,73,559</u>
(A + B)	<u>8,20,30,37,130</u>	<u>6,42,25,20,085</u>

Schedule : 15

Manufacturing Cost

Power and Fuel	43,86,36,665	34,51,41,903
Stores & Spares Consumed	18,71,88,029	10,53,39,370
Factory Rent	16,18,549	8,64,876
Tools & Fixtures Charged Off	49,43,192	42,10,758
Testing Charges	73,19,325	80,85,918
	<u>63,97,05,760</u>	<u>46,36,42,825</u>

Schedule : 16

Employees Cost

Salaries, Wages & Bonus	56,56,85,322	47,40,94,868
Contribution to Provident Fund & Other Funds	4,02,55,646	3,04,45,483
Gratuity	1,68,20,115	57,34,844
Staff Welfare Expenses	5,64,95,434	4,85,18,271
Recruitment & Training	10,90,534	4,60,051
	<u>68,03,47,051</u>	<u>55,92,53,517</u>
<i>Remuneration to Directors:</i>		
Salaries & Allowances	35,39,156	32,77,016
Commission on Profits	4,26,35,000	3,41,60,000
Contribution to Provident Fund	2,85,683	2,73,252
Other Perquisites	5,50,423	4,80,000
	<u>4,70,10,262</u>	<u>3,81,90,268</u>
	<u>72,73,57,313</u>	<u>59,74,43,785</u>

Schedules Forming Part of Profit & Loss Account



Schedule : 17

Administrative and Selling Cost

A. Administrative Cost

	For the Year Ended March 31, 2009 Rs.	For the Year Ended March 31, 2008 Rs.
Rent	1,10,00,527	84,45,113
Rates & Taxes	1,45,89,137	2,01,02,102
Excise duty paid	4,92,62,313	3,50,56,223
Insurance	95,32,103	77,77,654
Professional & Consultancy Charges	2,70,95,263	2,34,99,236
Security Expenses	2,13,92,460	1,40,13,879
Building & Garden Maintenance	1,56,82,377	95,99,559
Office & Office Equipment Maintenance	1,30,67,250	1,55,29,865
Vehicle Maintenance	1,60,14,460	1,36,76,624
Maintenance - Others	1,75,23,135	58,79,712
Conveyance	6,54,26,021	4,98,22,592
Travelling	5,48,21,837	4,92,40,551
Printing & Stationery	2,05,67,602	1,75,57,624
Postage, Telephones & Telex	2,98,51,927	2,57,64,819
Books & Periodicals	73,01,875	57,72,282
Sundry Expenses	60,30,425	65,84,548
Directors Sitting Fees	31,500	28,000
Audit Fees	10,00,000	7,50,000
Audit Expenses	1,05,776	33,244
Debit Balances written off	66,75,770	26,55,122
Donations	2,14,058	3,04,072
	<u>38,71,85,816</u>	<u>31,20,92,821</u>

B. Selling Cost

Freight Outward	25,02,35,637	18,99,35,182
Freight and Insurance on exports	3,19,50,651	2,22,12,441
Export Expenses	1,63,42,701	1,41,54,901
Liquidated Damages	1,59,24,727	1,32,27,620
Commission On Sales	52,20,364	12,64,115
Commission On Export Sales	73,73,754	71,17,93
Advertisement	41,30,827	24,88,063
Business Promotion	1,09,83,168	81,87,458
Membership & Subscription	7,06,995	6,75,420
Transit Insurance	37,03,919	26,04,517
Royalties On Sales	49,86,619	57,21,230
Bad debts written off / Provision for Doubtful Debts	4,02,03,317	7,91,31,694
Provision for Warranries	2,24,84,300	2,15,98,800
Installation Charges paid	1,33,29,790	72,00,062
Televan Hire Charges	2,05,99,349	-
Other Selling Expenses	1,54,13,616	1,03,76,777
	<u>46,35,89,734</u>	<u>38,58,96,214</u>

Schedules Forming Part of Profit & Loss Account



	For the Year Ended March 31, 2009 Rs.	For the Year Ended March 31, 2008 Rs.
C. Others		
Loss on Assets Sold	88,267	1,82,781
Capital Issue Expenses	6,88,369	-
Rights Issue Expenses written off	20,10,523	20,10,523
Preliminary Exp written off	10,84,552	10,84,553
Prior Period Expenditure		
Consumption of Material	62,83,553	8,33,164
Professional & Consultancy Charges	-	31,65,250
Sundry Expenses	1,17,683	7,28,793
Depreciation	<u>(1,12,814)</u>	<u>(1,00,26,478)</u>
	<u>1,01,60,133</u>	<u>(20,21,414)</u>
(A+B+C)	<u>86,09,35,683</u>	<u>69,59,67,621</u>
Schedule : 18		
Finance Cost		
Interest on Term Loans	24,22,69,186	13,75,35,404
Interest on Bank Borrowings	12,69,05,721	11,64,69,952
Interest on Unsecured Loans	49,39,452	57,38,905
Bank Charges	1,03,95,235	1,35,59,331
BG Charges	1,96,65,986	2,80,20,145
LC Charges	<u>2,10,05,369</u>	<u>3,26,69,097</u>
	<u>42,51,80,949</u>	<u>33,39,92,834</u>
Less: Capitalised & Transferred to Pre Operative Expenses	3,68,91,753	1,64,69,488
	<u>38,82,89,196</u>	<u>31,75,23,346</u>
Schedule : 19		
Extra-ordinary items		
Assets written off	1,16,97,506	-
Projects Written off	18,84,186	-
Provision for Diminution in the value of Investments	-	72,28,523
Provision against Advance for Investments	-	30,95,327
	<u>1,35,81,692</u>	<u>1,03,23,850</u>

Cash Flow Statement (As per Clause 32 of the Stock Exchange Listing Agreement)



	31-Mar-09	31-Mar-08	Rs lakhs
A CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit before Tax and extraordinary items	13818.65		11129.31
Assets written off	(116.98)	-	
Projects written off	(18.84)	-	
Loss on Investment Provided	-	(72.29)	
Loss on Investment Advance Provided	-	(30.95)	
Depreciation	2783.97	1445.58	
Interest	2422.69	1375.35	
Loss on sale of fixed assets	0.88	1.83	
Profit on sale of fixed assets	(0.72)	(29.14)	
Amortisation of Intangible Assets	102.56	-	
Preliminary expenses written off	30.95	30.95	
Provisions	229.14	408.98	3130.31
Operating Profit before working capital changes	<u>19252.31</u>		<u>14259.62</u>
Increase(-)/Dec(+ in Sundry debtors	(887.65)	(9969.88)	
Increase(-)/Dec(+ in Inventories	(751.61)	(9714.97)	
Increase(-)/Decrease(+ in Loans & advances	(36.44)	(1536.48)	
Increase(+)/Decrease(-) in Current Liabilities	<u>1120.54</u>	<u>5432.24</u>	<u>(15789.09)</u>
Cash generated from Operations	<u>18697.15</u>		<u>(1529.47)</u>
Expenditure on employee VEBF	-	(13.90)	
Income taxes paid	<u>(4506.37)</u>	<u>(3639.83)</u>	<u>(3653.73)</u>
Net Cashflow from Operating activities	<u>14190.78</u>		<u>(5183.20)</u>
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(9622.50)	(8341.20)	
Purchase(-)/Sale(+) of Investments	25.00	(176.85)	
Sale of fixed assets	<u>120.86</u>	<u>162.98</u>	
Net Cash flow from investing activities	<u>(9476.64)</u>		<u>(8355.06)</u>
C CASH FLOW FROM FINANCING ACTIVITIES			
Interest free sales tax loan received	-	(0.45)	
Proceeds from long-term borrowings	3766.18	10784.73	
Proceeds from working capital borrowings	(1509.22)	6632.99	
Increase(+)/Decrease(-) in unsecured loans	(745.00)	200.00	
Dividend payment	(426.09)	(426.09)	
Interest Paid	<u>(2422.69)</u>	<u>(1375.35)</u>	
Net cash flow used in financing activities	<u>(1336.82)</u>		<u>15815.83</u>
NET INCREASE IN CASH and CASH EQUIVALENTS (A+B+C)	<u>3377.32</u>		<u>2277.56</u>
Cash and Cash equiv.at beginning of the period	<u>4792.96</u>		<u>2515.40</u>
Cash and Cash equiv. at end of the period	<u>8170.28</u>		<u>4792.96</u>
Cash and Cash equivalents			
Cash on hand	<u>21.01</u>		892.86
Balances with Banks(current a/c & term deposits)	<u>8149.26</u>		3900.10
Total	<u>8170.28</u>		<u>4792.96</u>

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR 2008-09

- 1 This statement is prepared as per Accounting Standard-3 (indirect method)
- 2 Previous year's figures were re-grouped wherever necessary.

Per Our Report of even date annexed
for M/s **Satyanarayana & Co.**
Chartered Accountants

On Behalf of the Board

Ch Seshagiri Rao
Partner
M.No: 18523

Dr A J Prasad
Chairman & Managing
Director

M. Kavita Prasad
Director

Place : Hyderabad
Date : 25th June 2009

Place : Hyderabad
Date : 25th June 2009

D. Mabu Basha
Company Secretary

Schedule: 20

Accounting Policies and Notes on Accounts

A) Significant Accounting Policies

1. Basis for preparation of accounts:

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Indian Companies Act, 1956.

2. Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. Fixed Assets:

- a) Fixed Assets are stated at Historical Cost, less accumulated depreciation. Cost of acquisition of Fixed Assets is inclusive of freight, duties and taxes (net of CENVAT and VAT), and incidental expenses thereto and interest on direct borrowals up to commissioning, wherever applicable.
- b) Capital Work-in-Progress includes advances for capital items, capital items under erection and pre-operative expenses pending allocation on the assets to be commissioned/ capitalised.

4. Depreciation:

Depreciation is provided in accordance with the rates and rules specified in Schedule XIV to the Companies Act, 1956, under Straight Line Method except for Dies & Moulds on which depreciation is charged @ 20% from the date of addition.

5. Intangible Assets:

Related costs of Development expenditure incurred on the new products is recognised as intangible assets to be amortised over expected benefit periods commencing from the year in which such products are put to commercial use/sale.

6. Impairment of Assets:

An asset is treated as impaired when the carrying cost of the assets exceeds its recoverable value. An impairment loss is recognised when an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

7. Foreign Currency Transactions:

- a) Import of Material / Capital Equipment are accounted at the exchange rates at which the actual payments are made.
- b) Assets and Liabilities arising out of foreign exchange transactions are translated at the exchange rates ruling on the date of Balance Sheet and are suitably adjusted to the appropriate Revenue / Capital account.

8. Investments are carried at cost, except where the diminution in the value of investment, if any, is considered permanent by the management. Dividends are accounted for when received.

9. Inventories are valued as under:

- a) Materials and Components, Consumables and Stores are valued at Weighted Average cost. Work in Progress is valued at Weighted Average Cost of materials plus cost of conversion. Finished Goods are valued at Weighted Average Cost of materials plus cost of conversion and other costs incurred in bringing them to their present location and condition or net realisable value whichever is lower.
- b) Cost of materials is net of CENVAT /VAT on all the items.
- c) The Excise and Customs duties payable on finished goods and bonded stocks are included for the purpose of valuation.
- d) Tools & Fixtures are valued at cost less amount charged off (at one third of the value each year).

10. Income Recognition:

Sales revenue is recognised on despatch to customers as per terms of order. Gross Sales are inclusive of Excise duty and Central Sales tax and service tax collected. It does not include Inter-divisional Transfers. Works contract receipts are accounted on the basis of bills submitted and accepted by the customers.

11. Liquidated Damages:

Liquidated Damages levied by customers for delayed supplies are accounted as expenditure after avenues for waiver/reduction are exhausted or on acceptance by the Company.

12. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

13. Deferred Tax:

Provision for Current Tax is made after considering admissible deductions under the provisions of the I.T Act, 1961. Deferred tax resulting from timing differences between book and taxable profit is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The Deferred tax Asset is recognised and carried forward only to the extent that there is realisable certainty that the Asset will be realised in future.

14. Assets taken under leases:

- a) In respect of Equipment taken under finance leases, the fair value of the leased asset is recognised as an asset and corresponding liability is created. The finance charges are allocated to periods during the lease term and charged to revenue.
- b) In respect of Equipment taken under operating lease, lease payments are recognised as expenses on straight line basis over the lease term.

15. Issue Expenses:

Expenditure incurred in connection with the issue of shares including Preferential / Rights issue is treated as Preliminary expenses to be amortised in five instalments in line with the provisions of Section 35D of the Income Tax Act.

16. Employee Benefits:

- a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- b) Post employment and other long term employee benefits are recognised as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

B) Notes Forming Part of Accounts for the period ended March 31, 2009:

1. Secured Loans:

- a) Term Loans from IDBI, State Bank of Indore, State Bank of Hyderabad and State Bank of India are secured by a first charge on the movable and immovable assets (both present and future) of the company, (save and except book debts and exclusive charges already created if any) situated at Lalgadi Malakpet and Aliabad Villages, Shameerpet Mandal, Ranga Reddy Dist; at Nandigaon Village, Mahbubnagar Dist; at Bhootpur Village, Mahaboob Nagar Dist; at Kandivalasa Village, Vijayanagaram Dist; and at VSEZ, Visakhapatnam Dist; The loan is also secured by a second charge on the current assets of the company. The loan is also guaranteed by Managing Director and one Director in their personal capacity.

Short Term Loan from IDBI Bank Ltd to meet capital expenditure is secured by a demand promissory note and the Personal Guarantee of Dr. A.J. Prasad, Managing Director and Smt. M Kavita Prasad, Director in their Individual Capacity.

Term Loan from Axis Bank is secured by exclusive charge on the movable and immovable assets of the Company situated at Tumkunta Village, Ranga Reddy Dist; at IMT Manesar, Gurgaon, Haryana; at Goverdhanpuri Colony, Yaprul, GHMC; and at IIE, Ranipur, BHEL, Haridwar (Uttaranchal). The loan is also guaranteed by Dr. A.J. Prasad, Managing Director in his personal capacity.

Term Loans from HDFC, Hyderabad are secured by an exclusive charge on the Flats at Hyderabad, Vishakhapatnam and Kolkatta. The loan is also guaranteed by Dr. A.J. Prasad, Managing Director of the Company in his personal capacity.

- b) The Working Capital Loans from the State Bank of India, State Bank of Hyderabad, IDBI Bank Ltd and State Bank of Indore are secured by a first charge on all the chargeable current assets and by a second charge on the fixed assets (both present and future) of the company. All the loans are also guaranteed by Managing Director, two other Directors of the Company, Sri M.S.S. Srinath and Smt. A. Uma Devi in their personal capacities.
- c) Hire Purchase Loans from Banks and Non Banking Finance Companies are secured by exclusive hypothecation of Equipment/Vehicles acquired under the respective loans and guaranteed by one Director of the Company in his personal capacity.

2. New Projects/Expansions:

The Company's projects under expansion to the extent completed/put to use have been capitalised and shown as additions to Fixed Assets. The Projects under progress are shown as 'Capital Works in Progress' which includes related expenditure on the Projects.

3. Interest Free Sales Tax Loan of Rs.1716.36 Lakhs shown under Unsecured Loans represents the Sales Tax payable by the company, given as loan by Andhra Pradesh State Government to be repaid without interest after 14 years from the date of availment. The loan requires creation of a charge on the assets of the Company. Pending creation of charge, the amount is shown under Unsecured Loans and will be regrouped under Secured Loans as and when charge is created.
4. As per Accounting Standard 15 "Employee Benefits", the disclosure of Employee benefits as defined in the Accounting Standard is given below:

a) Defined Contribution Plan:

Contribution to Defined Contribution Plan, recognised as expense for the year are as under:

	2008-09	2007-08
	(Rs .in Lakhs)	
i) Employer's Contribution to Provident Fund/ESI	405.41	307.19
ii) Contribution to Gratuity Fund (under Group Gratuity scheme of LIC of India using Projected unit credit method)	168.20	57.35

Actuarial assumptions: for Gratuity

Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Withdrawal Rate	1% to 3%	1% to 3%
	depending on age	depending on age
Discount rate (per annum)	8%	8%
Salary escalation (per annum)	4%	4%
Valuation method	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
Percentage funded as per LIC demand	100%	100%

b) Defined Benefit Plan:

The present value of obligation for Leave Encashment (encashable only at the time of retirement/resignation/death) is determined based on actuarial valuation using the PUC method and the same is charged to Profit and Loss Account (the obligation is not funded)

	2008-09	2007-08
	(Rs .in Lakhs)	
Provision for Leave Encashment as per Actuarial Valuation of the beginning of the year.	155.61	37.11
Less: Leave Encashed during the year	<u>11.56</u>	<u>10.01</u>
	144.05	27.10
Expenses recognised in the Profit and Loss account for the year	<u>(21.11)</u>	<u>128.51</u>
Provision required and held for Leave Encashment liability as per Actuarial Valuation under PUC method representing current service cost, interest cost and actuarial gains or losses.	<u>122.94</u>	<u>155.61</u>



I Assumption as at	31-Mar-09	31-Mar-08
Mortality	<u>LIC (1994-96) Ult.</u>	
Interest/Discount Rate	8.00%	8.00%
Rate of increase in compensation	4.00%	4.00%
Rate of return (expected) on plan assets	-	-
Employee Attrition Rate	2.00%	2.00%
Expected average remaining service	23.00	24.00
II Changes in present value of obligations		
PVO at beginning value of period	155.61	37.11
Interest cost	12.45	2.41
Current Service Cost	(116.44)	34.41
Benefits Paid	-	-
Actuarial (gain)/loss on obligation	71.32	81.68
PVO at end period	122.94	155.61
III Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of period	-	-
Expected Returns on Plan Assets	-	-
Contributions	11.56	10.01
Benefit Paid	(11.56)	(10.01)
Actuarial gain/(loss) on plant assets	-	-
Fair Value of Plan Assets at end of period	-	-
IV Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	-	-
Actual Return on Plan Assets	-	-
Contributions	11.56	10.01
Benefit Paid	(11.56)	(10.01)
Fair Value of Plan Assets at end of period	-	-
Funded Status	-	-
Excess of actual over estimated return on Plan Assets	-	-
V Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the period (Obligation)	(71.32)	(81.68)
Actuarial Gain/(Loss) for the period (Plan Assets)	-	-
Total Gain/(Loss) for the period	(71.32)	(81.68)
Actuarial Gain/(Loss) recognized for the period	(71.32)	(81.68)
Unrecognised Actuarial Gain/(Loss) at end of period	-	-

VI Amounts to be recognized in the balance sheet and Statement of profit & loss account I

PVO at end of period	122.94	155.61
Fair Value of Plan Assets at end of period	-	-
Funded Status	-	-
Unrecognized Actuarial Gain/(Loss)	-	-
Net Asset/(Liability) recognized in the balance sheet	-	-

VII Expense recognized in the statement of P & L A/C

Current Service Cost	(116.44)	34.41
Interest cost	12.45	2.41
Expected Return on Plan Assets	-	-
Net Actuarial (Gain)/Loss recognized for the period	71.32	81.68
Expense recognized in the statement of P & L A/C	(32.67)	118.50

VIII Movements in the Liability recognized in Balance Sheet

Opening Net Liability	155.61	37.11
Expenses as above	(32.67)	118.50
Contribution Paid	(11.56)	(10.01)
Closing Net Liability	122.94	155.61

5. Contingent Liabilities not provided for:-

All known and undisputed liabilities have been duly provided for, except following:

- Unexecuted portion of Letters of Credit opened by Banks Rs. 3344.72 Lakhs (Previous year Rs.3558.58 Lakhs).
- Guarantees issued on behalf of the Company by Bankers for which the Company gave counter guarantees Rs.13536.67 Lakhs (Previous year Rs. 10996.24 Lakhs).
- Legal Undertakings given to Custom's Authorities for clearing the materials at Nil or Concessional rate of duty pending fulfilment of export obligations Rs.3778.49 Lakhs (Previous year Rs. 3096.78 Lakhs) against which export obligation has been fulfilled to the extent of Rs. 1534.32 Lakhs and the process of discharging the Legal Undertakings by the concerned authorities is at various stages.
- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 3399.29 Lakhs (Previous year Rs. 3285.52 Lakhs).
- Guarantee given by the company to Bank for the loans sanctioned to M/s HBL Elta Avionics Systems Pvt Ltd (a JVC) - Rs.927.13 Lakhs. (Previous year Rs. 927.13 Lakhs).
- Corporate Guarantee given by the company towards advance paid to HBL Elta Avionics Systems Pvt Ltd (a JVC) by IAI Elta Systems Ltd, Israel for US\$ 1079100 equivalent to Rs.546.46 Lakhs (Previous year Nil).

- g) Claims against the Company not acknowledged as debts:
- + Excise Duty claim of Rs 94.85 Lakhs (previous year Rs. 94.85 Lakhs).
 - + Sales Tax (CST) claims of Rs 9.77 Lakhs (previous year Rs.9.77 Lakhs).
 - + Customs Duty claim of Rs. 36.67 Lakhs (Previous year Rs. 36.67 Lakhs)
 - + Other Claims of Rs. 26.25 Lakhs (Previous year Rs. 26.25 Lakhs)
- h) SAFT AB (earlier known as SAB Nife AB) has initiated legal proceedings for infringement of its trademark against the company's subsidiary HBL Nife (UK) Limited in the Royal Court of Chancery Division, London and where in HBL Power Systems Ltd., (formerly known as HBL Nife Power Systems Ltd) was mentioned as 2nd defendant. On February 8, 2006 the Royal Court of Chancery Division, London passed an order against the Company's subsidiary and the Company, restraining the defendants against infringement of UK trademark and claimed a damage of £200,000. In view of the negotiations for settlement of the disputes, the claim may not be devolved on the Company and hence no Provision is considered necessary for the said amount.
6. Subsequent to the above referred Court Order dated 08/02/06, winding up proceedings of the subsidiary have been initiated and its financial statements are not available. Considering the liquidation proceedings and the non-availability of the financial statements of the Subsidiary Company, the Investment (Rs.72.29 Lakhs); Advance against Investment (Rs.30.95 Lakhs); and other dues (Rs.14.40 Lakhs) have been fully provided for in these financial statements.
7. M/s Bhagirath Energy Systems Private Limited, (BES) a wholly owned Subsidiary Company in Nepal is in the process of winding up and hence the latest audited statement are not available. Provision for diminution in the value of investment has been made based on Official Liquidator's Certificate of cash available as on 31.03.2005. No further provision is considered necessary as there is no reduction in cash balance as on 31.03.2009.
8. HBL Power Systems (M) SDN BHD a subsidiary company in Malaysia has reported a Profit of Rs. 16.52 Lakhs for the year and accumulated loss of Rs. 3.51 Lakhs up to 31.03.2009. This loss is considered temporary and hence no provision is made in the accounts for the fall in value of investment. Further a sum of Rs.16.24 Lakhs remitted towards share capital is shown under loans and advances pending allotment of shares.
9. The Company has paid tax dues in respect of Income Tax/Wealth tax/Fringe Benefit tax for the past assessments years based on the returns filed/assessments completed and charged off the same to revenue. The Company's assessments were completed up to F.Y 05-06. Current Tax for F.Y 08-09 is provided considering the deductions and reliefs available as per the Provisions of the I.T. Act, 1961. The liability in respect of pending assessments, if any, will be accounted after completion/finalisation of the assessments. Refunds, if any, from out of taxes paid and charged to revenue in respect of matters pending before appellate authorities will be accounted as and when settled/received.

10. Major components of deferred tax assets and liabilities arising on account of timing differences are:

(Rs. In Lakhs)

		Deferred Tax			
		Current Year		Previous Year	
		Assets	Liabilities	Assets	Liabilities
1.	Depreciation	-	1503.84	-	1302.94
3.	Long Term Capital Loss	8.72	-	8.72	-
4.	Contribution to Valuable Employees Scheme	3.70	-	3.70	-
5.	Others	-	-	14.67	-
Total		12.42	1503.84	27.09	1302.94

11. a) During the year the company started commercial activity of certain Intangible Assets on which the company incurred expenditure of Rs.512.81 lakhs up to F.Y. 2006-07 and it is decided to amortise such value in 5 equal annual instalments and accordingly Rs.102.56 lakhs is charged to Profit & Loss account.
- b) The development activity of certain Intangible Assets (Products under Development) is almost completed and commercial operations are expected shortly after acceptance/ approval by the customers. The value of which as on 31-03-2009 is Rs.393.30 lakhs; amortisation of the expenditure incurred up to 2006- 07 will be made upon commercial operations/use of the products developed.
- c) Disclosure required by Accounting Standard- 26 "intangible assets" are as follows:

Intangible Asset (Internally Generated)	Opening balance as on 01.04.2008	Amortisation during the year	Closing Balance as an 31.03.2009
New Products Development	Rs.906.11 Lakhs	Rs.102.56 Lakhs	Rs. 803.55 Lakhs

12. Hitherto, Depreciation on Dies & Moulds was charged as per rates provided in Schedule XIV to the Companies Act. During the year, it has been decided to change the accounting policy with retrospective effect by charging depreciation @ 20% from the date of additions considering the wear and tear assessed technically. This change in the policy has resulted in an additional depreciation of Rs. 611.38 lakhs up to 31-03-2008 and Rs.130.29 lakhs for the year 2008-09 with consequent reduction in the Profit for the year by Rs.741.67 lakhs.

13. The Company has amounts dues to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at March 31, 2009.

(Rs. in Lakhs)

i) The principal amount and the interest due thereon remaining unpaid to any supplier as at March 31, 2009	
Principal amount	124.17
Interest	1.40
ii) The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day for the year ending March 31, 2009.	
Principal amount	1973.06
Interest	-
iii) The amount of interest due and payable for the period of delay in making payment (beyond the appointed day during the year)	29.00
iv) The amount of interest accrued and remaining unpaid for the year ending March 31, 2009	30.40
v) The amount of further interest remaining due and payable for the earlier years.	Not Available

Note: The information has been given in respect of only those suppliers who have intimated the Company that they are registered as micro, small and medium enterprises. The interest payable will be accounted as and when paid.

14. Disclosure of interest in Joint Ventures as required under Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures :

The Company's interest in Joint Venture (Jointly controlled entities):

S. No.	Name of the venture	Country of Incorporation	Percentage of ownership interest as on 31.03.2009	Percentage of ownership interest as on 31.03.2008
1	HBL ELTA Avionics Systems Pvt. Limited	India	50	50

The Company's interest in this joint Venture is reported under the Head Investment (Schedule-8) and stated at cost. However, the company's share of each of the Assets and Liabilities, Income and Expenses (each without elimination of the effect of transaction between the Company and joint venture) interest in joint venture based on unaudited financial statements as on 31-03-2009 is as under :

Rs. in lakhs

S No.	Particulars	As on 31.03.2009
I	Assets	
	Fixed Assets	437.79
	Current assets	673.75
	Accumulated Loss	113.56
II	Liabilities	
	Reserves	2.30
	Secured Loans	199.58
	Current Liabilities	798.22
III	Income	
	Sales	166.03
	Other Income	2.06
IV	Expenses	226.03

15. Extra-ordinary Items :

- During the year, the company has discarded and scrapped certain assets whose written down value was Rs. 116.98 lakhs and the same is charged to Profit & Loss account and disclosed as extra-ordinary expenditure.
- Expenditure incurred on certain projects amounting to Rs. 18.84 lakhs has been charged to Profit & Loss account as the projects are discontinued

16. Disclosure required by Accounting Standard-29 "Provisions, Contingent Liabilities, Contingent Assets"

Provision for Warranty:	Rs. In Lakhs	
Provision at the beginning of the year		474.82
Provision required for the year	528.17	
Provision reversed from the opening Balance	308.42	
Charge for the year		219.75
Carrying amount as on 31.03.2009		694.57

It is expected that these costs will be incurred in the next 12 to 24 months. Actual expenditure incurred during warranty period towards replacements etc is charged to revenue under respective head of expenditure.

- Balances shown under Sundry Debtors, Creditors for supplies/Others, Advances to Suppliers/Others, Advances from Customers and Claims recoverable as appearing in books are subject to confirmation/reconciliation and consequential adjustments.

18. Disclosure under Accounting standard 19-Leases:

Finance Leases	Nil
Operating Leases:	
Future lease Rents Payable:	
- Not Later than one year.	Rs.6.77 Lakhs
- Later than one year and non later than five year.	Nil
- Later than five year	Nil

Lease Rents for the year recognised in the Profit & Loss a/c (under Maintenance-Office Equipment) Rs.8.19 Lakhs

19. Sundry debtors include Rs. 152.05 Lakhs (previous year Rs. 23.93 Lakhs) due from Subsidiary companies and Rs. 316.55 Lakhs (Previous year Rs.305.80 Lakhs) due from companies in which Directors are interested.

20. Loans and advances include Rs. 65.01 Lakhs (previous year Rs. 35.24 Lakhs) (Maximum amount due at any time during the year Rs. 84.02 Lakhs) due from Companies in which Directors are interested. Such advances are made in the ordinary course of business/for investment.

21. **Computation of EPS:**

Net Profit	Rs. 90,95,56,492
No. of shares	2,42,79,555
EPS	Rs. 37.46

22. The disclosure as required under Accounting Standards AS-17 "Segment Reporting" and AS-18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India:

a) Segment Reporting:

	Rs.Lakhs			
	2008-09		2007-08	
Segment Revenue				
Batteries				
Exports	11260		7694	
Domestic sales	104567	115827	83003	90697
Unallocated				
Exports	1114		650	
Domestic sales	8067	9181	6751	7401
Total		125008		98098
Less : Inter-segment Revenue		618		822
Gross Revenue		124390		97276
Segment Result				
Batteries		20249		17046
Unallocated		736		345
Total		20985		17391

Less : Interest	3883	3175
Unallocable expenditure net of unallocable income	3419	3190
Net Profit before taxes	13683	11026
Segment Assets		
Batteries	72085	64068
Unallocated	22433	18762
Total Assets	94518	82830
Segment Liabilities		
Batteries	13908	14516
Unallocated (includes Term Loans, Bank Loans, Hire Purchase Loans)	42103	38051
Total Liabilities	56011	52567
Segment Capital Expenditure during the year		
Batteries	6759	6919
Unallocated	2656	1263
Total	9415	8182
Segment Depreciation		
Batteries	2556	1361
Unallocated	228	185
Total	2784	1546

Note:

1. Inter segment revenue is measured at the market prices at which the products are sold to external Customers
2. Battery segment consists of various types of batteries for defence, aviation, telecom and industrial application.
3. Up to 31/03/2008, the Company had reported the "Batteries" and "Electronics" as reportable segments. However the segment revenue, the segment results and the segment assets of "Electronics" for the past 6 years is below the threshold limit of 10% as provided in "AS-17 Segment Report". Hence it is decided by the Board not to report "Electronics" as reportable segment from now onwards and the same is included in "Unallocated".

The comparative figures of Previous Year / Period related to "Electronics" have been included in "Unallocated".

b) Related party Disclosure:

1	Holding Company	Beaver Engineering Limited
2	Subsidiaries	Bhagirath Energy Systems Limited, Nepal HBL (UK) Limited, UK HBL POWER SYSTEMS (M) SDN BHD, Malaysia
3	Joint Venture	HBL Elta Avionics Systems P Ltd, Hyderabad
4	Controlled Companies	Kairos Engineering Limited, Hyderabad
5	Associate	Eko Vehicles Pvt Ltd Naval Systems & Technologies India Pvt Ltd Guided Missile Engineering India Pvt Ltd
6	Key Management Personnel	Dr A J Prasad Chairman & Managing Director M S S Srinath President (Marketing) M Kavita Prasad Director Ashok Nagarkatti Director J.K.Verma Director P.Satish Kumar CFO

Disclosure of transactions between the Company and Related parties and the status of outstanding balances as on 31st March, 2009

Rs Lakhs

Sl.No		Nature of Transaction	During the year	Outstanding at the end
1	Holding Company	Interest Paid Funds Borrowed	49.39 -	- -
2	Subsidiaries	Investment in Shares Advance for investment in shares Sale of goods	- - 132.05	199.92 47.20 152.05
3	Joint Venture	Investment in Shares Funds Given Sale of Goods Sale of Assets	- - 1.17 -	225.00 4.20 1.17 185.65
4	Controlled Companies	Investment in Shares Services Received Funds Given	- 75.22 25.68	9.00 - 51.17
5	Associates Companies	Investment in Shares Advance for investment in shares Funds Given Purchase of goods Sale of goods	- - - 11.03 1200.29	4.10 2.00 10.10 - 129.27
6	Key Management Personnel	Remuneration Royalty Rent	497.32 25.64 3.60	- - -

23. Additional Information Pursuant to the requirements under Part-II of Schedule VI of the Companies Act, 1956.

(Quantitative Information in A, B, C and D are certified by the management and relied upon by the Auditors being a technical matter)

A. Licenced and Installed Capacities

i) Installed Capacity (Qty)

Lead Acid Batteries	1280 Mil Ah
Nickel Cadmium Batteries	70 Mil Ah
Chargers / Rectifiers	3500 Nos
Lithium Thionyl Chloride Cells	16000 Nos
Battery Operated Vehicles	30000 Nos
Others	

Inview of the items being manufactured as per the customers orders it is not possible to ascertain installed capacity

Particulars	Units	2008-09		2007-08	
		Quantity	Value (Rs. Lakhs)	Quantity	Value (Rs. Lakhs)
B. Details of Production, Turnover and Finished goods					
1. Opening Stock of Finished Goods					
Lead Acid Batteries	Lac AH	116.77	1,082.62	6.79	62.44
Nicad Battery Cells	Nos	-	-	6,277	76.20
Nickel Cadmium Pocket Plate Batteries	Lac AH	3.57	96.78	4.27	76.85
Electronic Charges/Rectifiers	Nos	9.00	6.26	14	23.17
Battery Operated Vehicles	Nos	-	-	108	26.31
			1,185.66		264.97
2. Production (Major Items)					
Lead Acid Batteries	Lac AH	9,970.36		7,963.52	
Nicad Battery Cells	Nos	43,980		38,206	
Silver Zinc Battery Cells	Nos	12,805		12,842	
Nickel Cadmium Pocket Plate Batteries	Lac AH	554.22		417.69	
Electronic Charges/Rectifiers	Nos	6,947		1,312	
Battery Operated Vehicles	Nos	12,341		10,073	

Particulars	2008-09			2007-08	
	Units	Quantity	Value (Rs. Lakhs)	Quantity	Value (Rs. Lakhs)
3. Sales (Gross Value)					
Lead Acid Batteries	Lac AH	9,580.25	109,863.83	7,853.54	92,021.84
Nicad Battery Cells	Nos	43,981	1,438.55	44,483	868.25
Silver Zinc Battery Cells	Nos	12,805	794.25	12,842	1,242.31
Nickel Cadmium Pocket Plate Batteries	Lac AH	557.48	17,056.91	418.39	10,759.55
Electronic Charges/Rectifiers	Nos	6,533	4,061.01	1,317	3,341.05
Battery Operated Vehicles	Nos	12,341	2868.23	10,181	2216.51
Others Products			1251.79		1686.04
Installation & commissioning Charges Received			258.81		111.81
Works Contract Receipts			1181.79		775.53
Service Charges			1273.38		335.98
Job Work Charges / Testing Charges			78.21		38.48
			140,126.76		113,397.35
4. Closing Stock of Finished Goods					
Lead Acid Batteries	Lac AH	506.88	3,338.53	116.77	1,082.62
Nickel Cadmium Pocket Plate Batteries	Lac AH	0.31	6.30	3.57	96.78
Electronic Charges/Rectifiers	Nos	423	28.57	9	6.26
			3,373.40		1,185.66
C. Details of Consumption of Raw Materials					
Battery Separator	MT	1,510.15	2,320.04	1,259.98	1,778.14
Lead Calcium	MT	14,539.88	14,960.46	9,905.90	11,243.80
Lead Sub Oxide	MT	23,067.25	22,498.06	18,297.22	22,777.45
P P	MT	2,689.72	1,999.74	2,856.95	1,940.41
C R Sheet	MT	8,359.90	3,613.26	11,946.74	4,221.26
Nickel Hydroxide Powder	MT	108.35	1,022.25	127.34	85.63
Nickel Sulphate	MT	716.03	1,997.81	486.74	1,992.59
C R Strip	MT	661.87	691.38	409.03	338.84
Nickel Powder	MT	10.35	154.67	7.68	140.08
Transformers, Chokes, Electric Items			717.37		
Others			29,127.82		22,300.07
			79,102.86		68,598.84

Note: In view of number of individual items of smaller value quantitative details are not furnished for certain items.

D. Value of Imported Raw Materials consumed and their percentage to Total Consumption

Rs. Lakhs

	2008-09	%	2007-08	%
Imported Raw Material	34942.99	44.17	27607.14	40.24
Indigenous Materials	44159.87	55.83	40991.70	59.76
	79102.86	100.00	68598.84	100.00
			Rs. Lakhs	Rs. Lakhs
			2008-09	2007-08
E. Value of Imports on CIF (Cash Basis)				
Raw Materials, Components & Spares			39097.45	25213.61
Capital Items / Equipment			1141.16	953.94
F. Expenditure in Foreign Currency (Cash Basis)				
Travelling Expenses			84.31	63.61
Professional Charges			23.35	34.09
Commission			36.93	92.50
Royalty			45.94	31.16
Technical Know How			340.46	20.58
Marketing Expenses			104.48	17.60
G. Income in Foreign Currency (Cash basis)				
Export Sales			11674.85	7874.75
24 Remuneration to Auditors			Rs.	Rs.
Audit			7,00,000	5,00,000
Tax Audit			1,50,000	1,50,000
Tax Representation			1,50,000	1,00,000
Service Tax			1,03,000	92,700
Total			11,03,000	8,42,700

25 Computation of Managerial Remuneration U/s. 198

Particulars	Rs. in Lakhs			
	2008-09		2007-08	
Net Profit as per Profit & Loss Account		13682.83		11026.07
Add : Directors Remuneration, Sitting Fee & Commission	470.42		382.18	
Prior Period Expenses	62.88		(52.99)	
Loss on sale of assets/written off	117.86		1.82	
Diminution in Value of Investments	-		103.24	
Depreciation as per books	2783.97	3435.13	1545.84	1980.09
Less : Excess Provision / Credit Balances Written Back	121.29		44.27	
Profit on Sale of Assets/Investments	0.71		29.13	
Depreciation as per sec 350 of the Companies Act	2783.97	2905.97	1545.84	1619.24
Profits U/s. 349 read with Sec. 198		14211.99		11386.92
Commission Payable @ 3%		426.35		341.60

26 Previous Year's figures have been regrouped wherever necessary.

27 Additional information required under Part-IV of Schedule VI to the Companies Act, 1956 is annexed.

Signature to Schedules 1 to 20 forming part of Accounts

Per our report of even date annexed

for **M/s Satyanarayana & Co.**
Chartered Accountants

On Behalf of the Board

Ch. Seshagiri Rao
Partner
M.No: 18523

Dr. A J Prasad
Chairman & Managing Director

M.Kavita Prasad
Director

Hyderabad
Date: 25th June, 2009

Hyderabad
Date: 25th June, 2009

D.Mabu Basha
Company Secretary

27 Additional information in Part IV of Schedule VI of the Companies Act, 1956, pursuant to notification GSR 388 (E) dated May 15, 1995 issued by the Department of Company Affairs, Government of India

Part IV : Balance Sheet Abstract and Company's General Business Profile

a) Registration details		
Registration Number		6745
State Code Number		01
CIN	L40109AP1986PLC006745	
Balance Sheet date		March 31, 2009
b) Capital raised during the year (Rs. '000)		
Public Issue - Preferential Issue		-Nil-
Right Issue		-Nil-
Bonus Issue		-Nil-
c) Position of mobilisation and deployment of funds (Rs. '000)		
Total Liabilities	Rs.	76,755.59
Total Assets	Rs.	76,755.59
Sources of Funds		
Paid-up Capital	Rs.	2,427.96
Reserves & Surplus	Rs.	36,079.05
Deferred taxes	Rs.	1,491.42
Secured Loans	Rs.	35,040.80
Unsecured Loans	Rs.	1,716.37
Application of Funds		
Net Fixed Assets (including pre-operative expenditure)	Rs.	6,637.40
Investments	Rs.	336.36
Net Current Assets	Rs.	40,915.58
Miscellaneous Expenditure	Rs.	-
Accumulated losses	Rs.	-
d) Performance of the Company (Rs. '000)		
Turnover *	Rs.	124,389.58
Total Expenditure	Rs.	111,215.60
Profit Before Tax	Rs.	13,682.83
Profit After Tax	Rs.	9,095.56
Earnings per share (Basic)	Rs.	-
Earnings per share (Diluted)	Rs.	37.46
Dividend Rate		30%
f) Generic Names of Principal Products / Services of the Company (as per monetary terms)		
Product Description		Item Code No.
1 Lead Acid Batteries		850720.00
2 Nickel Cadmium Batteries		850730.00
3 Silver Zinc and Other Silver based Batteries (Torpedo)		850620.00
4 Silver Zinc Batteries (Aircraft)		850780.00
5 Power Electronic Rectifiers		850440.09
6 Uninterrupted Power Supply Systems		847199.05
7 Perforated Steel Strip		721250.09
8 Lithium Batteries		850620.00
9 Battery Materials		850790.09

*Excludes Other Income (Rs. 508.85 Lakhs)



AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF HBL POWER SYSTEMS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HBL POWER SYSTEMS LIMITED AND ITS SUBSIDIARIES

- 1) We have examined the attached consolidated Balance Sheet of HBL Power Systems Limited and its subsidiaries as at 31st March, 2009, consolidated Profit and Loss Account for the year then ended and the cash flow statement for that period and report that the Company, HBL Power Systems Ltd (Holding Company) has three subsidiaries as on 31.03.2009, viz. HBL (UK) LTD., U.K; HBL POWER SYSTEMS (M) SDN. BHD., Malaysia; Bhagirath Energy Systems (P) Ltd., Nepal and a Joint Venture Company HBL Elta Avionics Systems Private Ltd. However, the attached Consolidated Financial Statements have been made excluding the subsidiary in UK as the audited/unaudited Financial Statements of HBL (UK) LTD on 31.03.09 are not available and the company is reported to be under liquidation. Consequently our report is on the Consolidated Financial Statements which include the Financial Statements of the Holding Company and two subsidiary companies and a Joint Venture Company only.
- 2) These financial statements are the responsibility of the HBL Power Systems Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion, subject to limitations in Para(3) below.
- 3) Our comments on the Consolidated Financial Statements (CFS) are:
 - a) Reference is invited to Note No. 1(a):Sch. 20(B) regarding consolidation of un-audited Statement of Affairs of Bhagirath Energy Systems (P) Ltd, Nepal a wholly owned subsidiary company which is under voluntary winding up. The Statement of Affairs is compiled and certified by the Management which has been relied upon.
 - b) Reference is invited to Note No.1(c):Sch: 20(B) regarding non-availability of Financial Statements of a wholly owned subsidiary in U.K and the reasons explained for the same. In the absence of Financial Statements as on 31.03.09 of HBL (UK) Limited, the Consolidated Financial Statements under reporting do not include the Assets and Liabilities, Income and Expenditure and the Profit or Loss of the Subsidiary Company, consequently the Intra Group balances and Intra Group transactions in between the Holding Company and the Subsidiary as disclosed in the notes have not been eliminated i.e. Investment in Subsidiary (Rs.72.29 lakhs), Advance for Investments (Rs.30.95 lakhs) and dues from Subsidiary (Rs.14.40 lakhs) continued to be shown in CFS. However, the Investment, Advance for Investment and dues from the said subsidiary as appearing in the Holding Company books have been fully provided for and charged to revenue in Holding Company Financial statements. The Loss of subsidiary upto 31.03.2009 is not considered in Consolidated Financial Statements as the financial statements are not available. The Profit for the year and Reserves & Surplus shown in CFS are subject to adjustments, the



amount of which is not quantifiable by us. Thus CFS are not full and complete in all respects and to this extent do not meet the requirements of Accounting Standard-21 on "Consolidated Financial Statements".

- c) Reference is invited to Note No.2 regarding the legal proceedings against the subsidiary company and the Holding Company which was made a 2nd defendant in the case and also the claim of U.K £ 2,00,000 on the Company which however has not been considered / provided for the reasons stated in the notes.
- d) The 'Cash Flow Statement' is subject to corrections due to unreconciled differences arising out of non inclusion of subsidiary's operations for the year 2008-09.

The CFS are subject to above limitations and the consolidated profits are subject to adjustments on account of operational results of the U.K. Subsidiary, which can not be quantified by us due to non availability of the Financial Statements of the Subsidiary Company.

- 4) We did not audit the Financial Statements of HBL ELTA AVIONICS SYSTEMS PRIVATE LTD. (a Joint Venture) and HBL POWER SYSTEMS (M) SDN. BHD., Malaysia whose Financial Statements as of 31.03.2009 have been audited by it's auditors whose report have been furnished to us and in our opinion, in so far as it relates to the amounts included in respect of the Subsidiary Company and the Joint Venture are based solely on the report of the other auditors.
- 5) Subject to above comments and limitations, we report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard-AS-21, on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of HBL Power Systems Ltd., HBL Elta Avionics Systems Private Ltd. a Joint Venture and two Subsidiaries out of three Subsidiaries included in the CFS.
- 6) On the basis of the information and explanation given to us and on the consideration of the separate audit reports to the extent available on individual audited financial statements of HBL Power Systems Limited and its Subsidiary in Malaysia and Joint Venture, but subject to above limitations and comments, the impact of which is not quantifiable, we are of the opinion that:
 - (a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of HBL Power Systems Limited and its subsidiaries as at 31st March, 2009;
 - (b) The consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of HBL Power Systems Limited and its subsidiaries for the year then ended; and
 - (c) The cash flow statement, of the cash flows for the year ended on that date.

for Satyanarayana & Co.
Chartered Accountants

Place : Hyderabad
Date : 30th July 2009

Ch. Seshagiri Rao
Partner
Membership No.: 18523

Consolidated Balance Sheet as at March 31, 2009



	Schedule	As at March 31, 2009 Rs.		As at March 31, 2008 Rs.	
Sources of Funds					
<i>Share Holders Funds</i>					
Share Capital	1		24,27,95,550		24,27,95,550
Reserves and Surplus	2		3,59,97,47,253		2,77,66,01,719
<i>Loan Funds</i>					
Secured Loans	3		3,52,40,77,471		3,28,54,11,949
Unsecured Loans	4		17,45,28,498		24,61,36,510
<i>Deferred taxes</i>					
Deferred Income Tax	5		14,90,96,697		12,71,55,971
Total			7,69,02,45,469		6,67,81,01,699
Application of Funds					
Fixed Assets	6	3,72,20,24,684		3,05,73,45,980	
<i>Less: Depreciation</i>		87,74,86,637		60,70,23,562	
Net Fixed Assets		2,84,45,38,047		2,45,03,22,418	
Intangible Assets		8,03,54,964	2,92,48,93,011	9,06,11,174	2,54,09,33,592
Capital Works in Progress	7		66,37,40,459		37,61,59,901
Investments	8		13,20,000		38,20,000
Current Assets, Loans and Advances	9				
Inventories		1,80,17,21,030		1,72,63,89,031	
Receivables		2,83,51,06,074		2,73,89,30,525	
Cash & Bank Balances		87,41,28,343		49,25,99,519	
Loans & Advances		43,48,81,368		42,39,96,557	
		5,94,58,36,815		5,38,19,15,632	
<i>Less: Current Liabilities and Provisions</i>					
Current Liabilities	10	1,60,93,82,904		1,49,40,56,709	
Provisions		24,12,67,511		13,88,71,391	
		1,85,06,50,415		1,63,29,28,100	
Net Current Assets			4,09,51,86,400		3,74,89,87,532
Miscellaneous expenditure (to the extent not written off)					
Preliminary Expenses	11		51,05,599		82,00,674
Total			7,69,02,45,469		6,67,81,01,699
Accounting Policies & Notes on Accounts					
	20				

Per Our Report of even date annexed
for M/s. Satyanarayana & Co.
Chartered Accountants

On Behalf of the Board

Ch. Seshagiri Rao
Partner
M.No:18523

Dr A J Prasad
Chairman & Managing Director

M.Kavita Prasad
Director

Place : Hyderabad
Date : 30th July 2009

Place : Hyderabad
Date : 30th July 2009

D. Mabu Basha
Company Secretary

Consolidated Profit & Loss Account for the Year Ended March 31, 2009



Particulars	Schedule	Year Ended March 31, 2009 Rs.	Year Ended March 31, 2008 Rs.
Income			
Gross Sales	12	14,03,19,89,639	11,35,52,55,719
Less : Excise duty and taxes	12 A	1,57,37,17,730	1,61,21,70,569
Net Sales		12,45,82,71,909	9,74,30,85,150
Other Income	13	5,34,37,694	3,67,70,327
		12,51,17,09,603	9,77,98,55,477
Expenditure			
Material Cost	14	8,20,95,21,835	6,43,36,29,163
Manufacturing Cost	15	63,99,90,130	46,38,49,483
Employees Cost	16	73,24,48,999	60,13,99,039
Administrative and Selling Cost	17	86,93,93,450	70,01,74,458
Finance Cost	18	38,91,58,358	31,75,24,284
Depreciation		27,95,69,440	15,50,18,457
Amortisation of Intangible Assets		1,02,56,210	-
		11,13,03,38,422	8,67,15,94,884
Profit before extra-ordinary items		1,38,13,71,181	1,10,82,60,593
Extra-ordinary items	19	1,35,81,692	1,03,23,850
Profit before tax		1,36,77,89,489	1,09,79,36,743
<u>Less:</u> Income Tax Provision		42,04,16,049	37,00,00,000
<u>Less:</u> Wealth Tax Provision		6,50,000	4,25,000
<u>Less:</u> Deferred Tax liability/ (asset) for the year		2,15,56,000	2,39,95,118
<u>Less:</u> Fringe Benefit Tax		1,53,34,605	1,28,12,668
<u>Less:</u> Income & Wealth Tax Adjustment Relating to Previous Years		15,20,488	2,45,03,851
Profit after Tax		90,83,12,347	66,62,00,106
Surplus as per last Balance Sheet		16,35,99,995	14,00,08,688
		1,07,19,12,342	80,62,08,794
<u>Less:</u> Appropriations			
Transfer to General Reserve		80,00,00,000	60,00,00,000
Provision for Dividend		7,28,38,665	3,64,19,333
Tax on dividends		1,23,78,931	61,89,466
		88,52,17,596	64,26,08,799
Surplus Carried to Balance Sheet		18,66,94,746	16,35,99,995
Accounting Policies & Notes on Accounts	20		

Per Our Report of even date annexed
for M/s. Satyanarayana & Co.
Chartered Accountants

On Behalf of the Board

Ch. Seshagiri Rao
Partner
M.No:18523

Dr A J Prasad
Chairman & Managing Director

M.Kavita Prasad
Director

Place : Hyderabad
Date : 30th July 2009

Place : Hyderabad
Date : 30th July 2009

D. Mabu Basha
Company Secretary

	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Schedule : 1		
Share Capital		
Authorised		
3,00,00,000 Equity shares of Rs.10 each <i>(Previous Year 3,00,00,000 Equity shares of Rs.10 each)</i>	<u>30,00,00,000</u>	<u>30,00,00,000</u>
Issued , Subscribed & Paid-up		
2,42,79,555 Equity shares of Rs.10 each <i>(Previous Year 2,42,79,555 Equity shares of Rs.10 each)</i>	<u>24,27,95,550</u>	<u>24,27,95,550</u>
	<u>24,27,95,550</u>	<u>24,27,95,550</u>
Schedule : 2		
Reserves and Surplus		
Capital Reserve	1,02,300	1,02,300
Investment Subsidy from State Government	55,77,050	55,77,050
Share Premium Account	70,70,29,685	70,70,29,685
General Reserve		
Opening Balance	1,90,00,00,000	1,30,00,00,000
Add: Transferred from Profit & Loss Account	<u>80,00,00,000</u> 2,70,00,00,000	<u>60,00,00,000</u> 1,90,00,00,000
Exchange Variation Reserve	1,13,806	63,023
Surplus as per Profit & Loss Account	<u>18,66,94,746</u>	<u>16,35,99,995</u>
Total	<u>3,59,95,17,587</u>	<u>2,77,63,72,053</u>
Share of Joint Venture - Schedule 20 (B) 1. b	<u>2,29,666</u>	<u>2,29,666</u>
Grand Total	<u>3,59,97,47,253</u>	<u>2,77,66,01,719</u>
Schedule : 3		
Secured Loans		
Term Loan from		
IDBI-Corporate Loan	37,50,000	1,12,50,000
IDBI-Corporate Loan(Project)	60,60,05,815	30,73,00,000
IDBI Short Term Loan	30,00,00,000	-
SB Indore Corporate Loan	-	2,70,68,471
SB Indore Corporate Loan(Project)	28,22,01,992	28,00,08,070
SBI Corporate Loan	7,57,17,046	15,14,37,547
SBI Adhoc Loan	-	24,40,23,532
SBH Corporate Loan	28,34,59,694	28,94,26,910
Exim Bank Corporate Loan	63,014	10,03,31,507
Axis Bank Loan (Project)	35,37,29,560	14,05,55,250
HDFC	66,51,722	87,19,317

Schedules Forming Part of Consolidated Balance Sheet



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
State Bank of India		
Short Term Loan	80,66,26,242	-
Cash Credit	17,33,19,407	67,16,34,019
FCNR B Demand Loan	-	38,46,38,967
Export Packing Credit	7,75,83,784	8,37,18,840
Stand by line of credit	29,411	5,00,83,978
State Bank of Indore		
Cash Credit	10,50,07,107	1,68,85,339
State Bank of Hyderabad		
Cash Credit	3,57,17,374	17,22,69,979
Export Packing Credit	13	98,23,291
Stand by line of credit	17	4,04,52,327
IDBI Bank		
Cash Credit	32,32,44,744	20,44,15,665
Export Packing Credit	-	1,73,30,000
Bill Discounting	-	21,197,246
From Others		
Against Vehicles	1,93,78,246	1,60,51,360
Against Equipment	5,15,94,785	7,09,73,031
Total	3,50,40,79,973	2,97,61,989
Share of Joint Venture - Schedule 20 (B) 1. b	1,99,97,498	4,58,13,349
Grand Total	3,52,40,77,471	3,27,83,83,604
Schedule : 4		
Unsecured Loans		
Interest Free Sales Tax Loan	17,16,36,510	17,16,36,510
Inter Corporate Deposit Received	-	7,45,00,000
Total	17,16,36,510	24,61,36,510
Share of Joint Venture - Schedule 20 (B) 1. b	28,91,988	-
Grand Total	17,45,28,498	24,61,36,510
Schedule : 5		
Deferred Taxes		
Deferred Income Tax Liability	12,75,86,000	10,31,60,853
Deferred tax liability / asset for the year	2,15,10,697	2,39,95,118
Total	14,90,96,697	12,71,55,971
Share of Joint Venture - Schedule 20 (B) 1. b	-	-
Grand Total	14,90,96,697	12,71,55,971

Schedules Forming Part of Consolidated Balance Sheet

Schedule : 6

Fixed Assets (at Cost)

Figs. in Rs.

Description	Gross Block			Depreciation Block			Net Block		
	As On April 1, 2008	Additions	Adjustments/Deletions	As On March 31, 2009	As On April 1, 2008	For the Year	Adjustments/Deletions	As On March 31, 2009	As On March 31, 2008
Land - Freehold	12,42,10,567	2,21,53,851	1,681	14,63,62,737	-	-	-	14,63,62,737	12,42,10,567
Land - Leasehold	89,56,549	3,00,000	-	92,56,549	-	-	-	92,56,549	89,56,549
Buildings - Factory	56,15,24,861	13,79,30,318	-	69,94,55,179	7,05,39,577	2,05,48,310	-	60,83,67,292	49,09,85,284
Buildings - Others	3,92,28,444	2,05,150	-	3,94,33,594	24,25,636	6,39,433	-	3,63,68,525	3,68,02,808
Plant & Machinery	2,08,12,78,340	43,59,34,549	1,45,81,827	2,50,26,31,062	42,90,55,916	23,42,98,646	44,60,169	1,84,37,36,669	1,65,22,22,424
Office Equipment	11,65,70,503	1,97,64,241	42,42,922	13,20,91,822	5,51,81,248	1,16,82,440	29,84,731	6,82,12,865	6,13,89,255
Furniture & Fixtures	4,35,26,430	84,73,442	3,47,191	5,16,52,681	1,74,96,033	30,50,445	1,16,973	3,12,23,176	2,60,30,397
Vehicles	8,03,19,876	1,85,70,250	20,35,469	9,68,54,657	3,16,01,249	83,81,064	15,44,492	5,84,16,836	4,87,18,627
Technical Library	1,88,780	-	-	1,88,780	1,88,780	-	-	-	-
Sub Total (A)	3,05,58,04,350	64,33,31,801	2,12,09,090	3,67,79,27,061	60,64,88,439	27,86,00,338	91,06,365	2,80,19,44,649	2,44,93,15,911
Intangible Assets									
New Product Development Expenditure	9,06,11,174	-	* 1,02,56,210	8,03,54,964	-	-	-	8,03,54,964	9,06,11,174
Sub Total (B)	9,06,11,174	-	1,02,56,210	8,03,54,964	-	-	-	8,03,54,964	9,06,11,174
Share of Joint Venture -									
Schedule 20 (B) 1. b	15,41,630	4,25,55,993	-	4,40,97,623	5,35,123	9,69,102	-	4,25,93,398	10,06,507
Grand Total	3,14,79,57,154	68,58,87,794	3,14,65,300	3,80,23,79,648	60,70,23,562	** 27,95,69,440	91,06,365	2,92,48,93,011	2,54,09,33,592
Previous Year	2,23,00,42,429	93,38,34,888	1,59,20,163	3,14,79,57,154	46,43,84,990	15,50,18,456	1,23,79,884	2,54,09,33,592	1,76,56,87,439

* Amortisation during the year

** Reference is invited to Note No : 8



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Schedule : 7		
Capital Work in Progress (At Cost)		
Machinery under Erection	15,16,76,384	13,23,95,209
Civil Works in Progress	34,48,52,628	7,48,95,543
Advances for Capital Works	14,55,53,725	12,48,05,728
Pre-operative Expenses	2,16,57,722	1,15,02,569
Total	66,37,40,459	34,35,99,049
Share of Joint Venture - Schedule 20 (B) 1. b	-	3,25,60,852
Grand Total	66,37,40,459	37,61,59,901
Schedule : 8		
Investments (At Cost)	13,20,000	38,20,000
Share of Joint Venture - Schedule 20 (B) 1. b	-	-
Grand Total	13,20,000	38,20,000
Schedule : 9		
Current Assets, Loans and Advances		
A. Inventories		
<i>(As taken, valued and certified by the management)</i>		
Raw Materials, Components & Consumables	91,95,48,235	83,80,06,739
Stores & Spares	2,70,88,921	1,31,24,192
Tools & Fixtures	49,64,406	52,20,470
Semi Finished Goods	50,58,16,678	74,83,06,274
Finished Goods	33,73,40,509	11,85,64,943
Materials in Bonded Warehouse / Transit	50,67,443	14,42,750
Total	1,79,98,26,192	1,72,46,65,368
Share of Joint Venture - Schedule 20 (B) 1. b	18,94,838	17,23,663
Grand Total	1,80,17,21,030	1,72,63,89,031
B. Sundry Debtors (Unsecured & Considered Good)		
For a period exceeding Six Months	41,58,75,049	26,10,51,302
Less: Provision for bad and doubtful debts	14,39,577	89,74,973
	41,44,35,472	25,20,76,329
Others	2,41,29,28,200	2,47,62,30,242
Total	2,82,73,63,672	2,72,83,06,571
Share of Joint Venture - Schedule 20 (B) 1. b	77,42,402	1,06,23,954
Grand Total	2,83,51,06,074	2,73,89,30,525

	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
C. Cash and Bank Balances		
Cash on Hand	21,51,117	8,93,35,655
Balances with Scheduled Banks in:		
Current Accounts	17,19,90,871	8,70,18,172
No-Lien Accounts	28,19,19,188	9,16,537
Dividend Current Account	17,70,467	14,57,509
E E F C Accounts	1,048	16,17,174
Fixed Deposits	7,64,66,865	19,288,277
Margin Money Deposits	29,39,86,770	28,91,85,061
Total	<u>82,82,86,326</u>	<u>48,88,18,385</u>
Share of Joint Venture - Schedule 20 (B) 1. b	4,58,42,017	37,81,134
Grand Total	<u>87,41,28,343</u>	<u>49,25,99,519</u>
D. Loans and Advances		
<i>(Unsecured and Considered Good and recoverable in Cash or kind or for value to be received)</i>		
Advance for Investment pending allotment for Shares	32,95,327	49,19,785
Less : Provision	<u>30,95,327</u> 2,00,000	<u>30,95,327</u> 18,24,458
Advances for Purchases and others	15,29,81,140	13,35,29,580
Others Advances	1,51,75,851	1,59,79,785
Excise & Customs Deposits	10,04,29,757	12,98,99,493
Service Tax Input / VAT Receivable	4,49,76,624	4,71,25,754
Deposits with Government and Others	5,48,84,319	5,28,08,160
Claims Recoverable	1,93,81,806	1,89,01,998
Interest Accrued	<u>3,50,04,299</u>	<u>2,09,36,486</u>
Total	<u>42,30,33,796</u>	<u>42,10,05,714</u>
Share of Joint Venture - Schedule 20 (B) 1. b	1,18,47,572	29,90,843
Grand Total	<u>43,48,81,368</u>	<u>42,39,96,557</u>
TOTAL (A+B+C+D)	<u>5,94,58,36,815</u>	<u>5,38,19,15,632</u>

	As at March 31, 2009 Rs.		As at March 31, 2008 Rs.
Schedule : 10			
Current Liabilities and Provisions			
A. Current Liabilities			
Bills Payable	18,74,60,967		49,30,19,823
Sundry Creditors-for supplies	88,07,96,843		64,82,45,506
Sundry Creditors-for expenses	16,76,71,917		16,80,75,988
Advances from Customers	26,56,44,761		9,53,21,563
Advances for Projects	50,00,000		50,00,000
Other Liabilities	1,13,21,913		74,11,004
Directors Current Accounts	1,57,34,648		1,29,24,173
Unpaid Dividend	17,69,304		14,56,903
Total	1,53,54,00,353		1,43,14,54,960
Share of Joint Venture - Schedule 20 (B) 1. b	7,39,82,551		2,84,41,749
Grand Total	1,60,93,82,904		1,45,98,96,709
B. Provisions			
Provision for Excise & Custom Duties	2,25,00,425		1,11,58,834
Provision for Commission on Profit	4,26,35,000		3,41,60,000
Provision for Earned Leave Encashment	1,22,94,000		1,55,60,816
Provisions for warranty	6,94,56,100		4,74,81,600
Provision for valuable employee scheme	10,90,000		10,90,000
Provision for Income Tax	97,11,52,360	54,54,03,935	
Less :Advance Taxes Paid	<u>96,38,60,875</u>	72,91,485	<u>52,44,81,836</u>
Provision for Dividend	7,28,38,665		3,64,19,333
Tax on Dividends	1,23,78,931		61,89,466
Total	24,04,84,606		17,29,82,148
Share of Joint Venture - Schedule 20 (B) 1. b	7,82,905		49,243
Grand Total	24,12,67,511		17,30,31,391
	1,85,06,50,415		1,63,29,28,100
Schedule: 11			
Miscellaneous expenditure			
(to the extent not written off)			
Preliminary expenses			
Expenses on Preferential /Rights Issue as per last Balance Sheet	82,00,674		1,12,95,750
Less: Written off during the year	<u>30,95,075</u>	51,05,599	<u>30,95,076</u>
			82,00,674

	For the Year Ended March 31, 2009 Rs.	For the Year Ended March 31, 2008 Rs.
Schedule : 12		
Sales / Job Work Receipts (Gross)		
Domestic Sales	12,49,50,54,772	10,37,92,14,624
Export Sales	1,24,04,28,485	83,44,95,283
Installation Charges Received	2,58,81,305	1,11,81,340
Works contract receipts	11,81,78,701	7,75,53,150
Service charges received	12,73,37,809	3,35,98,009
Testing Charges Received	78,20,732	38,47,776
Total	14,01,47,01,804	11,33,98,90,182
Share of Joint Venture - Schedule 20 (B) 1. b	1,72,87,835	1,53,65,537
Grand Total	14,03,19,89,639	11,35,52,55,719
Schedule : 12 A		
Excise Duty & Sales Tax		
Excise Duty	1,29,86,46,347	1,31,59,84,448
Sales Tax	26,00,01,855	29,09,81,354
Service tax	1,50,69,528	52,04,767
	1,57,37,17,730	1,61,21,70,569
Schedule : 13		
Other Income		
Interest Received	3,20,45,242	2,57,53,194
Rent Received	10,55,000	-
Gain on redemption of Mutual funds	1,03,166	-
Profit on sale of assets	71,514	16,90,895
Bad Debts Written off recovered	10,97,779	-
Excess Provisions / Old Credit Balances no longer required written back	1,21,28,617	44,27,120
Miscellaneous Income	15,77,590	30,91,911
Duty Drawback Received	35,89,231	15,06,571
Exchange variation Gain	37,708	88,048
Total	5,17,05,847	3,65,57,739
Share of Joint Venture - Schedule 20 (B) 1. b	17,31,847	2,12,588
Grand Total	5,34,37,694	3,67,70,327

	For the Year Ended March 31, 2009 Rs.		For the Year Ended March 31, 2008 Rs.	
Schedule : 14				
A. Material Cost				
Materials Consumed				
Materials, Components & Other Material Consumed	7,84,73,78,801		6,80,78,48,203	
Freight Inward	6,19,88,169		5,25,21,146	
	<u>7,90,93,66,970</u>		<u>6,86,03,69,349</u>	
<i>Less : Internal capitalisation</i>	2,08,110		41,68,801	
Materials Consumed	<u>7,90,91,58,860</u>		<u>6,85,62,00,548</u>	
Job Work Charges	26,92,44,804		16,99,78,945	
Material Cost	<u>8,17,84,03,664</u>		<u>7,02,61,79,493</u>	
B. Increase / (Decrease) in Inventory				
i) Opening Stocks				
a) Finished Goods	11,85,64,943		2,64,97,414	
b) Semi Finished Goods	<u>74,83,06,274</u>	86,68,71,217	<u>23,72,00,244</u>	26,36,97,658
ii) Closing Stocks				
a) Finished Goods	33,73,40,509		11,85,64,943	
b) Semi Finished Goods	<u>50,58,16,678</u>	84,31,57,187	<u>74,83,06,274</u>	86,68,71,217
	(2,37,14,030)		60,31,73,559	
(A + B)	<u>8,20,21,17,694</u>		<u>6,42,30,05,934</u>	
Share of Joint Venture - Schedule 20 (B) 1. b	74,04,141		1,06,23,229	
Grand Total	<u>8,20,95,21,835</u>		<u>6,43,36,29,163</u>	
Schedule : 15				
Manufacturing Cost				
Power and Fuel	43,86,41,216		34,51,53,483	
Stores & Spares Consumed	18,71,88,029		10,53,14,420	
Equipment Lease Rent	-		24,950	
Factory Rent	18,24,953		10,59,954	
Tools & Fixtures Charged Off	49,43,192		42,10,758	
Testing Charges	73,19,325		80,85,918	
Total	<u>63,99,16,715</u>		<u>46,38,49,483</u>	
Share of Joint Venture - Schedule 20 (B) 1. b	73,415		-	
Grand Total	<u>63,99,90,130</u>		<u>46,38,49,483</u>	
Schedule : 16				
Employees Cost				
Salaries, Wages & Bonus	56,58,44,094		47,42,56,183	
Contribution to Provident Fund & Other Funds	4,02,55,646		3,04,45,483	
Gratuity	1,68,20,115		57,34,844	
Staff Welfare Expenses	5,64,95,434		4,85,18,271	
Recruitment & Training	10,90,534		4,60,051	
	<u>68,05,05,823</u>		<u>55,94,14,832</u>	
Less : Capitalised	-		-	
	<u>68,05,05,823</u>		<u>55,94,14,832</u>	

	For the Year Ended March 31, 2009 Rs.	For the Year Ended March 31, 2008 Rs.
<i>Remuneration to Directors:</i>		
Salaries & Allowances	37,37,621	34,64,591
Commission on Profits	4,26,35,000	3,41,60,000
Contribution to Provident Fund	2,85,683	2,73,252
Other Perquisites	5,50,423	4,80,000
	<u>4,72,08,727</u>	<u>3,83,77,843</u>
Less : Transferred to Development Expenditure	-	-
	<u>4,72,08,727</u>	<u>3,83,77,843</u>
Total	72,77,14,550	59,77,92,675
Share of Joint Venture - Schedule 20 (B) 1. b	47,34,449	36,06,364
Grand Total	<u>73,24,48,999</u>	<u>60,13,99,039</u>
<u>Schedule : 17</u>		
Administrative and Selling Cost		
A. Administrative Cost		
Rent	1,10,00,527	84,45,113
Rates & Taxes	1,45,94,694	2,01,05,478
Excise duty paid	4,92,62,313	3,50,56,223
Insurance	95,32,103	77,77,654
Professional & Consultancy Charges	2,71,39,468	2,35,34,375
Security Expenses	2,13,92,460	1,40,13,879
Building & Garden Maintenance	1,56,82,377	95,99,559
Office & Office Equipment Maintenance	1,30,67,250	1,55,29,865
Vehicle Maintenance	1,60,43,965	1,36,76,624
Maintenance - Others	1,75,23,135	58,79,712
Conveyance	6,54,26,021	4,98,22,592
Travelling	5,48,21,837	4,92,40,551
Printing & Stationery	2,05,76,995	1,75,59,812
Postage, Telephones & Telex	2,98,64,337	2,57,83,976
Books & Periodicals	73,01,875	57,72,282
Sundry Expenses	60,30,426	65,87,862

	For the Year Ended March 31, 2009 Rs.	For the Year Ended March 31, 2008 Rs.
Directors Sitting Fees	31,500	28,000
Audit Fees	10,42,339	7,65,006
Audit Expenses	1,05,776	33,244
Debit Balances written off	66,75,770	26,55,122
Donations	2,14,058	3,10,325
	<u>38,73,29,226</u>	<u>31,21,77,254</u>
B. Selling Cost		
Freight Outward	25,02,35,637	18,99,35,182
Freight and Insurance on exports	3,19,50,651	2,22,12,441
Export Expenses	1,63,42,701	1,41,54,901
Liquidated Damages	1,59,24,727	1,32,27,620
Commission on Sales	52,20,364	12,64,115
Commission on Export Sales	73,73,754	71,17,934
Advertisement	41,30,827	24,88,063
Business Promotion	1,09,83,168	81,90,584
Membership & Subscription	7,06,995	6,75,420
Transit Insurance	37,03,919	26,04,517
Royalties on Sales	49,86,619	57,21,230
Bad debts written off	4,02,03,317	7,91,31,694
Provision for Warranties	2,24,84,300	2,15,98,800
Installation Charges paid	1,33,29,790	72,00,062
Televan Hire Charges	2,05,99,349	-
Other Selling Expenses	1,54,13,616	1,03,76,777
	<u>46,35,89,734</u>	<u>38,58,99,340</u>
C. Others		
Loss on Assets Sold / Discarded	88,267	1,82,781
Capital Issue Expenses	6,88,369	-
Rights Issue Expenses written off	20,10,523	20,10,523
Preliminary Expenses Written Off	10,84,552	10,84,553
Prior Period Expenditure	62,88,422	(52,99,271)
	<u>1,01,60,133</u>	<u>(20,21,414)</u>
(A + B + C)	86,10,79,093	69,60,55,180
Share of Joint Venture - Schedule 20 (B) 1. b	83,14,357	41,19,278
Grand Total	<u>86,93,93,450</u>	<u>70,01,74,458</u>

	For the Year Ended March 31, 2009 Rs.	For the Year Ended March 31, 2008 Rs.
Schedule : 18		
Finance Cost		
Interest on Term Loans	24,22,69,188	13,75,35,404
Interest on Bank Borrowings	12,69,05,721	11,64,69,952
Interest on Unsecured Loans	49,39,452	57,38,905
Bank Charges	1,03,95,235	1,35,60,269
BG Charges	1,96,65,986	2,80,20,145
LC Charges	2,10,05,369	3,26,69,097
	<u>42,51,80,951</u>	<u>33,39,93,772</u>
Less: Capitalised and transferred to Pre Operative Expenses	3,68,91,753	1,64,69,488
Total	38,82,89,198	31,75,24,284
Share of Joint Venture - Schedule 20 (B) 1. b	8,69,160	-
Grand Total	<u>38,91,58,358</u>	<u>31,75,24,284</u>
Schedule : 19		
Extra-ordinary items		
Assets Written Off	1,16,97,506	-
Projects Written Off	18,84,186	-
Provision for Diminution in the value of Investments	-	72,28,523
Provision for Diminution in the value of Advance for Investments	-	30,95,327
	<u>1,35,81,692</u>	<u>1,03,23,850</u>

Cash Flow Statement (As per Clause 32 of the Stock Exchange Listing Agreement)



		31-Mar-09	31-Mar-08	(Rs.Lakhs)
A CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit before Tax and extraordinary items		13813.71		11082.61
Assets written off	(116.98)		-	
Projects written off	(18.84)		-	
Loss on Investment Provided	-		(72.29)	
Loss on Investment Advance Provided	-		(30.95)	
Depreciation	2795.69		1449.92	
Interest	2422.69		1375.35	
Loss on sale of fixed assets	0.88		1.83	
Profit on sale of fixed assets	(0.72)		(16.91)	
Amortisation of Intangible Assets	102.56		-	
Preliminary expenses written off	30.95		30.95	
Provisions	229.14	<u>5445.39</u>	408.98	3146.89
Operating Profit before working capital changes		19259.10		14229.50
Increase(-)/Dec(+) ¹ in Sundry debtors	(886.40)		(9986.19)	
Increase(-)/Dec(+) ¹ in Inventories	(753.32)		(9718.42)	
Increase(-)/Decrease(+) ¹ in Loans & advances	(108.85)		(1572.70)	
Increase(+)/Decrease(-) ¹ in Current Liabilities	1575.61	<u>(172.96)</u>	5666.99	(15610.32)
Cash generated from Operations		19086.14		(1380.83)
Expenditure on employee VEBF	-		(13.90)	
Income taxes paid	(4492.81)	<u>(4492.81)</u>	(3642.43)	(3656.33)
Net Cashflow from Operating activities (A)		<u>14593.33</u>		(5037.16)
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(9745.70)		(8657.08)	
Sale of Investments	25.00		(19.10)	
Sale of fixed assets	120.86		150.74	
Net Cash flow from investing activities (B)		<u>(9599.84)</u>		(8525.44)
C CASH FLOW FROM FINANCING ACTIVITIES				
Share Premium	-		(32.00)	
Interest free sales tax loan received	-		(0.45)	
Proceeds from long-term borrowings	3766.18		10784.73	
Proceeds from working capital borrowings	(1379.52)		6703.27	
Increase(+)/Decrease(-) ¹ in unsecured loans	(716.08)		197.50	
Dividend payment	(426.09)		(426.09)	
Interest Paid	(2422.69)		(1375.35)	
Net cash flow used in financing activities (C)		<u>(1178.21)</u>		15851.61
NET INCREASE IN CASH and CASH EQUIVALENTS (A+B+C)		<u>3815.28</u>		2289.02
Cash and Cash equiv.at beginning of the period		<u>4926.00</u>		2636.98
Cash and Cash equiv. at end of the period		<u>8741.28</u>		4926.00
Cash and Cash equivalents				
Cash on hand		21.51		893.36
Balances with Banks(current a/c & term deposits)		<u>8719.77</u>		4032.64
Total		<u>8741.28</u>		4926.00

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31-03-2009

1 This statement is prepared as per Accounting Standard-3 (indirect method)

2 Previous year's figures were re-grouped wherever necessary.

Per Our Report of even date annexed
for **M/s. Satyanarayana & Co.**
Chartered Accountants

On Behalf of the Board

Ch. Seshagiri Rao
Partner
M.No:18523

Dr A J Prasad
Chairman & Managing Director

M.Kavita Prasad
Director

Place : Hyderabad
Date : 30th July 2009

Place : Hyderabad
Date : 30th July 2009

D. Mabu Basha
Company Secretary

Schedule: 20

Accounting Policies and Notes on Accounts

A) Significant Accounting Policies

1. Basis for preparation of accounts:

The accounts of HBL Power Systems Ltd the Holding Company have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Indian Companies Act, 1956. The Financial Statements/Statement of affairs of the subsidiary companies have been recast to comply with the Accounting Policies followed by the Holding Company for the limited purposes of consolidation. The interests in Jointly controlled entities (incorporated Joint Ventures) have been accounted for using proportionate consolidation method.

2. Principles of consolidation:

The financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenditure after eliminating intra Group balances, intra Group transactions and the unrealised profits/losses on intra group transactions.

3. Investments:

Investments other than in subsidiaries/Joint Ventures have been accounted as per Accounting Standard 13 on Accounting for Investments.

4. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for - like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements. The accounts of the subsidiary companies, which are in respective currencies of the countries in which they are situated are translated using "Translation of the Financial Statements of Foreign Branches" under Accounting Standard AS-11, Accounting for the Effects of Changes in Foreign Exchange Rates, prescribed by the Institute of Chartered Accountants of India.

5. Other Significant Accounting Policies:

These are set out under "Significant Accounting Policies" as given in the stand alone Financial Statements of M/s HBL Power Systems Limited.

B) Notes Forming Part of Accounts for the period ended 31st March, 2009:

1. The Consolidated Financial Statements (CFS) are prepared in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" and Accounting Standard-27 (AS-27) "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. The Consolidated Financial Statements comprises of the financial statements of HBL Power Systems Limited, the Holding Company and the following subsidiary companies/Group's interests in jointly controlled entity (incorporated Joint Venture).

- a) The subsidiaries considered in the preparation of these Consolidated Financial Statements are :

Name of the Company	Country of Incorporation	% of Holding / Voting Power
i) HBL POWER SYSTEMS (M) SDN.BHD.	Malaysia	80
ii) Bhagirath Energy Systems Private Limited (Under voluntary winding up).	Nepal	100 *

* Bhagirath Energy Systems Private Limited, a wholly owned subsidiary in Nepal is under voluntary winding up. Therefore, the statements of affairs of this company as certified by the management (unaudited) are directly consolidated into the Balance Sheet. No separate profit and loss is prepared as there are no operations except the transactions incidental to winding up of the company.

- b) Interests in Joint Venture:

The group's interests in Jointly Controlled entities:

Name of the Company	Country of Incorporation	% of Holding/ Voting power
HBL ELTA Avionics Systems Private Limited	India	50 **

** HBL ELTA Avionics Systems Private Limited is a jointly controlled entity with 50% holding of HBL Power Systems Limited. The joint venture accounting for consolidation is as per the principle of proportionate consolidation as laid down in AS-27 based on the Audited Financial Statements of the said Joint Venture.

- c) The Consolidated Financial Statements (CFS) on 31.03.09 do not include the Assets/ Liabilities, Income/Expenses, Profit/Loss and the Cash Flow Statement of following subsidiary Company.

Name of the Subsidiary Company	Country of Incorporation	% of Holding / Voting Power
HBL (UK) Limited	United Kingdom	100

Reasons for non-consolidation of Subsidiary Financial Statements:

The accounts of Foreign Subsidiary, HBL (UK) Limited, United Kingdom have not been compiled and certified by the local auditors of the subsidiary Company as the winding up process has been initiated. The Subsidiary company has been facing a claim for a Trademark's alleged violation in the state of UK naming the Parent Company, HBL POWER SYSTEMS LIMITED as a Second Defendant. This claim has in fact acted as an impediment for all operational workings and thus the Parent Company could not consolidate the accounts of the subsidiary because of non-availability of either audited or unaudited financial statements of the subsidiary company.

In the absence of Financial Statements of subsidiary the state of affairs on 31.03.09 and the profit or loss for the year ended 31.03.09 are not reported/ included in CFS.

Consequently the balances on 31.03.09 as a result of transactions between the Holding Company (HBL Power Systems Ltd, Hyderabad) and its wholly owned subsidiary in UK, such as sale by Holding Company to Subsidiary Company, dues from Subsidiary,

Investment in and advances to subsidiary company which are required to be eliminated as per Accounting Standard 21 for the purposes of consolidation could not be eliminated in CFS. Such balances as appearing in Holding Company's Financial Statements as on 31.03.09 are as under:

Sundry Debtors include	Rs. 14.40 lakhs
Investments include	Rs. 72.29 lakhs
Advances include	Rs. 30.95 lakhs

The above balances have been fully provided for in the financial statements of the Holding Company.

2. SAFT AB (earlier known as SAB Nife AB) has initiated legal proceedings for infringement of its trademark against the company's subsidiary HBL Nife (UK) Limited in the Royal Court of Chancery Division, London and where in HBL Power Systems Ltd., (formerly known as HBL Nife Power Systems Ltd) was mentioned as 2nd defendant. On February 8, 2006 the Royal Court of Chancery Division, London passed an order against the Company's subsidiary and the Company, restraining the defendants against infringement of UK trademark and claimed a damage of £200,000. In view of the negotiations for settlement of the disputes, the claim may not be devolved on the Company and hence no provision is considered necessary for the said amount.

3. Secured Loans

- a) Term Loans from IDBI, State Bank of Indore, State Bank of Hyderabad and State Bank of India are secured by a first charge on the movable and immovable assets (both present and future) of the company, (save and except book debts and exclusive charges already created, if any) situated at Lalgadi Malakpet and Aliabad Villages, Shameerpet Mandal, Ranga Reddy Dist; at Nandigaon Village, Mahbubnagar Dist; at Bhootpur Village, Mahaboob Nagar Dist; at Kandivalasa Village, Vizianagaram Dist; and at VSEZ, Vishakhapatnam Dist; The loan is also secured by a second charge on the current assets of the company. The loan is also guaranteed by Managing Director and one Director in their personal capacity.

Short Term Loan from IDBI Bank Ltd to meet capital expenditure is secured by a demand promissory note and the Personal Guarantee of the Managing Director and Smt M Kavita Prasad, in their Individual Capacity.

Term Loan from Axis Bank is secured by exclusive charge on the movable and immovable assets of the Company situated at Tumkunta Village, Ranga Reddy Dist; IMT Manesar, Gurgaon, Haryana; Goverdhanpuri Colony, Yaprul, GHMC, and IIE; Ranipur, BHEL, Haridwar (Uttaranchal). The loan is also guaranteed by Managing Director in his personal capacity.

Term Loans from HDFC, Hyderabad are secured by an exclusive charge on the Flats at Hyderabad, Vishakhapatnam and Kolkatta. The loan is also guaranteed by the Managing Director of the Company in his personal capacity.

- b) The Working Capital Loans from the State Bank of India, State Bank of Hyderabad, IDBI Bank Ltd and State Bank of Indore are secured by a first charge on all the chargeable current assets and by a second charge on the fixed assets (both present and future) of the company. All the loans are also guaranteed by Managing Director, two other Directors of the Company, Sri M.S.S. Srinath, and Smt. A. Uma Devi in their personal capacities.
- c) Hire Purchase Loans from Banks and Non Banking Finance Companies are secured by exclusive hypothecation of equipment/ vehicles acquired under the respective loans and guaranteed by one Director of the Company in his personal capacity.
4. Interest Free Sales Tax Loan of Rs.1716.36 Lakhs shown under Unsecured Loans represents the Sales Tax payable by the company, given as loan by Andhra Pradesh State Government to be repaid without interest after 14 years from the date of availment. The loan requires creation of a charge on the assets of the Company. Pending creation of charge, the amount is shown under Unsecured Loans and will be regrouped under Secured Loans as and when charge is created.
5. Contingent Liabilities not provided for:-
All known and undisputed liabilities have been duly provided for, except following:
- a) Unexecuted portion of Letters of Credit opened by Banks Rs. 3344.72 Lakhs (Previous year Rs.3558.58 Lakhs).
- b) Guarantees issued on behalf of the Company by Bankers for which the Company gave counter guarantees Rs.13536.67 Lakhs (Previous year Rs. 10996.24 Lakhs).
- c) Legal Undertakings given to Custom's Authorities for clearing the materials at Nil or concessional rate of duty pending fulfilment of export obligations Rs.3778.49 Lakhs (Previous year Rs. 3096.78 Lakhs) against which export obligation has been fulfilled to the extent of Rs.1534.32 Lakhs and the process of discharging the Legal Undertakings by the concerned authorities is at various stages.
- d) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 3399.29 Lakhs (Previous year Rs. 3285.52 Lakhs).
- e) Guarantee given by the company to Bank for the loans sanctioned to M/s HBL Elta Avionics Systems Pvt Ltd (a JVC) - Rs.927.13 Lakhs. (Previous year Rs. 927.13 Lakhs).
- f) Corporate Guarantee given by the company towards advance paid to HBL Elta Avionics Systems Pvt Ltd (a JVC) by IAI Elta Systems Ltd, Israel for US\$ 1079100 equivalent to Rs.546.46 Lakhs (Previous year Nil).
- g) Claims against the Company not acknowledged as debts:
- + Excise Duty claim of Rs 94.85 Lakhs (previous year Rs. 94.85 Lakhs).
 - + Sales Tax (CST) claims of Rs 9.77 Lakhs (previous year Rs.9.77 Lakhs).
 - + Customs Duty claim of Rs. 36.67 Lakhs (Previous year Rs. 36.67 Lakhs)
 - + Other Claims of Rs. 26.25 Lakhs (Previous year Rs. 26.25 Lakhs)
- h) Proportionate share of Contingent Liabilities of Joint Venture Company - HBL Elta Avionics Systems Pvt. Ltd

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances Rs. 48.58 Lakhs ((Previous year Rs. 30.89 Lakhs).
 - ii) Bank Guarantees outstanding towards various performance obligations Rs. 97.27 Lakhs (Previous year Rs. 30.95 Lakhs).
 - iii) The Company has received a demand, dated May 28, 2009, from the Deputy Commercial Tax Officer, Hyderabad towards payment of value added tax amounting Rs. 10.10 Lakhs for the period from March 1, 2006 to December 31, 2008. The management is in the process of filing an appeal against this demand, pending which, no provision has been created in these financial statements.
- i) The Company has paid tax dues in respect of Income Tax/Wealth tax/Fringe Benefit tax for the past assessments years based on the returns filed/assessments completed and charged off the same to revenue. The Company's assessments were completed up to F.Y 05-06. Current Tax for F.Y 07-08 is provided considering the deductions and reliefs available as per the Provisions of the I.T. Act, 1961. The liability in respect of pending assessments, if any, will be accounted after completion/finalisation of the assessments. Refunds, if any, from out of Taxes paid and charged to revenue in respect of matters pending before appellate authorities will be accounted as and when settled/received.
6. Major components of deferred tax assets and liabilities arising on account of timing differences are:

(Rs. In Lakhs)

		Deferred Tax			
		Current Year		Previous Year	
		Assets	Liabilities	Assets	Liabilities
1.	Depreciation	-	1503.84	-	1302.94
2.	Payments under VRS	-		-	
3.	Long Term Capital Loss	8.72		8.72	
4.	Contribution to Valuable Employees Scheme	3.70		3.70	
5.	Others	0.45		18.96	
Total		12.87	1503.84	31.38	1302.94

7. a) During the year the company started commercial activity of certain Intangible Assets on which the company incurred expenditure of Rs.512.81 lakhs up to F.Y. 2006-07 and it is decided to amortise such value in 5 equal annual instalments and accordingly Rs.102.56 lakhs is charged to Profit & Loss account.
- b) The development activity of certain Intangible Assets (Products under Development) is almost completed and commercial operations are expected shortly after acceptance/approval by the customers. The value of which as on 31-03-2009 is Rs.393.30 lakhs Amortisation of the expenditure incurred up to 2006- 07 will be made upon commercial operations/use of the products developed.

c) Disclosure required by Accounting Standard- 26 “intangible assets” are as follows:

Intangible Asset (Internally Generated)	Opening Balance As on 01.04.2008	Amortisation during the year	Closing Balance As on 31.03.2009
New ProductsDevelopment	Rs.906.11 Lakhs	Rs.102.56 Lakhs	Rs. 803.55 Lakhs

8. Hitherto, Depreciation on Dies & Moulds was charged as per rates provided in Schedule XIV to the Companies Act. During the year, it has been decided to change the accounting policy with retrospective effect by charging depreciation @ 20% from the date of additions considering the wear and tear assessed technically. This change in the policy has resulted in an additional depreciation of Rs. 611.38 lakhs up to 31-03-2008 and Rs.130.29 lakhs for the year 2008-09 with consequent reduction in the profit for the year by Rs.741.67 lakhs
9. The disclosure as required under Accounting Standards AS-17 “Segment Reporting” and AS-18 “Related Party Disclosure” issued by the Institute of Chartered Accountants of India are given in annexure.

Schedules Forming Part of Balance Sheet and P & L Account

Annexure to Note No. 7 under Schedule No. 19 B

- a. The segment wise disclosure as required by, under the Accounting Standards AS-17 “Segment Reporting” issued by the Institute of Chartered Accountants of India is as under.

Rs.lakhs

	2008-09		2007-08	
Segment Revenue				
Batteries				
Exports	11987		7696	
Domestic sales	104567	116554	83003	90699
Unallocated				
Exports	1114		650	
Domestic sales	8067	9181	6904	7554
Total		125735		98253
Less : Inter-segment Revenue		618		822
		125117		97431
Segment Result				
Batteries		20253		17023
Unallocated		736		321
Total		20989		17344
Less : Interest		3892		3175
Unallocable expenditure net of unallocable income		3419		3190
Net Profit before taxes		13678		10979

Segment Assets		
Batteries	72988	64068
Unallocated	22433	19042
Total Assets	95421	83110
Segment Liabilities		
Batteries	14881	14560
Unallocated (includes Term Loans, Bank Loans, Hire Purchase Loans)	42103	38356
Total Liabilities	56984	52916
Segment Capital expenditure during the year		
Batteries	7091	6919
Unallocated	2656	1557
Total	9747	8476
Segment Depreciation		
Batteries	2568	1362
Unallocated	228	188
Total	2796	1550

Note:

1. Inter segment revenue is measured at the market prices at which the products are sold to external customers
2. Battery segment consists of various types of batteries for defence, aviation, telecom and industrial application
3. Up to 31/03/2008, the Company had reported the "Batteries" and "Electronics" as reportable segments. However the segment revenue, the segment results and the segment assets of "Electronics" for the past 6 years is below the threshold limit of 10% as provided in "AS-17 Segment Report". Hence it is decided by the Board not to report "Electronics" as reportable segment from now onwards and the same is included in "Unallocated".

The comparative figures of Previous Year / Period related to "Electronics" have been included in "Unallocated".

Schedules Forming Part of Balance Sheet and P & L Account

Annexure to Note No. 7 under Schedule No. 19B

- b. Disclosure of transaction with related parties as required by the Accounting Standards AS-18 "Related party Disclosure" issued by the Institute of Chartered Accountants of India is as follows.

Related Party Disclosure:

1	Holding Company	Beaver Engineering Limited	
2	Controlled Companies	Kairos Engineering Limited	
3	Associate	Eko Vehicles Pvt Ltd	
		Naval Systems & Technologies India Pvt Ltd	
		Guided Missile Engineering India Pvt Ltd	
4	Key Management Personnel	Dr A J Prasad	Chairman & Managing Director
		M S S Srinath	President (Marketing)
		M.Kavita Prasad	Director
		Ashok Nagarkatti	Director
		J.K.Verma	Director
		P.Satish Kumar	CFO
		Kamaluddin Bin Saidon	Director-HBL Power Systems (M) SDN BHD

Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2009:

Rs Lakhs

Sl.No		Nature of Transaction	During the year	Outstanding at the year end
1	Holding Company	Interest Paid	49.39	-
2	Controlled Companies	Investment in Shares	-	9.00
		Services Received	75.22	-
		Funds Given	25.68	51.17
3	Associates Companies	Investment in Shares	-	4.10
		Advance for investment in shares	-	2.00
		Funds Given	-	10.10
		Purchase of goods	11.03	-
		Sale of goods	1200.29	129.27
4	Key Management Personnel	Remuneration Paid	499.30	-
		Royalty Paid	25.64	-
		Rent Paid	3.60	-

Signature to Schedules 1 to 9 forming part of Accounts

Per our report of even date annexed

for M/s Satyanarayana & Co.
Chartered Accountants

On Behalf of the Board

Ch. Seshagiri Rao
Partner
M.No: 18523

Hyderabad
Date: 30th July, 2009

Dr. A J Prasad
Chairman & Managing Director

Hyderabad
Date: 30th July, 2009

M.Kavita Prasad
Director

D.Mabu Basha
Company Secretary

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2009

The directors hereby submit their Annual Report and the audited financial statements of the Company for the financial year ended 31st March 2009.

PRINCIPAL ACTIVITY

The principal activity of the Company is manufacturing of nickel batteries. However, the Company became a marketing agent during the financial year.

RESULTS

2009

RM

Profit after tax

124,894

DIVIDENDS

No dividends were paid or declared by the Company during the financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS

No option has been granted during the financial year covered by the income statement to take up unissued shares of the Company.

ITEMS OF MATERIAL AND UNUSUAL NATURE

The results of the operations of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the current year in which report is made.

BAD AND DOUBTFUL DEBTS

Before the Income Statement and Balance Sheet of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is required.

At the date of this report, the directors of the Company are not aware of any circumstances which would necessitate the writing off of bad debts and providing of allowance of doubtful debts in the financial statements of the Company.

CURRENT ASSETS

Before the Income Statement and Balance Sheet of the Company were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION OF ASSETS AND LIABILITIES

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- b) any contingent liability which has arisen since the end of the financial year.

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet their obligations when they fall due.

DIRECTORS AND THEIR SHAREHOLDINGS

The names of the directors of the Company in office since the date of the last report are as follows:-

Kamaluddin Bin Saidon

Mikkilineni Satyanarayana Subramanya Srinath

Aluru Kavitha Prasad (f)

Partha Pratim Paul

Yusnita Binti Hamdan (f)

In accordance with the register of directors' shareholdings, the interest of the directors who were in office at the end of the financial year in shares in the Company during the financial year were as follows:-

	----- Ordinary Share of RM 1.00 each -----			
	As at 01.04.2008	Acquired	Disposed	As at 31.03.2009
<u>DIRECT INTEREST</u>				
Kamaluddin Bin Saidon	40,000	-	-	40,000
<u>INDIRECT INTEREST</u>				
HBL Power Systems Ltd.	160,000	-	-	160,000

Retirement and re-election of the directors at the forthcoming Annual General Meeting will be in accordance with the Company's Article of Association.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amounts of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by the Company with a director or with a firm of which the director is a member or with a Company in which the director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body Corporate.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ULTIMATE HOLDING COMPANY

The ultimate holding company is HBL Power Systems Ltd., a company incorporated in India.

REGISTERED OFFICE

The registered office of the Company is situated at No. 17A, Jalan Nelayan 19/ A, 40300 Shah Alam, Selangor Darul Ehsan.

AUDITORS

The auditors Messrs. Maran & Co, have indicated their willingness to continue in office.

Signed on behalf of the board in accordance

with a resolution of the directors,

Place : Shah Alam

Date : 16 June 2009

Yusnita Binti Hamdan

Kamaluddin Bin Saidon

STATEMENT BY DIRECTORS

(Pursuant to Section 169(15) of the Companies Act, 1965)

We, **Kamaluddin Bin Saidon** and **Yusnita Binti Hamdan**, being the two of the directors of **HBL POWER SYSTEMS (M) SDN. BHD.**, do hereby state that, in the opinion of the directors, the accompanying Balance Sheet, Income Statement and Cash Flow Statement, together with the notes thereon, are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company at 31st March 2009 and of the results of the business of the Company and cash flow for the financial year ended on that date.

Signed on behalf of the board in accordance

with a resolution of the directors,

Place : Shah Alam

Date : 16 June 2009

Yusnita Binti Hamdan

Kamaluddin Bin Saidon

STATUTORY DECLARATION

(Pursuant to Section 169(16) of the Companies Act, 1965)

I, **Kamaluddin Bin Saidon** (NRIC: 620729-10-5753), being the director primarily responsible for the financial management of **HBL POWER SYSTEMS (M) SDN. BHD.**, do solemnly and sincerely declare that the accompanying Balance Sheet, Income Statement and Cash Flow Statement, together with the notes thereon, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared }
by the abovnamed at KLANG }
in the state of SELANGOR }
on this day of 16 June 2009 }

Kamaluddin Bin Saidon

Before me:

COMPANY NO. 486701-H

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

HBL POWER SYSTEMS (M) SDN. BHD.

Report On The Financial Statements:

We have audited the financial statements of HBL Power Systems (M) Sdn. Bhd., which comprise the balance sheet as at 31st March 2009, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 21.

Directors' Responsibility For The Financial Statements:

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31st March 2009 and of its financial performance and cash flows for the financial year then ended.

Report On Other Legal And Regulatory Requirements:

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters:

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MARAN & CO
Firm No : AF001809
Chartered Accountants (M)

NEDUMARAN A/L VENGU C.A.(M)
Approval No: 2411/09/09(J)
Chartered Accountant

Place : Klang
Date: 16 June 2009

Balance Sheet as at March 31,2009

	For the period Ended March 31, 2009		Year ended March 31, 2008	
	RM	Rs.*	RM	Rs.*
<u>Sources of Funds</u>				
<u>Share holders Funds</u>				
Share capital				
<u>Authorised</u>				
10,00,000 ordinary share of RM 1/ each	1000000	1,24,10,000	1000000	1,24,10,000
<u>Issued , subscribed and paid up</u>				
200000 ordinary share of RM 1/- each	200000	24,82,000	200000	24,82,000
<u>Reserves and Surplus</u>				
Exchange variation reserve		1,13,791		63,023
Total	200000	25,95,791	200000	25,45,023
<u>Application of Funds</u>				
A Fixed Assets	153881	19,16,855	153881	19,16,855
Less: Depreciation	93161	11,36,736	77800	9,33,495
Net Fixed Assets	60720	7,80,119	76081	9,83,360
B Deferred Tax Asset	3424	45,303	34869	4,30,029
C Current Assets, Loans and Advances				
Inventories(as taken and valued by management)	-	-	-	-
Sundry Debtors(unsecured and considered good) for a period exceeding six months	-	-	-	-
Others	1061194	1,47,41,258	73113	9,16,837
Cash and Bank Balances				
Balance in current account with bank	144710	20,10,196	71226	893174
Deposits	6270	87,098	6270	78,626
	1212174	1,68,38,551	150609	18,88,637
D Less:Current Liabilities and provisions				
Due to holding company	1105613	1,53,58,291	212611	26,66,142
Creditors for expenses	4363	60,607	7500	94,050
	1109976	1,54,18,899	220111	27,60,192
E Net Current Assets(C-D)	102198	14,19,653	(69502)	(8,71,555)
F Misc. Expenditure (to the extent not written off or adjusted)				
Debit balance in Profit and loss account	33658	3,50,716	158552	20,03,189
Total(A+B+D+E)	196576	25,50,488	165131	21,14,994
	200000	25,95,791	200000	25,45,023

* RM 1 = Rs.12.57 as on 01.04.2008

* RM 1 = Rs.13.89 as on 31.03.2009

The financial statements of HBL POWER SYSTEMS(M) SDN BHD for the accounting year ended 31st March 2009, being a company incorporated in Malaysia, are audited by Maran & Co., Chartered Accountants, Malaysia and we have been furnished with their audit report dated 16th June 2009. The financial statements of HBL POWER SYSTEMS(M) SDN BHD are presented in Indian Rupees duly converted, on the basis of aforesaid audit report to comply with requirements of Section 212 of the Companies Act, 1956. The accounts have been prepared for the purpose of attachment to the accounts of the holding company HBL Power Systems Limited to comply with the provisions of the Indian Companies Act, 1956.

Profit and Loss Account for the year ended March 31, 2009

Particulars	For the period Ended March 31,2009		Year ended March 31,2008	
	RM	Rs. *	RM	Rs.*
Income				
Gross Sales	1151204	1,52,31,580	44723	5,59,261
Exchange Gain	2850	37,708	7041	88,048
Total Income	1154054	1,52,69,288	51764	6,47,309
Expenditure				
Material Cost				
Purchase of materials and components	928571	1,22,85,923	70333	8,79,514
	928571	1,22,85,923	70333	8,79,514
Manufacturing Cost				
Power and fuel	344	4,551	926	11,580
Factory rent	15600	2,06,404	15600	1,95,078
Shipping Charges	-	-	837	10,467
	15944	2,10,955	17363	2,17,124
Manpower Cost				
Salaries & Other Allowances	12000	1,58,772	12900	1,61,315
Directors remuneration	15000	1,98,465	15000	1,87,575
	27000	3,57,237	27900	3,48,890
Administrative and Selling Expenses				
Bank Charges	-	-	75	938
Courier Charges	344	4,551	848	10,604
Donations	-	-	500	6,253
Entertainment	-	-	250	3,126
Maintenance Vehicles	2230	29,505	0	0
Sundry Expenses	-	-	265	3,314
Printing and stationery	710	9,394	175	2,188
Telephone and internet charges	594	7,859	684	8,553
Accounting fee	1260	16,671	1000	12,505
Auditors remuneration	3200	42,339	1200	15,006
Taxation service charges	575	7,608	575	7,190
Secretarial fee	1506	19,926	1235	15,444
Licence charges	420	5,557	270	3,376
Exchange Variation	-	-	-	-
Depreciation	15361	2,03,241	15360	1,92,077
Total Expenditure	997715	1,32,00,767	138033	17,26,103
Profit before Taxation	156339	20,68,521	(86269)	(10,78,794)
Tax for the year	31,445	4,16,049	16,384	2,04,882
Profit after tax	124894	16,52,473	(69885)	(87,39,12)
Loss brought forward from last year	(158552)	(20,03,189)	(88667)	(11,29,277)
Loss carried to forward to Balance sheet	(33658)	(3,50,716)	(158552)	(20,03,189)

Fixed Assets

Schedule of Fixed Assets(at cost)		Gross Block		Depreciation		Net Block	
		As at 1.4.2008	Additions 31.03.2009	As at 1.4.2008	For the year 31.03.2009	As at 31.03.2009	As at 31.3.2008
Plant and Machinery	Rs.	1,626,168	-	7,84,424	1,73,009	9,57,432	8,41,744
	RM	130767	-	65385	13076	78461	65382
Fixtures and Fittings	Rs	1,28,717	-	61,185	13,482	74,667	67,532
	RM	10198	-	5100	1019	6119	5098
Office Equipment	Rs.	1,13,906	-	54,166	11,974	66,141	59,740
	RM	9033	-	4515	905	5420	4518
Computers	Rs.	48,065	-	33,720	4,776	38,497	14,344
	RM	3883	-	2800	361	3161	1083
Total	Rs.	19,16,855	-	9,33,495	2,03,241	11,36,737	9,83,360
	RM	153881	-	77800	15361	93161	76081
Previous year	Rs.	19,16,855	-	7,41,418	1,92,077	9,33,495	9,83,360
	RM	153881	-	62440	15360	77800	76081

NOTES TO THE FINANCIAL STATEMENTS : 31ST MARCH 2009

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and comply with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

2. GENERAL INFORMATION

The financial statements of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors.

The Company is a Private Limited Company incorporated and domiciled in Malaysia.

The address of the registered office of the Company is situated at No. 17A, Jalan Nelayan 19/ A, 40300 Shah Alam, Selangor Darul Ehsan.

The principal place of the business of the Company is situated at No. 11, Jalan Nilam 1/4, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan.

3. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements of the Company have been prepared under the historical cost convention.

2. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment are calculated to write off the cost on a straight line basis over their expected useful lives. The annual rates used for this purpose is as follows : -

Computers	20%
Factory equipment	10%
Furniture and fittings	10%
Office equipment	10%
Renovations	10%
Signboard	10%

3. Impairment of Assets

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an assets net selling price and value in use. For the purpose of assessing impairment, assets are grouped at lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it is reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

4. Trade and other receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at balance sheet date.

5. Cash and Cash Equivalents

Cash comprise of cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Trade and other payables

Trade and other payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

7. Equity

Equity is stated at proceeds received.

Dividends on ordinary shares will be recognised as liabilities when the shareholders' rights to receive the dividends are established.

8. Revenue recognition

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Profit from long term construction projects are recognised based on percentage of completion method and profit from short term construction projects are recognised based on completed contract method.

9. Retirement benefits

Contributions to the statutory pension scheme are recognised as an expense in the income statement in the financial year to which they relate.

10. Short term employee benefits

Wages, salaries and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves are recognised when the absences occur.

11. Income tax

Income tax on profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to

the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or reserve on consolidation.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

4. PRINCIPAL ACTIVITY

The principal activity of the Company is manufacturing of nickel batteries and to act as a marketing agent.

5. PROPERTY, PLANT AND EQUIPMENT

	As at 01.04.2008	Additions	Disposals	As at 31.03.2009
	RM	RM	RM	RM
Cost				
Computers	3,883	-	-	3,883
Factory equipment	130,767	-	-	130,767
Furniture and fittings	2,200	-	-	2,200
Office equipment	6,933	-	-	6,933
Renovations	7,998	-	-	7,998
Signboard	2,100	-	-	2,100
	153,881	-	-	153,881
	As at 01.04.2008	Charge for the financial year	Disposals	As at 31.03.2009
	RM	RM	RM	RM
Accumulated depreciation				
Computers	2,800	361	-	3,161
Factory equipment	65,385	13,076	-	78,461
Furniture and fittings	1,100	220	-	1,320
Office equipment	3,465	695	-	4,160
Renovations	4,000	799	-	4,799
Signboard	1,050	210	-	1,260
	77,800	15,361	-	93,161

	2009 RM	2008 RM
Net book value		
Computers	722	1,083
Factory equipment	52,306	65,382
Furniture and fittings	880	1,100
Office equipment	2,773	3,468
Renovations	3,199	3,998
Signboard	840	1,050
	<u>60,720</u>	<u>76,081</u>

6. DEFERRED TAX ASSETS

	2009 RM	2008 RM
Balance at beginning of financial year	34,869	18,485
(Deduction) / addition during the financial year	(31,445)	16,384
Balance at end of financial year	<u>3,424</u>	<u>34,869</u>
Presented after appropriate offsetting as follows :		
Deferred tax assets	6,951	37,221
Deferred tax liabilities	(10,375)	(2,352)
	<u>(3,424)</u>	<u>34,869</u>

The components and movements of deferred tax assets during the financial year prior offsetting are as at 31.03.2009

	Property, plant and equipment RM	Unabsorbed tax losses RM	Total RM
Balance at beginning of financial year	(2,352)	37,221	34,869
Recognised in income statement	(4,599)	(26,846)	(31,445)
Balance at end of financial year	<u>(6,951)</u>	<u>10,375</u>	<u>3,424</u>

As at 31.03.2008	Property, plant and equipment RM	Unabsorbed tax losses RM	Total RM
Balance at beginning of financial year	(5,550)	24,035	18,485
Recognised in income statement	3,198	13,186	16,384
Balance at end of financial year	<u>(2,352)</u>	<u>37,221</u>	<u>34,869</u>

7. TRADE RECEIVABLES

Included in trade receivables is an amount of RM697,100 (2008: RM73,113) owing to a company in which certain directors of the Company have a financial interest.

8. AMOUNT DUE TO HOLDING COMPANY

The amount due to holding company is unsecured, interest free and with no fixed terms of repayment.

9. SHARE CAPITAL

	2009	2008
	RM	RM
Ordinary shares of RM1.00 each :-		
Authorised	1,000,000	1,000,000
Issued and fully paid	200,000	200,000

10. REVENUE

Sales of nickel batteries and commission received during the financial year	<u>1,151,204</u>	<u>44,723</u>
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11. PROFIT / (LOSS) BEFORE TAX

Profit / (loss) before tax is arrived at after charging and crediting the followings:-

After charging

Audit fees	3,200	1,200
Depreciation of property, plant and equipment	15,361	15,360
Directors' emoluments	15,000	15,000
Factory rental	<u>15,600</u>	<u>15,600</u>

12. INCOME TAX EXPENSE

Tax based on results for the financial year :-

Deferred tax	<u>(31,445)</u>	<u>16,384</u>
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Reconciliation of income tax expenses applicable to profit / (loss) before tax at the statutory income tax rates to income tax expenses at the effective income tax rates of the Company is as follows :-

Profit before tax	<u>156,339</u>	<u>(86,269)</u>
Tax at statutory rate of 25 / 26%	(39,085)	22,430
Differential tax rate for small and medium companies	-	(4,108)
Expenses not deductible for tax purposes	(4,360)	(4,627)
Utilisation of capital allowances	7,294	-
Utilisation of unabsorbed tax losses	36,151	-
Timing difference arising from capital allowance	(4,599)	(509)
Timing difference arising from unabsorbed tax losses	<u>(26,846)</u>	<u>3,198</u>
	<u>(31,445)</u>	<u>16,384</u>

13. EMPLOYEES' INFORMATION

	2009 RM	2008 RM
Staff cost:-		
Director's emoluments	15,000	15,000
Salaries, allowance and bonus	12,000	12,900
	<u>27,000</u>	<u>27,900</u>
Number of employees employed at the end of the financial year excluding directors	1	1

14. CURRENCY

All amounts are stated in Ringgit Malaysia.

15. FINANCIAL RISK MANAGEMENT

The company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the company's business whilst managing its risks. The main areas of financial risks faced by the company and the policy in respect of the major areas of treasury activity are set out as follows:

1. Foreign exchange risk

The company has exposure to foreign exchange risk due to assets and liabilities denominated in foreign currencies. However, the company does not hedge its exposures to foreign exchange risk as the risk is not expected to be significant.

2. Interest rate risk

The company does not have any interest bearing assets or liabilities. Hence, the company does not have any exposure to interest rate risk.

3. Credit risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet. However, policies had been established by the company to minimise such risks.

4. Market risk

The company does not expose to any market risk.

5. Liquidity and cash flow risks

The company monitors and maintains a level of bank balances deemed adequate by the directors to finance the operation and mitigate the effects of fluctuation in cashflow.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

Statement of Affairs as on 31st March 2009

	As on 31-3-09		AS on 31-3-08	
	NPR	INR	NPR	INR
<u>Capital and Liabilities</u>				
Share Capital	17216000	10760000	17216000	10760000
Total	17216000	10760000	17216000	10760000
<u>Assets</u>				
Cash at Bank	39648	24780	39648	24780
Fixed Deposits (Including interest accrued)	14678134	9173834	13687883	8554927
Cash in Hand	79713	49821	79713	49821
TDS deducted	638414	399009	375979	234987
Other Advances	15435910	9647444	14183223	8864515
Accumulated Loss C/f	3032777	1895486	4063836	2539898
Interest Income on FD's during the year	-1252687	-782929	-1031059	-644412
Total	17216000	10760000	17216000	10760000

For Bhagirath Energy System Pvt Ltd

N Balasubramanyam

MSS Srinath
1st July, 2009



Significant Accounting Policies and Notes to Account**1. Significant Accounting Policies****(a) Basis of Accounting**

The company is under voluntary liquidation. Since the company does not have any income during the year, profit and loss account has not been prepared. The following receipt, expenditures were directly charged to the accumulated loss. Audited Statement of Affairs is not available, hence certified by the Directors.

Account Head	Amount NPR	Remarks
Interest Income	(12,52,687)	Charged against accumulated loss.

2. Taxation

The company has submitted tax returns under self-assessment system for the financial years 2058/059, 2059/060 and 2060/061 (up to the date of liquidation) and the same is pending final assessment from them.

No provision for taxation has been made for the current period, as the Company does not have any taxable income.

3. Liquidation

The Company has opted for voluntary liquidation of the Company as per Section 112 of the Company Act 2053 and has appointed a liquidator with effect from 16 March 2004 for initiating and completing the liquidation of the Company. Accordingly, all assets and liabilities of the Company have been handed over to the official liquidator of the Company. The appointment of the liquidator and the decision to voluntarily liquidate the Company has been notified to the Registrar of the Company.



HBL POWER SYSTEMS LIMITED

Regd. Office: 8-2-601, Road No. 10, Banjara Hills, Hyderabad - 500 034
Twenty Third Annual General Meeting, Thursday, 17th September 2009, at 4.00 pm

ATTANDANCE
SLIP

DP_Id*
Clinet_Id*
Regd. Folio No.
No. of Shares

Name & Address of the Registered Shareholder

* Applicable if shares are held in electronic form.

I Certify that I am a registered shareholder/proxy for the registered shareholder of the Company.
I hereby record my presence at the Twenty Third Annual General Meeting of the Company at Surana Udyog Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6.841, Red Hills, Hyderabad - 500 004.

.....
Member's/Proxy's Signatue

Note : Please fill this attendance slip and handover at the Entrance of the Hall

HBL POWER SYSTEMS LIMITED

Regd. Office: 8-2-601, Road No. 10, Banjara Hills, Hyderabad - 500 034
Twenty Third Annual General Meeting, Thursday, 17th September 2009, at 4.00 pm

FORM OF PROXY

I/We of in the district of being a member/member of HBL Power Systems Limited hereby appoint of in the district of or failing him of in the district of

as my/our proxy to vote for me / us on my behalf at the **Twenty Third Annual General Meeting of the Company to be held on Thursday, 17th September, 2009 at 4.00 pm.**

DP_Id*
Clinet_Id*
Regd. Folio No.
No. of Shares

Affix
Re 1/-
Revenue
Stamp

Name:

Address:

*Applicable if shares are held in electronic form.

Signature

Note : This form in order to be effecting should be duly completed and must be deposited at the Registered Office or Secretarial Office of the Company, not less than 48 hours before the meeting.