Contents

Board of Directors

Dr. A J Prasad	Chairman & Managing Director
Mr. M S S Srinath	
Mrs. Kavita Prasad	
Mr. P Ganapathi Rao	
Mr. V V Rao	(IDBI Nominee Director)
Mrs. Preeti Khandelwal	
Mr. Vivek Mundra (upto 14th February, 2011)	

Audit Committee

Mr. P Ganapathi Rao	Chairman of the Committee
Mrs. Kavita Prasad	
Mr. V V Rao	
Mrs. Preeti Khandelwal	

Company Secretary

Mr. M V S S Kumar

Registered Office

8-2-601, Road # 10
Banjara Hills
Hyderabad – 500 034

Auditors

M/s. Satyanarayana & Co.,
Chartered Accountants
Amar Mansion, Ranigunj
Secunderabad-500003

Cost Auditors

M/s. Narasimha Murthy & Co.
Cost Accountants, Hyderabad

Bankers

State Bank of India

State Bank of Hyderabad

IDBI Bank Ltd.

Axis Bank Ltd

ICICI Bank Ltd

NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Members of **HBL POWER SYSTEMS LIMITED** will be held at K L N Prasad Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 on **Monday, the 5th day of September, 2011 at 4.00 p.m**. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011 and the Profit and Loss Account for the year ended on 31st March 2011, together with the Directors' Report and the Auditors' Report thereon.
2. To declare Dividend for the year ended 31st March 2011.
3. To appoint a Director in place of Mrs. Preeti Khandelwal, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint Auditors for the year 2011-12 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:

To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:

5. **To pay minimum remuneration to Dr. A J Prasad, Chairman & Managing Director of the Company in the absence of eligible profits:**

   "RESOLVED THAT in continuation of the ordinary resolution passed at the 24th Annual General meeting of the Company held on 27th September, 2010 pursuant to the provisions of Sections 198, 269, 309, 310, 311, 314 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded for payment of remuneration to Dr. A J Prasad, Chairman & Managing Director of the Company as approved at the previous Annual General Meeting for a period commencing from 1st October, 2010 on the following terms and conditions:

I. Basic Salary : ₹ 24,00,000 per annum.

Period of appointment : 1st October, 2010 to 30th September, 2015

Commission: Subject to the overall limits laid down in Section 198 and 309 of the Companies Act, 1956, 3% Commission to be paid as percentage of the profit of the Company for the year.

II Perquisites:

a) House Rent Allowance or Provision of House Accommodation subject to a maximum monthly rent at 60% of basic salary, over and above 10% payable by the Managing Director.

   The Expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income Tax rules, 1962. This shall however subject to a ceiling of 10% of the salary.

b) Leave Travel Allowance: Actual Traveling Expenses incurred for self and dependents, not exceeding one-month basic salary for every year of service.

c) Medical Reimbursement: Membership or the Subscription paid to any hospital and /or doctors schemes or insurance company in India and all hospital and medical expenses incurred for self and family subject to ceiling of one month's salary in a year.

d) Club Fees: Fees of clubs subject to maximum of two clubs, excluding admission and the life membership fees.

e) Personal Accident Insurance: Actual Premium borne by the company.

f) Company's Contribution to Provident and Superannuation fund to the extent of these either singly or put together are not taxable under the Income Tax Act. Gratuity payable shall not exceed half month's salary for each completed year of service.

g) Encashment of Leave at the end of the tenure will not be included in the computation of perquisites.

h) The Company shall provide a car with driver and telephone facility at the residence of the Chairman & Managing Director. Provision of a car with driver for use on company's business and telephone facility at the residence will not be considered as perquisites.

i) Notwithstanding any thing mentioned above, wherein any financial year during the currency of tenure of the Chairman & Managing Director, the company has no profit or its profit are inadequate it may pay the Chairman & Managing Director remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration under Section II of Part II of Schedule XIII of the Companies Act, 1956 including such revision within the limits of Schedule XIII as the Board may decide from time to time.

III. The Appointment is subject to determination by giving three months notice by either party and other rules and regulation of the Company."

For and on behalf of the Board

Place: Hyderabad — **MVSS Kumar**
Date: July 27, 2011 — 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 / herself 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 set out above is annexed hereto.
4. The Register of Members and Share transfer books of the Company shall remain closed from 31st August 2011 to 5th September 2011 (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 5th September 2011.
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.
9. As a part of green initiative in the Corporate Governance, the Ministry of Corporate Affairs, vide its Circular No.17/2011 dated 21st April 2011 permitted service of notices and documents in electronic mode. Hence, members are requested to register their e-mail ID's with the Company's Registrar and Transfer Agent, Karvy Computershares Private Limited at the address given in the Corporate Governance section.

EXPLANATORY STATEMENT

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

The Board of Directors at their meeting held on 9th August 2010 appointed Dr. A J Prasad as Chairman & Managing Director of the Company for a period of 5 years with effect from 1st October 2010 to 30th September 2015 at a remuneration as proposed in the notice supra. This was approved by an ordinary resolution at the 24th Annual General Meeting held on 27th September 2010. Though the Company has recorded profits during the reporting period, according to Section 349 of the Companies Act, 1956 there is a prescribed calculation of profit for asserting the eligible profits for payment of remuneration to managerial personnel. On computation of eligible profits as specified under Section 349 of the said Act, it was observed that such profits did not cover payment of remuneration during 2010-11 as approved at the previous Annual general meeting.

However, Chairman and Managing Director may be paid the same remuneration, if a special resolution, as appended in the notice, is passed by the members of the Company as per provisions of Schedule XIII of the Companies Act, 1956 and enable the Company to continue the payment of remuneration to Chairman and Managing Director with effect from 1st October 2010.

As per Schedule XIII to the Companies Act, 1956, the proposed special resolution has to be supported by certain disclosures, which are annexed herewith as a part of this explanatory statement. Hence, Your Directors recommend the aforesaid resolution as special for approval of the members. This may be treated as an abstract pursuant to Section 302 of the Act.

Dr. A J Prasad, Mr. M S S Srinath and Mrs. Kavita Prasad are concerned or interested in the aforesaid resolution.

For and on behalf of the Board

Place: Hyderabad — **MVSS Kumar**
Date : July 27, 2011 — Company Secretary

ANNEXURE TO EXPLANATORY STATEMENT

I. General Information:

1. Nature of Industry:

   The Company is engaged in designing, development and manufacture of specialized batteries and DC systems and other engineering products in India. With over three decades of its experience in this field, the Company offers a wide range of batteries and associated electronics providing its customers, custom built solutions to meet critical requirements. The Company operates from different manufacturing facilities and regional offices across India.

2. The Company has commenced its commercial activity in the year 1977.

3. The Company is in existence for over 3 decades hence, clause 3 of General Information is not applicable.

4. Financial Performance (based on audited financial statements):

(₹ in Crores)

S.No	Financial Year	Paid-up Capital	Net Sales	Profit before Tax	Provision for tax	Profit after Tax	Dividends (as % of paid up capital)
1	31.03.2007	24.28	511.85	51.52	15.25	32.08	15
2	31.03.2008	24.28	972.76	110.26	37.00	67.09	15
3	31.03.2009	24.28	1243.90	136.83	42.00	90.96	30
4	31.03.2010	25.30	1109.51	143.98	41.50	100.42	30
5	31.03.2011	25.30	994.95	5.10	-	16.45	10 (proposed)

5. Export performance (based on audited financial statements):

(₹ in Crores)

Financial Year → / Particulars ↓	March 2011	March 2010	March 2009	March 2008	March 2007
Export sales	198.70*	109.11	123.84	83.43	83.52

* Inclusive of exports of Know-how and I & C.

6. There is no Foreign Investment or Foreign Collaboration.

II. Information about the appointee:

1. Background Details :

   Dr. A.J. Prasad is the promoter and Chairman & Managing Director of the Company. Dr. Prasad is B.Tech from IIT, Khargpur, MS in Management from MIT, USA, Doctorate in International Business from Columbia University, USA.

2. Past Remuneration:

(₹ in lakhs)

S.No.	Name of the Managerial personnel Dr. A J Prasad, Chairman & MD	31.03.2010	31.03.2009	31.03.2008
1	Salary	10.32	10.88	10.32
2	Commission on profits	448.22	426.35	341.60

3. Recognition or Awards

   Dr. A J Prasad has rich and extensive experience in international business and management, which is steering strength for the development of the Company.

4. Job Profile and Suitability:

   Dr. A J Prasad is engaged in overall management of the company with specific focus on new products, organizational development and promotion of export sales.

5. Proposed Remuneration:

   The remuneration is as mentioned in Notice and approved by the members of the Company at the Annual General Meeting held on 27th September 2010.

6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person

   The Company is a medium sized engineering Company and in view thereof, the remuneration proposed and approved by the members at the 24th Annual General Meeting held on 27th September 2010 is considered to be reasonable and is within the scale of remuneration payable as per Schedule XIII of the Companies Act, 1956, is well in comparison with the remuneration payable to Chairman and Managing Director in the industry.

7. Pecuniary relationship directly or indirectly with the company:

   There is no pecuniary relationship of the managerial personnel with the Company indirectly other than the approved remuneration.

III. OTHER INFORMATION :

Inevitable market conditions are the key factors for inadequacy in profits. However, the present special resolution is proposed as an abundant caution to enable the Company to pay remuneration with in the limits of schedule XIII to the Companies Act, 1956.

IV. DISCLOSURES :

1. The Board has taken required steps to inform the shareholders about the remuneration of Managerial Person.

2. Disclosure in the Corporate Governance Report is attached in the relevant section of this report.

For and on behalf of the Board

Place: Hyderabad
Date : July 27, 2011

MVSS Kumar
Company Secretary

BRIEF PARTICULARS OF DIRCTORS PROPOSED FOR RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

(In pursuant to clause 49 of the Listing Agreement)

Name of the Director	Ms. Preeti Khandelwal
Date of Birth	24.03.1971
Date of first appointment	02.03.2009
Qualification	B. Com, ACS
Expertise in specific functional Area	She is a Practicing Company Secretary and has expertise in Company Law and FEMA related issues.
Details of other Directorships	NIL
Details of Committee and membership status	Member of Audit Committee, Remuneration Committee and Share Transfer Committee

DIRECTORS' REPORT

Dear Members

Your Board of Directors take pleasure in presenting the 25th Annual Report for the financial year ended on 31st March 2011. The financial performance on Standalone basis is presented below.

(₹ In Lacs)

S No.	Particulars	2010-11	2009-10
1	Net Sales	99494	110951
2	Other Income	2297	654
3	Total Income	101791	111606
4	Total Expenditure	93306	90569
5	Profit before interest, depreciation and tax	8485	21037
6	Finance Cost	4934	3831
7	Depreciation	3030	2807
8	**Profit before tax**	521	14399
9	Provision for tax & tax adjustment	(145)	4117
10	Deferred tax liability	(989)	240
11	**Net Profit**	1645	10042
12	Transfer to General Reserve	-	8000
13	Earnings Per Share (Diluted EPS of Rupees)	0.650	4.065
14	Dividend (on face value of share Re 1 each)	10%	30%

Performance Review 2010-11:

Overall Sales of the Company for the year 2010-11 were recorded at ₹ 99494 Lacs as compared to previous year sales of ₹ 110,951 lacs. This decrease is primarily on account of a reduction in lead acid battery market, due to various macro factors affecting telecom business in the country. The company passed on the reduction in the average cost of lead. This impact was reinforced by lower demand from the telecom sector due to macro economic factors. Profit after tax was ₹ 1645 Lacs for the year 2010-11 as compared to previous year of ₹ 10042 Lacs.

Expansion plans:

For details of expansion plans, please see the Management Discussion and Analysis section of the Annual Report

Utilization of proceeds of Preferential Issue:

The preferential issue was made to finance the General Corporate Investments in related companies and for other General Corporate purposes. The total Proceeds of preferential issue of capital including share premium was ₹ 3469.51 lacs.

Details of utilisation upto 31.03.2011:

S. No.	Particulars	Amount ₹ in Lacs
1	Investment in the Equity of M/s. Autotec Systems Pvt. Ltd, Bangalore.	300.34
2	Investment in the Equity of M/s. SCIL Infracon Pvt. Ltd.	651.63
3	Investment in the Equity of M/s. Sankhya Infotech Ltd.	331.04
4	Advance for Equity in M/s. SCIL Infracon Pvt. Ltd.	117.80
5	Advance for Equity in M/s. Sankhya Infotech Ltd	195.38
6	ICD to M/s. Sankhya Infotech Limited	1300.00
7	ICD to M/s. SCIL Infracon Pvt. Ltd.	292.86
	Total	**3189.06**
	Unutilised Balance	280.45
	Unutilised balance Parked in CC loan account of the Company	279.95
	Balance in Current Account	0.50

Dividends:

Your Directors are pleased to recommend a dividend of ₹ 0.10/- per equity share of Re.1/-fully paid up share @10% (Previous Year 30%) for the Financial Year 2010-11, subject to the approval of the members at the ensuing Annual General Meeting. The proposed dividend including Corporate Dividend Tax will absorb ₹ 294.04 lacs.

Investment/divestments in Subsidiary/ Joint Venture/associate Companies:

Investments in Subsidiary:

Agile Electric Drives Technologies and Holdings Private Limited (Agile): ₹ 112.88 Crores was invested in the Company during the year for acquisition of 63.91% equity shares in the Company. Agile is subsidiary of the Company and engaged in manufacturing of motor subassemblies and precision components and providing motors technology.

The Company through its subsidiary Agile acquired 62.94% of the equity in Igarashi Motors India Limited (Igarashi), which is subsidiary of Agile and listed on BSE and NSE. Igarashi is currently engaged in the business of assembling of DC motors and actuation system for various automotive and non-automotive applications and manufacturing sub assemblies that go into DC motors.

SCIL Infracon Private Limited: ₹ 6.52 Crores was invested in the Company as upto 31st March, 2011 for acquiring 50% of the equity holding in the Company. Subsequently negotiation took place with the Investing Company to acquire their remaining 30% holding for ₹ 3 crores. The former promoter also expressed interest to sell his 20% shareholding. After completing these transactions for acquiring additional equity, SCIL Infracon P Ltd will be poised to become a 100% subsidiary of HBL. The Company is engaged in manufacturing of concrete polls, primarily for telecom sector and roof slabs and has increased product range to cover special pile foundation piles, high mast lighting poles with a hydraulic arrangement to lower the lights, 40 and 50 mtr towers for telecom and power transmission. The products are being received well by the customers.

HBL Germany GmBH, Germany: An amount of 25,000 Euros (₹ 14.91 lacs) was invested in the equity of wholly owned subsidiary in Germany.

HBL Power Systems (M) SDN BHD: There was no further investment in the Company.

Bhagirath Energy Systems Private Ltd (BES) a wholly owned subsidiary in Nepal is in the process of winding up. Provision for diminution in the value of investment has been made based on Official Liquidators 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 31.03.2011.

Associate Company

Sankhya Infotech Limited (Sankhya): 8,40,482 equity shares being 9.89% of the equity of Sankhya were acquired through open market for an aggregate value of ₹ 3.31 Crores. The Company has also subscribed for allotment of 12,20,000 convertible warrants for an issue price of ₹ 32.03 per warrant aggregating to ₹ 3.91 crores, of which ₹ 1.95 Crores being 50% of the issue price was paid upfront. These warrants will be converted into equal number of equity shares of ₹ 10/- each upon payment of balance 50% of the issue price within 18 months from the date of allotment of such warrants and thereby, post conversion, the Company will hold 14.97% of the equity in Sankhya.

Joint Ventures

HBL ELTA Avionics Systems Pvt. Ltd – During the year, the investment of ₹ 2.25 Crores in joint venture has been divested for a total consideration of ₹13.66 Crores.

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 Standards AS 21 read with AS 27 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the company and its Subsidiaries/ JVs are annexed in this Annual Report.

In view of general exemption granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956 vide its General Circular No.2/2011 dated 8th February 2011, companies are exempted from the provisions of section 212 of the Companies Act 1956 subject to fulfillment of conditions therein. Accordingly, the Board has passed required resolution in respect thereof for not attaching the Balance sheets of the following subsidiary companies:

1. HBL Power Systems (M) SDN BHD, Malaysia,
2. Bhagirath Energy Systems Pvt. Ltd., Nepal,
3. SCIL Infracon Private Limited
4. Agile Electric Drives Technologies and Holdings Private Limited
5. HBL Germany GmBH, Germany

Hence, in this annual report the audited financial statements, (Standalone and Consolidated) prepared in compliance with the applicable Accounting Standards, Listing Agreements prescribed by SEBI, have been attached and no individual Balance sheet or other information of subsidiaries is attached or disclosed except to the extent of the information as required to be disclosed under the condition (iv) of the Circular No.2/ 2011 dated 8th February 2011, which is disclosed in note 10 of the Notes on Accounts of Consolidated Financial Statements.

The Company undertakes that the Annual Accounts of the subsidiary Companies and the related detailed information will be made available to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the subsidiary companies will also be kept open for inspection during business hours at the Registered office of the Company.

Auditors' Report:

The Board noted the contents of the Auditors report. It is observed that some of the comments of the auditors have been continuing in the past also. The necessary rectification (e.g. Capital asset register) has not been fully satisfactory being lack of attention at the Board level.

The Board has, therefore, decided that Mr. M S S Srinath, Director of Accounts and administration will now spend enough time to ensure that these comments do not repeat in future.

The Board has considered the observations/ queries as raised by the Statutory Auditors and the explanations are as under:

a) *Point 4 (a) Reference is invited to Note: 7 of Schedule 20(B) regarding balances appearing under debtors, creditors, advance received / paid which are subject to confirmation / reconciliation and consequential adjustments, the impact of which on these financial statements is not quantifiable by us.*

   Our Reply: The Company has circulated confirmatory letters to various parties. Some of them have not responded in time, although the letter stipulates that the balance is deemed accepted or confirmed if no reply was received. During the year, we shall endeavour to send interim confirmation letters and upon reply, suitable reconciliation will be undertaken.

b) *Point 4 (b) Reference is invited to Note 12 of Schedule 20(B) Managerial remuneration: Based on the approval of the members in the AGM held on 27.09.2010, a remuneration of Rs.25.80 lacs was paid to the Chairman & Managing Director for the year 2010-11. Due to inadequacy of the profits computed under section 349 read with section 198 of the Companies Act, 1956 and in accordance with the Provisions of Schedule XIII of the Act, the remuneration so paid is subject to the approval / ratification by the members by way of special resolution.*

   Our Reply: This is being placed in the ensuing Annual General Meeting for approval and ratification of members. The resolution passed at the previous Annual General Meeting was an ordinary resolution. In view of the provisions of Schedule XIII of the Companies Act 1956, whenever there is any inadequacy of profits as computed under section 349 read with section 198 of the Companies Act, a special resolution is necessary.

c) *Point 4 (c) Reference is invited to Note 13 of Schedule 20(B) regarding disclosure made under section 22 of the MSMED Act, 2006 which 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. According to the Company there is no accrued liability, which requires provision.*

   Our Reply: Some of the vendors who come under the MSMED Act 2006 have been associated with the company for a long time and have a continuous business relationship. The company is usually prompt in servicing these vendors as per mutually agreed payment terms. In view of such longstanding relationship, no separate interest provision has been made, as there are no such claims. Interest payment if any will be treated on cash basis.

d) *Point 4 (d) Reference is invited to Note 14(I) of Schedule 20(B) regarding non compliance with the disclosure requirements required under A.S.27 relating to Company's interests in Assets & Liabilities and Income & Expenses in the Joint Venture Company.*

   Our Reply: These reports have since come and the Consolidated Audited Balance sheet was prepared accordingly.

Annexure referred to in Paragraph 3 of Auditors' report (under CARO Report)::

(a) The Company has maintained year wise details of fixed assets acquired by the divisions showing the relevant particulars including original cost at the time of acquisition and there have been instances of shifting and inter divisional transfer of certain assets after acquisition. *However the Company is yet to maintain and update the division wise asset register showing the relevant particulars including the original cost, deprecation provided and the written down value of each asset duly reconciled with financial records and also the identification particulars to facilitate physical verification.*

   Our Reply: Physical verification of assets has been taken up in all the divisions. Steps are being initiated as suggested by auditor to reconcile and update the division-wise register.

(b) According to the information and explanation given to us physical verification of fixed assets except at branches was carried out during the year by the management and the process of reconciliation including identification of differences / discrepancies is reported to be in progress. *In the absence of reconciliation, identification of the differences / discrepancies and quantification thereof, we are not in a position to comment on the amount involved and its impact on the financial statements as on 31.03.2011.*

   Our Reply: This will be initiated as stated above. The company believes that such discrepancies if any may not be very material in nature.

(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 weaknesses have been noticed in the internal control in respect of these areas. *However, the internal control procedures with regard to (a) review of customers and vendors balances including obtaining balance confirmations to identify the differences and (b) capitalization of assets procured including linking of various components of an identifiable asset and linking of additions the assets already in existence needs to be strengthened.*

Our Reply: This will be strengthened as suggested by the Auditors.

(vii) The company has appointed three firms of chartered accountants to carry out the internal audit function of the transactions of the company and the scope and coverage of which is generally found to be adequate. We suggest that 'systems audit' of the Company's accounting package be carried out and also suggest that proper internal audit system be introduced to cover increasing number of activities and transactions at branches. *Further, in our opinion, the scope and coverage of internal audit in the areas of review and reconciliation of vendors/ customers accounts and accounting of different components of fixed assets needs to be strengthened to be commensurate with the size of the company and nature of its business.*

Our Reply: This will be initiated as suggested by the Auditors.

(xvi) Based on our review of the records, sources and application of funds and term loan drawn and utilization thereof on an overall basis, the loan funds to the extent utilized were prima-facie applied for acquiring fixed assets and unutilized amount of ₹49.43 crores was kept in current account with the banks. Our review revealed that out of the term loans drawn, a sum of ₹69.88 crores was transferred to working capital loan accounts and a sum of ₹ 20.60 crores was utilized for payment of interest on certain old term loans. *Thus, in our opinion, ₹ 90.48 crores was utilized for the purposes which were outside the scope of term loans.*

(xvii) During the accounting period covered by our report, the Company raised term loans to the extent of ₹146.10 crores (Net of ₹ 90.48 crores referred to above and increase in unutilized funds of ₹ 28.30 crores kept in current accounts on 31.03.2011) and also generated internal accruals of ₹ 37.89 crores considered as long term sources, aggregating to ₹ 183.99 crores. The Company utilized ₹ 241.56 crores for fixed assets and long term investments and also repaid term loan installments of ₹ 45.20 crores, aggregating to ₹ 286.56 crores. *We are of the opinion that the Company has applied ₹ 102.77 crores being the difference between sources and utilization from out of short term funds of the Company.*

Our Reply: The Company availed a term loan of Rs 60 crores primarily obtained against margin money for meeting capital expenditure incurred. This was initially met from company's internal accruals for ongoing projects and as per intended purpose of term loan. Since it was to recoup the margin money already spent from internal resources, it was transferred to company's cash credit account for overall utilization. The interest on term loans was on ongoing projects, which have not yet been completed, which is in the nature of pre-operative expenditure pending capitalization.

The company generated substantial internal accruals in the past and for the last four years alone such generation was to the extent of ₹ 341.42 crores, which were kept in cash credit account and some portion was utilized for long term use in the past. The company recognized such internal accruals, which had been deposited in cash credit account and were being utilised partly for working capital and also spent for capital expenditure purposes during the year. Therefore there has been no utilisation of short-term funds for capital purposes.

The Board:

Mrs. Preeti Khandelwal, Director retiring by rotation and being eligible, offer herself for re-appointment. The following Directors have resigned from the Board of the Company. Your Board appreciates their advice during the tenure as a Director of the company.

S. No	Name of the Director	Date of resignation
1	Mr. M. S. Ramakrishna	29.05.2010
2	Mr. J. K Varma	09.07.2010
3	Mr. Vivek Mundra	14.02.2011

Auditors:

Statutory 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 Board of Directors recommends their re-appointment. The Company has received a letter from them to the effect that their appointment, if made, by the Company for the year 2010-11 will be within the limit prescribed under Section 224(1-B) of the Companies Act, 1956.

Cost Auditors:

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

Personnel & Industrial Relations:

Your Company continues to enjoy cordial relations with the employees.

No employee of the Company was in receipt of remuneration during the financial year 2010-11 in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure hereto.

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: 27 July 2011

Dr. A J Prasad
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR 2010-11

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 (Cash basis):

(₹ Lacs)

	Particulars	2010-11	2009-10
1	Value of Imports on C.I.F. (Cash basis)		
	Raw Materials, Components & Spares	24886.70	28587.10
	Capital items/ Equipment	1773.15	819.85
2	Expenditure in Foreign Currency		
	Commission on Export Sales	94.21	133.60
	Traveling expenses	99.76	103.47
	Royalties	68.20	28.25
	Professional charges	42.91	9.65
	Technical Know How	99.53	669.08
	Marketing Expenses	71.31	90.78
3	Investments		
	Investment in Joint Venture Company	-	1424.51
	Other investment	26.09	32.72
4	Foreign Exchange Earnings		
	Export sales	17587.54	11480.57

For and on behalf of the Board

Place: Hyderabad
Date : 27th July, 2011

Dr. A J Prasad
Chairman and Managing Director

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2010-11

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 2011:

In pursuance of Clause 49 of the Listing Agreement, the Board consists of 6 Directors as on 31st March 2011 of which 3 are Independent Directors and 3 are Executive Directors, which includes the Chairman and Managing Director.

S. No.	Name & Designation	Category	No of Meetings Held	No of Meetings Attended	No of other Directorships	Attendance at last AGM
1	Dr. A J Prasad Chairman & Managing Director	Promoter & Executive Director	7	6	2	Yes
2	Mr. MSS Srinath* Whole Time Director	Executive Director	7	5	5	Yes
3	Mrs. Kavita Prasad Whole Time Director	Executive Director	7	6	5	No
4	Mr. V V Rao IDBI Nominee Director	Independent Director	7	5	Nil	Yes
5	Mr. P Ganapati Rao Director	Independent Director	7	6	Nil	Yes
6	Ms. Preeti Khandelawal Director	Independent Director	7	4	Nil	No

* Appointed on the Board w.e.f. 1st September 2010.

Details of Changes in Directorship during the year 2010-11

Name	Status	No of Meetings held	No of Meetings attended	Attendance at Last AGM	Date of joining	Date of Cessation
Mr.JK Verma	Executive Director	7	1	Yes	30.10.2006	09.07.2010
Mr.M.S Ramakrishna	Independent Director	7	NIL	No	30.10.2006	29.05.2010
Mr.Vivek Mundra	Independent Director	7	NIL	No	29.05.2010	14.02.2011

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 2010-11, there were seven meetings of the Board of Directors:**

i) 29th May, 2010

ii) 9th August, 2010

iii) 11th November, 2010

iv) 4th December, 2010

v) 15th January, 2011

vi) 14th February, 2011

vii) 14th March, 2011

Directors Remuneration Committee:

Since, the Chairman of the Remuneration Committee Mr. Vivek Mundra resigned and ceased as Director w.e.f. 14th February 2011, the committee has been reconstituted with Mr. V V Rao as Chairman and Mr. P Ganapathi Rao and Mrs. Preethi Khandelwal as members of the Committee.

Directors Remuneration for the year ended on March 31, 2011

Name of the Directors	Designation	Remuneration Paid for the year (₹)
Dr. A J Prasad	Chairman and Managing Director	25,80,000
Mr. MSS Srinath	Whole-Time-Director w.e.f. 1st September, 2010	10,71,000
Mrs Kavita Prasad	Whole-Time-Director w.e.f. 1st September, 2010	10,71,000
Mr. J K Varma	Whole-Time-Director upto 9th July, 2010	3,94,837
Total		**51,16,837**
Add: Commission on profit to Dr. A J Prasad		NIL
Grand Total		**51,16,837**

Non-Executive and Independent Directors were paid sitting fees for the Board meetings.

Name of Directors	Meetings Held	Meetings Attended	Sitting Fees Paid. In ₹
Mr. P.Ganapathi Rao	7	6	24,000
Mr. V V Rao	7	5	20,000
Ms. Preeti Khandelwal	7	4	16,000
Mrs. Kavita Prasad*	7	2	8,000
Total			**68,000**

*Non-Executive up to 9th August 2010.

Mrs. Kavita Prasad, Director has been paid ₹ 4.80 lakhs as rental charges for the premises owned by her, which is 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; on 3rd October 2008 and 30th July 2009. The Audit Committee consists of four Members out of which three are Independent Directors. General Manager – Finance, Mr. K Mahidhar was invitee to the 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 29th May, 2009, 9th August, 2010, 11th November, 2010 and 14th February, 2011 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. Kavita Prasad	Member	Executive Director	3
Mr. V V Rao	Member	Independent Director	4
Ms. Preeti Khandelwal	Member	Independent Director	2

The Chairman of the Committee and other three 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 with the management, external and internal auditors, and the adequacy of internal control system.

- Reviewing the adequacy of internal audit function, including the audit charter, 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.
- Reviewing the utilization of issue proceeds as per the objects as envisaged, raised through private placement.

Share Transfer/ Investors Grievances Committee

The Share Transfer Committee has been reconstituted on 25th April 2005 and on 3rd October, 2009, 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 20th April, 2010, 10th May, 2010, 31st May, 2010, 21st June, 2010, 30th June, 2010, 30th July, 2010, 16th August, 2010, 30th August, 2010, 21st September, 2010, 20th October, 2010, 10th November, 2010, 30th November, 2010, 20th December, 2010, 10th January, 2011, 20th January, 2011, 10th February, 2011 and 15th March, 2011.

Composition

Mrs. M Kavita Prasad	Chairperson of the Committee
Mr. P Ganapathi Rao	Member
Mr. Preeti Khandelwal	Member

Mr. MVSS Kumar, Company Secretary is the Compliance Officer.

Details of Investor Complaints/ Queries during the year 2010-11

Sl. No.	Nature of Complaints /Query	Opening Balance	During the year		Closing Balance
			Received	Resolved	
1	Non-receipt of Dividend Warrants	Nil	30	30	Nil
2	Non-receipt of Securities	Nil	27	27	Nil
3	Non-receipt of Share Certificates after Transfer	Nil	02	02	Nil
	TOTAL	Nil	59	59	Nil

Venue and Time of the last three Annual General Meetings

Date	Venue	Time	No. of Special Resolution
September 27,2010	Federation of AP Chambers of Commerce & Industry, Red Hills, Hyderabad-500 004	4.00PM	NIL
September 17,2009	-do-	4.00P.M.	1
September 04,2008	-do-	4.00P.M.	4

The resolutions were passed on show of hands with requisite majority

Postal Ballot

The members have passed a resolution pursuant to Section 192A read with Rule 4 of " Companies (Passing of the Resolutions by Postal Ballot) Rules 2001 with regard to increase in borrowing powers of the Board of Directors of the Company in terms of Section 293(1)(d) of the Companies Act, 1956, the results of which were declared at the Board meeting held on 14th March, 2011. The abstract of the postal ballot result is hereunder:

Number of valid postal ballot forms received	574
Votes in favor of the resolution	181410707
Vote against resolution	957323
Number of invalid postal ballot forms received	4

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 of the Company and it is posted on the 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 the code is obtained from every person covered by the code. A declaration to this effect signed by CEO forming part 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 31.03.2011

S No.	Name of the Director	No of Shares held	%
1	Mr. P Ganapathi Rao	Nil	Nil
2	Mr. V V Rao	Nil	Nil
3	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.

Whistle Blower Policy:

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

Non-Mandatory Requirement:

The company has not adopted the non-mandatory requirements 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 in Business Line in English version and Andhra Prabha or Andhra Bhoomi in Telugu version.

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. maintained by National Informatics Centre (NIC) upto 31.03.2011.

General Shareholder Information

1.	Forthcoming Annual General Meeting Date, Time & Venue	:	5th September 2011 at 4.00 p.m. KLN Prasad Auditorium, Federation of AP Chambers of Commerce and Industry, Red Hills, Hyderabad - 500 004
2.	Financial Calendar Year	:	Financial year 2010-11
	Financial Reporting		
	First quarter ending 30/6/10	:	9th August, 2010
	Half-year ending 30/9/10	:	11th November, 2010
	Third quarter ending 31/12/10	:	14th February, 2010
	Audited Annual Results	:	30th May, 2011
3.	Dates of Book-Closure	:	From 31.08.2011 to 05.09.2011(Both days inclusive)
4.	Dividend	:	Dividend on equity share Capital @10%
5.	Registered Office	:	8-2-601, Road. No.10, Banjara Hills, Hyderabad-500034
6.	Secretarial Office	:	Sy.No.26, Kubera Towers, Trimulgherry, Secunderabad - 500 015 Contact person: Mr. MVSS Kumar Phone: 040-27791641, 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, Madhapu, 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), Posapatirega(M), Vizainagaram 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

National Stock Exchange of India Limited

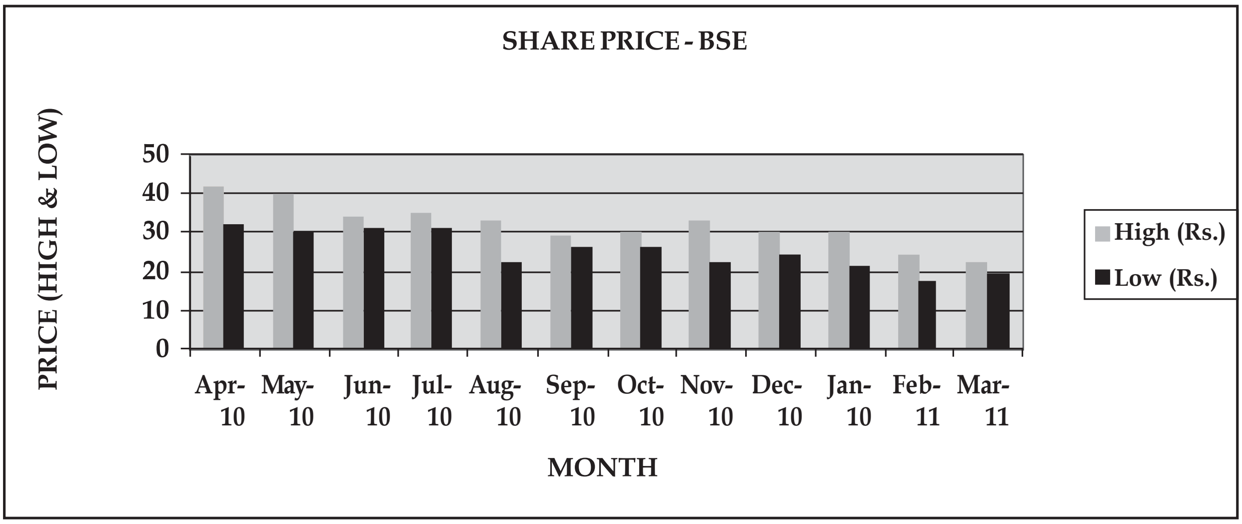
10. Stock Code-BSE :

BSE/ NSE Trading name : 517271/ HBLPOWER

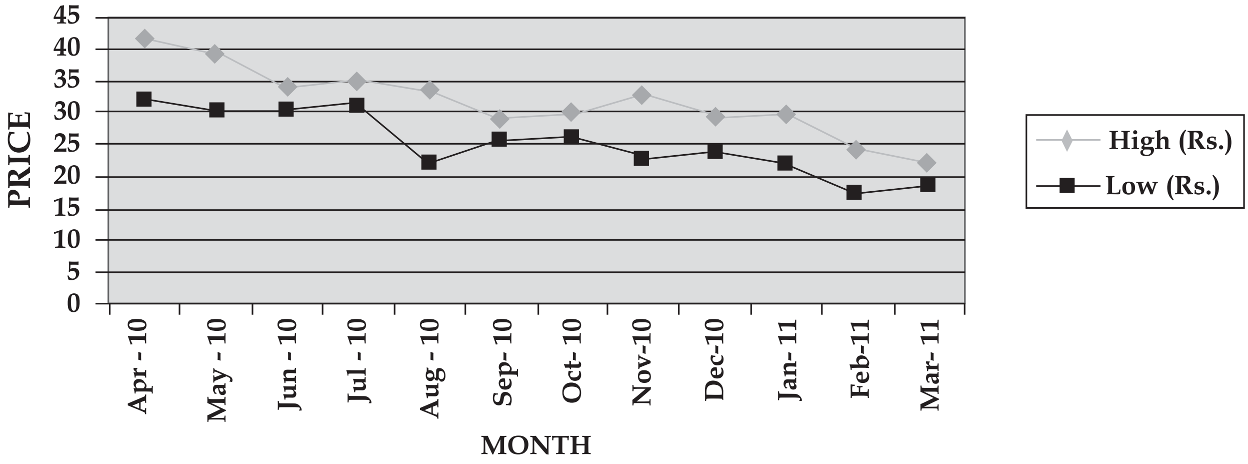
Demat ISIN number: : INE 292BO1021

11. Stock Market Price Data during 2010-11

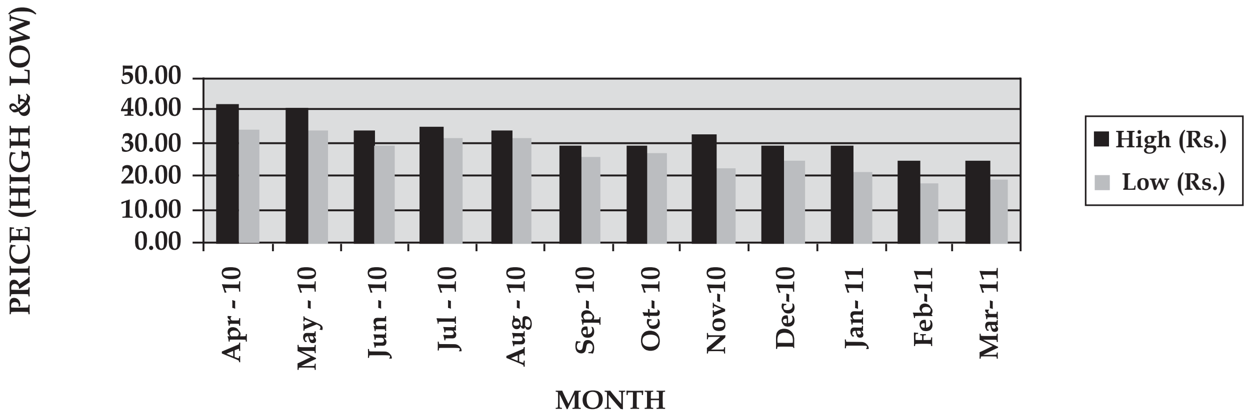
Month	Bombay Stock Exchange			National Stock Exchange		
	High Price	Low Price	No. of Shares traded	High Price	Low Price	No. of Shares traded
Apr 10	41.85	31.95	74,39,701	41.80	34.00	11905335
May 10	39.35	30.10	33,32,327	39.35	30.10	6226841
Jun 10	33.60	30.55	13,14,695	33.60	30.10	3221692
Jul 10	34.80	31.10	16,16,850	34.40	31.20	3071680
Aug 10	33.35	22.10	94,10,806	33.30	22.20	18434337
Sep 10	29.05	25.90	34,80,058	29.00	25.90	6669656
Oct 10	29.65	26.05	18,76,921	29.45	26.10	3111894
Nov 10	32.60	22.75	66,54,935	32.55	22.55	7543965
Dec 10	29.40	24.10	28,77,654	29.35	24.00	4575482
Jan 11	29.60	21.80	14,05,866	29.65	21.60	2230387
Feb 11	24.35	17.60	16,88,286	24.20	17.80	31,75,473
Mar 11	22.25	19.00	15,77,148	22.20	19.00	40,32,804



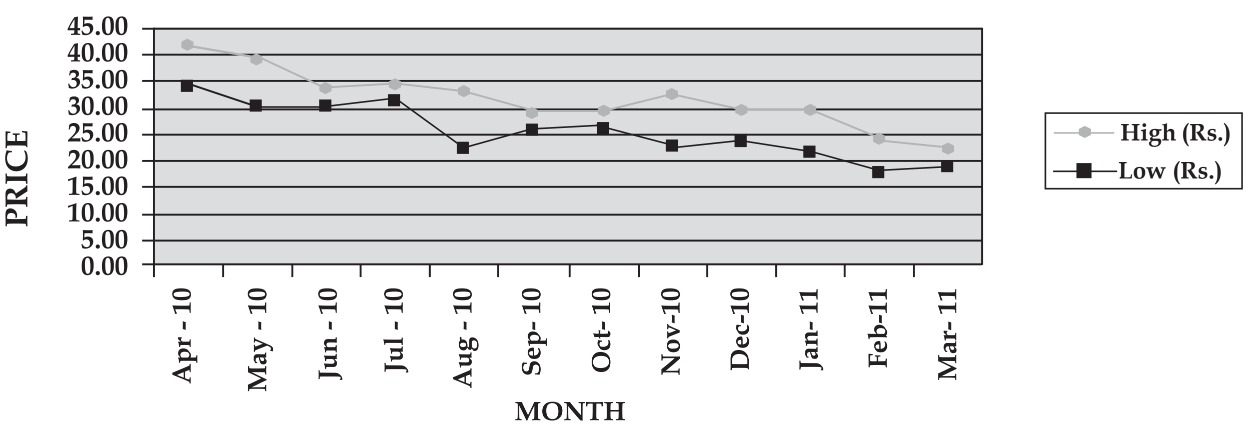
SHARE PRICE MOVEMENT AT BSE



SHARE PRICE - NSE



SHARE PRICE MOVEMENT AT NSE



12. Distribution of Shareholding as on 31st March 2011:

Shareholder Category	No. of Shares held	% of Shares held
a. Indian Promoters and relatives	183,342,535	72.47
b. Foreign Promoters	Nil	Nil
c. Foreign Collaborator	Nil	Nil
d. Others (Public, Bodies Corporate, etc.)	69,657,465	27.53
Total	25,30,00,000	100.00

Distribution of Shareholding as on 31st March 2011 as follows:

S.No	Category	No of Shareholders	% of Shareholders	Amount	% Amount
1	upto 1 - 5000	22327	96.60	15731282	6.22
2	5001 - 10000	402	1.74	3081266	1.22
3	10001 - 20000	182	0.79	2690033	1.06
4	20001 - 30000	68	0.29	1716049	0.68
5	30001 - 40000	30	0.13	1059589	0.42
6	40001 - 50000	27	0.12	1254459	0.50
7	50001 - 100000	34	0.15	2620867	1.04
8	100001 & ABOVE	44	0.19	224846455	88.87
	Total:	23114	100.00	25,30,00,000	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 to IEPF for the financial year 1997-98 on 21st November 2005; 1998-99 on 12.02.2007, 1999-2000 on 29.01.2008 and 2002-2003 on 27.11.2010.

It is the Company's Moral responsibility to inform those shareholders who have not claimed the dividend amount of respective years to 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 Declared	Date of Declaration of Dividend	Rate of Dividend	Total Dividend in ₹	Book Closure/ Record Date	Unclaimed Dividend as on 31.3.2011 in ₹	Due for transfer to IEPF
18th	23.09.2004	12%	2,40,86,788	16.09.2004 to 23.09.2004	2,77,032	13.11.2011
19th	24.09.2005	15%	3,01,08,485	19.09.2005 to 24.09.2005	3,02,726	09.11.2012
20th	30.09.2006	15%	3,64,19,662	25.09.2006 to 30.09.2006	2,73,483	13.11.2013
21st	26.09.2007	15%	3,64,19,662	20.09.2007 to 26.09.2007	2,17,812	09.11.2014
22nd	04.09.2008	15%	3,64,19,833	01.09.2008 to 04.09.2008	3,05,692	14.10.2015
23rd	17.09.2009	30%	7,28,38,665	10.09.2009 to 17.09.2009	5,55,168	04.10.2016
24th	27.09.2010	30%	7,59,00,000	22.09.2010 to 27.09.2010	6,39,508	25.10.2017
	Total				**25,71,421**	

14. **Share Transfer System**

As per the 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 31.03.2011:

Form of existence	Agency	No of Share Holders	No of shares	% of Total Issued Capital
Dematerialized	Central Depositaries Securities Limited	7428	142018517	56.13
-do-	National Securities Depositories Limited	12340	62180745	24.58
Physical		3346	48800738	19.29
	Total	23114	253000000	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 Finance Head Certification**

The certificate from CEO and Finance Head 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: July 27, 2011

Dr. A J Prasad
Chairman & Managing Director

DECLARATION

As provided under clause 49 of the Listing Agreement with Stock Exchanges, the Board Members and the Senior Management personnel have affirmed to the compliance with Code of Conduct for the year ended 31st March, 2011.

For and on behalf of the Board

Place: Hyderabad
Date: July 27, 2011

Dr. A J Prasad
Chairman & Managing Director

CEO AND FINANCE HEAD CERTIFICATION

We, A J Prasad, Chairman and Managing Director and Mr.K. Mahidhar, General Manager - Finance, responsible for the financial functions certify that:

a) We have reviewed the financial statements and cash flow statement and 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 2011 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 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: July 27, 2011

K. Mahidhar
General Manager-Finance

Dr. 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 2011 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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
FRN : S3680

Ch. Seshagiri Rao
Partner
Membership No: 18523

Place : Hyderabad
Date : July 27, 2011

MANAGEMENT DISCUSSION AND ANALYSIS 2010-11

1. The company has presented the cover page of the annual report in such a way as to give shareholders an overview of the company's businesses. This format has also been applied to our updated website (www.hbl.in).

2. **The Performance:**

   The company has seen a dip in sales as compared to 2009-10, and a very sharp decline in profits. The primary reason for this was the drastic fall in demand from the telecom sector, which was a large proportion of the company's business. Several new product lines were commercialised which allowed top line to be maintained but margins remained low due to the early stage on the learning curve for these products.

3. **Telecom Sector:**

   Continuing turbulence in the Telecom sector resulted in significant reduction in demand for batteries as new roll outs continued to be deferred or delayed. The company was able to maintain its market share in the face of severe competition. However the reduced demand resulted in a buyer's market where the company was unable to pass through rise in raw material prices to customers. Rise in lead prices in unfavourable market conditions, combined with the sharp reduction in volumes, lead to a complete erosion of margins in this segment.

   Investments in new rollouts are starting, and demand for replacement of prior supplies of batteries is also increasing. The management expects the telecom sector to stabilise in 2011-12, and margins to return to normal levels.

4. **Other Sectors Batteries:**

   All other segments of the company's business showed steady growth which enabled the company to report only a marginal dip in turnover, despite the poor business from Telecom. Both Nickel Cadmium and non-telecom lead acid batteries are showing strong growth trends for 2011-12, in both domestic as well as export markets.

5. **New Markets in Batteries:**

   The company has launched several new product lines in the latter part of 2010-11, which will yield positive results from 2011-12 onwards. The company has entered the retail segment with products for Automotive (2 and 4 wheeler), UPS and Inverter markets, and is in process of strengthening its distributor and dealer network all over India.

6. **Investments:**

   During the year the company has continued to invest significant amounts in expanding capacity in new battery products particularly for the retail market.

   In addition the company has invested ₹ 112 Cr to acquire a majority stake in Agile Electric Drives Technologies and Holdings P Ltd, which is a majority stakeholder in Igarashi Motors India Limited (IMIL). IMIL is listed on the BSE, and is a leading exporter of small DC motors for the automotive industry worldwide.

   Agile group has a strong engineering culture and expertise in mass manufacturing, which are of value to HBL.

   The company is in process of setting up a plant for manufacture of AC motors for the white goods sector, in association with Agile, in Chennai. This is a completely new line of business for the company, and the management expects it to add significantly to turnover from 2012-13 onwards.

7. **Solar Photovoltaic Systems (SPV) Business:**

The company has entered the off grid systems SPV market by using its expertise in batteries and power electronics for these applications and has won several prestigious tenders for installation of SPV systems, including for the Prime Minister's Residence in New Delhi. This is expected to be a significant growth area for the company in future.

8. **Power Electronics:**

Power Electronics sales are growing in both exports and domestic sales, with new products that were launched in 2010-11 adding to this growth. Margins have also been maintained, and management is confident this business will continue to do well.

9. **Railway Signalling:**

After the long delays in product qualification process, which were highlighted in the previous years Management Discussion and Analysis, the company has received significant orders to be executed in 2011-12 and management is confident that this business will now show rapid growth in future.

10. **Defence Electronics:**

After many years of delay the company has received orders in the defence electronics sector, and more such orders are expected. These orders will contribute significantly to both top and bottom line from 2012 onwards.

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, 2011, 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. As required by the Companies (Auditors Report) Order (CARO) 2003, issued by the Central Government 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.
4. Our comments on the financial statements for the year are as under:
   a) *Reference is invited to Note: 7 of Schedule 20(B) regarding balances appearing under debtors, creditors, advance received / paid which are subject to confirmation / reconciliation and consequential adjustments, the impact of which on these financial statements is not quantifiable by us.*
   b) *Reference is invited to Note 12 of Schedule 20(B) Managerial remuneration: Based on the approval of the members in the AGM held on 27.09.2010, a remuneration of ₹ 25.80 lakhs was paid to the Chairman & Managing Director for the year 2010-11. Due to inadequacy of the profits computed under section 349 read with section 198 of the Companies Act, 1956 and in accordance with the Provisions of Schedule XIII of the Act, the remuneration so paid is subject to the approval / ratification by the members by way of special resolution.*
   c) *Reference is invited to Note 13 of Schedule 20(B) regarding disclosure made under section 22 of the MSMED Act, 2006 which 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. According to the Company there is no accrued liability, which requires provision.*
   d) *Reference is invited to Note 14(I) of Schedule 20(B) regarding non compliance with the disclosure requirements required under AS 27 relating to Company's interests in Assets & Liabilities and Income & Expenses in the Joint Venture Company.*
5. Further to our Comments in the annexure referred to in paragraph 3 and subject to our comments given in paragraph 4 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 except the non-compliance with AS-27 referred to above.

e) On the basis of the written representations received from the directors as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 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 3 and subject to comments given in paragraph 4 above, the cumulative 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, 2011;

   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
(Firm Registration No.: S3680)

Place : Hyderabad
Date : 30-05-2011

Ch Seshagiri Rao
Partner
Membership No. 18523

Annexure referred to in Paragraph 3 of our report of even date :

(i) (a) The Company has maintained year wise details of fixed assets acquired by the divisions showing the relevant particulars including original cost at the time of acquisition and there have been instances of shifting and inter divisional transfer of certain assets after acquisition. *However the Company is yet to maintain and update the division wise asset register showing the relevant particulars including the original cost, deprecation provided and the written down value of each asset duly reconciled with financial records and also the identification particulars to facilitate physical verification.*

(b) According to the information and explanation given to us physical verification of fixed assets except at branches was carried out during the year by the management and the process of reconciliation including identification of differences / discrepancies is reported to be in progress. *In the absence of reconciliation, identification of the differences / discrepancies and quantification thereof, we are not in a position to comment on the amount involved and its impact on the financial statements as on 31.03.2011*

(c) The Company has not disposed off fixed assets having, affect on going concern.

(ii) (a) The Inventories within the factory premises/stores and at branches have been physically verified by the management during the year and also at the year end. For materials lying with ancillary parties confirmations have been obtained in some cases. In our opinion, the frequency of verification is reasonable.

(b) 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) 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) During the year the company has granted unsecured loans to two of its subsidiaries and to an associate company, the amount involved being ₹ 3282.86 lakhs and ₹ 1300.00 lakhs respectively.

(b) According to the information and explanation given to us, the rate of interest and other terms and conditions on which the Company granted the above loans, are not prima facie prejudicial to the interest of the Company.

(c) The above referred loans and interest thereon have not fallen due as on 31.03.2011.

(d) As the above referred loans have not fallen due on 31.03.2011, the question of taking steps for recovery of over dues does not arise.

(e) During the year, the Company has taken unsecured loans from its Holding Company (₹ 420 lakhs), its Subsidiary Company (₹ 3000 lakhs) and from a Director of the Company (₹ 1000 lakhs) and returned the above loans except a balance of ₹ 120 lakhs due to its holding as on 31.03.2011.

(f) In respect of the above loans taken the rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the Company.

(g) The Company is regular in repayment of principal and interest thereon as per the terms and conditions.

(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 weaknesses have been noticed in the internal control in respect of these areas. *However, the internal control procedures with regard to (a) review of customers and vendors balances including obtaining balance confirmations to identify the differences and (b) capitalization of assets procured including linking of various components of an identifiable asset and linking of additions the assets already in existence needs to be strengthened.*

(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 three firms of chartered accountants to carry out the internal audit function of the transactions of the company and the scope and coverage of which is generally found to be adequate. We suggest that 'systems audit' of the Company's accounting package be carried out and also suggest that proper internal audit system be introduced to cover increasing number of activities and transactions at branches. *Further, in our opinion, the scope and coverage of internal audit in the areas of review and reconciliation of vendors/customers accounts and accounting of different components of fixed assets needs to be strengthened to be commensurate with the size of the company and nature of its business.*

(viii) We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and 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) According to the information and explanations given to us and on the basis of our examination of the records of the company, the company is regular in depositing the 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 and other material statutory duties applicable to it with appropriate authorities.

(b) According to the information and explanations given to us, no undisputed amounts payable under the respective statutes in respect of Provident fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty and Excise Duty were in arrears, as at 31.03.11 for a period more than six months from the date they became payable *except sales tax of ₹ 45.25 lakhs.*

(c) There were no dues payable on account of Cess under Section 441A of the Companies Act, 1956, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

(d) 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 ₹ lakhs	Forum where the Dispute is pending
Excise Act	Duty on Intermediate goods emerged out of job works 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
	Classification of goods	31.96	Dy. Commissioner, Chennai
Sales Tax Act	Differential Tax	4.84	Addl. Commissioner of Commercial Taxes, Hyderabad.

(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 provided security by way of marking a lien on its own deposits with the banks to the extent of ₹ 470 lakhs to cover the margin money against a loan facility sanctioned to M/s. Sankya Infotech Ltd., an associate company. In our opinion, the terms and conditions are prima facie not prejudicial to the interest of the Company.

(xvi) Based on our review of the records, sources and application of funds and term loan drawn and utilization thereof on an overall basis, the loan funds to the extent utilized were prima-facie applied for acquiring fixed assets and unutilized amount of ₹ 49.43 crores was kept in current account with the banks. Our review revealed that out of the term loans drawn, a sum of ₹69.88 crores was transferred to working capital loan accounts and a sum of ₹20.60 crores was utilized for payment of interest on certain old term loans. *Thus, in our opinion, ₹ 90.48 crores was utilized for the purposes which were outside the scope of term loans.*

(xvii) During the accounting period covered by our report, the Company raised term loans to the extent of ₹ 146.10 crores (Net of ₹ 90.48 crores referred to above and increase in unutilized funds of ₹ 28.30 crores kept in current accounts on 31.03.2011) and also generated internal accruals of ₹ 37.89 crores considered as long term sources, aggregating to ₹ 183.99 crores. The Company utilized ₹ 241.56 crores for fixed assets and long term investments and also repaid term loan instalments of ₹ 45.20 crores, aggregating to ₹ 286.56 crores.

We are of the opinion that the Company has applied ₹ 102.77 crores being the difference between sources and utilization out of short term funds of the Company.

(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 2009-10 the company has made preferential allotment of shares to the parties not covered in the register maintained under section 301 of the Act and raised funds amounting to ₹ 3469.51 Lakhs and the Company disclosed the utilization of the funds raised vide Note 1(ii) of Schedule 20(B) and the same has been verified.

(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
(Firm Registration No.: S3680)

Ch. Seshagiri Rao
Partner
Membership No.18523

Place : Hyderabad
Date : 30-05-2011

Balance Sheet as at March 31, 2011

	Schedule	As at March 31, 2011 ₹		As at March 31, 2010 ₹	
Sources of Funds					
A *Share Holders Funds*					
Share Capital	1	**253,000,000**		253,000,000	
Reserves and Surplus	2	**4,995,415,557**	**5,248,415,557**	4,860,324,964	5,113,324,964
B *Loan Funds*					
Secured Loans	3	**6,834,817,509**		4,098,078,308	
Unsecured Loans	4	**179,880,770**	**7,014,698,279**	171,636,510	4,269,714,818
C *Deferred taxes*					
Deferred Income Tax	5		**74,242,000**		173,142,000
Total			**12,337,355,836**		9,556,181,782
Application of Funds					
A Fixed Assets	6	**5,576,409,064**		4,509,692,664	
Less: Depreciation to date		**1,449,314,543**		1,150,002,225	
Net Fixed Assets		**4,127,094,521**		3,359,690,439	
Intangible Assets		**59,842,544**	**4,186,937,065**	70,098,754	3,429,789,193
B Capital Works in Progress	7		**937,355,144**		788,206,191
C Investments	8		**1,412,184,078**		206,121,160
D Current Assets, Loans and Advances	9				
Inventories		**2,681,659,000**		2,283,063,937	
Receivables		**3,100,773,910**		3,376,734,604	
Cash & Bank Balances		**874,831,124**		542,004,390	
Other Current Assets		**80,812,917**		68,976,957	
Loans & Advances		**1,247,311,916**	556,077,037	**7,985,388,867**	6,826,856,925
E *Less*: Current Liabilities and Provisions	10				
Current Liabilities		**2,072,551,108**		1,453,267,157	
Provisions		**111,958,210**		241,524,530	
		2,184,509,318		1,694,791,687	
Net Current Assets			**5,800,879,549**		5,132,065,238
Total			**12,337,355,836**		9,556,181,782
Accounting Policies & Notes on Accounts	19				

As per our report of even date annexed

for **M/s. Satyanarayana & Co.**
Chartered Accountants
FRN No. S3680

Ch. Seshagiri Rao
Partner
M.No: 18523

Place : Hyderabad
Date : 30th May 2011

On Behalf of the Board

Dr. A J Prasad
Chairman & Managing Director

M. Kavita Prasad
Director

MVSS Kumar
Company Secretary

Profit & Loss Account for the Year ended March 31, 2011

Particulars	Schedule	Year Ended March 31, 2011 ₹	Year Ended March 31, 2010 ₹
Income			
Gross sales (Net of Discount/Returns)	11	**10,883,023,652**	12,030,225,910
Less : Duties and taxes	11A	**933,568,150**	935,077,286
Net sales		**9,949,455,502**	11,095,148,624
Other Income	12	**79,035,717**	65,401,405
Exceptional Income	13	**150,700,082**	-
		10,179,191,301	11,160,550,029
Expenditure			
Material Cost	14	**6,541,792,417**	6,399,025,746
Manufacturing and Service Cost	15	**684,879,376**	719,498,098
Employees Cost	16	**1,167,000,612**	975,778,661
Administrative, Selling & Other Costs	17	**926,701,738**	952,352,320
Finance Cost	18	**493,442,741**	383,143,610
Depreciation		**303,015,019**	280,660,917
Amortisation of Intangible Assets		**10,256,210**	10,256,210
		10,127,088,113	9,720,715,562
Profit before tax		**52,103,188**	1,439,834,467
Less: Income Tax Provision		**-**	415,000,000
Less: Wealth Tax Provision		**975,000**	1,000,000
Less: Deferred Tax liability/ (asset) for the year		**(98,900,000)**	24,000,000
Less: Income & Wealth Tax Adj. relating to Previous Years		**(14,466,698)**	(4,344,555)
Profit after Tax		**164,494,886**	1,004,179,022
Surplus as per last Balance Sheet		**310,869,079**	195,196,098
		475,363,965	1,199,375,120
Less: Appropriations			
Transfer to General Reserve		-	800,000,000
Provision for Dividend		**25,300,000**	75,900,000
Tax on dividend		**4,104,293**	12,606,041
		29,404,293	888,506,041
Surplus Carried to Balance Sheet		**445,959,672**	310,869,079
Earnings per Share (Basic)		**0.650**	**4.065**
Earnings per Share (Diluted)		**0.650**	**4.062**
Accounting Policies & Notes on Accounts	19		

As per our report of even date annexed

for **M/s. Satyanarayana & Co.**
Chartered Accountants
FRN No. S3680

Ch. Seshagiri Rao
Partner
M.No: 18523

Place : Hyderabad
Date : 30th May 2011

On Behalf of the Board

Dr. A J Prasad
Chairman & Managing Director

M. Kavita Prasad
Director

MVSS Kumar
Company Secretary

Schedules Forming Part of Balance Sheet

		As at March 31, 2011 ₹		As at March 31, 2010 ₹
Schedule : 1				
Share Capital				
Authorised				
30,00,00,000 Equity shares of Re. 1 each		300,000,000		300,000,000
(Previous Year 30,00,00,000 Equity shares of Re.1 each)				
Issued , Subscribed & Fully Called & Paid-up				
25,30,00,000 Equity shares of Re.1 each		253,000,000		253,000,000
(Previous Year 25,30,00,000 Equity shares of Re. 1 each)		253,000,000		253,000,000
Schedule : 2				
Reserves and Surplus				
Capital Reserve		102,300		102,300
Investment Subsidy from State Government		5,577,050		5,577,050
Share Premium Account		1,043,776,535		1,043,776,535
General Reserve				
Opening Balance	3,500,000,000		2,700,000,000	
Add:Transferred from Profit & Loss Account	-	3,500,000,000	800,000,000	3,500,000,000
Surplus as per Profit & Loss Account		445,959,672		310,869,079
		4,995,415,557		4,860,324,964
Schedule : 3				
Secured Loans				
A) Term Loans from				
IDBI Bank Limited	1,131,244,911		1,105,324,658	
IDBI Bank Limited Short Term Loan	250,000,000		-	
State Bank of India	856,762,262		644,451,888	
State Bank of Hyderabad	546,692,317		373,769,247	
Exim Bank Ltd	82,771,233		-	
Axis Bank Ltd	947,402,834		478,492,018	
ICICI Bank Ltd	1,000,000,000		-	
HDFC Ltd	1,833,796	4,816,707,353	4,239,553	2,606,277,364
B) Working Capital Loans from				
State Bank of India	1,299,893,135		1,064,228,859	
State Bank of Hyderabad	210,378,689		39,311,506	
IDBI Bank Ltd	360,939,984		327,758,292	
Kotak Mahindra Bank Ltd	100,000,000	1,971,211,808	-	1,431,298,657
C) Other Loans				
Against Vehicles from HDFC Bank	23,017,145		18,034,326	
Against Equipment from FLCIL	23,881,203	46,898,348	42,467,961	60,502,287
		6,834,817,509		4,098,078,308
Schedule : 4				
Unsecured Loans				
Interest Free Sales Tax Loan		167,880,770		171,636,510
Inter Corporate Deposit from Holding Company		12,000,000		-
		179,880,770		171,636,510
Schedule : 5				
Deferred Tax				
Deferred Income Tax Liability		173,142,000		149,142,000
Less : Deferred tax Asset for the year		(98,900,000)		24,000,000
		74,242,000		173,142,000

Schedules Forming Part of Balance Sheet

Schedule : 6

Figs. in ₹

Fixed Assets (at Cost)

Description	Gross Block				Depreciation Block				Net Block	
	As On April 1, 2010	Additions	Adjustments/ Deletions	As On March 31, 2011	As On April 1, 2010	For the Period	Adjustments/ Deletions	As On March 31, 2011	As On March 31, 2011	As On March 31, 2010
Land - Freehold	166,196,807	76,755,915	5,693,664	**237,259,058**	-	-	-	**-**	**237,259,058**	166,196,807
Land - Leasehold	9,256,549	-	-	**9,256,549**	-	-	-	**-**	**9,256,549**	9,256,549
Buildings - Factory	973,344,022	215,136,342	-	**1,188,480,364**	116,742,295	35,459,341	-	**152,201,636**	**1,036,278,728**	856,601,727
Buildings - Others	68,254,018	13,178,868	-	**81,432,886**	3,753,216	1,255,027	-	**5,008,243**	**76,424,643**	64,500,802
Plant & Machinery	2,940,484,114	709,701,320	-	**3,650,185,434**	869,920,405	231,032,413	-	**1,100,952,817**	**2,549,232,617**	2,070,563,709
Office Equipment	167,408,838	31,702,207	-	**199,111,045**	78,870,271	17,801,292	192,973	**96,478,590**	**102,632,455**	88,538,567
Furniture & Fixtures	78,537,058	12,530,965	-	**91,068,023**	36,425,882	7,064,139	-	**43,490,021**	**47,578,002**	42,111,176
Vehicles	106,022,478	21,674,656	8,270,209	**119,426,925**	44,101,376	10,402,807	3,509,727	**50,994,456**	**68,432,469**	61,921,102
Technical Library	188,780	-	-	**188,780**	188,780	-	-	**188,780**	**-**	-
Sub Total (A)	**4,509,692,664**	**1,080,680,273**	**13,963,873**	**5,576,409,064**	**1,150,002,225**	**303,015,019**	**3,702,700**	**1,449,314,543**	**4,127,094,521**	3,359,690,439
Intangible Assets										
New Product										
Development										
Expenditure	70,098,754	-	*10,256,210	**59,842,544**	-	-	-	**-**	**59,842,544**	70,098,754
Sub Total (B)	**70,098,754**	**-**	**10,256,210**	**59,842,544**	**-**	**-**	**-**	**-**	**59,842,544**	70,098,754
Grand Total (A+B)	**4,579,791,418**	**1,080,680,273**	**24,220,083**	**5,636,251,608**	**1,150,002,225**	**303,015,019**	**3,702,700**	**1,449,314,543**	**4,186,937,065**	3,429,789,193
Previous Year	3,756,365,170	849,933,709	26,507,461	4,579,791,418	874,845,691	280,660,917	5,504,383	1,150,002,225	3,429,789,193	-

***Amortisation during the year**

Schedules Forming Part of Balance Sheet

		As at March 31, 2011 ₹		As at March 31, 2010 ₹
Schedule : 7				
Capital Work in Progress *(At Cost)*				
Machinery under Erection		**223,327,149**		120,365,112
Advance for Technical Know Fee/Software Development		**150,673,357**		137,492,069
Civil Works in Progress		**338,858,451**		385,289,558
Advances for Capital Works/Equipment		**128,841,447**		112,720,169
Pre-operative Expenses pending to be capitalised		**95,654,740**		32,339,283
		937,355,144		788,206,191
Schedule : 8				
Investments				
A Long Term Investments (at Cost)				
No. of Equity Shares Held — Face Value — Details				
a Non Trade - Quoted (Equity)				
200 (200) — ₹ 10 — Indian Lead Ltd	**10,000**		10,000	
840482 — ₹ 10 — Sankhya Infotech Ltd		**33,104,138**		-
b Non Trade - Un quoted (Equity)				
1 In Subsidiary Companies				
172160 (172160) — 100 — Bhagirath Energy Systems Nepal ₹ Pvt Ltd. Nepal	**10,760,000**		10,760,000	
Less: Dimunition in Value provided for	**2,947,500**	**7,812,500**	2,947,500	7,812,500
160000 (160000) — RM 1 — HBL Power Systems(M)SDN BHD Malaysia		**2,003,200**		2,003,200
72040000 — ₹ 10 — Agile Electric Drives Technologies & Holdings Pvt Ltd		**1,128,804,500**		-
250 — Euro 100 — HBL Germany GMBH		**1,491,750**		-
5000000 — ₹ 10 — SCIL Infracon Pvt Ltd		**65,162,530**		-
2 In Joint Venture Company (Equity)				
100000 (100000) — ₹ 10 — HBL Elta Avionic Systems Pvt Ltd		**-**		22,500,000
1100000 (1100000) — SR 10 — Gulf Batteries Company Ltd (Kingdom of Saudi Arabia)		**142,451,320**		142,451,320
3 In Other Companies (Equity)				
41000 (41000) — ₹ 10 — Naval Systems & Technologies Pvt Ltd		**410,000**		410,000
90000 (90000) — ₹ 10 — Kairos Engineering Ltd.		**900,000**		900,000
171216 (107010) — ₹10 — Autotec Systems Pvt Ltd		**30,034,140**		30,034,140
		1,412,184,078		206,121,160
B Current Investments (at or below cost)		**Nil**		Nil
TOTAL (A+B)		**1,412,184,078**		206,121,160
Aggregate Market Value of Quoted Investments		**Not Available**		Not Available

Schedules Forming Part of Balance Sheet

		As at March 31, 2011 ₹		As at March 31, 2010 ₹
Schedule : 9				
Current Assets, Loans and Advances				
A. Inventories *(At or below Cost)*				
Raw Materials, Components & Consumables		**1,383,963,274**		1,194,422,742
Stores & Spares		**42,663,796**		33,597,629
Consumable Tools		**2,327,421**		2,996,338
Semi Finished Goods		**741,099,866**		651,786,522
Finished Goods		**507,265,913**		399,697,526
Materials in Bonded Warehouse / Transit		**4,338,730**		563,180
		2,681,659,000		2,283,063,937
B. Sundry Debtors *(Unsecured & Considered Good)*				
For a period exceeding Six Months	**523,741,263**		456,002,999	
Less:Provision for bad and doubtful debts	**1,439,577**	**522,301,686**	4,049,137	451,953,862
Others		**2,578,472,224**		2,924,780,742
		3,100,773,910		3,376,734,604
C. Cash and Bank Balances				
Cash on Hand		**3,810,821**		3,131,237
Balances with Scheduled Banks in:				
Current Accounts		**512,167,107**		242,160,094
Dividend Current Account		**2,572,644**		2,263,027
E E F C Accounts		**-**		1,048
Fixed Deposits		**68,738,025**		14,695,115
Margin Money Deposits		**287,542,527**		279,753,869
		874,831,124		542,004,390
D. Other Current Assets				
Trade & Other Deposits with Government and Others		**80,812,917**		68,976,957
		80,812,917		68,976,957
E. Loans and Advances				
(Unsecured and Considered Good and recoverable in Cash or kind or for value to be received)				
Advance for investment pending allotment of shares		**31,317,675**		41,422,234
Advances for Purchases and others		**387,810,443**		253,996,037
Others Advances		**42,398,202**		20,060,142
Excise & Customs Deposits		**110,010,183**		108,116,401
Service Tax Input /VAT receivable		**19,629,085**		12,208,643
Claims Recoverable		**13,866,852**		24,796,083
Income Tax Refunds Receivable		**48,833,340**		-
Interest Accrued		**16,623,976**		13,012,865
Inter Corporate Deposits to Other Companies		**458,285,790**		50,000,000
Advance taxes paid on account	**124,250,006**		1,266,064,632	
Less : Provision for Income Tax/Wealth Tax	**5,713,636**	**118,536,370**	1,233,600,000	32,464,632
		1,247,311,916		556,077,037
TOTAL (**A+B+C+D+E**)		**7,985,388,867**		6,826,856,925

Schedules Forming Part of Balance Sheet

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
Schedule : 10		
Current Liabilities and Provisions		
A. Current Liabilities		
Bills Payable	**161,828,006**	47,653,469
Sundry Creditors - for supplies	**1,396,841,638**	1,008,188,267
Dues to MSME Creditors	**70,435,405**	7,996,121
Sundry Creditors - for expenses	**260,690,458**	251,526,044
Advances from Customers	**158,182,376**	115,259,043
Advances for Projects	**5,000,000**	5,000,000
Other Liabilities	**15,055,539**	13,773,692
Directors Current Accounts	**1,946,265**	1,608,657
Unpaid Dividend	**2,571,421**	2,261,864
	2,072,551,108	1,453,267,157
B. Provisions		
Provision for Excise & Custom Duty on Closing Stocks	**12,925,807**	27,838,789
Provision for Commission on Profits	**-**	44,822,000
Provision for Earned Leave Encashment	**13,487,000**	10,507,000
Provision for Warranties	**55,791,110**	68,760,700
Provision for. contribution to valuable employee scheme	**350,000**	1,090,000
Provision for Dividend	**25,300,000**	75,900,000
Tax on dividend	**4,104,293**	12,606,041
	111,958,210	241,524,530
	2,184,509,318	1,694,791,687

Schedules Forming Part of Profit & Loss Account

	For the Year Ended March 31, 2011 ₹	For the Year Ended March 31, 2010 ₹
Schedule : 11		
Gross Sales (Net of Discounts/Returns)		
Domestic Sales	**8,386,214,998**	10,379,066,110
Domestic Sales Trading	**4,032,000**	-
Export Sales	**1,949,295,234**	1,027,072,281
Export Sales Trading	**16,718,366**	64,026,416
Export of Know how and I&C	**20,957,300**	-
Service charges Received	**338,675,932**	262,604,774
Works contract Receipts	**111,127,938**	254,680,854
Installation Charges Received	**33,220,815**	31,896,719
Testing Charges Received	**22,781,069**	10,878,756
	10,883,023,652	12,030,225,910
Schedule : 11 A		
Duties & Taxes		
Excise Duty	**697,048,537**	692,514,965
Sales Tax	**201,397,589**	211,244,179
Service Tax	**35,122,024**	31,318,142
	933,568,150	935,077,286
Schedule : 12		
Other Income		
Gross Interest Received on Deposits with Banks (TDS ₹ 25,26,203/-)	**24,106,709**	30,484,918
Other Interest Received (TDS ₹ 95,864/-)	**2,618,683**	3,302,368
Interest Received from ICD (TDS ₹19,12,261/-)	**19,122,609**	246,575
Gross Rent Received (TDS ₹ 3,45,369/-)	**3,923,044**	2,688,600
Interest Received on IT Refunds	**1,604,851**	2,001,903
Profit on sale of assets	**502,582**	-
Bad debts written off recovered	**7,485,193**	10,575,647
Commission received	**323,465**	-
Excess Provisions / Old Credit Balances no longer required written back	**8,110,295**	12,832,082
Sales Tax Refund Received	**9,664,134**	-
Miscellaneous Income	**1,037,623**	1,166,746
Duty Drawback Received	**536,529**	2,102,566
	79,035,717	65,401,405
Schedule : 13		
Exceptional Income		
Profit on Sale of Investments	**114,121,622**	-
Sales Tax Subsidy Received	**36,578,460**	-
	150,700,082	**-**

Schedules Forming Part of Profit & Loss Account

		For the Year Ended March 31, 2011 ₹		For the Year Ended March 31, 2010 ₹
<u>Schedule : 14</u>				
Material Cost				
A. Materials Consumed				
Opening Stock	1,194,298,743		919,548,233	
Opening Stock of Trade Purchase	124,000	1,194,422,743	-	919,548,233
Purchase of Materials & Components	6,184,980,011		6,191,790,809	
Purchase of Stores,Chemicals & Consumbles	232,478,691		248,200,057	
Trade Purchases	45,362,769		52,780,837	
Freight Inward	90,926,651	6,553,748,122	68,588,558	6,561,360,261
		7,748,170,865		7,480,908,494
Less : Closing Stock	1,354,206,724		1,194,298,743	
Less : Closing Stock of Trade Purchases	29,756,550	1,383,963,274	124,000	1,194,422,743
Materials Consumed		6,364,207,591		6,286,485,751
Less : Internal Capitalisation		29,309,516		8,746,090
		6,334,898,075		6,277,739,661
B. Job Work Charges		403,776,073		329,612,946
Material Cost		6,738,674,148		6,607,352,607
C. Increase / (Decrease) in Inventory				
i) Opening Stocks				
a) Finished Goods	399,697,526		337,340,509	
b) Semi Finished Goods	651,786,522	1,051,484,048	505,816,678	843,157,187
ii) Closing Stocks				
a) Finished Goods	507,265,913		399,697,526	
b) Semi Finished Goods	741,099,866	1,248,365,779	651,786,522	1,051,484,048
		196,881,731		208,326,861
Total (A + B + C)		6,541,792,417		6,399,025,746

Schedules Forming Part of Profit & Loss Account

		For the Year Ended March 31, 2011 ₹		For the Year Ended March 31, 2010 ₹
Schedule : 15				
Manufacturing/Service Cost				
A. Manufacturing Cost				
Power and Fuel		440,041,927		435,038,591
Opening Stock of Spares	33,597,629		27,088,920	
Add: Purchases	145,300,037		195,384,089	
	178,897,666		222,473,009	
Less: Closing Stock	42,663,796	136,233,870	33,597,629	188,875,380
Factory Rent		1,882,782		1,543,787
Consumable Tools Charged Off		3,125,285		4,119,198
Testing Charges		12,864,798		6,080,834
		594,148,662		635,657,790
B. Service Cost				
Installation Charges paid		18,723,895		15,214,478
Televan Hire Charges		72,006,819		68,625,830
		90,730,714		83,840,308
(A+B)		684,879,376		719,498,098
Schedule : 16				
Employees Cost				
Salaries, Wages & Bonus	972,908,628		781,415,085	
Contribution to Provident Fund & Other Funds	72,901,801		50,845,275	
Gratuity	29,326,363		10,648,835	
Staff Welfare Expenses	85,887,940		81,781,739	
Recruitment & Training	859,043		2,207,250	
		1,161,883,775		926,898,184
Remuneration to Directors:				
Salaries & Allowances	4,609,028		3,253,140	
Commission on Profits	-		44,822,000	
Contribution to Provident Fund	375,809		287,337	
Other Perquisites	132,000		518,000	
		5,116,837		48,880,477
		1,167,000,612		975,778,661

Schedules Forming Part of Profit & Loss Account

	For the Year Ended March 31, 2011 ₹	For the Year Ended March 31, 2010 ₹
Schedule : 17		
Administrative, Selling and other Costs (Including Write offs)		
A. Administrative Cost		
Rent	**22,940,634**	14,118,288
Rates & Taxes	**8,937,924**	7,037,697
Licence Fees	**26,744,355**	12,148,800
Sales Tax on Works Contracts	**6,791,788**	18,549,215
Excise Duty on Stock Transfers to Branches	**35,032,024**	60,096,052
Excise duty paid on Samples & Replacements	**21,519,866**	9,240,362
Excise duty on Closing Stocks of Finished Goods	**11,988,719**	27,710,443
Insurance	**9,440,126**	8,109,626
Professional & Consultancy Charges	**29,962,964**	29,663,852
Security Expenses	**34,970,529**	25,758,958
Building & Garden Maintenance	**24,807,611**	22,528,239
Office & Office Equipment Maintenance	**26,068,851**	23,156,581
Vehicle Maintenance	**22,216,899**	18,044,648
Maintenance - Others	**27,291,059**	24,236,590
Conveyance	**85,218,075**	81,719,761
Travelling	**65,610,191**	56,129,282
Printing & Stationery	**27,113,261**	24,937,511
Postage, Telephones & Telex	**46,797,597**	40,368,222
Books & Periodicals	**7,855,943**	8,867,486
Sundry Expenses	**17,191,092**	14,589,010
Directors Sitting Fees	**112,000**	124,000
Audit Fees	**1,250,000**	1,000,000
Audit Expenses	**77,656**	141,428
Advances written off	**943,539**	3,471,072
Donations	**2,077,351**	1,970,824
	562,960,054	533,717,947
B. Selling Cost		
Freight Outward	**229,356,912**	245,105,472
Freight and Insurance on exports	**34,703,426**	23,811,562
Export Expenses	**38,519,215**	19,241,392
Liquidated Damages	**331,340**	4,807,460
Commission On Sales	**3,530,031**	1,776,208
Commission On Export Sales	**13,399,550**	13,218,968
Advertisement	**6,830,713**	4,918,368
Business Promotion	**15,248,469**	13,037,578
Membership & Subscription	**1,308,254**	764,732
Transit Insurance	**2,197,584**	3,068,063
Royalties On Sales	**9,087,521**	4,914,279
Bad debts written off	**1,400,805**	46,144,162
Provision for Bad Debts	**-**	2,609,560
Provision for Warranries	**(12,969,590)**	56,798
Other Selling Expenses	**16,037,005**	11,875,841
	358,981,235	395,350,443

Schedules Forming Part of Profit & Loss Account

		For the Year Ended March 31, 2011 ₹		For the Year Ended March 31, 2010 ₹
C. Others				
Loss on Assets Sold		**842,333**		683,378
Deposits Written Off		**83,212**		6,438
Capital Issue Expenses		**-**		5,199,354
Prior Period Expenditure				
Consumption of Material	**479,348**		3,390,650	
Rates & Taxes	**1,692,118**		11,146,226	
Finance Cost	**592,477**		570,698	
Sundry Expenses	**1,263,936**		2,590,784	
Depreciation	**(192,975)**	**3,834,904**	(303,598)	17,394,760
		4,760,449		23,283,930
(A+B+C)		**926,701,738**		952,352,320

Schedule :18

Financial Charges

	For the Year Ended March 31, 2011 ₹	For the Year Ended March 31, 2010 ₹
Interest on Term Loans	**370,515,814**	244,724,501
Interest on Bank Borrowings	**149,672,975**	109,040,840
Interest on Housing Loans	**553,811**	858,295
Interest on Vehicle Loans	**2,508,300**	2,418,640
Interest on Equipment Loans	**6,176,440**	7,100,728
Interest on Others	**1,032,530**	1,577,468
Interest on Unsecured Loans	**4,656,574**	-
Bank Charges	**26,835,196**	21,197,499
BG Charges	**11,169,314**	17,231,317
LC Charges	**12,613,616**	29,531,300
	585,734,570	433,680,588
Less: Capitalised & Transferred to Pre Operative Expenses	**92,291,829**	50,536,978
	493,442,741	383,143,610

Cash Flow Statement

(As per Clause 32 of the Stock Exchange Listing Agreement) ₹ lacs

			31-Mar-11		31-Mar-10
A	**CASH FLOWS FROM OPERATING ACTIVITIES**				
	Net Profit before Tax and extraordinary items		**521.03**		14,398.34
	Adjustments for :				
	Depreciation	**3,028.22**		2,806.61	
	Interest income	**(432.29)**		(307.31)	
	Interest expense	**3,705.16**		2,447.25	
	Loss on sale of fixed assets	**8.42**		6.83	
	Profit on sale of fixed assets	**(5.03)**		-	
	Amortisation of Intangible Assets	**102.56**		102.56	
	Deposits Written off	**0.83**		-	
	Preliminary expenses written off	**-**		51.06	
	Provisions	**(604.01)**	**5,803.87**	41.01	5,148.01
	Operating Profit before working capital changes		**6,324.90**		19,546.35
	Increase(-)/Dec(+) in Sundry debtors	**2,785.70**		(5,529.87)	
	Increase(-)/Dec(+) in Inventories	**(3,985.95)**		(4,832.38)	
	Increase(-)/Decrease(+) in Loans & advances	**(5,733.45)**		(1,680.18)	
	Increase(+)/Decrease(-) in Current Liabilities	**6,073.51**	**(860.18)**	(785.21)	(12827.64)
	Cash generated from Operations		**5,464.72**		6,718.71
	Expenditure on employee VEBF	**(7.40)**		-	
	Income taxes paid	**(1,161.25)**	**(1,168.65)**	-	(4,518.09)
	Net Cashflow from Operating activities		**4,296.07**		2,200.62
B	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets	**(12,298.29)**		(9,744.02)	
	Purchase(-)Sale(+) of Investments	**(12,060.63)**		(1,724.85)	
	Sale of fixed assets	**99.21**		100.63	
	Interest received	**432.29**		307.31	
	Net Cash flow from investing activities		**(23,827.42)**		(11,060.92)
C	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Share Capital	**-**		102.04	
	Share Premium	**-**		3,367.47	
	Proceeds from long-term borrowings	**26,488.26**		12,893.73	
	Repayment of long-term borrowings	**(4,520.00)**		(6,051.45)	
	Proceeds from working capital borrowings	**5,399.13**		(902.29)	
	Increase(+)/Decrease(-) in IFST	**(37.56)**			
	Increase(+)/Decrease(-) in unsecured loans	**120.00**			
	Dividend payment	**(885.06)**		(852.18)	
	Interest Paid	**(3,705.16)**		(2,447.25)	
	Net cash flow used in financing activities		**22,859.62**		6,110.07

Cash Flow Statement

(As per Clause 32 of the Stock Exchange Listing Agreement) **₹ lacs**

	31-Mar-11	31-Mar-10
NET INCREASE IN CASH and CASH EQUIVALENTS (A+B+C)	**3,328.27**	(2,750.24)
Cash and Cash equiv.at beginning of the period	**5,420.04**	8,170.28
Cash and Cash equiv. at end of the period	**8,748.31**	5,420.04
Cash and Cash equivalents		
Cash on hand	**38.11**	31.31
Balances with Banks(current a/c & term deposits)	**8,710.20**	5,388.73
Total	**8,748.31**	5,420.04

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR 2010-11

1. This statement is prepared as per Accounting Standard-3 (indirect method)
2. The Company has undrawn borrowing facilities of ₹ 5,796 lakhs which may be used for future capital expenditure.
3. Previous year's figures were re-grouped wherever necessary.

As per our report of even date annexed
for **M/s. Satyanarayana & Co.**
Chartered Accountants
FRN No. S3680

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 May 2011

MVSS Kumar
Company Secretary

Schedules Forming Part of the Balance Sheet and P&L Account

Schedule: 20

Accounting Policies and Notes on Accounts

A) Significant Accounting Policies

1. Basis for preparation of accounts:

The accounts have been prepared under the historical cost convention and on a going concern basis to comply in all material aspects with applicable accounting principles in India, the Accounting Standards under the companies (Accounting Standards) Rules, 2006 prescribed by the Central Government and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates:

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosure relating to contingent liabilities as of the date of the financial statements. Examples of such estimates and assumptions include the useful lives of tangible and intangible fixed assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, warranties, etc. Differences between the actual results and estimates are recognised in the period in which the results are known.

3. Fixed Assets and Depreciation:

Fixed Assets are stated at original cost net of tax/duty credits availed, if any, less cumulative depreciation and impairment. Administrative and other general overheads including borrowing costs that are specifically attributable to acquisition of Fixed Assets or bringing Fixed Assets to working condition are allocated and capitalised as part of cost of the Fixed Assets.

Depreciation:

Depreciation on Fixed Assets is provided on straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in respect of Dies and Moulds used and 'Secured Land Filling' used for disposal of Lead slag which are depreciated at 20% and 10% respectively on SLM. Assets costing less than ₹ 5,000/- are depreciated fully in the year of purchase.

4. Intangible Assets and Amortisation:

Intangible Asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Product development expenditure incurred on new products are capitalised under 'Intangible Assets' and are amortised over a period of 5 years from the year of commencement of commercial production.

Amortisation on impaired assets is adjusted in the future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

Intangible Assets are stated at cost net of amortisation.

5. Capital Work in Progress (CWIP):

CWIP includes Plant and Equipment under erection, Civil works in progress, advances made to suppliers/contractors for capital items and preoperative expenses pending allocation on the assets to be acquired/commissioned, capitalised. Also include payments made for technical know-how fee and for development of prototypes including for related software, pending to be capitalised upon absorption of technology and completion of development.

6. Impairment of Assets:

An asset is treated as impaired when the carrying cost of the asset 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 is a change in the estimate of recoverable amount.

7. **Foreign Currency Transactions:**

Transactions relating to Purchase and Sale of goods/services denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction or that approximates at actual rate on the date of transaction. Assets & Liabilities in the nature of monetary items at the Balance sheet date denominated in foreign currencies are translated and restated at prevailing exchange rates. Income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit & Loss account.

8. **Investments**:

a) Investments classified as "Long Term Investments" are carried at cost and provision for diminution is made to recognise the decline, other than temporary, in the value of the Investments. Such reduction is determined and made for each investment individually.

b) Investment classified as 'Current Investments' are carried at the lower of cost and fair value determined on individual investment basis.

9. **Inventories:**

Inventories at the year end are valued as under:

Raw Materials, Components, Consumables Stores & Spares.	At lower of weighted average cost and net and realisable value.
Semi-finished and Finished goods.	At lower of weighted average cost of materials plus cost of conversion and other costs incurred in bringing them to the present location and condition and net realisable value.
Consumable Tools	At cost less amount charged off (which is at 1/3rd of value each year).

- Cost of Material is net of Cenvat/VAT availed on all items.
- Excise/Custom Duty payable on Stock of Finished Goods and Bonded Stocks is provided and included in the value of stocks.
- Inventory arising out of inter divisional transfers is valued at cost to the transferring division after eliminating unrealised profit, if any.
- Stocks at Branches are inclusive of Duty paid at the time of despatch from Factories.

10 **Income Recognition:**

a) Sales revenue is recognised on despatch to customers as per terms of order. Gross sales are net of returns/discounts and inclusive of Excise duty, central sales tax and service tax billed to customers. Service income, works contract revenue are recognised on the basis of bills submitted and accepted by the customers. Inter divisional transfers are not recognised as turnover.

b) Dividends are recognised as income when the right to receive the dividend is established.

c) Income from interest bearing deposits with Banks and others is recognised on accrual basis.

d) Interest on Income tax refunds, if any, is recognised on determination or on receipt basis whichever is earlier.

e) Subsidies from Government are recognised when received.

11. **Provisions, Contingent Liabilities and Contingent Assets:**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

a) the Company has a present obligation as a result of a past event

b) a probable outflow of resources is expected to settle the obligation and

c) the amount of obligation can be reliably estimated

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is not provided but disclosed in the case of

a) present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation

b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance sheet date.

12. Taxes on Income/Deferred Tax:

Tax on Income for the current period is determined and provided on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax resulting from timing differences between accounting Income and taxable Income is recognised and 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 reasonable certainty that the Asset will be realised in future.

13. 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.

14. Employee Benefits:

a) Short term Benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, medical, leave travel assistance, short term compensated absences etc. and the cost of bonus, exgratia are recognised in the period in which the employee renders the related services.

b) Post-employment benefits:

(i) Detailed contribution plans:

The contribution paid/payable under Provident Fund Scheme, ESI Scheme and Employee Pension Scheme is recognised as expenditure during the period in which the employee renders the related service.

(ii) Defined benefit plans:

The Company's obligation towards Gratuity is a definite benefit plan. The present value of the obligation under such defined benefit plan is determined based on acturial valuation using the Projected Unit Credit method. The obligation is measured at the present value of the estimated future cash flows. Acturial gains and losses are recognised immediately in the profit & loss account. The contribution made is recognised at expenses.

c) Long Term employee benefits:

The obligation for long term employee benefits such as long term compensated absences is recognised in the similar manner as in the case of defined benefit plans as mentioned in (b)(ii) above.

15. **Cash Flow statement:**

    Cash Flow statement is reported using indirect method as per Accounting Standard, AS-3.

16. **Prior period and Extra-ordinary items:**

    Prior period and Extra-ordinary/exceptional items of Income and Expenditure are reported distinctively and included in the determination of net profit or loss for the current period.

B) Notes Forming Part of Accounts for the period ended March 31, 2011

1. Share Capital:

   (i) Out Of 25,30,00,000 shares issued by the Company as at 31.03.2011, 14,03,94,050 shares are held by the holding Company – M/s. Beaver Engineering & Holdings Ltd.

   (ii) During the year 2009-10, the Company raised Equity of ₹ 3,469.51 lakhs on preferential basis including a share premium of ₹ 3,367.47 lakhs. The issue was made to finance the general corporate investments in related companies and for other general corporate purposes.

   The details of cumulative utilisation upto 31.03.2011 is as under:

		₹ in lakhs
Proceeds of preferential issue of capital		3,469.51
Utilisation upto 31.03.2011:		
Investment in the Equity of M/s. Auto TEC Systems Pvt. Ltd	300.34	
Investment in the Equity of M/s. SCIL Infracon Pvt. Ltd	651.63	
Investment in the Equity of M/s. Sankhya Infotech Ltd.	331.04	
Advance for Equity in SCIL Infracon Pvt. Ltd	117.80	
Advance for Equity in Sankhya Infotech Ltd.	195.38	
ICD to M/s. Sankhya Infotech Ltd	1,300.00	
ICD to SCIL Infracon Pvt. Ltd	292.86	
		3,189.06
Unutilised Balance		280.45
Parked in C.C loan accounts of the Company		279.95
Balance in Current Account		0.50
		280.45

2. (i) **Term Loans :**

   a) **Term Loan from IDBI, SBI, SBH and SB Indore :**

   The Term Loans from IDBI, State Bank of Hyderabad, State Bank of India and State Bank of Indore (since merged with SBI), 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 (a) at Lalgadi Malakpet and Aliabad Villages, Shameerpet Mandal, Ranga Reddy Dist, (b) at Nandigaon Village, Mahbubnagar Dist, (c) at Bhootpur Village, Mahaboobnagar Dist, (d) at Kandivalasa Village, Vizianagaram Dist, and (e) at VSEZ, Visakhapatnam Dist. The loans are also secured by a second charge on the current assets of the company. These loans are also guaranteed by Managing Director and one Director in their personal capacity.

b) Term Loan from Axis Bank (Balance on 31.03.2011 ₹ 4,441.49 Lkahs) :

The Term Loans from Axis Bank are secured by exclusive charge on the movable and immovable assets of the Company situated (a) at Tumkunta Village, Ranga Reddy Dist, (b) at IMT Manesar, Gurgoan, Haryana, (c) at Goverdhanpuri Colony, Yapral, GHMC, (d) at IIE, Ranipur, BHEL, Haridwar (Uttaranchal), (e) at Selaqui, Dehradun (Uttaranchal), and (f) at MIDC, Navi Mumbai. These loans are also guaranteed by Managing Director and one Director in their personal capacity.

c) Term Loan from Axis Bank (Balance on 31.03.2011 ₹ 5,032.53 Lakhs):

The Term Loan is secured by first pari passu charge on Fixed Assets (excluding vehicles and assets exclusively charged to other term lenders) and second charge on Current Assets. Also guaranteed by the Managing Director and one Director in their personal capacity.

d) Term Loan from EXIM Bank of India:

The Term Loan to part finance Equity contribution in Gulf Batteries Company, a Joint Venture in Kingdom of Saudi Arabia (KSA) is secured by first pari passu charge on the entire fixed assets of the company excluding exclusive charges, if any, and pledge of Company's share holding in Joint Venture and also guaranteed by the Managing Director of the Company in his personal capacity.

e) Term Loan from ICICI Bank :

The term loan of ₹ 6,000 lakhs for Capex and ₹ 4,000 lakhs for working capital is secured by subservient / residual charge on all current and moveable assets of the Company both present and future. The charge is subservient to the existing lenders to the extent of all drawn and undrawn limits of term loans and working capital only and the loan is guaranteed by the Managing Director and one Director in their personal capacity.

f) Short Term Loans from IDBI:

Short Term Loans from IDBI Bank for acquisition of land for setting up new facility at Mahaboobnagar District is secured by D.P Note, post dated cheques for the entire loan and undertaking to create first charge on the Assets in the event of default.

g) Term loans from HDFC:

(i) The Term Loans for acquiring Flats are secured by an exclusive charge on the Flats acquired and also guaranteed by the Managing Director of the Company in his personal capacity.

(ii) The Term Loans for acquiring vehicles are secured by exclusive hypothecation of vehicles acquired through execution of D.P. Note.

h) Equipment Loan from First Leasing Company of India Ltd. :

The loan is secured by exclusive charge on the Equipment procured and also guaranteed by one Director in his personal capacity.

2 (ii). Working Capital Loans:

(a) The Working Capital Loans from the State Bank of India, State Bank of Hyderabad, IDBI Bank Ltd and State Bank of Indore (since merged with SBI) 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, and Smt. A. Uma Devi in their personal capacities.

(b) Short Term Loan from Kotak Mahindra Bank Ltd:

The Short Term Working Capital Loan is secured by D.P Note and post dated cheques.

2(iii) Term Loan Instalments and Short Term Loans due and repayable within one year from the date of Balance sheet is ₹ 9,080.00 lakhs.

3. Interest Free Sales Tax Loan (IFST):

IFST Loan of ₹ 1,678.81 lakhs shown under unsecured loan represents the Sales tax payable by the Company given as Loan by A.P State Government under a scheme, to be repaid without interest after 14 years from the date of availment. Earliest repayment is due from the year 2013-14. The loan requires creation of a charge on the assets of the Company. Pending creation of charge, the amount is shown as 'Unsecured Loan' to be regrouped as Secured Loan as and when the charge is created.

4. Contingent Liabilities not provided for:

All known and undisputed claims and liabilities where there is present obligation as a result of past events and it is probable that there will be an outflow of resources, have been duly provided for.

(i) Contingent liabilities not provided for:

	Nature of Contingent Liability	As on 31.03.2011 (₹ in lakhs)	As on 31.03.2010 (₹ in lakhs)
a)	Un-executed portion of letters of credit opened by Bank	3,975.13	4,146.49
b)	Un-expired guarantees issued on behalf of the Company by banks for which the Company gave counter guarantees	*15,521.22	14,601.19
	* includes Bank Guarantees issued to others on behalf of a Subsidiary Company ₹ 900 Lakhs		
c)	Legal undertakings (LUTs) given to Custom's Authorities for clearing the imports at Nil / Concessinal rate of duty pending for fulfilment of export obligations, (net of the export obligations fulfilled of ₹ 2,302.49 lakhs (previous year ₹ 1,737.70 lakhs) for which the process of discharging the LUTs by the concerned authorities is at various stages).	2,736.36	2,534.00
d)	Claims against the Company not acknowledged as debt:		
	- Excise duty claim	94.85	94.85
	- Sales Tax claim	4.84	-
	- Custom duty claim	36.67	36.67
	- Property Tax claim of VSEZ unit	27.64	27.64
	- Fuel surcharge adjustment (FSA) claim to the extent billed by Power Distribution Companies of A.P	97.34	—
	- Other claims	34.42	26.25
(ii)	Estimated contracts to be executed		
	Estimated amount of contracts remaining to be executed on Capital account and not provided for	3,580.82	3,186.50

(iii) Investments committed by the Company in the Equity of other Companies:

	As on 31.03.2011 (₹ in lakhs)	As on 31.03.2010 (₹ in lakhs)
- M/s. Sankhya Infotech Ltd. against share warrants issued by them (net of 50% contributed as on 31.03.11)	195.38	--

(iv) Income tax and Sales tax Assessments:

a. Income Tax:

The Company's assessments were completed upto Financial Year 2007-08 and the tax dues as per orders were paid and charged to revenue.

Tax assessments for the year 2008-09 and 2009-10 are pending and the tax dues as per returns filed have been fully paid. The liability, if any, in respect of such pending assessments that may arise upon completion is not ascertainable at this stage.

The Company has no taxable income for the year 2010-11 in view of the eligible exemptions and deductions as per the provisions of I.T Act, 1961 including the applicable provisions for Minimum Alternate Tax (MAT) under section 115JB. Hence, no provision for current tax has been made for the year.

b. Sales Tax:

The Company has paid/provided VAT/CST as per the records and returns filed upto 31.03.2011 after considering the Input VAT on purchases and also on the basis of concessional Forms expected to be received from customers. The liability, if any, in respect of pending assessments including those relating to non-submission of concessional Forms ('C' Forms etc.) is not ascertainable at this stage. The company is in the process of collecting concessional Forms from customers for submission before the assessments are completed/finalised.

5. Intangible Assets:

a) In respect of Intangible Assets where commercial activity is started, the expenditure incurred amounting to ₹ 512.81 lakhs is amortised over a period of 5 years and accordingly 3rd instalment of ₹ 102.56 lakhs is amortised and charged to profit & loss account.

b) In respect of Intangible Assets where development is completed and commercial operation are expected to be started after acceptance / approval by the customers, the expenditure incurred is carried in the books. The value of such assets as on 31.03.2011 to be amortised upon commercial operations is ₹ 393.30 lakhs (previous year ₹ 393.30 Lakhs).

6. Investments/Advance for Investments:

a) The investment of ₹ 225.00 lakhs held on 31.03.2010 in the Joint Venture Company, HBL Elta Avionic Systems (P) Ltd has been disposed off during the year for ₹ 1,366.22 lakhs and the resultant profit of ₹ 1,141.22 lakhs is shown as exceptional income.

b) During the year, the Company acquired 63.91% of Equity in Agile Electric Drives Technologies and Holdings (P) Ltd., Chennai for ₹ 11,288.05 lakhs and the said Company has become subsidiary of the Company.

c) During the year, the Company acquired 50% of Equity in SCIL Infracon (P) Ltd, Hyderabad for ₹ 651.63 lakhs. Further, the Company has made an advance of ₹ 117.79 lakhs to a share holder of the said company for acquiring additional 10% of Equity in the said Company and obtained shares before 31-03-2011. Pending transfer of shares in the name of the Company, the amount so paid is shown under Advances. The said company is considered as subsidiary company in view of controlling shares held by the company as at 31-03-2011.

d) During the year, the Company acquired 9.89% of equity in Sankhya Infotech Ltd. (a Listed Company) for ₹ 331.04 lakhs. Further, the said Company issued Share Warrants against which the Company contributed ₹195.38 lakhs being 50% of the issue price and the said amount is shown as advance pending conversion of warrants into Equity.

e) The Company incorporated a wholly owned subsidiary, HBL Germany GmBH, in Germany and the Company invested ₹ 14.92 lakhs as capital in the wholly owned subsidiary.

f) The Company's wholly owned subsidiary in Nepal, Bhagirath Energy Systems Ltd., Nepal, is under voluntary winding up. Against the equity of ₹ 107.60 lakhs in the wholly owned subsidiary, a provision of ₹ 29.48 lakhs was made towards fall in the value of investment which is considered adequate.

g) Based on MOU entered by the company, M/s.HBL Miltrade Pte Ltd, Singapore, allotted one share (Face value - One Singapore Dollar) to the company. The company is yet to remit the same. Pending remittance, Investment is not disclosed in the Balance Sheet.

All the Investments held by the Company as at 31-03-2011 are classified as 'Permanent' and no provision is required to be made for the fall in the value of investments except in wholly owned subsidiary as stated in (f) above, as the Losses in other companies are considered to be temporary.

7. **<u>Confirmation of Balances</u>:**

The balances appearing under Sundry Debtors, Creditors for supplies/expenses, Advance to suppliers/others, advances from customers are subject to confirmation/reconciliation and consequential adjustments. The Company has sent letters to customers/vendors seeking confirmation of balances and in some cases replies have been received and the differences noticed which are not significant, are being reconciled).

8. **Sundry Debtors include ₹ 1,237.82 Lakhs (Previous year ₹ 321.01 Lakhs) due from the following group companies.**

(₹ in lakhs)

	As on 31.03.2011	**As on 31.03.2010**
HBL Power Systems (M) SDN, BHD, Malaysia (Subsidiary company)	Nil	67.20
Gulf Batteries Co. Ltd (KSA) (Joint Venture Company)	550.04	253.48
Kairos Engineering Ltd (Controlled Company)	1.65	0.33
Guided Missile Engineering India Pvt Ltd (Associate Company)	0.27	Nil
Auto TEC Systems Pvt. Ltd. (Associate Company)	685.86	Nil
Total	**1,237.82**	**321.01**

9. **Loans and Advances include ₹ 4,673.24 (Previous year ₹ 51.97 Lakhs) due from the following group companies.**

(₹ in Lakhs)

	31.03.2011 (₹ in Lakhs)	Previous Year (₹ in Lakhs)	Maximum outstanding at any time during the year. (₹ in Lakhs)
Agile Electric Drives Technologies and Holdings Pvt. Ltd. (Subsidiary company)	3,000.00	-	3,000.00
SCIL Infracon Pvt. Ltd. (Subsidiary company)	314.40	-	314.40
Kairos Engineering Ltd. (Controlled Company)	38.70	51..97	63.28
Sankhya Infotech Ltd . (Associate Company)	1,356.32	-	1,356.32
Auto TEC Systems Pvt. Ltd. (Associate Company)	2.68	-	2.68

10. **Subsidies received from Government of A.P:**

a) The Company claimed and received ₹ 118.84 lakhs towards Power Subsidy which is netted from Power Charges as the expenditure when incurred was fully charged to revenue.

b) The Company made claim for Sales Tax subsidy by way of reimbursement of VAT paid and during the year received ₹ 365.78 lakhs and the same is considered as Exceptional Income.

11. Fixed Deposits with Banks include ₹ 470.00 lakhs against which the Company authorised the Bank to mark lien on the deposits as security for the facility sanctioned by the Bank to M/s. Sankhya Infotech Ltd., an associate Company.

12. In the absence of eligible profits under section 349 read with section 198 of the Companies Act, 1956, for the year 2010-11 no commission is payable to the Chairman & Managing Director on the profits and the remuneration paid to him for the year 2010-11 amounting to ₹ 25.80 lakhs is subject to the approval of the members by way of special resolution as required under Schedule XIII of the Companies Act, 1956.

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, 2011.

(₹. in Lakhs)

	2010 -11	2009-10
The principal amount and the interest due thereon remaining unpaid to any supplier at the year end :		
Principal amount	704.35	79.96
Interest	20.33	2.19
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day		
Principal amount	4,381.15	2,677.50
Interest	—	—
The amount of interest due and payable for the period of delay in-making payment (beyond the appointed day during the year)	47.31	38.86
The amount of interest accrued and remaining unpaid	56.48	41.05
The amount of further interest remaining due and payable for the earlier years	71.45	30.40

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 claimed / paid.

14. **Disclosures required to be made as per Accounting Standards (AS), to the applicable, are as under:**

(A) Disclosure as per AS-11"Accounting for Effects of Changes in Foreign Exchange Rates"

(₹ In Lakhs)

		2010-11	2009-10
a)	Exchange differences arising out of settlement / translation on account of Export Sales for the year included in Sales revenue	118.98	(95.21)
b)	Exchange differences arising out of settlement / translation on account of previous year; Export Sales included in Administrative expenditure	20.21	(53.36)
c)	Exchange differences arising out of settlement / translation on account of Imports included in consumption	322.97	610.95
	Net gain (loss) recognised during the year	**462.16**	**462.38**

(B) Disclosure as per AS-15 "Employee Benefits";

i) **Defined Contribution Plan:**

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

(₹ in Lakhs)

	2010-11	2009-10
Employer's Contribution to PF/ESI /Pension schemes	732.78	511.32

ii) **Defined Benefit Plan:**

(a) **Gratuity obligation of the Company:**

The Company has taken Group Gratuity Policy of LIC of India to cover the employer's obligation towards Gratuity under the payment of Gratuity Act and the fund required to be maintained to cover the P.V of past service benefit and current service cost is fully funded by the Company as per the valuation made under PUC method and demanded by LIC of India. Besides the funding, the company also paid the annual risk premium to keep the policy active and recognised as expenses for the year.

Acturial assumptions for Grautuity: (₹ in Lakhs)

	2010-11	**2009-10**
Gratuity ceiling (₹ in lakhs)	10.00	3.50
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Withdrawal rate	1% to 3%	1% to 3%
Discount rate (per Annum)	8%	8%
Salary escalation (per Annum)	4%	4%
Valuation method	PUC	PUC
Percentage of funding	100%	100%
Amount contributed during the year:		
Towards Gratuity Fund	280.65	97.23
Towards Annual Risk Premium	13.38	9.26
Amount charged to Profit & Loss account (before capitalised funding of ₹ 0.77 lakhs)	**294.03**	**106.49**
Results of acturial valuation on liability & funding (as per LIC of India):		
Present value of past service benefit	629.99	389.93
Current Service cost	111.08	79.26
	741.07	**469.19**
Fund value at the beginning	481.77	371.96
Contribution made during the year:		
- For current service cost	111.08	79.26
- For shortfall in P.V of past benefit and fund Value on renewal date	169.57	17.97
Interest credit to the fund	43.58	33.69
Claims settled	(25.85)	(21.11)
Fund value at the year end	**780.15**	**481.77**

The increase in the present value is on account of increase in Gratuity Ceiling to ₹ 10.00 lakhs from ₹ 3.50 lakhs.

Results of independent Acturial Valuation report for the year:

(i)

	2010-11
Present Value (P.V) of obligation at the year end	625.66
Fair Value (F.V) of plan assets at the year end	780.15
Funded status	**154.49**

Representing Current service cost charged by LIC and interest credited to fund by LIC, not recognised as asset

(ii)	**Expense to be recognised in Profit & Loss account:**	
	Current service cost	555.45
	Acturial gain	(325.06)
	Interest cost	31.19
		261.58
(iii)	**Changes in the P.V of obligation:**	
	P.V of obligation at the beginning	389.93
	Interest cost	31.19
	Current service cost	555.45
	Acturial gain	(325.06)
	Benefits paid	(25.85)
	P.V of obligation at the year end	**625.66**
(iv)	**Changes in the F.V of Plan Assets:**	
	F.V at the beginning	481.77
	Expected returns	38.54
	Contribution during the year	280.65
	Acturial gain	5.04
	Benefits paid during the year	(25.85)
	F.V at the year end	**780.15**
(v)	**Acturial gains / losses :**	
	On account of obligation	(325.06)
	On account Plan Assets	5.04
	Gains / Losses recognized	(320.02)
	Unrecognised gain / loss	**NIL**
(vi)	**Fair value of plan Asset :**	
	F.V. at the beginning	481.77
	Actual return on Plan Asset	43.58
	Contributions	280.65
	Claims settled	(25.85)
	F.V. at the year end	**780.15**
	P.V of obligation at the year end	625.66
	Fund status	154.49
		780.15

(b) <u>Long Term Compensated Absences</u>:

The present value of obligation for long term compensated absences is determined on acturial valuation using Project Unit Credit method (PUC) and is charged to profit & loss account. The obligation is not funded.

(₹ in Lakhs)

		2010-11	2009-10
	Provision held at the beginning of the year	105.07	122.94
	Expense recognised during the year	50.22	(4.93)
	Claims paid (encashed during the year)	(20.42)	(12.94)
	Provision required and held at the year end	**134.87**	**105.07**
I	**Changes in present value of obligations**		
	PVO at beginning value of period	105.07	122.94
	Interest cost	8.40	9.84
	Current Service Cost	63.75	(29.44)
	Actuarial (gain)/loss on obligation	(42.35)	1.73
	PVO at end period	**134.87**	**105.07**
II	**Changes in Fair Value of Plan Assets**		
	Not applicable as the obligations are not funded		
III	**Actuarial Gain/(Loss) recognized**		
	Actuarial Gain/(Loss) for the period recognised	(42.35)	(1.73)
	Unrecognised Gain/(Loss)	NIL	NIL
		(42.35)	**(1.73)**
IV	**Amounts to be recognized in the Balance sheet**		
	Present Value of Obligation at the year end	134.87	105.07
	Net Asset/(Liability) recognized in the balance sheet	(134.87)	(105.07)
	Net Asset/(Liability) unrecognized	—	—
V	**<u>Expense recognized in the statement of P&L a/c.</u>**		
	Current Service Cost	63.75	(29.44)
	Interest cost	8.40	9.84
	Expected Return on Plan Assets		
	Net Actuarial (Gain)/Loss recognized for the period	(42.35)	1.73
	Benefits paid	20.42	12.94
	Expense recognized in the statement of P &L A/C	**50.22**	**(4.93)**
VI	**<u>Movements in the Liability recognized in Balance Sheet</u>**		
	Opening Net Liability	105.07	122.94
	Expenses as above	50.22	(4.93)
	Contribution Paid	(20.42)	(12.94)
	Closing Net Liability	**134.87**	**105.07**

(C) Disclosure as per AS-17 "Segment Reporting";

	2010-11 ₹ Lakhs		2009-10 ₹ Lakhs	
Segment Revenue				
Batteries				
Exports	18,486		9,425	
Domestic sales	73,366	91,852	92,798	102,223
Unallocated				
Exports	1,384		1,454	
Domestic sales	6,323	7,707	7,380	8,834
Total		99,559		111,057
Less : Inter-segment Revenue		64		106
Gross Revenue		99,495		110,951
Segment Result				
Batteries		9,012		20,249
Unallocated		(598)		737
Total		8,413		22,734
Less : Interest		4,934		3,831
Unallocable expenditure net of unallocable income		2,958		4,505
Net Profit before taxes		521		14,398
Segment Assets				
Batteries		95,567		85,992
Unallocated		49,652		26,518
Total Assets		145,219		112,510
Segment Liabilities				
Batteries		18,112		13,034
Unallocated (includes Term Loans, Bank Loans, Hire Purchase Loans)		74,623		48,342
Total Liabilities		92,735		61,376
Segment Capital expenditure during the year				
Batteries		8,558		6,522
Unallocated		3,579		3,550
Total		12,137		10,072
Segment Depreciation				
Batteries		2,659		2,480
Unallocated		371		327
Total		3,030		2,807

Notes: (a) The Company's operations include Batteries of different types, Electronics, Railway Signalling contracts etc. Except for Batteries, the segment revenue, the segments results and the segments assets and liabilities of other activities are individually below the threshold limit of 10% as provided in AS-17 "Segment Reporting". Accordingly, Batteries segment is shown separately as reportable segment and others are included in Unallocated segments.

(b) Batteries segment consists of various types of batteries for defence , aviation , telecom and industrial application.

(c) Inter segment revenue is measured at the market prices at which the products are sold to external Customers

(D) Disclosure as per AS–18 "Related Party Disclosure";

1	Holding Company	Beaver Engineering & Holdings Ltd.	
2	Subsidiaries	Bhagirath Energy Systems Pvt Limited, Nepal	
		HBL Power Systems (M) SDN BHD, Malaysia	
		Agile Electric Drives Technologies & Holdings Pvt Ltd	
		HBL Germany, GMBH	
		SCIL Infracon Pvt Ltd	
3	Joint Venture	Gulf Batteries Company Ltd, Kingdom of Saudi Arabia	
4	Controlled Companies	Kairos Engineering Limited, Hyderabad	
5	Associate	Naval Systems & Technologies Pvt Ltd	
		Guided Missile Engineering India Pvt Ltd	
		Auto TEC Systems (P) Ltd, Bangalore	
		Sankhya Infotech Ltd	
6	Key Management Personnel	Dr A J Prasad	Chairman & Managing Director
		M S S Srinath	Whole Time Director
		Kavita Prasad	Whole Time Director
		J.K.Verma	Whole Time Director (Up to 09th July 2010)
		Ashok Nagarkatti	
		P Satish Kumar	

Disclosure of transactions between the Company and Related parties and the status of outstanding balances as on 31st March, 2011

₹ in Lakhs

Sl.No		Nature of Transaction	During the year	Outstanding at the end
1	Holding Company	Funds Borrowed	420.00	120.00
		Interest Paid	8.46	5.43
2	Subsidiaries	Investment in Shares	11,954.60	12,082.23
		Funds Borrowed	3,000.00	-
		Funds Given	3,282.86	3,282.86
		Interest Received	75.61	31.54
		Interest Paid	24.66	-
3	Joint Venture	Investment in Shares	-	1,424.51
		Sale of Goods	538.11	550.04
4	Controlled Companies	Investment in Shares	-	9.00
		Rent Received	1.32	1.65
		Services Received	73.39	38.70
5	Associates Companies	Investment in Shares	331.04	635.48
		Advance for Investments	195.38	195.38
		Funds Given	1,310.00	1,300.00
		Sale of Goods	936.30	685.86
		Service Rendered	16.85	0.27
		Purchase of Goods	2.88	
		Advance for Services	2.68	59.00
		Interest Received	61.07	
6	Key Management Personnel	Funds Borrowed	1,018.00	-
		Remuneration	112.36	-
		Rent	4.80	-
		Interest Paid	13.45	-

(E) **Disclosure as per AS-19 "Leases";**

Finance Leases	Nil
Operating Leases:	
Future lease Rents Payable:	
- Not Later than one year.	₹ 11.73 Lakhs
- Later than one year and non later than five year.	₹ 11.73 Lakhs
- Later than five year	₹ Nil

Lease Rents for the year recognised in the Profit & Loss a/c (under Maintenance-Office Equipment) ₹ 11.73 Lakhs

(F) **Disclosure as per AS-20 "Earnings per share";**

Computation of EPS (Basic & Diluted)

	2010-11	**2009-10**
Profit After Tax (Rs.)	16,44,94,886	100,41,79,022
No. of Shares (Basic)	25,30,00,000	24,70,47,404
No. of Shares (Diluted)	25,30,00,000	24,71,84,466
EPS (Basic)	0.65	4.065
EPS (Diluted)	0.65	4.062

(G) **Disclosure as per AS-22 "Accounting for Taxes on Income";**

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

(₹ In Lakhs)

	Deferred Tax			
	Current Year		**Previous Year**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
1. Depreciation	-	1704.32	-	1743.84
2. Unabsorbed Loss	911.16	-	-	-
3. Long Term Capital Loss	-	-	8.72	-
4. Contribution to ValuableEmployees Scheme	1.16	-	3.70	-
5. Others	49.58	-	-	-
Total	961.90	1704.32	12.42	1743.84

(H) **Disclosure as per AS- 26 "Intangible Assets"; (Also refer Note 5 above)**

Intangible Asset (Internally Generated)	Opening Balance As on 01.04.2010	Amortisation during the year	Closing Balance As an 31.03.2011
New Products Development	₹ 700.99 Lakhs	₹ 102.56 Lakhs	₹ 598.43 Lakhs

(I) **Disclosure as per AS-27 "Financial Reporting of Interests in Joint Ventures": (Also refer Note 6(a) above)**

S. No.	Name of the venture	Country of Incorporation	Percentage of ownership interest as on 31.03.2011	Percentage of ownership interest as on 31.03.2010
1	Gulf Batteries Company Ltd	Kingdom of Saudi Arabia	40	40

The Company's interest in the above company is reported under the head Investment (Schedule-8) and stated at Cost.

Pending receipt of Audited/Unaudited financial statements of JV company for the year ending 31-03-2011, the disclosure of the company's share of the Assets/Liabilities, Income and Expenses is not made as required under AS-27.

(J) **Disclosure as per AS-29 "Provisions, Contingent Liabilities, Contingent Assets";**

Provision for Warranty: **₹ In Lakhs**

		2010-11		2009-10
Provision at the beginning of the year		687.61		694.57
Provision required for the year	364.27		455.80	
Provision reversed from the opening Balance	493.97		462.75	
Charge for the year		(129.70)		(6.95)
Carrying amount		557.91		687.61

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.

15. 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	1640 Mil Ah
Nickel Cadmium Batteries	85 Mil Ah
Chargers / Rectifiers	3500 Nos
Lithium Thionyl Chloride Cells	11000 Nos
Others	Inview of the items being manufactured as per the customers orders it is not possible to ascertain installed capacity

Particulars	Units	2010-11		2009-10	
		Quantity	Value (₹ Lakhs)	Quantity	Value (₹ Lakhs)
B. Details of Production, Turnover and Finished goods					
1. Opening Stock of Finished Goods					
Lead Acid Batteries	Lac AH	492.97	3,782.27	508.09	3,366.08

Particulars	Units	2010-11 Quantity	2010-11 Value (₹ Lakhs)	2009-10 Quantity	2009-10 Value (₹ Lakhs)
Nicad Battery Cells	Nos	48	3.64	-	-
Silver Zinc Battery Cells	Nos	300	30.65	-	-
Nickel Cadmium Pocket Plate Batteries	Lac AH	8.69	174.83	0.31	6.30
Electronic Charges/Rectifiers	Nos	4	5.59	1	1.02
			3,996.98		3,373.40
2. Production (Major Items)					
Lead Acid Batteries	Lac AH	6,480.47		8,476.29	
Nicad Battery Cells	Nos	40,692		43,418	
Silver Zinc Battery Cells	Nos	18,500		27,893	
Lithium Battery	Nos	46		-	
Nickel Cadmium Pocket Plate Batteries	Lac AH	738.54		570.17	
Electronic Charges/Rectifiers	Nos	4,642		3,169	
Battery Operated Vehicles	Nos	1,343		4,514	
3. Sales (Gross Value)					
Lead Acid Batteries	Lac AH	6,826.74	69,228.49	8,491.41	87,301.13
Nicad Battery Cells	Nos	39,280	2,121.57	43,370	1,619.34
Silver Zinc Battery Cells	Nos	18,800	2,638.18	27,593	1,443.81
Lithium Battery Cells	Nos	46	7.84	-	-
Nickel Cadmium Pocket Plate Batteries	Lac AH	736.07	22,210.88	561.78	17,652.64
Electronic Chargers/Rectifiers	Nos	4,640	4,954.57	3,166	5,030.47
Battery Operated Vehicles	Nos	1,343	250.74	4,514	1,033.63
Others Products			1,942.84		620.63
Installation & Commissioning Charges Received			332.21		318.97
Works Contract Receipts			1,111.28		2,546.81
Service Charges			3,386.76		2,626.05
Job Work Charges / Testing Charges			227.81		108.79
Export/Domestic Sale Trading			207.50		-
Export of Know how and I&C			209.57		-
			108,830.24		**120,302.27**
4. Closing Stock of Finished Goods					
Lead Acid Batteries	Lac AH	546.70	4,775.26	492.97	3,782.27
Nicad Battery Cells	Nos	1460	47.80	48	3.64
Silver Zinc Battery Cells	Nos	-	-	300	30.65
Nickel Cadmium Pocket Plate Batteries	Lac AH	11.16	238.16	8.69	174.83
Electronic Chargers/Rectifiers	Nos	6	11.44	4	5.59
			5,072.66		**3,996.98**

Particulars	Units	2010-11 Quantity	2010-11 Value (₹ Lakhs)	2009-10 Quantity	2009-10 Value (₹ Lakhs)
C. Details of Consumption of Raw Materials					
Battery Seperator	MT	857.54	1,851.18	1,200.22	2,077.10
Lead Calcium	MT	6,558.17	7,583.66	10,909.10	10,836.94
Lead Sub Oxide	MT	14,214.02	14,720.94	18,776.12	17,086.61
P P	MT	1,444.38	1,239.03	2,420.50	1,595.90
C R Sheet	MT	5,175.47	2,154.75	9,594.78	3,326.46
Nickel Hydroxide Powder	MT	74.45	673.99	64.47	490.70
Nickel Sulphate	MT	885.50	2,564.75	709.50	1,524.64
C R Strip	MT	725.38	720.08	629.31	637.29
Nickel Powder	MT	23.32	371.12	17.02	184.59
Transformers, Chokes, Electric Items			2,476.44		1,176.63
Others			29,286.14		23,928.00
			63,642.08		**62,864.86**

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

₹ Lakhs

	2010-11	%	2009-10	%
Imported Raw Material	27,838.12	43.74	29,843.25	47.47
Indigenous Materials	35,803.96	56.26	33,021.60	52.53
	63,642.08	**100.00**	**62,864.85**	**100.00**

₹ Lakhs

		2010-11	2009-10
E.	***Value of Imports on CIF (Cash Basis)***		
	Raw Materials, Components & Spares	24,886.70	28,587.10
	Capital Items / Equipment	1,773.15	819.85
F.	***Expenditure in Foreign Currency (Cash Basis)***		
	Travelling Expenses	99.76	103.47
	Professional Charges	42.91	9.65
	Commission	94.21	133.60
	Royalty	68.20	28.25
	Technical Know How	99.53	669.08
	Marketing Expenses	71.31	90.78
	Investment n Subsidiary Company	14.92	-
	Investment in Joint Venture Company	-	1424.51
	Others	26.09	32.72
G.	***Income in Foreign Currency (Cash basis)***		
	Export Sales	17,587.54	11,480.57

16 Remuneration to Auditors

	₹	₹
Audit	850,000	700,000
Tax Audit	200,000	150,000
Tax Representation	200,000	150,000
Service Tax	128,750	103,000
	1,378,750	**1,103,000**

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

18 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
As per our report of even date annexed

for **M/s. Satyanarayana & Co.**
Chartered Accountants
FRN No. S3680

Ch. Seshagiri Rao
Partner
M.No: 18523

Hyderabad
Date: 30th May 2011

On Behalf of the Board

Dr. A J Prasad
Chairman & Managing Director

M. Kavita Prasad
Director

MVSS Kumar
Company Secretary

18 *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**
	Balance Sheet date		**March 31, 2011**
b)	**Capital raised during the year** *(₹ '000)*		
	Public Issue - Preferential Issue		***-Nil-***
	Right Issue		***-Nil-***
	Bonus Issue		***-Nil-***
c)	**Position of mobilisation and deployment of funds** *(₹'000)*		
	Total Liabilities	₹	**123,373.56**
	Total Assets	₹	**123,373.56**
	Sources of Funds		
	Paid-up Capital	₹	**-**
	Reserves & Surplus	₹	**52,484.16**
	Deferred taxes	₹	**742.42**
	Secured Loans	₹	**68,348.18**
	Unsecured Loans	₹	**1,798.81**
	Application of Funds		
	Net Fixed Assets (including pre-operative expenditure)	₹	**51,242.92**
	Investments	₹	**14,121.84**
	Net Current Assets	₹	**58,008.80**
	Miscellaneous Expenditure	₹	**-**
	Accumulated losses	₹	**-**
d)	**Performance of the Company** *(₹ '000)*		
	Turnover*	₹	**99,494.56**
	Total Expenditure	₹	**101,270.88**
	Profit Before Tax	₹	**521.03**
	Profit After Tax	₹	**1,644.95**
	Earnings per share (Basic)	₹	**0.650**
	Earnings per share (Diluted)	₹	**0.650**
	Dividend Rate		**10%**
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 (₹ Lacs)		790.36
	*Excludes Exceptional Income (₹ Lacs)		1,507.00

Consolidated Auditor's Report

Auditor's Report to the Board of Directors, HBL Power Systems Limited

1) We have audited the attached Consolidated Balance sheet of HBL Power Systems Limited as at 31st March, 2011, Consolidated Profit and Loss Account for the year ended on that date and the Cash Flow Statement for that period and corresponding Schedules, referred to as Consolidated Financial Statements (CFS). Our report is on the CFS which includes the Group Companies as brought out in Note 2 of Schedule 21. These CFS are the responsibility of the HBL Power Systems Ltd.'s management and have been prepared by the management on the basis of separate financial statements. Our responsibility is to express an opinion on these CFS based on our examination.

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 (CFS) 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 policies used and significant statements made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion, **subject to our comments given hereunder**.

3) *Our comments on the Consolidated Financial Statements are as under:*

   a) *reference is invited to Note 2(c) and 2(e) of Schedule – 21(B) regarding consolidation of provisional and unaudited financial statements relating to M/s. HBL Germany, GmbH and M/s. Bhagirath Energy Systems (P) Ltd., Nepal (under winding up), the wholly owned subsidiaries which are as furnished by the management of HBL Power Systems Ltd and we have wholly relied on such statements and not carried out any examination of such statements for the reasons stated in the Notes referred to above.*

   b) *reference is invited to Note 2(i) of Schedule 21(B), regarding Investments in Associates which are carried at cost and 'equity method' as required to be followed under Accounting Standard (AS) – 23 is not complied with. In the absence of proper information we are unable to quantify the impact on the CFS.*

   c) *reference is invited to Note 9.3 of Schedule 21(B), regarding deviations in Accounting Policies as compared to Parent's Accounting Polices. We are unable to quantify the impact on the CFS on account of such deviations.*

4) We have carried out the Statutory Audit of the Financial Statements as at 31.03.2011 of the Parent Company. We have not carried out the audit of the financial statements of (a) M/s. SCIL Infracon (P) Ltd., (b) HBL Power Systems (M) SDN, BHD, Malaysia and (c) Agile Electric Drives Technologies & Holdings Ltd. and its subsidiaries, whose financial statements as of 31.03.2011 have been audited by the Statutory Auditors of the said Companies and their reports have been furnished to us and in so far as it relates to the amounts included in respect of the said subsidiaries including step down subsidiaries are solely based on the reports of other auditors. In respect of Joint Venture in Kingdom of Saudi Arabia, the audited financial statements alongwith Auditor's Report on such statements as at 31.12.2010 have been made available to us and based on such audited statements, the Joint Venture Company has prepared financial statements as on 31.03.2011 (unaudited) and the same have been relied upon by us for consideration in preparing the CFS (Reference is invited to Note 2 of Schedule–21(B)).

5) Subject to the above comments and limitations, we report that the CFS have been prepared in accordance with the requirements of Accounting Standard (AS) – 21 "Consolidated Financial Statements", Accounting Standard (AS) – 23 "Accounting for Investments in Associates" in Consolidated Financial Statements, and Accounting Standard (AS) – 27 "Financial Reporting of Interest in Joint Ventures" as specified in the Companies (Accounting Standards) Rules, 2006.

6) Based on our audit and on consideration of reports of other auditors on separate financial statements to the extent furnished to us and on the other financial information of the components and to the best of our information and explanations given to us ***but subject to above comments and limitation, 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 / Joint Venture Companies as at 31st March, 2011;

(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 / Joint Venture Companies for the year then ended; and

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

for **Satyanarayana & Co.,**
Chartered Accountants
(Firm Registration No.: S3680)

Place : Hyderabad
Date : 27-07-2011

Ch Seshagiri Rao
Partner
Membership No. 18523

HBL

Consolidated Balance Sheet as at March 31, 2011

	Schedule	As at March 31, 2011 ₹		As at March 31, 2010 ₹	
Sources of Funds					
A *Share Holders Funds*					
Share Capital	1	253,000,000		253,000,000	
Reserves and Surplus	2	5,413,362,937	5,666,362,937	4,833,559,995	5,086,559,995
Employee stock options outstanding		20,197,500			
Less: Deferred employee compensation expenses		12,007,829	8,189,671		
B Minority Interest	3		942,651,704		-
C *Loan Funds*					
Secured Loans	4	7,822,297,172		4,119,161,711	
Unsecured Loans	5	423,381,352	8,245,678,524	171,636,510	4,290,798,221
D *Deferred taxes*					
Deferred Income Tax	6		240,765,972		173,548,340
Total			15,103,648,808		9,550,906,556
Application of Funds					
A Fixed Assets	7	8,042,387,561		4,567,107,278	
Less: Depreciation		2,105,013,939		1,156,484,771	
Net Fixed Assets		5,937,373,622		3,410,622,507	
Intangible Assets		1,856,195,503	7,793,569,125	70,098,754	3,480,721,261
B Capital Works in Progress	8		1,148,237,687		818,442,526
C Investments	9		275,423,178		31,354,140
D Deferred Tax Assets			1,190,759		-
E Current Assets, Loans and Advances	10				
Inventories		3,073,030,467		2,330,445,373	
Receivables		3,771,834,003		3,401,357,871	
Cash & Bank Balances		1,123,970,788		649,370,388	
Other Current Assets		82,348,691		69,738,222	
Loans & Advances		992,857,269		563,119,499	
		9,044,041,218		7,014,031,353	
Less: Current Liabilities and Provisions	11				
F Current Liabilities		3,042,751,534		1,551,035,574	
Provisions		116,182,025		242,607,150	
		3,158,933,559		1,793,642,724	
Net Current Assets			5,885,107,659		5,220,388,629
G Miscellaneous expenditure (to the extent not written off)					
Preliminary Expenses	12		120,400		-
Total			15,103,648,808		9,550,906,556
Accounting Policies & Notes on Accounts	21				

As per our report of even date annexed
for **M/s. Satyanarayana & Co.**
Chartered Accountants
FRN No. S3680

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 : 27th July, 2011

Place : Hyderabad
Date : 27th July, 2011

MVSS Kumar
Company Secretary

Consolidated Profit & Loss Account for the Year ended March 31, 2011

Particulars	Schedule	Year Ended March 31, 2011 ₹	Year Ended March 31, 2010 ₹
Income			
Gross Sales	13	13,019,350,432	12,108,645,648
Less : Excise duty and taxes	13 A	953,774,026	935,215,392
Net Sales		12,065,576,406	11,173,430,256
Other Income	14	81,910,450	68,449,858
Exceptional Income	15	150,700,082	-
		12,298,186,938	11,241,880,114
Expenditure			
Material Cost	16	7,911,496,850	6,438,122,148
Manufacturing Cost	17	875,885,346	724,487,039
Employees Cost	18	1,295,371,458	988,321,941
Administrative and Selling Cost	19	1,094,454,647	975,800,517
Finance Cost	20	590,460,223	386,708,584
Depreciation		377,450,466	284,813,448
Amortisation of Intangible Assets		18,633,319	10,256,210
		12,163,752,309	9,808,509,887
Profit before tax		134,434,629	1,433,370,227
Less: Income Tax Provision		29,675,841	416,517,198
Less: Wealth Tax Provision		975,000	1,000,000
Less: Deferred Tax liability/ (asset) for the year		(85,440,625)	24,310,117
Less :Income & Wealth Tax Adjustment relating to Previous Years		(14,215,496)	(4,344,555)
Profit after Tax		203,439,909	995,887,467
Minority Interest - C/Y share of Profit/Loss		34,858,756	-
Profit attributable to Group Shareholders		168,581,153	995,887,467
Surplus as per last Balance Sheet		294,076,172	186,694,746
Add : Balance Brought Forward from Previous Year on Acquisition (Net of Minoity Interest)		42,030,949	-
Add: On Account of disinvestment of JV		3,417,514	-
Less: Transferred to Minority Interest Group		(478,800)	-
		507,626,988	1,182,582,213
Less: Appropriations			
Transfer to General Reserve		1,211,650	800,000,000
Provision for Dividend		25,300,000	75,900,000
Tax on dividends		4,851,700	12,606,041
		31,363,350	888,506,041
Surplus Carried to Balance Sheet		476,263,638	294,076,172
Accounting Policies & Notes on Accounts	21		

As per our report of even date
for **M/s. Satyanarayana & Co.**
Chartered Accountants
FRN No. S3680

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 : 27th July, 2011

Place : Hyderabad
Date : 27th July, 2011

MVSS Kumar
Company Secretary

Schedules Forming Part of Consolidated Balance Sheet

		As at March 31, 2011 ₹		As at March 31, 2010 ₹
Schedule : 1				
Share Capital				
Authorised				
30,00,00,000 Equity shares of Re. 1 each		300,000,000		300,000,000
(Previous Year 30,00,00,000 Equity shares of Re.10 each)				
Issued , Subscribed & Paid-up				
25,30,00,000 Equity shares of Re. 1 each		253,000,000		253,000,000
(Previous Year 25,30,00,000 Equity shares of Re.10 each)				
		253,000,000		253,000,000
Schedule : 2				
Reserves and Surplus				
Capital Reserve		102,300		102,300
Investment Subsidy from State Government		5,577,050		5,577,050
Share Premium Account		1,440,468,545		1,043,776,535
General Reserve				
Opening Balance	3,500,000,000		2,700,000,000	
Add:Transferred from Profit & Loss Account	1,211,650	3,501,211,650	800,000,000	3,500,000,000
Exchange Variation Reserve		285,746		98,425
Surplus as per Profit & Loss Account		476,263,638		294,076,172
Total		5,423,908,929		4843630482
Share of Joint Venture				
Share Premium		-		243,750
Exchange variation Reserve		(10,545,992)		(10,314,237)
Grand Total		5,413,362,937		4,833,559,995
Schedule : 3				
Minortity Interest				
Additions during the year	911,291,210			
Share of Profits/(Losses) for the year	34,858,756			
Dividends to minority shareholders	(3,498,262)	942,651,704		

Schedules Forming Part of Consolidated Balance Sheet

		As at March 31, 2011 ₹		As at March 31, 2010 ₹
Schedule : 4				
Secured Loans				
A) Term Loans from				
IDBI Bank Limited	1,131,244,911		1,105,324,658	
IDBI Bank Limited Short Term Loan	250,000,000		-	
State Bank of India	856,762,262		644,451,888	
State Bank of Hyderabad	546,692,317		373,769,247	
Exim Bank Ltd	82,771,233		-	
Axis Bank Ltd	947,402,834		478,492,018	
ICICI Bank Ltd	1,000,000,000		-	
HDFC Ltd	1,833,796		4,239,553	
Agile Group Term Loans	340,123,672	5,156,831,025	-	2,606,277,364
B) Working Capital Loans from				
State Bank of India	1,299,893,135		1,064,228,859	
State Bank of Hyderabad	210,378,689		39,311,506	
IDBI Bank Ltd	360,939,984		327,758,292	
Kotak Mahindra Bank Ltd	100,000,000		-	
Agile Group Working Capital Loans	645,847,599	2,617,059,407	-	1,431,298,657
C) Other Loans				
Against Vehicles from HDFC Bank	23,017,145		18,034,326	
Against Vehicles from ICICI Bank	1,508,392		-	
Against Equipment from FLCIL	23,881,203	48,406,740	42,467,961	60,502,287
Total		7,822,297,172		4,098,078,308
Share of Joint Venture		-		21,083,403
Grand Total		7,822,297,172		4,119,161,711
Schedule : 5				
Unsecured Loans				
Interest Free Sales Tax Loan		167,880,770		171,636,510
Inter Corporate Deposit from Beaver Engineering & Holdings Ltd		12,000,000		-
Loan from Directors (Agile Group)		90,000,000		-
Loan from others		54,688,731		-
Lease Finance from L&T		29,811,851		-
Loan from Indian Overseas Bank		69,000,000		-
Total		423,381,352		171,636,510
Schedule : 6				
Deferred Taxes				
Deferred Income Tax Liability		326,206,598		149,238,223
Deferred tax liability / asset for the year		(85,440,626)		24,000,000
Total		240,765,972		173,238,223
Share of Joint Venture		-		310,117
Grand Total		240,765,972		173,548,340

Schedules Forming Part of Consolidated Balance Sheet

Schedule : 7 Figs. in ₹

Fixed Assets (at Cost)

Description	Gross Block							Depreciation Block							Net Block	
	As on April 1, 2010	Addtions on Account of Acquisition	Additions	Deletions on Account of Acquisition	Deletions on Account of disinvestment in JV	Adjustments/ Deletions	As on March 31, 2011	As on April 1, 2010	On Account of Acquisition	For the Year	Deletion on Account of Acquisition	Deletions on Account of disinvestment in JV	Adjustments/ Deletions	As on March 31, 2011	As on March 31, 2011	As on March 31, 2010
Land - Freehold	166,196,807	18,612,560	76,755,915	-	-	5,693,664	**255,871,618**	-	-	-	-	-	-	**-**	**255,871,618**	166,196,807
Land - Leasehold	9,256,549	-	-	-	-	-	**9,256,549**	-	-	-	-	-	-	**-**	**9,256,549**	9,256,549
Buildings - Factory	973,344,022	409,723,100	215,136,342	-	-	-	**1,598,203,464**	116,742,295	40,110,803	43,184,343	-	-	-	**200,037,441**	**1,398,166,023**	856,601,727
Buildings - Others	68,254,018	2,424,076	13,178,868	-	-	-	**83,856,962**	3,753,216	-	1,335,992	-	-	-	**5,089,208**	**78,767,754**	64,500,802
Plant & Machinery	2,942,110,282	1,948,968,043	709,772,915	13,156,763	-	-	**5,587,694,477**	871,058,641	554,460,327	293,949,775	17,234,078	-	17,234,078	**1,685,000,587**	**3,902,693,890**	2,071,051,641
Office Equipment	167,570,808	249,713	31,702,207	-	-	-	**199,522,728**	78,992,343	26,730	17,846,178	-	-	192,973	**96,672,278**	**102,850,450**	88,578,465
Furniture & Fixtures	78,665,775	42,952,937	12,530,965	-	-	-	**134,149,677**	36,514,653	16,621,899	7,652,012	-	-	3,509,727	**57,278,837**	**76,870,840**	42,151,122
Vehicles	106,022,478	7,560,061	21,674,656	204,520	-	8,270,209	**126,782,466**	44,101,376	3,018,137	10,638,901	116,682	-	116,684	**57,525,048**	**69,257,418**	61,921,102
Technical Library	188,780	-	-	-	-	-	**188,780**	188,780	-	-	-	-	-	**188,780**	**-**	-
Sub Total (A)	**4,511,609,519**	**2,430,490,490**	**1,080,751,868**	**13,361,283**	**-**	**13,963,873**	**7,995,526,721**	**1,151,351,304**	**614,237,896**	**374,607,201**	**17,350,760**	**-**	**21,053,462**	**2,101,792,179**	**5,893,734,542**	3,360,258,215
Share of Joint Venture	55,497,759	-	39,175,692	-	47,812,611	-	**46,860,840**	5,133,469	-	2,843,265	-	4,754,974	-	**3,221,760**	**43,639,080**	50,364,292
	4,567,107,278	**2,430,490,490**	**1,119,927,560**	**13,361,283**	**47,812,611**	**13,963,873**	**8,042,387,561**	**1,156,484,773**	**614,237,896**	**377,450,466**	**17,350,760**	**4,754,974**	**21,053,462**	**2,105,013,939**	**5,937,373,622**	3,410,622,507
Intangible Assets																
New Product Development Expenditure	70,098,754	56,971,697	-	39,779,112	-	10,964,657	**76,326,682**	-	-	-	-	-	-	**-**	**76,326,682**	70,098,754
Goodwill	-	1,723,080,198	-	-	-	-	**1,723,080,198**	-	-	-	-	-	-	**-**	**1,723,080,198**	-
ERP Package	-	14,886,115	-	7,746,966	-	2,526,739	**4,612,410**	-	-	-	-	-	-	**-**	**4,612,410**	-
Technical know how	-	50,000,000	-	-	-	5,000,000	**45,000,000**	-	-	-	-	-	-	**-**	**45,000,000**	-
Sub Total (B)		**70,098,754**	**1,844,938,010**	**-**	**47,526,078**	**-**	18,491,396	**1,849,019,290**	**-**	**-**	**-**	**-**	**-**	**-**	**1,849,019,290**	70,098,754
Share of Joint Venture	-	-	7,318,136	-	-	141,923	**7,176,213**	-	-	-	**-**	**-**	**-**	**-**	**7,176,213**	-
	70,098,754	**1,844,938,010**	**7,318,136**	**47,526,078**	**-**	*** 18,633,319**	**1,856,195,503**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,856,195,503**	70,098,754
Grand Total	**4,637,206,032**	**4,275,428,500**	**1,127,245,696**	**60,887,361**	**47,812,611**	**32,597,192**	**9,898,583,064**	**1,156,484,773**	**614,237,896**	**377,450,466**	**17,350,760**	**4,754,974**	**21,053,462**	**2,105,013,939**	**7,793,569,125**	3,480,721,261
Previous Year	3,802,379,648	-	861,936,240	-	-	27,109,856	4,637,206,032	877,486,623	-	284,813,448	-	-	5,815,300	1,156,484,771	3,480,721,261	

***Amortisation during the year**

Schedules Forming Part of Consolidated Balance Sheet

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
Schedule : 8		
Capital Work in Progress *(At Cost)*		
Machinery under Erection	**244,297,896**	120,365,112
Advance for Technical Know Fee/Software Development	**150,673,357**	137,492,069
Civil Works in Progress	**459,587,255**	385,289,558
Advances for Capital Works/Equipment	**162,694,176**	112,720,169
Pre-operative Expenses pending to be capitalised	**95,654,740**	32,339,283
Intangible Assets -CWIP	**10,112,863**	-
Total	**1,123,020,287**	788,206,191
Share of Joint Venture	**25,217,400**	30,236,335
Grand Total	**1,148,237,687**	818,442,526

Schedule : 9

Investments

A Long Term Investments (at Cost)

No. of Equity Shares Held	Face Value	Details	As at March 31, 2011 ₹	As at March 31, 2010 ₹
a Non Trade - Quoted (Equity)				
200 (200)	₹ 10	Indian Lead Ltd	**10,000**	10,000
840482	₹ 10	Sankhya Infotech Ltd	**33,104,138**	-
b In Other Companies (Equity)				
41000 (41000)	₹ 10	Naval Systems & Technologies Pvt Ltd*	**410,000**	410,000
90000 (90000)	₹10	Kairos Engineering Ltd.*	**-**	900,000
171216 (107010)	₹ 10	Autotec Systems Pvt Ltd	**30,034,140**	30,034,140
2118649	₹ 10	Bosch Electrical Drives I Pvt Ltd *	**211,864,900**	-
*** Associate Companies**				
Total			**275,423,178**	31,354,140

Schedules Forming Part of Consolidated Balance Sheet

		As at March 31, 2011 ₹		As at March 31, 2010 ₹
Schedule : 10				
Current Assets, Loans and Advances				
A. Inventories				
(As taken, valued and certified by the management)				
Raw Materials, Components & Consumables		1,650,022,306		1,194,422,742
Stores & Spares		94,975,068		33,597,629
Consumable Tools		2,327,421		2,996,338
Semi Finished Goods		781,826,225		651,786,522
Finished Goods		530,900,058		399,697,526
Materials in Bonded Warehouse / Transit		4,338,730		563,180
Total		3,064,389,808		2,283,063,937
Share of Joint Venture		8,640,659		47,381,436
Grand Total		3,073,030,467		2,330,445,373
B. Sundry Debtors *(Unsecured & Considered Good)*				
For a period exceeding Six Months	545,917,731		456,002,999	
Less:Provision for bad and doubtful debts	1,439,577	544,478,154	4,049,137	451,953,862
Others		3,225,446,246		2,924,177,347
Total		3,769,924,400		3,376,131,209
Share of Joint Venture		1,909,603		25,226,662
Grand Total		3,771,834,003		3,401,357,871
C. Cash and Bank Balances				
Cash on Hand		3,863,171		3,181,058
Balances with Scheduled Banks in:				
Current Accounts		569,758,088		247,335,820
Dividend Current Account		2,572,644		2,263,027
E E F C Accounts		-		1,048
Fixed Deposits		182,933,819		24,508,146
Margin Money Deposits		334,147,867		279,753,869
Total		1,093,275,589		557,042,968
Share of Joint Venture		30,695,199		92,327,420
Grand Total		1,123,970,788		649,370,388
D. Other Current Assets				
Trade & Other Deposits with Government and Others		80,905,319		69,063,252
Share of Joint Venture		1,443,372		674,970
		82,348,691		69,738,222

Schedules Forming Part of Consolidated Balance Sheet

		As at March 31, 2011 ₹		As at March 31, 2010 ₹
E. Loans and Advances				
(Unsecured and Considered Good and recoverable in Cash or kind or for value to be received)				
Advance for Investment pending allotment for Shares		**19,538,300**		39,797,776
Advances for Purchases and others		**388,322,121**		253,996,037
Others Advances		**138,531,147**		20,060,142
Excise & Customs Deposits		**112,436,478**		108,116,401
Service Tax Input / VAT Receivable		**20,227,133**		12,208,643
Claims Recoverable		**13,872,702**		24,796,083
Income Tax Refunds Receivable		**48,833,340**		-
Interest Accrued		**21,729,010**		13,012,865
Inter Corporate Deposits to Other Companies		**130,000,000**		50,000,000
Advance Income Tax Paid	**139,896,156**		1,266,552,775	
Less: Provision for Income Tax	**43,135,637**	**96,760,519**	1,233,648,405	32,904,370
Total		**990,250,750**		554,892,317
Share of Joint Venture		**2,606,519**		8,227,182
Grand Total		**992,857,269**		563,119,499
TOTAL (**A+B+C+D+E**)		**9,044,041,218**		7,014,031,353
Schedule : 11				
Current Liabilities and Provisions				
A. Current Liabilities				
Bills Payable	**161,828,006**		47,653,469	
Sundry Creditors-for supplies	**2,046,138,644**		1,008,806,134	
Dues to MSME Creditors	**70,435,405**		7,996,121	
Sundry Creditors-for expenses	**312,333,900**		251,526,044	
Advances from Customers	**273,509,416**		115,259,043	
Advances for Projects	**5,000,000**		5,000,000	
Other Liabilities	**20,423,917**		13,773,692	
Directors Current Accounts	**1,946,265**		1,608,657	
Due to Directors (Agile Group)	**137,000,000**		-	
Unpaid Dividend	**3,643,973**		2,261,864	
Total	**3,032,259,526**		1,453,885,024	
Share of Joint Venture	**10,492,008**		97,150,550	
Grand Total		**3,042,751,534**		1,551,035,574

Schedules Forming Part of Consolidated Balance Sheet

		As at March 31, 2011 ₹		As at March 31, 2010 ₹
B. Provisions				
Provision for Excise & Custom Duties	**12,925,807**		27,838,789	
Provision for Commision on Profits	**-**		44,822,000	
Provision for Earned Leave Encashment	**13,771,671**		10,507,000	
Provision for Gratuity	**3,328,023**		-	
Provisions for waranty	**55,791,110**		68,760,700	
Provision for valuable employee scheme	**350,000**		1,090,000	
Provision for Dividend	**25,300,000**		75,900,000	
Tax on Dividends	**4,104,293**		12,606,041	
Total	**115,570,904**		241,524,530	
Share of Joint Venture	**611,121**		1,082,620	
Grand Total		**116,182,025**		242,607,150
		3,158,933,559		1,793,642,724

Schedule : 12

Miscellaneous expenditure (to the extent not written off)

Preliminary expenses				
Expenses on Preferential /Rights Issue as per last Balance Sheet	**150,500**		5,105,599	
Less: Written off during the year	**30,100**	**120,400**	5,105,599	-

Schedules Forming Part of Consolidated Profit & Loss Account

	For the Year Ended March 31, 2011 ₹	For the Year Ended March 31, 2010 ₹
Schedule : 13		
Sales / Job Work Receipts (Gross)		
Domestic Sales	**8,782,709,251**	10,379,066,110
Domestic Sales Trading	**4,032,000**	-
Export Sales	**3,662,149,445**	1,029,979,927
Export Sales Trading	**19,289,593**	64,026,416
Export of Know how and I&C	**20,957,300**	-
Service charges received	**356,402,227**	262,604,774
Works contract rceipts	**111,127,938**	254,680,854
Installation Charges Received	**33,291,518**	31,896,719
Testing Charges Received	**22,781,069**	10,878,756
Total	**13,012,740,341**	12,033,133,556
Share of Joint Venture	**6,610,091**	75,512,092
Grand Total	**13,019,350,432**	12,108,645,648
Schedule : 13 A		
Excise Duty & Sales Tax		
Excise Duty	**717,187,452**	692,514,965
Sales Tax	**201,462,697**	211,382,285
Service tax	**35,123,877**	31,318,142
	953,774,026	935,215,392
Schedule : 14		
Other Income		
Gross Interest Received on Deposit with Banks	**33,048,758**	31,213,250
Other Interest Received	**2,618,683**	3,302,368
Interest Received from ICD	**11,561,575**	246,575
Gross Rent Received	**3,993,244**	2,688,600
Interest Received on IT refunds	**1,604,851**	2,001,903
Profit on sale of assets	**502,582**	-
Bad Debts Written off recovered	**7,485,193**	10,575,647
Commission Received	**323,465**	-
Excess Provisions / Old Credit Balances no longer required written back	**8,110,295**	12,832,082
Sales Tax Refund Received	**9,664,134**	-
Miscellaneous Income	**2,461,141**	1,166,746
Duty Drawback Received	**536,529**	2,102,566
Total	**81,910,450**	66,129,737
Share of Joint Venture	**-**	2,320,121
Grand Total	**81,910,450**	68,449,858
Schedule : 15		
Exceptional Income		
Profit on Sale of Investments	**114,121,622**	-
Sales Tax Subsidy Received	**36,578,460**	-
	150,700,082	-

Schedules Forming Part of Consolidated Profit & Loss Account

		For the Year Ended March 31, 2011 ₹		For the Year Ended March 31, 2010 ₹
Schedule : 16				
Material Cost				
A. Materials Consumed				
Opening Stock	1,194,422,742		919,548,235	
Opening Stock of Trade Purchase	124,000		-	
Added on Acquisition	109,817,877	1,304,364,619	-	919,548,235
Purchase of Materials & Components	7,555,261,917		6,192,719,142	
Purchase of Stores,Chemicals & Consumables	232,478,691		248,200,057	
Trade Purchases	45,362,769		52,780,837	
Freight Inward	92,179,598	7,925,282,975	68,640,161	6,562,340,197
		9,229,647,594		7,481,888,432
Less : Closing Stock	1,479,911,992		1,194,422,742	
Less : Closing Stock of Trade Purchases	29,756,550	1,509,668,542	124,000	1,194,546,742
Materials Consumed		7,719,979,052		6,287,341,690
Less : Internal capitalisation		29,309,516		8,746,090
		7,690,669,536		6,278,595,600
B. Job Work Charges		403,776,073		329,612,946
Material Cost		8,094,445,609		6,608,208,546
C. Increase / (Decrease) in Inventory				
i) Opening Stocks				
a) Finished Goods	399,697,526		337,340,509	
b) Semi Finished Goods	651,786,522	-	505,816,678	843,157,187
	1,051,484,048			
ii) Added on Acquisition				
a) Finished Goods	16,380,825			
b) Semi Finished Goods	31,980,624	1,099,845,497		
iii) Closing Stocks				
a) Finished Goods	525,838,396		399,697,526	
b) Semi Finished Goods	766,389,898	1,292,228,294	651,786,522	1,051,484,048
		192,382,797		208,326,861
(A + B+C)		7,902,062,812		6,399,881,685
Share of Joint Venture		9,434,038		38,240,463
Grand Total		7,911,496,850		6,438,122,148

Schedules Forming Part of Consolidated Profit & Loss Account

		For the Year Ended March 31, 2011 ₹		For the Year Ended March 31, 2010 ₹
Schedule : 17				
Manufacturing/Service Cost				
A. Manufacturing Cost				
Power and Fuel		492,745,126		435,039,752
Opening Stock of Spares	33,597,629		27,088,921	
Added on Acquisition	31,308,214		-	
Add : Purchases	280,635,066		195,384,088	
	345,540,909		222,473,009	
Less: Closing Stock	73,481,748	272,059,161	33,597,629	188,875,380
Equipment Lease Rent		9,226		-
Factory Rent		2,105,082		1,759,491
Consumable Tools Charged Off		3,125,285		4,119,198
Testing Charges		12,864,798		6,080,834
Total		782,908,678		635,874,655
B. Service Cost				
Installation Charges Paid		18,723,895		15,214,478
Televan Hire Charges		72,006,819		68,625,830
		90,730,714		83,840,308
Total A+B		873,639,392		719,714,963
Share of Joint Venture		2,245,954		4,772,076
Grand Total		875,885,346		724,487,039
Schedule : 18				
Employees Cost				
Salaries, Wages & Bonus	1,063,563,588		781,581,011	
Contribution to Provident Fund & Other Funds	76,262,088		50,845,275	
Gratuity	29,865,482		10,648,835	
Staff Welfare Expenses	102,948,545		81,781,739	
Recruitment & Training	1,584,718		2,207,250	
	1,274,224,421		927,064,110	
Less : Capitalised	-	1,274,224,421	-	927,064,110
Remuneration to Directors:				
Salaries & Allowances	6,483,482		3,460,548	
Commission on Profits	-		44,822,000	
Contribution to Provident Fund	375,809		287,337	
Other Perquisites	132,000	6,991,291	518,000	49,087,885
Total		1,281,215,712		976,151,995
Share of Joint Venture		14,155,746		12,169,946
Grand Total		1,295,371,458		988,321,941

Schedules Forming Part of Consolidated Profit & Loss Account

	For the Year Ended March 31, 2011 ₹	For the Year Ended March 31, 2010 ₹
Schedule : 19		
Administrative, Selling and other Costs (Including Write offs)		
A. Administrative Cost		
Rent	**28,020,973**	14,118,288
Rates & Taxes	**14,882,978**	7,043,504
Licence Fees	**26,744,355**	12,148,800
Sales Tax on Works Contracts	**6,791,788**	18,549,215
Excise Duty on Stock Transfers to Branches	**35,032,024**	60,096,052
Excise duty paid on Samples & Replacements	**21,519,866**	9,240,362
Excise duty on Closing Stocks of Finished Goods	**11,988,719**	27,710,443
Insurance	**10,867,907**	8,109,626
Professional & Consultancy Charges	**88,431,203**	29,705,527
Security Expenses	**39,205,738**	25,758,958
Building & Garden Maintenance	**29,714,584**	22,528,239
Office & Office Equipment Maintenance	**26,480,886**	23,156,581
Vehicle Maintenance	**37,740,028**	18,044,648
Maintenance - Others	**30,241,227**	24,236,590
Conveyance	**86,473,344**	81,721,785
Travelling	**69,635,275**	56,129,282
Printing & Stationery	**29,145,262**	24,942,392
Postage, Telephones & Telex	**49,749,444**	40,378,579
Books & Periodicals	**7,883,657**	8,867,486
Sundry Expenses	**24,577,486**	14,811,614
Directors Sitting Fees	**112,000**	124,000
Audit Fees	**1,910,180**	1,040,099
Audit Expenses	**77,656**	141,428
Debit Balances written off	**943,539**	3,471,072
Donations	**2,091,601**	1,970,824
	680,261,720	534,045,394

Schedules Forming Part of Consolidated Profit & Loss Account

		For the Year Ended March 31, 2011 ₹	For the Year Ended March 31, 2010 ₹
B.	**Selling Cost**		
	Freight Outward	**231,452,230**	245,105,472
	Freight and Insurance on exports	**34,703,426**	23,811,562
	Export Expenses	**38,519,215**	19,241,392
	Liquidated Damages	**352,663**	4,807,460
	Commission On Sales	**3,530,031**	1,776,208
	Commission On Export Sales	**13,399,550**	13,218,968
	Advertisement	**7,459,085**	4,918,368
	Business Promotion	**15,419,838**	13,041,699
	Membership & Subscription	**1,308,254**	764,732
	Transit Insurance	**2,197,584**	3,068,063
	Royalties on Sales	**9,087,521**	4,914,279
	Bad debts written off	**1,400,805**	46,144,162
	Provision for bad debts	**-**	2,609,560
	Provision for Waranties	**(12,969,590)**	56,798
	Selling and Forwarding Expenses	**41,651,494**	-
	Other Selling Expenses	**16,037,878**	11,875,841
		403,549,984	395,354,564
C.	**Others**		
	Loss on Assets Sold	**961,431**	683,378
	Loss of Associate Under Equity Method	**900,000**	-
	Deposits Written off	**83,212**	6,438
	Capital Issue Expenses	**30,100**	5,199,354
	Prior Period Expenditure	**3,855,052**	17,394,760
		5,829,795	23,283,930
	Total (A + B + C)	**1,089,641,499**	952,683,888
	Share of Joint Venture	**4,813,148**	23,116,629
	Grand Total	**1,094,454,647**	975,800,517

Schedules Forming Part of Consolidated Profit & Loss Account

	For the Year Ended March 31, 2011 ₹	For the Year Ended March 31, 2010 ₹
Schedule : 20		
Finance Cost		
Interest on Term Loans	**391,121,285**	244,724,501
Interest on Bank Borrowings	**173,321,941**	109,040,840
Interest on Housing Loans	**553,811**	858,295
Interest on Vehicle Loans	**2,508,300**	2,418,640
Interest on Equipment Loans	**6,176,440**	7,100,728
Interest to Others	**35,792,791**	1,577,468
Interest on Unsecured Loans	**7,631,097**	0
Bank Charges	**41,857,170**	21,199,808
BG Charges	**11,169,314**	17,231,317
LC Charges	**12,613,616**	29,531,300
	682,745,765	433,682,897
Less: Capitalised and transferred to Pre Operative Expenses	**92,291,829**	50,536,978
Total	**590,453,936**	383,145,919
Share of Joint Venture	**6,287**	3,562,665
Grand Total	**590,460,223**	386,708,584

Cash Flow Statement

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

(₹ Lakhs)

			31-Mar-11 ₹		31-Mar-10 ₹
A	**CASH FLOWS FROM OPERATING ACTIVITIES**				
	Net Profit before Tax and after Minority Interest		**995.76**		14,333.70
	Adjustments for:				
	Exchange Variation in JV	**(0.44)**		(103.14)	
	Depreciation	**3,774.50**		2,848.13	
	Interest Income	**(488.34)**		(314.60)	
	Interest Expense	**3,911.21**		2,447.25	
	Loss on sale of fixed assets	**9.61**		6.83	
	Profit on sale of fixed assets	**(5.03)**		0.00	
	Amortisation of Intangible Assets	**186.33**		102.56	
	Preliminary expenses written off	**-**		51.06	
	Provisions	**(616.13)**	**6,771.73**	44.01	5,082.10
	Operating Profit before working capital changes		**7,767.49**		19,415.80
	Increase(-)/Dec(+) in Sundry debtors	**(3,678.67)**		(5,688.61)	
	Increase(-)/Dec(+) in Inventories	**(7,425.85)**		(5,287.24)	
	Increase(-)/Decrease(+) in Loans & advances	**(3,142.23)**		(1,650.72)	
	Increase(+)/Decrease(-) in Current Liabilities	**14,833.97**	**587.22**	(547.96)	(13,174.54)
	Cash generated from Operations		**8,354.71**		6,241.27
	Income taxes paid		**(1,453.10)**		(4,532.29)
	Net Cashflow from Operating activities (A)		**6,901.61**		1,708.98
B	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets	**(50,316.38)**		(10,166.38)	
	Purchase of Investments	**(2,440.69)**		(300.34)	
	Sale of fixed assets	**(75.48)**		103.55	
	Net outflow on account of minority interest	**9,426.52**		-	
	Interest Received	**488.34**		314.60	
	Miscellaneous Assets	**(1.20)**		0.00	
	Net Cash flow from investing activities (B)		**(42,918.89)**		(10,048.57)

Cash Flow Statement

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

(₹ Lakhs)

		31-Mar-11 ₹		31-Mar-10 ₹
C CASH FLOW FROM FINANCING ACTIVITIES				
Employee Stock Option Scheme	81.90		102.04	
Share Premium	3,964.48		3,367.47	
Deferred Tax	1,514.67		-	
Reserves on account of acquisition	449.70		-	
Proceeds from long-term borrowings	29,693.75		12893.73	
Repayment of from long-term borrowings	(4,520.00)		(6,051.45)	
Proceeds from working capital borrowings	11,857.61		(891.44)	
Increase(+)/Decrease(-) in unsecured loans	2,517.45		(28.92)	
Dividend payment	(885.06)		(852.18)	
Interest Paid	(3,911.21)		(2,447.25)	
Net cash flow used in financing activities (C)		40,763.28		6,092.01
NET INCREASE IN CASH and CASH EQUIVALENTS (A+B+C)		4,746.01		(2,247.58)
Cash and Cash equiv.at beginning of the period		6,493.70		8,741.28
Cash and Cash equiv. at end of the period		11,239.71		6,493.70
Cash and Cash equivalents (₹ lacs)				
Cash on hand		38.63		31.81
Balances with Banks(current a/c & term deposits)		11,201.08		6,461.89
Total		11,239.71		6,493.70

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31-03-2011

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

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

As per our report of even date annexed

for **M/s SATYANARAYANA & CO**
Chartered Accountants
FRN No. S3680

Ch.Seshagiri Rao
Partner
M.No:18523

Place : Hyderabad
Date : 27th July, 2011

On Behalf of the Board

Dr. A.J.Prasad
Chairman & Managing Director

Place : Hyderabad
Date : 27th July, 2011

M. Kavita Prasad
Director

MVSS Kumar
Company Secretary

HBL Power Systems Ltd – 31.03.2011

Schedule 21 : Significant Accounting Policies and Notes forming part of Consolidated Financial Statements (CFS)

(A) Significant Accounting Polices adopted for preparing CFS

1) Basis of presentation:

a) The financial statements of the Parent Company, Subsidiaries, Joint Venture Companies, Associate Companies in India are prepared based on the accounts maintained under historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) with revenues recognized and expenses accounted on accrual basis, including committed obligations and also in accordance with the Provisions of the Companies Act, 1956 and Accounting Standards specified in the Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government. The financial statements of Foreign Subsidiaries and Joint Venture Companies are prepared based on the accounts maintained as per Local Laws of the respective countries. Such financial statements are considered for preparation and presentation of the CFS.

b) The preparation of financial statements requires that the management of the company makes estimates and assumptions that affect the reported amount of income and expenses for the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful lives of tangible and intangible fixed assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, provision for warranties etc. Differences, if any, between the actual results and estimates is recognized in the period in with the results are known.

2) Principles of consolidation:

a) 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 Parent's separate financial statements.

b) The financial statements of the Parent Company and its Subsidiaries including step down subsidiaries (i.e. subsidiaries of subsidiary company) are consolidated, substantially on a line by line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating intra group balances and unrealized profits / losses on intra group transactions and are presented to the extent possible, in the same manner as the Company's independent financial statements. Where details of line by line items are not readily available, such items have been grouped under major heads of respective items.

c) In respect of Investment in Joint Venture Companies, the Company's interest in the assets, liabilities, income, expenses and other obligations is included using proportionate consolidation method as per Accounting Standard (AS) –27.

d) Investments in Associate Companies are accounted for, by using "equity method" (as per Accounting Standard (AS) - 23) whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post acquisition changes in the Company's share of net assets of the associate.

3) a) Fixed Assets and Depreciation:

Fixed Assets are stated at original cost net of tax/duty credits availed, if any, less cumulative depreciation and impairment. Administrative and other general overheads including borrowing costs that are specifically attributable to acquisition of Fixed Assets or bringing Fixed Assets to working condition are allocated and capitalised as part of cost of the Fixed Assets.

Depreciation:

(i) Depreciation on Fixed Assets is provided on straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in respect of Dies and Moulds used and 'Secured Land Filling' used for disposal of Lead slag which are depreciated at 20% and 10% respectively on SLM. Assets costing less than ₹ 5,000/- are depreciated fully in the year of purchase.

(ii) Depreciation on Fixed Assets of Subsidiary Company in Malaysia and of Joint Venture in Kingdom of Saudi Arabia (KSA) is accounted on straight line basis over their expected / estimated useful lives.

b) Intangible Assets and Amortisation:

(i) Intangible Asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Product development expenditure incurred on new products are capitalised under 'Intangible Assets' and are amortised over a period of 5 years from the year of commencement of commercial production.

Amortisation on impaired assets is adjusted in the future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

Intangible Assets are stated at cost net of amortisation.

(ii) Goodwill represents the difference between the Group's share in the net worth of a subsidiary or an associate and the cost of acquisition at each point of time of making the investment in the subsidiary or the associate. For this purpose, the Group's share of net worth is determined on the basis of latest financial statements prior to the acquisition after making necessary adjustments for material events, if any between the date of such financial statements and the date of respective acquisition. Capital reserve on consolidation represents negative goodwill arising on acquisition.

(iii) Goodwill is reviewed for impairment if there are indicators of impairment. Upon review for impairment, if the carrying value of the goodwill exceeds its fair value, goodwill is considered to be impaired and the impairment is charged to the Profit & Loss account for the year.

c) Impairment of Assets:

An asset is treated as impaired when the carrying cost of the asset 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 is a change in the estimate of recoverable amount.

4) 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.

5) Capital Work in Progress (CWIP):

CWIP includes Plant and Equipment under erection, Civil works in progress, advances made to suppliers/ contractors for capital items and preoperative expenses pending allocation on the assets to be acquired/ commissioned / capitalised. Also include payments made for technical knowhow fee and for development of prototypes including for related software, pending to be capitalised upon absorption of the technology and completion of development.

6) Foreign Currency Transaction / Translations:

a) Transactions relating to Purchase and Sale of goods/services denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction or that approximates at actual rate on the date of transaction. Assets & Liabilities in the nature of monetary items at the Balance sheet date denominated in foreign currencies are translated and restated at prevailing exchange rates. Income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit & Loss account

b) The accounts of foreign subsidiaries and joint venture companies which are reported in respective currencies of the country in which they are situated are translated using 'Translation of the Financial Statements of Foreign Operations' as prescribed under Accounting Standard (AS) - 11. The translation difference on account of Balance sheet items is reported as "Exchange Variation Reserve".

7) Investments:

a) Investments in associate companies are accounted using 'equity method' prescribed in Accounting Standard (AS) – 23.

b) Investments other than in associate companies are accounted as per the method prescribed in Accounting Standard (AS) – 13.

8) Inventories:

Inventories at the year end are valued as under:

Raw Materials, Components, Consumables and Stores & Spares.	At lower of weighted average cost and net realisable value.
Semi-finished and Finished goods.	At lower of weighted average cost of materials plus cost of conversion and other costs incurred in bringing them to the present location and condition and net realisable value.
Consumable Tools	At cost less amount charged off (which is at 1/3rd of value each year).

- Cost of Material is net of Cenvat/VAT availed on all items.
- Excise/Custom Duty payable on Stock of Finished Goods and Bonded Stocks is provided and included in the value of stocks.
- Inventory arising out of inter divisional transfers is valued at cost to the transferring division after eliminating unrealised profit, if any.
- Stocks at Branches are inclusive of Duty paid at the time of despatch from Factories.

9) Income Recognition:

a) Sales revenue is recognised on despatch to customers as per terms of order. Gross sales are net of returns/ discounts and inclusive of Excise duty, central sales tax and service tax billed to customers. Service income, works contract revenue are recognised on the basis of bills submitted and accepted by the customers. Inter divisional transfers are not recognised as turnover.

b) Dividends are recognised as income when the right to receive the dividend is established.

c) Income from interest bearing deposits with Banks and others is recognised on accrual basis.

d) Interest on Income tax refunds, if any, is recognised on determination or on receipt basis whichever is earlier.

e) Subsidies from Government are recognised when received.

10) Employee stock ownership schemes:

In respect of stock options granted pursuant to the Company's stock option scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option), is treated as discount and accounted as employee compensation cost over the vesting period.

11) Employee Benefits:

a) Short term Benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, medical, leave travel assistance, short term compensated absences etc. and the cost of bonus, exgratia are recognised in the period in which the employee renders the related services.

b) Post-employment benefits:

(i) Detailed contribution plans:

The contribution paid/payable under Provident Fund Scheme, ESI Scheme and Employee Pension Scheme is recognised as expenditure during the period in which the employee renders the related service.

(ii) Defined benefit plans:

The Company's obligation towards Gratuity is a definite benefit plan. The present value of the obligation under such defined benefit plan is determined based on acturial valuation using the Projected Unit Credit method. The obligation is measured at the present value of the estimated future cash flows. Acturial gains and losses are recognised immediately in the profit and loss account. The contribution made is recognised as expenses.

c) Long Term employee benefits:

The obligation for long term employee benefits such as long term compensated absence is recognised in the similar manner as in the case of defined benefit plans as mentioned in (b)(ii) above.

12) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

a) the Company has a present obligation as a result of a past event

b) a probable outflow of resources is expected to settle the obligation and

c) the amount of obligation can be reliably estimated

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is not provided but disclosed in the case of

a) present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation

b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance sheet date.

13) Taxes on Income/Deferred Tax:

Tax on Income for the current period is determined and provided on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax resulting from timing differences between accounting Income and taxable Income is recognised and 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 reasonable certainity that the Asset will be realised in future.

14) Segment accounting:

a) Segment accounting policies:

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting:

i) Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.

ii) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. Expenses which relate to the group as a whole and not allocable to segments are included under 'unallocable corporate expenditure'.

iii) Income which relates to the Group as a whole and not allocable to segments is included under 'Unallocable Corporate Income'.

iv) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment.

b) Inter-segment transfer pricing:

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are determined to yield a desired margin.

15) Cash Flow statement:

Cash Flow statement is reported using indirect method as per Accounting Standard, AS-(3).

16) Prior period and Extra-ordinary items:

Prior period and Extra-ordinary/exceptional items of Income and Expenditure are reported distinctively and included in the determination of net profit or loss for the current period.

(B) Notes forming part of Consolidated Financial Statements (CFS):

1. Basis of preparation of CFS:

(a) The CFS are prepared in accordance with Accounting Standard (AS) – 21 "Consolidated Financial Statements", Accounting Standard (AS) – 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) – 27 "Financial Reporting of Interest in Joint Ventures", as specified in the Companies (Accounting Standards) Rules, 2006.

(b) The Notes and Significant Accounting Polices to the CFS are intended to serve as a guide for better understanding of the Group's position. In this respect, the Company has disclosed such notes and policies, which represent the required disclosure.

2. The CFS of the Group have been prepared and presented based on the financial statements as on 31.03.2011, the status of which is as under:

a)	Holding Company (HBL Power Systems Ltd)	On the basis of Audited Financial Statements on 31.03.2011
b)	Agile Electric Drives Technologies & Holdings (P) Ltd and three of its subsidiaries as per 2(c) above.	On the basis of CFS of this group prepared as on 31.03.2011 and certified by their Statutory Auditors (referred to as Mini Consolidation)
c)	HBL Germany, GmBH	The Wholly Owned Subsidiary (WOS) was incorporated during 2010-11. Provisional and unaudited financial statements as at 31.03.2011 as compiled and attested by the Local Director are considered due to non availability of Audited Statements.

d)	HBL Power Systems (M) SDN, BHD (Malaysia)	On the basis of audited financial statements as on 31.03.2011 certified by their Statutory Auditors.
e)	Bhagirath Energy Systems Ltd. (Nepal)	The WOS in Nepal is under voluntary winding up and there is no activity. Audited financial statements are not available. Provisional statements of affairs as on 31.03.2011 as prepared by the Management of HBL Power Systems Ltd is considered for inclusion in CFS.
f)	SCIL Infracon (P) Ltd	On the basis of audited statements on 31.03.2011 certified by their Statutory Auditors.
g)	Gulf Batteries Company Ltd. (Kingdom of Saudi Arabia)	The JV follows the Calender Year as their Accounting Year and Audited statements are available upto 31.12.2010. Based on such statements, financial statements as on 31.03.2011 (un-audited) have been prepared by the JV and are considered for inclusion in CFS under proportionate consolidation method.
h)	Kairos Engineering Ltd.	Audited statements as on 31.03.2011 are not available. Further the investment in this Associate Company by HBL Power Systems Ltd is only ₹ 9.00 lakhs (a share of 23%) and net worth of the Company is negative on 31.03.2011. Following 'equity method' the investment is shown at Nil value in CFS.
i)	Other Associate Companies:	
	M/s. Naval Systems & Technologies (P) Ltd.	HBL Power Systems Ltd has invested ₹ 4.10 lakhs (41% share) and audited statements as on 31.03.2011 are not available. Hence, investment is carried at cost and 'equity method' as prescribed under AS –23 could not be followed.
	M/s. Bosch Electrical Drives India (P) Ltd.	An associate of M/s. Igarashi Motors India Ltd, a step down subsidiary (refer 2(d) above). Due to absence of information the investment is carried at cost and "equity method" as prescribed under AS-23 could not be followed.

3. (a) During the year HBL Power Systems Ltd (HBL) invested ₹ 4500.00 lakhs by way of purchase of shares from a share holder of Agile Electric Drives Technologies & Holdings (P) Ltd (Agile) in December, 2010, at which point the paid up capital of the said Company was ₹ 8567.57 lakhs and by virtue of the said acquisition of 52.53% of equity "Agile" has become subsidiary of HBL. Subsequently "Agile" made a preferential issue in December, 2010, and HBL's holding increased to 63.91% as on 31.03.2011.

M/s. "Agile" has three subsidiary companies as on 31.03.11, which are referred to as "Step down Subsidiaries" of HBL Power Systems Ltd i.e. M/s. Igarashi Motors India Ltd., M/s. Igarashi Motor Sales (P) Ltd and M/s. Agile Electric Sub Assembly (P) Ltd.

During the year, two of the Agile Group Companies i.e, M/s. Agile Electric Technologies (P) Ltd. And IJT Plastics & Tools (P) Ltd have been amalgamated with M/s. Agile Electric Sub-Assembly (P) Ltd.

Considering the amalgamations and Subsidiaries in Agile Group, a Mini Consolidation of 'Agile' Group was carried out by them and certified by their Statutory Auditors which has been adopted for preparing the CFS of HBL. A Goodwill of ₹12300.25 lakhs and Minority Interest of ₹ 3442.74 lakhs has been reported in the Mini Consolidation of Agile Group.

Further on account of acquisition of 'Agile' by HBL, a Goodwill of ₹ 4733.08 lakhs and Minority Interest of ₹ 5598.94 lakhs is arrived at and included as part of Goodwill and Minority Interest in CFS.

b) During the year HBL invested in the shares of SCIL Infracon Pvt Ltd (SIPL) by way of purchase of shares from the share holders of the said Company. By virtue of this acquisition, SIPL has become Subsidiary of HBL in May, 2010. A Goodwill of ₹169.42 lakhs and Minority Interest of ₹ 377.12 lakhs has been determined and reported in CFS.

c) The Parent's potion of 'Equity' (Net worth) is required to be computed (as per AS-21) to determine the Goodwill / Capital Reserve on the date when the Parent and Subsidiary relationship came into existence. Due to non availability of financial statements on the respective dates of acquisition in the above Companies, the net worth is determined on the basis of latest financial statements prior to the acquisition (i.e as on 31.03.2010) as prescribed by AS-21. Based on such Net worth, the excess of the cost to the Parent of the investments in the subsidiaries over its portion of 'Equity' (Networth) is described as Goodwill and reported in CFS.

4. The Breakup of Goodwill and Minority Interest reported in the CFS on 31.03.2011 is as under:

(₹ in lakhs)

	Minority Interest	Goodwill
Due to Amalgamation and Subsidiaries of Agile Group	3,442.74	12,300.25
Due to acquisition of Agile shares by HBL	5,598.94	4,761.13
Due to acquisition of SIPL Infra Con by HBL	377.12	169.42
On account of HBL Power Systems (M) SDN BHD, Malaysia	7.72	—
	9,426.52	**17,230.80**

5. Reserves and Surplus shown in the CFS include Group's share in the respective reserves of Subsidiaries and Joint Venture Company. Reserves attributable to minority share holders is reported as part of Minority Interest in the Consolidated Balance sheet. Retained earnings represents Group's share in General Reserve and Profit and Loss account.

6. Contingent Liabilities not provided for:

a) HBL Power Systems Ltd:

All known and undisputed claims and liabilities where there is present obligation as a result of past events and it is probable that there will be an outflow of resources, have been duly provided for.

(i) Contingent liabilities not provided for:

	Nature of Contingent Liability	As on 31.03.2011 (₹ in lakhs)	As on 31.03.2010 (₹ in lakhs)
a)	Un-executed portion of letters of credit opened by Bank	3,975.13	4,146.49
b)	Un-expired guarantees issued on behalf of the Company by banks for which the Company gave counter guarantees * includes Bank Guarantees issued to others on behalf of a Subsidiary Company ₹ 900 Lakhs	*15,521.22	14,601.19
c)	Legal undertakings (LUTs) given to Custom's Authorities for clearing the imports at Nil / Concessinal rate of duty pending for fulfilment of export obligations, (net of the export obligations fulfilled of ₹ 2302.49 lakhs (previous year ₹ 1737.70 lakhs) for which the process of discharging the LUTs by the concerned authorities is at various stages).	2,736.36	2,534.00

d)	Claims against the Company not acknowledged as debt:		
-	Excise duty claim	94.85	94.85
-	Sales Tax claim	4.84	-
-	Custom duty claim	36.67	36.67
-	Property Tax claim of VSEZ unit	27.64	27.64
-	Fuel surcharge adjustment (FSA) claim to the extent billed by Power Distribution Companies of A.P	97.34	-
-	Other claims	3 4.42	26.25

(ii) Estimated contracts to executed

	As on 31.03.2011 (₹ in lakhs)	As on 31.03.2010 (₹ in lakhs)
Estimated amount of contracts remaining to be executed on Capital account and not provided for	3,580.82	3,186.50

(iii) Investments committed by the Company in the Equity of other Companies:

	As on 31.03.2011 (₹ in lakhs)	As on 31.03.2010 (₹ in lakhs)
M/s. Sankhya Infotech Ltd. against share warrants issued by them (net of 50% contributed as on 31.03.11)	195.38	—

b) **AGILE Group**:

		As on 31.03.2011 (₹ in Lakhs)
a)	Estimated amount of contracts remaining to be executed in capital account (net of advances ₹180.67 lakhs)	1,413.61
b)	Bills discounted	2,278.73
c)	Guarantees given for loans taken from banks and financial institutions	4,092.44
d)	Income tax liability that may arise in respect of matters on appeal	101.64
e)	ESI Demand on Dues for Trainees	24.34

c) **SCIL Infracon Private Ltd.:**

	As on 31.03.2011 (₹ in lakhs)	As on 31.03.2010 (₹ in lakhs)
Contingent Liabilities not provided for / Estimated amount of contracts remaining to be executed on Capital Account Bank Guarantee issued to the Commissioner of Customs.	31.62	31.62

7. Employee Stock Option Scheme:

a) During the year, the Group has granted 750000 options in Igarashi Motors India Limited, a subsidiary, under the Employees Stock Option Plan, 2006 to the employees and Directors of the subsidiary, on 27th August 2010, with a vesting period of one year from the date of grant of the option. The exercise period is five years from the date of issue.

b) The grant of options to the employees under the employee stock option schemes is on the basis of their performance and other eligibility criteria. The options are vested equally over a period of one year, subject to the discretion of the management and fulfillment of certain conditions.

d) The details of grants under the aforesaid scheme are summarized below :

S.No.	Particulars	ESOP, 2006 2010-11
1	Grant Price – Rupees	40.15
2	Grant date	27-Aug-10
3	Vesting date	27-Aug-11
4	Option granted and outstanding at the beginning of the year	—
5	Options lapsed / withdrawn during the year	—
6	Options granted during the year	750,000
7	Options exercised during the year	—
8	Options granted and outstanding at the end of the year of which –	750,000
	Options vested	
	Options yet to vest	750,000

8. **Secured Loans** :

A) HBL Power Systems Ltd

(i) Term Loans :

a) Term Loan from IDBI, SBI, SBH and SB Indore :

The Term Loans from IDBI, State Bank of Hyderabad, State Bank of India and State Bank of Indore (since merged with SBI), 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 (a) at Lalgadi Malakpet and Aliabad Villages, Shameerpet Mandal, Ranga Reddy Dist, (b) at Nandigaon Village, Mahbubnagar Dist, (c) at Bhootpur Village, Mahaboobnagar Dist, (d) at Kandivalasa Village, Vizianagaram Dist, and (e) at VSEZ, Visakhapatnam Dist. The loans are also secured by a second charge on the current assets of the company. These loans are also guaranteed by Managing Director and one Director in their personal capacity.

b) Term Loan from Axis Bank (Balance on 31.03.2011 ₹ 4,441.49 Lkahs)

The Term Loans from Axis Bank are secured by exclusive charge on the movable and immovable assets of the Company situated (a) at Tumkunta Village, Ranga Reddy Dist, (b) at IMT Manesar, Gurgoan, Haryana, (c) at Goverdhanpuri Colony, Yapral, GHMC, (d) at IIE, Ranipur, BHEL, Haridwar (Uttaranchal), (e) at Selaqui, Dehradun (Uttaranchal), and (f) at MIDC, Navi Mumbai. These loans are also guaranteed by Managing Director and one Director in their personal capacity.

c) Term Loan from Axis Bank (Balance on 31.03.2011 ₹ 5,032.53 Lacs):

The Term Loan is secured by first pari passu charge on Fixed Assets (excluding vehicles and assets exclusively charged to other term lenders) and second charge on Current Assets. Also guaranteed by the Managing Director and one Director in their personal capacity.

d) Term Loan from EXIM Bank of India:

The Term Loan to part finance Equity contribution in Gulf Batteries Company, a Joint Venture in Kingdom of Saudi Arabia (KSA) is secured by first pari passu charge on the entire fixed assets of the company excluding exclusive charges, if any, and pledge of Company's share holding in Joint Venture and also guaranteed by the Managing Director of the Company in his personal capacity.

e) Term Loan from ICICI Bank :

The term loan of ₹ 6,000 lakhs for Capex and ₹ 4,000 lakhs for working capital is secured by subservient / residual charge on all current and moveable assets of the Company both present and future. The charge is subservient to the existing lenders to the extent of all drawn and undrawn limits of term loans and working capital only and the loan is guaranteed by the Managing Director and one Director in their personal capacity.

f) Short Term Loans from IDBI:

Short Term Loans from IDBI Bank for acquisition of land for setting up new facility at Mahaboobnagar District is secured by D.P Note, post dated cheques for the entire loan and undertaking to create first charge on the Assets in the event of default.

g) Term loans from HDFC:

(i) The Term Loans for acquiring Flats are secured by an exclusive charge on the Flats acquired and also guaranteed by the Managing Director of the Company in his personal capacity.

(ii) The Term Loans for acquiring vehicles are secured by exclusive hypothecation of vehicles acquired through execution of D.P. Note.

h) Equipment Loan from First Leasing Company of India Ltd. :

The loan is secured by exclusive charge on the Equipment procured and also guaranteed by one Director in his personal capacity.

(ii) Working Capital Loans:

(a) The Working Capital Loans from the State Bank of India, State Bank of Hyderabad, IDBI Bank Ltd and State Bank of Indore (since merged with SBI) 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, and Smt. A. Uma Devi in their personal capacities.

(b) Short Term Loan from Kotak Mahindra Bank Ltd:

The Short Term Working Capital Loan is secured by D.P Note and post dated cheques.

(iii) Term Loan Instalments and Short Term Loans due and repayable within one year from the date of Balance sheet is ₹ 9,080.00 lakhs.

B) Agile Group:

(i) Term loans from banks are secured by charge on specific assets acquired out of the loan and by *pari-passu* charge on the entire moveable fixed assets of the company, both present and future, and Equitable mortgage of superstructures constructed on lease hold lands.

(ii) Term loan from financial institution is secured by *pari-passu* charge by way of mortgage / hypothecation of the entire fixed assets of the company, both present and future.

(iii) Working Capital Term Loan from banks are secured by charge on the current assets of the company, both present and future and by second charge over residual value of movable fixed assets of the company after term loan.

(iv) Packing credit from banks are secured by first charge on the entire current assets of the company, both present & future. The charge extends to bills discounted amounting to ₹ 2,278.73 lakhs.

(v) Unsecured loan from bank is secured by lien on Fixed Deposit.

9. **Disclosures required to be made as per Accounting Standards (AS) are as under:**

9.1 Disclosures under Accounting Standards (AS)21, 23 and 27 :

The CFS comprises the financial statements of the Parent Company (HBL Power Systems Ltd), its subsidiaries including step down subsidiaries (subsidiaries of subsidiary company), Joint Venture Company and Associate Companies, the details of which are as under:

a) HBL Power Systems Limited, Hyderabad - Parent / Holding Company

b) Subsidiary Companies of HBL Power Systems Ltd

Name of the Company	Country of Operation	% of interest of Holding Company on 31.03.2011
(i) Agile Electric Drives Technologies & Holdings (P) Ltd.	India	63.91%
(ii) HBL Germany, GmBH	Germany	100.00%
(iii) HBL Power Systems (M) SDN BHD	Malaysia	80.00%
(iv) Bhagirath Energy Systems (P) Ltd. (under voluntary winding up)	Nepal	100.00%
(v) SCIL Infra Con (P) Ltd	India	60.00%

c) Subsidiaries of Subsidiary Company (Step down subsidiaries):

M/s. Agile Electric Drives Technologies & Holdings (P) Ltd., (Subsidiary of M/s. HBL Power Systems Ltd) has three subsidiaries on 31.03.2011:

Name of the Company	Country of Operation	% of interest held by it
(i) Agile Electric Sub Assembly (P) Ltd.	India	90.34%
(ii) Igarashi Motors India Ltd	India	62.94%
(iii) Igarashi Motor Sales (P) Ltd	India	60.00%

d) Joint Venture Company of HBL Power Systems Ltd:

Name of the Company	Country of Operation	% of interest held by it
(i) Gulf Batteries Company Ltd	Kigdom of Saudi Arabia	40.00%

e) Associate of Igarashi Motors India Ltd.:

Name of the Company	Country of Operation	% of interest held by it
(i) Bosch Electrical Drives India (P) Ltd.	India	26.00%

f) Associates of HBL Power Systems Ltd:

Name of the Company	Country of Operation	% of interest held by it
(i) Kairos Engineering Limited	India	23.00%
(ii) Naval Systems & Technologies (P) Ltd.	India	40.00%

The investment held on 31.03.2010 in HBL Elta Avionics Systems (P) Ltd., a Joint Venture of HBL Power Systems Ltd has been disinvested during the year 2010-11. The investment of ₹ 225.00 lakhs was sold for ₹ 1,366.22 lakhs and the resultant profit on sale is shown as exceptional income.

'Agile' Group referred to in CFS consists of M/s. Agile Electric Drives Technologes & Holdings (P) Ltd and its three subsidiaries, referred to in 2(b)(i) and 2(c), above.

9.2 Disclosure as per Accounting Standard (AS) 21:

The effect of acquisition of subsidiaries during the year on the CFS is as under:

(a) The effect of acquisition of subsidiaries by HBL during the year:

(₹ in Lakhs)

Name of the Company	Acquired in	Effect on Group's Pofit/(Loss) after Minority interest for the year ended 31.03.2011	Net Assets as at 31.03.2011
SCIL Infra Con (P) Ltd	May'2010	(34.32)	1,915.02
Agile Electric Drives Technologies & Holdings (P) Ltd.	Dec'2010	375.94	46,506.34

(b) The effect of acqusition of Subsidiary by Agile Electric Drives Technologies & Holdings (P) Ltd.

(₹ in Lakhs)

Sr No.	Name of Subsidiary Company	Acquired on	Effect on Group profit /(loss) after minority interest for the year ended March 31, 2011	Net Assets as at March 31, 2011
1	Igarashi Motors India Limited	31.03.2011	Nil	6,351.28

9.3 The CFS have been prepared based on separate financial statements as reported in paragraph 3 above and substantially following uniform accounting policies. Deviations observed are as under: (Disclosure as per Accounting Standard (AS)-21)

Parent's Acquisition Policy	Subsidiary's Acquisition Policy
a) Product Development expenses are amortised over a period of 5 years from year of commencement of commercial production.	Such expenses are amortized over a period of 60 months from the date of commencement of commercial production.
b) Software expenditure capitalized is depreciated applying the rate of depreciation for computers as per schedule XIV of the Act.	Specialised Software is treated as Intangible Assets and amortised over a period of 4 years.
c) Depreciation on Assets is accounted on SLM basis as per Accounting Policy 3(a)(i).	Depreciation on Assets is accounted on SLM over their expected useful lives.

The impact of above deviation on CFS is not likely to be material considering value of such assets as at the Balance sheet date.

9.4 Deferred Tax : (Disclosure as per Accounting Standard (AS)-22)

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

(₹ In Lakhs)

		Deferred Tax			
		Current Year		Previous Year	
		Assets	**Liabilities**	**Assets**	**Liabilities**
1.	Depreciation	-	3,333.58	-	1,743.84
2.	Unabsorbed Loss	911.16	-	-	-
3.	Long Term Capital Loss	-	-	8.72	-
4.	Contribution to Valuable Employees Scheme	1.16	-	3.70	-
5	Others	25.51	-	-	4.06
	Total	**937.83**	**3,333.58**	**12.42**	**1,747.90**

9.5 **Related party Disclosure:** (As per Accounting Standard (AS)-18)

1	Holding Company	Beaver Engineering & Holdings Ltd.	
2	Investors of Subsidiaries	Shakthi Concrete Industries Ltd	
3	Controlled Companies	Kairos Engineering Limited, Hyderabad	
4	Associate/Directors Interested Companies	Naval Systems & Technologies India Pvt Ltd	
		Guided Missile Engineering India Pvt Ltd	
		Autotec Systems Pvt Ltd, Bangalore	
		Sankhya Infotech Ltd	
		Bosch Electrical Drives India Pvt Ltd	
5	Key Management Personnel	Dr A J Prasad	Chairman & Managing Director
		M S S Srinath	Whole Time Director
		Kavita Prasad	Whole Time Director
		J.K.Verma	Whole Time Director (Up to 09th July 2010)
		Ashok Nagarkatti	
		P.Satish Kumar	
		Kamaluddin Bin Saidon	Director-HBL Power Systems (M) SDN BHD
		K Gyan Sagar	

Disclosure of transactions between the Company and Related parties and the status of outstanding balances as on 31st March, 2011

(₹ in Lakhs)

Sl.No		Nature of Transaction	During the year	Outstanding at the year end
1	Holding Company	Funds Borrowed	420.00	120.00
		Interest Paid	8.46	5.43
2	Investors of Subsidiaries	Funds Borrowed	107.98	147.89
		Advance for Purchases	71.83	338.53
		Purchase of Goods	20.93	-
		Interest Paid	28.13	29.30
3	Controlled Companies	Investment in Shares	-	9.00
		Rent Received	1.32	1.65
		Services Received	73.39	38.70
4	Associates Companies/ Directors Interested Companies	Investment in Shares	331.04	635.48
		Advance for Investments	195.38	195.38
		Funds Given	1310.00	1458.42
		Sale of Goods	936.30	685.86
		Service Rendered	16.85	0.27
		Purchase of Goods	2.88	
		Advance for Services	2.68	59.00
		Interest Received	61.07	
5	Key Management Personnel	Funds Borrowed	1018.00	-
		Remuneration	126.50	-
		Rent	4.80	-
		Interest Paid	13.45	

9.6 Segment Report - Accounting Standard (AS)-17:

	2010-11 ₹ lacs		2009-10 ₹ lacs	
Segment Revenue				
Batteries				
Exports	18,577		9,486	
Domestic sales	73,366	91,943	92,773	102,259
Sub Assembly		14,799		-
Parts		6,009		-
Unallocated				
Exports	1,392		1,454	
Domestic sales	8,610	10,002	8,127	9,581
Total		122,753		111,840
Less : Inter-segment Revenue		2,097		106
		120,656		111,734
Segment Result				
Batteries		8,758		21,838
Sub Assembly		1,654		-
Parts		414		-
Unallocated		(736)		836
Total		10,090		22,674

Less : Interest		5,905		3,867
Unallocable expenditure net of unallocable income		2,841		4,473
Net Profit before taxes		1,344		14,334
Segment Assets				
Batteries		96,828		85,766
Sub Assembly		12,189		-
Parts		7,918		-
Unallocated		65,691		27,680
Total Assets		182,626		113,446
Segment Liabilities				
Batteries		18,451		13,053
Sub Assembly		7,869		-
Parts		2,836		-
Unallocated (includes Term Loans, Bank Loans, Hire Purchase Loans)		96,806		49,527
Total Liabilities		125,962		62,580
Segment Capital expenditure during the year				
Batteries		9,058		6,744
Sub Assembly		655		-
Parts		157		-
Unallocated		3,546		3,593
Total		13,416		10,337
Segment Depreciation				
Batteries		2,690		2,486
Sub Assembly		239		-
Parts		321		-
Unallocated		525		362
Total		3,775		2,848

Notes:

(a) The group's operations include Batteries of different types, Sub Assembly, Parts etc. The Consolidated Statement Report is based on the information furnished in the separate financial statements of the group companies. Other items are included in 'Unallocated' segment.

(b) Inter segment revenue is measured at the market prices at which the products are sold to external Customers.

10. Disclosure as required by the General Circular No. 2/2011 dated 8th February, 2011 issued by the Government of India, Ministry of Company Affairs as directions under Section 212(8) of the Companies Act, 1956 relating to Subsidiaries including step down subsidiaries. The particulars on 31.03.2011 are given in the annexed statement.

11. The previous year figures are not comparable due to acquisition of subsidiaries during the year and previous year figures have been regrouped wherever necessary.

Signature to Schedules 1 to 21 forming part of Accounts

As per our report of even date annexed

for **M/s. Satyanarayana & Co.** Chartered Accountants FRN No. S3680	**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 : 27th July 2011	Place : Hyderabad Date: 27th July 2011	**MVSS Kumar** Company Secretary

Annexure to Schedules Forming part of Consolidated Balance Sheet and P&L Account - Point No. 10 of Schedule 21 - B

(₹ in Lakhs)

Sl.No.	Name of Subsidiary Company / Step down Subsidiaries	1 Capital	2 Reserves	3 Total Liabilities	4 (1+2+3) Total	5 Total Assets (excluding investments)	6 Details of Investments (Other than in subsidiary) Included in Assets	7 (5+6) Total	8 Turnover	9 PBT	10 Provision for Tax & Def. Tax	11 PAT	12 Dividend proposed
1)	Agile Electric Drives Technologies & Holdings (P) Ltd. (Subsidiary of HBL Power Systems Ltd.)	11271.57	2274.75	9731.10	23277.42	924.72*	—	924.72	—	(726.13)	(4.32)	(730.45)	—
2)	Igarshi Motors India Ltd (Step down subsidiay of subsidiary)	2037.44	6218.58	12241.55	20497.57	18378.92	2118.65	20497.57	19721.24	706.67	(51.69)	758.36	—
3)	Agile Electric Sub Assembly (P) Ltd (Step down subsidiary of subsidiary)	4068.94	5126.75	11168.95	20364.64	20364.64	—	20364.64	20173.17	1857.86	381.31	1476.55	—
4)	Igarshi Motor Sales (P) Ltd. (Step down subsidiary of subsidiary)	75.00	47.17	19.10	141.27	141.27	—	141.27	67.96	51.40	16.21	35.19	75.00
5)	SCIL Infra Con (P) Ltd. (Subsidiary Company)	1000.00	(57.20)	972.22	1915.02	1915.02	—	1915.02	530.62	(19.75)	37.45	(57.20)	—
6)	HBL Germany, GmBH (WOS of HBL Power Systems Ltd)	14.92	(37.70)	38.24	15.46	15.46	—	5.46	7.58	(37.48)	—	(37.48)	—
7)	Bhagirath Energy Sysems (P) Ltd., (WOS of HBL Power Sysems (P) Ltd.)	107.60	—	2.33	109.93	109.93	—	109.93	—	—	—	—	—
8)	HBL Power Sysems (M) SDN, BHD (Subsidiary of HBL Power Systems Ltd.)	24.82	14.67	8.12	47.61	47.61	—	47.61	25.71	15.54	3.21	12.33	—

Notes: (1) Exchange Rates on 31.03.2011

Euros (HBL Germany) ₹ 63.35 / per Euro

Malaysian Ringgits (HBL Malaysia) ₹ 14.74 / per Ringgit

Nepalese Rupees Rs.1.60 / per Nepalese Rupee

***** Total Assets	23277.42
Less : Investments in Subsidiaries	22352.70
Total Assets (excluding investments)	**924.72**

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HBL Power Systems Limited

Regd. Office: 8-2-601, Road No.10, Banjara Hills, Hyderabad-500 034

Twenty Fifth Annual General Meeting on Monday, September 05, 2011

Attendance Slip

DP. Id*		Name & address of the registered shareholder
Client Id*		
Regd. Folio No.		

**Applicable for shareholding 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 25th Annual General Meeting of the Company held on Monday, September 05, 2011 at 4.00 p.m. at K L N Prasad Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad-500 004.

____

Signature of the Member/Proxy

NOTE: Please fill this attendance slip and handover at the entrance of the meeting hall. No Attendance Slip will be issued at the venue of the meeting.

HBL Power Systems Limited

Regd. Office: 8-2-601, Road No.10, Banjara Hills, Hyderabad-500 034

Twenty Fifth Annual General Meeting on Monday, September 05, 2011

Form of Proxy

I/We .... of.. being a member / members of HBL Power Systems Limited, hereby appoint ……... of .... or failing him .... of .... as my/our Proxy to vote for me/us and on my/our behalf at the 25th Annual General Meeting of the Company to be held on Monday, September 05, 2011 and at any adjournment thereof.

Affix Re.1/- Revenue Stamp

DP. Id*	
Client Id*	
Regd. Folio No.	
No. of Shares	

Name :

Address:

**Applicable for shareholding in electronic form.*

Signature:________________________

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