



# klgsystel

A Knowledge Company

# ANNUAL REPORT 2011







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# BOARD OF DIRECTORS

## BOARD OF DIRECTORS

Kumud Goel, Managing Director  
Vijoy Kumar  
Prabir Purkayastha

## COMPANY SECRETARY

Ramesh Chander

## AUDITORS

B. Bhushan & Co., New Delhi

## BANKERS

State Bank Of India  
IDBI Bank Ltd.

## REGISTERED OFFICE

Plot No. 70A, Sector- 34  
EHTP, NH-8, Gurgaon-122004  
Telephone: +91-124-4129900  
Fax: +91-124-4129999  
[www.klgsystel.com](http://www.klgsystel.com)

## RESEARCH & DEVELOPMENT CENTRE

Plot No. 70A, Sector- 34  
EHTP, NH-8, Gurgaon-122004

## PLANT

Khasra No. 995/1, Revenue Village  
Central Hope Town, Selaqui Industrial Area  
Dehradun (Uttaranchal)

Plot No. 117, HPSIDC Industrial Area  
Davri, Tehsil Nalagarh  
Dist. Solan

## OFFICES

Gurgaon	Kolkata	Patiala	Bangalore
Jaipur	Lucknow	Bareilly	Mumbai
Vadodara	Chennai	Jodhpur	Varanasi

## Share Transfer Agent

MAS Services Ltd.  
T-34, 2nd Floor,  
Okhla Industrial Area, Phase-II,  
New Delhi - 110 020  
Telephone : 011- 26387281/82/83 Fax : 011-26387384  
email: [investor@klgsystel.com](mailto:investor@klgsystel.com)

# KEY COMPANY INDICATORS

## KLG SYSTEL LIMITED

### CORPORATE DATA

Rs. In Millions

	2007	2008	2009	2010	2011
Sales & Others	1211.32	2689.45	2283.56	2359.44	971.29
EBIDTA	369.26	849.30	718.75	715.45	(174.38)
Profit Before Tax	301.63	745.60	437.31	311.93	(808.92)
Profit After Tax	219.48	523.69	332.97	198.18	(541.45)
Equity Share Capital	108.39	117.59	126.80	127.59	127.59
Reserve & Surplus	943.99	1697.93	2273.91	2473.34	1985.06
Net Worth	1052.38	1815.52	2400.72	2600.93	2112.66
Gross Fixed Assets	774.04	1531.04	2124.70	3239.77	3330.55
Net Fixed Assets	602.14	1292.53	1729.82	2674.34	2519.25
Total Tangible Assets	2613.95	3915.48	4982.59	5860.41	4907.20
Market capitalisation	3137.28	6596.12	986.61	1484.41	763.49
Number of Employees	240	425	425	287	311

### KEY INDICATORS

Rs. In Millions

		2007	2008	2009	2010	2011
Earning per share	(in Rs.)	22.93	48.03	26.72	15.65	(42.62)
Cash earning per share	(in Rs.)	30.37	61.15	43.87	35.51	(43.73)
EBIDTA/Sales	(in %)	30.03	31.30	31.48	30.32	(17.95)
PBT/Sales	(in %)	24.53	27.48	19.15	13.22	(83.28)
PAT/Sales	(in %)	17.85	19.30	14.58	8.40	(55.75)
Return on net worth	(in %)	20.94	28.89	13.88	7.62	(25.63)
Return on capital employed	(in %)	9.73	17.64	7.53	4.98	(15.41)
Dividend	(in %)	25.00	27.50	27.50	5.00	-
Sales per employee	(Mil.)	5.05	6.33	5.37	8.22	3.12
Book value per share	(in Rs.)	109.53	166.28	192.56	208.65	169.56
Market price per share	(in Rs.)	290.95	563.60	78.15	116.85	60.10
Debt equity ratio	(in times)	1.09	0.61	0.50	0.53	0.66

# DIRECTORS' REPORT

## KLG SYSTEL LIMITED

### 1 To the Members

Your Directors take pleasure in presenting the Twenty Sixth Annual Report of the Company together with Audited Financial Statement of Accounts for the year ended March 31, 2011.

### 2 Financial Results

The financial results of the Company are summarized here under:

(Rs. In Millions)

	Year ended 31.03.2011	Year ended 31.03.2010
Sales and Services	971.29	2359.44
Profit before interest and depreciation	(174.37)	714.34
Interest	(290.13)	(210.83)
Depreciation	(253.72)	(189.24)
Profit before tax	(809.26)	314.27
Provisions & Adjustments for tax	267.47	(113.76)
Prior Period Adjustments	(0.34)	(2.33)
Profit after tax	(541.44)	198.18
Surplus brought forward from previous year	221.18	130.42
Amount available for Distribution	-	328.59

#### APPROPRIATIONS:

Prior period adjustment of dividend, including dividend tax	-	-
Proposed dividend	-	6.35
Tax on proposed dividend	-	1.05
Transfer to general reserve	-	100.00
Balance carried forward	(320.26)	221.19

### 3 Sales and Profitability

Fiscal year 2010-2011 was challenging period for the whole industry and for your Company as well.

Your company has reported a turnover of Rs. 971 million as compared to Rs. 2,359 million for the corresponding previous year. The Company reported loss before interest, depreciation and tax of Rs. 174.37 million as compared to profit of Rs. 714 million for the corresponding previous year. The Company reported a loss before tax of Rs. 809.26 million as compared to profit before tax of Rs. 314 million for the last year. The loss after tax of Rs. 541.44 million as compared to profit after tax of Rs. 198 million for the previous year. The main reason for loss is because of payments stuck in EPC projects and also the company's decision not to proceed with EPC business. Your Directors are putting in their best efforts to improve the performance of the Company.

### 4 Dividend

In view of losses incurred by the Company, your Directors have not recommended any Dividend on Equity Shares for the financial year ended on March 31, 2011.

### 5 Future Outlook

During financial year 2010-2011 though we started our operations on a positive note, however the global economic scenario has put a tremendous pressure on the whole industry and on your Company too. Details on future outlook are discussed for both Strategic Business Units of the company below:

#### Life Cycle Solution

The revenue and profitability has gone down compared to financial year 2009-2010. The decline in revenue and profitability can be attributed to the recessionary conditions in industry and infrastructure. As such the company hopes that revenues shall be better in financial year 2011-12 as compared to 2010-2011.

# DIRECTORS' REPORT



## Power Systems Solutions

During the financial year 2010-11, your company has been awarded an order of Rs. 897.6 millions from Chattisgarh State Power Distribution Company Limited (CSPDCL) to act as an IT Implementing Agency in CSPDCL under part A of R-APDRP program of the Government of India. Though your company was technically qualified in various other bids for different utilities in India, it was not able to win any contract because of lower price bids from the competitors. This has been a major set back for the company. Some tenders are still under finalization and your company has made competitive bids for the same.

Your company has developed Connectgaia.com technology for Energy Efficiency. During the year it has been successfully deployed in Pune Mahanagar Corporation, CPWD-Mumbai, PWD-Delhi, JUSCO, Kolhapur Municipal Corporation, Maharashtra Jeevan Pradhikaran and Indian Railways. With the increasing pressure on Clean Environment and Global Warming; your company is hopeful that this technology shall find a large national and international market.

## 6. Conservation of Energy, Research and Development, Technology Adaptation, Foreign Exchange Earnings and Outgo

Information pursuant to section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is as under:

### • Conservation of Energy

The utilization of energy is minimal and need based. The Management of the Company is conscious of the need to conserve energy resources and adopts conservation measures in operations wherever applicable.

### • Research & Development and Technology Absorption

#### A. Research and Development (R&D)

The Company strongly believes that continuous innovation through Research and Development is the only way for compounded growth in future. It has intensified efforts in R&D by setting up a team for development of new technologies and products. The Company has also procured software tools (and trained engineers for using these) from World leaders in their respective fields to make it a World-class software development organization.

A revenue expenditure of Rs. 13 million (previous year: Rs. 25 million) was incurred during the period under review on activities relating to research and development while the capital expenditure (previous year: Rs. 12 million).

#### B. Technology Absorption, Adaptation and Innovation

The Company has various strategic alliance partners, all-renowned in their respective areas, and is continuously adapting the latest technologies available through these partners.

### • Foreign Exchange Earnings and Outgo

During the year under review the earnings and outgo in foreign exchange were of the order of Rs. 5.46 million (previous year: 4.53 million) and Rs. 113.81 million (previous year: Rs. 172 million) respectively.

## 7. Directors Responsibility Statement

The Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;



- (ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;
- (iv) The directors have prepared the annual accounts on a going concern basis.

## 8. Corporate Governance

The Board of Directors support the concept of Corporate Governance and having regard to transparency, accountability and rationale behind the decisions have made proper disclosures at Annexure I as a separate report under the heading "Corporate Governance".

A Certificate from the Statutory Auditors confirming compliance of the conditions of Corporate Governance as per the requirement of Clause 49 of the Listing Agreement with the Stock Exchanges is Annexed to the Report on Corporate Governance.

## 9. Management Discussion and Analysis Report

The report as required under the Listing Agreement is at Annexure II and forms a part of the Directors' Report.

## 10. Listing of Securities

- Presently, the Equity Shares of the Company are listed on the following stock exchanges:

- i) National Stock Exchange of India Limited. (NSE)  
Exchange Plaza, Bandra (E), Mumbai - 400 051
- ii) Bombay Stock Exchange Limited.(BSE)  
Phiroz Jeejee Bhoy Towers, Dalal Street, Mumbai - 400 001

The listing fee of above mentioned stock exchanges for the year 2011-2012 has already been paid.

- Global Depository Receipts (GDRs) of the Company are listed on Luxembourg Stock Exchange (LuxSE).
- Foreign Currency Convertible Bonds (FCCBs) of the Company are listed on Singapore Stock Exchange (SGX-ST).

## 11. Issue of further securities:

### A. Global Depository Receipts (GDRs):

During the year ended March 31, 2007 the Company had raised US \$ 7,499,700 by issue of 2,307,600 Global Depository Receipts (GDR) in international markets. Each GDR holder is entitled to convert GDR into one equity shares worth Rs.10.00 each fully paid up. These GDR's are listed on the Luxembourg Stock Exchange.

As on March 31, 2011, 2,306,850 GDRs were cancelled and converted into equivalent number of underlying shares. 750 GDRs are still outstanding.

### B. Foreign Currency Convertible Bonds (FCCBs):

During the year ended March 31, 2007 the Company issued 2200, 1% Coupon bearing Foreign Currency Convertible Bonds ("Bonds" / "FCCBs") of US\$ 10000/- each aggregating US\$ 22 million, due in 2012. These Bonds are convertible at any time up to March 16, 2012 by holders into fully paid

# DIRECTORS' REPORT



equity shares of Rs. 10 each with full voting rights ("Shares") at a Conversion Price of Rs.400 per share and subsequently Conversion Price has been reset to Rs. 350 per share. The conversion rate for US dollar has been fixed at USD 1.00 = Rs.43.70.

Unless previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed in US dollars on March 27, 2012 at 144% of their principal amount. The Bonds may be redeemed, in whole but not in part, at any time at the option of the Company at their Accreted Principal Amount if less than 10% of the aggregate principal amount of the Bonds originally issued remains outstanding. The Bonds may also be redeemed in whole but not in part at any time at the option of the Company at their Accreted Principal Amount in the event of certain changes relating to taxation in India. The Company will, at the option of any bondholder, redeem such holder's Bonds at their Accreted Principal Amount upon certain events such as Delisting of the Shares or upon the occurrence of Relevant Event etc.

Presently, the outstanding FCCBs are of US\$ 16 million. During the year, bondholders have not exercised the option to convert their bonds in the equity shares.

These Bonds are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

## 12. Human Resources and Employee Stock Option Scheme

Human resources are the key resource for your Company. Your Company has been able to create and continuously improve a favourable work environment that encourages novelty and meritocracy at all levels. Employee relations remained cordial at all Company's locations. The Directors take this opportunity to record their appreciation for the outstanding contribution of all employees.

The Company had instituted KLG Systel Limited Employee Stock Option Scheme 2005 to reward and help retain its employees/ directors and to enable them to participate in its future growth and financial success. The Company, on April 12, 2006 had granted 2,99,500 Employee Stock options to the employees/directors of the Company @ Rs. 119.58 per option, which after exercise are to give rise to equivalent number of equity shares of Rs. 10/- each.

The company instituted another Employee Stock Option Scheme 2007, the approval for which was obtained by way of special resolution passed by shareholders in its Annual General Meeting held on September 08, 2006. The Company, on May 26, 2008 had granted 69,000 Employee Stock Options to the employees of the Company @ 631.40 per option, which after exercise are to give rise to equivalent number of equity shares of Rs. 10/- each.

The Compensation Committee at its meeting held on May 26, 2008 has granted 38,500 options to the employees of the Company at Rs. 621.22 (based on price determined as per the approved Scheme) under the KLG Systel Employee Stock Option Scheme 2005.

## 13. Consolidated Financial Statements

Pursuant to Clauses 32 and 50 of the Listing Agreement, your Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. Audited Consolidated Financial Statements along with the Auditor's Report are annexed in this Report.

## 14. Subsidiary Companies

As on March 31, 2011, KLG Systel Limited has two subsidiary companies namely (i) KLG Software Technology and Infrastructure Private Limited and (ii) KLG Power Limited.

Pursuant to the General Circular No 2/2011 dated February 08, 2011 of the Ministry of Corporate Affairs (Government of India), the Company need not attach the Balance Sheets of its subsidiary companies, however in accordance with the conditions stated in the aforesaid Circular, the Company hereby undertakes that it shall make available the individual annual accounts of its subsidiary companies to the holding and subsidiary Company investors, on receipt of any request for the same.



# DIRECTORS' REPORT

The annual accounts of the subsidiary companies will also be kept for inspection by any investor in its registered office and that of the subsidiary company concerned. The Company is presenting the consolidated financial statements of its subsidiaries as required under the Accounting Standard-21 (AS-21) on consolidation of financial statements. Particulars required to be given under the provisions of Section 212 of the Companies Act, 1956 in respect of the subsidiary companies, are appended.

## 15. Transfer to Investor Education and Protection Fund

In terms of the provisions of Section 205C of the Companies Act, 1956, the Company has transferred an amount of Rs.0.164 million, being the amount of unclaimed dividend for the financial year ending March 31, 2003 to the Investor Education and Protection Fund established by Central Government.

## 16. Auditors

M/s B. Bhushan & Co., Chartered Accountants, the Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

## 17. Directors

Mr. Prabir Purkayastha was appointed as an Additional Director by the Board of Directors on January 17, 2011, and he holds office upto ensuing Annual General Meeting of the company. A notice under section 257 of the Companies Act, 1956 has been received from a member proposing his candidature as a Director of the Company and being eligible, Mr. Prabir Pukayastha has offered himself for Directorship. Your Directors recommended his appointment as Director at the ensuing Annual General Meeting.

Mr. Vijoy Kumar was appointed as an Additional Director by the Board of Directors on January 17, 2011, and he holds office upto ensuing Annual General Meeting of the company. A notice under section 257 of the Companies Act, 1956 has been received from a member proposing his candidature as a Director of the Company and being eligible, Mr. Vijoy Kumar has offered himself for Directorship. Your Directors recommended his appointment as Director at the ensuing Annual General Meeting.

Your Directors regret to inform that during the financial year 2010-11 Mr. K.L.Goel, Mr. Mukesh Arora, Mrs. Ritu Goel, Mrs. Upasana Goel, Mr. Ankush Krishan, Mr. Adarsh Soni, Mr. B. D. Gupta, Mr. Prabir Sengupta, Mr. Sundararajan Govindarajan and Mr. G. K. Pandey have tendered their resignation to the Board and the same were accepted subsequently by the Board. Your Directors place on record their deep appreciation for the services and contributions made by them as Directors on the Board of the Company.

## 18. Restructuring of Debts under CDR

Your company has approached the Banks for re-scheduling/re-structuring of banking arrangements on account of high interest cost and liquidity crunch faced by the Company during the past one year and M/s SBI Capital Markets Limited has been appointed as an advisor for making the proposal of restructuring of Debts to Corporate Debt Restructuring Cell. The re-structuring proposal under Corporate Debt Restructuring mechanism has been admitted by Corporate Debt Restructuring Empowered Group for the restructuring of outstanding Debts.

## 19. Particulars of Employees

Information in accordance with provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is annexed to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

# DIRECTORS' REPORT



## 20. Acknowledgements

The Board puts on records its sincere appreciation for the support, which the Company has received from its Bankers, Customers, Government Organizations, Overseas Strategic Alliance Partners, Staff and Employees. The Board also appreciates the confidence reposed by the shareholders in the Company and its management.

For and On Behalf of the Board of Directors

Date: August 10, 2011  
Place: Gurgaon

(Kumud Goel)  
Chairman





# **ANNEXURE TO DIRECTORS' REPORT**

# ANNEXURE I

## CORPORATE GOVERNANCE

### KLG SYSTEL LIMITED

#### 1. Company's Philosophy

Your Company believes in and fully supports the principles of Corporate Governance. The Company has been regularly implementing the best practices of Corporate Governance in order to attain total transparency, accountability and integrity. The Corporate Governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of these resources. To achieve the goal of value creation for the shareholders, the Company has identified following key aspects areas for its Governance: -

Clear statements of Board Processes, Board Executive linkage and appropriate mix of executive and non-executive directors so that it can effectively review and challenge the performance of management and exercise independent judgment.

To enable the Board in effectively discharging its responsibilities to monitor the state of affairs of the Company, Company has adopted policy of factual disclosures, accountability, transparency and adequate systems and procedures so that Board can effectively discharge its responsibilities.

Your Company has set up a sound system for risk management and internal control system. Audit Committee of the Board periodically reviews the risk management mechanism and internal control systems. At KLG, we give highest importance to investor relations. KLG endeavors to enhance shareholder's value by communicating with them effectively and providing them all material information about the Company. All material information is put by the Company on its web site i.e. [www.klgssystem.com](http://www.klgssystem.com).

#### 2. Board of Directors

##### a) Composition of Board

The Board of Directors of the Company has an combination of Executive and Non Executive Independent Directors as under:

1. Mr. Kumud Goel, Chairman and Managing Director
2. Mr. Prabir Purkayastha, Non Executive and Independent Director
3. Mr. Vijoy Kumar, Non Executive and Independent Director

All Independent Non Executive Directors comply with the requirements of the Listing Agreement for being an Independent Director and have also affirmed to this effect.

The following table summarizes the status of each Director, meetings attended by them and other relevant particulars:

Sr. No	Name	Designation	Category	No of Board meetings attended during the year	Whether attended the last AGM	No. of directorships in other Public Companies#	No. of Committee memberships / (Chairmanships) in Public Companies ##
1.	Sh. K. L. Goel*****	Executive Chairman	Executive & non-independent (Promoter)	5	YES	-	-
2.	Sh. Kumud Goel	Managing Director	Executive & non-independent (Promoter)	6	YES	-	1
3.	Smt. Upasana Goel**	Whole Time Director	Executive & non-independent (Promoter)	3	NO	-	-
4.	Smt. Ritu Goel**	Whole Time Director	Executive & non-independent (Promoter)	2	NO	-	-
5.	Sh. Mukesh Arora**	Whole Time Director	Executive & non-independent	1	NO	-	-
6.	Sh. G. K. Pandey*****	Director	Non Executive and Independent	5	YES	-	-
7.	Sh. B. D. Gupta***	Director	Non Executive and Independent	3	NO	-	-
8.	Sh. Prabir Sengupta*****	Director	Non Executive and Independent	3	NO	-	-
9.	Sh. Adarsh Soni*****	Director	Non Executive and Independent	2	NO	-	-
10.	Sh. Ankush Krishan****	Director	Non Executive and Independent	3	YES	-	-
11.	Sh. Sundararajan Govindarajan*	Director	Non Executive and Independent	1	NA	-	-
12.	Sh. Vijoy Kumar+	Director	Non Executive and Independent	1	NA	1	1
13.	Sh. Prabir Purkayastha+	Director	Non Executive and Independent	1	NA	-	2(2)

#Other Directorships do not include those of private companies and companies incorporated outside India.  
##Includes only Audit Committee and Shareholder's Grievance Committee.

\*Resigned w.e.f. 14.05.2010

\*\*Resigned w.e.f. 13.11.2010

\*\*\*Resigned w.e.f. 15.11.2010

\*\*\*\*Resigned w.e.f. 11.01.2011

\*\*\*\*\* Resigned w.e.f. 15.01.2011

\*\*\*\*\* Resigned w.e.f. 17.01.2011

+Appointed as additional directors w.e.f. 17.01.2011

NOTE : 1) None of the Directors is representing a Lender or Equity Investor.

2) None of the Non Executive Directors hold substantial shareholding in the Company.

#### **b) Directors' membership in board/committees of other companies**

In terms of the Listing Agreement, none of the Directors of our Company were members in more than 10 committees nor acted as Chairman of more than five committees across all companies in which they were Directors.

#### **c) Number of Board Meetings**

KLG Systel Limited had convened 6 (six) board meetings from April 1, 2010 to March 31, 2011.

These meetings were held on May 08, 2010, May 29, 2010, August 14, 2010, November 13, 2010, January 17, 2011 and February 12, 2011.

The gap between any two Board meetings did not exceed four months.

##### **- Board Meeting Procedures**

The detailed agenda papers containing all information relevant for discussions at the upcoming Board Meeting are sent to the Directors in advance so that each director has enough time to do meaningful discussions at the Board Meetings. Besides the business items, the agenda includes the items required to be considered by the Board of Directors as per the listing agreement. The items prescribed in the Clause 49 of the Listing Agreement are regularly brought to the notice of the Board of Directors.

##### **- Information supplied to the Board**

Regular presentations are made to the Board of Directors covering Finance, Sales and Marketing, Compliances and all the other important business issues.

The budgets are regularly approved by the Board of Directors. The Board spends considerable time in reviewing the performance of the company vis-à-vis the budgets.

##### **- Code of Conduct**

The Board had prescribed the Code of Conduct for all Board Member and Senior Management.

The Code of Conduct has also be posted on company's web site i.e. [www.klgsystel.com](http://www.klgsystel.com)

##### **- Declaration by C.E.O.**

The Managing Director of the Company has given the Certificate as below as per the requirement of Clause 49 of Listing Agreement:

I here by confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year 2010-11.

Sd/-  
Managing Director

### 3 Audit Committee

#### - Constitution

The Audit Committee comprises of following Directors:

Mr. Prabir Purkayastha	Chairman
Mr. Vijoy Kumar	Member
Mr. Kumud Goel	Member

The Audit Committee meetings are chaired by Mr. Prabir Purkayastha who has vast experience in the area of Finance.

The Company Secretary is acting as Secretary of the Audit Committee.

#### - Terms of Reference

The charter of the Committee is as prescribed under Section 292A read with Clause 49 of the listing agreement viz.:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by the management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.)
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors any significant findings and followup thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

13. Carrying out any other function as may be referred by the Board from time to time.

**- Meetings & Attendance**

During the period under review the audit committee met four times on May 29, 2010, August 14, 2010, November 13, 2010 and February 12, 2011.

The attendance record of Audit Committee is as below:-

Date of Meeting	29.05.2010	14.08.2010	13.11.2010	12.02.2011
Mr. B. D. Gupta	Attended	Attended	Not Attended	NA
Mr. G. K. Pandey	Attended	Attended	Attended	NA
Mr. Prabir Sengupta	Attended	Attended	Attended	NA
Mr. Prabir Purkayastha	NA	NA	NA	Attended
Mr. Vijoy Kumar	NA	NA	NA	Attended
Mr. Kumud Goel	NA	NA	NA	Attended

The gap between any two Audit Committee meetings did not exceed four months.

The Committee, in its meeting held on May 29, 2010 reviewed the Annual Accounts for the period ended 31<sup>st</sup> March, 2010.

**4. Details of directors remuneration for the year ended 31<sup>st</sup> March, 2011**

(In Rupees)

Name of Director	Sitting fee	Commission	Salary	Provident Fund	Retirement Benefits	Total
Mr. K. L. Goel	-	-	40,24,642	-	-	40,24,642
Mr. Kumud Goel	-	-	50,81,166	5,76,000	-	56,57,166
Mrs. Upasana Goel	-	-	10,23,942	84,740	-	11,08,682
Mrs. Ritu Goel	-	-	9,81,113	80,649	-	10,61,762
Mr. Mukesh Arora	-	-	41,73,333	-	-	41,73,333
Mr. G. K. Pandey	50,000	-	-	-	-	50,000
Mr. B. D. Gupta	35,000	-	-	-	-	35,000
Mr. Prabir Sengupta	35,000	-	-	-	-	35,000
Mr. Adarsh Soni	15,000	-	-	-	-	15,000
Mr. Sundararajan Govindarajan	5,000	-	-	-	-	5,000
Mr. Ankush Krishan	15,000	-	-	-	-	15,000
Mr. Vijoy Kumar	10,000	-	-	-	-	10,000
Mr. Prabir Purkayastha	10,000	-	-	-	-	10,000

**5. Shareholding of the Non-Executive Directors in the Company**

Name	No. of Equity Shares held	% Of Total Paid-up Equity Capital
Mr. Prabir Purkayastha	NIL	NIL
Mr. Vijoy Kumar	NIL	NIL

## 6. Details of relationship among Directors, if any

Sl.No.	Name of Director	Relationship
1	Mr. K. L. Goel**	Father of Mr. Kumud Goel
2	Mr. Kumud Goel	Son of Mr. K. L. Goel
3	Mrs. Upasana Goel*	Wife of Lt. Mr. Sanjay Goel (son of Mr. K. L. Goel)
4	Mrs. Ritu Goel*	Wife of Mr. Kumud Goel

\* Resigned w.e.f. 13.11.2010

\*\* Resigned w.e.f. 17.01.2011

## 5. Shareholders Grievance Committee

The present Shareholder Grievance Committee comprises of Mr. Prabir Purkayastha, Non Executive and Independent Director and Mr. Kumud Goel, Managing Director. Mr. Prabir Purkayastha is the Chairman of the Committee. During the period under review, the committee met 4 times viz. on April 15, 2010, January 15, 2011, February 28, 2011 and March 31, 2011. The members of the committee were present in all the meetings.

The Company Secretary of the Company acts as the secretary of the Committee and Compliance officer.

Work relating to transfer of shares has been entrusted to Share Transfer Agent i.e. MAS Services Ltd. In case of transfers of physical share certificates, necessary endorsements on share certificates are made by Company Secretary of the Company and the same is taken note of by the Board of Directors of the Company in its ensuing meeting.

As on March 31, 2011, no investor complaint was pending. During the period under report, Company received 20 Complaints. These complaints were completely resolved by the Company.

## 6. Subsidiary Companies

In terms of Clause 49 (III) of the Listing Agreement, your Company does not have a material non-listed Indian subsidiary company, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

The Audit Committee reviews the financial statements including investments by the unlisted subsidiary companies of the Company. Also, copies of the minutes of the subsidiary companies of the Company are placed before the Board of the Company on a periodical basis.

## 7. Location, Date and Time of Last Three Annual General Meetings

The Last three Annual General Meetings of the Company were held as per details hereunder:

Financial period (ended)	Date	Time	Venue	Whether special resolutions passed or not
March 31, 2008	July 25, 2008	11:00 a.m.	HSI IDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana	Yes
March 31, 2009	August 22, 2009	11:00 a.m.	HSI IDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana	Yes
March 31, 2010	September 25, 2010	11:00 a.m.	HSI IDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana	Yes

## 8. Postal Ballot

During the year Company has proposed the following Special Resolutions through Postal Ballot:

### In the current Financial Year 2010-2011

Particulars of Special Resolutions	Details of Voting Pattern	
	Votes Casted in favour	Votes Casted against
Special Resolution under section 314(1B) of the Companies Act, 1956 to approve the appointment of Mrs. Ritu Goel as President-Human Resources of Life Cycle and Software Division of the Company.	34,44,056 (98.35%)	57,686 (1.65%)
Special Resolution under section 314(1B) of the Companies Act, 1956 to approve the appointment of Mrs. Upasana Goel as President-Planning of Life Cycle and Software Division of the Company.	34,40,060 (98.34%)	58,036 (1.66%)

The Postal Ballot exercise was conducted by Mr. Nagesh Kumar, Chartered Accountant as Scrutinizer and the results were declared on January 05, 2011. The above said resolutions shall also be declared to have been passed in the ensuing Annual General Meeting of the Company.

The procedure as specified under Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 was followed for passing the resolution under postal ballot. Accordingly the Notice of Postal Ballot, the Postal Ballot form and self addressed, postage pre-paid envelop was dispatched to all shareholders with instructions to return the duly filled up form by December 30, 2010. After the last date of receipt of form, the Scrutinizer submitted his report to the Executive Chairman of the Company on January 03, 2011, following which the Executive Chairman announced the results stating that the resolutions has been approved by the shareholders on January 05, 2011. The said results were duly published in the newspapers.

No Special Resolution requiring approval of the shareholders through Postal Ballot is being proposed at the ensuing Annual General Meeting.

## 9. Disclosures

a. Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

**None** of the transactions with any of the related parties were in conflict with the interests of the Company.

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

**None**

c. Whistle Blower policy and affirmation that no personnel have been denied access to the audit committee.

The Company has not adopted any Whistle Blower policy. However, no personnel were denied access to the audit committee.

The Company has complied with all the mandatory requirements as specified in the Clause 49 of the standard listing agreement.

## 10. Disclosure regarding appointment or re-appointment of Directors

According to the Provisions of Section 255 of the Companies Act, 1956 read with the Articles of Association of the Company, Mr. Prabir Sengupta and Mr. Mukesh Arora are liable to retire by rotation in the ensuing Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The brief resume of these Directors are as follows:-

Name	Qualification	Brief Resume And Area of Expertise	Other Directorships	Committee memberships
Mr. Prabir Purkayastha, 61 years	ME from Allahabad University	<p>Mr. Prabir Purkayastha is Master in Electronics from Allahabad University is known for his pragmatic vision, operational excellence and entrepreneurial success.</p> <p>Mr. Purkayastha possesses very rich experience in the field of Financial Matters, Preparation and appraisal of project reports and evaluation of budget and business plans.</p> <p>Mr. Purkayastha is globally recognized for his Software optimization and simulation models, Innovation theory, Developed simulation models, Performance Calculations Optimization packages for power and process plants, Development of carbon cycle model and climate change models, Designing of computer control systems and instrumentation for power and other industrial plants, pioneering contributions to Engineering Services and Information Technology Business Processes.</p>	Sagrik Process Analysts Pvt. Ltd	KLG Systel Limited - Audit Committee - Shareholder's Grievance Committee



Mr. Vijoy Kumar 67 years	BE from BIT Sindri	Mr. Vijoy Kumar is an Electrical Engineer from BIT Sindri (Bihar). He held various prominent positions in the Central and State Electricity Authorities and has an overall experience of 45 years in the fields of power sector and utility services. He served Uttar Pradesh Electricity Regulatory as a Chairman for a period of 5 years during 2003-2008 and also served Central Electricity Authority (CEA) for a continuous period of 38 years.  During his tenure as Chairman of Uttar Pradesh Electricity Regulatory, He was also actively associated as a Visiting Faculty Member at IIT, Kanpur and IIM, Lucknow on Power Sector related topics.	Roto Pumps Limited	KLG Systel Limited • Audit Committee  Roto Pumps Limited • Shareholder's Grievance Committee • Remuneration Committee
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## 11. Means of Communications

Quarterly results of the Company are published in Financial Express (English) and Jansatta (Hindi). These results are put on the web site of the Company i.e [www.klgsystel.com](http://www.klgsystel.com), on which the official news releases are also displayed.

There is a separate section on "Management Discussion and Analysis Report" and the same forms a part of the Annual Report.

## 12. General Information for Shareholders

### • Annual General Meeting

Date : Saturday, September 24, 2011

Time : 11:00 A.M.

Venue : HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana

### • Financial Calendar (Tentative)

Results for the quarter ending June 30, 2011 : Second week of August, 2011

Results for the quarter ending September 30, 2011: Second week of November, 2011

Results for the quarter ending December 31, 2011 : Second week of February, 2012

Results for the year ending March 31, 2012 : 2<sup>nd</sup>/3<sup>rd</sup> week of May, 2012

• **Period of Book Closure:** From Monday, September 19, 2011 to Saturday, September 24, 2011 (both days inclusive)

- **Listing on Indian Stock Exchanges**

- **Name of the Stock Exchange                      Stock Code**

The Stock Exchange, Mumbai                      531269

National Stock Exchange                      KLGSYSTEL

The ISIN Number of KLG Systel Limited (or demat number) on both NSDL and CDSL is INE799A01019.

- **Listing on Overseas Stock Exchanges**

**Name of the Stock Exchange**

Luxembourg Stock Exchange (LuxSE)

Singapore Stock Exchange (SGX-ST)

**Type of Security Listed**

Global Depository Receipts (GDRs)

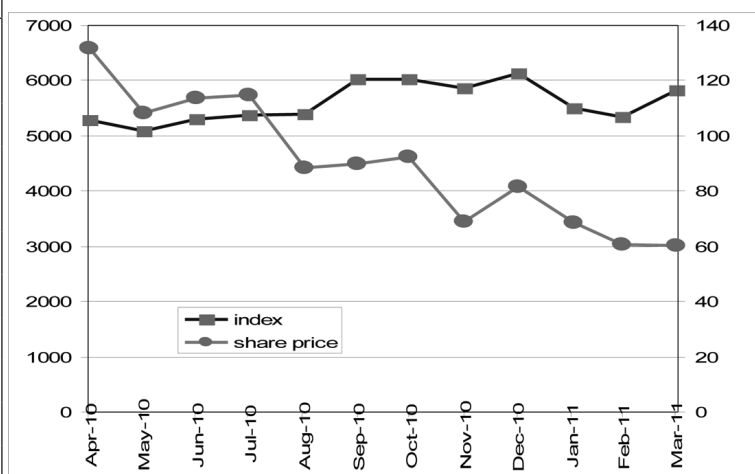
Foreign Currency Convertible Bonds (FCCBs)

- **Stock Data**

Monthly high low at NSE of the Company's Share is as below:

Month	National Stock Exchange (in Rs.)	
	High	Low
April, 2010	139.30	117.00
May, 2010	134.80	102.20
June, 2010	122.00	102.00
July, 2010	132.85	112.70
Aug, 2010	128.20	88.00
Sep, 2010	96.95	88.75
Oct, 2010	104.75	89.05
Nov, 2010	100.80	65.00
Dec, 2010	94.00	61.00
Jan, 2011	98.10	62.90
Feb, 2011	72.30	56.15
Mar, 2011	65.25	57.00

**Share Price Performance in comparison to NSE Nifty over the past year is as below**



- **Registrar and Share Transfer Agent and Share Transfer System**

The Registrar and transfer agent (R & STA) of the Company carrying the transfer work is:

MAS Services Limited,  
T-34, 2<sup>nd</sup> Floor,  
Okhla Industrial Area, Phase-II,  
New Delhi - 110 020

The Registrar & Share Transfer Agent of the Company effect transfer of shares in physical form and also provide connectivity with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The Company Secretary of the Company is authorized by the Board to approve the transfer of shares in physical form on behalf of the Company, who submits a report on shares transferred in physical form, since last board meeting, to the Board at its meeting. The physical shares, after approval by Company Secretary/Authorized Signatory of the Company, are sent to aforesaid Registrar and Share Transfer Agent for further necessary action i.e. effecting transfer in the records. The Company, as per SEBI Guidelines, offers the

facility of transfer cum-dematerialisation. Under this system, after effecting the share transfer, a letter is sent by aforesaid Registrar & Share Transfer Agent to the transferee indicating the details of the transferred shares and inquiring whether the transferee wishes to dematerialise the shares and if so, he can approach a Depository Participant (DP) with the letter. The DP, based on the letter, generates a dematerialisation request which the shareholder has to send to the Company along with the option letter issued by the Company. In case the transferee does not wish to de-materialize the share certificates, the Company dispatches the share certificates to the transferee.

- **Nomination Facility**

Shareholders are eligible to file their nominations against shares held under physical mode. The facility of nomination is not available to non-individual shareholders such as societies, trusts, bodies corporate, karta of Hindu Undivided families and holders of Powers of Attorney. The investors, who wish to avail this facility, may send prescribed form 2B duly filled in and signed to the R & STA.

- **Distribution of Equity Shareholding as on March 31, 2011:-**

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Up to 500	21543	88.618	2695172	21.216
501 to 1000	1525	6.273	1197818	9.429
1001 to 2000	684	2.814	1024251	8.063
2001 to 3000	216	0.889	554672	4.366
3001 to 4000	102	0.420	364677	2.871
4001 to 5000	54	0.222	253479	1.995
5001 to 10000	98	0.403	705028	5.550
10001 & above	88	0.362	5908482	46.510
Total	24310	100	12703579	100

- **Shareholding pattern as on March 31, 2011**

Shareholders	No. of Shares Held	% of Total Shares held
Non-resident Indians/OCB's	335298	2.64
Banks/Financial Institutions/FIIs	22900	0.18
Promoters & Directors	3410056	26.84
Corporate Bodies	2204247	17.35
Clearing Members/ Trusts	215548	1.70
Resident Individuals	6514780	51.29
Custodian of GDRs	750	0.01
Total	12703579	100.00

- **Dematerialization of Shares and Liquidity**

As on 31<sup>st</sup> March 2011, 12579904 (99.02%) Shares of the Company were held in dematerialized form and the rest 123675 (0.98%) in physical form.

The shares of the Company are in compulsory demat segment and are available for trading in depository systems of both NSDL and CDSL.

- **Outstanding Convertible instruments**

During the year 2006-07, the Company issued 2200, 1% Coupon bearing Foreign Currency Convertible Bonds ("Bonds") of US\$ 10000/- each aggregating US\$ 22 million, due in 2012. The outstanding FCCBs as on March 31, 2010 are US\$ 16 million. During the year 2009-10, company has not received any request for the conversion of Bonds in the Equity Shares.

The Company had issued 23,07,600 Global Depository Receipts during the year 2006-07. Upto March 31, 2010 the holders of 23,06,850 GDRs had got their GDRs cancelled and converted into equivalent number of underlying shares. As on date, 750 GDRs are still outstanding.

- **Non Mandatory Requirements**

The status / extent of compliance of non mandatory requirements is as follows:

S. No.	Non Mandatory Provisions	Status
1.	Maintenance of Chairman's Office	Not Applicable as Chairman is executive.
	Independent Directors' tenure not to exceed nine years in aggregate	Not adopted
2.	Remuneration Committee	Already constituted. Details given elsewhere in this report.
3.	Shareholders' rights : Half-yearly financial performance and summary of significant events may be sent to each household of shareholders	The said information is available on Company's website.
4.	Audit qualifications : Company may move towards regime of unqualified financial statements	Adopted
5.	Training of Board Members	All Board members are experts in their respective fields and are well aware of Company's business model and risk profile.
6.	Mechanism for evaluating non-executive Board Members	Not adopted
7.	Whistle Blower Policy	Not adopted

# BRANCH LOCATIONS

## **Bangalore**

32/1, 1st Temple Road,  
Vasistha Paradise,  
10th & 11th Cross,  
Malleshwaram,  
Bangaluru-560003  
Tel: +91-80-41475191

## **Chennai**

260-262, 4th Floor,  
Royapettah High Road,  
Royapettah, Chennai-600014  
Tel: +91-44-45510043 / 43426900  
Email: klg.chennai@klgsystel.com

## **Jaipur**

157, Girnar Colony,  
Gandhi Path, Vaishali Nagar,  
Jaipur-  
Tel: +91-141-4005614  
Email: klg.jaipur@klgsystel.com

## **Jamshedpur**

Flat C 1/2, Nirode Apartment,  
L-Road, Bistupur,  
Jamshedpur  
Tel: +91-657-2429879  
Email: klg.jam@klgsystel.com

## **Jodhpur**

28, Shyam Nagar,  
Jodhpur  
Tel: +91-291-2754923

## **Kolkata**

46/31/1, Gariahat Road,  
4th Floor, Ballygunge New AC Market,  
Kolkata-700019  
Tel: +91-33-24647465/24645257/24645259

37, 1st Floor,  
Shakespeare Sarani,  
Kolkata-700017  
Tel: +91-33-40084961/40213636

## **Lucknow**

3/3A, Vikash Nagar, Near R L B School,  
Lucknow-226022  
Tel: +91-522-2769784  
FAX: +91-522-2328212  
Email: klg.lucknow@klgsystel.com

## **Mumbai**

301, Pujit Plaza, Plot No. 67, Sector-11,  
Central Business District-Belapur,  
Navi Mumbai-400 614  
Tel: +91-22-40916777  
Email: klg.mumbai@klgsystel.com

C-19, Mezzanine Floor,  
Satyam Shopping Centre, MG Road,  
Ghatkopar (East),  
Mumbai-400077  
Tel: +91-22-40110070, 71, 72

## **Patiala**

36, Rose Avenue  
Good Earth Colony,  
Patiala

## **Udaipur**

4, Adinath Colony,  
Keshav Nagar, University Road,  
Udaipur  
Tel: +91-294-5103410

## **Vadodara**

814, Siddhartha Complex,  
R.C. Dutt Road, Vadodara-390005  
Tel: +91-265-2351867/68  
Email: klg.vadodara@klgsystel.com

## **PLANT:**

Khasra No. 995/1, Revenue Village,  
Central Hope Town, Selaqui Industrial Area,  
Dehradun (Uttaranchal)

## **Address for correspondence**

The work relating to transfer of shares, demat & remat of shares operate from the office of our Registrar & Share Transfer Agent i.e. MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110020. For any type of assistance the investor may correspond with the Company Secretary, KLG Systel Limited, Plot No.70A, EHTP, Sector-34, Gurgaon-122004.



## Certificate from Auditors Regarding compliance of Conditions of Corporate Governance

To the Shareholders of KLG Systel Limited

We have examined the compliance of conditions of Corporate Governance by KLG Systel Limited, during the year ended on March 31, 2011, in accordance with the provisions of clause 49 of the Listing Agreements executed by the Company with stock exchanges where equity shares of the Company are listed.

The compliance of conditions of Corporate Governance is the responsibility of the Board of Directors of the Company. Our examinations has been limited to procedures adopted by the Company and implementation thereof for ensuring proper compliance of the conditions of Corporate Governance. Our examination may not be construed as an audit or an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that in respect of investor grievances received during the year ended March 31, 2011, no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company which are presented to the Shareholders/Investors' grievance Committee.

We state such compliance of conditions of Corporate Governance is not an assurance on the future viability of the Company or the efficiency or effectiveness with which the affairs of the Company have been conducted.

For **B. Bhushan & Co.**  
Chartered Accountants

Place: Gurgaon  
Date: August 10, 2011

Kamal Ahluwalia  
Partner



# Annexure II

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### A) Business Overview and Outlook

The company used Financial Year 2010-11 to consolidate the business of both its Power and Life Cycle business. The company remained focus on its own Connectgaia – Intelligent Electricity and Water management solution and extended portfolio in the Life Cycle business where it successfully formed new relationships to respond to the changing needs of the Indian market.

The Connectgaia technology is now gaining lot of traction in the market and the company has been able to secure number of orders in Transportation, Municipal, Public Works, Manufacturing and Water & Waste Water sectors. The technology is helping our customers in these segments by way of saving energy, automation of working of key assets of the company and eventually reduces the carbon footprint.

KLG offers knowledge solutions to oil & gas, process, power, water, ferrous and non-ferrous metals, manufacturing and infrastructure sectors in India by providing a unique mix of industry domain expertise, software solutions, consultancy and training.

With a strong knowledge base and domain expertise in specific verticals, KLG continues to leverage its existing resources and relationships. The company is expanding its portfolio of offerings in specific verticals continuously with a view to enabling its SBUs in addressing a wider spectrum of market opportunities.

### B) Segment-wise Performance

A review of the performance of the various Strategic Business Units is given below:

#### (i) POWER SYSTEM SOLUTIONS:

The Power System Solutions SBU provides end-to-end integrated solutions for the complete Business Process Automation of Power Distribution Utilities as well as solutions for end consumers of power. These solutions cover hardware, software and communication technologies. Your Company has been developing the products for Power Sector and has assimilated a lot of experience in the Indian Power Sector.


- Your Company has been able to maintain the competitive edge in the market and is implementing the following prestigious orders:
- To act as an IT Implementing Agency in CSPDCL under part A of R-APDRP from Chattisgarh State Power Distribution Company Limited (Rs. 89 Crores)
- Spot Billing for 0.5 million consumers for Punjab State Electricity Board
- Operation and Maintenance of IT Infrastructure for 1.0 million consumers for BEST, Mumbai
- Supply and Erection for Rural Electrification of 11,806 villages of Punjab under Rajeev Gandhi Grameen Vidyutikaran Yojna.
- Supply and Erection of 13 no 33-kV Substations in Panchkula, UHBVN (Rs. 30 crore)

#### Major Opportunities in the current year:

##### Connectgaia.com - Intelligent Energy Management & Demand Response Solution:

Connectgaia is a convergence of the internet and power highways empowering electricity and water consumers to intelligently manage their electricity and water consumption through web. It is an end-to-end solution for empowering electricity and water consumers to Measure, Visualize, Analyze and Control their usage in real-time and without any geographical boundaries. It enables energy and business managers, executive staff, and Operations & Maintenance personnel to view electricity consumption and relevant cost data through highly dynamic customizable reports, charts, and graphs.





Connectgaia solution is a combination of field devices and enterprise portal that seamlessly integrates energy demand points with meters, sensors, controllers and enterprise web portal.

Connectgaia has received industry recognition in India and abroad and there are a number of installations of Connectgaia in various industry segments. Connect Gaia is an enabler for Smart Grid framework where the objective is to make the grid more responsive to the ever-fluctuating electricity demand.

Each industry segment has a different requirement to monitor and control their utility consumption and hence Connect Gaia provides a highly customizable dashboard so that users can customize them based on their specific functional needs.

Since Connect Gaia is web based, it has wide applications for companies who have a geographically spread infrastructure such as water networks, transportation networks and cluster of building and townships which need to be monitored and controlled at a specific location level as well as enterprise level. In absence of Connect Gaia, companies generally have a very cumulative view of their electricity consumption and assets and hence often fall short of taking a strategic decision to reduce their cost of utility.

In light of the above, Connectgaia has already got enormous response in the following markets.

- a. Water and Waste Water
- b. Railways
- c. Municipal Corporations
- d. Public Works Department
- e. Industrial Facilities and
- f. Green Building Initiatives

As on date, Connectgaia is being used in the following applications.

- a. Water Asset Monitoring on intake and distribution side
- b. Pump House monitoring and automation
- c. Sensor based intelligent pump operations for remote applications
- d. Street Lighting automation
- e. Sub-station automation
- f. Building Management
- g. Automated Metering
- h. Outdoor Lighting Management

## **1. Market Coverage**



Connect Gaia is presently sold on a hybrid Direct and In-direct model. Connect Gaia account management team currently handles large and strategic opportunities while the channel services already established requirements. This gives us a good market coverage but ensures that we are directly involved in creating new market demand.

We are in the process of appointing additional partners to have effective market coverage in India. Water sector and Indian Railways have emerged as good market for Connectgaia.

## **2. International Marketing**

Connectgaia addresses a market segment, which has a global demand. It has been found through research that the issues and challenges in the electricity market are very similar





across the globe and companies are fighting a similar battle to save energy and get a deeper view of their energy consumption patterns. Most countries are working on an ambitious Smart Grid initiative where Connectgaia plays a vital role.

In Phase – I, we have identified following markets for Connectgaia presence through a combination of direct and indirect channel network

- a. South East Asia
- b. China
- c. Americas
- d. Middle east and Africa

Connectgaia R&D team has worked with Intel on an Intel 32-bit industry class atom chipset which has provided us an opportunity to launch entirely new set of applications in the energy management and industrial automation areas. Intel has also partnered in KLG.


Application/ Benefits of Connectgaia.com

- Online monitoring and measurement of energy usage
- Remote switching on and off of equipment, machinery, street lights, water pumps or appliances – instantaneously On Demand/ Time based scheduling & Rule based scheduling
- Energy planning and load forecasting
- Energy accounting and balancing to check wastages and theft
- Communicates with temperature, pressure, light, flow, level and all types of sensors
- Ensures utilities comply with power delivery service levels and utility bill verification
- Allows users to participate in Demand Response with utilities and power network
- Allows monitoring of quality parameters in the water and power distribution network
- Allows for time of day tariff based incentive program
- Generation of recommendations to improve quality of power
- Monitor equipment performance or system behavior
- Detects the need for load shedding
- Guide to optimize the need for captive power plant generation
- Stimulates the economic development of an organization
- Contributes to saving of energy resources
- Appliance Protection features to safe guard the connected load from power line disturbances/ abnormalities.

Connectgaia.com is technology partner with global leaders such as IBM, Intel, ZigBee Alliance, Landis+Gyr and many more.

Connectgaia.com has been awarded and appreciated for its excellence in innovative product category several times by the leading and renowned award committees and organizations. Some of our major accomplishments include:

- 2010 IBM Beacon Award for Cloud Computing Innovation
- IBM Solution Architecture for Energy & Utilities Framework validation (This validation makes KLG Systel the only ISV having a SAFE certified AMI solution in the ISA region)
- 2009 Logica Global Innovation Venture Partner Award
- 2009 IBM Ready for Energy & Environment Solution Validation
- 2009 Best Lotus Energy and Environment (Green) Award
- 2009 IBM Beacon Award finalist in the Outstanding Energy & Environment (Green) Solution
- 2008 NASSCOM Innovation Awards (Finalist)
- 2008 IBM Best ISV Award Energy & Utilities Industry Solutions
- 2007 CII National Award for Excellence in Energy Management
- 2007 Golden Peacock Award in the Innovative Product/Service Category
- Among NASSCOM's 100 IT Innovators of 2007
- CE Certification



Connectgaia - Magic Meter:

We believe in constantly upgrading our Connectgaia.com family of products to keep abreast with latest technologies and have recently launched Magic Meter which is an extension of Connectgaia.com. Magic Meter is a device which allows users to monitor electricity consumption of the home and office appliances like air-conditioners, printers, etc which consume less amount of electricity and also control them from anywhere. Key features of Magic Meter include Energy consumption and cost calculation, support to Home Area Network (Zigbee/Wi-Fi), control of appliances from internet or HAN, monitor of power quality, scheduled on/off of appliances, Email alerts and Group Metering.

## **(ii) BUSINESS LIFE CYCLE SOLUTIONS**

In Business Life Cycle Solution focus is on enhancing and effectively using the domain knowledge acquired. The future direction of the company is to consolidate its customer base and to customize and verticalise the life cycle solutions to address the evolving needs of Indian Industries. Some of these growing needs are seamless integration of software solutions within the organization to meet the core financial management, human resources, customer relationships and the supply chain, as well as other functional needs of the organization.

The company has formed an exclusive relationship with Digsilent GMBH which is based out of Germany. The relationship will help the company in addressing the complete value chain of the power sectors comprising of Generation, Transmission and Distribution. This relationship will also help the company in addressing the emerging renewable energy market that is growing at a significant pace.

### **(a) Enterprise Project Management**

Enterprise Project & Management solutions bring together the disciplines of strategic planning & project management. They provide a framework for effectively managing both resources and the tactical plans for Projects.



Delivering projects on time & on budget is a minimum requirement to do business for most organizations and in many industries it is critical to long-term success. Companies that adhere to strong project management methods, including detailed evaluation of scope and budget, ongoing risk management and measurement of project results are consistently more successful than those that do not. Following a structured project management method enables companies to predict and mitigate risks, better manage costs and deliver quality results that satisfy clients. In the most mature organizations these goals are linked to the strategic business objectives, giving these organizations a powerful competitive advantage.

Your Company trained large number of professionals in Project Management who were from corporate such as L&T, Reliance, ONGC, GAIL, Tata Power, IOCL, SAIL, Railways, Jindal and many more. They were certified as per training program of PMI, USA which it represents in India.

### **(b) Computational Engineering & Sciences (CES)**

This SBU continues to be a major contributor in the overall business of the company. With India's GDP on track & major investments happening, the SBU promises to deliver more than expected in coming years.

Your company addresses the engineering design and analysis requirements of its clients by partnering with them in implementation of the Plant / Product life cycle. This is done through your Company's rich industrial and consulting experience, combined with state-of art software and hardware expertise in solid 3D modeling, plant design, piping analysis, FEA /CFD rapid prototyping, etc. A variety of solutions have been integrated to cover the entire lifecycle of manufacturing, process, petrochemical & infrastructure organizations, one of which is the integration of CAD, GIS & GPS solutions for a utility application.



The Computational Engineering & Sciences SBU provides design & analysis tools and services in the area of Plant & Product life cycle to various segments including Oil & Gas, Infrastructure, Manufacturing, Metal etc. We are one of the leading end to end solution providers in this segment in India having experience of more than 20 years.

The Company provides tools and services in the following areas

1. Computer Aided Design
2. Computer Aided Engineering,
3. Plant Design & Analysis
4. Computer Aided Manufacturing
5. Civil / Architectural/Structural Design& Engineering.
6. Enterprise GIS

Your company with its partnership with Autodesk offers a broad range of solutions in almost all vertical segments like Mechanical, Civil, Architectural, Electrical. From basic engineering drawing to digital prototyping in Mechanical, to advanced structural detailing in civil & structural and to Building Information Modeling in Architectural, your company provides comprehensive tools and services in CAD domain as one of the leading partner of Autodesk in India. Many of our customers have standard tools based on AutoCAD platform, which is an outcome of the efforts put by us for years. Your company is also associated with Autodesk to provide support to their large installation base in India including companies like BHEL, L & T, Alstom, EIL, Dasturco.

With the strategic relationship with Intergraph, your company provides complete end to end solution in the field of plant design. From P & ID to digital plant models, your company provides tools and services for comprehensive design, analysis and modeling in the field of piping, structures, vessels. The company provides solutions where customers can have designers and engineers anywhere in the world working simultaneously, sharing information on projects, all with complete accuracy and synchronization of effort. This eliminates redundancies and reduces errors and delays, saving time and costs throughout the process.


Customers:

Your Company has a large customer base across all segments in the industry. The enterprise accounts include Larsen & Toubro, Engineers India Limited, Samsung, Indian Oil, Tata Steel, Mecon, BHEL, SAIL, Reliance (ADAG), Essar, Siemens, Alstom, Areva, SMS Demag, Humbolt, Technimont ICB, HCC, IOTL, Godrej, POSCO, Ordinance Factory, VECC- Dept of Atomic Energy, BARC, Geological Survey of India, JUSCO, Jindal, Vedanta, Hero Honda.

### **(c) Industrial and Infrastructure Automation**

Your company has enhanced the portfolio of services in this segment by way of partnering with hardware OEMs such as Mitsubishi Electric and IBM. Automation is a rapidly growing market in India. As new infrastructure is being created both in manufacturing as well as in public services, there is a growing need to automate the facilities as well as manufacturing processes.

This business unit continues to sustain the growth momentum shown over the years. We have been able to create generic plant automation solutions for the metal industry including steel and aluminum. Our solutions have enabled manufacturing agility, design agility, supply chain agility for the players in these sectors. Your Company offers integrated solution for Industrial Automation and Supply Chain Planning and Optimization. Your Company's Manufacturing Execution System provides complete solutions to analyze the data captured from a wide variety of data sources over multiple sensors, plant organization to improve uniformity, increase yields, maximize productivity and decrease maintenance costs. Your Company assists the customers to achieve these goals by delivering information and analysis tools that



organize and deliver plant intelligence, which is accessible throughout the organization from the 'Sensorto-Boardroom'. As a result, the organizations are able to make better-informed decisions about their business.

Your Company, for the last 12 years, has been offering IT enabled business optimization solutions in the manufacturing space. These solutions have evolved from a Human Machine Interface and Shop Floor Scheduling solution to a complete Plant Intelligence and Supply Chain Optimization application framework. The agility to accurately promise and quickly deliver increasingly customized products or new products requires synchronization across a broad scope of manufacturing activities performed by multiple organizations.

**(C) Adequacy of Internal Control**

Your Company has an appropriate internal control system for business processes with regard to efficiencies of operations, financial reporting and compliance with applicable laws and regulations etc. The operating processes encompassing the entire gamut of operations are well-established and documented. Adequate internal control procedures and measures are present for cost control, purchase of materials, plant and machinery equipment and other items and maintenance and their sale and disposal.

**(D) Human Resources**

Human Capital is a crucial asset for an IT and ITES Industry and an important business driver. Your Company considers its human resources as its most important asset. Your Company employs a number of well-qualified and skilled employees. Attracting, retaining and motivating employees and creating an environment that nurtures them to deliver their best has been a constant challenge for your Company. Your Company continues to invest in training and development programs for its employees in India as well as abroad. The Company has instituted number of Employee Stock Option Schemes from time to time for rewarding the well performing employees who are contributing to the growth of the company. At the end of the year under review, the total strength of the employees is 311.



# **KLG SYSTEL LIMITED**

# **FINANCIAL STATEMENT**

# AUDITORS' REPORT



To the members of KLG Systel Limited

1. We have audited the attached Balance Sheet of KLG Systel Limited (the Company) as at March 31, 2011, the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 [Order] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in Annexure referred to 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 purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
  - (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 maintained by the Company.
  - (d) In our opinion Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in the terms of clause (g) of sub-section (1) of section 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 accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - ii) in the case of the Profit and Loss Account, of the loss incurred by the Company for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

117, New Delhi House  
27, Barakhamba Road  
New Delhi – 110001.

B.Bhushan & Co.  
Chartered Accountant  
By the hand of

May 21, 2011

Kamal Ahluwalia  
Partner  
Membership no. 093812  
Firm Regn. No. 001596N



# ANNEXURE TO AUDITOR'S REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of KLG Systel Limited on the financial statements for the year ended March 31, 2011]

- i) In respect of its fixed assets:
  - a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) The fixed assets are physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification as compared to book records
  - c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year.
- ii) In respect of its inventories:
  - a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of such 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 the nature of its business.
  - c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material. The valuation of stock has been done on the basis of physically verified quantities, therefore the shortage/excess gets automatically adjusted and the same have been properly dealt with in the books of account.
- iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems.
- v) In respect of contracts or arrangements referred to in section 301 of the Companies Act, 1956:
  - a) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have so been entered.
  - b) Transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of activities carried out by the Company.



- ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues as applicable with the appropriate authorities, except for delayed deposits on few occasions during the year. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.
- b) According to the information and explanations given to us, there are no dues of income tax, wealth tax, custom duty, excise duty, service tax and cess that have not been deposited with appropriate authorities on account of any dispute, other than the following:

Name of the Statute	Nature of dues	Amount Rs.*	Period to which amount relates	Forum where dispute is pending
Haryana Value Added tax Act, 2003	Value added tax	1,302,092	F.Y. 2003-04	Excise and Taxation Officer Gurgaon, Haryana
Income tax	Income Tax	601,827	F.Y. 2007-08	Deputy Commissioner of Income Tax, New Delhi
Employees State Insurance Act, 1948	ESI	180,216	January, 1999 to December, 1999	Employees Insurance Court, Gurgaon, Haryana

\*Amounts are net of payments made and without considering interest for the overdue period, if any, as may be levied if demand raised is upheld.

- x) The Company does not have accumulated losses as at March 31, 2011 but has incurred cash losses in the financial year ended on that date. There was no cash loss in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has defaulted in repayment of term installment of Rs.150.00 Lac to State Bank of India, which was due for repayment as on the Balance Sheet date. Other than the above, the Company has not defaulted in repayment of dues to any bank/financial institution.
- xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/ societies are not applicable to the Company.
- xiv) The Company has maintained proper records in respect of its investments and timely entries have been made in the records maintained for the purposes. The investments were/are being held by the Company in its own name.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, term loans were applied for the purpose for which the loans were obtained.



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- xvii) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information, explanations and representation given to us by the management, we report that no short term funds have been used for long term applications.
  - xviii) The Company has not made preferential allotment of equity shares during the year to companies and parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - xix) The Company has not issued any debentures during the year.
  - xx) The Company has not raised any money by way of public issue during the year.
  - xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

117, New Delhi House  
27, Barakhamba Road  
New Delhi – 110001.

May 21, 2011

B.Bhushan & Co.  
Chartered Accountant  
By the hand of

Kamal Ahluwalia  
Partner  
Membership no. 093812  
Firm Regn. No. 001596N

# BALANCE SHEET AS AT MARCH 31, 2011

## KLG SYSTEL LIMITED

Particulars	Schedules	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>SOURCES OF FUNDS</b>			
Shareholders' funds			
Share capital	1	127,594,990	127,594,990
Reserves and surplus	2	1,985,061,704	2,473,336,049
Loans funds			
Secured	3	1,400,784,045	1,381,141,941
Unsecured	4	1,223,024,774	1,222,240,000
Deferred tax liability (Net)	5	-	207,941,836
		<b>4,736,465,513</b>	<b>5,412,254,816</b>
<b>APPLICATION OF FUNDS</b>			
Fixed assets			
Gross block	6	3,330,546,015	3,239,766,792
Less: Accumulated depreciation		811,291,667	565,431,344
Net block		2,519,254,348	2,674,335,448
Capital work in progress including capital advances		113,250,889	138,445,801
Investments	7	111,211,000	244,736,115
Current assets, loans and advances			
Inventories	8	500,318,190	870,000,170
Sundry debtors	9	1,254,594,655	1,353,140,542
Cash and bank balances	10	60,544,277	152,681,515
Loans and advances	11	348,030,531	427,067,453
		2,163,487,653	2,802,889,680
Less: Current liabilities and provisions	12	230,462,020	448,152,229
Net current assets		1,933,025,632	2,354,737,451
Deferred tax assets (Net)	5	59,723,643	-
Miscellaneous expenditure (to the extent not written off or adjusted)	13	-	-
		<b>4,736,465,513</b>	<b>5,412,254,816</b>
<b>ACCOUNTING POLICIES</b>	19		
<b>NOTES TO ACCOUNTS</b>	20		

This is the Balance Sheet referred in our report of even date addressed to the members of KLG Systel Limited.

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

B. Bhushan & Co.

Chartered Accountants  
By the hand of

Kumud Goel  
Managing Director

Parbir Purkayastha  
Director

Vijoy Kumar  
Director

Kamal Ahluwalia  
Partner  
Membership no. 093812  
Gurgaon.  
May 21, 2011

Ramesh Chander  
Company secretary

Mukesh Arora  
Chief Executive Officer

# PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED MARCH 31, 2011

### KLG SYSTEL LIMITED

Particulars	Schedules	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
<b>INCOME</b>			
Sales and services	14	971,294,330	2,359,442,256
Others		64,774,102	104,561,191
		<b>1,036,068,433</b>	<b>2,464,003,447</b>
<b>EXPENDITURE</b>			
Cost of sales and services	15	865,251,818	1,361,087,694
Employees remuneration and benefits	16	127,440,916	166,822,171
Travelling and conveyance		25,223,667	28,730,540
Research and development		12,640,788	24,876,900
Communication	17	11,354,059	13,205,918
Human resource development		1,944,960	4,377,491
Consultancy fees		38,966,032	24,570,608
Administrative	18	124,272,506	121,381,889
Business development		3,351,275	3,504,505
		<b>1,210,446,020</b>	<b>1,748,557,716</b>
<b>(LOSS)/PROFIT BEFORE INTEREST, DEPRECIATION, TAX AND AMORTISATIONS</b>		<b>(174,377,588)</b>	<b>715,445,732</b>
Interest		290,130,099	210,825,657
Depreciation		253,729,315	189,244,771
Loss on disposal of investments		91,025,115	-
Miscellaneous expenditure written off		-	1,110,476
<b>(LOSS)/PROFIT DURING THE YEAR</b>		<b>(809,262,117)</b>	<b>314,264,828</b>
Prior period adjustments		(342,082)	(2,332,830)
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(808,920,035)</b>	<b>311,931,998</b>
Provision for current income tax		-	(52,365,136)
Provision for deferred tax		267,665,481	(61,090,070)
Provision for wealth tax		(193,600)	(301,675)
<b>(LOSS)/PROFIT AFTER TAX</b>		<b>(541,448,154)</b>	<b>198,175,116</b>
Balance brought forward from previous year		221,187,100	130,418,726
		<b>(320,261,054)</b>	<b>328,593,842</b>
<b>APPROPRIATIONS</b>			
Proposed dividend on equity shares		-	6,351,790
Tax on proposed dividend		-	1,054,953
Transfer to General Reserve		-	100,000,000
Balance carried over to Reserve & Surplus Account		(320,261,054)	221,187,100
		<b>(320,261,054)</b>	<b>328,593,842</b>
<b>Earnings per share (equity shares, par value of Rs. 10 each)</b>			
Basic [Refer note no. (xxvi) of Schedule No. 20]		<b>(42.62)</b>	<b>15.65</b>
Diluted [Refer note no. (xxvi) of Schedule No. 20]		<b>(36.83)</b>	<b>13.49</b>
<b>ACCOUNTING POLICIES</b>	<b>19</b>		
<b>NOTES TO ACCOUNTS</b>	<b>20</b>		

This is the Profit and Loss Account referred in our report of even date addressed to the members of KLG Systel Limited.

B. Bhushan & Co.

Chartered Accountants  
By the hand of

Kumud Goel  
Managing Director

Parbir Purkayastha  
Director

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

Vijoy Kumar  
Director

Kamal Ahluwalia

Partner

Membership no. 093812  
Gurgaon.

May 21, 2011

Ramesh Chander  
Company secretary

Mukesh Arora  
Chief Executive Officer

# SCHEDULES FORMING PART OF THE ACCOUNTS

Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>1. SHARE CAPITAL</b>		
Authorised 2,00,00,000 (2,00,00,000) equity shares of Rs. 10 (Rs. 10) each	200,000,000	200,000,000
<b>Issued and subscribed</b> 1,28,86,879 (1,28,86,879) equity shares of Rs. 10 (Rs.10) each	128,868,790	128,868,790
<b>Paid up</b> 1,27,03,579 (1,27,03,579) equity shares of Rs. 10 (Rs. 10) each fully paid up Add: Forfeited shares	127,035,790 559,200 <b>127,594,990</b>	127,035,790 559,200 <b>127,594,990</b>
<b>2. RESERVES AND SURPLUS</b>		
Capital reserve	19,200,800	19,200,800
Share premium	1,163,497,264	1,163,497,264
General reserve		
Opening balance	1,069,450,885	969,450,885
Add: MAT credit entitlement adjustment	53,173,809	-
Additions during the year	-	100,000,000
Profit and Loss Account	(320,261,054)	221,187,100
	<b>1,985,061,704</b>	<b>2,473,336,049</b>
<b>3. SECURED LOANS</b>		
From State Bank of India		
Cash credit facilities	1,040,058,853	1,004,008,105
Term loans	74,509,440	127,133,836
From IDBI Ltd.		
Cash credit facilities	274,266,172	-
Term loan	-	250,000,000
From HDFC Bank		
Vehicle loans	11,949,579	-
	<b>1,400,784,045</b>	<b>1,381,141,941</b>
<b>4. UNSECURED LOANS</b>		
Foreign currency convertible bonds	714,400,000	722,240,000
Term loan from IFCI Ltd.	458,324,774	500,000,000
From company	50,300,000	-
	<b>1,223,024,774</b>	<b>1,222,240,000</b>
<b>5. DEFERRED TAX ASSETS/ (LIABILITIES)-NET</b>		
Deferred tax assets	300,586,795	5,810,506
Deferred tax liabilities	240,863,151	213,752,342
	<b>59,723,643</b>	<b>(207,941,836)</b>

## 6. FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at April 1st 2010	Additions during the year	Deletions during the year	Cost as at 31st March 2011	Upto 1st April 2010	For the year	Depreciation on assets sold / discarded during the year	Upto 31st Mar 2011	As At 31st Mar 2011	As at 31st March 2010
LAND	84,476,750	-	-	84,476,750	-	-	-	-	84,476,750	84,476,750
BUILDINGS	822,649,274	16,822,474	-	839,471,748	39,608,875	27,673,087	-	67,281,962	772,189,786	783,040,399
COMPUTERS	713,520,696	35,819,946	1,555,809	747,784,833	242,278,063	117,948,509	1,336,109	358,890,463	388,894,370	471,242,633
PLANT & MACHINERY	286,338,117	160,170	-	286,498,287	69,474,884	35,827,887	-	105,302,771	181,195,516	216,863,233
FURNITURE	111,586,995	-	1,363,878	110,223,117	30,198,017	8,018,384	1,689,248	36,527,153	73,695,964	81,388,978
OFFICE EQUIPMENTS	37,640,204	565,028	-	38,205,232	8,279,779	1,794,159	-	10,073,938	28,131,294	29,360,425
A.C. EQUIPMENTS	24,572,311	-	-	24,572,311	5,984,759	1,167,185	-	7,151,944	17,420,367	18,587,552
VEHICLES	52,293,556	-	7,415,688	44,877,868	15,733,322	4,937,173	4,843,639	15,826,856	29,051,012	36,560,234
Patent - Technology	955,824,630	47,746,980	-	1,003,571,610	106,332,827	48,819,719	-	155,152,546	848,419,065	849,491,803
Brands	150,864,259	-	-	150,864,259	47,540,818	7,543,213	-	55,084,031	95,780,228	103,323,441
Total	3,239,766,792	101,114,598	10,335,375	3,330,546,015	565,431,344	253,729,315	7,868,996	811,291,663	2,519,254,352	2,674,335,449
Previous Year	2,124,696,955	1,135,118,145	20,048,309	3,239,766,792	394,880,108	189,244,771	18,693,535	565,431,344	2,674,335,448	1,729,816,847



Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>7. INVESTMENTS</b>		
Long term investments		
In equity shares of subsidiaries -		
a) Unquoted, fully paid up		
Nil (12,000) equity shares of Nil (Rs. 100) each of		
KLG Environment and Safety Sciences Ltd.	-	3,717,524
10,000 (10,000) equity shares of Rs. 10 (Rs. 10) each of		
KLG Software Technology and Infrastructure Pvt. Ltd.	100,000	100,000
1,11,11,000 (1,11,11,000) equity shares of Rs. 10 (Rs.10) each of		
KLG Power Ltd.*	111,110,000	111,110,000
Nil (3,07,275) equity shares of Nil (Rs. 10) each of		
Atlantis Lab Pvt. Ltd.	-	129,807,591
	<b>111,210,000</b>	<b>244,735,115</b>
<b>b) Others - Non trade and unquoted</b>		
5 (5) shares of Rs. 100 (Rs. 100) each of Apex Hotel		
& Enterprises Pvt. Ltd. #	500	500
5 (5) shares of Rs. 100 (Rs. 100) each of Siddhartha		
(Vadodra) Association #	500	500
	<b>1,000</b>	<b>1,000</b>
(a+b)	<b>111,211,000</b>	<b>244,736,115</b>
* Formerly known as KLG Software Technology Pvt. Ltd.		
# Investments are pursuant to purchase of office flats		
<b>8. INVENTORIES</b>		
Software licenses held for development	1,483,433	1,027,176
Raw materials		
Material lying at stores	316,849,433	236,761,845
Work in process		
Contract work in progress	181,985,324	632,211,149
	<b>500,318,190</b>	<b>870,000,170</b>
<b>9. SUNDRY DEBTORS</b>		
(Unsecured and considered good)		
Debts outstanding for a period exceeding six months	745,563,209	200,811,860
Others debts	509,031,446	1,152,328,682
	<b>1,254,594,655</b>	<b>1,353,140,542</b>



Particulars		As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>10.</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	395,332	29,084,034
	(including cheques in hand)		
	Balances with scheduled banks		
	In current accounts	1,954,017	77,167,394
	In deposit accounts	58,194,928	46,430,087
		<b>60,544,277</b>	<b>152,681,515</b>
<b>11.</b>	<b>LOANS AND ADVANCES</b>		
	(Unsecured and considered good)		
	Advances to subsidiaries	9,967,491	-
	Advances to vendors	16,597,444	124,412,037
	Advance tax (Net of income tax provisions)	68,143,763	45,165,267
	MAT credit entitlement	53,173,809	-
	Earnest money deposits	4,856,952	16,076,492
	Security deposits	15,593,002	16,356,375
	Value added and service tax	54,998,026	57,856,706
	Advance to staff	2,477,104	2,286,940
	Others	122,222,940	164,913,636
		<b>348,030,531</b>	<b>427,067,453</b>
<b>12.</b>	<b>CURRENT LIABILITIES AND PROVISIONS</b>		
	Current liabilities		
	Creditors for purchases	89,594,591	293,248,064
	Other liabilities	122,556,892	131,026,093
	Creditors for capital assets	485,804	1,436,841
	Unpaid dividend	1,350,109	1,449,225
	<b>Provisions</b>		
	Proposed dividend on equity shares	-	6,351,790
	Dividend tax on proposed dividend	-	1,054,953
	Leave encashment	5,693,793	6,655,282
	Gratuity	10,587,231	6,628,307
	Wealth tax	193,600	301,675
		<b>230,462,020</b>	<b>448,152,229</b>
<b>13.</b>	<b>MISCELLANEOUS EXPENDITURE</b>		
	(to the extent not written off or adjusted)		
	Structuring cost	-	1,110,476
	Less: Written off during the year	-	<b>1,110,476</b>
		-	-
<b>14.</b>	<b>SALES AND SERVICES</b>		
	Sales	697,561,072	2,002,048,958
	Professional fees and service receipts	273,733,258	357,393,298
		<b>971,294,330</b>	<b>2,359,442,256</b>





Particulars		As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>15. COST OF SALES AND SERVICES</b>			
Cost of material utilised			
Opening stock		237,789,020	78,021,699
Add: Purchases during the year		783,056,581	1,344,519,497
		<b>1,020,845,601</b>	<b>1,422,541,196</b>
Less: Closing stock			
Software licenses held for development		1,483,433	1,027,176
Raw materials		316,849,433	236,761,845
	(a)	<b>702,512,734</b>	<b>1,184,752,175</b>
<b>Cost of services</b>	(b)	<b>162,739,083</b>	<b>176,335,519</b>
	(a+b)	<b>865,251,818</b>	<b>1,361,087,694</b>
<b>16. EMPLOYEES REMUNERATION AND BENEFITS</b>			
Salaries		107,713,171	151,060,734
Welfare, contributions and benefits		7,980,093	6,350,743
Leave encashment		3,708,372	3,143,392
Gratuity		5,564,042	1,311,125
Others		2,475,238	4,956,177
		<b>127,440,916</b>	<b>166,822,171</b>
<b>17. COMMUNICATION</b>			
Telephone and fax		9,654,860	11,767,121
Courier		770,659	999,368
Postage		928,540	439,430
		<b>11,354,059</b>	<b>13,205,918</b>
<b>18. ADMINISTRATIVE</b>			
Rent, rates and taxes		19,753,284	29,989,299
Bank charges		22,830,580	30,265,528
Insurance		4,716,515	10,778,045
Power and fuel		6,172,540	7,400,003
Consumables and stationery		4,822,089	6,739,782
Security expenses		8,294,756	6,341,131
Vehicle running and maintenance		4,542,362	3,181,144
Repair and maintenance			
Buildings		1,574,582	1,140,885
Machinery		2,546,572	1,188,053
Computers		212,000	200,198
Loss on sale of fixed assets			
Membership fees		975,372	630,945
Hiring charges		1,858,878	1,623,494
Bad debts		25,559,145	-
Others		20,413,831	21,903,381
		<b>124,272,506</b>	<b>121,381,889</b>



# SCHEDULE FORMING PART OF THE ACCOUNTS

## 19. ACCOUNTING POLICIES

### a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention, accrual basis of accounting, on going concern basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India, the provisions of Companies Act, 1956, and guidelines issued by the Securities Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use, or a change is necessitated, in the opinion of the management, in accordance with the nature of business of the Company and would result in a more appropriate presentation of the financial statements of the enterprise.

The management evaluates all recently issued or revised accounting standards on an ongoing basis.

### b) USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Although these estimates are based on the managements' best knowledge of current events and actions that the Company may undertake in future, the actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

### c) FIXED ASSETS, INTANGIBLE ASSETS AND WORK IN PROGRESS

Fixed assets, including assets acquired for research and development are stated at cost less accumulated depreciation, and impairment losses. Cost comprises purchase price and any attributable cost incurred in bringing the asset to its working condition for its intended use.

Interest on borrowed money allocated to and utilised for fixed assets, pertaining to the period up to the date of capitalisation is capitalised. Assets acquired on hire purchase are capitalised at the gross value and interest thereon is charged to Profit and Loss Account.

Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

Intangible assets are recognised if, a) it is probable that the future economic benefits that are attributable to the assets will flow to the Company, and b) the cost of asset can be measured reliably.

Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the balance sheet date and the outstanding advances paid for the acquisition/construction of such fixed assets.

An item of fixed assets is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the fixed asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the financial statements in the year the asset is de-recognised.

### d) IMPAIRMENT OF ASSETS

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

a) the provision for impairment loss, if any required; or

b) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.



Recoverable amount is determined:

- a) in the case of an individual asset, at the higher of the net selling price and the value in use.
- b) in the case of a cash generating unit (a group of assets that generates identified independent cash flows) at the higher of the cash generating units' net selling price and the value in use.

Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

**e) INVESTMENTS**

Investment in subsidiaries and others are stated at cost. Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature. Investments other than long term investments being current investments are valued at lower of cost and fair value, determined on an individual basis.

Investments in units are valued at cost or marked to market values, whichever is lower.

Loss or gain on sale of investments is computed with reference to their cost.

**f) RESEARCH AND DEVELOPMENT**

Revenue expenditure on research and development is charged to Profit and Loss Account in the year in which it is incurred. Capital expenditure on research and development is treated as additions to fixed assets and depreciated in accordance with the depreciation policy set out in paragraph (h).

**g) INVENTORIES**

Raw material, components and stores are valued at cost on first in first out basis.

Finished goods are valued at lower of cost or net realisable value. Cost is determined on the basis of first in first out method. Net realisable value is estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Work in process, other than project and construction related, is valued at cost and other attributable costs incurred upto the stage of completion.

Cost includes direct material and labour and a proportion of manufacturing overheads based on normal operating capacities.

Work in process, project and construction related, at cost till such time the outcome of the job cannot be ascertained reliably and at contracted price, thereafter.

Cost includes costs that relate directly to the specific contracts and other allocable overheads that may be attributable to contract activity in general, including borrowing costs .

**h) DEPRECIATION**

Depreciation on fixed assets is charged on the straight line method at rates as specified in Schedule XIV of the Companies Act, 1956 on the original cost. Depreciation on the acquisition/purchase of assets during the year has been provided on pro-rata basis according to the period each asset was put to use during the year.

Technology and Brand costs are amortised equally based on an estimated useful life of 20 years from the date of capitalisation.

In respect of an asset for which impairment loss is recognised the depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

## **i) RECOGNITION OF REVENUE AND EXPENDITURE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sales are stated net of discounts, returns and recoverable taxes.

Revenue from services is recognised on accrual basis in accordance with the terms of the relevant agreement.

“Revenue from construction/project related activity and contracts for supply/commissioning of power transmission and distribution lines and equipments is recognized by reference to the aggregate cost incurred during the period and proportionate margin therein, using the percentage completion method. Percentage of completion is determined as a proportion of the cost incurred upto the reporting date to the estimated total cost of the contracts“

Interest income is recognised on time proportion basis, taking into account the amount outstanding and the applicable rate of interest.

Dividend income is accounted in the year of receipt.

Expenditure incurred on research and development, technology seminar, training and business development is inclusive of direct expenses and allocable overheads.

## **j) EMPLOYEE BENEFITS**

In accordance with the requirements of revised Accounting Standard-15 “Employee Benefits”, the Company provides for gratuity covering eligible employees on the basis of actuarial valuation as carried out by an Actuary using the Projected Unit Credit Method. The liability is unfunded. Actuarial gains and losses arising from changes in the actuarial assumptions are charged or credited to the Profit and Loss Account in the year in which such gains or losses arise.

Leave encashment benefits payable to employees of the Company with respect to accumulated leave outstanding at the year end are accounted for on the basis of an actuarial valuation as at the Balance Sheet date. The liability is unfunded.

Contributions payable by the Company to the concerned government authorities in respect of provident fund, family pension fund and employees state insurance are charged to Profit and Loss Account.


Other employee benefits are accounted for on accrual basis.

## **k) TAXATION**

The accounting treatment followed for taxes on income is to provide for current tax and deferred tax. Provision for current income tax is made for the tax liability payable on taxable income ascertained in accordance with the applicable tax rates and laws.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements, carrying amounts of existing assets and liabilities and their respective tax bases and carry forwards of operating loss. Deferred tax assets and liabilities are measured on the timing differences applying the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Changes in deferred tax assets and liabilities between one Balance Sheet date and the next, are recognised in the Profit and Loss Account in the year of change. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the year of change.

Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which these assets can be realized in future, whereas in case of existence of unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty of realisation backed by convincing evidence. Deferred tax assets are reviewed at each Balance Sheet date.



Advance taxes and provisions for current income tax are presented in the Balance Sheet after off-setting advance tax paid and income tax provision.

**l) EMPLOYEE STOCK OPTIONS**

The Company operates two equity-settled, share option plan for employees eligible under applicable laws. The Company measures the compensation cost relating to employee stock options using the Intrinsic Value Method.

**m) SEGMENT ACCOUNTING AND REPORTING**

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. The basis of reporting is as follows:

**a) Segment revenue and expenses**

Segment revenue and expenses those are directly attributable to the segment are considered for respective segments. For rest allocation has been done between segments and where it is not possible to segregate, the same has been considered as unallocable revenue and expenses.

Segment revenue and expenses do not include interest or dividend income, profit on sale of investments, interest expense, provision for contingencies and taxation.

**b) Segment assets and liabilities**

Assets and liabilities have not been segregated to any of the reportable segments, as fixed assets are used interchangeably between segments and it is not practicable to provide meaningful segment disclosure relating to total assets and liabilities.

**n) EARNINGS PER SHARE**

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

**o) FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate of prevailing on the balance sheet date except in cases where actual amount has been ascertained by the time of finalisation of accounts.

Exchange differences arising on the translation or settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recorded in exchange fluctuation account and recognised as income or expense in the year in which they arise.

In translating the financial statements of representative office, the monetary assets and liabilities are translated at the rate prevailing on the balance sheet date, non monetary assets and liabilities are translated at exchange rates prevailing at the date of the transaction and income and expense items are converted at the respective monthly average rates. Net gain/loss on foreign currency translation is recognised in the Profit and Loss Account.

**p) CASH FLOW STATEMENT**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

**q) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A provision is recognised for a present obligation as result of past events if it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on best estimate of the amount required to settle the obligation at the Balance Sheet date. Reimbursements 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 liabilities is disclosed in the notes in case of a present obligation arising from a past event when it is not probable than an outflow of resources will be required to settle the obligation. Contingent assets are neither recognised nor disclosed in the financial statements. Contingent liabilities and contingent assets are reviewed at each balance sheet date.

**r) BORROWING COST**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Where funds are temporarily invested pending their expenditure on the qualifying assets, any such investment income, earned on such fund is deducted from the borrowing cost incurred.

**s) LEASES**

Finance leases which effectively transfer to the company substantial risks and benefits incidental to ownership of the leased item, are capitalized and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on the straight line basis over the lease term.

**t) MINIMUM ALTERNATE TAX (MAT)**

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income tax Act, 1961 . In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay income tax higher than MAT during the specified period.



## 20. NOTES TO ACCOUNTS

S.No.	Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
i)	Contingent liabilities not provided for in respect of:		
a)	Claims against the Company not acknowledged as debts* * Net of deposits	10,425,351	1,666,434
b)	Guarantees given by Banks	674,901,962	600,311,828
	Letter of credits established by Banks favouring suppliers [Deposits of Rs. 5,81,67,428 (Rs. 4,64,02,587) held by Bank as margin shown under the head 'Cash and Bank Balances']	19,196,106	287,269,595
c)	Premium on redemption of USD 16 million 1% unsecured Foreign Currency Convertible Bonds Due 2012 (Refer Note No. (xiv) below)	239,686,221	174,205,732
d)	Domestic Factoring Facility, with recourse, from IFCI Factors Ltd. (Refer Note No. (xv) below)	64,730,888	132,830,000
ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	276,039,927
iii)	Unexpired installments of vehicles refinance loan	15,784,992	-
iv)	Paid up equity share capital includes:		
-	34,800 (34,800) equity shares issued as fully paid up for consideration other than cash	348,000	348,000
-	46,09,730 (46,09,730) equity shares issued as fully paid up by way of bonus shares	46,097,300	46,097,300
-	57,850 (57,850) equity shares issued as fully paid up under Employees Stock Option Scheme, 1998	578,500	578,500
-	1,95,179 (1,95,179) equity shares issued pursuant to the exercise of options granted under Employees Stock Option Scheme, 2005	1,951,790	1,951,790
-	23,07,600 (23,07,600) underlying shares against GDRs have been issued as fully paid up equity shares	23,076,000	23,076,000
-	14,70,000 (14,70,000) share warrants converted into fully paid up equity shares	14,700,000	14,700,000
-	6,55,500 (6,55,500) equity shares issued as fully paid up on conversion of FCCBs into equity shares	6,555,000	6,555,000
v)	Payment to directors#		
a)	Remuneration to Kumud Goel, Managing director	5,376,000	15,270,434
	Remuneration to K. L. Goel, Executive Chairman	3,819,355	13,624,842
	Remuneration to Mukesh Arora, Whole time director	3,593,333	7,935,000
	Remuneration to Ritu Goel, Director	1,061,762	1,673,530
	Remuneration to Upasana Goel, Director	1,108,682	2,128,050
b)	Commission paid to non executive and independent directors*	-	2,647,850
c)	Sitting fees	175,000	255,500
#	Does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole. All the above stated Directors, except Kumud Goel, have ceased to be Directors of the Company as on the Balance Sheet date.		
*	Computation of net profit in accordance with section 349 of the Companies Act, 1956, and calculation of commission payable:		



S.No.	Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
	Net profit after directors remuneration	-	311,931,998
	Add: Profit on sale of investments	-	-
	Less: Loss on sale of fixed assets	-	420,285
	Net profit on which commission is payable	-	<b>311,511,713</b>
	Commission payable to non-whole time directors [Nil (0.85%) of net profit as calculated above in accordance with section 198 of the Companies Act, 1956]	-	2,647,850

**vi) Payment to auditors**

a) For services as auditors, including quarterly audits and service tax	1,213,300	1,064,395
b) For certification including service tax	27,575	27,575
	<b>1,240,875</b>	<b>1,091,970</b>

**vii) Secured loans**

From State Bank of India

- a) Working capital facilities of Rs. 10,400.59 lacs (Rs. 10,040.08 lacs) secured against hypothecation of Company's entire current assets including inventories and receivables, both present and future, counter guarantee of the Company for bank guarantees and letter of indemnity for letter of credits, and also collaterally secured by, (a) first charge over the fixed assets of the Company including equitable mortgage/negative lien over land and building at Electronic City, Gurgaon, Haryana, (b) extension of first charge over plots situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these plots at Sector-34, EHTP, Gurgaon, Haryana, and offices at Belapur, Navi Mumbai, Maharashtra, R.C. Dutt Road, Vadodra, Gujarat and Gariahat Road, Kolkata, West Bengal, and (c) personal guarantees of K. L. Goel, Ex Whole Time Director and Chairman of the Company, and Kumud Goel, Managing Director of the Company.
- b) Term loan-III of Rs. 745.09 lacs (Rs. 1,100.08 lacs) secured against first charge on assets created or to be created, including equitable mortgage of proposed building constructed or to be constructed, at Sector-34, EHTP, Gurgaon, Haryana, by utilising this loan, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Ex Whole Time Director and Chairman of the Company and Kumud Goel, Managing Director of the Company.

Term loan repayable within 1 (one) year is Rs. 7,36,00,000 (Rs. 5,00,00,000).

**From Industrial Development Bank of India Limited (IDBI)**

- c) Working capital facilities of Rs. 2,742.66 lacs (Nil) secured against, (a) first pari passu charge on all the current assets and fixed assets of the Company (both present and future) in consortium, (b) exclusive charge on industrial plot, in the name of KLG Power Ltd., a subsidiary company, at Baddi, Himachal Pradesh, (c) pledge of 4,00,00 equity shares of the Company held in the name of promoters, (d) undertaking to route the proceeds of all receivables relating to power division exceeding 120 days as on March 31, 2010 through a designated account with IDBI Bank, and (e) personal guarantees of K.L. Goel, Ex Whole Time Director and Chairman of the Company and Kumud Goel, Managing Director of the Company.

From HDFC Bank

- d) Vehicle refinance loan of Rs. 119.50 lacs (Nil) secured against hypothecation of vehicles against which re-finance is availed by the Company.

Vehicle refinance loan repayable within 1 (one) year is Rs. 41,17,824 (Nil)

#### viii) Loan from IFCI Ltd.

The Company is availing a Corporate Term Loan of Rs. 4,583.25 lacs (Rs.5,000 lacs), from IFCI limited, vide IFCI sanction letter dated August 17, 2009. As per the stipulations, the loan was to be secured by (a) first charge by way of hypothecation on Moveable and Immoveable assets of the Company on pari passu basis, (b) escrow of specified receivables of the Company, (c) post dated cheques for repayment of principal and interest dues, and (d) personal guarantees of K.L Goel, the Executive Chairman of the Company and Kumud Goel, Managing Director of the Company. The Company is in the process of obtaining the consent of other lender (State Bank of India) for ceding first pari passu charge in favor of IFCI Ltd. Pending obtention of consent and registration of charges with the Registrar of Companies, the loan has been classified as 'Unsecured'.

The Company has neither given counter guarantee to the abovementioned directors and the subsidiary company nor incentive/commission is payable to them.


- x) Sales are inclusive of 'Billings for Contracts in Progress' Rs. 1,819.85 lacs (Rs. 6,322.11 lacs) related to revenue recognized in accordance with the Accounting Policy of the Company.
- xi) The re-statement of Foreign Currency Convertible Bonds (FCCBs) has resulted in a foreign exchange rate fluctuation (FERF) gain of Rs. 78.40 lacs for the year ended March 31, 2011, as against FERG gain of Rs. 929.60 lacs during the previous year 2009-10. Accounting of such FERG gain/loss consistently as per the Accounting policies adopted by the Company has resulted in decrease in the loss of the year by Rs. 78.40 lacs.
- xii) During the year, the Company has capitalized Nil (Rs. 40,35,92,378 lacs), being expenditure incurred on Research, Technology development, by transfer of equivalent amount from 'Capital Work in Progress including Advances'.
- xiii) During the year, 38,500 options were lapsed, due to non exercise of options by employees/non-executive directors of the Company, such options being granted in accordance with KLG Systel Employee Stock Option Scheme, 2005, approved by the Board of directors, framed in accordance with SEBI (Employees Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 and other provisions of applicable Statutes. Options were issued to employees/non executive directors at an exercise price that is not less than the fair market value.

Details of options granted, exercised and forfeited under ESOP-2005 are as follows:

S.No.	Particulars	2010-11 (in Nos.)	2009-10 (in Nos.)
a)	Options outstanding, beginning of the year	38,500	148,000
b)	Add: Granted during the year	-	-
c)	Less: Exercised	-	78,979
	Forfeited	-	30,521
	Lapsed	38,500	-
d)	Options outstanding, end of the year	-	38,500

- xiv) The Company issued 2,200-1% unsecured Foreign Currency Convertible Bonds 2012 (FCCBs) of Rs. 9,589.80 lacs on March 26, 2007 having maturity period of 5 years and 2 days. The holders thereof have an option to convert the bonds into equity shares at initial conversion price of Rs. 400 per share on or after March 26, 2007 upto the close of business on March 16, 2012; such equity shares to be vested with full voting rights. The conversion price, if applicable, will be reset on March 26, 2009 and March 26, 2010. The applicable conversion price may be reset, downwards only, to the current market price of the shares on the relevant reset date if the volume weighted average share price of the 21 (twenty one) trading days prior to the relevant reset date is lower than the conversion price in effect. The reset conversion price cannot be lower than Rs. 350 per equity share or the applicable reset floor price as prescribed by SEBI from time to time.

Due to the current market scenario and in accordance with the terms and conditions of the Offering Circular, the conversion price is reset to Rs. 350 (being the floor rate as per clause 6.3.29 of the terms



and conditions of the Offering Circular) w.e.f. March 26, 2009,(re-set date) as the volume weighted average share price of the 21 trading days prior to the re-set date was lower than the initial conversion price i.e. Rs. 400.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each bond at 143.77 per cent of its principal amount on the maturity date.

The interest at the rate of 1% per annum will be payable semi-annually in arrears on September 26 and March 26 every year.

Since the redemption of abovesaid FCCBs is contingent upon its non-conversion into equity shares, the Company has not provided for the proportionate premium for the period upto March 31, 2011 amounting to Rs. 2,396.86 lacs (Rs. 1,742.05 lacs) equivalent to USD 3.42 (USD 2.47 million) at the prevailing exchange rates as at the Balance Sheet date. In the opinion of the management, since the likelihood of redemption cannot be presently ascertained, therefore, no provision for any liability that may result has been made in the financial statements. The FCCBs are considered monetary liability. The FCCBs are redeemable only if there is no conversion of the same earlier. The payment of premium on redemption is contingent in nature, as the outcome is dependent upon uncertain future events, and is considered as a contingent liability.

- xv) The Company is availing Domestic Factoring Facility with recourse for factoring of receivables (approved debtors) from IFCI Factors Limited to the tune of Rs. 1,500.00 lacs. As on the Balance Sheet date, the Company has received pre-payment of approved debtors aggregating Rs. 647.31 (Rs. 1,328.83 lacs) from the factor. The Company has a contingent liability for the said amount in the event of non payment of amount by the approved debtors to the factor, on or before the due date. In the opinion of the management, the liability of the Company for payment to the factor is contingent upon future events, which are uncertain, hence the same has been considered as a Contingent Liability.
- xvi) In the opinion of the management, the current assets, loans and advances, if realised in the ordinary course of business, would realise a sum equal to that stated in the Balance Sheet.
- xvii) As per Accounting Standard-21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, the Company has presented consolidated financial statements separately in this annual report.
- xviii) Unpaid dividend, to be credited to Investor Education and Protection Fund, does not include any amount due and outstanding.
- xix) Most of the EPC projects undertaken by the Company are nearing completion, so based on actual measurements and surveys, additional items and equipments had to be installed, resulting in substantial extra costs to be incurred on the projects which costs have been charged to expenditure in the current year. Pursuant to the above, an additional expenditure of Rs. 2,345 lacs has been charged to the expenditure account during the current year. Incomes arising out of claims recoverable from the utilities, towards extra costs incurred will be accounted for at the material time, as the Company is in process of finalization of claims to be lodged with the utilities or Arbitration.
- xx) As certified by the management and relied upon by us, the inventory as at March 31, 2011, is inclusive of inventory of stocks of stores, equipments and other line materials lying with various contractors/ sub-contractors at the various project sites of the Company valuing Rs. 1,824.64 lacs.
- xxi) The Company discharged its income tax liability of Rs. 5,31,73,809 for the financial year 2009-10, computed in terms of the provisions of section 115JB of the Income tax Act, 1961. MAT credit entitlement includes Rs. 5,31,73,809 towards MAT liability for the preceding financial the same has been recognised by adjusting the opening balance of General Reserve.
- xxii) During the financial year 2010-11 managerial remuneration paid to the Whole Time Directors in excess of the norms prescribed under Schedule XIII of the Companies Act, 1956, was Rs.10.66 Lac and the same is treated as recoverable/due from such Whole Time Directors. The Company is in the process of obtaining necessary approvals in this regard.
- xxiii) The Company has disposed off its entire holding/investment in Atlantis Lab Limited, a subsidiary company, on January 25, 2011 for Rs. 420.00 lacs. Loss for the year, is inclusive of Loss of Rs. 878.07 lacs on sale of such investments.

The Company has disposed off its entire holding/investment in KLG Environment and Safety Sciences Ltd., a subsidiary company, on March 25, 2011 for Rs. 5.00 lacs. Loss for the year, is inclusive of loss of Rs. 32.17 lacs on sale of such investments.

xxiv) Principal amount due to Micro and small enterprises under “The Micro, Small and Medium Enterprises Development Act, 2006” amount to Rs. 57,192 (Rs. 135,46,989). No interest is paid/payable to such enterprises for the year ended March 31, 2011. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

xxv) In accordance with the provisions of the Accounting Standard-22 on “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India, the Company has recognised deferred tax assets of Rs. 30,05,86,795 (Rs. 45,15,092) and deferred tax liabilities of Rs. 24,08,63,151 (Rs. 21,24,56,928) as at March 31, 2011. Major components of deferred tax are as follows:

Particulars	As at April 1, 2010 Rs. (A)	As at March 31, 2011 Rs. (B)	For the year Rs. (C)=(B)-(A)
i) Deferred tax assets			
Unabsorbed business loss and depreciation	-	264,942,378	264,942,378
Unabsorbed long term capital loss	-	30,236,268	30,236,268
Gratuity	2,252,962	3,516,813	1,263,851
Leave encashment	2,262,130	1,891,336	(370,794)
	<u>4,515,092</u>	<u>300,586,795</u>	<u>296,071,703</u>
ii) Deferred tax liabilities			
Research and development	21,863,852	9,539,273	(12,324,579)
Fixed assets	190,593,076	231,323,878	40,730,802
	<u>212,456,928</u>	<u>240,863,151</u>	<u>28,406,223</u>
Net deferred tax (liability); (ii)-(i)	<u>207,941,836</u>	<u>(59,723,643)</u>	<u>(267,665,479)</u>

The deferred tax assets (Net)/(liabilities) amounting to Rs. 26,76,65,479 (Rs. 6,10,90,070) for the year has been recognised in the Profit and Loss Account.

#### xxvi) Earning Per Share (EPS)

EPS is calculated by dividing the profit attributable to the equity shareholders by the average number of equity shares outstanding during the year. Numbers used for calculating basic and diluted earnings per equity share are as stated below:

Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
a) Profit after tax-Profit attributable to equity shareholders	(541,448,154)	198,175,116
b) Weighted average number of shares outstanding		
- Basic	12,703,579	12,661,958
- Diluted	14,701,293	14,693,412
c) Nominal value of per equity share	10	10
d) Earnings per share		
- Basic	(42.62)	15.65
- Diluted	(36.83)	13.49

- xxvii) Disclosure in respect of Loans and Advances in the nature of loans pursuant to clause 32 of the Listing Agreement:

Particulars	As at March 31, 2011		As at March 31, 2010	
	Amount outstanding Rs.	Maximum balance outstanding Rs.	Amount outstanding Rs.	Maximum balance outstanding Rs.
a) Loans and Advances in the nature of loans to subsidiaries				
- KLG Environment and Safety Sciences Ltd.	-	-	-	1,234,718
- KLG Power Ltd.	9,967,491	9,976,641	-	110,613,386
b) No loans and advances in the nature of loans have been given to firms/companies in which directors are interested.				
c) No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years and no interest or interest below section 372A of the Companies Act, 1956 is charged.				
d) No investment have been made by the loanee in the shares of parent company.				

- xxviii) Amount remitted by the Company in foreign currency on account of dividends:

Particulars	Dividend	
	2010-11	2009-10
a) Number of non-resident shareholders	1	1
b) Number of equity shares held by them	750	750
c) Financial year to which the dividend related	2009-10	2008-09
d) Gross amount of dividends (in Rs.)	375	2,063

- xxix) Details of Capital work-in-progress:

Particulars	2010-11	2009-10
	Rs.	Rs.
a) Capital advances	29,506,640	54,701,552
b) Technology	<u>83,744,249</u>	<u>83,744,249</u>
	<u>113,250,889</u>	<u>138,445,801</u>

- xxx) Defined Benefit Plans

- a. Gratuity
- b. Leave encashment

The disclosures as per the revised AS-15 are as follows:

(a) Change in defined benefit obligations

Particulars	Gratuity Rs.	Leave encashment Rs.
Projected benefit obligation at the beginning of the year	6,628,307	6,655,282
Current service cost	1,796,323	1,951,591
Past service cost	2,491,027	-
Interest cost	483,866	485,836
Actuarial (gain)/loss on obligations	792,826	2,838,136
Benefits paid	(1,605,118)	(6,237,052)
Projected benefit obligation at the end of the year	10,587,231	5,693,793

(b) The fair value of plan assets is Nil since employee benefit plans are wholly unfunded as on March 31, 2011.

(c) Amount recognised in Balance Sheet

Particulars	Gratuity Rs.	Leave encashment Rs.
Present value of obligations as at the end of the year	10,587,231	5,693,793
Fair value of plan assets as at the end of the period	-	-
Funded status	(10,587,231)	(5,693,793)
Unrecognised actuarial (gains)/losses	-	-
Net liability recognised in the balance sheet	10,587,231	5,693,793

(d) Amount recognised in Profit and Loss Account

Particulars	Gratuity Rs.	Leave encashment Rs.
Current service cost	1,796,323	1,951,591
Interest cost	483,866	485,836
Past service cost	2,491,027	-
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognised	792,826	2,838,136
Expenses recognised in the statement of Profit and Loss	5,564,042	5,275,563

(e) Principal actuarial assumptions

Particulars	Gratuity and Leave encashment
Discount rates	7.90% per annum
Future salary increases	7.00% per annum

(f) The discount rate is based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.

(g) The estimates of future salary increase considered in the actuarial valuation takes into account factors like price inflation, seniority, promotion and other relevant factors.

(h) The employees are assumed to retire at the age of 58 years.

(i) The mortality rate considered are as per the published rates in the LIC (1994-96) (modified) mortality tables.



xxxii) Additional information pursuant to provisions of Para 3 and 4 of Schedule VI of the Companies Act, 1956:

Particulars	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
a) Expenditure in foreign exchange (on payment basis)		
- CIF value of import of materials	105,453,481	152,880,648
- Interest paid on FCCBs	3,615,155	7,492,309
- Legal and professional	-	8,978,822
- Travelling-directors	3,890,366	705,184
- Travelling-others	533,429	974,259
- Seminar and training	-	228,105
- Listing fees	-	7,047
- Internet charges	-	533,424
- Membership and subscription	242,733	270,387
- Registration and filing fees	83,746	-
b) Income in foreign exchange (on receipt basis)		
- Service charges	5,467,846	4,534,051

xxxii) Related Party Disclosures

Pursuant to Accounting Standard (AS18) - "Related Party Disclosure" issued by Institute of Chartered Accountants of India following parties are to be treated as related parties alongwith their relationships:

S. No.	Related party	Relationship between parties
1	K.L. Goel *	Key management personnel
2	Kumud Goel	Key management personnel
3	Prabir Purkayastha#	Non executive and independent director
4	Vijoy Kumar#	Non executive and independent director
5	Ritu Goel**	Key management personnel
6	Upasana Goel**	Key management personnel
7	Mukesh Arora**	Key management personnel
8	Gopal Krishan Pandey*	Independent director
9	Bishambhar Dayal Gupta***	Independent director
10	Prabir Sengupta*	Independent director
11	Adarsh Soni****	Independent director
12	Ankush Krishan*****	Independent director
13	S. Govindarajan*****	Independent director
14	P. L. Goel	Spouse of K. L. Goel
15	Aditi Goel	Daughter of Kumud Goel
16	Mini Arora	Spouse of Mukesh Arora
17	KLG Environment and Safety Sciences Ltd.@	Subsidiary company
18	KLG Software Technology and Infrastructure Pvt. Ltd.	Subsidiary company



- 19 KLG Power Ltd. Subsidiary company
- 20 Atlantis Lab Pvt. Ltd.@ Subsidiary company
- 21 Vasudha Computers Pvt. Ltd.^ Enterprise over which key management personnel exercise significant control
- 22 Nandita Telecommunication Pvt. Ltd.^
- 23 Aditi Telecom Pvt. Ltd.
- # Appointed on January 17, 2011
- \* Held office upto January 17, 2011
- \*\* Held office upto November 13, 2010 and subsequently, Ritu Goel, serving in the capacity as President Human Resources, Upasana Goel, serving in the capacity as President planning and Mukesh Arora, serving in the capacity as Chief Executive Officer
- \*\*\* Held office upto November 15, 2010
- \*\*\*\* Held office upto January 15, 2011
- \*\*\*\*\* Held office upto January 11, 2011
- \*\*\*\*\* Held office upto May 14, 2010
- @ Ceased to be subsidiary during the year
- ^ Formerly known as KLG Computers Pvt. Ltd.
- ^^ Formerly known as Pushap Telecommunication Pvt. Ltd.

Note: Related party relationship is as identified by the Company on the basis of available information.

A. The Company has following transactions with the following related parties:

S. No.	Nature of transactions	Related party	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
1	Payment for services as Executive Chairman	K.L. Goel	3,819,355	13,624,842
2	Payment for services as Managing Director	Kumud Goel	5,376,000	15,270,434
3	Payment for services as Director	Ritu Goel	1,061,762	1,673,530
	Payment for services as President Human Resources	"	1,443,845	-
4	Payment for services as Director	Upasana Goel	1,108,682	2,128,050
	Payment for services as President Planning	"	1,259,920	-
5	Payment for services as Whole Time Director	Mukesh Arora	3,593,333	7,935,000
	Payment for services as Chief Executive Officer	"	2,740,000	-
6	Payment for services	Aditi Goel	955,572	903,972
7	Advance given			
	KLG Environment and Safety Sciences Ltd.		17,258	493,389
	Advance recovered	"	400,000	2,605,000
8	Rent paid for premises	Upasana Goel	3,150,000	5,400,000
9	Rent paid for premises	Mukesh Arora	1,726,500	1,800,000
10	Rent paid for premises	Nandita Telecommunication Pvt. Ltd.	1,575,000	2,700,000

S. No.	Nature of transactions	Related party	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
11	Rent paid for premises	Aditi Telecom Pvt. Ltd.	1,575,000	2,700,000
12	Amount received on exercise of ESOP options	Mukesh Arora	-	597,900
13	Loss on disposal of investment	Atlantis Lab Pvt. Ltd.	87,807,591	-
14	"	KLG Environment and Safety Sciences Ltd.	3,217,524	
15	Amount received	Atlantis Lab Pvt. Ltd.	42,000,000	-
16	"	KLG Environment and Safety Sciences Ltd.	500,000	
17	Professional services received	Atlantis Lab Pvt. Ltd.	-	146,406
18	Investment during the year	KLG Power Ltd.	-	110,615,000
	Advance given	"	10,014,550	-
	Advance recovered	"	47,059	-
	Rent paid for premises		172,645	-
	Sale of equipments		204,056	-
19	Personal guarantees given in respect of:			
	Term loans	K.L. Goel	348,775,612	877,133,836
	Working capital borrowings from Bank	Kumud Goel	1,040,058,853	1,004,008,105
	Corporate Term Loan		458,324,774	500,000,000
	Domestic Factoring Facilities		64,730,888	150,000,000
20	Guarantee given on behalf of the Company	KLG Power Ltd.	382,735,258	250,000,000
21	Commission	Independent directors	-	2,647,850
22	Sitting fees	Independent directors	175,000	255,500

B. Amount outstanding as at March 31, 2011

S. No.	Account head	Related party	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
1.	Investments	KLG Software Technology and Infrastructure Pvt. Ltd.	100,000	100,000
		KLG Power Ltd.	111,110,000	111,110,000
		Atlantis Lab Pvt. Ltd.	-	129,807,591
		KLG Environment and Safety Sciences Ltd.	-	3,717,524

2.	Sundry Debtors	KLG Power Ltd.	204,056	-
3.	Loans and advances	KLG Power Ltd.	9,967,491	-
4.	Security deposits	Nandita Telecommunication Pvt. Ltd.	1,800,000	1,800,000
		Aditi Telecom Pvt. Ltd.	1,800,000	1,800,000
		Upasana Goel	2,700,000	2,700,000
		Mukesh Arora	1,800,000	1,800,000
		KLG Power Ltd.	36,000	36,000
5.	Other liabilities	Key management personnel	560,619	560,619
		Independent directors	-	2,647,850
		KLG Environment and Safety Sciences Ltd.	-	726,893

xxxiii) The Company is primarily engaged in the customised development of computer software and providing power system solution. The production and sales of software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details as required under paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956. In respect of power system solutions, due to the multiplicity of the items and non standardized unit of measurement it is practically not possible to quantify the same. Further as no item/article individually accounts for 10% or more of the total sales and services, purchase/closing stock, hence, the same cannot be furnished as per terms of note 3 to paragraph 3 of Part II of Schedule VI to the Companies Act, 1956.

xxxiv) The segment report prepared in accordance with the accounting standard 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

Segment wise revenue, results and capital employed for the year ended March 31, 2011:

S. no.	Particulars	For the year ended March 31, 2011 (Rs.'000)	For the year ended March 31, 2010 (Rs.'000)
<b>1.</b>	<b>Segment revenue</b>		
a)	Life Cycle Solutions	489,970	611,445
b)	Power System Solutions	481,324	1,747,997
	Total	971,294	2,359,442
	Less: Inter segment revenue		
	Net sales/income from operations	971,294	2,359,442
<b>2.</b>	<b>Segment results</b>		
	(Loss)/Profit before tax and interest		
a)	Life Cycle Solutions	139,031	173,071
b)	Power System Solutions	(2,352)	628,833
	Total	136,679	801,904
	Less:		
c)	Interest	290,130	210,826
d)	Other un-allocable expenditure net off	(1,099,392)	101,106
	Unallocable income		
	(Loss)/Profit before tax	(809,262)	311,932
<b>3.</b>	<b>Capital employed</b>		

Assets and liabilities have not been segregated to any of the reportable segments, as fixed assets are used interchangeably between segments and it is not practicable to provide meaningful segment disclosure relating to total assets and liabilities.

xxxx) Schedule of Investments as at March 31, 2011

S No	Particulars	Opening balance		Purchases		Sales		Closing balance		Valuation
		Shares Nos.	Amount Rs.	Shares Nos.	Amount Rs.	Shares Nos.	Amount Rs.	Shares Nos.	Amount Rs.	
a)	In equity shares of subsidiaries- Unquoted, fully paid up									
	- KLG Environment and Safety Sciences Ltd.	12,000	3,717,524	-	-	12,000	3,717,524	-	-	At cost
	- KLG Software Technology and Infrastructure Pvt .Ltd	10,000	100,000	-	-	-	-	10,000	100,000	At cost
	- KLG Power Ltd.#	11,111,000	111,110,000	-	-	-	-	11,111,000	111,110,000	At cost
	- Atlantis Lab Pvt. Ltd.	307,275	129,807,591	-	-	307,275	129,807,591	-	-	At cost
			244,735,115		-		133,525,115		111,210,000	
b)	In others - Non trade and unquoted									
	- Apex Hotel & Enterprises Pvt. Ltd.*	5	500	-	-	-	-	5	500	At cost
	- Siddhartha (Vadodra) Association*	5	500	-	-	-	-	5	500	At cost
	# Formerly known as KLG Software Technology Pvt. Ltd.		1,000		-		-		1,000	
	* Investments are pursuant to purchase of office flats									
	<b>Total</b>		<b>244,736,115</b>		<b>-</b>		<b>133,525,115</b>		<b>111,211,000</b>	

- xxxv) The Balances of some Sundry Debtors, Sundry Creditors, Loan , Advances and Deposits are subject to confirmation and subsequent reconciliation, if any.
- xxxvi) Figures have been rounded off to the nearest Rupee.
- xxxvii) Figures in brackets pertain to previous year, unless otherwise indicated.
- xxxviii) Previous year figures have been regrouped/ recast ,wherever considered necessary to make them comparable with current year's figures.
- xxxix) Additional information under part IV of the Schedule VI of the Companies Act, 1956, as certified by the Management. Balance Sheet abstract and general business profile:

S. No.	Particulars	As at March 31, 2011 Rs.in '000 2010-11
<b>I. REGISTRATION DETAILS</b>		
	Registration no.	34348
	Status code	05
	Balance Sheet date	March 31, 2011
<b>II. CAPITAL RAISED DURING THE YEAR</b>		
	Public issue	-
	Right issue	-
	Bonus issue	-
	Private placement	-
	ESOP	-
<b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</b>		
	Total liabilities	4,736,466
	Total assets	4,736,466
	<b>SOURCES OF FUNDS</b>	
	Paid up capital	127,595
	Reserves and surplus	1,985,062
	Secured loans	1,400,784
	Unsecured loans	1,223,025
	<b>APPLICATION OF FUNDS</b>	
	Net fixed assets	2,519,254
	Capital work in progress	113,251
	Investments	111,211
	Net current assets	1,933,026
	Deferred tax assets	59,724
<b>IV. PERFORMANCE OF COMPANY</b>		
	Total turnover	1,036,068
	Total expenditure	1,845,331
	Loss before tax	(808,920)
	Loss after tax	(541,448)
	Earning per share (in Rs.)	(42.62)
	Dividend rate	Nil
<b>V. GENERIC NAMES OF PRINCIPAL PRODUCT</b>		
	(as per monetary terms)	
	Item code no.	85238020
	Product description	Computer software and hardware

Signatures to the above schedules which form an integral part of the Balance Sheet and Profit and Loss Account.

Kumud Goel  
Managing Director

Parbir Purkayastha  
Director

Vijoy Kumar  
Director

May 21, 2011  
Gurgaon.

Ramesh Chander  
Company secretary

Mukesh Arora  
Chief Executive Officer

# CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2011

## KLG SYSTEL LIMITED

Particulars		For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
<b>A. CASH FLOW FROM OPERATIONS</b>			
Profit before tax and extraordinary items		(809,262,117)	314,264,828
Depreciation		253,729,315	189,244,771
Miscellaneous expenditure written off			1,110,476
Loss on disposal of investments		91,025,115	
Interest paid		290,130,099	210,825,657
Fringe benefit tax		-	-
Interest receipts		53,857	(2,012,991)
Income from investments		-	-
Adjustment for deferred taxation		267,665,481	(61,090,070)
Prior period adjustment		342,082	(2,332,830)
Adjustment for transitional provision in compliance with AS-15 (Revised)		-	-
Loss on sale of fixed assets		2,764,957	420,285
<b>Operating profit before working capital changes</b>	<b>(i)</b>	<b>96,448,789</b>	<b>650,430,125</b>
Trade and other receivables		177,582,809	(212,584,991)
Inventories		369,681,980	(40,842,472)
Trade payables and other liabilities		(465,538,073)	139,623,581
	<b>(ii)</b>	<b>81,726,716</b>	<b>(113,803,882)</b>
<b>Cash used in operations</b>	<b>(iii=i+ii)</b>	<b>178,175,505</b>	<b>536,626,243</b>
Direct taxes paid (net)		47,122,629	(65,664,062)
Dividend paid		(7,410,201)	(40,682,832)
<b>Net cash flow operating activities</b>	<b>(A)</b>	<b>217,887,933</b>	<b>430,279,349</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(101,413,172)	(1,134,183,657)
Increase in capital work in progress		-	466,182,348
Investments (Net)		133,525,115	(110,615,000)
Sale of fixed assets		-	-
Income from investments		-	-
Interest receipts		(53,857)	2,012,991
<b>Net cash used in investing activities</b>	<b>(B)</b>	<b>32,058,086</b>	<b>(776,603,318)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issuance of equity share capital		-	789,790
Subscription money against warrants forfeited		-	-
Share premium received on issuance of equity share capital		-	8,654,519
Subscription money received against warrants		-	-
Increase in secured loans		19,642,104	175,053,520
Increase in unsecured loans		784,774	407,040,000
Interest paid		(290,130,099)	(210,825,657)
<b>Net cash used in financing activities</b>	<b>(C)</b>	<b>(269,703,221)</b>	<b>380,712,173</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(A+B+C)</b>	<b>(92,137,238)</b>	<b>35,443,157</b>
Cash and cash equivalents - Opening balance		152,681,515	117,238,358
Cash and cash equivalents - Closing balance		60,544,277	152,681,515

Note: Figures in brackets indicate cash outflow

Certified that the above statement is in accordance with the requirements prescribed by SEBI.

B. Bhushan & Co.

Chartered Accountants

By the hand of

Kumud Goel

Managing Director

Parbir Purkayastha

Director

Vijoy Kumar

Director

Kamal Ahluwalia

Partner

Membership no. 093812

Gurgaon.


May 21, 2011

Ramesh Chander

Company secretary

Mukesh Arora

Chief Executive Officer



# **KLG SYSTEL LIMITED**

## **CONSOLIDATED**

### **FINANCIAL STATEMENT**



# AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of KLG Systel Limited

1. We have audited the attached Consolidated Balance Sheet of KLG Systel Limited (the Company) and its subsidiaries (collectively called 'the Group') as at March 31, 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries whose financial statements reflect total assets of Rs. 9,97,02,730 (Rs. 16,32,95,477) as at March 31, 2011 and total revenue of Rs. 2,29,56,647 (Rs. 6,34,04,055) for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion in respect thereof is based solely on the reports of other auditors.
4. We report the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of consolidated entities and on the other financial information of the components, and to the best of our information and explanations given to us, we are of the opinion that the consolidated financial statements, together with accounting policies and notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at March 31, 2011;
  - ii) in the case of the Consolidated Profit and Loss Account, of the loss incurred by the Company and its subsidiaries for the year ended on that date; and
  - iii) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year on that date.

117, New Delhi House  
27, Barakhamba Road  
New Delhi.

B. Bhushan & Co.  
Chartered Accountants  
By the hand of

May 21, 2011

Kamal Ahluwalia  
Partner  
Membership no. 093812  
Firm Regn. No. 001596N

# CONSOLIDATED BALANCE SHEET

## AS AT MARCH 31, 2011

### KLG SYSTEL LIMITED

Particular	Schedules	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>SOURCES OF FUNDS</b>			
Shareholders' funds			
Share capital	1	127,594,990	127,594,990
Reserves and surplus	2	1,963,346,887	2,487,929,545
Minority Interest		-	31,354,676
Loans funds			
Secured	3	1,400,784,045	1,381,141,941
Unsecured	4	1,223,024,774	1,222,240,000
Deferred tax liability (Net)	5	-	208,636,267
		<b>4,714,750,695</b>	<b>5,458,897,420</b>
<b>APPLICATION OF FUNDS</b>			
Fixed assets			
Gross block	6	3,404,935,081	3,482,652,300
Less: Accumulated depreciation		813,157,223	591,987,451
Net block		2,591,777,858	2,890,664,849
Capital work in progress including capital advances		139,323,056	157,061,258
<b>Investments</b>	7	1,000	5,056,542
<b>Current assets, loans and advances</b>			
Inventories	8	501,045,485	870,000,170
Sundry debtors	9	1,256,663,099	1,364,488,641
Cash and bank balances	10	61,195,576	175,415,852
Loans and advances	11	338,518,989	452,524,060
		2,157,423,149	2,862,428,723
<b>Less: Current liabilities and provisions</b>	12	233,498,010	456,364,638
Net current assets		1,923,925,138	2,406,064,085
Deferred tax assets (Net)	5	59,723,643	-
<b>Miscellaneous expenditure</b>	13	-	50,686
(to the extent not written off or adjusted)		4,714,750,696	5,458,897,420
<b>ACCOUNTING POLICIES</b>	19		
<b>NOTES TO ACCOUNTS</b>	20		

This is the Consolidated Balance Sheet referred in our report of even date addressed to the members of KLG Systel Limited.

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

B. Bhushan & Co.

Chartered Accountants  
By the hand of

Kumud Goel  
Managing Director

Parbir Purkayastha  
Director

Vijoy Kumar  
Director

Kamal Ahluwalia

Partner

Membership no. 093812

Gurgaon.

May 21, 2011

Ramesh Chander  
Company secretary

Mukesh Arora  
Chief Executive Officer

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED MARCH 31, 2011

### KLG SYSTEL LIMITED

Particulars	Schedules	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
<b>INCOME</b>			
Sales and services	14	993,815,114	2,421,886,324
Others		65,005,909	106,351,709
		<b>1,058,821,023</b>	<b>2,528,238,033</b>
<b>EXPENDITURE</b>			
Cost of sales and services	15	865,069,796	1,361,087,694
Employees remuneration and benefits	16	143,585,763	206,180,531
Travelling and conveyance		25,642,086	30,794,694
Research and development		12,640,788	24,876,900
Communication	17	11,560,411	13,682,389
Human resource development		1,944,960	4,377,491
Consultancy fees		39,706,423	27,327,435
Administrative	18	133,263,655	129,130,758
Business development		3,831,229	4,168,515
		<b>1,237,245,111</b>	<b>1,801,626,406</b>
<b>(LOSS)/PROFIT BEFORE INTEREST, DEPRECIATION, TAX AND AMORTISATIONS</b>		<b>(178,424,088)</b>	<b>726,611,628</b>
Interest		290,130,099	210,988,422
Depreciation		256,472,923	194,686,373
Loss on disposal of investments		85,266,095	
Miscellaneous expenditure written off		758,493	20,694,574
<b>(LOSS)/PROFIT DURING THE YEAR</b>		<b>(811,051,697)</b>	<b>300,242,259</b>
Prior period adjustments		(211,241)	2,439,211
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(810,840,456)</b>	<b>297,803,048</b>
Provision for current income tax		-	(54,699,274)
Provision for deferred tax		267,665,481	(60,665,245)
Provision for wealth tax		(193,600)	(301,675)
<b>(LOSS)/PROFIT AFTER TAX (BEFORE ADJUSTMENT FOR MINORITY INTEREST)</b>		<b>(543,368,576)</b>	<b>182,136,853</b>
Less : Share of profit transferred to minority		-	8,809,676
<b>(LOSS)/PROFIT AFTER TAX (AFTER ADJUSTMENT FOR MINORITY INTEREST)</b>		<b>(543,368,576)</b>	<b>173,327,177</b>
Balance brought forward from last year		213,067,089	141,097,696
Adjustment of reserves		(11,674,385)	6,048,959
		<b>(341,975,871)</b>	<b>320,473,832</b>
<b>APPROPRIATIONS</b>			
Proposed dividend on equity shares		-	6,351,790
Tax on proposed dividend		-	1,054,953
Transfer to General Reserve		-	100,000,000
Balance carried over to Reserve & Surplus Account		(341,975,871)	213,067,089
		<b>(341,975,871)</b>	<b>320,473,832</b>
<b>Earnings per share (equity shares, par value of Rs. 10 each)</b>			
Basic [Refer note no. (xxiv) of Schedule 20]		<b>(42.77)</b>	<b>13.69</b>
Diluted [Refer note no. (xxiv) of Schedule 20]		<b>(36.96)</b>	<b>11.80</b>
<b>ACCOUNTING POLICIES</b>	<b>19</b>		
<b>NOTES TO ACCOUNTS</b>	<b>20</b>		

This is the Consolidated Profit and Loss Account referred in our report of even date addressed to the members of KLG Systel Limited.

B. Bhushan & Co.

Chartered Accountants  
By the hand of

Kumud Goel  
Managing Director

Parbir Purkayastha  
Director

Vijoy Kumar  
Director

Kamal Ahluwalia  
Partner  
Membership no. 093812  
Gurgaon.  
May 21, 2011

Ramesh Chander  
Company secretary

Mukesh Arora  
Chief Executive Officer

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNT

Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>1. SHARE CAPITAL</b>		
<b>Authorised</b>		
2,00,00,000 (2,00,00,000) equity shares of Rs. 10 (Rs. 10) each	200,000,000	200,000,000
<b>Issued and subscribed</b>		
1,28,86,879 (1,28,86,879) equity shares of Rs. 10 (Rs.10) each	128,868,790	128,868,790
<b>Paid up</b>		
1,27,03,579 (1,27,03,579) equity shares of Rs. 10 (Rs. 10) each fully paid up	127,035,790	127,035,790
Add: Forfeited shares	559,200	559,200
	<b>127,594,990</b>	<b>127,594,990</b>
<b>2. RESERVES AND SURPLUS</b>		
Capital reserve	19,200,800	19,200,800
Share premium	1,163,497,264	1,184,229,854
General reserve		
Opening balance	1,069,450,885	971,431,802
Add: MAT credit entitlement adjustment	53,173,809	
Additions during the year	-	100,000,000
Profit and Loss Account	(341,975,871)	213,067,089
	<b>1,963,346,887</b>	<b>2,487,929,545</b>
<b>3. SECURED LOANS</b>		
From State Bank of India		
Cash credit facilities	1,040,058,853	1,004,008,105
Term loans	74,509,440	127,133,836
From IDBI Ltd.		
Cash credit facilities	274,266,172	-
Term loan	-	250,000,000
From HDFC Bank		
Vehicle loans	11,949,579	-
	<b>1,400,784,045</b>	<b>1,381,141,941</b>
<b>4. UNSECURED LOANS</b>		
Foreign currency convertible bonds	714,400,000	722,240,000
Term loan from IFCI Ltd.	458,324,774	500,000,000
From company	50,300,000	-
	<b>1,223,024,774</b>	<b>1,222,240,000</b>
<b>5. DEFERRED TAX ASSETS/(LIABILITIES)-NET</b>		
Deferred tax assets	300,586,795	5,810,506
Deferred tax liabilities	240,863,151	214,446,773
	<b>59,723,643</b>	<b>(208,636,267)</b>

## 6. FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Cost as at April 1, 2010 Rs.	Additions during the year Rs.	Sales during the year Rs.	Cost as at March 31, 2011 Rs.	Upto March 31, 2010 Rs.	For the year Rs.	Written back Rs.	Upto March 31, 2011 Rs.	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.		
Goodwill on consolidation	129,252,365	-	129,252,365	-	-	-	-	-	-	129,252,365		
Land	150,220,750	-	-	150,220,750	853,203	692,042	-	1,545,245	148,675,505	149,367,547		
Buildings	830,830,182	16,822,474	-	847,652,656	39,609,625	27,946,330	11	67,555,944	780,096,712	791,220,557		
Computers	736,533,146	35,819,946	24,395,679	747,957,413	263,637,783	119,072,697	23,789,711	358,920,769	389,036,644	472,895,363		
Plant and machinery	286,875,462	160,170	329,205	286,706,427	69,522,045	35,837,773	46,337	105,313,481	181,392,946	217,353,417		
Furniture and fixtures	121,532,798	-	11,250,723	110,282,075	33,843,904	8,479,246	5,791,944	36,531,206	73,750,869	87,688,894		
Office equipments	41,074,619	565,028	3,409,935	38,229,712	9,069,735	1,887,372	881,909	10,075,198	28,154,514	32,004,884		
A.C. equipments	24,801,874	-	229,563	24,572,311	6,038,755	1,177,875	64,686	7,151,944	17,420,367	18,763,119		
Vehicles	54,842,213	-	9,964,345	44,877,868	17,547,130	5,016,657	6,736,931	15,826,856	29,051,012	37,295,083		
Patent - Technology	955,824,632	47,746,980	-	1,003,571,612	104,324,456	48,819,719	(2,008,371)	155,152,546	848,419,065	851,500,175		
Brands	150,864,260	-	-	150,864,260	47,540,815	7,543,213	-	55,084,028	95,780,231	103,323,443		
Total	3,482,652,300	101,114,598	178,831,815	3,404,935,083	591,987,453	256,472,923	35,303,158	813,157,218	2,591,777,865	2,890,664,847		
Previous Year	2,291,943,690	1,210,756,918	20,048,309	3,482,652,300	415,994,613	194,686,374	18,693,534	591,987,453	2,890,664,849	1,875,949,078		

Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>7. INVESTMENTS</b>		
Long term investments		
a) In units-Unquoted	-	
Reliance Money Manager Fund	-	5,055,542
[Market value, Nil (Rs. 5,066,578.49)]		
	-	<b>5,055,542</b>
b) Others - Non trade and unquoted		
5 (5) shares of Rs. 100 (Rs. 100) each of Apex Hotel & Enterprises Pvt. Ltd. #	500	500
5 (5) shares of Rs. 100 (Rs. 100) each of Siddhartha (Vadodra) Association #	500	500
	1,000	1,000
(a+b)	<b>1,000</b>	<b>5,056,542</b>
# Investments are pursuant to purchase of office flats		
<b>8. INVENTORIES</b>		
Software licenses held for development	1,483,433	1,027,176
Raw materials		
Material lying at stores	317,576,728	236,761,845
Work in process		
Contract work in progress	181,985,324	632,211,149
	<b>501,045,485</b>	<b>870,000,170</b>
<b>9. SUNDRY DEBTORS</b>		
(Unsecured and considered good)		
Debts outstanding for a period exceeding six months	746,833,753	202,882,038
Others debts	509,829,346	1,161,606,603
	<b>1,256,663,099</b>	<b>1,364,488,641</b>
<b>10. CASH AND BANK BALANCES</b>		
Cash in hand	507,253	29,301,348
(including cheques in hand)		
Balances with scheduled banks		
In current accounts	2,268,395	82,218,850
In deposit accounts	58,419,928	63,895,654
	<b>61,195,576</b>	<b>175,415,852</b>
<b>11. LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advances to vendors	16,597,444	124,412,037
Advance tax (Net of income tax provisions)	68,143,763	65,049,100
MAT credit entitlement	53,173,809	
Earnest money deposits	4,856,952	16,076,492
Security deposits	15,596,502	20,309,081
Value added and service tax	54,998,026	57,856,706
Advance to staff	2,477,104	2,407,132
Others	122,675,389	166,413,511
	<b>338,518,989</b>	<b>452,524,060</b>



Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
<b>12. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current liabilities</b>		
Creditors for purchases	90,497,243	294,375,876
Other liabilities	124,139,201	137,211,656
Creditors for capital assets	485,804	1,436,841
Unpaid dividend	1,350,109	1,449,225
<b>Provisions</b>		
Proposed dividend on equity shares	-	6,351,790
Dividend tax on proposed dividend	-	1,054,953
Leave encashment	6,050,095	6,893,778
Gratuity	10,781,958	7,288,845
Wealth tax	193,600	301,675
	<b>233,498,010</b>	<b>456,364,638</b>
<b>13. MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
Structuring cost	-	1,110,476
Less: Written off during the year	-	1,110,476
(a)	-	-
Preliminary expenses	15,400	84,803
Less: Amortised during the year	15,400	69,403
(b)	-	<b>15,400</b>
Pre-operative expenses	40,242	28,055,030
Less: Amortised during the year	-	<b>11,175,889</b>
	40,242	39,230,919
Less: Amortised during the year	40,242	39,195,633
(c)	-	<b>35,286</b>
(a+b+c)	-	<b>50,686</b>
<b>14. SALES AND SERVICES</b>		
Sales	720,081,856	2,064,493,026
Professional fees and service receipts	273,733,258	357,393,298
	<b>993,815,114</b>	<b>2,421,886,324</b>
<b>15. COST OF SALES AND SERVICES</b>		
Cost of material utilised		
Opening stock	237,789,020	78,021,699
Add: Purchases during the year	783,601,854	1,344,519,497
	<b>1,021,390,874</b>	<b>1,422,541,196</b>



Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
Less: Closing stock		
Software licenses held for development	1,483,433	1,027,176
Raw materials	317,576,728	236,761,845
(a)	<b>702,330,712</b>	<b>1,184,752,175</b>
<b>Cost of services</b>	(b) <b>162,739,083</b>	<b>176,335,519</b>
	(a+b) <b>865,069,796</b>	<b>1,361,087,694</b>
<b>16. EMPLOYEES REMUNERATION AND BENEFITS</b>		
Salaries	123,620,946	189,285,381
Welfare, contributions and benefits	8,217,165	7,004,859
Leave encashment	3,708,372	3,256,575
Gratuity	5,564,042	1,566,931
Others	2,475,238	5,066,785
	<b>143,585,763</b>	<b>206,180,531</b>
<b>17. COMMUNICATION</b>		
Telephone and fax	9,845,992	12,216,888
Courier	785,879	1,026,071
Postage	928,540	439,430
	<b>11,560,411</b>	<b>13,682,389</b>
<b>18. ADMINISTRATIVE</b>		
Rent, rates and taxes	21,305,704	33,866,881
Bank charges	22,847,865	30,296,600
Insurance	4,730,649	10,906,641
Power and fuel	6,367,459	7,738,717
Consumables and stationery	4,890,929	7,026,502
Security expenses	8,469,377	6,352,131
Vehicle running and maintenance	4,542,362	3,277,953
Repair and maintenance		
Buildings	1,882,994	1,140,885
Machinery	2,608,186	1,316,363
Computers	212,000	1,426,819
Others	138,177	839,872
Membership fees	975,372	630,945
Hiring charges	1,858,878	1,623,494
Bad debts	25,559,145	-
Others	26,874,558	22,686,954
	<b>133,263,655</b>	<b>129,130,758</b>

# SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNT

## 19. ACCOUNTING POLICIES

### a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of KLG Systel Limited and its subsidiary companies (the Group) are prepared in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by the Securities Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use, or a change is necessitated, in the opinion of the management, in accordance with the nature of business of the Company.

The management evaluates all recently issued or revised accounting standards on an ongoing basis.

### b) USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Although these estimates are based on the managements' best knowledge of current events and actions that the Company may undertake in future, the actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

### c) PRINCIPLES OF CONSOLIDATION

- The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as of the Company.

The consolidated financial statements are prepared on the following basis:

- The consolidated financial statements of the Group have been prepared in accordance with Accounting Standard-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, to the extent possible in the same format as that adopted by the parent Company for its separate financial statements by regrouping, recasting or rearranging figures wherever considered necessary.
- The consolidated financial statements include the financial statements of the Company and all its subsidiaries, which are more than 50% owned or controlled as at March 31, 2011.
- The financial statements of the Company and its subsidiaries are consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra group balances, intra-group transactions and unrealised profits on intra-group transactions.
- Minorities' interest in net profit/loss of the consolidated subsidiaries for the year is identified and adjusted against income in order to arrive at the net income attributable to shareholders of the Company. Minorities' interest in net assets of the consolidated subsidiaries is identified and presented separately in the consolidated financial statements.
- The excess of cost to the parent company of its investment in the subsidiary over the parent company's portion of equity of the subsidiary is recognised in the consolidated financial statements as 'Goodwill'. The excess of parent company's portion of equity over the cost of investment as at the date of its investment is treated as 'Capital Reserve'.
- Goodwill arising out of consolidation is not being amortised.



**d) FIXED ASSETS, INTANGIBLE ASSETS AND WORK IN PROGRESS**

Goodwill arising from consolidation represents the excess of cost to the parent Company of its investment in subsidiary company over the parent Companies' portion of equity at the date on which investment in subsidiary company is made.

Fixed assets, including assets acquired for research and development are stated at cost less accumulated depreciation, and impairment losses. Cost comprises purchase price and any attributable cost incurred in bringing the asset to its working condition for its intended use.

Interest on borrowed money allocated to and utilised for fixed assets, pertaining to the period up to the date of capitalisation is capitalised. Assets acquired on hire purchase are capitalised at the gross value and interest thereon is charged to Profit and Loss Account.

Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

Intangible assets are recognised if, a) it is probable that the future economic benefits that are attributable to the assets will flow to the Company, and b) the cost of asset can be measured reliably.

Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the balance sheet date and the outstanding advances paid for the acquisition/construction of such fixed assets.

An item of fixed assets is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the fixed asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the financial statements in the year the asset is de-recognised.

**e) IMPAIRMENT OF ASSETS**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a) the provision for impairment loss, if any required; or
- b) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

- a) in the case of an individual asset, at the higher of the net selling price and the value in use.
- b) in the case of a cash generating unit (a group of assets that generates identified independent cash flows) at the higher of the cash generating units' net selling price and the value in use.

Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

**f) INVESTMENTS**

Investment in subsidiaries and others are stated at cost. Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature. Investments other than long term investments being current investments are valued at lower of cost and fair value, determined on an individual basis.

Investments in units are valued at cost or marked to market values, whichever is lower.

Loss or gain on sale of investments is computed with reference to their cost.

#### **g) RESEARCH AND DEVELOPMENT**

Research and development expenditure is recognised in the Profit and Loss Account when incurred. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the depreciation policy set out in paragraph (i).

#### **h) INVENTORIES**

Raw material, components and stores are valued at cost on first in first out basis.

Finished goods are valued at lower of cost or net realisable value. Cost is determined on the basis of first in first out method. Net realisable value is estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Work in process, other than project and construction related, is valued at cost and other attributable costs incurred upto the stage of completion.

Cost includes direct material and labour and a proportion of manufacturing overheads based on normal operating capacities.

Work in process, project and construction related, at cost till such time the outcome of the job cannot be ascertained reliably and at contracted price, thereafter.

Cost includes costs that relate directly to the specific contracts and other allocable overheads that may be attributable to contract activity in general, including borrowing costs.

#### **i) DEPRECIATION**

Depreciation on fixed assets is charged on the straight line method at rates as specified in Schedule XIV of the Companies Act, 1956 on the original cost. Depreciation on the acquisition/purchase of assets during the year has been provided on pro-rata basis according to the period each asset was put to use during the year.

Technology and Brand costs are amortised equally based on an estimated useful life of 20 years from the date of capitalisation.

In respect of an asset for which impairment loss is recognised the depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

#### **j) RECOGNITION OF REVENUE AND EXPENDITURE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sales are stated net of discounts, returns and recoverable taxes.

Revenue from services is recognised on accrual basis in accordance with the terms of the relevant agreement.

“Revenue from construction/project related activity and contracts for supply/commissioning of power transmission and distribution lines and equipments is recognized by reference to the aggregate cost incurred during the period and proportionate margin therein, using the percentage completion method. Percentage of completion is determined as a proportion of the cost incurred upto the reporting date to the estimated total cost of the contracts.”

Interest income is recognised on time proportion basis, taking into account the amount outstanding and the applicable rate of interest.

Income of a subsidiary company, is considered to accrue at the time attaining the defined stage of an assignment i.e., defined in client's contract and terms of payment.



Dividend income is accounted in the year of receipt.

Expenditure incurred on research and development, technology seminar, training and business development is inclusive of direct expenses and allocable overheads.

**k) EMPLOYEE BENEFITS**

In accordance with the requirements of revised Accounting Standard-15 “Employee Benefits”, the Company provides for gratuity covering eligible employees on the basis of actuarial valuation as carried out by an Actuary using the Projected Unit Credit Method. The liability is unfunded. Actuarial gains and losses arising from changes in the actuarial assumptions are charged or credited to the Profit and Loss Account in the year in which such gains or losses arise.

Leave encashment benefits payable to employees of the Company with respect to accumulated leave outstanding at the year end are accounted for on the basis of an actuarial valuation as at the Balance Sheet date. The liability is unfunded.

Contributions payable by the Company to the concerned government authorities in respect of provident fund, family pension fund and employees state insurance are charged to Profit and Loss Account.

Other employee benefits are accounted for on accrual basis.

**l) TAXATION**

The accounting treatment followed for taxes on income is to provide for current tax and deferred tax. Provision for current income tax is made for the tax liability payable on taxable income ascertained in accordance with the applicable tax rates and laws.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements, carrying amounts of existing assets and liabilities and their respective tax bases and carry forwards of operating loss. Deferred tax assets and liabilities are measured on the timing differences applying the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Changes in deferred tax assets and liabilities between one Balance Sheet date and the next, are recognised in the Profit and Loss Account in the year of change. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the year of change.

Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which these assets can be realized in future, whereas in case of existence of unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty of realisation backed by convincing evidence. Deferred tax assets are reviewed at each Balance Sheet date.

Advance taxes and provisions for current income tax are presented in the Balance Sheet after off-setting advance tax paid and income tax provision.

**m) EMPLOYEE STOCK OPTIONS**

The Company operates two equity-settled, share option plan for employees eligible under applicable laws. The Company measures the compensation cost relating to employee stock options using the Intrinsic Value Method.

**n) SEGMENT ACCOUNTING AND REPORTING**

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. The basis of reporting is as follows:

a) Segment revenue and expenses

Segment revenue and expenses those are directly attributable to the segment are considered for respective segments. For rest allocation has been done between segments and where it is not possible to segregate, the same has been considered as unallocable revenue and expenses.

Segment revenue and expenses do not include interest or dividend income, profit on sale of investments, interest expense, provision for contingencies and taxation.

b) Segment assets and liabilities

Assets and liabilities have not been segregated to any of the reportable segments, as fixed assets are used interchangeably between segments and it is not practicable to provide meaningful segment disclosure relating to total assets and liabilities.

**o) EARNINGS PER SHARE**

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

**p) FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate of prevailing on the balance sheet date except in cases where actual amount has been ascertained by the time of finalisation of accounts.

Exchange differences arising on the translation or settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recorded in exchange fluctuation account and recognised as income or expense in the year in which they arise.

In translating the financial statements of representative office, the monetary assets and liabilities are translated at the rate prevailing on the balance sheet date, non monetary assets and liabilities are translated at exchange rates prevailing at the date of the transaction and income and expense items are converted at the respective monthly average rates. Net gain/loss on foreign currency translation is recognised in the Profit and Loss Account.

**q) CASH FLOW STATEMENT**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.





**r) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A provision is recognised for a present obligation as result of past events if it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on best estimate of the amount required to settle the obligation at the Balance Sheet date. Reimbursements 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 liabilities is disclosed in the notes in case of a present obligation arising from a past event when it is not probable than an outflow of resources will be required to settle the obligation. Contingent assets are neither recognised nor disclosed in the financial statements. Contingent liabilities and contingent assets are reviewed at each balance sheet date.

**s) BORROWING COST**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Where funds are temporarily invested pending their expenditure on the qualifying assets, any such investment income, earned on such fund is deducted from the borrowing cost incurred.

**t) LEASES**

Finance leases which effectively transfer to the company substantial risks and benefits incidental to ownership of the leased item, are capitalized and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on the straight line basis over the lease term.

**u) MINIMUM ALTERNATE TAX (MAT)**

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income tax Act, 1961 . In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay income tax higher than MAT during the specified period.



## 20. NOTES TO ACCOUNTS

S. No.	Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
i)	Contingent liabilities not provided for in respect of:		
a)	Claims against the Company not acknowledged as debts* * Net of deposits	10,425,351	1,666,434
b)	Guarantees given by Banks Letter of credits established by Banks favouring suppliers [Deposits of Rs. 5,81,67,428 (Rs. 4,64,02,587) held by Bank as margin shown under the head 'Cash and Bank Balances']	674,901,962 19,196,106	600,311,828 287,269,595
c)	Premium on redemption of USD 16 million 1% unsecured Foreign Currency Convertible Bonds Due 2012 (Refer Note No. xiii below)	239,686,221	174,205,732
d)	Domestic Factoring Facility, with recourse, from IFCI Factors Ltd. (Refer Note No. xiv below)	64,730,888	132,830,000
e)	Guarantee given by KLG Power Ltd., subsidiary company, on behalf of Company to IDBI Bank Ltd.	382,735,258	250,000,000
ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	276,039,927
iii)	Unexpired installments of vehicles refinance loan	15,784,992	-
iv)	Paid up equity share capital includes:		
-	34,800 (34,800) equity shares issued as fully paid up for consideration other than cash	348,000	348,000
-	46,09,730 (46,09,730) equity shares issued as fully paid up by way of bonus shares	46,097,300	46,097,300
-	57,850 (57,850) equity shares issued as fully paid up under Employees Stock Option Scheme, 1998	578,500	578,500
-	1,95,179 (1,95,179) equity shares issued pursuant to the exercise of options granted under Employees Stock Option Scheme, 2005	1,951,790	1,951,790
-	23,07,600 (23,07,600) underlying shares against GDRs have been issued as fully paid up equity shares	23,076,000	23,076,000
-	14,70,000 (14,70,000) share warrants converted into fully paid up equity shares	14,700,000	14,700,000
S. No.	Particulars	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
v)	Payment to directors#		
a)	Remuneration to Kumud Goel, Managing director	5,376,000	15,270,434
	Remuneration to K. L. Goel, Executive Chairman	3,819,355	13,724,842
	Remuneration to Mukesh Arora, Whole time director	3,593,333	7,935,000
	Remuneration to Ritu Goel, Director	1,061,762	1,673,530
	Remuneration to Upasana Goel, Director	1,108,682	2,128,050
b)	Commission paid to non executive and independent directors*	-	2,647,850
c)	Sitting fees	175,000	255,500
#	Does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole. All the above stated Directors, except Kumud Goel, have ceased to be Directors of the Company as on the Balance Sheet date.		
vi)	Payment to auditors		
a)	For services as auditors, including quarterly audits and service tax	1,311,098	1,148,041
b)	For certification including service tax	33,177	66,178
		<u>1,344,275</u>	<u>1,214,219</u>

- vii) a) The consolidated financial statements include the accounts of the parent Company and the subsidiaries (as listed below). The subsidiaries of the Company have been defined as those entities in which the Company owns directly or indirectly more than one half of the voting power or otherwise has power to exercise control over the composition of the Board of Directors of such entities. The financial statements of subsidiaries are consolidated from the date on which effective control is acquired and are excluded from consolidation from the date such control ceases.

Detail of subsidiaries are as follows:

S. no.	Name of subsidiary	Country of incorporation	% of holding
1	KLG Environment and Safety Sciences Ltd.*	India	100
2	KLG Power Ltd.	India	99.99
3	KLG Software Technology And Infrastructure Pvt. Ltd.	India	100
4	Atlantis Lab Pvt. Ltd. *	India	51

\* Ceased to be subsidiary during the year.

- b) Goodwill amounting to Nil (Rs.12,92,52,365) has been recognised in consolidated financial statements being excess of the cost to the parent of its investment in subsidiaries.
- c) The consolidated financial statements are prepared using uniform accounting policies for the transactions and other events in similar circumstances.
- d) Figures pertaining to the subsidiaries have been reclassified wherever necessary to bring them in line with the Company's Financial Statements.
- e) The Consolidated Financial Statements for the current year are not comparable with that of previous year on account of inclusion of exclusion of subsidiaries.

#### viii) Secured loans

##### From State Bank of India

- a) Working capital facilities of Rs. 10,400.59 lacs (Rs. 10,040.08 lacs) secured against hypothecation of Company's entire current assets including inventories and receivables, both present and future, counter guarantee of the Company for bank guarantees and letter of indemnity for letter of credits, and also collaterally secured by, (a) first charge over the fixed assets of the Company including equitable mortgage/negative lien over land and building at Electronic City, Gurgaon, Haryana, (b) extension of first charge over plots situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these plots at Sector-34, EHTP, Gurgaon, Haryana, and offices at Belapur, Navi Mumbai, Maharashtra, R.C. Dutt Road, Vadodra, Gujarat and Gariahat Road, Kolkata, West Bengal, and (c) personal guarantees of K. L. Goel, Ex Whole Time Director and Chairman of the Company, and Kumud Goel, Managing Director of the Company.
- b) Term loan-III of Rs. 745.09 lacs (Rs. 1,100.08 lacs) secured against first charge on assets created or to be created, including equitable mortgage of proposed building constructed or to be constructed, at Sector-34, EHTP, Gurgaon, Haryana, by utilising this loan, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Ex Whole Time Director and Chairman of the Company and Kumud Goel, Managing Director of the Company.

Term loan repayable within 1 (one) year is Rs. 7,36,00,000 (Rs. 5,00,00,000).

##### From Industrial Development Bank of India Limited (IDBI)

- c) Working capital facilities of Rs. 2,742.66 lacs (Nil) secured against, (a) first pari passu charge on all the current assets and fixed assets of the Company (both present and future) in consortium,

(b) exclusive charge on industrial plot, in the name of KLG Power Ltd., a subsidiary company, at Baddi, Himachal Pradesh, (c) pledge of 4,00,00 equity shares of the Company held in the name of promoters, (d) undertaking to route the proceeds of all receivables relating to power division exceeding 120 days as on March 31, 2010 through a designated account with IDBI Bank, and (e) personal guarantees of K.L. Goel, Ex Whole Time Director and Chairman of the Company and Kumud Goel, Managing Director of the Company.

#### From HDFC Bank

d) Vehicle refinance loan of Rs. 119.50 lacs (Nil) secured against hypothecation of vehicles against which re-finance is availed by the Company.

Vehicle refinance loan repayable within 1 (one) year is Rs. 41,17,824 (Nil).

#### ix) Loan from IFCI Ltd.

The Company is availing a Corporate Term Loan of Rs. 4,583.25 lacs (Rs.5,000 lacs), from IFCI limited, vide IFCI sanction letter dated August 17, 2009. As per the stipulations, the loan was to be secured by (a) first charge by way of hypothecation on Moveable and Immoveable assets of the Company on pari passu basis, (b) escrow of specified receivables of the Company, (c) post dated cheques for repayment of principal and interest dues, and (d) personal guarantees of K.L. Goel, the Executive Chairman of the Company and Kumud Goel, Managing Director of the Company. The Company is in the process of obtaining the consent of other lender (State Bank of India) for ceding first pari passu charge in favor of IFCI Ltd. Pending obtention of consent and registration of charges with the Registrar of Companies, the loan has been classified as 'Unsecured'.

The Company has neither given counter guarantee to the abovementioned directors and the subsidiary company nor incentive/commission is payable to them.

- x) Sales are inclusive of 'Billings for Contracts in Progress' Rs. 1,819.85 lacs (Rs. 6,322.11 lacs) related to revenue recognized in accordance with the Accounting Policy of the Company.
- xi) The re-statement of Foreign Currency Convertible Bonds (FCCBs) has resulted in a foreign exchange rate fluctuation (FERF) gain of Rs. 78.40 lacs for the year ended March 31, 2011, as against FERG gain of Rs. 929.60 lacs during the previous year 2009-10. Accounting of such FERG gain/loss consistently as per the Accounting policies adopted by the Company has resulted in decrease in the loss of the year by Rs. 78.40 lacs.
- xii) During the year, the Company has capitalized Nil (Rs. 40,35,92,378 lacs), being expenditure incurred on Research, Technology development, by transfer of equivalent amount from 'Capital Work in Progress including Advances'.
- xiii) During the year, 38,500 options were lapsed, due to non exercise of options by employees/non-executive directors of the Company, such options being granted in accordance with KLG Systel Employee Stock Option Scheme, 2005, approved by the Board of directors, framed in accordance with SEBI (Employees Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 and other provisions of applicable Statutes. Options were issued to employees/non executive directors at an exercise price that is not less than the fair market value.

Details of options granted, exercised and forfeited under ESOP-2005 are as follows:

S. Particulars No.	2010-11 (in Nos.)	2009-10 (in Nos.)
a) Options outstanding, beginning of the year	38,500	148,000
b) Add: Granted during the year	-	-
c) Less: Exercised	-	78,979
Forfeited	-	30,521
Lapsed	38,500	-
d) Options outstanding, end of the year	-	38,500

- xiv) The Company issued 2,200-1% unsecured Foreign Currency Convertible Bonds 2012 (FCCBs) of Rs. 9,589.80 lacs on March 26, 2007 having maturity period of 5 years and 2 days. The holders thereof have an option to convert the bonds into equity shares at initial conversion price of Rs. 400 per share on or after March 26, 2007 upto the close of business on March 16, 2012; such equity shares to be vested with full voting rights. The conversion price, if applicable, will be reset on March 26, 2009 and March 26, 2010. The applicable conversion price may be reset, downwards only, to the current market price of the shares on the relevant reset date if the volume weighted average share price of the 21 (twenty one) trading days prior to the relevant reset date is lower than the conversion price in effect. The reset conversion price cannot be lower than Rs. 350 per equity share or the applicable reset floor price as prescribed by SEBI from time to time.

Due to the current market scenario and in accordance with the terms and conditions of the Offering Circular, the conversion price is reset to Rs. 350 (being the floor rate as per clause 6.3.29 of the terms and conditions of the Offering Circular) w.e.f. March 26, 2009, (re-set date) as the volume weighted average share price of the 21 trading days prior to the re-set date was lower than the initial conversion price i.e. Rs. 400.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each bond at 143.77 per cent of its principal amount on the maturity date.

The interest at the rate of 1% per annum will be payable semi-annually in arrears on September 26 and March 26 every year.

Since the redemption of abovesaid FCCBs is contingent upon its non-conversion into equity shares, the Company has not provided for the proportionate premium for the period upto March 31, 2011 amounting to Rs. 2,396.86 lacs (Rs. 1,742.05 lacs) equivalent to USD 3.42 (USD 2.47 million) at the prevailing exchange rates as at the Balance Sheet date. In the opinion of the management, since the likelihood of redemption cannot be presently ascertained, therefore, no provision for any liability that may result has been made in the financial statements. The FCCBs are considered monetary liability. The FCCBs are redeemable only if there is no conversion of the same earlier. The payment of premium on redemption is contingent in nature, as the outcome is dependent upon uncertain future events, and is considered as a contingent liability.

- xv) The Company is availing Domestic Factoring Facility with recourse for factoring of receivables (approved debtors) from IFCI Factors Limited to the tune of Rs. 1,500.00 lacs. As on the Balance Sheet date, the Company has received pre-payment of approved debtors aggregating Rs. 647.31 (Rs. 1,328.83 lacs) from the factor. The Company has a contingent liability for the said amount in the event of non payment of amount by the approved debtors to the factor, on or before the due date. In the opinion of the management, the liability of the Company for payment to the factor is contingent upon future events, which are uncertain, hence the same has been considered as a Contingent Liability.
- xvi) In the opinion of the management, the current assets, loans and advances, if realised in the ordinary course of business, would realise a sum equal to that stated in the Balance Sheet.
- xvii) Unpaid dividend, to be credited to Investor Education and Protection Fund, does not include any amount due and outstanding.
- xviii) Most of the EPC projects undertaken by the Company are nearing completion, so based on actual measurements and surveys, additional items and equipments had to be installed, resulting in substantial extra costs to be incurred on the projects which costs have been charged to expenditure in the current year. Pursuant to the above, an additional expenditure of Rs. 2,345 lacs has been charged to the expenditure account during the current year. Incomes arising out of claims recoverable from the utilities, towards extra costs incurred will be accounted for at the material time, as the Company is in process of finalization of claims to be lodged with the utilities or Arbitration.
- xix) As certified by the management and relied upon by us, the inventory as at March 31, 2011, is inclusive of inventory of stocks of stores, equipments and other line materials lying with various contractors/sub-contractors at the various project sites of the Company valuing Rs. 1,824.64 lacs.
- xx) The Company discharged its income tax liability of Rs. 5,31,73,809 for the financial year 2009-10, computed in terms of the provisions of section 115JB of the Income tax Act, 1961. MAT credit

entitlement includes Rs. 5,31,73,809 towards MAT liability for the preceding financial the same has been recognised by adjusting the opening balance of General Reserve.

- xxi) During the financial year 2010-11 managerial remuneration paid to the Whole Time Directors in excess of the norms prescribed under Schedule XIII of the Companies Act, 1956, was Rs.10.66 Lac and the same is treated as recoverable/due from such Whole Time Directors. The Company is in the process of obtaining necessary approvals in this regard.
- xxii) The Company has disposed off its entire holding/investment in Atlantis Lab Limited, a subsidiary company, on January 25, 2011 for Rs. 420.00 lacs. Loss for the year, is inclusive of Loss of Rs. 878.07 lacs on sale of such investments.
- xxiii) Principal amount due to Micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" amount to Rs. 57,192 (Rs. 135,46,989). No interest is paid/payable to such enterprises for the year ended March 31, 2011. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.
- xxiv) Earning Per Share (EPS)

EPS is calculated by dividing the profit attributable to the equity shareholders by the average number of equity shares outstanding during the year. Numbers used for calculating basic and diluted earnings per equity share are as stated below:

Particulars	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
a) Profit after tax-Profit attributable to equity shareholders	(543,368,576)	173,327,177
b) Weighted average number of shares outstanding		
- Basic	12,703,579	12,661,958
- Diluted	14,701,293	14,693,412
c) Nominal value of per equity share	10	10
d) Earnings per share		
- Basic	(42.77)	13.69
- Diluted	(36.96)	11.80

- xxv) Amount remitted by the Company in foreign currency on account of dividends:

Particulars	Dividend 2010-11	Dividend 2009-10
a) Number of non-resident shareholders	1	1
b) Number of equity shares held by them	750	750
c) Financial year to which the dividend related	2009-10	2008-09
d) Gross amount of dividends (in Rs.)	375	2063

- xxvi) Details of Capital work-in-progress:

Particulars	2010-11 Rs.	2009-10 Rs.
a) Capital advances	29,506,640	54,701,552
b) Technology	83,744,249	83,744,249
	113,250,889	138,445,801

- xxvii) Related Party Disclosures

Pursuant to Accounting Standard (AS18) - "Related Party Disclosure" issued by Institute of Chartered Accountants of India following parties are to be treated as related parties alongwith their relationships:



S. No.	Related party	Relationship between parties
1	K.L. Goel *	Key management personnel
2	Kumud Goel	Key management personnel
3	Prabir Purkayastha#	Non executive and independent director
4	Vijoy Kumar#	Non executive and independent director
5	Ritu Goel**	Key management personnel
6	Upasana Goel**	Key management personnel
7	Mukesh Arora**	Key management personnel
8	Gopal Krishan Pandey*	Independent director
9	Bishambhar Dayal Gupta***	Independent director
10	Prabir Sengupta*	Independent director
11	Adarsh Soni****	Independent director
12	Ankush Krishan*****	Independent director
13	S. Govindarajan*****	Independent director
14	P. L. Goel	Spouse of K. L. Goel
15	Aditi Goel	Daughter of Kumud Goel
16	Mini Arora	Spouse of Mukesh Arora
17	KLG Environment and Safety Sciences Ltd.@	Subsidiary company
18	KLG Software Technology and Infrastructure Pvt. Ltd.	Subsidiary company
19	KLG Power Ltd.	Subsidiary company
20	Atlantis Lab Pvt. Ltd.@	Subsidiary company
21	Vasudha Computers Pvt. Ltd.^	Enterprise over which key management personnel exercise significant control
22	Nandita Telecommunication Pvt. Ltd.^	"
23	Aditi Telecom Pvt. Ltd."	
24	M. D. Parbhu@	Key management personnel of subsidiary
25	Abhijit Surlaker@	"
26	Sanjay Kumar Garg^^	"
27	Shashi Bhushan Nagpal^^^	"
28	Srikanth Sundararaman^^^^	"
29	Amit Goel	"
30	Sumit Goel	"

# Appointed on January 17, 2011

\* Held office upto January 17, 2011

\*\* Held office upto November 13, 2010 and subsequently, Ritu Goel, serving in the capacity as President Human Resources, Upasana Goel, serving in the capacity as President planning and Mukesh Arora, serving in the capacity as Chief Executive Officer

\*\*\* Held office upto November 15, 2010

\*\*\*\* Held office upto January 15, 2011

\*\*\*\*\* Held office upto January 11, 2011

\*\*\*\*\* Held office upto May 14, 2010

@ Ceased to be subsidiary during the year

^ Formerly known as KLG Computers Pvt. Ltd.

^^ Formerly known as Pushap Telecommunication Pvt. Ltd.

^^^ Held office upto June 30, 2010

^^^^ Appointed on October 26, 2010

^^^^^ From June 30, 2010 to October 26, 2010

Note: Related party relationship is as identified by the Company on the basis of available information.

A. The Company has following transactions with the following related parties:

Nature of transactions	Related party	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
Payment for services as Executive Chairman	K.L. Goel	3,819,355	13,624,842
Payment for services as Managing Director	Kumud Goel	5,376,000	15,270,434
Payment for services as Director	Ritu Goel	1,061,762	1,673,530
Payment for services as Director	Upasana Goel	1,108,682	2,128,050
Payment for services as Whole Time Director	Mukesh Arora	3,593,333	7,935,000
Payment for services	Aditi Goel	955,572	903,972
Payment for services as Director	M. D. Prabhu	-	2,322,829
Payment for services as Director	Abhijit Surlaker	-	2,320,590
Rent paid for premises	Upasana Goel	3,150,000	5,400,000
Rent paid for premises	Mukesh Arora	1,726,500	1,800,000
Rent paid for premises	Nandita Telecommunication Pvt. Ltd.	1,575,000	2,700,000
Rent paid for premises	Aditi Telecom Pvt. Ltd.	1,575,000	2,700,000
Amount received on exercise of ESOP options	Mukesh Arora	-	597,900
Repayment of unsecured loan	Sanjay Garg	-	700
Reimbursement of expenses	Sanjay Garg	-	600
Personal guarantees given in respect of:			
Term loans	K.L. Goel	348,775,612	877,133,836
Working capital borrowings from Bank	Kumud Goel	1,040,058,853	1,004,008,105
Corporate Term Loan		458,324,774	500,000,000
Domestic Factoring Facilities		64,730,888	150,000,000
Guarantee given on behalf of the Company	KLK Power Ltd.	382,735,258	250,000,000
Commission	Independent directors	-	2,647,850
Sitting fees	Independent directors	175,000	255,500

B. Amount outstanding as at March 31, 2011

Account head	Related party	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
Security deposits	Nandita Telecommunication Pvt. Ltd.	1,800,000	1,800,000
	Aditi Telecom Pvt. Ltd.	1,800,000	1,800,000
	Upasana Goel	2,700,000	2,700,000
	Mukesh Arora	1,800,000	1,800,000
Other liabilities	Key management personnel	560,619	560,619
	Independent directors	-	2,647,850

xxviii) The Company is primarily engaged in the customised development of computer software and providing power system solution. The production and sales of software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details as required under paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956. In respect of power system solutions, due to the multiplicity of the items and non standardized unit of measurement it is practically not possible to



quantify the same. Further as no item/article individually accounts for 10% or more of the total sales and services, purchase/closing stock, hence, the same cannot be furnished as per terms of note 3 to paragraph 3 of Part II of Schedule VI to the Companies Act, 1956.

xxix) The segment report prepared in accordance with the accounting standard 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

Segment wise revenue, results and capital employed for the year ended March 31, 2011:

S. no.	Particulars	For the year ended March 31, 2011 (Rs.'000)	For the year ended March 31, 2010 (Rs.'000)
1.	Segment revenue		
a)	Life Cycle Solutions	513,025	672,429
b)	Power System Solutions	480,790	1,749,457
	Total	993,815	2,421,886
	Less: Inter segment revenue	-	-
	Net sales/income from operations	993,815	2,421,886
2.	Segment results		
	Profit before tax and interest		
a)	Life Cycle Solutions	148,112	181,804
b)	Power System Solutions	(237,135)	629,475
	Total	(89,023)	811,279
	Less:		
c)	Interest	290,130	210,988
d)	Other un-allocable expenditure net off	431,687	86,815
	Unallocable income		
	Profit before tax	(810,840)	297,803
3.	Capital employed		
	Assets and liabilities have not been segregated to any of the reportable segments, as fixed assets are used interchangeably between segments and it is not practicable to provide meaningful segment disclosure relating to total assets and liabilities.		

xxx) Previous years figures have been regrouped/rearranged wherever necessary to conform to those of the current year.

xxxi) Figures have been rounded off to the nearest Rupee.

xxxii) Figures in brackets pertain to previous year, unless otherwise indicated.

xxxiii) Previous year figures have been regrouped/ recast ,wherever considered necessary to make them comparable with current year's figures.

Signatures to the above schedules which form an integral part of the Balance Sheet and Profit and Loss Account.

Kumud Goel  
Managing Director

Parbir Purkayastha  
Director

Vijoy Kumar  
Director

Gurgaon.  
May 21, 2011

Ramesh Chander  
Company secretary

Mukesh Arora  
Chief Executive Officer

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

## KLG SYSTEL LIMITED

		For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.
<b>A. CASH FLOW FROM OPERATIONS</b>			
(Loss)/Profit before tax and extraordinary items		(811,051,697)	300,242,256
Depreciation		256,472,923	194,686,373
Miscellaneous expenditure written off		758,493	29,199,623
Interest paid		290,130,099	210,988,422
Interest receipts		(3,766,854)	(3,226,184)
Adjustment for MAT credit entitlement		53,173,809	-
Prior period adjustment of reserves		(11,674,385)	6,048,959
Loss on sale of Investment		85,266,095	-
Adjustment for share of profit transferred to minority		-	(8,809,676)
Prior period adjustments		211,241	(2,439,211)
Loss on sale of fixed assets		2,825,226	420,284
<b>Operating profit before working capital changes</b>	(i)	<b>(137,655,051)</b>	<b>727,110,846</b>
Trade and other receivables		221,830,613	442,248,184
Inventories		368,954,685	(791,014,471)
Trade payables and other liabilities		(175,826,683)	77,246,351
	(ii)	<b>414,958,615</b>	<b>(271,519,936)</b>
<b>Cash used in operations</b>	(iii=i+ii)	<b>277,303,564</b>	<b>455,590,910</b>
Direct taxes paid (net)		(39,826,802)	(65,664,062)
Dividend paid		(7,406,742)	(40,682,832)
<b>Net cash flow operating activities</b>	(A)	<b>230,070,019</b>	<b>349,244,016</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(102,830,673)	(1,211,372,428)
Decrease in capital work in progress		17,738,202	513,682,961
Investments (Net)		5,055,542	15,044,458
Sale of fixed assets		1,683,000	1,550,000
Interest receipts		3,766,854	3,226,184
<b>Net cash used in investing activities</b>	(B)	<b>(74,587,074)</b>	<b>(677,868,825)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issuance of equity share capital		-	789,790
Share premium received on issuance of equity share capital		-	8,654,519
Minority interest		-	2,690,824
Proceeds from long term borrowings (net)		19,642,104	174,892,020
Proceeds from unsecured loans		784,774	405,588,095
Interest paid		(290,130,099)	(210,988,422)
<b>Net cash used in financing activities</b>	(C)	<b>(269,703,221)</b>	<b>381,626,826</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(A+B+C)	<b>(114,220,276)</b>	<b>53,002,017</b>
Cash and cash equivalents - Opening balance		175,415,852	122,413,835
Cash and cash equivalents - Closing balance		61,195,576	175,415,852
<b>Note: Figures in brackets indicate cash outflow</b>			

Certified that the above statement is in accordance with the requirements prescribed by SEBI.

B. Bhushan & Co.

Chartered Accountants  
By the hand of

Kumud Goel  
Managing Director

Parbir Purkayastha  
Director

Vijoy Kumar  
Director

Kamal Ahluwalia  
Partner  
Membership no. 093812  
Gurgaon.  
May 21, 2011

Ramesh Chander  
Company secretary

Mukesh Arora  
Chief Executive Officer



## INFORMATION PURSUANT TO APPROVAL UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956

	KLG POWER LTD.	KLG SOFTWARE TECHNOLOGY AND INFRASTRUCTURE PVT. LTD.
	As at March 31,2011	As at March 31,2011
<b>I. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</b>		
<b>Total liabilities</b>	121,082,491	(100,000)
Total assets	121,082,491	(100,000)
<b>Sourcess of funds</b>		
Paid up capital	-	100,000
Reserves & surplus	(21,658,060)	(61,757)
Secured loans	-	-
Unsecured loans	-	-
Deferred tax (net)	-	-
<b>Application of funds</b>		
Net fixed assets	98,595,677	-
Investments	-	-
Net current assets	828,754	38,243
Miscellaneous expensiture	-	-
	<b>For the year ended March 31, 2011 Rs.</b>	<b>For the year ended March 31, 2011 Rs.</b>
<b>II. PERFORMANCE OF THE COMPANY</b>		
Turnover	990,402	-
Expenditure	2,718,223	-
Loss before taxation	(1,727,821)	-
Provision for tax of previous years	130,841	-
Profit after taxation	(1,858,662)	-
Proposed dividend	-	-

### Notes:

- 1) The Company hereby undertakes that annual accounts of the abovesaid subsidiary Companies and related detailed information will be made available to the holding and subsidiary Company investors seeking such information at any point of time.
- 2) The annual accounts of the above said subsidiary Companies are ready for inspection by any investors in the head office of the Company and that of the subsidiary's office.

Certified that the above statement is in accordance with the direction issued by Central Government under section 212(8) of the Companies Act,1956.

B. Bhushan & Co.

Chartered Accountants  
By the hand of

Kumud Goel  
Managing Director

Parbir Purkayastha  
Director

Vijoy Kumar  
Director

Kamal Ahluwalia  
Partner  
Membership no. 093812  
Gurgaon.  
May 21, 2011

Ramesh Chander  
Company secretary

Mukesh Arora  
Chief Executive Officer

# NOTICE

## KLG SYSTEL LIMITED

**Regd. Office : Plot No. 70A, Sector- 34, EHTP,  
Gurgaon- 122004**

Notice is hereby given that the Twenty Sixth Annual General Meeting of KLG Systel Limited will be held on Saturday, the 24th day of September, 2011 at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase-V, Gurgaon Haryana at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011, the audited Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Kumud Goel, who shall retire by rotation and, being eligible, offers himself for re-appointment.
3. To appoint M/s B. Bhushan & Co., Chartered Accountants (Firm Regn. No. 001596N), retiring auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board to fix their remuneration.

### SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956, Mr. Prabir Purkayastha, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office only up to the date of ensuing Annual General Meeting of the Company in accordance with Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company, whose office shall be liable to retire by rotation”

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956, Mr. Vijoy Kumar, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office only up to the date of ensuing Annual General Meeting of the Company in accordance with Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company, whose office shall be liable to retire by rotation”

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act as amended from time to time (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of Central Government, the consent of the Company be and is hereby accorded to ratify and/or approve the payment of Rs. 2,05,287/- (Rupees Two Lacs Five Thousand Two Hundred Eighty Seven Only) made to Mr. K. L. Goel, Whole Time Director of the Company in excess of the remuneration payable to him in accordance with the provisions of Schedule XIII of the Act for the Financial Year 2010-11.

RESOLVED FURTHER THAT subject to the approval of Central Government, the recovery by the Company of the excess amount of Rs. 2,05,287/- (Rupees Two Lacs Five Thousand Two Hundred Eighty Seven Only) paid to Mr. K. L. Goel for the Financial Year 2010-11, being the amount exceeding the statutory limits laid down under the Act, arising as a consequence of absence of profits, be and is hereby waived.

RESOLVED FURTHER THAT the Directors of the Company and the Company Secretary of the Company, be and are hereby severally authorized to make such application, provide such further



information and explanation and to sign, execute and submit the necessary applications, declarations, statements, affidavits, documents and writings as may be required in respect of the aforesaid application to be made to the Central Government pursuant to the provisions of Section 309 of the Act to give effect to this resolution.”

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act as amended from time to time (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of Central Government, the consent of the Company be and is hereby accorded to ratify and/or approve the payment of Rs. 2,81,666/-(Rupees Two Lacs Eighty One Thousand Six Hundred Sixty Six Only) made to Mr. Kumud Goel, Managing Director of the Company in excess of the remuneration payable to him in accordance with the provisions of Schedule XIII of the Act for the Financial Year 2010-11.”

RESOLVED FURTHER THAT subject to the approval of Central Government, the recovery by the Company of the excess amount of Rs. 2,81,666/-(Rupees Two Lacs Eighty One Thousand Six Hundred Sixty Six Only) paid to Mr. Kumud Goel for the Financial Year 2010-11, being the amount exceeding the statutory limits laid down under the Act, arising as a consequence of absence of profits, be and is hereby waived.

RESOLVED FURTHER THAT the Directors of the Company and Company Secretary of the Company, be and are hereby severally authorized to make such application, provide such further information and explanation and to sign, execute and submit the necessary applications, declarations, statements, affidavits, documents and writings as may be required in respect of the aforesaid application to be made to the Central Government pursuant to the provisions of Section 309 of the Act to give effect to this resolution as required .”

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act as amended from time to time (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of Central Government, the consent of the Company be and is hereby accorded to ratify and/or approve the payment of Rs. 5,80,000/- (Rupees Five Lacs Eighty Thousand Only) made to Mr. Mukesh Arora, Whole Time Director of the Company in excess of the remuneration payable to him in accordance with the provisions of Schedule XIII of the Act for the Financial Year 2010-11.

RESOLVED FURTHER THAT subject to the approval of Central Government, the recovery by the Company of the excess amount of Rs. 5,80,000/- (Rupees Five Lacs Eighty Thousand Only) paid to Mr. Mukesh Arora for the Financial Year 2010-11, being the amount exceeding the statutory limits laid down under the Act, arising as a consequence of absence of profits, be and is hereby waived.

RESOLVED FURTHER THAT the Directors of the Company and Company Secretary of the Company, be and are hereby severally authorized to make such application, provide such further information and explanation and to sign, execute and submit the necessary applications, declarations, statements, affidavits, documents and writings as may be required in respect of the aforesaid application to be made to the Central Government pursuant to the provisions of Section 309 of the Act to give effect to this resolution as required .”

Place: Gurgaon  
Date : August 10, 2011

By the Order of Board of Directors  
For KLG Systel Limited

Ramesh Chander  
Company Secretary

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business under Item No. 6 to 11 as set out above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE, THE PROXY FORM DULY STAMPED AND SIGNED SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 19, 2011 to Saturday, September 24, 2011 (both days inclusive).
4. Members are requested to inform the share transfer agent of any change in their addresses.
5. Members are requested to quote their folio numbers/DPID & Client ID in all correspondence with the Company/Share Transfer Agent.
6. Members who presently hold shares in more than one folio are requested to intimate the Company's transfer agent the details of all their folio numbers for consolidation into a single folio.
7. Members are requested to intimate to the Company queries, if any, regarding the accounts/notices at least ten days before the date of Annual General Meeting to enable the management to keep the information ready at the meeting.
8. Members/Proxies should bring the attendance slip sent here-with duly filled in for attending the meeting.
9. Members/Proxies may note that no gift will be distributed at the meeting and the Members/Proxies raising nuisance on this issue will not be allowed to participate further in the proceedings of the meeting.
10. Corporate Members intending to send their authorized representative to attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
11. Information pursuant to Clause 49 of the Listing Agreement pertaining to directors proposed to be appointed/ reappointed are given elsewhere in the Annual Report.

PLEASE BRING YOUR COPY OF THE ANNUAL REPORT AT THE MEETING.



# EXPLANATORY STATEMENT

## UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

### Item No. 4

Mr Prabir Purkayastha was appointed as an additional Director of the Company in the Board meeting held on 17th January, 2011 to hold office until the date of ensuing annual general meeting. Brief details of Mr Prabir Purkayastha are given in the report on Corporate Governance, which is enclosed with the Directors' Report.

The Board is proposing to appoint him as an ordinary director in the ensuing Annual General Meeting. Accordingly, the resolution is placed before the members for their consideration and approval. The Board recommends the proposed resolution for adoption in the larger interest of the Company.

The Company has received a notice in writing along with the requisite deposit under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Prabir Purkayastha for the office of Director of the Company in the ensuing AGM.

None of the Directors except Mr Prabir Purkayastha himself is interested and concerned in the proposed resolution.

### Item No. 5

Mr Vijoy Kumar was appointed as an additional Director of the Company in the Board meeting held on 17th January, 2011 to hold office until the date of ensuing annual general meeting. Brief details of Mr Vijoy Kumar are given in the report on Corporate Governance, which is enclosed with the Directors' Report.

The Board is proposing to appoint him as an ordinary director in the ensuing Annual General Meeting. Accordingly, the resolution is placed before the members for their consideration and approval. The Board recommends the proposed resolution for adoption in the larger interest of the Company.

The Company has received a notice in writing along with the requisite deposit under Section 257 of the Companies Act, 1956 proposing the candidature of Mr Vijoy Kumar for the office of Director of the Company in the ensuing AGM.

None of the Directors except Mr Vijoy Kumar himself is interested and concerned in the proposed resolution.

### Item Nos. 6

Under the provisions of Para B of Section II of Part II to Schedule XIII of the Companies Act, 1956, Mr. K.L.Goel was entitled to received a maximum remuneration upto Rs. 4 lacs per month, the approval of same was accorded by the members at the last Annual General Meeting of the Company held on September 25, 2010. Further, due to losses incurred during the Financial Year 2010-11, an excess managerial remuneration of Rs. 2,05,287/- (Rupees Two Lacs Five Thousand Two Hundred Eighty Seven Only) was determined as paid to Mr. K. L. Goel over the maximum permissible limit prescribed under Schedule XIII of the Companies Act, 1956.


As per the provisions of Section 309 of the Companies Act, 1956, the recovery of remuneration paid to a Director in excess of the maximum remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 may be waived by the Company pursuant to receipt of permission from the Central Government. The remuneration paid to him during the Financial Year 2010-11 was far below with his long experience and expertise and have accordingly ratified, confirmed and approved the payment of aforesaid excess remuneration and subject to the approval of the Shareholders and of the Central Government, have waived the recovery of the excess remuneration. An application in this regard, will be made to Central Government for seeking its approval for waiver of the requirement for recovery of excess remuneration paid to Mr. K. L. Goel.

Mr. Kumud Goel may considered to be interested in the resolution, being related to Mr. K. L. Goel. None of the other directors is concerned or interested in the said resolutions.

### Item Nos. 7

During the Financial Year 2010-11 on account of the impact of the post global economic slump, the profitability of the Company eroded and the Company has suffered huge losses. Further during the





Financial Year 2010-11 Mr. Kumud Goel, Managing Director was paid an excess managerial remuneration of Rs. 2,81,666/-(Rupees Two Lacs Eighty One Thousand Six Hundred Sixty Six Only) was determined as paid to Mr. Kumud Goel over the maximum permissible limit prescribed under Para B of Section II of Part II to Schedule XIII of the Companies Act, 1956. As per the provisions of Section 309 of the Companies Act, 1956, the recovery of remuneration paid to a Director in excess of the maximum remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 may be waived by the Company pursuant to receipt of permission from the Central Government.

The Board of Directors at their meeting held on August 10, 2011, have noted the foregoing and opined that Mr. Kumud Goel had requisite experience and expertise and contributed towards growth of the Company. The remuneration paid to him was in line with his long experience and expertise and have accordingly ratified, confirmed and approved, the payment of aforesaid excess remuneration and subject to the approval of the Shareholders and of the Central Government, have waived the recovery of the excess remuneration. An application in this regard, will be made to Central Government for seeking its approval for waiver of the requirement for recovery of excess remuneration paid to Mr. Kumud Goel. The Board of Directors of your Company therefore recommend the passing of resolution at Item Nos. 7.

Mr. Kumud Goel may be considered to be interested in the resolution to the extent of remuneration payable to him. None of the other directors is concerned or interested in the said resolution.

#### **Item No. 8**

The Board of Directors of the Company in its meeting held on August 14, 2010 re-appointed Mr. Mukesh Arora, as Whole Time Director of the Company with effect from August 1, 2010 for a further period of 3 years. The remuneration and the other terms and conditions for his appointment were also determined by the Remuneration Committee. Furthermore, the consent of shareholders by way of a Special Resolution was obtained at the last Annual General Meeting to enable the Company to pay minimum remuneration as per Para B of Section II of Part II of Schedule XIII of the Companies Act, 1956 in case of inadequacy of profits in any financial year during his tenure.

Further, during the Financial Year 2010-11 on account of the impact of the post global economic slump, the profitability of the Company eroded and the Company has suffered huge losses, and therefore an excess managerial remuneration of Rs. 5,80,000/- (Rupees Five Lacs Eighty Thousand Only) was determined as paid to Mr. Mukesh Arora over the maximum permissible limit prescribed under Schedule XIII of the Companies Act, 1956.

As per the provisions of Section 309 of the Companies Act, 1956, the recovery of remuneration paid to a Director in excess of the maximum remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 may be waived by the Company pursuant to receipt of permission from the Central Government. The Board of Directors at their meeting held on August 10, 2011, have noted the foregoing and opined that Mr. Mukesh Arora had requisite experience and expertise and contributed towards growth of the Company. The remuneration paid to him was in line with his long experience and expertise and have accordingly ratified, confirmed and approved, the payment of aforesaid excess remuneration and subject to the approval of the Shareholders and of the Central Government, have waived the recovery of the excess remuneration. An application in this regard, will be made to Central Government for seeking its approval for waiver of the requirement for recovery of excess remuneration paid to Mr. Mukesh Arora. The Board of Directors of your Company therefore recommend the passing of resolution at Item Nos. 8.

None of the directors is concerned or interested in the said resolution.



# PROXY FORM

## KLG SYSTEL LIMITED

**Regd. Office: Plot No. 70A, Sector 34, EHTP, NH-8, Gurgaon-122004**

I/We \_\_\_\_\_

S/o/ W/o/ D/o \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

being a member/members of the above named Company hereby appoint Mr./Ms. \_\_\_\_\_

of \_\_\_\_\_ or failing him/her Mr./Ms. \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Saturday, September 24, 2011, at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase- V, Gurgaon, Haryana at 11 A.M. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_

Signature \_\_\_\_\_

L.F.No./ Client ID number \_\_\_\_\_

No. of Share (s) held \_\_\_\_\_

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself.
2. A proxy need not be a member.
3. The form thus completed should be deposited at the Registered office of the Company at Plot No. 70A, Sector-34, EHTP, NH-8, Gurgaon at least 48 hours before the meeting.
4. In order to save time, members are requested to come to venue with the duly filled -in attendance slip.

Affix  
Paise 15  
Revenue  
Stamp

## KLG SYSTEL LIMITED

**Regd. Office: Plot No. 70A, Sector 34, EHTP, NH-8, Gurgaon-122004**

### ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting to be held to be held on Saturday, September 24, 2011, at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase- V, Gurgaon, Haryana at 11 A.M.

Ledger Folio number/ client ID number \_\_\_\_\_

Full name of the Shareholder/Proxy  
(in Block Letters) \_\_\_\_\_

Father's/ Husband's Name \_\_\_\_\_

No. of Equity Shares held \_\_\_\_\_

Signature of the Share holder or Proxy attending \_\_\_\_\_







# klgsystel

A Knowledge Company

**ANNUAL  
REPORT**

**2011**