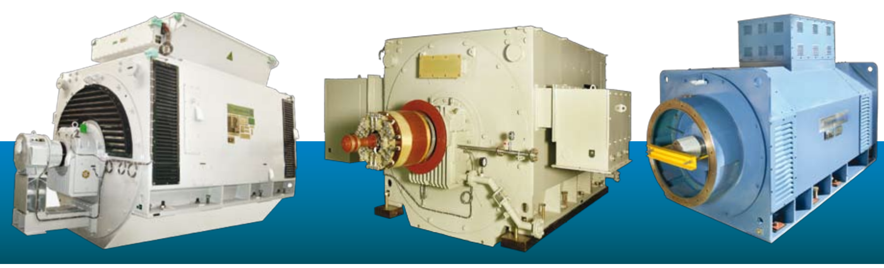
TD POWER SYSTEMS LIMITED

Powering ahead...

Annual Report 2012

Powering ahead...



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Corporate Information

BOARD OF DIRECTORS

Mr. Mohib N. Khericha
Chairman

Mr. Hitoshi Matsuo
Managing Director

Mr. Nikhil Kumar
Joint Managing Director

Mr. Tadao Kuwashima
Director - Technical

Mr. Salil Baldev Taneja
Director

Mrs. Nandita Lakshmanan
Director

Dr. Arjun Kalyanpur
Director

Mr. Nitin Bagamane
Director

Company Secretary
Mr. N. Srivatsa

Chief Financial Officer
Mr. K. G. Prabhakar

JAPAN BRANCH OFFICE
Towa Building
4th Floor, 3-3 Kitashinagawa
3 Chome, Shinagawa-KU.
Tokyo-140-0001. Japan
Tel No.: 0081-3-5783-5380
Fax No.: 0081-3-5783-5381

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"RMJ Mandoth Towers"
#37, 7th Cross, Vasanthnagar
Bangalore – 560 052
Phone: +091-080-22017800
Fax: +91 80 22017850

REGISTERED OFFICE & PLANT
27, 28 & 29 KIADB Industrial Area
Dabaspet, Nelamangala Taluk
Bangalore, Karnataka - 562 111
Phone: + 091-080-22995700
Fax: + 9180 7734439

STATUTORY AUDITORS
B.K. Ramadhyani & Co.
Chartered Accountants
4B, Chitrapur Bhavan
No.68, 8th Main, 15th Cross
Malleswaram
Bangalore – 560 055

BANKERS
Bank of Baroda
Corporate Financial Services Branch,
No.72, 1st Floor
Nitesh Lexington Avenue
Brigade Road
Bangalore - 560025

EQUITY SHARES LISTED AT
Bombay Stock Exchange Limited (BSE)
National Stock Exchange of India
Limited (NSE)

WEB SITE
www.tdps.co.in

INVESTORS GRIEVANCE REDRESSAL E MAIL ID
investor.relations@TDPS.co.in

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the audited Financial Statements of the Company for the year ended March 31, 2012.

INITIAL PUBLIC OFFER

During the year the Company successfully completed its Initial Public Offering (IPO) of 8,867,187 Equity Shares of Rs.10/- each through Book Building process. The Issue was priced at Rs. 256/- per Share and raised Capital aggregating to Rs.22700 lakhs. The Company's shares were listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) on September 8, 2011.

WORKING RESULTS

The Company's working has resulted in

	As at 31.3.2012 (Rs. in lakhs)	As at 31.3.2011 (Rs. in lakhs)
Gross Profit amounting to	8,289.49	7060.46
Less:		
Depreciation	899.87	789.11
Loss on Sale of Asset	7.03	3.64
Provision for Taxation	2,252.30	2076.45
Deferred Tax (Net)	148.48	27.21
Net Profit for the Year	4,981.81	4164.03
Add:		
Surplus brought forward from the Previous Year	12,086.39	10429 .75
Less: Capitalization of Reserves during the year	—	1624.69
Available for appropriation	17,068.20	12,969.09
Appropriations:		
Provision for Dividends and Tax thereon	723.92	568.36
Transfer to General Reserves	384.94	314.34
Surplus carried to Balance Sheet	15,959. 34	12,086.39

OPERATIONS

The financial year 2011-12 witnessed challenging macro-economic conditions both in India and the world over. After having grown at the rate of 8.4 per cent in each of the two preceding years, India's GDP is estimated to have grown by 6.9 per cent in the financial year 2011-12. With agriculture and services having performed well, India's slowdown can be attributed almost entirely to weak industrial growth. The tightening of monetary policy in order to control inflation slowed investment and growth, particularly in the industrial sector. The global economy also witnessed lower to sluggish economic growth, accelerated by crisis in the Eurozone area and near-recessionary conditions prevailing in Europe; sluggish growth in many other industrialized countries, like the USA; stagnation in Japan; and hardening international prices of crude oil.

In the backdrop of negative macroeconomic environment including slowdown of the economy, liquidity contraction, rising interest rates and the resulting slowdown in investment, the company's has performed well during the year 2011-12 drawing upon its strengths in technology, product suitable for diverse applications and a world class manufacturing facility capable of delivering a quality product meeting international standards.

The highlights of the Company's performance for the year are as under:

- Revenue from operations increased by 28.15% to Rs.62,521.20 lakhs (Rs.48,788.02 lakhs)
- Exports increased by 217% to Rs.14,953.66 lakhs (Rs.4,717.23 lakhs)
- Order inflow increased by 12.27% at Rs. 52,203.12 lakhs (Rs.46,499.76 lakhs)
- 308 (338) Generators of various ranges up to 52 MW were manufactured

DIRECTORS' REPORT (contd.)

- Profit before depreciation and tax increased by 17.37% to Rs.8,282.45 lakhs (Rs.7,056.82 lakhs)
- Profit after tax increased by 19.64% to Rs.4,981.81 lakhs (Rs.4,164.63 lakhs)
- Produced the largest vertical generator for a project in Turkey, 24 megawatt, 500 rpm (equal a 100 megawatt machine if compared say a steam turbine generator).
- supplied the first prototype machine for the Gas Engine business
- Successful Initial public offering of equity shares to raise Capital aggregating to Rs.22,700.00 lakhs under unfavorable capital market conditions.
- License agreement with Siemens AG signed in March 2012 for know-how to manufacture in India, industrial, air-cooled, 2-pole AC generators in the range of 54MW to 200 MW.

DIVDEND

Your Directors have recommended a dividend of Rs.2.00 per equity share for the financial year ended March 31, 2012 amounting to Rs.772.59 lakhs (inclusive of dividend tax of Rs.107.84 lakhs) subject to approval of the shareholders at the Annual General meeting. This dividend payout is based on company's policy to pay sustainable dividends and meet long term growth objectives out of internal cash accruals.

MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to clause 49 of the listing agreement with the stock exchanges, the Management Discussion & Analysis report covering operations, performance and future outlook of the company is annexed as **Annexure-A** and forms part of the Annual Report.

UTILISATION OF IPO PROCEEDS

In terms of clause 43(a) of the listing agreement, a statement indicating the variations between projected utilization of funds and the actual utilization of funds as of March 31 2012(Fiscal2012) is as follows:

(Rs. in lakhs)

Objects	IPO proceeds Rs.	Projected utilization fiscal 2012 Rs.	Actual Utilization Fiscal 2012 Rs.	Variation Rs.
	(a)	(b)	(c)	(d)(b-c)
Finance the expansion of our manufacturing plant in Dabaspet	1,0273.60	5,995.40	6,169.40	(174.00)
Construction of a project office in Bangalore city	2,890.90	1,560.00	NIL	1,560.00
Repayment of debt	3,280.70	3,280.70	2,741.57	539.13
Funding working capital requirements of our Company	4,000.00	4,000.00	NIL	4,000.00
General corporate purposes	2,254.80	2,254.80	1,390.82	863.98
Total	**22,700.00**	**17,090.90**	**10,301.79**	**6,789.11**

The reasons for the variations are as detailed below:

- Finance the expansion of our manufacturing plant in Dabaspet-The variation is less than 3% of projected utilization and hence not significant.
- Construction of a project office in Bangalore city –Out of the IPO funds of Rs.2,890.90 lakhs earmarked for this purpose, no utilization has been possible due to non- availability of a parcel of land appropriate for the proposed building in the identified location.
- Repayment of Debt: The debt repayment initially was estimated at Rs.3,280.70 lakhs against which a sum of Rs.2,741.57 lakhs was repaid out of the Net proceeds of issue. The difference of Rs.539.13 lakhs represents amount repaid by the company from internal accruals until the net proceeds were available to the company.
- Funding working capital requirements of our Company – the object is to fund core working capital needs of the expansion project undertaken as per object above. The implementation schedule of the expansion project has been revised leading to a hold on utilization of funds for working capital requirements.

DIRECTORS' REPORT (contd.)

– General corporate purposes – out of the net proceeds of issue, a sum of Rs.2,254.80 lakhs is earmarked to fund general corporate purposes including Issue related expenses estimated at Rs.1,393.40 lakhs. After accounting for the issue related expenses of Rs.1,390.82 lakhs as on March 31, 2012, the unutilized balance under the identified object of general corporate services, may be utilized by the company for any appropriate corporate purposes including strategic initiatives.

MANUFACTURE OF NEW GENERATION GENERATORS

It is proposed to establish, in the vicinity of the existing manufacturing facility at Bangalore, a new facility for manufacture of new generation generators of 54 to 200 MW. This project is the outcome of a long-term license agreement with Siemens AG signed by the company in March 2012 under which, the company will receive from Siemens, the know-how for manufacture of industrial, air-cooled, 2-pole AC generators in the range of 54 to 200 MW (74 MVA to 250 MVA) in India and is entitled to receive technology updates for 20 years for this range of generators. This will equip the company to address a wider range of industrial demand for generators – between 1 MW to 200 MW by extending its strong position in focus markets and also help meet the requirement of its EPC business, which is currently reliant on imports.

Initially, in terms of the purchase frame agreement signed with Siemens, the company also has the option to purchase components from Siemens, Germany. This will enable the Company to commence commercial production of these larger capacity generators in 24 months.

The estimated cost of the project is Rs.19,897.00 lakhs towards land &building, machinery and equipments, Licence and training fees and other assets. The pattern of financing will include a utilization from IPO proceeds of about Rs.8,200.00 lakhs, from internal accruals of the fiscal 2011 to 2014 estimated at Rs.6,700.00 lakhs and borrowings of about Rs.5,000.00 lakhs as and when required.

The Company has been reviewing the deployment of the Net Issue Proceeds (NIP) in the objects of city office in Bangalore and working capital requirements and the possibilities of deploying the same along with the unutilsed NIP available under debt repayment and general corporate purposes in productive assets/objects, which may contribute to enhancing company's earnings and translate into returns for the shareholders in the next 24–36 months and the Directors recommend that the said proceeds be utilized to partially fund the above project subject to approval of the shareholders. Attention of the shareholders is drawn to Item 7 of the Notice of the Annual general meeting in this regard.

SUBSIDIARY COMPANY

The Company's wholly owned subsidiary DF Power Systems Private Limited has recorded an impressive performance for the year ended March 31 2012 with a total income of Rs.42,683.70 lakhs and a net profit of Rs.1,732.31 lakhs. The directors of the subsidiary company have recommended a dividend of Rs.5.00 per share for the financial year ended March 31, 2012 amounting to Rs.348.68 lakhs (inclusive of dividend tax of Rs.48.67 lakhs) subject to approval of the shareholders at its Annual General meeting.

The statement in terms of Section 212 (1) (e) of the Companies Act 1956 is attached to this report as **Annexure-E**.

The Ministry of Corporate Affairs, Government of India has vide circular no 2/2011 dated February 8, 2011 granted a general exemption to Companies under section 212(8) of the Companies Act 1956 from attaching the documents referred to in section 212 (1) of the Companies Act 1956 pertaining to its subsidiaries subject to approval of the Board of Directors of the company and furnishing certain information in the Annual report.

The Board of Directors have accorded approval to the company dispensing with the requirement of attaching to its Annual Report, the annual audited accounts of the Company's subsidiary. Accordingly, the Annual report of the Company does not contain the individual financial statements of the subsidiary but contains the audited consolidated financial statements of the Company and the said subsidiary. The annual accounts of the subsidiary Company, along with the related information are available for inspection at the Company's registered office and copies will be provided on request. The statement pursuant to exemption granted under section 212(8) of the Companies Act 1956, is annexed as **Annexure-F** to this report.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated Financial Statements of the Company is prepared as per Accounting standard AS21 and Accounting standard AS23 consolidating the company's accounts with its wholly owned subsidiary DF Power Systems Private Limited forms part of this Annual Report.

DIRECTORS' REPORT (contd.)

DIRECTORS

Mr. Salil Taneja and Dr. Arjun Kalyanpur, Directors retire by rotation at the ensuing Meeting and being eligible, offer themselves for reappointment.

The Board of Directors of the Company commends their respective re-appointments.

A brief resume of Directors proposed to be re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors *inter-se* as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.

PARTICULARS OF EMPLOYEES

During the period under review, the statement of employees who were in receipt of remuneration requiring disclosure in terms of Section 217(2A) of the Companies Act, 1956 is enclosed as **Annexure B.**

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS &OUTGO

Information as required under section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) rules, 1988 has been given as **Annexure-C** forming part of this report**.**

CORPORATE GOVERNANCE

A separate Section on Corporate Governance is included in the Annual Report and the certificate from Mr. Sudhir V Hulyalkar, practicing Company Secretary, Bangalore, confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed thereto as **Annexure-D.**

AUDITORS

The statutory Auditors M/s. B.K. Ramadhyani & Co., Chartered Accountants, Bangalore, hold office until the conclusion of the ensuing Annual General Meeting to be held on July 12, 2012 and being eligible, offer themselves for reappointment. A certificate has been received from them to the effect that their reappointment, if made, would be within the prescribed limit under Section 224(1B) of the Companies Act, 1956.

COST AUDITORS

The Company is covered by Cost Audit requirements wef. April 1, 2012 (FY 2013) under the heading "Engineering Machinery (incl. electrical &electronic products)" in terms of order of the Ministry of Corporate Affairs (MCA) dated January 24, 2012. Accordingly, necessary action has been initiated to appoint a cost auditor for the audit of the cost accounts relating to the operations of the company's manufacturing operations for the financial year 2012–13.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the companies Act 1956 with respect to Directors' responsibility statement, it is hereby confirmed:

- that in the preparation of the accounts for the financial year ended 31st March 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- that the Directors have selected such accounting policies and applied them consistently and made judgments and the estimates that are reasonable and prudent so as to give true and fare view of the state of affairs of the Company at the end of the financial year and are the profit or loss of the Company for the year under review.
- that 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 fraud and other irregularities.
- that the Directors have prepared the accounts for the financial year ended March 31, 2012 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the cooperation and continued support extended by the shareholders, suppliers, customers, technology partners, Banks and all employees of the company during the year under report.

For and on behalf of the Board of Directors

Bangalore
May 23, 2012

Mohib N Khericha
Chairman

ANNEXURES TO THE DIRECTORS' REPORT

Annexure- A
MANAGEMENT DISCUSSION AND ANALYSIS

POWER SECTOR

India continues to be one of the world's fastest growing energy markets and is expected to be the second-largest contributor to the increase in global energy demand by 2035, accounting for 18% of the rise in global energy consumption. Power continues to be one of the critical resources in order to sustain and further economic growth in India. Therefore, the Government of India announced capacity additions of around 40, 000 MW (40GW) and 66,000MW (66 GW) under the Tenth and Eleventh Plans, respectively. However, the Tenth Plan witnessed capacity additions of only 21,095MW and it is reported that under the eleventh plan the capacity addition is 53,922 MW as on 29.03.12. The growth in capacities has been insufficient to meet the increase in demand and as a result Demand supply gap between electricity generation and demand touched 8.2% in April 2012 according to the Central Electricity Authority (CEA). The total demand for electricity in India is expected to cross 950,000 MW (950.00GW) by 2030.

The Indian power sector comprises of three major segments namely Generation, Transmission, and Distribution. The Generation segment comprises of Central, State and Private Sectors. The total installed capacity of power generation across the three sectors is 2,01,637.03 MW [201.64 Giga watts (GW)] as on April 30, 2012. Thermal power plants constitute 66.14% of the installed capacity, hydroelectric about 19.33% and rest being a combination of wind, small hydro, biomass, waste-to-electricity (12.15%) and nuclear (2.38%).

The Government of India, as initiated policy initiatives to harness India's potential in renewable energy by promoting clean and green power which will also help reduce dependence on thermal power from the current levels. In efforts towards augmenting power generation, a transformational policy initiative has been the Electricity Act 2003 which liberalized the frame work for generation, enabling the setting up of captive power plants (CPP) to supply power generated by them to the national grid. Manufacturing and process industries in India account for close to half of India's total power consumption. Due to the lack of reliable power supply from the grid it has become imperative for industries to set up power plants for captive consumption. The other factor prompting industries to set up own generation units are the lower cost of generation as compared to cost of power from the grid. The CPP's supply surplus power to the grid and to merchant power traders which affords an opportunity to augment their revenues. Industries such as steel, aluminum, copper, cement, engineering, sugar, chemicals, which are power intensive, contribute significantly to the total CPP installed capacity.

Company's Business

The company is one of the leading manufacturers of AC Generators with the capability to manufacture generators with output capacities ranging from 1MW – 52MW for prime movers such as steam turbines, gas turbines, hydro turbines, wind turbines, diesel and gas engines. The Company has a diverse product range which includes, steam turbine generators, horizontal hydro generators, vertical hydro generators, diesel engine generators, wind turbine generators, gas engine generators, gas turbine generators, high voltage motors and generators for Geo Thermal and Solar thermal applications. We focus on manufacturing engineered-to-order generators for our customers who are based across the world. From the inception of our Company and as of March 31, 2012, we have manufactured a total of 1,759 generators with an aggregate output capacity of 14,750 MW, of which 274 generators have been supplied to customers across 38 countries.

The company's customer base primarily comprises companies operating in the industrial sector and includes cement, steel, paper, chemical, metals, sugar co-generation, bio-mass power plants, hydro-electric power plants and Independent Power Plant companies. This diversified product offering has enabled the company to develop a broad customer base across a range of industries and reduced dependence on any particular industry or market segment while giving a competitive advantage in catering to all the major verticals of the power generation industry. We cater to both conventional and renewable fuel based power plants. Conventional power plants consist of steam/gas turbine power plants and diesel/gas engine power plants and renewable fuel based power plants include wind, hydro, bio-mass, solar thermal and geo-thermal power plants. A majority of future power plants will be based on conventional fuels and our Company has the entire range of generators to cater to this sector. With our technological relationships with the leading power equipment manufacturers we also have the ability to design and manufacture a complete range of generators required to cater to the renewable fuel based segment of the power generation market.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

The company has a world class manufacturing facility consisting of two manufacturing units located in Dabaspet, Industrial Area on the outskirts of Bangalore. The manufacturing facilities are equipped with advanced machinery and equipment and are ISO 9001:2008 compliant. Our Company is ISO 9001-2008 certified and ISO 14001/OHSAS 18001:2007 certified by TUV SUD Management Services GmBH, Munich.

The company has developed a reliable and quality based subcontracting and vendor network supplement its operations. The company's strong project management abilities enable it to control costs and achieve efficient operations. The company is committed to provide high quality products that meet the expectations of both Indian and international customers.

The company's in-house design and development team focuses on absorption of technology available from our technology partners and evolving optimal solutions to meet the varied needs of the customers. Over the years, the company honed the capability to design products to meet exacting performance standards.

In addition to manufacturing AC Generators our Company also executes Turbine Generator island projects for steam turbine power plants with output capacity up to 52 MW using a Japanese turbine combined with our generator. The scope of work of the TG island projects consists of design services, procurement and supply of equipment, assembly, installation & commissioning.

Our Subsidiary, DF Power Systems Private Limited, is in the business of Engineering, Procurement and Construction, executing Boiler-Turbine Generator island projects and the balance of plant portion for steam turbine power plants with output capacity from 52 MW up to 150 MW. The scope of work for the EPC Business comprises of design services, procurement and supply of equipments, assembly and installation & commissioning (excluding civil works).

OPPORTUNITIES AND THREATS

Opportunities

India continues to strive in its quest to augment its power generation capacity plans to reduce the demand supply gap. Though the Government has initiated policy action to reduce the demand supply gap, shortages continue to exist, due to delayed execution of projects. The energy footprint of our country is fast growing and according to the CEA's 7th Electric Power Survey energy demand is forecast to increase by 64% by 2017 and 126% by 2022 from the current demand levels.

The demand supply shortfall is expected to continue to spur demand for captive power options. The total installed capacity in CPP is estimated at 58.6 GW which is expected to grow by about 20%in the following 2–3 years. Industries such as steel, aluminum, copper, cement, engineering, sugar, chemicals, which are power intensive, contribute significantly to the total CPP installed capacity. Captive generation is bound to grow as demand for reliable power by Industries is expected to grow and activities like trading through exchange will provide a platform to captive generators to sell surplus power augmenting revenues and profits.

Exports business is driven largely by the global Power Generation demand. Also the negativity surrounding nuclear power opens up a new front for smaller power plants. The company's relationships with technology leaders enable the company to incorporate technology prevalent in the global markets and thus afford an opportunity to supply in the overseas markets.

Threats

The Industrial sector is the company's customer and generators manufactured by the company, falls under Capital goods catering to captive and cogeneration power users. The growth and performance of the industrial sector is to large extent driven by government policy, economic buoyancy, investment climate and interest rate regime and global economic and market conditions**.** A difficult business environment for Industry directly affects investment climate and thus the market conditions for the company's products.

The company operates in a competitive environment. The Indian power market is the one of the largest and most open markets in the world and sees a variety of competitors ranging from small niche players with specific experience to large, well established entities. Our competitors in the generator business including those from outside India tend to be large multinational companies, while our Indian competitors are large public sector companies or Indian operations of multinational companies. Competition in the sizes of generators that our Company currently manufactures is not fragmented but is concentrated with few players with large resources.

All our competitors in the EPC business, both from India and abroad are large companies with significant financial resources. The strong demand growth in the country has led to increased competition for domestic BTG industry from OEMs based in China as several private players are opting to import BTG sets from China due to faster delivery of equipments and lower cost of sourcing.

OUTLOOK

From nearly double-digit growth before the global recession India's economic growth shows signs of a slump to less than 7%. Core sector growth reflects sluggishness. Sliding Rupee, high interest costs, low corporate investments, stubbornly high inflation and high fiscal and trade deficits have been the feature currently in this fiscal which has forced a dismal growth forecast for the fiscal 2013 going forward. Measures are needed by the government to kick-start the investment cycle growth. There is no visibility of a sustained Global recovery and Eurozone crisis continues to rage affecting India's economic growth.

A failing economy, low industrial growth, unfavourable investment climate have resulted in the company's order book reflecting a significant deficit as compared to Fiscal 2012. There is a general weakness across all industries and there is no sector that's providing support for order booking reflecting a great deal of uncertainty in the market for capital expenditure and capital goods. However, the company has undertaken a slew of measures including cost reduction to weather the unfavourable economic and market conditions. The company is in advanced stages in various development processes it has undertaken in Fiscal 2012. The first prototype Gas Engine machine has been supplied to a multinational group and will be tested shortly. The wind generator also will be delivered to multinational group in the next two months. Following the delivery of the prototype generators, there will be an evaluation process and after which it is expected that bulk orders will be received from these multinational groups for execution either in Q3 or Q4 of this financial year. Also, in the last quarter the company has produced the largest vertical generator (24 megawatt, 500 rpm) for a German hydro company, for a project in Turkey. The Company is developing a new series of generators once again for reducing costs in both gas turbine and steam turbine generators and continues to develop new products across all its customer bases. The company will continue investments as planned for generators below 15 megawatt out of the proceeds of the initial public offer. It is also proposed to commence investments for manufacture of 2 pole generators- larger generators between 59 megawatt and 200 megawatt the 2 pole generators. By ensuring timely investments in enhancing both its product offerings and manufacturing facilities, the company will be well prepared to harness the emerging opportunities in the power sector in India and globally.

Similarly in the projects business the company has concluded a number of orders against which advance payments are awaited. In the EPC business too the company has booked some orders against which advances are awaited. In both the project business and the EPC business, the customers from whom orders have been received have a strong financial standing and we are hopeful that they will be able to achieve financial closure of the projects and release advances to the company. The company is focused on increasing the order booking execution for the current fiscal. Given the above initiatives, the company is hopeful of sustaining the operating performance this fiscal, as in the fiscal 2012.

RISKS AND CONCERNS

Economic factors

Economic buoyancy, investment climate, interest rate regime, global economic and market conditions drive growth and performance of the industrial sector which forms the company's customer base. A difficult business environment for Industry directly affects investment climate and may affect the demand for the company's products which are capital goods.

Technology and Product concentration

The company's future success will depend in part on its ability to respond to technological advances and emerging power generation industry standards and practices on a cost-effective and timely basis. In the past the company has relied upon, and in the future will continue to rely upon, the provision of technology from certain technology providers with whom agreements have been executed for licensing certain key technologies and intellectual property which are

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

utilized to manufacture some of the company's products. If any of these agreements are terminated or if ability to use such technology is restricted, the company may not be able to manufacture some of its products.

Historically the sale of steam turbine generators contributed 84% of our stand-alone net sales. Any radical change in the technology for steam turbine generators or the development of steam turbine generators that prove superior in quality or effectiveness to our generator could result in loss market share for the company's steam turbine generators.

Competition

The generator as well as the motor manufacturing industry is highly competitive, both in India and internationally. Competitors may be able to sell their products at prices lower than the company's, which may have an adverse effect on the company's market share and results of operations. Many competitors may be larger than the company and may benefit from greater economies of scale and operating efficiencies.

Delays in contract execution under Power Project Business

In the event of delays in completion of a power plant project within the specified timeframe, customers are typically entitled to receive liquidated damages for the delay from the company, to the extent of "limit of liability" for the delay in project completion, as mutually agreed by the company and the customer. In the contract customers may collect this payment from the company by direct payment or through deduction from the company's receivables or invoke the bank guarantees provided by the company in connection with the performance of the project or retain security deposits as compensation for such damages. As the company continues to undertake power plant projects increasing the business volume, the company continues to face this risk.

Risk mitigation measures

The company recognises of the above major risks and has initiated the following measures for mitigating the above business related risks:

While historically the company caters to the domestic market predominantly, it has continued to focus exports which it proposes to grow in future on the back of certain new product initiatives undertaken in the last two fiscals. The prototypes of gas and wind generators meant for overseas markets are undergoing tests and barring unforeseen circumstances are likely to result in orders for significant numbers and a sustainable overseas market presence beginning this fiscal.

The Company is developing a new series of generators for reducing costs in both gas turbine and steam turbine generators and continues to develop new products across all its customer bases. The licence agreement with Siemens AG for know-how/technology transfer for manufacture of generators from 59 MW to 200 MW will enable the company to produce the latest generation machines from the Siemens product range and to access to both domestic and overseas markets.

The diverse product range catering to steam turbine generators, horizontal hydro generators, vertical hydro generators, diesel engine generators, wind turbine generators, gas engine generators, gas turbine generators, high voltage motors and generators for Geo Thermal and Solar thermal applications enables market presence across the spectrum of generator market in India and overseas and has reduced dependence on any particular industry or market segment. By ensuring timely investments in enhancing both its product offerings and manufacturing facilities, the company endeavours to insulate its business from depressing economic factors.

The company maintains amicable business relationships with technology licensors to ensure access to future technology and support from the licensors throughout the licence term. Some of the agreements include a supply frame work terms under which the licensors purchase the generators manufactured under their licence for their domestic as well as overseas customers while some have a purchase frame work terms under which certain critical components are supplied to the company initially by the licensors. This arrangement brings in long term commitment and cooperation from the licensors.

The company continuously upgrades it's engineered to order platform and design capabilities by incorporating latest technologies in its products. Reduction in production -distribution costs and improvement in operating efficiencies are continuously pursued enabling it to offer competitive prices. The company caters to both conventional (steam/gas turbine power plants and diesel/gas engine power plants) and renewable fuel (wind, hydro, bio-mass, solar thermal and geo- thermal) based power plants. The company believes that that a majority of future power plants will be based on

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

conventional fuels and it has the entire range of generators to cater to this sector. With technological relationships with the leading power equipment manufacturers the company also has the ability to design and manufacture a complete range of generators required to cater to the renewable fuel based segment of the power generation market. The wide portfolio of products gives the company a competitive advantage, as we can cater to all the major verticals of the power generation industry. The company recognizes the importance of its supply chain in sourcing good quality raw materials and other inputs at competitive prices with high reliability in meeting delivery timelines.

A major portion of the power project contracts taken up the company involves supply of equipment viz. Boiler, Turbine and Generator etc (BTG). As a risk mitigation strategy, the company usually incorporates in its purchase orders on the suppliers of these equipment, liquidated damages (LD) clause for the contract performance by the supplier, including for delay in supply, at same rates of LD as the company has agreed with its customers. This is securitized through bank guarantees from the supplier in the company's favour. Additionally, the retention payment held with the company until contract completion by the supplier is also liable to be security for the payment recovery in the event of a default by the supplier. The company receives a performance bank guarantee from major equipment suppliers based on which the company gives a bank guarantee to its customer. This arrangement largely covers the company from any contract / equipment performance related liquidated damages issues that may arise. In respect of the balance portion of the contract relating to erection and commissioning, the company has a well-experienced project execution team which strictly monitors the project implementation schedule. In case of delay due to unforeseen circumstances, largely the project implementation schedule is revised in consultation with the customers.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has established adequate internal control procedures, commensurate with the nature of its business and size of its operations. To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management follows a system of accounting and controls reviewed by and internal audit process. Internal controls are evaluated by the Internal Auditors and supported by Management reviews. All audit observations and follow up actions thereon are initiated for resolution by the Finance Function and reported to the Audit Committee.

PERFORMANCE

Financial Review

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP). There are no material departures in adoption of the prescribed accounting standards. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments relating to the financial statements have been made on a reasonable basis, so that the financial statements reflect the form and substance of transactions in a true and fair manner, and reasonably represent the Company's state of affairs and profit for the year.

Financial performance

Consolidated basis

The results of operations as of and for the years ended March 31, 2012 and 2011 on a consolidated basis is as follows:

	Fiscal 2012		Fiscal 2011	
	(Rs. in Lakhs)	% of Total Income	(Rs. in Lakhs)	% of Total Income
Income				
Net Sales	103,162.54	97.88	86,372.60	98.75
Other Income	2,239.25	2.12	1,091.67	1.25
Total	**105,401.78**	100.0	**87,464.27**	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

	Fiscal 2012		Fiscal 2011	
	(Rs. in Lakhs)	% of Total Income	(Rs. in Lakhs)	% of Total Income
Consolidated basis (contd.)				
Expenditure				
Consumption of Raw Material, Stores, Spare parts and Components	27,301.75	25.90	22,739.00	26.00
Purchases for Project Business	17,795.63	16.88	11,469.08	13.11
Purchases for EPC	36,512.94	34.64	33,202.41	37.96
Operating and Other Expenses	12,354.53	11.72	10,018.03	11.45
Interest and Finance Charges				
On Fixed Loans	308.45	0.29	262.98	0.30
On other Accounts	348.34	0.33	405.68	0.46
Loss on Sale of Fixed Assets	8.59	0.01	3.64	0.00
Depreciation Amortization of technical know-how	914.83	0.87	804.78	0.92
Total Expenditure	**95,545.06**	90.65	**78,905.60**	90.21
Profit Before Tax and Extraordinary Items	9,856.73	9.35	8,558.67	9.79
Provision for Taxation	3,125.00	—	2,875.00	—
Provision for Wealth Tax	2.30		1.57	
Deferred Tax	135.30	—	16.55	—
Fringe Benefit Tax	0.00	—	0.00	—
Profit Before Extraordinary Items	**6,594.13**	—	**5,665.54**	—
Extraordinary Items	0.00	—	0.00	—
Provision no longer required	0.00	—	0.00	—
Adjustments Less: Provision no longer required with respect to earlier years adjusted to the respective year	—	—	—	—
Profit After Extraordinary Items	**6,594.13**	—	**5,665.54**	—
Profit/(Loss) After Tax	**6,594.13**	**—**	**5,665.54**	**—**

Fiscal 2012 compared to Fiscal 2011

Income

Total income increased by Rs.17,937.52 Lakhs, or 20.50%, to Rs.105,401.78 Lakhs in Fiscal 2012 from Rs.87,464.27 Lakhs in Fiscal 2011, due to an increase in net sales.

Net sales

Net sales increased by Rs.16,789.94 Lakhs or 19.44% to Rs.103,162.54 Lakhs in Fiscal 2012 from Rs.86,372.60 Lakhs in Fiscal 2011, due to an increase in sales from our manufacturing, Project Business and EPC Business.

Net sales from our manufacturing business increased by Rs. 3,960.39 Lakhs, or 12.24%, to Rs. 36,313.70 Lakhs in Fiscal 2012 from Rs. 32,353.31 Lakhs in Fiscal 2011, due to sales of higher rating machines and increase in export sales. Net sales of our manufacturing business contributed 30.70% and 36.99% of our total income in Fiscal 2012 and 2011, respectively.

Net sales from our Project Business increased by Rs. 9,772.79 Lakhs, or 59.47%, to Rs. 26,207.50 Lakhs in Fiscal 2012 from Rs. 16,434.71 Lakhs in Fiscal 2011, due to increase in volume growth. Net sales of our Project Business contributed 24.87% and 18.79% of our total income in Fiscal 2012 and 2011, respectively.

Net Sales from EPC Business increased by Rs. 4,076.75 Lakhs, or 10.85%, to Rs. 41,661.33 Lakhs in Fiscal 2012 from Rs. 37,584.58 Lakhs in Fiscal 2011, due to the completion of on-going BTG island projects during Fiscal 2012. Net sales of our EPC business contributed 40.38% and 42.97% of our total income in Fiscal 2012 and Fiscal 2011, respectively.

Expressed as a percentage of total income, net sales decreased to 97.88% in Fiscal 2012 from 98.75% in Fiscal 2011.

Other income

Other income contributed 2.12% and 1.25% of our total income in Fiscal 2012 and 2011, respectively.

Other income increased by Rs. 1,147.58 Lakhs, or 105.12%, to Rs. 2,239.25 Lakhs in Fiscal 2012 from Rs. 1,091.67 Lakhs in Fiscal 2011, primarily due to an increase in the interest from banks on deposits by Rs. 1,046.36 Lakhs, or 101.15%, to Rs. 2,080.83 Lakhs in Fiscal 2012 from Rs. 1,034.47 Lakhs in Fiscal 2011 due to a increase in the rate of interest and IPO Funds parked in bank deposits. Miscellaneous income increased by Rs. 101.23 Lakhs, or 177.17%, to Rs. 158.42 Lakhs in Fiscal 2012 from Rs. 57.19 Lakhs in Fiscal 2011.

Expenditure

Total expenditure increased by Rs. 16,639.46 Lakhs, or 21.09%, to Rs. 95,545.06 Lakhs in Fiscal 2012 from Rs. 78,905.60 Lakhs in Fiscal 2011.

Consumption of raw material, stores, spare parts and components

Consumption of raw material, stores, spare parts and components expenses increased by Rs. 4,562.76 Lakhs, or 20.07%, to Rs. 27,301.75 Lakhs in Fiscal 2012 from Rs. 22,738.99 Lakhs in Fiscal 2011, primarily due to increased volumes and an increase in the cost of raw materials. Closing stock (of work-in- progress and finished goods) increased by Rs. 276.28 Lakhs, or 5.03%, to Rs. 5,767.56 Lakhs in Fiscal 2012 from Rs. 5,491.28 Lakhs in Fiscal 2011 on account of an increase in production in our manufacturing business. Expressed as a percentage of total income, raw material consumed expenses reduced to 25.90% in Fiscal 2012 from 26.00% in Fiscal 2011.

Purchases for Project Business

Our purchases for Project Business increased by Rs. 6,326.55 Lakhs, or 55.16%, to Rs. 17,795.63 Lakhs in Fiscal 2012 from Rs. 11,469.08 Lakhs in Fiscal 2011, due to increased volume. Expressed as a percentage of total income, purchases for Project Business increased to 16.88% in Fiscal 2012 from 13.11% in Fiscal 2011.

Purchases for EPC

Our purchases for EPC increased by Rs. 3,310.53 Lakhs, or 9.97%, to Rs. 36,512.94 Lakhs in Fiscal 2012 from Rs. 33,202.41 Lakhs in Fiscal 2011, due to the completion of on-going BTG island projects during Fiscal 2012. Expressed as a percentage of total income, purchases for EPC expenses decreased to 34.64% in Fiscal 2012 from 37.96% in Fiscal 2011.

Operating and other expenses

- Our operating and other expenses increased by Rs. 2,336.50 Lakhs, or 23.32%, to Rs. 12,354.53 Lakhs in Fiscal 2012 from Rs. 10,018.03 Lakhs in Fiscal 2011.
- Personnel expenses through salaries, wages and bonuses increased by Rs. 648.06 Lakhs, or 21.25%, to Rs. 3,697.79 Lakhs in Fiscal 2012 from Rs. 3,049.73 Lakhs in Fiscal 2011 on account of an increase in number of employees both in our Company and our Subsidiary as well as an increase in general salary levels. Workmen and staff welfare expenses also increased by Rs. 138.14 Lakhs, or 21.13%, to Rs. 792.01 Lakhs in Fiscal 2012 from Rs. 653.87 Lakhs in Fiscal 2011.
- Rent charges increased by Rs. 141.42 Lakhs, or 59.27%, to Rs. 380.03 Lakhs in Fiscal 2012 from Rs. 238.61 Lakhs in Fiscal 2011 primarily due to additional factory premises & office premises on leases basis.
- Royalty charges increased by Rs. 46.96 Lakhs, or 18.63%, to Rs. 299.00 Lakhs in Fiscal 2012 from Rs. 252.04 Lakhs in Fiscal 2011 primarily due to the payments of royalty to Siemens Limited AG, Germany, Sicme Motori, Italy and TDK, Japan for use of their licence to manufacture generators.
- Travelling charges increased by Rs. 167.55 Lakhs, or 17.19%, to Rs. 1142.09 Lakhs in Fiscal 2012 from Rs. 974.54 Lakhs in Fiscal 2011.
- Bank charges decreased by Rs. 22.40 Lakhs, or 4.76%, to Rs. 448.19 Lakhs in Fiscal 2012 from Rs. 470.60 Lakhs in Fiscal 2011.
- Direction charges including other expenses increased by Rs. 173.20 Lakhs, or 14.95%, to Rs. 1,331.84 Lakhs in Fiscal 2012 from Rs. 1,158.65 Lakhs in Fiscal 2011 on account of increase in salary, commission, sitting fees and travelling expenses paid to our Directors.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

- Technical consultancy and professional charges decreased by Rs. 21.26 Lakhs, or 3.05%, to Rs. 674.75 Lakhs in Fiscal 2012 from Rs. 696.01 Lakhs in Fiscal 2011.
- Power and fuel expenses increased by Rs. 6.66 Lakhs, or 0.89%, to Rs. 755.84 Lakhs in Fiscal 2012 from Rs. 749.18 Lakhs in Fiscal 2011 on account of an increase in production.
- Repair expenses on our machinery decreased by Rs. 183.53 Lakhs, or 16.91%, to Rs. 236.69 Lakhs in Fiscal 2012 from Rs. 420.22 Lakhs in Fiscal 2011.
- Software expenses on ERP solutions increased by Rs. 160.10 Lakhs, or 166.11%, to Rs. 256.48 Lakhs in Fiscal 2012 from Rs. 96.38 Lakhs in Fiscal 2011 due to purchase of software for engineering department, additional licence & renewal of licence.
- Rates and taxes decreased by Rs. 10.35 Lakhs or 14.64% to Rs. 60.36 Lakhs in Fiscal 2012 from Rs. 70.71 Lakhs in Fiscal 2011.
- Selling expenses increased by Rs. 895.86 Lakhs, or 375.39%, to Rs. 1,134.51 Lakhs in Fiscal 2012 from Rs. 238.65 Lakhs in Fiscal 2011, on account Increase in export, with supply terms as Door Delivery & Sales Commission for Export Order.
- Vehicle Maintenance expenses increased by Rs. 31.25 Lakhs, or 61.89%, to Rs. 81.75 Lakhs in Fiscal 2012 from Rs. 50.50 Lakhs in Fiscal 2011, on account of increase in number of vehicles.
- Advertisement expenses increased by Rs. 40.23 Lakhs, or 264.26%, to Rs. 55.45 Lakhs in Fiscal 2012 from Rs. 15.22 Lakhs in Fiscal 2011, on account of increase in publicity and exhibition expenses.
- Expressed as a percentage of total income, operating and other expenses increased to 11.72% in Fiscal 2012 from 11.45% in Fiscal 2011.

Interest and finance charges

Our interest and finance charges decreased by Rs. 11.88 Lakhs, or 1.78%, to Rs. 656.79 Lakhs in Fiscal 2012 from Rs.668.66 Lakhs in Fiscal 2011, primarily due to repayment of Term Loan.

Loss on sale of fixed assets

Loss on the sale of fixed assets increased by Rs. 4.95 Lakhs, or 135.83%, to Rs. 8.59 Lakhs in Fiscal 2012 from Rs. 3.64 Lakhs in Fiscal 2011, due to scrapping of old computers assets and motor vehicle

Depreciation and amortization of technical know-how

Our depreciation and amortization of technical know-how expense increased by Rs. 110.06 Lakhs, or 13.68%, to Rs. 914.84 Lakhs in Fiscal 2012 from Rs. 804.78 Lakhs in Fiscal 2011, primarily due to an increase in capitalisation of fixed assets and depreciation thereon.

Profit before tax and extraordinary items

Profit before tax and extraordinary items increased by Rs. 1,298.06 Lakhs, or 15.17%, to Rs. 9,856.73 Lakhs in Fiscal 2012 from Rs. 8,558.67 Lakhs in Fiscal 2011.

Taxation

Our tax expense increased by Rs. 369.48 Lakhs, or 12.77%, to Rs. 3,262.60 Lakhs in Fiscal 2012 from Rs. 2,893.12 Lakhs in Fiscal 2011. The increase was primarily due to tax on increased profits.

Profit / (loss) after tax

Consequently, our profit after tax increased by Rs. 928.59 Lakhs, or 16.39%, to Rs. 6,594.13 Lakhs in Fiscal 2012 from Rs. 5,665.54 Lakhs in Fiscal 2011.

Capital Expenditure

Capital expenditures represent the increase in the value of our fixed assets plus changes in capital work in progress (i.e., expenses incurred in relation to work in progress but not capitalized). Our capital expenditures in Fiscal 2011 and 2012 were Rs. 1,113.70 and Rs. 2,782.66 Lakhs, respectively. These capital expenditures were incurred primarily towards expanding our manufacturing facility, purchasing equipment and machinery and purchase of motor vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

Stand-alone basis

The results of operations as of and for the years ended March 31, 2012 and 2011 on a stand-alone basis, comprising of manufacturing business and projects business is as follows:

	Fiscal Year 2012		Fiscal Year 2011	
	(Rs. in Lakhs)	% of Total Income	(Rs. in Lakhs)	% of Total Income
Income:				
Net Sales	62,521.20	97.55	48,788.02	98.60
Other Income	1,568.21	2.45	694.31	1.40
Total Income	64,089.41	100.00	49,482.33	100.00
Expenditure:				
Consumption of Raw Material, Stores, Spare parts and Components	27,301.75	42.15	22,738.99	45.95
Purchases for Project Business	17,795.63	27.77	11,469.08	23.18
Operating and Other Expenses	10,045.76	15.67	7,545.13	15.25
Interest and Finance Charges:				
On Fixed Loans	308.45	0.48	262.98	0.53
On other Accounts	348.34	0.54	405.68	0.82
Loss on Sale of Fixed Assets	7.04	0.01	3.64	0.01
Depreciation & Amortization of technical know-how	899.87	1.40	789.11	1.59
Total Expenditure	56,706.82	88.48	43,214.62	87.33
Profit Before Tax and Extraordinary Items	7,382.59	11.52	6,267.71	12.67
Provision for Taxation	2,250.00	—	2,075.00	—
Provision for Wealth Tax	2.30		1.46	
Deferred Tax	148.48	—	27.21	—
Fringe Benefit Tax	0.00	—	0.00	—
Profit Before Extraordinary Items	4,981.81	—	4,164.03	—
Extraordinary Items – Provision No longer required	0.00	—	0.00	—
Adjustments Less: Provision no longer required with respect to earlier years adjusted to the respective year	0.00	—	0.00	—
Profit After Extraordinary Items	**4,981.81**	**—**	**4,164.03**	**—**
Profit/(Loss) After Tax	**4,981.81**	**—**	**4,164.03**	**—**

Fiscal 2012 compared to Fiscal 2011

Income

Total income increased by Rs. 14,607.08 Lakhs, or 29.52%, to Rs. 64,089.41 Lakhs in Fiscal 2012 from Rs. 49,482.33 Lakhs in Fiscal 2011, primarily due to an increase in net sales.

Net sales

Net sales increased by Rs. 13,733.19 Lakhs, or 28.15%, to Rs. 62,521.20 Lakhs in Fiscal 2012 from Rs. 48,788.02 Lakhs in Fiscal 2011, due to an increase in revenue from sales in our manufacturing business and Project Business.

Net sales from our manufacturing business increased by Rs. 3,960.39 Lakhs, or 12.24%, to Rs. 36,313.70 Lakhs in Fiscal 2012 from Rs. 32,353.31 Lakhs in Fiscal 2011, due to sales of higher rating machines and increase in export sales. Net sales of our manufacturing business contributed 30.70% and 36.99% of our total income in Fiscal 2012 and 2011, respectively.

Net sales from our Project Business increased by Rs. 9,772.79 Lakhs, or 59.47%, to Rs. 26,207.50 Lakhs in Fiscal 2012 from Rs. 16,434.71 Lakhs in Fiscal 2011, due to increase in volume growth. Net sales of our Project Business contributed 24.87% and 18.79% of our total income in Fiscal 2012 and 2011, respectively.

Expressed as a percentage of total income, net sales decreased to 97.55% in Fiscal 2012 from 98.60% in Fiscal 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

Other income

Other income contributed 2.45% and 1.40% of our total income in Fiscal 2012 and 2011, respectively.

Other income increased by Rs. 873.90 Lakhs, or 125.86%, to Rs. 1,568.21 Lakhs in Fiscal 2012 from Rs. 694.31 Lakhs in Fiscal 2011, primarily due to an increase in interest income by Rs. 1,006.24 Lakhs or 370.79% to Rs. 1,277.61 from 271.38 Lakhs which was off-set by reduction in miscellaneous income by Rs. 245.34 Lakhs, or 58.99%, to Rs. 170.53 Lakhs in Fiscal 2012 from Rs. 415.88 Lakhs in Fiscal 2011.

Expenditure

Total expenditure increased by Rs. 13,492.20 Lakhs, or 31.22% to Rs. 56,706.82 Lakhs in Fiscal 2012 from Rs. 43,214.62 Lakhs in Fiscal 2011.

Consumption of raw material, stores, spare parts and components expenses increased by Rs. 4,562.76 Lakhs, or 20.07%, to Rs. 27,301.75 Lakhs in Fiscal 2012 from Rs. 22,738.99 Lakhs in Fiscal 2011, primarily due to increased volumes and an increase in the cost of raw materials. Closing stock (of work-in- progress and finished goods) increased by Rs. 276.28 Lakhs, or 5.03%, to Rs. 5,767.56 Lakhs in Fiscal 2012 from Rs. 5,491.28 Lakhs in Fiscal 2011 on account of an increase in production in our manufacturing business. Expressed as a percentage of total income, raw material consumed expenses reduced to 42.60% in Fiscal 2012 from 45.95 % in Fiscal 2011.

Purchases for Project Business

Our purchases for Project Business increased by Rs. 6,326.55 Lakhs, or 55.16%, to Rs. 17,795.63 Lakhs in Fiscal 2012 from Rs. 11,469.08 Lakhs in Fiscal 2011, due to increased volume. Expressed as a percentage of total income, purchases for Project Business increased to 27.77% in Fiscal 2012 from 23.18% in Fiscal 2011.

Operating and other expenses

- Our operating and other expenses increased by Rs. 2,500.63 Lakhs or 33.14% to Rs. 10,045.76 Lakhs in Fiscal 2012 from Rs. 7,545.13 Lakhs in Fiscal 2011.
- Personnel expenses through salaries, wages and bonuses increased by Rs. 643.21 Lakhs, or 32.03%, to Rs. 2,651.54 Lakhs in Fiscal 2012 from Rs. 2,008.32 Lakhs in Fiscal 2011 on account of an increase in number of employees as well as an increase in general salary levels. Workmen and staff welfare expenses also increased by Rs. 164.05 Lakhs, or 30.22%, to Rs. 706.96 Lakhs in Fiscal 2012 from Rs. 542.90 Lakhs in Fiscal 2011.
- Rent charges increased by Rs. 122.39 Lakhs, or 71.80%, to Rs. 292.85 Lakhs in Fiscal 2012 from Rs. 170.46 Lakhs in Fiscal 2011 primarily due to additional factory premises taken on lease.
- Royalty charges increased by Rs. 46.96 Lakhs, or 18.63%, to Rs. 299.00 Lakhs in Fiscal 2012 from Rs. 252.04 Lakhs in Fiscal 2011 primarily due to the payments of royalty to Siemens Limited AG, Germany, Sicme Motori, Italy and TDK, Japan for use of their licence to manufacture generators.
- Travelling charges increased by Rs. 147.81 Lakhs, or 23.97%, to Rs. 764.57 Lakhs in Fiscal 2012 from Rs. 616.76 Lakhs in Fiscal 2011.
- Bank charges increased by Rs. 102.01 Lakhs, or 34.20%, to Rs. 400.31 Lakhs in Fiscal 2012 from Rs. 298.30 Lakhs in Fiscal 2011 due to increased volume of business.
- Direction charges including other expenses increased by Rs. 371.32 Lakhs, or 41.04 %, to Rs. 1,276.00 Lakhs in Fiscal 2012 from Rs. 904.68 Lakhs in Fiscal 2011 on account of increase in salary, commission, sitting fees and travelling expenses paid to our Directors.
- Technical consultancy and professional charges decreased by Rs. 105.73 Lakhs, or 21.07%, to Rs. 395.97 Lakhs in Fiscal 2012 from Rs. 501.70 Lakhs in Fiscal 2011.
- Power and fuel expenses increased by Rs. 5.72 Lakhs, or 0.78%, to Rs. 742.41 Lakhs in Fiscal 2012 from Rs. 736.69 Lakhs in Fiscal 2011 on account of an increase in production.
- Repair expenses on our machinery decreased by Rs. 183.67 Lakhs, or 9.94 %, to Rs. 228.53 Lakhs in Fiscal 2012 from Rs. 412.20 Lakhs in Fiscal 2011.
- Software expenses on ERP solutions increased by Rs. 151.20 Lakhs, or 156.88 %, to Rs. 247.58 Lakhs in Fiscal 2012 from Rs. 96.38 Lakhs in Fiscal 2011 due to purchase of software for engineering department, additional licence & renewal of licence.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

- Rates and taxes decreased by Rs. 9.18 Lakhs or 14.00% to Rs. 56.39 Lakhs in Fiscal 2012 from Rs. 65.57 Lakhs in Fiscal 2011.
- Selling expenses increased by Rs. 902.58 Lakhs, or 396.16%, to Rs. 1,130.41 Lakhs in Fiscal 2012 from Rs. 227.83 Lakhs in Fiscal 2011, on account of increase in export, with supply terms as Door Delivery & Sales Commission for Export Order.
- Vehicle Maintenance expenses increased by Rs. 22.84 Lakhs, or 77.56 %, to Rs. 52.30 Lakhs in Fiscal 2012 from Rs. 29.45 Lakhs in Fiscal 2011, on account of increase in number of vehicles.
- Advertisement expenses increased by Rs. 40.23 Lakhs, or 264.26%, to Rs. 55.45 Lakhs in Fiscal 2012 from Rs. 15.22 Lakhs in Fiscal 2011, on account of increase in publicity & exhibition expenses.
- Expressed as a percentage of total income, operating and other expenses increased to 15.67% in Fiscal 2012 from 15.25 % in Fiscal 2011.

Interest and finance charges

Our interest and finance charges decreased by Rs. 11.88 Lakhs, or 1.78%, to Rs. 656.79 Lakhs in Fiscal 2012 from Rs. 668.66 Lakhs in Fiscal 2011, primarily due to repayment of Term Loan.

Loss on sale of fixed assets

Loss on the sale of fixed assets increased by Rs. 3.40 Lakhs, or 93.25%, to Rs. 7.04 Lakhs in Fiscal 2012 from Rs. 3.64 Lakhs in Fiscal 2011 due to scrapping of old computers assets and sale of motor vehicles.

Depreciation and amortization of technical know-how

Our depreciation expense increased by Rs. 110.75 Lakhs, or 14.04% to Rs. 899.87 Lakhs in Fiscal 2012 from Rs.789.11 Lakhs in Fiscal 2011, primarily due to an increase in capitalization of fixed assets and depreciation thereon.

Profit before tax and extraordinary items

Profit before tax and extraordinary items increased by Rs. 1,114.88 Lakhs, or 17.79% to Rs. 7,382.59 Lakhs in Fiscal 2012 from Rs. 6,267.71 Lakhs in Fiscal 2012.

Taxation

Our tax expense increased by Rs. 297.10 Lakhs or 14.12 % to Rs. 2,400.77 Lakhs in Fiscal 2012 from Rs. 2,103.67 Lakhs in Fiscal 2011. The increase was primarily due to tax on increased profits.

Profit/(loss) after tax.

Consequently, our profit after tax increased by Rs. 817.78 Lakhs or 19.64% to Rs. 4,981.81 Lakhs in Fiscal 2012 from Rs. 4,164.03 Lakhs in Fiscal 2011.

Capital Expenditure

Capital expenditures represent the increase in the value of our fixed assets plus changes in capital work in progress (i.e., expenses incurred in relation to work in progress but not capitalized). Our capital expenditures in Fiscal 2011 and 2012 were Rs. 1,045.22 and Rs. 2,757.97 Lakhs, respectively. These capital expenditures were incurred primarily towards expanding our manufacturing facility, purchasing equipment and machinery and purchase of motor vehicles.

Human Resources Development and Industrial Relations

As on March 31, 2012, the total strength of employees stood at 748 including our subsidiary company. A wage agreement is in place governing the wage and productivity expectations from the employees.

Employee relations continue to remain peaceful and cordial. The company recognizes that its workforce is critical to the Company's success and therefore, is committed to maintaining and developing the overall knowledge of the workforce. Your Company continues to reinforce the Code of Business Conduct across functions/workforce. To enhance communications and create a congenial environment the senior leadership of the company has significantly invested time and effort. The company continues to source engineers through campus hiring and inducted over fifty engineers during the year.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

The Company's leadership engages affirmatively in employee developmental and engagement activities like

- Celebration of National days and festivals
- Involvement in the 'Corporate Responsibility' initiatives
- Active participation of work force in Safety initiatives
- Communication through In-house news letter informing the employees about various milestone activities of the company

Leadership development programs, specific technology training programs, personality development and skill enhancement programs.

Cautionary Statement

The Management Discussion and Analysis Report contains forward looking statements based upon the data available with the Company, assumptions with regard to global economic conditions, the Government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially differ from those expressed or implied in the report.

For and on behalf of the Board of Directors

Bangalore
May 23 2012

Mohib N Khericha
Chairman

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ANNEXURE TO THE DIRECTORS' REPORT (contd.)

Annexure-B

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rule 1975, and forming part of the director's report for the year ended March 31, 2012

Employed for Full Year

Name	Designation	Quali-fication	Age (years)	Date of Joining	Experience (Yrs)	Gross Remuneration (Rs.)	Previous Employment	Designation
Nikhil Kumar	Jt Managing Director	B. E.	44	01-10- 2001	21	70,093,634	Kirloskar Electric Company Limited Bangalore	General Manager
Hitoshi Matsuo	Managing Director	M.E.	68	01-07- 2002	45	35,865,937	Toyo Denki Seizo K.K. Japan	General Manager
Tadao Kuwashima	Director - Technical	B.E.	65	01-02- 2002	45	10,897,600	Toyo Denki Seizo K.K. Japan	Asst. General Manager

Note:

1. There are no employees employed for a part of the financial year drawing a remuneration of Rs 5, 00,000 per month or more.
2. The Managing Director is not related to any Director of the Company
3. Remuneration includes salary, statutory contribution to funds and commission.
4. The Remuneration is subject to approval of the Central Government.

For and on behalf of the Board of Directors

Bangalore
May 23, 2012

Mohib N Khericha
Chairman

Annexure – C

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

A. CONSERVATION OF ENERGY

The company is committed to its objective of Energy saving since inception and has deployed Environmental policy objectives being an ISO 14001 certified company. Various initiatives are in place have implemented. The Company has commissioned its own independent DG Power Houses for both of its units since inception. Some of the highlights of the energy saving initiatives are:

- Priority reduction in Energy consumption
- Utilization of power based on demand. Load sharing by manual start/Stop facility available at Unit-1 and 2
- Automation system of blower, conveyor and deburring operation of varnishing line available near the work station
- Reactor bank is provided to utilize the power and improve power factor at Unit-2
- Significant reduction in fuel consumption and improved utilization of power are the result of these initiatives.
- Energy Audit team and supporting task force formed in Unit-1 with an objective to improve the power factor. Team is working on the features of Auto load sharing with communication cable facility.
- Installing 4MVA BESCOM Power House to cope up with its demand as a measure of cost and Fuel saving. This will have a change Over panel room and transformer substation and will be operational by October -2012

The details relating to total energy consumption and energy consumption per unit of production is not provided since the company is not covered under the specified industry as per Schedule to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 .

B. TECHNOLOGY ABSORPTION

Research and Development – Research & Development is undertaken continuously for lowering costs and processes improvements.

Annexure-C (contd.)

Benefits derived

- Quality Improvement
- Process improvement resulting in higher production
- Enhanced design and products capability to achieve customer satisfaction.
- Development of in-house skills for manufacture of high precision products.
- Solution to critical performance problems.

Expenditure on Research & Development

The manufacturing activity is customer specific, and accordingly, designs, procurement, manufacturing process do not entail specific R & D expenditure.

The significant technology absorption during the year initiatives are as follows:

a) Based on Licence agreement with a reputed multinational power equipment manufacturer successfully completed designs for 4 pole generators up to 52MW as follows for various projects commissioned in India and overseas.

- 44MW, 11kV, 0.8PF, 1500Rpm
- 28MW, 11kV, 0.8PF, 1500Rpm
- 45MW, 11kV, 0.8PF, 1500Rpm
- 45MW, 11kV, 0.8PF, 1500Rpm
- 45MW, 11kV, 0.8PF, 1500Rpm
- 32.3MW, 10.5kV, 0.85PF, 1500Rpm -12 Stators, 7 Rotors delivered to licensor
- 44.3 MW, 13.2 kV,0.85pf,1800rpm 1 Under manufacturing

b) Based on Licence agreement successfully completed Stator design, rotor design and cover design for top cooler and work under progress for bottom and side mounted cooler configurations

c) Manufactured successfully 5MW,3.3kV,750RPM motor under manufacturing agreement with an overseas motor manufacturer

d) A 1.8MW, 690V, 1800RPM DFIG wind generator for a leading international manufacturer under qualification progress.

The significant technology up gradation during the year initiatives are as follows:

a) Designed and manufactured for the first time with IP55 protection a 30MW,11kV steam turbine generator
b) For the first time designed and manufactured successfully 1.5MW, 3.3kV,0.8 pf,14 pole, 428.57 rpm hydro generator with Antifriction bearings
c) Designed 8.7MVA,3.3/6.6/13.2kV, 50/60 Hz,12p,0.4pf generator for motor testing and under manufacturing
d) Designed and manufactured Cooling circuit up-gradation for all hydro generators
e) Completed frame size optimizations for steam generators from 2MW up to 40MW.
f) Enhancement of design capabilities through state of the art design software.

The significant technology development initiatives during the year are as follows:

a) Designed and Developed 8 Vertical small hydro generators (under manufacturing) , 2 machines of 5.49MVA, 11kV, 1500RPM and 5.404MVA, 13.8kV, 1800RPM for gas engine – for first piece qualification and 1.653MW, 690volts, 1800RPM wind generator for wind turbine – under manufacturing.
b) Successfully manufactured 2 machines of 13.84MVA, 13.8kV, 600RPM generators, 2 machines of 8MVA, 13.8kV, 600 RPM generators and 2 machines of 27MVA, 11kV, 375 RPM vertical generators for Hydro applications jointly with a leading overseas manufacturer under a product development cooperation and manufacturing agreement.

C. FOREIGN EXCHANGE EARNINGS &OUTGO

The foreign exchange earnings of your company for the year ended March 31, 2012 was Rs.14,987.29 Lakhs as against Rs.4,719.93 Lakhs in the previous year. The foreign exchange outgo for the same period was Rs.7,284.40 Lakhs as against Rs. 5,273.27 Lakhs in the previous year.

For and on behalf of the Board of Directors

Bangalore
May 23 2012

Mohib N Khericha
Chairman

ANNEXURE TO THE DIRECTORS' REPORT (contd.)

Annexure-D
REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

Your Company is committed to and continues to practice good Corporate Governance. The Company follows the Code of Business Conduct and Ethics. The basic philosophy behind an endeavour towards better corporate governance is to enrich the value for stakeholders by achieving business excellence. We believe we have complied with the requirements of corporate governance contained in the Listing Agreement, particularly those relating to composition of Board of Directors, constitution of committees such as an Audit Committee, Shareholder Grievance Committee and Remuneration Committee.

We have a Board constituted in compliance with the Companies Act and the Listing Agreement with the Stock Exchanges. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The operations of the Company are conducted under the supervision and Directions of the Board within the framework set by the Companies Act, 1956, its Articles of Association, SEBI Guidelines, and the Listing Agreements with the stock exchanges

1. BOARD OF DIRECTORS

A. Composition of Board

Currently our Board has eight Directors consisting of our Non Executive Chairman, who is one of our individual Promoters, Managing Director and Joint Managing Director, both of them being our individual promoters, one executive Director and four independent Directors and are in compliance with the requirements of Clause 49 of the Listing Agreement:

The composition of the Board as on March 31, 2012 was as under:

Directors	Category
Mr. Mohib N. Khericha	Non-Executive Chairman
Mr. Hitoshi Matsuo	Managing Director
Mr. Nikhil Kumar	Joint Managing Director
Mr. Tadao Kuwashima	Director (Whole time)
Mr. Salil Baldev Taneja	Independent Director
Ms. Nandita Lakshmanan	Independent Director
Dr. Arjun Kalyanpur	Independent Director
Mr. Nithin Bagamane	Independent Director

B. Number of Board meetings held, dates on which held, attendance of each director at the Board meetings and the last AGM & number of other Boards or Board Committees in which he/she is a member or Chairperson.

During the financial year 2011-2012 the Board met 4 times (Four) on May 30 2011, August 29, 2011, November 9, 2011 and February 8, 2012.

Name	Category	Board meetings held during the year	Board meetings Attended during the year	Whether attended last AGM	Other Directorships held in public Companies as at March 31 2012		Number of Chairman/ Committee Membership as at March 31, 2012	
					Chairman	Director	Chairman	Member
Mr. Mohib N. Khericha	Non-Executive Chairman	4	4	Yes	—	5	3	4
Mr. Hitoshi Matsuo	Managing Director	4	2	No	—	—	—	1
Mr. Nikhil Kumar	Joint Managing Director	4	4	Yes	—	—	—	—
Mr. Tadao Kuwashima	Director	4	3	Yes	—	—	—	—
Mr. Salil Baldev Taneja	Independent Director	4	1	No	—	3	—	—
Ms. Nandita Lakshmanan	Independent Director	4	2	No	—	—	—	—
Dr. Arjun Kalyanpur	Independent Director	4	4	No	—	—	—	—
Mr. Nithin Bagamane	Independent Director	4	4	Yes	—	3	—	—

REPORT ON CORPORATE GOVERNANCE (contd.)

- Directorships in Private Limited Companies, Foreign Companies, Proprietorships are excluded. Only Audit Committee and Share Allotment, Transfers and Investor Grievance Committee have been considered for the committee positions.
- None of the Directors on the board is a member in more than 10 committees and Chairman of more than five committees across all companies in which he is a director as per Clause 49 (I) (C) (ii)
- Details of the Board of Directors in terms of their directorships / memberships in the committee of the public companies excluding the Company.
- Excepting Mr. Mohib N. Khericha who holds 1846860 Equity Shares of the Company, no other Non-Executive Directors hold shares of the Company.
- Profile of Directors' being re-appointed as required under Clause 49 of the isting agreement

Name	Mr. Salil Baldev Taneja
Qualifications	Bachelor of Science in Mechanical Engineering from Case Western Reserve University, Cleveland, Ohio and Masters in Public and Private Management from Yale University, New Haven, Connecticut.
Date of Appointment	January 17, 2011
Expertise in specific Functional areas	He has over 18 years of work experience in business, industry and corporate management
Directorships held	ISMT Limited Taneja Aerospace and Aviation Limited Indian Seamless Inc. Structo Hydraulics India Limited Fair Millennium Investment and Trading Private Limited
Membership of Committees	Nil
No. of shares held in the Company	Nil

Name	Dr. Arjun Kalyanpur
Qualifications	Bachelor of Medicine, Bachelor of Surgery (MBBS) from All India Institute of Medical Sciences, Delhi, fellowships in Diagnostic Radiology, Section of Ultrasound, CT and MRI (body) from The New York Hospital-Cornell Medical Centre, and fellowships in Diagnostic Radiology, Section of Neuroradiology from Yale University School of Medicine.
Date of Appointment	January 17, 2011
Expertise in specific Functional areas	An assistant clinical professor at Department of Diagnostic Radiology at Yale University School of Medicine and he has over 10 years of work experience in diagnostic radiology and internal medicine.
Directorships held	DF Power Systems Private Limited Teleradiology Solutions Private Limited Telerad Tech Private Limited Telerad RX DX Healthcare Private Limited Image Core Lab Private Limited
Membership of Committees	Audit Committee: DF Power Systems Private Limited
No. of shares held in the Company	Nil

C. Code of Conduct

The Company had adopted the Code of Conduct for all the employees including Senior Management and the Directors. The Code of Conduct is posted on the Company's website. Further, all the Board members and senior management personnel (as per Clause 49 of the Listing Agreement) have affirmed their compliance with the Code of Conduct. A declaration to this effect signed by the Joint Managing Director forms part of this report.

REPORT ON CORPORATE GOVERNANCE (contd.)

2. AUDIT COMMITTEE

Composition

The Audit Committee was constituted on February 10, 2011 to ensure the objectivity, credibility and correctness of our Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The Audit Committee consists of Nithin Bagamane as Chairman, Dr. Arjun Kalyanpur, Salil Baldev Taneja and Mohib N. Khericha as members of the committee.

Meetings and attendance during the year

Members	Category	Meetings	Attendance
Mr. Nithin Bagamane	Independent	5	5
Mr. Mohib N Khericha	Non Independent Non-executive	5	5
Dr. Arjun Kalyanpur	Independent	5	5
Mr. Salil Baldev Taneja	Independent	5	1

Terms of reference

- Overseeing the Company's financial reporting process and disclosure of its financial information;
- Recommending to the Board the appointment, re-appointment, and replacement of the statutory auditor and the fixation of audit fee;
- Approval of payments to the statutory auditors for any other services rendered by them;
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any related party transactions; and
  - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
- Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;
- 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;
- Discussion with internal auditors any significant findings and follow up thereon;
- 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;
- 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;
- 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;
- Reviewing the functioning of the whistle blower mechanism, in case the same is existing;
- Review of management discussion and analysis of financial condition and results of operations, statements of significant related party transactions submitted by management, management letters/ letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses, and the appointment, removal and terms of remuneration of the chief internal auditor; and
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

3. REMUNERATION COMMITTEE

Composition

The Remuneration Committee was constituted on February 10, 2011 and consists of Dr. Arjun Kalyanpur as the Chairman, Mr. Salil Baldev Taneja, Ms. Nandita Lakshmanan and Mr. Mohib N. Khericha as members of the committee.

Terms of reference

Framing suitable policies and systems to ensure that there is no violation, by an Employee or the Company of any applicable laws in India or overseas, including:

- The Securities and Exchange Board of India (Insider Trading) Regulations, 1992; or
- The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995;

Determine on behalf of the Board and the shareholders the company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payments;

Perform such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("ESOP Guidelines"), in particular, those stated in Clause 5 of the ESOP Guidelines; and

Such other matters as May from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Attendance during the year

During the year under review, no meetings of the committee were held.

Remuneration Policy

The Company has a credible and transparent policy in determining and accounting for the remuneration of the Executive /Non- Executive Directors. The remuneration payable to the Managing Director, Joint Managing Director and Executive Director is subject to the approval of the Board of Directors, the Shareholders and the Central Government if applicable.

Details of remuneration to all the Directors

Name	Salary (Rs.)	Allowances	Perquisites	Commission/ Ex gratia	Sitting fee
Mr. Nikhil Kumar*	13,860,000	2,310,000	1,663,200	52,260,434	—
Mr. Hitoshi Matsuo*	12,025,548	—	1,443,060	22,397,329	—
Mr. Mohib N. Khericha	—	—	—	—	2,20,000
Mr. Tadao Kuwashima*	8,960,000		1,075,200	862,400	—
Mr. Salil Baldev Taneja	—	—	—	—	40,000
Mr. Nitin Bagamane	—	—	—	—	1,80,000
Ms. Nandita Lakshmanan	—	—	—	—	40,000
Dr. Arjun Kalyanpur	—	—	—	—	1,80,000

* Subject to approval of the Central Government.

4. SHARE ALLOTMENT, TRANSFERS AND INVESTOR GRIEVANCE COMMITTEE

Composition

The Share Allotment, Transfers and Investor Grievance committee was constituted on February 10, 2011. The Share Allotment, Transfers and Investor Grievance committee consists of Mr. Salil Baldev Taneja as the Chairman, Dr. Arjun Kalyanpur, Ms. Nandita Lakshmanan and Mr. Mohib N. Khericha as the member of the committee.

Terms of reference

- Investor relations and redressal of shareholders grievances in general and relating to non-receipt of dividends, interest, non- receipt of balance sheet etc.
- Allotment and listing of shares;

REPORT ON CORPORATE GOVERNANCE (contd.)

- Reference to statutory and regulatory authorities for investors grievances; and
- Dematerialisation/rematerialisation and transfer and transmission of company's shares
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Name and designation of compliance officer

Mr. N. Srivatsa – Company Secretary and Compliance Officer

No complaints have been received or pending so far from the shareholders.

5. GENERAL BODY MEETINGS

a. Date, time and location of the last three Annual General Meetings

Year	Date	Time	Location
2009	July 6, 2009	11.00 a.m	#27, 28 & 29, KIADB Industrial Area, Dobuspet, Bangalore Rural, Bangalore – 562 111
2010	June 25, 2010	11.30 a.m	#27, 28 & 29, KIADB Industrial Area, Dobuspet, Bangalore Rural, Bangalore – 562 111
2011	June 25, 2011	11.00 a.m	#27, 28 & 29, KIADB Industrial Area, Dabaspet, Nelamangala Taluk, Bangalore – 562 111

b. Whether any special resolutions passed in the previous three Annual General Meetings (AGM)

Date	No. of Special Resolutions Passed	Special Resolution passed through show of hands
July 6, 2009	1	Appointment of Director to hold an office of place of profit under Section 314 (1) of the Companies Act 1956 as consultant.
June 25, 2010	—	—
June 25, 2011	4	Remuneration, other perquisites and benefits be paid to the Managing Director, for the period January 17 2011 to March 31 2011 (being the period from the date of conversion as Public Limited Company to the end of the financial year 2011) and for the period April 1 2011 to March 31 2012 in terms of the agreement dated March 25 2008. Re-appointment of Joint Managing Director of the Company for a period of 5 (five) years wef. January 17, 2011 i.e. up to January 16, 2016 and the Remuneration (including salary, commission, other perquisites and benefits) to be paid for the period January 17 2011 to March 31, 2011 (being the period from the date of conversion as Public Limited Company to the end of the financial year 2011) and for the period April 1, 2011 to January 16, 2014. Remuneration, other perquisites and benefits be paid to Director -Technical wef. April 1, 2010 including for the period January 17, 2011 to March 31, 2011 (being the period from the date of conversion as public limited Company to the end of the financial year 2011) and for the period April 1, 2011 to August 31, 2012 in terms of the letter dated July 2, 2009 revised vide letter dated August 2, 2010. Re-appointment of Managing Director of the Company for a further period from April 1, 2012 to September 30, 2012 on the following remuneration, other perquisites and benefits.

c. No postal ballot was conducted during the previous financial year.

6. SUBSIDIARY COMPANY

DF Power Systems Private Limited is a material non-Listed Indian Subsidiary as defined under Clause 49 of the Listing Agreement. Dr. Arjun Kalyanpur, an Independent Director of the Company has been appointed as Director of DF Power Systems Private Limited on February 11 2011. In terms of clause 49(III) of the Listing Agreement the minutes of the Board meeting of it's wholly owned subsidiary is to be reviewed by the holding Company.

The Company monitors performance of subsidiary company, inter alia, by the following means:

- All minutes of Board meetings of the unlisted subsidiary company are placed before the Company's Board regularly.
- A statement containing all significant transactions and arrangements entered into by the unlisted subsidiary company is placed before the Company's Board.

7. DISCLOSURES

The Audit Committee is briefed on all related party transactions undertaken by the Company and none of the related party transactions have any potential conflict with the interest of the Company at large.

The Company has complied with the requirements of the Listing Agreements of the Stock Exchanges as well as regulations and guidelines of SEBI and other Statutory Authority on all matters relating to capital markets. No penalties or strictures have been imposed on the Company by these authorities.

The Company has adopted and complied with mandatory requirements as per Clause 49 of the Listing Agreement. Some of the non-mandatory requirements being complied are as follow:

– The Company has set up a Remuneration Committee pursuant to and in conformity with schedule XIII of the Companies Act, 1956 which has been detailed above

– While the company has not implemented a formal Whistle Blower policy, employees are not disqualified from reporting to the management on any matter concerning un ethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct.

Company is in the process of incorporating a risk assessment and minimization system.

The requisite certificate from the Joint Managing Director and the Chief Financial Officer were placed before the Board meeting for consideration and a copy of the same is attached to this report.

8. MEANS OF COMMUNICATION

a) Quarterly results/ Newspapers wherein results normally published
The quarterly results were published in the following Newspapers within 48 hours of the approval of the Board and also filed with the Stock Exchanges as stipulated:
– Business Standard (English Daily) and
– Vijaya Karnataka (Kannada Daily)

b) The financial results are displayed on company's website – www.tdps.co.in

c) The official news releases are posted on the Company's website – www.tdps.co.in

d) Management Discussion and Analysis forms part of the Directors' Report.

9. GENERAL SHAREHOLDER INFORMATION:

Annual General Meeting

Date: July 12 2012
Time: 10.30am
Venue: The Capitol, Raj Bhavan Road, Bangalore -560 001

Financial year: April 1, 2011 to March 31, 2012

Date of Book closure

The Companies Register of Members and Share Transfer Book's will remain closed from July 7 2012 to July 12 2102 (both days inclusive) for the purpose of AGM.

REPORT ON CORPORATE GOVERNANCE (contd.)

Dividend Payment Date

The dividend, as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting will be paid on or before August 11 2012, to those shareholders whose names appear on the Company's Register of Members as on July11, 2012.

Listing on Stock Exchanges

The Company's shares are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited with effect from September 8, 2011.

Stock Code

Bombay Stock Exchange Limited	533553
National Stock Exchange of India Limited	TDPOWERSYS
ISIN No.	INE419M01019

Market Price Data: High, Low during each month in last financial year

Month	ON BSE				ON NSE			
	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (Nos.)
September 2011*	321.00	242.00	256.40	2,23,07,184	321.45	232.70	256.95	2,90,72,506
October 2011	267.05	248.00	254.95	2,26,002	270.00	246.20	255.00	2,75,051
November 2011	300.00	216.15	218.60	11,92,136	300.00	218.00	219.00	13,12,065
December 2011	259.95	207.45	226.50	4,14,404	278.90	202.00	222.05	6,32,045
January 2012	254.80	218.00	244.05	41,400	254.00	201.25	243.70	42,565
February 2012	274.95	233.00	257.50	31,913	274.25	231.25	255.90	61,656
March 2012	265.00	210.25	258.40	68,947	292.90	231.25	244.60	1,16,025

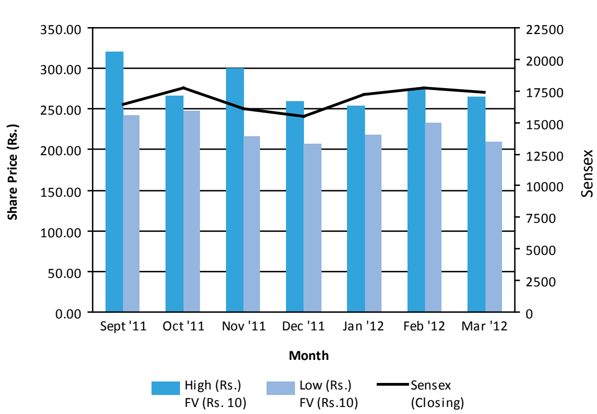
* Since company listed on September 8, 2011.

Market Price Data

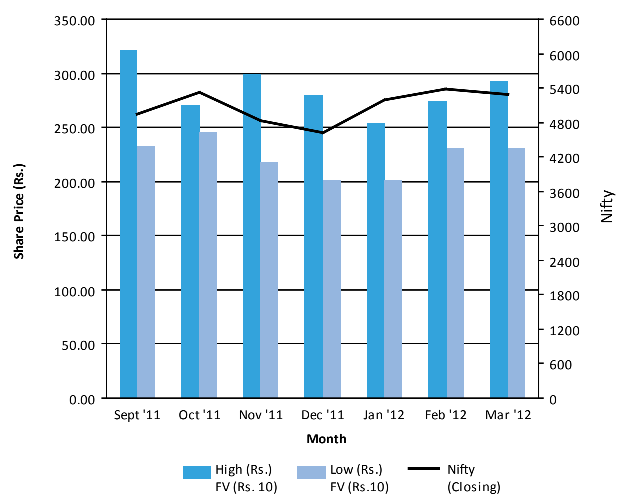
High, Low during each month in last financial year – Not applicable since the company's shares were listed in September 2011.

Performance in comparison to broad-based indices such as BSE Sensex & NSE Nifty.

TDPS Share Price on BSE



TDPS Share Price on NSE



Registrar and Transfer Agents

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West)
Mumbai 400 078. Telephone No.: 022- 25963838

Share Transfer System

The Company has appointed Link Intime India Private Limited, as Registrars and Share Transfer Agents. Share transfers are required to be effected within the maximum period of 30 days from the date of receipt, if all the required documentation is submitted. However, no share transfers have been received since listing in September 2011.

Shareholding pattern as on 31.3.2012

Category of Shareholder	No. of Shares	% of holding
Promoters (Indian)	6985524	21.01
Corporate Body (Promoter)	6026433	18.13
Promoters (Foreign)	4235254	12.74
Promoter Group	3418923	10.29
Mutual Funds	1470158	4.42
Financial Institutions / Banks	49000	0.15
Foreign Institutional Investors	5090530	15.32
Foreign Company	876270	2.64
Foreign Nationals	672132	2.02
Non Resident indians	3527	0.01
Other Bodies Corporate	1557452	4.69
Persons acting in concert	1134252	3.41
Clearing Members	65209	0.20
Others	1652924	4.97
Total	**33237588**	**100.00**

Distribution of shareholding as on 31.3.2012

Category	No of Shareholders	% of Shareholders	Shares	% of total
1 - 500	1151	84.79	93920	0.28
501 - 1000	108	6.08	61332	0.18
1001 - 2000	14	1.22	23039	0.07
2001 - 3000	37	2.59	100328	0.30
3001 - 4000	1	0.08	3100	0.02
4001 – 5000	5	0.38	23899	0.07
5001 - 10000	6	0.30	30864	0.09
10001 & above	60	4.56	32901106	98.99
Total	**1382**	**100**	**33237588**	**100**

Shares held in physical and dematerialized form as on March 31, 2012

Description	No of Holders	No of Shares	% of Equity
PHYSICAL	46	2388527	7.18
NSDL	873	30663980	92.26
CDSL	463	185081	0.56
TOTAL	**1382**	**33237588**	**100**

Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

No outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity.

REPORT ON CORPORATE GOVERNANCE (contd.)

Registered Office & Plant Location

TD POWER SYSTEMS LIMITED
27, 28 & 29 KIADB Industrial Area
Dabaspet, Nelamangala Taluk, Bangalore, Karnataka - 562 111
Ph: + 091-080-22995700 Fax: 091-080-22995718.

Compliance Officer/ Address for correspondence

N. Srivatsa
Company Secretary & Compliance Officer
Registered Office & Plant,
TD POWER SYSTEMS LIMITED
27, 28 & 29 KIADB Industrial Area,
Dabaspet, Nelamangala Taluk, Bangalore, Karnataka - 562 111
Ph: + 091-080-22995700 Fax: 091-080-22995718.

City Office:
TD POWER SYSTEMS LIMITED
"RMJ Mandoth Towers", 3rd Floor,
#37, 7th Cross, Vasanthnagar, Bangalore – 560 052.
+091-080-22017800 Fax: 091-080-22017850

11. COMPLIANCE

The certificate from Mr. Sudhir V Hulyalkar Practicing Company Secretary, Bangalore, confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed.

CERTIFICATE ON CORPORATE GOVERNANCE

The Members

TD POWER SYSTEMS LIMITED

I have examined the compliance of conditions of corporate governance by TD Power Systems Limited (the Company) for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

I state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders/investors grievance committee.

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

Sudhir Hulyalkar
Company Secretary in Practice
FCS No: 6040, CP No. 6137

Bangalore
May 23, 2012

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification as per Clause 49 of the Listing Agreement.

The Board of Directors
TD POWER SYSTEMS LIMITED
Bangalore

This is to certify that:

a. We have reviewed Financial statements and the Cash Flow statement for the year ended 31st March 2012 and that to the best of our knowledge and belief:
   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit Committee
   i. Significant changes in internal control over financial reporting during the year;
   ii. Significant changes in Accounting Policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Bangalore	**Nikhil Kumar**	**K. G. Prabhakar**
May 23, 2012	Joint Managing Director	Chief Financial Officer

Declaration by Joint Managing Director under Clause 49(1) (D)(ii)of the Listing Agreement| regarding adherence to the code of conduct

I, Nikhil Kumar, Joint Managing Director of TD POWER SYSTEMS LIMITED, hereby declare that, to the best of my knowledge and belief, all the members of the Board of Directors and Senior Management Personnel have confirmed compliance with the Company's Code of Conduct for the year ended on March 31, 2012.

Bangalore	**Nikhil Kumar**
May 23, 2012	Joint Managing Director

ANNEXURE TO THE DIRECTORS' REPORT (contd.)

Annexure-E

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

1	Name of Subsidiary	DF Power Systems Private Limited
2	Financial year of the Company	31st March, 2012
3	Shares of the Subsidiary held by TD Power Systems Limited on the above date:	
	Number of shares and face value	59,99,998 Equity Shares of Rs. 10.00 each
	Extent of Holding	99.999%
4	Net aggregate amount of profit/ (loss) of the Subsidiary so far as they concern the members of TD Power Systems Limited:	
	Dealt with in the accounts of TD Power Systems Limited for the year ended 31st March 2012	Nil
	Not dealt with in the accounts of TD Power Systems Limited for the year ended 31st March 2012	Rs. 173,231,441
5	Net aggregate amount of profit/(loss) for previous financial years of the Subsidiary since it became a subsidiary so far as they concern the members of TD Power Systems Limited	
	a) Dealt with in the accounts of TD Power Systems Limited for the year ended 31st March 2012	Nil
	b) Not dealt with in the accounts of TD Power Systems limited for the year ended 31st March 2012	Rs. 398,566,438

For and on behalf of the Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Joint Managing Director

K. G. Prabhakar
Chief Financial Officer

N. Srivatsa
Company secretary

Bangalore
May 23, 2012

ANNEXURE TO THE DIRECTORS' REPORT (contd.)

Annexure-F

STATEMENT RELATING TO SUBSIDIARY COMPANY

(In terms of Directions U/S 212 (8) of the Companies Act, 1956, vide Circular No. 2/2011 dated February 8 2011)

Name of Subsidiary: DF Power Systems Private Limited

	31.3.2012 (Rs.)	**31.3. 2011 (Rs.)**
Share capital	60,000,000	60,000,000
Reserves	415,219,487	241,988,046
Total Assets	2,287,602,881	2,296,366,422
Total Liabilities	1,812,383,395	1,994,378,376
Details of Investment	Nil	Nil
Turnover	4,268,369,599	3,834,767,749
Profit before taxation	259,413,998	229,795,816
Provision for taxation	86,182,557	78,945,054
Profit after taxation	173,231,441	150,850,762
Proposed dividends	348,66,750	13,993,050

For and on behalf of the Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Joint Managing Director

K. G. Prabhakar
Chief Financial Officer

N. Srivatsa
Company secretary

Bangalore
May 23, 2012

AUDITORS' REPORT

TO THE MEMBERS OF TD POWER SYSTEMS LIMITED, BANGALORE

1. We have audited the attached Balance Sheet of TD Power Systems Limited as at 31st March 2012 and Profit and Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto, in which, the accounts of Japan Branch is incorporated, which are audited by the branch auditor appointed by the Company. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

4. The report on the accounts of the Japan branch office (not audited by us) audited by Mr. Mitsuo Sekino, Certified Public Accountant (Japan) , has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report.

5. Attention of the members is drawn to the Note 38 of the Financial Statements with respect to Managerial remuneration payable to the directors of the Company amounting to Rs.117,637,171/- (Previous Year Rs.16,912,549/-) is pending subject to the approval of Central Government.

6. Further to our comments in the Annexure referred to in paragraph 3 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 accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
   c. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
   d. In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
   e. On the basis of written representations received from the directors, as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 31.3.2012;
      ii. in the case of the Profit and Loss Statement, of the profit for the year ended on that date and
      iii. in the case of Cash Flow statement, of the cash flow for the year ended on that date

For **B. K. Ramadhyani & Co.,**
Chartered Accountants
FRN No. 002878S

R Satyanarayana Murthi
Partner
Membership No. 024248

Bangalore
May 23, 2012

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT

i. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets in the Fixed Assets Register.

b. Physical verification of fixed assets is being done on a phased manner and is in reasonable intervals. We are informed that Company has carried out the physical verification of its fixed assets during the period of review as per the scheme of physical verification regularly followed. We are informed that no material discrepancies were noticed on such verification.

c. There has been no disposal of substantial part of fixed assets during the year;

ii. a. The Inventory was physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

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

iii. The company has not granted/taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and accordingly, clause (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the Order are not applicable;

iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

v. a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements to be entered in the register maintained under section 301 of the Companies Act, 1956, have been so entered in the register maintained.

b. According to the Company, the transactions made in pursuance of such contracts or arrangements and exceeding value of Rs. 5 lakhs with 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 public; hence in our opinion the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules made there under are not applicable. According to the Company, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.

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

viii. As explained to us, the Company has maintained cost records under Section 209(1) (d) of the Companies Act, 1956. However we have not made a detailed examination of the records.

ix. a. According to information and explanation given to us, the company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, cess and other statutory dues to the appropriate authorities. Further, short/non deduction of withholding tax has not been reckoned for this purpose.

b. There are no outstanding disputed amount payable on account of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess. However, according to information and explanations given to us, no disputed dues other than on account of Income Tax deduction of salaries raised by the department as referred to Note 19 to Financial statement which is under process for rectification by the department.

x. The Company has no accumulated losses as at March 31, 2012 and it has not incurred any cash losses during the current year or during the previous year.

xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in the repayment of dues to bank. The Company has not taken any loan from Financial institutions and also has not issued any debentures.

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT (contd.)

xii. According to the information and explanations given to us and the documents and records produced before 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. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore paragraph 4(xiii) of the Order is not applicable to the Company.

xiv. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xv. The Company has given corporate guarantee of Rs.10,000 lakhs, Rs.16,200 lakhs and Rs.29,200 lakhs in respect of facilities availed by its subsidiary M/s DF Power Systems Private Limited to the bankers M/s Standard Chartered Bank, M/s ICICI Bank Limited and M/s Bank of Baroda. The terms and conditions of the guarantee are not prima facie prejudicial to the interest of the Company.

xvi. The Company has not obtained term loans during the year from the Company's bankers and the same has been applied for the purpose for which it was obtained.

xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term purposes. No long term funds have been used to finance short-term assets except permanent working capital.

xviii. According to the information and explanations given to us, the issue of shares to parties covered in the Register maintained under Section 301 of the Act during the year and the price charged therefore are not prejudicial to the interests of the company.

xix. According to the information and explanations given to us, there are no debentures issued by the company during the year and hence paragraph 4(xix) of the Order regarding the creation of securities is not applicable.

xx. During the year the company has raised money by way of public issue of capital. Issue and end use of money are disclosed in Note 37 to the Financial statements have been verified with reference to SEBI (Issue of Capital and Disclosure Requirements) Regulations. The balances of unutilised IPO proceeds have been invested in term deposit with Bank of Baroda.

xxi. As per the information and explanations furnished to us by the management, no material frauds on or by the Company and causing material misstatements to financial statements have been noticed or reported.

For **B. K. Ramadhyani & Co.,**
Chartered Accountants
FRN No. 002878S

R Satyanarayana Murthi
Partner
Membership No. 024248

Bangalore
May 23, 2012

BALANCE SHEET AS AT MARCH 31, 2012

	Note		As at 31.3.2012 Rs.		As at 31.3.2011 Rs.
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	2	332,375,880		243,704,010	
Reserves and Surplus	3	3,999,470,936		1,531,436,113	
			4,331,846,816		1,775,140,123
Non-Current Liabilities					
Long term borrowings	4	196,728		238,993,235	
Deferred tax liabilities (Net)	5	87,759,459		72,911,653	
Long term provisions	6	29,263,850		26,843,506	
			117,220,037		338,748,394
Current Liabilities					
Short term borrowings	7	342,632,951		533,784,403	
Trade payables	8	929,960,819		896,520,025	
Other current liabilities	9	1,013,237,189		974,867,784	
Short term provisions	10	104,453,377		82,870,828	
			2,390,284,336		2,488,043,040
Total			**6,839,351,189**		**4,601,931,557**
ASSETS					
Non-Current Assets					
Fixed Assets					
Tangible assets	11	1,302,341,954		1,119,748,913	
Capital work in progress	12	126,421,905		20,436,621	
		1,428,763,859		1,140,185,534	
Non - current investments	13	204,125,000		204,125,000	
Long term loans and advances	14	362,584,054		98,388,871	
			1,995,472,913		1,442,699,405
Current Assets					
Inventories	15	829,533,163		777,166,439	
Trade receivables	16	1,431,451,705		1,194,724,637	
Cash and cash equivalents	17	2,025,586,362		909,507,755	
Short term loans and advances	18	557,307,046		277,833,321	
			4,843,878,276		3,159,232,152
Total			**6,839,351,189**		**4,601,931,557**
Significant Accounting Policies and Notes to Financial Statements form an integral part of the Balance Sheet	1-39				

In Accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S

R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 23, 2012

For and on behalf of Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Joint Managing Director

K G Prabhakar
Chief Financial Officer

N Srivatsa
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

	Note		Year ended 31.3.2012 Rs.		Year ended 31.3.2011 Rs.
INCOME					
Revenue from Operations	20		6,252,120,343		4,878,801,689
Other Income	21		156,820,903		69,431,376
Total Revenue			**6,408,941,246**		**4,948,233,065**
EXPENSES					
Cost of materials consumed	22	2,757,803,254		2,578,722,342	
Purchases for Project Business		1,779,563,028		1,146,908,442	
Changes in inventories of finished goods, work in progress and stock in trade	23	(27,628,160)		(304,823,188)	
			4,509,738,122		3,420,807,596
Employee benefits expense	24		469,190,284		368,258,313
Finance costs	25		65,678,554		66,866,467
Depreciation and amortization expense	26		89,986,507		78,911,197
Other expenses	27		536,088,986		386,618,751
Total Expenses			**5,670,682,453**		**4,321,462,324**
Profit/(Loss) before exceptional and extraordinary items and tax			738,258,793		626,770,741
Profit/(Loss) before extraordinary items and tax			738,258,793		626,770,741
Profit before tax			**738,258,793**		**626,770,741**
Tax expense:					
Current tax		225,229,526		207,646,033	
Deferred tax		14,847,806		2,721,220	
			240,077,332		210,367,253
Profit/(Loss) for the period from continuing operations			498,181,461		416,403,488
Profit/(Loss) for the period			**498,181,461**		**416,403,488**
Earning per equity share:	29				
Basic & Diluted			16.94		37.55
Significant Accounting Policies and Notes to Financial Statements form an integral part of the Profit and Loss Account	1-39				

In Accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S

R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 23, 2012

For and on behalf of Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Joint Managing Director

K G Prabhakar
Chief Financial Officer

N Srivatsa
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

			Year ended 31.3.2012 Rs.		Year ended 31.3.2011 Rs.
A	**Cash flow from Operating Activities**				
	Net Profit before tax and extraordinary items		738,258,793		626,770,741
	Adjustments for				
	Depreciation	89,986,507		78,911,197	
	Amortisation	—		—	
	(Profit) / Loss on sale of Fixed Asset	703,573		364,070	
	Dividend Income	(12,006,000)		(706,000)	
	Interest Income	(127,761,413)		(27,137,668)	
	Interest Payments	65,678,554		66,866,467	
	Provision for Warranty Claims	5,935,884		2,455,628	
	Exchange Fluctuation Deficit	—		—	
	Provision for Gratuity & Leave Encashment	5,634,459	28,171,564	22,512,497	143,266,191
	Operating profit before Working Capital Changes		**766,430,357**		**770,036,932**
	Adjustments for				
	Trade Receivables	(236,727,068)		(62,855,989)	
	Other Receivables	(527,524,748)		7,874,634	
	Inventories	(52,366,724)		(403,854,791)	
	Trade Payables	151,077,172	(665,541,368)	173,031,777	(285,804,369)
	Cash generated from Operations		**100,888,989**		**484,232,563**
	Payment of Fringe Benefit Tax	—		—	
	Payment of Gratuity	3,123,771		7,540,521	
	Direct Taxes Paid	245,222,371	248,346,142	217,808,617	225,349,138
	Net Cash Flow from Operating Activities	—	**(147,457,153)**	—	**258,883,425**
B	**Cash flow from Investing Activities**				
	Purchase of Fixed Assets	(381,782,452)		(124,958,622)	
	Purchase of Investments	—		(171,075,000)	
	Sale of Fixed Asset / Purchase of Investments	4,227,769		3,832,202	
	Dividend Received	12,006,000		706,000	
	Interest Received	127,761,413		27,137,668	
	Net Cash used in investing activities		**(237,787,270)**		**(264,357,752)**
C	**Cash flow from financing activities**				
	Proceeds from issuance of Share Capital	88,671,870		13,549,000	
	Share Application Money	—		—	
	Share Premium	2,042,245,723		156,825,000	
	Refund on Income Tax	—		—	
	Long term borrowings	(314,254,525)		(75,854,000)	
	Temporary Borrowing	46,335,515		—	
	Unsecured Loans & Deposits, Secured Loans from ICICI	(253,808,955)		249,595,243	
	Working Capital borrowings	12,513,033		(261,121)	
	Interest Paid	(65,678,554)		(69,395,783)	
	Dividend and Tax on Dividend paid	(54,701,077)		(37,108,281)	
	Net Cash flow from financing activities		**1,501,323,030**		**237,350,058**
	Net increase/decrease in cash and cash equivalents		**1,116,078,607**		**231,875,731**
	Cash and cash equivalents at the beginning		**909,507,755**		**677,632,025**
	Cash and cash equivalents at close		**2,025,586,362**		**909,507,755**
	Actual Closing Cash Balance		2,025,586,362		**909,507,755**
	Add : Non-Cash Equivalents		—		—
	Cash and cash equivalents at Close		**2,025,586,362**		**909,507,755**

NOTES: Cashflows are reported using the indirect method. Cash and cash equivalents is after adjusting translation gain/loss.

In Accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S

R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 23, 2012

For and on behalf of Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Joint Managing Director

K G Prabhakar
Chief Financial Officer

N Srivatsa
Company Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

1 SIGNIFICANT ACCOUNTING POLICIES

Consequent to a Special Resolution of the Members, passed at the Company's Extra Ordinary General Meeting held on 17th January 2011, the Company is converted to a Public Limited Company by altering its Articles of Association in terms of Section 31 read with Section 44 of the Companies Act 1956, and a fresh Certificate of Incorporation dated 04th February 2011 is issued by the Registrar of Companies, Karnataka.

1.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period.

1.2 Fixed Assets

Fixed assets are stated at cost of acquisition excluding vatable duties, inclusive of freight, taxes and incidental expenses relating to the acquisition and finance cost on borrowings utilized for acquisition of qualifying assets less depreciation.

1.3 Inventories

Inventories are valued at cost or net realizable value, which ever is lower. Raw materials and bought out items are valued on first in first out basis as per Accounting Standard - 2 and includes material cost, carriage inward, insurance and purchase related expenses. Cost in respect of work in progress and finished goods are based on works cost.

1.4 Depreciation

Depreciation is charged on straight line method as stipulated in section 205 (2) (b) of the Companies Act, 1956, at the rates specified in schedule XIV, prorata from the quarter of addition / deletion.

1.5 Revenue Recognition

Sale of manufactured goods is recognized on shipment to customers, and exclusive of excise duty and sales tax.
Sale of goods in case of project business is recognised on shipment to customers.
Erection and commissioning income is recognised as and when the services are performed/completed.
Interest income is recognised based on time proportion basis.
Dividend income is recognised when the right to receive the dividend is established.

1.6 Foreign currency transactions

a) Foreign currency transactions are translated into Indian rupees at the exchange rate prevailing on the date of the transaction.
b) Monetary foreign currency assets and liabilities outstanding at the end of the year are restated at the exchange rates prevailing on the reporting date. All exchange differences are accounted for in the profit and loss account.
c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.
d) In respect of overseas branches, which are integral foreign operations, financial statements are translated as if the transactions are those of the Company itself.

1.7 Taxes on Income

Provision for tax is made in terms of AS 22 for both current and deferred tax. Provision for current income tax if arises is made at the current tax rates based on assessable income. Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

1.8 Borrowing Cost

Interest and other borrowing cost on borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use. Other interest and borrowing cost are charged to Profit & Loss Account.

NOTES TO FINANCIAL STATEMENTS (contd.)

1.9 Contingent Liabilities

Financial effects of contingent liabilities are disclosed based on information available up to the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.10 Employees Benefits

Long Term Employee Benefits

a. Defined Contribution Plans

The Company has contributed to provident fund, which is a defined contribution plan. The contribution paid/ payable under the scheme is recognised during the year in which an employee renders the related service.

b. Defined Benefit Plans

Employees gratuity and leave encashment are defined benefit plans. The present value of the obligations under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit & loss account as income or expense. Obligation is measured at present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on government bonds where the currency and terms of the defined.

1.11 Impairment of assets

At each balance sheet date, the management reviews the carrying amount of its assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Reversal of impairment loss, if any, is recognised immediately in the profit and loss account.

1.12 Accounting for lease

i. Operating Lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

ii. Finance Lease and Hire purchase transactions

Lease rentals are charged to Profit and Loss Account over the period of Lease. Depreciation is provided on the primary period of the lease.

	As at 31.3.2012		**As at 31.3.2011**	
	Number	Rs.	Number	Rs.
2 SHARE CAPITAL				
Authorized				
Equity shares of Rs.10/- each	35,000,000	350,000,000	35,000,000	350,000,000
Issued, subscribed and fully paid up Equity shares of Rs.10/- each				
At the beginning of the reporting period	24,370,401	243,704,010	6,343,567	63,435,670
Issued during the reporting period	8,867,187	88,671,870	18,026,834	180,268,340
At the close of the reporting period	33,237,588	332,375,880	24,370,401	243,704,010
Total		**332,375,880**		**243,704,010**

Other Information

I The Company has only one class of equity shares having par value of Rs.10/- each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the period ended 31 March 2012, the amount of per share dividend recognised as distribution to equity share holders is Rs. 2/- (31 March 2011 Rs.2/-)

NOTES TO FINANCIAL STATEMENTS (contd.)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

	As at 31.3.2012 Rs.		As at 31.3.2011 Rs.	
II Equity shares include				
a. Shares allotted pursuant to a contract without consideration being received in cash. Issued to the shareholders of subsidiary company, DF Power Systems Private Limited in exchange of 17,00,000 fully paid up equity shares of Rs. 10 each on 19th October 2010	—	—	425,000	4,250,000
b. Shares allotted by way of bonus shares On Capitalisation out of Reserves to an extent of 16,246,934 Equity Shares of Rs. 10 each on 11th January 2011	—	—	16,246,934	162,469,340

	As at 31.3.2012		As at 31.3.2011	
	Percentage	No. of shares	Percentage	No. of shares
III Particulars of equity shareholders holding more than 5% of the total paid up equity share capital				
a. Saphire Finman Services Private Limited	18.13	6,026,433	24.73	6,026,433
b. Nikhil Kumar	15.46	5,138,664	21.09	5,138,664
c. Hitoshi Matsuo	12.74	4,235,254	17.38	4,235,244
d. Sofia M Khericha	6.27	2,084,100	8.55	2,084,100
e. Mohib N Khericha	5.56	1,846,860	7.58	1,846,860
f. Foziya Akil Contractor	4.02	1,334,823	5.48	1,334,823

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
3 RESERVES AND SURPLUS		
Securities Premium		
As per beginning of reporting period	165,342,516	8,517,516
Add: On account of issue of shares (IPO) (Net of issue expenses*)	2,042,245,723	156,825,000
As per the end of the reporting period	**2,207,588,239**	**165,342,516**
General Reserve		
As per beginning of reporting period	157,454,493	126,020,140
Add: Transferred from Profit and Loss Account	38,494,409	31,434,353
As per the end of the reporting period	**195,948,902**	**157,454,493**
Surplus i.e. balance in Statement of Profit & Loss		
As per beginning of reporting period	1,208,639,104	1,042,975,352
Add: Transferred from Profit and Loss Account	498,181,461	416,403,488
Less: Allocation towards allotment of bonus shares	—	162,469,343
Transferred to General Reserve	38,494,409	31,434,353
Proposed dividend	66,475,176	48,740,802
Provision towards dividend distribution tax	5,917,185	8,095,238
As per the end of the reporting period	**1,595,933,795**	**1,208,639,104**
Total	**3,999,470,936**	**1,531,436,113**

* Issue expense of Rs. 1,39,082,279/- is adjusted to Share Premium Account

NOTES TO FINANCIAL STATEMENTS (contd.)

		As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
4	**LONG TERM BORROWINGS**		
	Secured Loans:		
	Term Loans - from Banks	3,825,755	321,889,235
		3,825,755	**321,889,235**
	Less: Current maturities of Long Term loans	3,629,027	82,896,000
	Net Total long term borrowings	**196,728**	**238,993,235**
	Additional Information		
	Details of security for secured loans		
	Term Loans from Bank of Baroda	—	314,254,525
	Balance of Term Loan from M/s Bank of Baroda as on 31st March, secured by the First charge on Land, Building, Specific Plant & Machinery, Furniture and Office Equipment, First Charge on all Current Assets of the company and Personal Guarantee of two Directors - Mr. Nikhil Kumar & Mr. Hitoshi Matsuo (since waived)		
	Vehicle Loans from ICICI Bank	3,825,755	7,634,710
	Secured by specific charge on Motor Vehicles		
	Terms of repayment of term loans and others		
	Vehicle loans repayable in 35 Equated Monthly Installments with an interest rate of 7.75% (fixed)		
5	**DEFERRED TAX LIABILTY**		
	Deferred tax liability		
	On account of depreciation on fixed assets	107,479,707	90,871,115
	Deferred tax asset		
	On account of timing differences in recognition of expenditure	(19,720,248)	(17,959,462)
	Net Deferred tax liability/(asset)	**87,759,459**	**72,911,653**
6	**LONG TERM PROVISIONS**		
	Provisions for employee benefits - Leave Encashment	29,263,850	26,843,506
7	**SHORT TERM BORROWINGS**		
	Secured Loans		
	Loans repayable on demand		
	- from banks	296,297,436	283,784,403
	- from others	46,335,515	—
		342,632,951	**283,784,403**
	Unsecured Loans		
	Loans repayable on demand		
	- from banks	—	250,000,000
	Total	**342,632,951**	**533,784,403**

NOTES TO FINANCIAL STATEMENTS (contd.)

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
Additional Information		
Details of security for secured loans		
Balance of Working Capital Loan from M/s Bank of Baroda as on 31st March – Secured by Hypothecation of Raw Materials, Goods-in-process, Finished Goods and Book Debts and a charge on Fixed assets of the company and secured by Personal Guarantee of two Directors - Mr. Nikhil Kumar & Mr. Hitoshi Matsuo (since waived)	296,297,436	283,784,403
From Bank of Tokyo Mitsubishi UFJ Limited, Tokyo, Japan secured by goods pending shipment.	46,335,515	—
Loans guaranteed by directors	—	—
Loans repayable on demand - from banks	296,297,436	283,784,403
Terms of repayment of unsecured loans		
From banks – repaybale on demand and carries an Interest at 2% over base rate (floating)		
From others – Interest at 3.10% p.a.		

8 TRADE PAYABLES

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
To Micro, Small and Medium Enterprises	23,686,679	20,970,646
Others	906,274,140	875,549,379
Total	**929,960,819**	**896,520,025**
Additional Information The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:		
1. Principal amount due and remaining unpaid	23,686,679	20,970,646
2. Interest due on (1) above and the unpaid interest	1,412,207	—
3. Interest paid on all delayed payments under the MSMED Act	—	—
4. Payment made beyond the appointed day during the year	76,392,399	93,852,150
5. Interest due and payable for the period of delay other than (3) above	3,190,113	2,529,316
6. Interest accrued and remaining unpaid	4,602,320	2,529,316
7. Amount of further interest remaining due and payable in succeeding years	10,499,550	5,897,230

9 OTHER CURRENT LIABILITIES

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
Current maturities of long term debt	3,629,027	82,896,000
Outstanding Liabilities	747,087,987	589,061,159
Duties and taxes payable	10,044,552	8,841,049
Trade advance received from customers	229,058,823	273,685,729
Earnest Money Deposit	215,000	165,000
Other liabilities	23,201,800	20,218,847
Total	**1,013,237,189**	**974,867,784**

10 SHORT TERM PROVISIONS

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
Provision for warranties	30,444,551	24,508,667
Provisions for employee benefits - Leave Encashment	1,616,465	1,526,121
Proposed dividend (including dividend distribution tax)	72,392,361	56,836,040
Total	**104,453,377**	**82,870,828**

NOTES TO FINANCIAL STATEMENTS (contd.)

11 FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1.4.2011	Additions for the year	Deductions during the year	As at 31.3.2012	As at 1.4.2011	For the year	Deductions	As at 31.3.2012	As at 31.3.2012	As at 31.3.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Tangible Assets										
Free Hold Land	127,573,004	78,024,015	—	205,597,019	—	—	—	—	205,597,019	127,573,004
Lease Hold Land	—	—	—	—	—	—	—	—	—	—
Buildings	282,406,367	—	—	282,406,367	31,573,825	9,035,162	—	40,608,987	241,797,380	250,832,542
Plant & Machinery (*)	837,943,329	179,520,033	538,203	1,016,925,159	163,917,067	69,468,346	—	233,385,413	783,539,746	674,026,262
Office Equipments	12,016,894	3,213,807	997,360	14,233,341	2,123,762	678,600	262,242	2,540,120	11,693,221	9,893,132
Furniture & Fixtures	14,824,383	1,185,539	—	16,009,922	6,169,878	1,223,803	—	7,393,681	8,616,241	8,654,505
Computers	37,369,984	3,321,054	—	40,691,038	18,369,191	5,233,865	—	23,603,056	17,087,982	19,000,793
Communication Equipments	1,687,849	218,317	—	1,906,166	609,518	75,473	—	684,991	1,221,175	1,078,331
Motor Vehicles (**)	39,434,432	10,314,402	2,692,206	47,056,628	10,744,088	4,271,259	747,909	14,267,438	32,789,190	28,690,344
Total	**1,353,256,242**	**275,797,167**	**4,227,769**	**1,624,825,640**	**233,507,329**	**89,986,508**	**1,010,151**	**322,483,686**	**1,302,341,954**	**1,119,748,913**

Additional information

(*) Accumulated depreciation as on 01st April 2004 under Owned Assets includes accumulated depreciation of leased asset also.

(**) Dues w.r.t Motor Vehicles under Hire Purchase Scheme from ICICI Bank Limited amounts to Rs. 3,825,755 (Previous Year Rs. 7,634,710)

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
12 CAPITAL WORK-IN-PROGRESS		
Plant and Machinery	80,125,919	4,310,908
Building under Construction	44,868,648	16,125,713
Land	1,427,338	
Total	**126,421,905**	**20,436,621**
13 NON CURRENT INVESTMENTS		
Details of Investments		
Trade Investments (Unquoted)		
Investments in Equity Instruments		
Subsidiary Company 5,999,998 Equity Shares of Rs. 10 each fully paid up in DF Power Systems Private Limited	204,075,000	204,075,000
Non-Trade Investments (Unquoted)		
Investments in Equity Instruments		
2000 Equity Shares of Rs. 25 each fully paid up in M/s The Shamrao Vithal Co-operative Bank Limited	50,000	50,000
Total	**204,125,000**	**204,125,000**
Additional Information Aggregate value of unquoted investments at Cost	**204,125,000**	**204,125,000**

NOTES TO FINANCIAL STATEMENTS (contd.)

		As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
14	**LONG TERM LOANS AND ADVANCES**		
	Capital advances	347,986,127	90,331,414
	Security Deposit	14,597,927	8,057,457
	Total	**362,584,054**	**98,388,871**
	Additional information Breakup of above: Unsecured, considered good	362,584,054	98,388,871
15	**INVENTORIES**		
	Raw materials	235,922,267	200,599,478
	Work in progress	570,069,230	502,121,944
	Finished goods	6,686,816	26,669,047
	Stock in trade	1,000,197	2,003,545
	Goods in transit		
	Raw materials	15,854,653	25,435,530
	Finished goods	—	20,336,895
	Total	**829,533,163**	**777,166,439**
16	**TRADE RECEIVABLES**		
	Trade receivables exceeding six months	157,710,070	206,609,790
	Others	1,273,741,635	988,114,847
	Total	**1,431,451,705**	**1,194,724,637**
	Additional information		
	Breakup of above		
	Secured, considered good	411,069,764	226,275,380
	Unsecured, considered good	1,020,381,941	968,449,257
	Total	**1,431,451,705**	**1,194,724,637**
17	**CASH AND BANK BALANCE**		
	Cash and cash equivalents		
	Balances with banks		
	On current accounts	201,832,422	282,529,590
	In deposit accounts less than 3 months maturity	90,000,000	—
	Cheques, drafts on hand		2,586,462
	Cash on hand	253,940	152,507
	Other bank balances		
	Balances with banks		
	In margin money	71,500,000	71,500,000
	In deposit accounts exceeding 3 months but not exceeding 12 months	1,662,000,000	552,739,196
	Total	**2,025,586,362**	**909,507,755**

NOTES TO FINANCIAL STATEMENTS (contd.)

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
18 SHORT TERM LOANS AND ADVANCES		
Loans and advances to related parties	—	—
Rent Deposit	15,402,603	3,619,916
Balance with Statutory/ Govt authorities	223,474,402	132,517,601
Prepaid Expenses	6,606,693	25,656,167
Trade Advance	133,431,429	36,170,618
Interest accrued on term deposits	59,587,467	5,400,234
Expenditure Tax - Japan Branch	27,367,092	17,985,558
Advance payment of Tax (net of Provisions)	89,078,666	53,742,206
Others	2,358,694	2,741,022
Total	**557,307,046**	**277,833,321**
Additional information		
Breakup of above		
Unsecured, considered good	557,307,046	277,833,321

19 CONTINGENT LIABILITIES AND COMMITMENTS

(to the extent not provided for)

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
Contingent Liabilities:		
Claims against the Company not acknowledged as debts	19,711,242	—
Guarantees	647,281,816	871,838,843
Letters of credit	173,802,899	183,208,436

The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	306,776,388	78,916,794
Corporate Guarantee issued to the bankers of the subsidiary company	5,540,000,000	3,790,000,000
Corporate Guarantee issued on behalf of subsidiary company.	—	450,040,508
Outstanding Bills discounted under Letter of Credit	—	81,577,318

Others

Department of Income Tax (TDS Circle) have issued demand notice under section 201(1)/201(1a) of the Income Tax act, based on tax payer's data reflected in the computer system of the department for Short deduction / Short payments and interest thereon, for the financial years 2006-07, 2007-08, 2008-09, 2009-2010 amounting to Rs. 31,391,530/- including Rs. 9,096,720/- towards interest on such short deduction/payment under Forms 27EQ, 26Q & 24Q. The company has pursued the matter with the department during the year and the balance demand of Rs. 3,93,400/- is under appeal including Rs. 109,520/- towards interest on such short deduction/late payment.

NOTES TO FINANCIAL STATEMENTS (contd.)

		For the year ended 31.3.2012 Rs.	For the year ended 31.3.2011 Rs.
20	**REVENUE FROM OPERATIONS**		
	Sale of Goods		
	AC Generators	3,680,080,458	3,517,343,357
	AC Motors	39,898,832	2,986,599
	AC Generator Spares	577,631,085	191,589,865
	Power Business Inland	549,744,960	419,198,863
	Power Business Overseas Branch	2,016,021,382	1,201,851,570
		6,863,376,717	5,332,970,254
	Sale of services	75,655,430	30,677,719
	Other operating revenues	56,012,402	40,338,264
		6,995,044,549	5,403,986,237
	Less:		
	Intersegmental sales	483,309,361	245,109,430
	Excise duty	259,614,845	280,075,118
	Total	**6,252,120,343**	**4,878,801,689**
21	**OTHER INCOME**		
	Interest income on Bank Deposits	127,761,413	27,137,668
	Dividend Income		
	– long term investments	12,006,000	706,000
	Rental Income	13,001,157	12,682,220
	Other non operating income	4,052,333	28,905,488
	(net of expenses directly attributable to such income)		
	Total	**156,820,903**	**69,431,376**
22	**COST OF MATERIAL CONSUMED**		
	Consumption of raw materials		
	Copper (wires, strips, rods, sheet etc.)	508,923,364	441,995,259
	Steel/ Laminations	420,079,666	488,661,587
	Shaft Forgings	163,487,581	167,695,998
	Others	1,616,556,470	1,446,310,428
		2,709,047,081	2,544,663,272
	Consumption of stores and spare parts	48,756,173	34,059,070
	Total	**2,757,803,254**	**2,578,722,342**
	Purchases for Projects Business	1,779,563,028	1,146,908,442
23	**CHANGE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS**		
	Stocks at the end of the year		
	Work in progress – A C Generators	570,069,230	502,121,944
	Finished goods – A C Generators	6,686,816	47,005,942
		576,756,046	549,127,886
	Less:		
	Stocks at the beginning of the year		
	Work in progress – A C Generators	502,121,944	243,969,271
	A C Generators – Finished goods	47,005,942	335,427
		549,127,886	244,304,698
	Net (Increase) / Decrease in Stock	**(27,628,160)**	**(304,823,188)**

NOTES TO FINANCIAL STATEMENTS (contd.)

		For the year ended 31.3.2012 Rs.	For the year ended 31.3.2011 Rs.
24	**EMPLOYEE BENEFIT EXPENSES**		
	Salaries and wages	265,153,640	200,832,162
	Contribution to provident and other funds	16,483,612	30,495,731
	Remuneration to whole time directors	116,857,171	82,640,004
	Staff welfare expenses	70,695,861	54,290,416
	Total	**469,190,284**	**368,258,313**
25	**FINANCE COST**		
	Interest expense	65,678,554	66,866,467
	Total	**65,678,554**	**66,866,467**
26	**DEPRECIATION AND AMORTISATION**		
	Depreciation	89,986,507	78,911,197
	Total	**89,986,507**	**78,911,197**
27	**OTHER EXPENSES**		
	Power and fuel	74,241,068	73,668,621
	Rent	29,285,271	17,045,961
	Repairs and maintenance		
	- Buildings	13,567,651	3,377,778
	- Machinery	22,852,866	41,219,608
	- Others	8,090,395	4,825,764
	Insurance	6,953,080	3,645,858
	Rates and taxes	5,639,410	6,557,473
	Payment to the auditors		
	- as auditor	1,800,000	1,000,000
	- for taxation matters	550,000	500,000
	- for other services	817,000	236,253
	Selling expenses	113,041,439	22,783,194
	Loss on sale of fixed asset (net)	703,573	364,070
	Donations	288,000	1,658,850
	Legal and professional charges	39,597,218	50,169,991
	Directors sitting fees	660,000	200,000
	Travelling and Conveyance	86,539,998	69,304,126
	Bank Charges	40,031,112	29,830,384
	Postage, Telegrams and Telephones	8,116,733	5,800,228
	Royalty	29,900,235	25,203,897
	Software Expenses on ERP	24,757,954	9,638,020
	Manufacturing Expesnes	9,921,811	8,074,985
	Vehicle Maintenance	5,229,795	2,945,405
	Advertisement	5,545,028	1,522,281
	Printing & Stationary	6,048,587	3,805,849
	Subscription to Technical Associations, Journals & Magazines	1,910,762	3,240,155
	Total	**536,088,986**	**386,618,751**

NOTES TO FINANCIAL STATEMENTS (contd.)

		For the year ended 31.3.2012 Rs.	For the year ended 31.3.2011 Rs.
28	**ADDITIONAL INFORMATION**		
	Value of Imports calculated on CIF basis:		
	Raw Materials	495,070,148	376,589,993
	Capital goods	74,315,527	10,558,556
	Expenditure in foreign currency excluding expenditure at branch office (net of withholding tax)		
	Others - On Payment Basis	55,817,496	50,982,081
	Capital Equipment Purchased	129,905,968	4,579,461
	Value of imported raw materials, spare parts and components consumed		
	Amout	448,125,465	352,619,740
	Percentage(%) to total	16.41	15.51
	Value of indigenous raw materials, spare parts and components consumed		
	Amount	2,282,049,629	1,921,279,414
	Percentage(%) to total	83.59	84.49
	Total amount	2,730,175,094	2,273,899,154
	Total percentage	100	100
	Details of non-resident shareholdings		
	Number of nonresident share holders	45	5
	Number of shares held by nonresident shareholders	10,877,713	5,783,169
	Amount remitted during the year in foreign currency on account of dividends (2010-2011 & 2009-2010) in JPY	20,449,677	16,620,220
	Earnings in foreign exchange:		
	Export of goods calculated on FOB basis	1,495,366,035	471,723,226
	Other Income	3,362,866	269,741
29	**EARNINGS PER SHARE**		
	After extraordinary item		
	Profit for the year after tax expense	498,181,461	416,403,488
	Weighted average number of equity shares	29,409,677	11,088,897
	Earning per share	16.94	37.55
	Before extraordinary item		
	Profit for the year after tax expense	498,181,461	416,403,488
	Weighted average number of equity shares	29,409,677	11,088,897
	Earning per share	16.94	37.55
30	**DISCLOSURES AS PER ACCOUNTING STANDARD 15 “EMPLOYEE BENEFITS”:**		
	Defined Contribution Plan		
	Employer’s Contribution to Provident Fund & Pension Scheme	15,030,613	11,657,873
	Defined Benefit Plan		
	The employees’ gratuity fund scheme managed by a trust is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.		

NOTES TO FINANCIAL STATEMENTS (contd.)

DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS" (contd.)

	2011-12		2010-11	
	Gratuity (Funded) Rs.	Leave (Unfunded) Rs.	Gratuity (Funded) Rs.	Leave (Unfunded) Rs.
Defined Benefit obligation				
At beginning of the reporting period	16,130,761	28,369,627	8,528,817	13,397,651
Current Service Cost	2,702,509	5,043,627	1,496,321	15,640,325
Interest Cost	1,290,461	2,411,418	682,305	1,071,812
Acqusition adjustment	—	—	—	—
Actuarial (gain)/ loss	2,146,554	(4,944,357)	5,799,934	(529,391)
Benefits Paid	(3,820,503)	—	(376,616)	(1,210,770)
At end of the reporting period	18,449,782	30,880,315	16,130,761	28,369,627
Obligations at end of the period - Current	*1,862,347*	*1,616,465*	*1,310,624*	*1,526,121*
Obligations at end of the period - Non -Current	*16,587,435*	*29,263,850*	*14,820,137*	*26,843,506*
Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the reporting period *	21,945,232	—	13,510,345	—
Acqusition adjustment	—	—	—	—
Expected return on plan assets	1,715,396	—	1,270,321	—
Employer Contribution	3,123,771	—	7,540,521	—
Benefits paid	(3,820,503)	—	(376,616)	—
Actuarial gain/(loss)		—	—	—
Fair value of plan assets at reporting period	22,963,896	—	21,944,571	—
Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	22,963,896		21,944,571	—
Present value of obligation	18,449,782		16,130,761	28,369,627
Amount recognised in Balance Sheet under liabilities:	4,514,114		5,813,810	(28,369,627)
Expense recognised during the year:				
Current Service Cost	2,702,509	5,043,627	1,496,321	15,640,325
Interest Cost	1,290,461	2,411,418	682,305	1,071,812
Expected return on plan assets	(1,715,396)	—	1,270,982	—
Actuarial (gain)/ loss	2,146,554	(4,944,357)	5,799,934	(529,391)
Net Cost	4,424,128	2,510,688	9,249,542	16,182,746
Actuarial assumptions:				
Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	8.00%	8.50%	8.00%	8.50%
Expected rate of return on plan assets (per annum)	8.00%	8.50%	8.00%	8.50%
Rate of escalation in salary (per annum)	7.00%	8.00%	7.00%	8.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the actuary.

NOTES TO FINANCIAL STATEMENTS (contd.)

31 SEGMENT REPORTING

The company's operation comprises of Manufacturing business & Project Business. Primary segmental reporting comprises of Manufacturing Business & Project Business Segments. Secondary Segmental reporting is based on geographical location of Activities. Under primary segment revenue and direct expenses, which relate to a particular segment and which are identifiable, are reported under that segment

Certain expenses, which are not allocable to any specific segment, are separately disclosed at the enterprise level. Cash and bank balances in India are reported at the enterprise level as the company operates common bank accounts. Fixed assets, Liabilities, Current assets and Current liabilities relating to specific business segments are identified and reported. Those that are not identifiable are reported as common items.

Secondary segment is reported based on the geographical location of the company, viz., India and Japan. Revenues in the secondary segment are based on the sales made by the branch office. Inter-segmental purchases & sales are separately identified and reported. Fixed assets, Current Assets including Cash and Bank accounts, and Current Liabilities are identified based on the branch office to which they relate and are reported accordingly.

Year ended 31.3.2012

	Primary Segment			Total
	Manufacturing	Project Business	Common	
Segment Revenues				
External Revenues	4,114,591,607	2,620,838,097	—	6,735,429,704
Intersegment revenues	(483,309,361)	—		(483,309,361)
Total Revenues	3,631,282,246	2,620,838,097	—	6,252,120,343
Segment Results				
Profit Before Taxation and Interest	660,651,409	131,263,557	(54,812,013)	737,102,953
Less: Interest	65,260,838	335,776	81,941	65,678,555
Less: Depreciation & Amortizations	89,216,913	550,349	219,245	89,986,507
TOTAL	506,173,658	130,377,432	(55,113,199)	581,437,891
Unallocable & Other Income (including Extraordinary items)	73,557,387	23,246,727	60,016,788	156,820,903
Less: Tax	240,077,332	—	—	240,077,332
Total Profit	**339,653,713**	**153,624,160**	**4,903,589**	**498,181,462**

Year ended 31.3.2011

Segment Revenues				
External Revenues	3,480,439,985	1,643,471,134	—	5,123,911,119
Intersegment revenues	(245,109,430)	—		(245,109,430)
Total Revenues	3,235,330,555	1,643,471,134	—	4,878,801,689
Segment Results				
Profit Before Taxation and Interest	673,724,840	87,883,794	(58,491,604)	703,117,029
Less: Interest	66,601,142	181,146	84,178	66,866,467
Less: Depreciation & Amortizations	77,490,429	1,128,440	292,327	78,911,197
Total	529,633,268	86,574,207	(58,868,110)	557,339,365
Unallocable Expenditure				
Unallocable & Other Income (including Extraordinary items)	17,352,469	20,383,241	31,695,666	69,431,376
Less: Tax	210,367,253			210,367,253
Total Profit	**336,618,484**	**106,957,448**	**(27,172,444)**	**416,403,488**
Segment Assets	3,725,356,129	839,248,943	1,944,199,212	6,508,804,284
Previous Year (2010-2011)	2,967,597,976	567,072,853	842,699,110	4,377,369,939
Segment Liabilities	1,312,627,975	688,265,872	—	2,000,893,847
Previous Year (2010-2011)	1,119,602,729	719,333,284	59,270,130	1,898,206,143
Capital Expenditure	270,138,901	1,430,497	—	271,569,398
Previous Year (2010-2011)	102,555,468	1,966,532	—	104,522,000

NOTES TO FINANCIAL STATEMENTS (contd.)

SEGMENT REPORTING (contd.)

	Year ended 31.3.2012 Rs.	Year ended 31.3.2011 Rs.
Geographical Segment Revenue		
Sales in India	4,719,408,322	3,922,059,549
Sales of overseas	2,016,021,382	1,201,851,570
Less: Inter-segmental sales	(483,309,361)	(245,109,430)
Total	**6,252,120,344**	**4,878,801,689**

Carrying amounts of geographical assets & additions to tangible & intangible fixed assets:

Location	Carrying amounts of segment assets (Rs.)		Additions to fixed assets & intangible assets (Rs.)	
	Year ended 31.3.2012	Year ended 31.3.2011	Year ended 31.3.2012	Year ended 31.3.2011
In India	6,109,055,781	4,063,258,193	270,138,901	103,638,324
Outside India	399,748,503	314,111,746	1,430,497	883,676
Total	6,508,804,284	4,377,369,938	271,569,398	104,522,000

32 RELATED PARTY DISCLOSURE

Related party	**Relationship**
DF Power Systems Private Limited	Subsidiary
Nikhil Kumar	Key management personnel and their relatives
Hitoshi Matsuo	Key management personnel and their relatives
Tadao Kuwashima	Key management personnel and their relatives
Mohib N Khericha	Key management personnel and their relatives

Details of Transactions

Nature of transactions/related party	Subsidiary - DF Power Systems Private Limited Rs.	Key management personnel and their Relatives Rs.	Enterprises over which key management personnel and their relatives are able to exercise significant influence Rs.
Directors Remuneration and Commission			
Nikhil Kumar	—	70,093,634	—
	—	(36,955,363)	—
Hitoshi Matsuo	—	35,865,937	—
	—	(35,652,376)	—
Directors Remuneration			
Tadao Kuwashima	—	10,897,600	—
	—	(10,032,265)	—
Directors Sitting fees			
Mohib Khericha	—	220,000	—
	—	(80,000)	—
Lease Rent Paid			
Mohib Khericha	—	2,400,000	—
		(2,400,000)	
Rent received (including service tax)	14,340,275	—	—
	(13,988,489)	—	—
Management Services to	(30,782,480)	—	—

NOTES TO FINANCIAL STATEMENTS (contd.)

RELATED PARTY DISCLOSURE (contd.)

Nature of transactions/related party	Subsidiary - DF Power Systems Priva te Limited Rs.	Key management personnel and their Relatives Rs.	Enterprises over which key management personnel and their relatives are able to exercise significant influence Rs.
Management Services from	20,146,748	—	—
Amount due to Company from	56,778,300	—	—
Amount due from Company to	—	—	—
Sale of Generators to (including taxes & duties)	115,281,420	—	—

33 OPERATING LEASE

The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.29,285,271/- (Previous year Rs.17,045,961/-).

34 WARRANTY CLAIMS, GRATUITY AND LEAVE ENCASHMENT

During the reporting period, the Company has made provisions towards Warranty claims, Gratuity and Leave encashment the details of the same are as under

	Warranty claims Rs.	Gratuity Rs.	Leave encashmet Rs.
Balance outstanding at the beginning of the reporting period	24,508,667	—	28,369,627
Provision for the reporting period	5,935,884	3,123,771	2,510,688
Utilized during the reporting period	—	3,123,771	—
Withdrawn and credited to Statement of Profit and Loss	—		—
Balance outstanding at the end of the reporting period	30,444,551	—	30,880,315

35 FOREIGN CURRENCY EXPOSURES

Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at end of the reporting period is as follows

	As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
Assets (Receivables)	308,284,276	80,788,839
Liabilities (payables)	201,368,309	87,028,683

36 INITIAL PUBLIC OFFERING (IPO)

During the half year ended 30th September 2011 the company has raised funds amounting to Rs. 2,269,999,872/- through an Initial Public Offer by filing prospectus with SEBI through a book building process. The shares of the company was issued at the premium of Rs.246/- having face value of Rs.10 each. All the Issue Related Expense have been debited to Share Premium Account to Rs. 139,082,279/-.

37 STATEMENT OF UTILISATION OF IPO PROCEEDS

Objects	** Balance to be utilised Rs.	Utilisation as of 31.03.2012 Rs.	IPO Proceeds (Total estimated cost) Rs.
Finance the expansion of our manufacturing plant in Dabaspet	4,104.20	6,169.40	10,273.60
Construction of a project office in Bangalore city	2,890.90	—	2,890.90
Repayment of debt	539.13	2,741.57	3,280.70
Funding working capital requirements of our Company	4,000.00	—	4,000.00
General corporate purposes	863.98	1390.82	2,254.80
TOTAL	**12,398.21**	**10301.79**	**22,700.00**

** The balance in the IPO proceeds have been in the interim invested in term deposit with nationalised Bank

NOTES TO FINANCIAL STATEMENTS (contd.)

38 MANAGERIAL REMUNERATION

The Computation of net profit for the year ended March 31, 2012 under Section 309(5) of the Companies Act, 1956 is as under

	Year ended 31.03.2012	Year ended 31.03.2011
Profit before tax	738,258,793	626,770,741
Add : Depreciation as per books	89,986,507	78,911,197
Add : Directors Remuneration	117,637,171	83,420,004
Add: Loss on sale of fixed assets	703,573	364,070
Add : Stamp duty paid on increase in authorized share capital	—	1,375,000
Total	946,586,044	790,841,012
Less : Depreciation under Section 350	89,986,507	78,911,197
Net Profit	**856,599,537**	711,929,815
Commission to Managing Director	22,397,329	21,367,184
Commission to Jt. Managing Director	52,260,434	21,367,184

The remuneration (including commission) payable to the Wholetime Directors for the period ended March 31, 2012 amounts to Rs. 117,637,171/- (Previous Year Rs. 83,420,004/-) details of which are as follows:

	Managing Director Rs.	Jt. Managing Director Rs.	Director Technical Rs.
Remuneration for the Period ended March 31, 2012			
Salary & Perquisite	13,468,608	16,303,200	10,035,200
LTA & Medical Expenses	—	2,310,000	—
Ex-gratia	—	—	862,400
Commission	22,397,329	52,260,434	—
Total	35,865,937	70,873,634	10,897,600
Remuneration for the Period ended March 31, 2011			
Salary & Perquisite	12,244,192	14,368,179	8,464,265
LTA & Medical Expenses	—	2,000,000	—
Ex-gratia	2,041,000	—	1,568,000
Commission	21,367,184	21,367,184	—
Total	**35,652,376**	**37,735,363**	**10,032,265**

Consequent to a Special Resolution passed at the Extra ordinary General Meeting held on 17th January 2011, the Company converted to a Public Limited Company. Accordingly, in terms of the expert opinion obtained by the Company, the appointments of the Managing director, Jt Managing director and Director- Technical are deemed to be appointments u/s Section 269 of the Companies Act 1956 and the remuneration payable to the aforesaid directors for the period 17-Jan-2011 and onwards through the respective tenure of appointment, is governed by Clause (C) of Section II of Part II of Schedule XIII of the Companies Act 1956 and until the company turns into listed public company, approval of the Central government would not be required thereto in terms of the amendment to schedule XIII of the Companies Act ,1956 vide Notification number GSR .70(E) dated 8th February 2011.

The company turned into a listed public company w.e.f September 8, 2011 consequent to its equity capital being listed on the BSE and NSE pursuant to an Initial public offering by the company. Accordingly, the company has filed applications seeking approval of the Central Government for payment of remuneration as above, to the managing Director, Jt. managing director and Director - Technical. However, provision has been made in the books of accounts relating to the remuneration as above payable to the managing Director, Jt. Managing Director and Director - Technical for the fiscal 2012, in terms of the respective terms of appointment amended from time to time. Further, the Jt. Managing Director is also the Managing Director of the wholly owned subsidiary of the company accordingly the remuneration payable shall be in terms of Section III of Schedule XIII of the Companies Act, 1956.

39 PREVIOUS REPORTING PERIOD

Previous reporting period's figures have been regrouped wherever required in conformity with the presentation for the current reporting period.

CONSOLIDATED FINANCIAL STATEMENTS

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AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the members of TD POWER SYSTEMS LIMITED, Bangalore

1. We have audited the attached Consolidated Balance Sheet of TD Power Systems Limited ("the Company") and its subsidiary ("collectively referred as "Group") as at 31st March 2012 and Profit and Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto, in which, the accounts of Japan Branch of the Company and Hongkong branch of the subsidiary is incorporated, which are audited by the branch auditors appointed by the Company. 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 as to whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The report on the accounts of the Japan branch office and Hong Kong branch (not audited by us) audited by Mr. Mitsuo Sekino, Certified Public Accountant (Japan), and Mr. M/s Simon Chong & Co., Certified Public Accountant (Hongkong) respectively, has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report.

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

5. Attention of the members is drawn to the Note 37 of the Financial Statements with respect to Managerial remuneration payable to the directors of the Company amounting to Rs.1,168.57 lakhs (Previous Year Rs.169.13 lakhs) along with that of its subsidiary amounting to Rs.51.05 lakhs (Previous Year Rs.51.29 lakhs) is pending subject to the approval of Central Government.

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

   a) In the case of the consolidated balance sheet, of the state of affairs of the Group as at 31st March, 2012;

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

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

For **B. K. Ramadhyani & Co.,**
Chartered Accountants
FRN No. 002878S

R Satyanarayana Murthi
Partner
Membership No. 024248

Bangalore
May 23, 2012

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

	Note		As at 31.3.2012 Rs.		As at 31.3.2011 Rs.
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	2	332,375,880		243,704,010	
Reserves and Surplus	3	4,265,748,674		1,629,349,160	
			4,598,124,554		1,873,053,170
Non - current liabilities					
Long term borrowings	4	196,728		238,993,235	
Deferred tax liabilities (Net)	5	85,206,005		71,675,641	
Long term provisions	6	37,705,780		28,551,607	
			123,108,513		339,220,483
Current Liabilities					
Short term borrowings	7	342,632,951		533,784,403	
Trade payables	8	1,580,820,707		1,329,955,382	
Other current liabilities	9	1,379,271,926		1,689,702,943	
Short term provisions	10	830,174,762		926,850,200	
			4,132,900,346		4,480,292,928
Total			**8,854,133,413**		**6,692,566,581**
ASSETS					
Non - current assets					
Fixed Assets					
Tangible assets	11	1,314,697,340		1,132,025,817	
Capital work in progress	12	126,421,905		20,436,621	
		1,441,119,245		1,152,462,438	
Non - current investments	13	50,000		50,000	
Long term loans and advances	14	366,836,368		102,641,185	
			1,808,005,613		1,255,153,623
Current Assets					
Inventories	15	829,533,163		777,166,439	
Trade receivables	16	2,401,941,361		2,039,759,160	
Cash and cash equivalents	17	3,022,237,251		2,078,030,595	
Short term loans and advances	18	792,416,025		542,456,764	
			7,046,127,800		5,437,412,958
Total			**8,854,133,413**		**6,692,566,581**
Significant Accounting Policies and Notes to Financial Statements form an integral part of the Balance Sheet	1-39				

In Accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S

R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 23, 2012

For and on behalf of Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Joint Managing Director

K G Prabhakar
Chief Financial Officer

N Srivatsa
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

	Note		Year ended 31.3.2011 Rs.		Year ended 31.3.2011 Rs.
INCOME					
Revenue from Operations	20		10,316,253,525		8,637,259,850
Other Income	21		223,924,934		109,166,680
Total revenue			**10,540,178,459**		**8,746,426,530**
EXPENSES					
Cost of materials consumed	22	2,757,803,254		2,578,722,342	
Purchases for Project Business		5,430,856,615		4,467,149,321	
Changes in inventories of finished goods, work in progress and stock in trade	23	(27,628,160)		(304,823,188)	
			8,161,031,709		6,741,048,476
Employee benefits expense	24		607,616,447		518,186,483
Finance costs	25		65,678,554		66,866,467
Depreciation and amortization expense	26		91,483,568		80,477,812
Other expenses	27		628,695,390		483,980,733
Total Expenses			**9,554,505,668**		**7,890,559,971**
Profit/(Loss) before exceptional and extraordinary items and tax			985,672,791		855,866,559
Profit/(Loss) before extraordinary items and tax			985,672,791		855,866,559
Profit before tax			**985,672,791**		**855,866,559**
Tax expense:					
Current tax		312,729,526		287,657,498	
Deferred tax		13,530,363		1,654,809	
			326,259,889		289,312,307
Profit/(Loss) for the period from continuing operations			659,412,902		566,554,252
Profit/(Loss) for the period			659,412,902		566,554,252
Add: Prior Period Adjustment			12,000,000		349,015
Profit/(Loss) for the period			**671,412,902**		**566,903,267**
Earning per equity share	29				
Basic & Diluted			22.42		51.09
Significant Accounting Policies and Notes to Financial Statements form an integral part of the Profit and Loss Account	1-39				

In Accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S

R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 23, 2012

For and on behalf of Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Joint Managing Director

K G Prabhakar
Chief Financial Officer

N Srivatsa
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2012

			Year ended 31.3.2012 Rs.		Year ended 31.3.2011 Rs.
A	**Cash flow from Operating Activities**				
	Net Profit before tax and extraordinary items		985,672,791		855,866,560
	Adjustments for				
	Depreciation	91,483,568		80,477,812	
	Amortisation	—		—	
	(Profit) / Loss on sale of Fixed Asset	858,593		364,070	
	Dividend Income	(6,000)		(6,000)	
	Interest Income	(208,082,776)		(103,447,256)	
	Interest Payments	65,678,554		66,866,467	
	Provision for Warranty Claims	5,935,884		2,455,608	
	Exchange Fluctuation Deficit	—		742,337	
	Provision for Gratuity & Leave Encashment	13,568,027		25,261,221	
			(30,564,150)		72,714,259
	Operating profit before Working Capital Changes		**955,108,641**		**928,580,819**
	Adjustments for				
	Trade Receivables	(362,182,201)		26,998,806	
	Other Receivables	(513,339,805)		326,429,714	
	Inventories	(52,366,724)		(403,854,791)	
	Future Contracts	(110,331,426)		524,516,502	
	Trade Payables	19,701,283	(1,018,518,873)	(492,553,470)	(18,463,239)
	Cash generated from Operations		**(63,410,232)**		**910,117,580**
	Payment of Fringe Benefit Tax	—		—	
	Payment of Gratuity	—		9,560,354	
	Direct Taxes Paid	308,850,671	308,850,671	303,728,643	313,288,997
	Net Cash Flow from Operating Activities		**(372,260,903)**		**596,828,583**
B	**Cash flow from Investing Activities**				
	Purchase of Fixed Assets	(384,250,791)		(131,806,486)	
	Purchase of Investments	—		3,832,202	
	Sale of Fixed Asset / Purchase of Investments	5,299,596		—	
	Dividend Received	6,000		6,000	
	Interest Received	208,082,776		103,447,256	
	Net Cash used in investing activities		**(170,862,421)**		**(24,521,028)**
C	**Cash flow from Financing Activities**				
	Proceeds from issuance of Share Capital	88,671,870		13,549,000	
	Share Premium	2,042,245,723		—	
	Refund on Income Tax			(12,750,000)	
	Long term borrowings	(314,254,525)		(75,854,000)	
	Temporary Borrowing	46,335,515		—	
	Unsecured Loans & Deposits and Vehicles loan from ICICI	(253,808,955)		249,595,243	
	Working Capital borrowings	12,513,033		(261,122)	
	Interest Paid	(65,678,554)		(66,866,467)	
	Dividend and Tax on Dividend paid	(68,694,126)		(37,927,246)	
	Net Cash flow from financing activities		**1,487,329,981**		**69,485,408**
	Net increase/decrease in cash and cash equivalents		**944,206,657**		**641,792,961**
	Cash and cash equivalents at the beginning		2,078,030,595		1,436,237,634
	Cash and cash equivalents at close		**3,022,237,252**		**2,078,030,595**
	Actual Closing Cash Balance		3,022,237,252		2,078,030,595
	Add: Non-Cash Equivalents		—		—
	Cash and cash equivalents at Close		**3,022,237,252**		**2,078,030,595**

Cashflows are reported using the indirect method.
Cash and cash equivalents is after adjusting translation gain/loss.

In Accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S

R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 23, 2012

For and on behalf of Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Joint Managing Director

K G Prabhakar
Chief Financial Officer

N Srivatsa
Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

1 SIGNIFICANT ACCOUNTING POLICIES

Consequent to a Special Resolution of the Members, passed at the Company's Extra Ordinary General Meeting held on 17th January 2011, the Company is converted to a Public Limited Company by altering its Articles of Association in terms of Section 31 read with Section 44 of the Companies Act, 1956, and a fresh Certificate of Incorporation dated 4th February 2011 is issued by the Registrar of Companies, Karnataka.

DF Power Systems Private Limited (Subsidiary Company) a company incorporated under Companies Act, 1956, is the wholly owned subsidiary of the company, w.e.f. October 1, 2010.

1.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period.

1.2 Principles of Consolidation

The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company.

a) The financial statement of the Company and its subsidiary company has been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealized profits or losses have been fully eliminated.

b) The share of equity in the subsidiary company as on the date of investment is in excess of cost of investment of the Group, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

1.3 Fixed Assets

Fixed assets are stated at cost of acquisition excluding vatable duties, inclusive of freight, taxes and incidental expenses relating to the acquisition and finance cost on borrowings utilized for acquisition of qualifying assets less depreciation.

1.4 Inventories

Inventories are valued at cost or net realizable value, which ever is lower. Raw materials and bought out items are valued on first in first out basis as per Accounting Standard - 2 and includes material cost, carriage inward, insurance and purchase related expenses. Cost in respect of work in progress and finished goods are based on works cost.

1.5 Depreciation

Depreciation is charged on straight line method as stipulated in section 205 (2) (b) of the Companies Act, 1956, at the rates specified in schedule XIV, prorata from the quarter of addition / deletion.

1.6 Revenue Recognition

Company

(a) Sale of manufactured goods is recognized on shipment to customers, and exclusive of excise duty and sales tax.

(b) Sale of goods in case of project business is recognised on shipment to customers.

(c) Erection and commissioning income is recognised as and when the services are performed/completed.

(d) Interest income is recognised based on time proportion basis.

(e) Dividend income is recognised when the right to receive the dividend is established.

Subsidiary Company

(a) Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the customer. Sales include goods dispatched to customers by partial shipment.

(b) Income from erection and project management services is recognized on work done based on percentage completion or the intrinsic value, reckoned at 97.5% of contract value, the balance 2.5% is recognized as income when the contract is completed.

(c) Income from engineering services rendered is recognized at realizable value based on percentage of work completed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

1.7 Foreign currency transactions

a) Foreign currency transactions are translated into Indian rupees at the exchange rate prevailing on the date of the transaction.

b) Monetary foreign currency assets and liabilities outstanding at the end of the year are restated at the exchange rates prevailing on the reporting date. All exchange differences are accounted for in the profit and loss account.

c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

d) In respect of overseas branches, which are integral foreign operations, financial statements are translated as if the transactions are those of the Company itself.

1.8 Taxes on Income

Provision for tax is made in terms of AS 22 for both current and deferred tax. Provision for current income tax if arises is made at the current tax rates based on assessable income. Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

1.9 Borrowing Cost

Interest and other borrowing cost on borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use. Other interest and borrowing cost are charged to Profit & Loss Account.

1.10 Contingent Liabilities

Financial effects of contingent liabilities are disclosed based on information available up to the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.11 Employees Benefits

Long Term Employee Benefits

a. Defined Contribution Plans

The Company has contributed to provident funds, which is a defined contribution plan. The contribution paid/ payable under the scheme is recognised during the year in which an employee renders the related service.

b. Defined Benefit Plans

Employees gratuity and leave encashment are defined benefit plans. The present value of the obligations under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit & loss account as income or expense. Obligation is measured at present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on government bonds where the currency and terms of the defined benefit obligation.

1.12 Impairment of assets

At each balance sheet date, the management reviews the carrying amount of its assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Reversal of impairment loss, if any, is recognised immediately in the profit and loss account.

1.13 Accounting for lease

Operating Lease
Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

Finance Lease and Hire purchase transactions
Lease rentals are charged to Profit and Loss Account over the period of Lease. Depreciation is provided on the primary period of the lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

	As at 31.3.2012		As at 31.3.2011	
	Number	Rs.	Number	Rs.
2 SHARE CAPITAL				
Authorized:				
Equity shares of Rs.10/- each	35,000,000	350,000,000	35,000,000	350,000,000
Issued, subscribed and fully paid up:				
Equity shares of Rs.10/- each				
At the beginning of the reporting period	24,370,401	243,704,010	6,343,567	63,435,670
Bought back during the reporting period	—	—	—	—
Issued during the reporting period	8,867,187	88,671,870	18,026,834	180,268,340
At the close of the reporting period	33,237,588	332,375,880	24,370,401	243,704,010
Total		**332,375,880**		**243,704,010**

Other Information

I. The Company has only one class of equity shares having par value of Rs.10/- each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the period ended 31 March 2012, the amount of per share dividend recognised as distributions to equity share holders was Rs. 2/- (31 March 2011 Rs.2/-)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

	As at 31.3.2012		**As at 31.3.2011**	
	Percentage	**No. of shares**	**Percentage**	**No. of shares**
II. Equity shares include				
a. Shares allotted pursuant to a contract without consideration being received in cash				
Issued to the shareholders of the subsidiary company in exchange of 17,00,000 fully paid up equity shares of Rs. 10 each on 19th October 2010	—	—	425,000	4,250,000
b. Shares allotted by way of bonus shares				
On Capitalisation out of Reserves to an extent of 16,246,934 Equity Shares of Rs. 10 each on 11th January 2011.	—	—	16,246,934	162,469,340

	As at 31.3.2012		**As at 31.3.2011**	
	Percentage	**No of shares**	**Percentage**	**No of shares**
III. Particulars of equity share holders holding more than 5% of the total paid-up equity share capital				
a. Saphire Finman Services Private Limited	18.13	6,026,433	24.73	6,026,433
b. Nikhil Kumar	15.46	5,138,664	21.09	5,138,664
c. Hitoshi Matsuo	12.74	4,235,254	17.38	4,235,244
d. Sofia M Khericha	6.27	2,084,100	8.55	2,084,100
e. Mohib N Khericha	5.56	1,846,860	7.58	1,846,860
f. Foziya Akil Contractor	4.02	1,334,823	5.48	1,334,823

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

		As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
3	**RESERVES AND SURPLUS**		
	Capital Reserve		
	As per beginning of reporting period	71,829,215	1,004,701
	Add: Additions during the year	—	24,654,712
	Minority Interest Share on acquisation	—	33,419,802
	Capital reserve on account of cost of investment over face value	—	12,750,000
	As per the end of the reporting period	**71,829,215**	**71,829,215**
	Securities Premium		
	As per beginning of reporting period	8,517,516	8,517,516
	Add: On account of issue of shares (IPO) (Net of issue expenses*)	2,042,245,723	-
	As per the end of the reporting period	**2,050,763,239**	**8,517,516**
	General Reserve		
	As per beginning of reporting period	174,228,128	131,559,949
	Add: Additions during the year	55,685,809	42,668,179
	As per the end of the reporting period	**229,913,937**	**174,228,128**
	Surplus i.e. balance in Statement of Profit & Loss		
	As per beginning of reporting period	1,374,774,301	1,108,492,358
	Add: Transferred from Profit and Loss Account	671,412,902	566,903,267
	Less: Allocation towards allotment of bonus shares	—	162,469,343
	Transferred to General Reserve	55,685,809	42,668,179
	Transfer to Capital Reserve	—	24,654,712
	Proposed dividend	66,475,176	60,740,802
	Provision towards dividend distribution tax	10,783,935	10,088,288
	As per the end of the reporting period	**1,913,242,283**	**1,374,774,301**
	Total	**4,265,748,674**	**1,629,349,160**
	* Issue expense of Rs. 1,39,082,279/- is adjusted to Share Premium Account		
4	**LONG TERM BORROWINGS**		
	Secured Loans:		
	Term Loans - from Banks	3,825,755	321,889,235
	Less: Current maturities of Long Term loans	3,629,027	82,896,000
	Net Total long term borrowings	**196,728**	**238,993,235**
	Additional Information		
	Details of security for secured loans		
	Term Loans from Bank of Baroda	—	314,254,525
	Balance of Term Loan from M/s Bank of Baroda as on 31st March. Secured by the First charge on Land, Building, Specific Plant & Machinery, Furniture and Office Equipment, First Charge on all Current Assets of the company and Personal Guarantee of two Directors - Mr. Nikhil Kumar & Mr. Hitoshi Matsuo since waived		
	Vehicle Loans from ICICI Bank	3,825,755	7,634,710
	Secured by specific charge on Motor Vehicles		
	Terms of repayment of term loans and others		
	Vehicle loans repayable in 35 Equated Monthly Installments with an interest rate of 7.75% (fixed).		
5	**DEFERRED TAX LIABILTY**		
	Deferred tax liability		
	On account of depreciation on fixed assets	108,428,689	91,569,111
	Deferred tax asset		
	On account of timing differences in recognition of expenditure	23,222,684	19,893,470
	Net Deferred tax liability/(asset)	**85,206,005**	**71,675,641**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

		As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
6	**LONG TERM PROVISIONS**		
	Provisions for employee benefits - Leave Encashment	37,705,780	28,551,607
7	**SHORT TERM BORROWINGS**		
	Secured Loans:		
	Loans repayable on demand		
	- from banks	296,297,436	283,784,403
	- from others	46,335,515	—
		342,632,951	**283,784,403**
	Unsecured Loans:		
	Loans repayable on demand - from banks	—	250,000,000
	Total	**342,632,951**	**533,784,403**
	Additional Information		
	Details of security for secured loans		
	Balance of Working Capital Loan from M/s Bank of Baroda as on 31st March – Secured by Hypothecation of Raw Materials, Goods-in-process, Finished Goods and Book Debts and a charge on Fixed assets of the company and secured by Personal Guarantee of two Directors - Mr. Nikhil Kumar & Mr. Hitoshi Matsuo since waived	296,297,436	283,784,403
	From Bank of Tokyo Mitsubishi UFJ Limited, Tokyo, Japan secured by goods pending shipment.	46,335,515	—
	Loans guaranteed by directors	—	—
	Loans repayable on demand - from banks	296,297,436	283,784,403
	Terms of repayment of unsecured loans		
	From banks – repayable on demand and carries an Interest at 2% over base rate (floating)		
	From others – Interest at 3.10% p.a.		
8	**TRADE PAYABLES**		
	To Micro, Small and Medium Enterprises	35,379,281	26,474,689
	Others	1,545,441,426	1,303,480,693
	Total	**1,580,820,707**	**1,329,955,382**
	Additional Information:		
	The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:		
	Principal amount due and remaining unpaid	23,686,679	26,474,689
	Interest due on (1) above and the unpaid interest	1,412,207	—
	Interest paid on all delayed payments under the MSMED Act	—	—
	Payment made beyond the appointed day during the year	76,392,399	93,852,150
	Interest due and payable for the period of delay other than (3) above	3,190,113	2,529,316
	Interest accrued and remaining unpaid	4,602,320	2,529,316
	Amount of further interest remaining due and payable in succeeding years	10,499,550	5,897,230
9	**OTHER CURRENT LIABILITIES**		
	Current maturities of long term debt	3,629,027	82,896,000
	Outstanding Liabilities	844,357,274	650,779,720
	Duties and taxes payable	14,856,607	15,539,091
	Trade advance received from customers	492,844,408	920,080,119
	Earnest Money Deposit	215,000	165,000
	Other liabilities	23,369,610	20,243,013
	Total	**1,379,271,926**	**1,689,702,943**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

		As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
10	**SHORT TERM PROVISIONS**		
	Reserve for Future Contract	719,451,567	829,782,993
	Provision for warranties	30,444,551	24,508,667
	Provisions for employee benefits - Leave Encashment	3,019,533	1,729,450
	Proposed dividend (including dividend distribution tax)	77,259,111	70,829,090
		830,174,762	**926,850,200**

11 FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1.4.2011	Additions for the year	Deductions during the year	As at 31.3.2012	As at 1.4.2011	For the year	Deductions	As at 31.3.2012	As at 31.3.2012	As at 31.3.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Tangible Assets										
Free Hold Land	127,573,004	78,024,015	—	205,597,019	—	—	—	—	205,597,019	127,573,004
Buildings	282,406,367	—	—	282,406,367	31,573,825	9,035,162	—	40,608,987	241,797,380	250,832,542
Plant & Machinery (*)	838,844,674	179,520,033	538,203	1,017,826,504	164,171,168	69,522,166	—	233,693,334	784,133,170	674,673,506
Office Equipments	16,000,219	4,639,101	997,360	19,641,960	2,343,790	949,631	262,242	3,031,179	16,610,781	13,656,429
Furniture & Fixtures	15,688,484	1,381,391	—	17,069,875	6,549,986	1,269,453	—	7,819,439	9,250,436	9,138,498
Computers	41,198,344	4,168,248	—	45,366,592	19,392,558	5,921,674	—	25,314,232	20,052,360	21,805,786
Communication Equipments	1,687,849	218,317	—	1,906,166	609,518	75,473	—	684,991	1,221,175	1,078,331
Motor Vehicles (**)	44,579,949	10,314,402	3,764,032	51,130,319	11,312,228	4,710,009	926,937	15,095,300	36,035,019	33,267,721
TOTAL	**1,367,978,890**	**278,265,507**	**5,299,595**	**1,640,944,802**	**235,953,073**	**91,483,568**	**1,189,179**	**326,247,462**	**1,314,697,340**	**1,132,025,817**

* Accumulated depreciation as on 01st April 2004 under Owned Assets includes accumulated depreciation of leased asset also.
** Dues w.r.t Motor Vehicles under Hire Purchase Scheme from ICICI Bank Limited amounts to Rs. 3,825,755 a(Previous Year Rs. 7,634,710)

		As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
12	**CAPITAL WORK-IN-PROGRESS**		
	Plant and Machinery	80,125,919	4,310,908
	Building under Construction	44,868,648	16,125,713
	Land	1,427,338	
	Total	**126,421,905**	**20,436,621**
13	**NON CURRENT INVESTMENTS**		
	Details of Investments		
	Non-trade Investments (Unquoted)		
	Investments in Equity Instruments		
	2000 Equity Shares of Rs. 25 each fully paid up in M/s The Shamrao Vithal Co-operative Bank Limited	50,000	50,000
	Total	**50,000**	**50,000**
	Additional Information		
	Aggregate value of Unquoted investments at Cost	50,000	50,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

		As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
14	**LONG TERM LOANS AND ADVANCES**		
	Capital advances	347,986,127	90,331,414
	Security Deposit	18,850,241	12,309,771
	Total	**366,836,368**	**102,641,185**
	Additional information		
	Breakup of above:		
	Unsecured, considered good	366,836,368	102,641,185
15	**INVENTORIES**		
	Raw materials	235,922,267	200,599,478
	Work in progress	570,069,230	502,121,944
	Finished goods	6,686,816	26,669,047
	Stock in trade	1,000,197	2,003,545
	Goods in transit:	—	—
	Raw materials	15,854,653	25,435,530
	Finished goods	—	20,336,895
	Total	**829,533,163**	**777,166,439**
16	**TRADE RECEIVABLES**		
	Trade receivables exceeding six months	172,955,988	215,150,074
	Others	2,228,985,373	1,824,609,086
	Total	**2,401,941,361**	**2,039,759,160**
	Additional Information		
	Breakup of above:		
	Secured, considered good	589,786,163	261,570,342
	Unsecured, considered good	1,812,155,198	1,778,188,818
	Total	**2,401,941,361**	**2,039,759,160**
17	**CASH AND BANK BALANCES**		
	Cash and cash equivalents		
	Balances with banks		
	- on current accounts	302,284,373	296,017,722
	- in deposit accounts less than 3 months maturity	90,000,000	—
	Cheques, drafts on hand	—	2,586,462
	Cash on hand	336,634	164,626
	Other bank balances:	—	—
	Balances with banks	—	—
	- in margin money	91,002,600	105,604,000
	- in deposit accounts exceeding 12 months maturity	37,001,000	511,623,000
	- in deposit accounts exceeding 3 month but not exceeding 12 months	2,501,612,644	1,162,034,785
	Total	**3,022,237,251**	**2,078,030,595**
18	**SHORT TERM LOANS AND ADVANCES**		
	Loans and advances to related parties	—	—
	Rent Deposit	15,843,103	4,184,916
	Balance with Statutory/ Govt authorities	231,459,390	146,109,590
	Prepaid Expenses	8,096,592	27,577,264
	Trade Advance	323,407,880	237,638,051
	Interest accrued on term deposits	102,231,570	51,563,033
	Expenditure Tax - Japan Branch	27,367,092	17,985,558
	Advance payment of Tax (net of Provisions)	79,664,762	53,321,818
	Others	4,345,635	4,076,534
	Total	**792,416,025**	**542,456,764**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

		As at 31.3.2012 Rs.	As at 31.3.2011 Rs.
	Additional information		
	Breakup of above		
	Unsecured, considered good	801,829,928	542,877,152
	Total	**801,829,928**	**542,877,152**
19	**CONTINGENT LIABILITIES AND COMMITMENTS**		
	(to the extent not provided for)		
	Contingent Liabilities:		
	Claims against the Company not acknowledged as debts	19,711,242	—
	Guarantees	1,773,032,538	2,367,737,298
	Letters of credit	241,527,379	691,662,543
	The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.		
	Commitments		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	306,776,388	78,916,794
	Corporate Guarantee issued to the bankers of the subsidiary company	5,540,000,000	3,790,000,000
	Corporate Guarantee issued on behalf of subsidiary company.	—	450,040,508
	Outstanding Bills discounted under Letter of Credit	—	81,577,318

		For the year ended 31.3.2012 (Rs.)	For the year ended 31.3.2012 (Rs.)
20	**REVENUE FROM OPERATIONS**		
	Sale of Goods		
	- AC Generators	3,680,080,458	3,517,343,357
	- AC Motors	39,898,832	2,986,599
	- AC Generator Spares	577,631,085	191,589,865
	- Power Business Inland	549,744,960	419,198,863
	- Power Business Overseas Branch	2,016,021,382	1,201,851,570
	- Power Business Inland - EPC	4,166,133,182	3,758,458,161
	Total	11,029,509,899	9,091,428,415
	Sale of services	75,655,430	30,677,719
	Other operating revenues	56,012,402	40,338,264
		11,161,177,731	9,162,444,398
	Less:		
	Intersegmental sales	483,309,361	245,109,430
	Intercompany	102,000,000	—
	Excise duty	259,614,845	280,075,118
		10,316,253,525	**8,637,259,850**
21	**OTHER INCOME**		
	Interest income on Bank Deposits	208,082,776	103,447,256
	Dividend Income	—	—
	- long term investments	6,000	6,000
	Other non operating income	15,836,158	5,713,424
	(net of expenses directly attributable to such income)		
		223,924,934	**109,166,680**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

		Year ended 31.3.2012 Rs.	Year ended 31.3.2011 Rs.
22	**COST OF MATERIALS CONSUMED**		
	Consumption of raw materials		
	Copper (wires, strips, rods, sheet etc.)	508,923,364	441,995,259
	Steel/ Laminations	420,079,666	488,661,587
	Shaft Forgings	163,487,581	167,695,998
	Others	1,616,556,470	1,446,310,428
		2,709,047,081	**2,544,663,272**
	Consumption of stores and spare parts	48,756,173	34,059,070
	Total	**2,757,803,254**	**2,578,722,342**
	Purchases for Projects & EPC Business	5,430,856,615	4,467,149,321
23	**CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS**		
	Stocks at the end of the year		
	Work in progress – A C Generators	570,069,230	502,121,944
	Finished goods - A C Generators	6,686,816	47,005,942
		576,756,046	549,127,886
	Less: Stocks at the beginning of the year		
	Work in progress – A C Generators	502,121,944	243,969,271
	Finished goods - A C Generators	47,005,942	335,427
		549,127,886	244,304,698
	Net (Increase) / Decrease in Stock	**(27,628,160)**	**(304,823,188)**
24	**EMPLOYEE BENEFIT EXPENSES**		
	Salaries and wages	369,779,018	304,972,888
	Contribution to provident and other funds	36,674,619	39,886,272
	Expenses on the employee stock option scheme	—	—
	Remuneration to whole time directors	121,962,021	107,940,719
	Staff welfare expenses	79,200,789	65,386,604
	Total	**607,616,447**	**518,186,483**
25	**FINANCE COSTS**		
	Interest expense	65,678,554	66,866,467
	Total	**65,678,554**	**66,866,467**
26	**DEPRECIATION AND AMORTIZATION:**		
	Depreciation	91,483,568	80,477,812
	Total	**91,483,568**	**80,477,812**
27	**OTHER EXPENSES**		
	Power and fuel	75,584,080	74,918,360
	Rent	38,002,915	23,860,918
	- Buildings	13,567,651	3,377,778
	- Machinery	23,669,274	42,022,458
	- Others	9,306,623	10,614,156
	Insurance	6,953,080	3,645,858
	Rates and taxes	6,035,848	7,070,793
	Payment to the auditors		
	- as auditor	2,500,000	1,400,000
	- for taxation matters	700,000	800,000
	- for other services	917,000	461,253
	Selling expenses	113,450,959	23,865,016
	Loss on sale of fixed asset (net)	858,593	364,070
	Donations	288,000	1,661,850
	Legal and professional charges	67,474,896	69,600,734
	Directors sitting fees	1,080,000	296,000
	Travelling and Conveyance	124,351,704	105,081,912

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

	Year ended 31.3.2012 Rs.	Year ended 31.3.2011 Rs.
OTHER EXPENSES (contd.)		
Bank Charges	44,819,283	47,059,517
Postage, Telegrams and Telephones	10,921,406	8,810,729
Royalty	29,900,235	25,203,897
Software Expenses on ERP	25,647,903	9,638,020
Manufacturing Expenses	9,921,811	8,074,985
Vehicle Maintenance	8,175,009	5,049,614
Advertisement	5,545,028	1,522,281
Printing & Stationary	7,013,227	5,232,910
Subscription to Technical Associations, Journals & Magazines	2,010,865	3,605,287
Exchange Flucutation	—	742,337
Total	**628,695,390**	**483,980,733**
28 ADDITIONAL INFORMATION		
Value of Imports calculated on CIF basis:		
Raw Materials	495,070,148	376,589,993
Capital goods	74,315,527	10,558,556
Expenditure in foreign currency (net of withholding tax)		
Others - On Payment Basis	55,817,496	50,982,081
Capital Equipment Purchased	129,905,968	4,579,461
Value of imported raw materials, spare parts and components consumed		
Amount	448,125,465	352,619,740
Percentage(%) to total	16.41	15.51
Value of indigenous raw materials, spare parts and components consumed		
Amount	2,282,049,629	1,921,279,414
Percentage(%) to total	83.59	84.9
Total amount	2,730,175,094	2,273,899,154
Total percentage	100	100
Details of non-resident shareholdings		
Number of nonresident share holders	45	5
Number of shares held by nonresident shareholders	10,877,713	5,783,169
Amount remitted during the year in foreign currency on account of dividends (2010-2011 & 2009-2010) in JPY	20,449,677	16,620,220
Earnings in foreign exchange:		
Export of goods calculated on FOB basis	1,495,366,035	471,723,226
Other Income	3,362,866	269,741
29 EARNINGS PER SHARE		
After extraordinary item		
Profit for the year after tax expense	659,412,902	566,554,252
Weighted average number of equity shares	29,409,677	11,088,897
Earning per share	22.42	51.09
Before extraordinary item		
Profit for the year after tax expense	659,412,902	566,554,252
Weighted average number of equity shares	29,409,677	11,088,897
Earning per share	22.42	51.09
30 DISCLOSURES AS PER ACCOUNTING STANDARD 15 “EMPLOYEE BENEFITS”		
Defined Contribution Plan:		
Employer’s Contribution to Provident Fund & Pension Scheme	20,903,581	17,530,841
Employer’s Contribution to Superannuation Fund	—	—
Defined Benefit Plan:		

The employees’ gratuity fund scheme managed by a trust is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS" (contd.)

	2011-12		2010-11	
	Gratuity (Funded) Rs.	Leave (Unfunded) Rs.	Gratuity (Funded) Rs.	Leave (Unfunded) Rs.
Defined Benefit obligation at beginning of the reporting period	18,417,990	30,281,057	9,301,491	14,580,190
Current Service Cost	5,584,152	8,328,280	2,323,037	16,365,362
Interest Cost	1,476,563	2,573,890	744,119	1,119,114
Acqusition adjustment	—	—	—	—
Actuarial (gain)/ loss	2,083,523	(1,290,293)	6,425,959	(572,839)
Benefits Paid	(4,016,080)	—	(376,616)	(1,210,770)
Defined Benefit obligation at end of the reporting period	23,546,148	39,892,934	18,417,990	30,281,057
Obligations at end of the period - Current	*1,862,347*	*1,616,465*	*1,310,624*	*1,526,121*
Obligations at end of the period - Non -Current	*21,683,801*	*29,263,850*	*14,820,137*	*26,843,506*
Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the reporting period*	25,345,035	—	14,773,174	—
Acqusition adjustment	—	—	—	—
Expected return on plan assets	2,200,819	—	1,387,462	—
Employer Contribution	7,941,464	—	9,560,354	—
Benefits paid	(4,016,080)	—	(376,616)	—
Actuarial gain/(loss)		—	—	—
Fair value of plan assets at reporting period	31,471,238	—	25,344,374	—
Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	31,471,238	—	25,344,374	—
Present value of obligation	23,546,148	—	18,417,990	30,281,057
Amount recognised in Balance Sheet under liabilities	7,925,090	—	6,926,384	(30,281,057)
Expense recognised during the year				
Current Service Cost	5,584,152	8,328,280	2,323,037	16,365,362
Interest Cost	1,476,563	2,573,890	744,119	1,119,114
Expected return on plan assets	(2,200,819)	—	1,388,123	—
Actuarial (gain)/ loss	2,083,523	(1,290,293)	6,425,959	(572,839)
Net Cost	6,943,419	9,611,877	10,881,238	16,911,637
Actuarial assumptions				
Mortality Table (LIC)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Expected rate of return on plan assets (per annum)	8.00%	8.00%	8.00%	8.00%
Rate of escalation in salary (per annum)	7.00%	7.00%	7.00%	7.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the actuary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

31 SEGMENT REPORTING

The company's operations comprises of Manufacturing business, project business & EPC business. Primary segmental reporting comprises of Manufacturing Business, Project Business & EPC. Secondary Segmental reporting is based on geographical location of Activities. Under primary segment revenue and direct expenses, which relate to a particular segment and which are identifiable, are reported under that segment.

Certain expenses, which are not allocable to any specific segment, are separately disclosed at the enterprise level. Cash and bank balances in India are reported at the enterprise level as the company operates common bank accounts. Fixed assets, Liabilities, Current assets and Current liabilities relating to specific business segments are identified and reported. Those that are not identifiable are reported as common items.

Secondary segment is reported based on the geographical location of the company, viz., India, Japan and Hongkong. Revenues in the secondary segment are based on the sales made by the branch office. Inter-segmental purchases & sales are separately identified and reported. Fixed assets, Current Assets including Cash and Bank accounts, and Current Liabilities are identified based on the branch office to which they relate and are reported accordingly.

Year ended 31.3.20112

	Primary Segment				Total
	Manufacturing	Project Business	EPC	Common	
Segment Revenues					
External Revenues	4,114,591,607	2,620,838,097	4,166,133,182	—	10,901,562,886
Intersegment revenues	(483,309,361)	—	—	—	(483,309,361)
Intercompany	(102,000,000)	—	—	—	(102,000,000)
Total Revenues	3,529,282,246	2,620,838,097	4,166,133,182	—	10,316,253,525
Segment Results					
Profit Before Taxation and Interest	558,651,409	131,263,557	283,807,028	(54,812,013)	918,909,981
Less: Interest	65,260,838	335,776	—	81,941	65,678,554
Less: Depreciation & Amortizations	89,216,913	550,349	1,497,061	219,245	91,483,568
TOTAL	404,173,658	130,377,432	282,309,967	(55,113,199)	761,747,858
Unallocable & Other Income (including Extraordinary items)	48,556,230	13,115,498	—	162,253,205	223,924,933
Less: Tax	240,077,332	—	—	86,182,557	326,259,889
Total Profit	**212,652,556**	**143,492,931**	**282,309,967**	**20,957,449**	**659,412,903**

Year ended 31.3.2011

	Manufacturing	Project Business	EPC	Common	Total
Segment Revenues					
External Revenues	3,480,439,985	1,643,471,134	3,758,458,161	—	8,882,369,280
Intersegment revenues	(245,109,430)	—	—	—	(245,109,430)
Intercompany	—	—	—	—	—
Total Revenues	3,235,330,555	1,643,471,134	3,758,458,161	—	8,637,259,850
Segment Results					
Profit Before Taxation and Interest	673,724,840	87,883,793	190,927,126	(58,491,604)	894,044,155
Less: Interest	66,601,142	181,146		84,178	66,866,466
Less: Depreciation & Amortizations	77,490,430	1,128,440	1,566,615	292,327	80,477,812
Total	**529,633,268**	**86,574,207**	**189,360,511**	**(58,868,109)**	**746,699,877**
Unallocable Expenditure					
Unallocable & Other Income (including Extraordinary items)	6,123,749	7,719,898		95,323,034	109,166,681
Less: Tax	210,367,253			78,945,053	289,312,306
Total Profit	**325,389,764**	**94,294,105**	**189,360,511**	**(42,490,128)**	**566,554,252**
Segment Assets	3,659,163,925	839,248,943	1,239,481,532	2,989,767,107	8,727,661,507
Previous Year (2010-2011)	2,967,597,976	567,072,854	1,140,107,822	1,997,301,309	6,672,079,961
Segment Liabilities	1,246,535,772	688,265,872	1,717,949,177	94,334,217	3,747,085,038
Previous Year (2010-2011)	1,119,602,729	719,333,284	1,978,053,508	75,174,610	3,892,164,131
Capital Expenditure	270,138,900	1,430,497	2,468,340	—	274,037,737
Previous Year (2010-2011)	102,555,468	1,966,532	6,847,866	—	111,369,866

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

	Year ended 31.3.2012 Rs.	Year ended 31.3.2011 Rs.
SEGMENT REPORTING (contd.)		
Geographical Segment Revenue		
Sales of India	8,885,541,504	7,680,517,710
Sales of overseas	2,016,021,382	1,201,851,570
Less: Inter-segmental sales	(483,309,361)	(245,109,430)
Less: Inter-company	(102,000,000)	—
Total	**10,316,253,525**	**8,637,259,850**

Carrying amounts of geographical assets & additions to tangible & intangible fixed assets:

Location	Carrying amounts of segment assets (Rs.)		Additions to fixed assets & Intangible assets (Rs.)	
	Year ended 31.3.2012	Year ended 31.3.2011	Year ended 31.3.2012	Year ended 31.3.2011
In India	8,164,350,711	6,357,968,215	272,607,240	110,486,190
Outside India	563,310,796	314,111,746	1,430,497	883,676
Total	**8,727,661,507**	**6,672,079,961**	**274,037,737**	**111,369,866**

32 RELATED PARTIES DISCLOSURE

Related party	Relationship
Nikhil Kumar	Key management personnel and their Relatives
Hitoshi Matsuo	Key management personnel and their Relatives
Tadao Kuwashima	Key management personnel and their Relatives
Mohib Khericha	Key management personnel and their Relatives

Details of transactions

Nature of transactions/related party	Subsidiary – DF Power Systems Private Limited Rs.	Key management personnel and their Relatives Rs.	Enterprises over which key management personnel and their relatives are able to exercise significant influence Rs.
Directors Remuneration and Commission			
Nikhil Kumar	—	75,198,484	—
	—	(62,256,078)	—
Hitoshi Matsuo	—	35,865,937	—
	—	(35,652,376)	—
Directors Remuneration			
Tadao Kuwashima	—	10,897,600	—
		(10,032,265)	—
Directors Sitting fees		380,000	
Mohib Khericha	—	(126,000)	—
Directors Sitting fees		80,000	
Hitoshi Matsuo	—	(30,000)	—
Lease Rent Paid		2,400,000	
Mohib Khericha	—	(2,400,000)	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

33 OPERATING LEASES

The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs.38,002,915/- (Previous year Rs.23,860,918/-).

34 WARRANTY CLAIMS, GRATUITY AND LEAVE ENCASHMENT

During the reporting period, the Company has made provisions towards Warranty claims, Gratuity and Leave encashment the details of the same are as under

	Warranty claims Rs.	Gratuity Rs.	Leave encashment Rs.
Balance outstanding at the beginning of the reporting period	24,508,667	—	30,281,057
Provision for the reporting period	5,935,884	5,330,965	9,611,877
Utilized during the reporting period	—	4,498,586	—
Withdrawn and credited to Statement of Profit and Loss	—	—	—
Balance outstanding at the end of the reporting period	30,444,551	832,379	39,892,934

35 FOREIGN CURRENCY EXPOSURES

Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at end of the reporting period is as follows:

	As at 31.3.2012 Rs.	**As at 31.3.2011 Rs.**
Assets (Receivables)	651,179,717	208,712,031
Liabilities (payables)	487,007,454	325,225,650

36 THE DISCLOSURE AS PER REVISED AS-7 IN RESPECT OF CONTRACT IN PROGRESS AT THE END OF YEAR

	Year ending 31.3.2012 Rs.	**Year ending 31.3.2011 Rs.**
Contract revenue recognized (net)	11,202,134,359	7,070,714,037
Cost incurred	10,785,326,493	6,760,589,026
Recognised profit (Less recognized losses)	416,807,866	310,125,011
Amount of advance received	—	—
Amount of retentions (Deferred debts)	656,223,311	612,127,391
In respect of dues from customer after appropriate netting off		
Gross amount due from customer for contract work as an asset	(656,223,311)	(612,127,391)
Gross amount due to customer for contract work as liability		
Contingencies	Nil	Nil

37 MANAGERIAL REMUNERATION

Consequent to a Special Resolution passed at the Extra ordinary General Meeting held on 17th January 2011, the Company converted to a Public Limited Company. Accordingly, in terms of the expert opinion obtained by the Company, the appointments of the Managing director, Jt Managing director and Director- Technical are deemed to be appointments u/s Section 269 of the Companies Act 1956 and the remuneration payable to the aforesaid directors for the period 17-Jan-2011 and onwards through the respective tenure of appointment, is governed by Clause (C) of Section II of Part II of Schedule XIII of the Companies Act 1956 and until the company turns into listed public company, approval of the Central government would not be required thereto in terms of the amendment to schedule XIII of the Companies Act ,1956 vide Notification number GSR .70(E) dated 8th February 2011.

The company turned into a listed public company w.e.f September 8, 2011 consequent to its equity capital being listed on the BSE and NSE pursuant to an Initial public offering by the company. Accordingly, the company has filed applications seeking approval of the Central Government for payment of remuneration as above, to the managing Director, Jt. managing director and Director –Technical. However, provision has been made in the books of accounts relating to the remuneration as above payable to the managing Director, Jt. Managing Director and Director – Technical for the fiscal 2012, in terms of the respective terms of appointment amended from time to time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (contd.)

38 PROVISION FOR WARRANTY

The subsidiary company has changed the accounting policy on provision for warranties in respect of AS-7(R) construction contracts during the year. As against creation of provision for warranties @ 2.5% of total contract value, the company has to provide warranty cost at 2.5% of the revenue progressively as and when it recognises the revenue and maintains the same through the warranty period. The impact due to change in the accounting policy for the year ended March 31, 2012 is increase in revenue from operations, profit before tax, and decrease in provision for future contractual obligation by Rs. 12,296,177.

39 PREVIOUS REPORTING PERIOD

Previous reporting period's figures have been regrouped wherever required in conformity with the presentation for the current reporting period.

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Notes:

TD POWER SYSTEMS LIMITED
Regd. Office & Plant
#27, 28 & 29, KIADB Industrial Area
Dabaspet, Nelamangala Taluk
Bangalore-562 111, India