



AREVA T&D India
Innovation. Growth. Leadership..



AREVA T&D - "Future Ready" to meet India's growing power demand. Leader in Extra High Voltage and ready to offer solutions upto 1200 kV.



Opening of 3 greenfield manufacturing facilities at Vadodara (Gujarat), Padappai & Hosur (Tamil Nadu)



March 30, 2009 – Shri Narendra Modi inaugurated the Power Transformer, Distribution Transformer, Primary Distribution & Secondary Distribution Units at Vadodara.



March 31, 2009 – Thiru Arcot N Veeraswami, Honourable Minister for Electricity, Govt. of Tamil Nadu, inaugurated the High Voltage Switchgear Units at Padappai.



April 1, 2009 – Thiru Arcot N Veeraswami, Honourable Minister for Electricity, Govt. of Tamil Nadu, inaugurated the Instrument Transformers Unit at Hosur.



January 29-30, 2009: Participation in GRIDTECH 2009



Hon'ble Minister of State for Commerce and Power Mr. Jairam Ramesh inaugurates the AREVA T&D booth. Also in the picture are Mr. S K Chaturvedi, Chairman - PGCIL and Mr. Rathin Basu.



BS Awards 2007 - 2008

Business Standard presents AREVA T&D with the 'Star Multinational for the year' award.

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Board of Directors: Standing L - R: Michel Augonnet, Karim Vissandjee, Subir Raha, Rathindra Nath Basu, Pierre Laporte
Sitting L - R: C.M.A. Nayar, S.K. Poddar, Arthur de Montalembert

Board of Directors

S.K. Poddar, Chairman (non-executive)
Rathindra Nath Basu, Managing Director
Michel Augonnet
Arthur de Montalembert
C.M.A. Nayar
Pierre Laporte*
Subir Raha
Karim Vissandjee
** w.e.f. 25.4.08*

COMMITTEES OF DIRECTORS

Audit Committee

S.K. Poddar, Chairman
C.M.A. Nayar
Subir Raha
Karim Vissandjee

Share Transfer and Shareholders / Investors Grievance Committee

S.K. Poddar
Rathindra Nath Basu
Karim Vissandjee

Company Secretary

C.S. Ashok Kumar

Registered Office

DLF IT Park,
8, Major Arterial Road, Block AF, Tower C,
New Town Rajarhat, Kolkata 700 156

Registrars & Share Transfer Agent

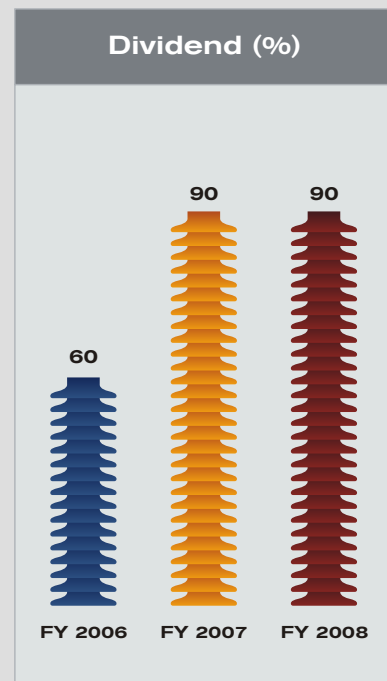
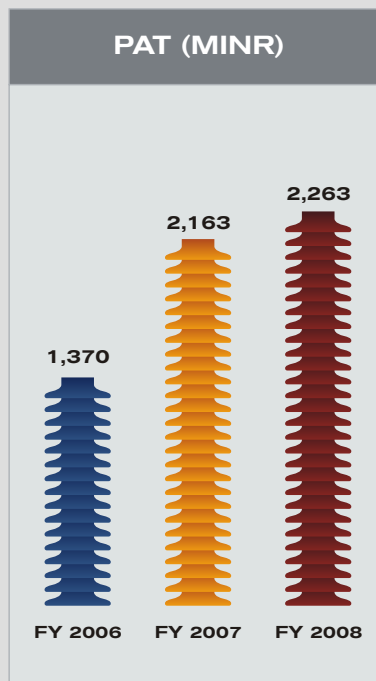
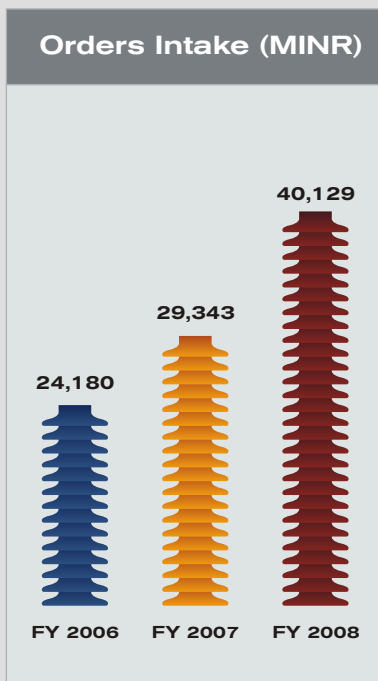
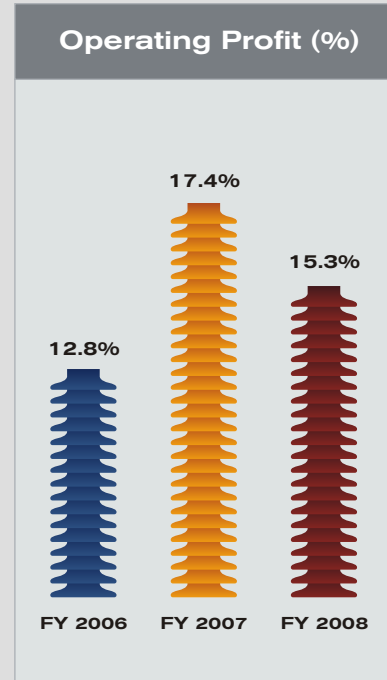
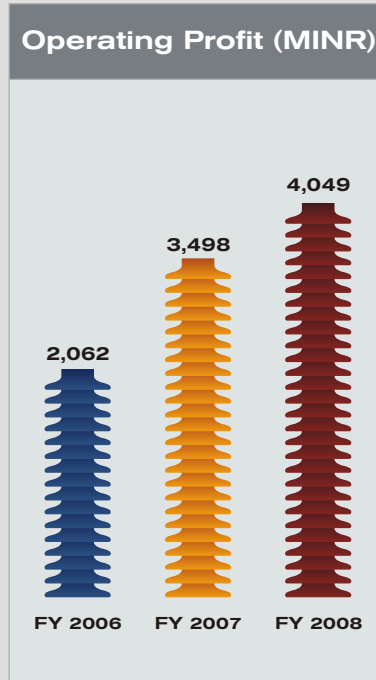
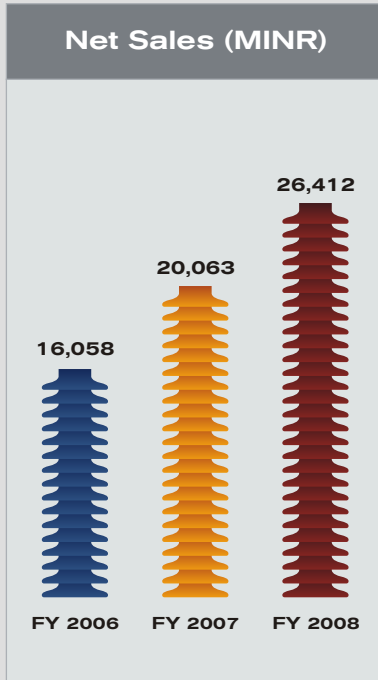
CB Management Services (P) Ltd.
P-22, Bondel Road, Kolkata 700 019

Auditors

Deloitte Haskins & Sells
Chartered Accountants
7th Floor, ASVN Ramana Tower
No:52 Venkatnarayana Road
T Nagar, Chennai - 600 017



Highlights





Company Overview

AREVA T&D India: Leader in the T&D Industry



AREVA

AREVA, World energy expert, offers its customer technological solutions for highly reliable nuclear power generation and electricity transmission and distribution. With manufacturing facilities in 43 countries and a sales network in more than 100, AREVA offers customers reliable technological solutions for CO₂-free power generation and electricity transmission and distribution. AREVA is the world leader in nuclear power and the only company to cover all industrial activities in this field. The Company's 75,000 employees are committed to continuous improvement on a daily basis, making sustainable development the focal point of the Group's industrial strategy. AREVA's

businesses help meet the 21st century's greatest challenges: making energy available to all, protecting the planet, and acting responsibly towards future generations.

AREVA T&D

Electricity is our business. AREVA T&D has over 100 years of expertise and dedication in bringing power to people worldwide. AREVA T&D products and solutions cater to power generating plants, transmission and distribution networks as well as industry, infrastructure and general consumers.

AREVA T&D's Products and Systems serve to transmit and distribute electricity, ensure the reliability, quality and safety of energy flows, as well as operate efficient networks through information management. These comprise:

- High voltage and medium voltage switchgears, transformers, packages and turnkey systems.
- Flexible alternative current transmission systems and power quality systems.
- Decentralized and renewable energy supply.
- Automation, protection & control systems and industrial metering
- Energy management and market management systems.



State-of-the-art UHV testing lab upto 1200 kV

AREVA T&D offers a global response to customers' service needs, delivered by locally based resources in the areas of:

- Network consulting & equipment expertise and diagnosis.
- Erection, commissioning and supervision.
- Maintenance, including spares management.
- Repair and emergency support.
- Renovation and refurbishment.
- Operation and asset management.
- Training.

As a solution provider, AREVA T&D brings together and optimizes capabilities from different disciplines, T&D businesses and third party suppliers, to address customers' specific problems, however complex, and add value to their business.

AREVA T&D enhances customers' capabilities by bringing to them answers developed by market segments, through best practices and industry-specific expertise in:

- Power Engineering
- Distributed Power
- Oil & Gas
- Water

- Pulp & Glass
- Railways
- Mining & Metals

At AREVA T&D, innovation is key to successfully differentiating and continuously gaining market share. The Company spends 3% of sales (150 Million €) on Research and Development. This allocation is then used for each of the regions, where AREVA T&D has business activities. India is a key region for allocation of such Research and Development funds.

AREVA T&D in India

AREVA T&D currently employs over 4300 people in India across 8 manufacturing Units and 22 Sales Offices. Your Company has been a trend-setter in the field of High voltage switchgear and was the first to build the 765 kV Sub-station in India with National Thermal Power Corporation Limited (NTPC) at SIPAT, Chhattisgarh. Around 70% of power flow in India's transmission grids is managed by AREVA T&D's Automation solutions. Your Company has to its credit a complete range of T&D Products, Systems, Services and Automation solutions.

“Around 70% of power flow in India’s transmission grids is managed by AREVA T&D’s Automation solutions”

Activities

Your Company’s business operations are classified into four verticals: Products, Systems, Automation and Service

The **Products Business Unit** designs, manufactures and installs a complete range of high and medium voltage products (generator circuit-breakers, circuit-breakers, disconnectors, gas insulated switchgear equipment, power and distribution transformers, measurement transformers, primary and secondary distribution equipment) for electricity transportation and distribution network, from generation in power plant to the end user. Your Company is now, with new investments in factories, equipped to manufacture Extra High Voltage (765 kV) products and is also getting ready for the emerging Ultra High Voltage (1200 kV) products for 2011-12.

The **Systems Business Unit** designs and builds turnkey substation projects and power electronic equipment for the electricity transmission & distribution networks related to generating plants, utilities, industries and infrastructure.

Drawing on substation engineering expertise and project management know-how, the Systems Business Unit integrates transmission & distribution equipment - transformers,

medium and high voltage equipment, protection and monitoring systems, telecommunications and services – and provides solutions tailored to the electric grid of each transmission & distribution customer.

The **Automation Business Unit** has two global product lines (Substation Automation Solutions (SAS) and Network Management Solutions (NMS) that provide solutions for real-time digital automation of transmission & distribution systems. Automation BU provides:

- Digital products for automation, including protection equipment to detect transmission & distribution equipment failures and send protection commands and equipment to measure the electrical signal and transmit information, related support services to maintain digital infrastructure in working order, renovate automation systems and provide specialized operator training.
- Digital Systems for automation of substations and energy management (SCADA), which operate transmission & distribution networks remotely and ensure efficient energy market management, related support services to maintain digital infrastructure in working order, and provide specialized operator training.



Innovator & leader in High Voltage Circuit Breakers upto 1200 kV



Major landmarks:

- In the Automation business, your Company has won several orders maintaining leadership position in electricity sector.
- During the year, Automation has successfully completed Factory Acceptance Test of first Distribution Management Systems for Meghalaya State Electricity Board and commissioned National Load Dispatch Centre (NLDC) at New Delhi. Commissioning of NLDC is a landmark achievement as this manages power flow across entire nation for over one billion people.
- Power Transmission Corporation of Uttarakhand Limited (PTCUL) awarded EMS / SCADA System order worth Rs.124 Million for Dehradun State Load Dispatch Centre. Power Grid Corporation of India Limited (PGCIL) awarded 3 years annual maintenance contract worth Rs.87 Million for North-Eastern Load Dispatch Centre.
- Automation India, Substation Automation Solutions (SAS) won several order in the emerging high technology field of substation automation solutions and

achieved leadership position in 2008. The SAS Automation business has doubled order intake for numeric relays and digital control systems against 2007. Substation automation orders worth Rs.270 Million received from BHEL. Also won several SAS orders for Lanco 765 kV, Delhi International Airport Limited (DIAL), 400 kV for PGCIL - Agra, NTPC - Loharinagpala, Lanco - Anpara.

The **Service Product Line** provides services to support the Transmission & Distribution division's products and systems throughout their lifecycle. In addition to traditional maintenance, repair, training and equipment/substation revamping services, the product line offers more global solutions for long-term facility maintenance.

Resources close to the customer, knowledge of existing facilities and technical expertise as a product manufacturer are key success factors in this business. Older transmission and distribution equipment, placed in service several decades ago, is aging; the product line is ideally positioned to capitalize on this market, which represents a potentially large source of revenue.



Directors' Report

Your Directors take pleasure in presenting herewith the fifty-third Annual Report and Audited Accounts for the year ended December 31, 2008, during which your Company has registered all round significant growth. Various initiatives taken by your Company have strengthened its position as a leader in the T&D industry in India.

FINANCIAL RESULTS

(Rupees Thousands)

	Year ended 31.12.2008	Year ended 31.12.2007
Sales and Services (Net)	26,412,143	20,062,710
Operating Profit before interest	4,049,462	3,498,094
(As percentage of net sales)	15.3%	17.4%
Interest, net	298,054	66,309
Operating Profit after Interest	3,751,408	3,431,785
Restructuring and relocation costs	(396,167)	-
Profit on Sale of Property	115,021	-
Profit Before Tax	3,470,262	3,431,785
Taxation	(1,207,031)	(1,268,786)
Profit After Tax	2,263,231	2,162,999
Balance brought forward from previous year	2,760,536	1,317,368
Profit available for appropriations	5,023,767	3,480,367
Appropriations		
Proposed Dividend	430,387	430,387
Corporate Dividend Tax	73,144	73,144
General Reserve	226,323	216,300
Balance carried forward	4,293,913	2,760,536

Dividend

Your Directors take pleasure in recommending a dividend of 90% (Rs.1.80 per share) for the year ended December 31, 2008. This will absorb Rs.504 Million (inclusive of tax) based on existing capital.

AREVA T&D India Performance Review

Financial year 2008 has been an excellent year for AREVA T&D India, despite the difficult economic conditions prevailing. Your Company's order booking grew by an impressive 37%, resulting therefore in a commendable backlog growth of 49% helping it to emerge as the leading T&D Company in the country. Your Company is in a leadership position in not less than 8 product lines. During this time, your Company made forays into new customer segments. New product launches and the expanded capacities by way of new units are all on track to meet growing customer expectations. A strong product manufacturing base and enhanced Systems Business capabilities helped your Company to gain much better customer confidence during this period.

Products Business

Generally speaking, electricity is generated at medium voltage (12 kV

to 36 kV). Its voltage has to be stepped up to 132 kV to 800 kV to minimize energy losses during long distance transmission. The voltage is then gradually decreased in the distribution networks, as it gets closer to the end-user. The business unit's products are installed in every grid point and primarily serve to raise or lower voltage, insulate and connect circuits, and measure current and voltage in real time.

The Products Business Unit supplies equipment for:

- High voltage electricity transmission (52 kV - 800 kV) : conventional switchgear, shielded substations, instrument transformers and power transformers.
- Primary and secondary medium voltage distribution (1 kV - 52 kV): compact transformer substations, distribution transformers, disconnectors, circuit breakers, engine starting cells and lightning protection systems.



Expertise including UHV AC Transformers and Reactors and DC Converter Transformers upto 1200 kV in the coming years

The Products Business caters to the following markets :

- Circuit Breakers
- Power Transformers
- Gas Insulated Switchgear
- Instrument Transformers
- Primary Distribution
- Distribution Transformers
- Secondary Distribution

Key successes in the Products Business Unit

On the generation side, National Thermal Power Corporation Limited (NTPC) placed order for 400 kV GIS Substation for the Tapovan Vishnugarh Hydro Project (Uttanchal) worth about Rs.600 Million, while UP Rajya Vidyut Utpadan Nigam (UPRVUN) placed order worth about Rs.1300 Million for 400 kV Switchyard for their Parichha Project.

In line with the growing customer preference towards compact GIS Substations (due to increasing land prices in urban areas), demand for GIS products showed an encouraging trend during the year. This trend is likely to grow further in the foreseeable future and your Company saw major GIS orders coming through during the course of the year. Lanco Infratech placed an order worth about Rs.450 Million for their indoor GIS Substation project at Kondapalli (Andhra Pradesh). In addition to this and NTPC Tapovan Vishnugarh 400 kV GIS Substation order, your Company also received an order worth about Rs.500 Million for Hybrid GIS Substation from Rajasthan Rajya Vidyut Prasharan Nigam Limited (RRVPNL) and two major orders for standalone GIS products during the year. The first order was from Jaiprakash Hydro for Karcham



Pioneers in High Voltage Circuit Breakers with spring mechanism for the full range

Wangtoo HEP project, amounting to Rs.540 Million. The second order was from BGR Energy for Mettur Thermal Power Project in Tamil Nadu, worth about Rs.790 Million. Once again, the financial year 2008 was a good year for AREVA T&D in India as it continued to maintain its leadership position in this field.

Circuit Breaker Business

The Unit continued its policy of global technology product introduction at the same time as in other world markets.

At 145 kV, a new high performance circuit breaker, GL312 F1 4031P was developed and delivered to customers. The benefits to the customer are shorter break times and use up to - 40°C with pure SF6 gas.

“ Your Company’s order booking grew by an impressive 37%, resulting therefore in a commendable backlog growth of 49% helping it to emerge as the leading T&D Company in the country. ”

At 420 kV, GL316X, with short circuit breaking capacity of 63 kA was developed and tested. This is a future ready product which addresses the emerging market of 63 kA rating. AREVA T&D is the first Indian manufacturer to introduce this product for the local market, establishing a clear leadership.

The new site at Padappai (Chennai) will have more than double the capacity for the High Voltage Circuit Breakers to address the growing Indian market needs and also with future ready products.

In the Power Transformer business also, your Company had a good year, with excellent order intake from various segments. Among the major orders received during the year, National Thermal Power Corporation Limited (NTPC) placed an order worth Rs.1.21 Billion for Generating Transformers and other Power Transformers for their Aravali Thermal Power Project (Haryana). An order worth Rs.700 Million was received from Power Grid Corporation of India Limited to supply 400 kV, 315 MVA Power Transformers for their various substations in the country. Reliance Energy also placed an order worth Rs.650 Million for Power Transformers for their DVC Raghunathpur (Orissa) project.

The Distribution Transformers business continued on its growth path and improved its market position during the course of the year. In the Wind Energy sector, a major success was achieved with a Rs.197 Million order from Enercon, for specially designed low-loss foil wound Transformers suitable for offshore wind energy applications, to be used in their various offshore wind farm projects. Distribution Transformers with customized application design

for Hydro projects suiting environmental conditions and dimension constraints developed by your Company were chosen by VA Tech, who placed orders worth Rs.140 Million during the year for their various projects. Thermax placed orders worth Rs.139 Million for their RSP and Brahmani projects while in the steel segment, orders worth Rs.243 Million were received from Jindal Steel, Uttam Galva Steel and Tata Steel. A special 20 MVA Transformer has been developed by your Company for Mumbai Metro System, with a high short circuit capacity at low losses. An order worth Rs.40 Million was placed by Reliance Infrastructure for similar supply. Another significant step by the business has been the development of Economical Furnace Transformer with buck and boost design for the locomotive factories. In 2009, the business plans to improve its product portfolio with the introduction of Dry Type Transformers and Freight Loco Transformers, both for Indian and overseas markets.

The Instrument Transformer Business continued to maintain its leadership position in the market. During the course of the year, your Company received several major orders for projects of important clients like MSETCL, MPPTCL and Power Grid. An order worth Rs.140 Million was received from EMCO for various MSETCL substation projects. Another order was received from ECI worth Rs. 100 Million for Instrument Transformers for Power Grid Shujalpur (Madhya Pradesh) 400 KV Substation project. A new range of Top Core Current Transformers with superior features has been developed and launched into the market to improve your Company's competitive advantage.



World class Competence Centre for Instrument Transformers in India



Customised solutions for Primary Distribution and Secondary Distribution Switchgear

The Medium Voltage Switchgear Business maintained its leading market position and also introduced and promoted new products with improved features in the market. The newly introduced PIX 36 Indoor Switchgear has been a resounding success in the market and your Company has booked orders for more than 500 such panels in year 2008. The updated version of PC15 with epoxy body was launched in the market to address the customers' specific needs. Another new product launched was the compact version of HWX Breaker which again has been a huge success with the customers. Among the major orders booked during the year was the order placed by BGR Energy for Bhavini (NPCIL) project worth Rs.120 Million comprising 150 Nos. 40 kA panels. Lanco Infratech placed an order worth Rs.158 Million comprising 289 Nos. 40 kA panels for their Anpara Project.

During the year, your Company's Secondary Distribution Business has also grown and has strengthened its

position in the Indian market. In its first year of full fledged operations, it has been able to position itself very well in the market. In RMU segment there were major successes with two leading utilities namely CESC Ltd. and Reliance Energy. CESC placed orders worth Rs.102 Million for 370 Standard RMUs and your Company received orders worth Rs.133 Million from Reliance Energy for 326 RMUs required for their distribution setups in Mumbai and Delhi. On the PSS front, a major order worth Rs.104 Million was received for 70 Nos. PSS in various ratings from Lavassa Ltd. for their Hill Township coming up near Pune. PSS as a product is finding a wide acceptability among various customers, both in Industries and Utility segments.

Systems Business Unit

The Systems Business Unit offers:

- Turnkey medium, high and extra high voltage substations for Power Plants, Utilities, Industries and Infrastructure.

“ Secondary Distribution Business has also grown and has strengthened its position in the Indian market. ”



- Power electronics for High voltage Direct Current substations (HVDC), Systems to increase grid capacity and quality (FACTS: flexible alternating current transmission systems) and Energy conversion and electrolysis.

The System's Unit strategy is to draw on technology and applications expertise, with a keen understanding of the technical and economic challenges facing your Company's customers, and on partnerships with suppliers.

Key successes in the Systems Business Unit

During the year, the Systems Business contributed significantly, doubling their order intake, for turnkey projects. A major breakthrough was achieved in the private Power Generation sector with electrical Balance of Plant (e-BOP) orders worth Rs.4 Billion from ESSAR Group, for their Power projects in Salaya and Mahan (Gujarat). In the infrastructure sector, a significant order for Rs.2 Billion was received from the Delhi International Airport (DIAL) for Power

Distribution System. In the Mines & Metals segment, major successes were achieved by bagging turnkey orders worth about Rs.3 Billion, from Bhilai Steel and IISCO Steel for their plant Distribution Systems.

On the Transmission Systems, yet another success was achieved in the 765 kV segment during the year; your Company received an order of Rs.760 Million from Lanco Infratech for their 765 kV Switchyard at Anpara C (Uttar Pradesh). With this win, your Company has bagged two out of the first three 765 kV ordered in India.

Power Grid Corporation of India Ltd, placed orders for turnkey 400 kV Substations worth about Rs.1.20 Billion; these were for 400 kV East West Inter-connector project, New Substation at Pirana and Extension Substations for Wagoora / Amritsar. Haryana Vidut Parishad Nigam (HVPN) also placed an order worth Rs. 896 Million for their 400 kV Hissar Substation on your Company.

AREVA T&D India and GE Consumer and Industrial entered into a strategic alliance on September 25, 2008 in New Delhi. Your Company will partner to work on turnkey electrical solutions in the power generation, metals, mining, minerals processes and material handling sectors with low voltage product support provided by GE.

Automation Business Unit

The Automation Business Unit's offer is built around onboard electronic technologies and real time information systems.

Key successes in the Automation Business Unit

Your Company's Automation Business had a good year and maintained its leadership position in the automation market in India. Your



Major Power Distribution Infrastructure order for Delhi International Airport



SVC: Improving performance levels by controlling voltage flicker and current distortions

“ Significant success was achieved with private sector and industry with the acquisition of large contracts both for turnkey projects and products.”

Company won several orders during the course of the year, both in the Utility and Industry segments. PTCUL (Power Transmission Corporation of Uttaranchal) placed an order worth about Rs.120 Million on AREVA T&D India for EMS/SCADA for their Transmission System while BHEL, Bhopal placed an order worth Rs.100 Million on your Company for Loose relays for their various projects. PGCIL has entrusted the maintenance of Northern Region Load Despatching system to AREVA T&D India and it is in the process of executing the three year maintenance contract.

Key successes for private and industry sectors

Your Company had a major thrust in the Private sector and Industries and significant success was achieved in this sector during the year. New customers were added and large contracts were acquired both for Turnkey projects and Products. The Essar Group placed orders worth about Rs.5 Billion for turnkey projects including eBOPs and Power Transformers for their various projects. Reliance Energy placed

orders worth about Rs.2 Billion for Power Transformers, Distribution Transformers, MV Switchgear and RMUs for their Raghunathpur and other projects. Orders worth Rs.1.72 Billion were acquired from Lanco Infratech for turnkey substations including 765 kV and MV switchgear for their Kondapalli and Anpara projects. Major orders for Power Transformers worth about Rs.600 Million were taken from Jindal Steel & Power for their CPP projects at Angul/Raigarh and Jaiprakash Group placed an order for GIS worth about Rs.500 Million for their Karcham Wangtoo Hydro Electric Project.

Research and Development

As a key step for a better differentiation, significant investments were made on these fields which allow launch of innovative solutions and new products.

In Products Business Unit, important innovations were made:

- In High Voltage Switchgear business, your Company continued its policy of global technology product introduction at the same time as in other world markets. At 145 kV, a new high performance circuit breaker, GL312 F1 4031P was developed and delivered to customers. The benefits to the customer are shorter break times and use up to -40°C with pure SF6 gas.
- Launch of Core Current Transformers: A breakthrough in the Current Transformer technology was achieved during the previous year by offering the customers CTs with the Top Core technology. Your Company will offer CTs upto 800 kV range. The



new technology brings with it many advantages including greater security and extended life. It further offers the benefits of higher primary currents and short circuit level. The new CT has passed the internal arc test and has met the IEC standards. Customers like NTPC, MSTCL, JSPL etc have expressed their acceptance to this new technology products.

- Your Company also saw success from start to finish on 1200 kV Capacitor Voltage Transformers tests. The unit has successfully developed and tested the first indigenous 1200 kV Capacity Voltage Transformers. This is a key achievement in the present scenario where the Government of India is planning to form a National Grid by 2012. Your Company is now geared up to meet the requirements.
- CVT range at a glance - Extra know-how for Indian Ultra High Voltage: R&D centre of RMK Unit at Bangalore is able to focus on new product development while also forming a reliable backbone for global activities of the Instrument Transformers business. In India, your Company has already partnered with NTPC in the 765kV Sipat Switchyard by supplying HV Instrument Transformers, Coupling Capacitor Voltage Transformers and Current Transformers.
- The Power Transformers business received the first 765 kV package from the Private Sector - Lanco Infratech. The Unit also secured order for largest rating of furnace transformer - 80 MVA.
- In Distribution Transformer business your Company entered in wind energy market with the

supply of energy efficient, low loss transformers. A design tool for customized designs aided by 3D modeling was also developed.

In **Automation Business Unit** significant improvements were achieved in state-of-art MICOM range Numerical Relays manufacturing: Introduction of MICOM Px40 relays with K Hardware, certification for MICOM Px20 products to adopt UL marking, Semiautomatic testing for MICOM Px40 to enhance Test Capacity/Volume.

Expansion plans and key partnership

Hosur Project: the unit located at Bangalore is being moved to a new site at Hosur to achieve the following objectives:

- To build products up to Extra High Voltage (765 kV) and Ultra High Voltage (1200 kV) for the emerging needs of India's transmission grid.



New Instrument Transformer Factory at Hosur



New High Voltage Switchgears Unit at Padappai



New Power Transformer, Distribution Transformer & Medium Voltage Switchgear Unit at Vadodara

“ The greenfield expansion of all the three Units - Power Transformers, Distribution Transformers and Medium Voltage Switchgears is expected to commence production by April 2009. ”

- To build extra capacities to take care of both domestic and export markets.

The Unit's ambitious expansion program in the form of a world class manufacturing centre for Current Transformers, Capacity Voltage Transformers, Line Traps & Bushings is nearing completion and expected to commence manufacturing by April 2009.

Vadodara Project : The site at Vadodara is going to be the biggest manufacturing site for AREVA T&D India with the following objectives:

- Second Power Transformer factory for products up to 765 kV and 1200 kV, Rectifier Transformers and HVDC Transformers.
- Second Distribution Transformer factory for additional market needs.
- Medium Switchgear factory to cater to both Primary and Secondary Distribution markets.

The greenfield expansion of all the three Units - Power Transformers, Distribution Transformers and Medium Voltage Switchgears is expected to commence production by April 2009. Thereafter, the capacity will be ramped up in a phased manner.

Padappai Project : The site at Padappai (near Chennai) is being built with the following objectives:

- To move the Circuit Breaker factory from Perungudi to Padappai in Chennai in order to expand manufacturing capacity and also to cater to the Extra High Voltage (765 kV) and Ultra High Voltage (1200 kV) markets.
- To build India's first local GIS factory for capturing the fast growing GIS market.
- To manufacture Disconnectors.

The new site is expected to start production by April 2009.

Naini :

In 2008, the capacity of Distribution Transformers at Naini factory has been increased to meet the market demand.

Corporate Social Responsibility (CSR)

In line with Sustainable Development commitments, your Company is committed to Corporate Social Responsibility (CSR). The units of your Company provide proactive support for local projects of social and cultural interest, with continued active participation from employees. The units of your Company are committed to developing harmonious relations with the stakeholders. The societal projects include long term projects, which are initiated with the financial and organization support from AREVA Foundation. (The Foundation is an extension of the initiative undertaken

in the past several years to optimize, promote and draw attention to the patronage programs of the AREVA Group).

Key actions undertaken during the year in line with the CSR initiatives were:

- > A project which aims to provide Solar lanterns to two un-electrified villages as a part of TERI project "Lighting a billion lives" has been approved for 9000 Euros funding by AREVA Foundation.
- > Stakeholder relations: The first step in effectively managing stakeholder relations is to know them well and enter into dialogue with them.
- > Stakeholder mapping exercise using Structured AREVA Methodology was conducted in Chennai region. The stakeholders interviewed included elected representatives, regulatory authorities and neighbours. Key actions were identified in order to address major concerns raised by the priority stakeholders, so as to improve stakeholder relations.
- > Support for social and cultural development: The manufacturing units of your Company continued to support local initiatives for development and social -cultural integration, for example:

Pallavaram Unit, Chennai

- > An institutional training was undertaken for 140 engineering students. Of these, 90 engineering students have been given an opportunity to do their project work.
- > Daily lunch program for children of the local orphanage.

- > Offering job opportunities to qualified, disabled persons as apprentices with the Unit.

Naini Unit

- > Institutional training imparted to 320 engineering students.
 - > Knowledge management conference was conducted by Motilal Nehru National Institute of Technology (MNNIT) with plant visits and an interactive session to professors and faculties of various colleges from 16 states.
 - > Support to the National Symposium on "Environmental Pollution" organized by Allahabad Agriculture Institute.
 - > Promoting local cultural activities such as Triveni Mahotsav, Jhanda Diwas and Roop Katha that helped in community building.
 - > Supported the Allahabad Consumer Protection Society in their education for poor programme.
 - > Donated Desktop Computers to the Kalpana Chawla Memorial Trust, Allahabad.
 - > Contributed to and supported the National Sports Academy, Khel Gaon, Allahabad for organizing 'Allahabad Celebrations 2008'.
 - > Supported the '21st Sub-Junior National Gymnastics Championship' organized by National Sports Academy, Allahabad.
- Bangalore Unit**
- > Ongoing support to students from the neighboring schools to attend special classes concerning their studies.



- > The Unit conducted a Free Eye camp in February, 2008. Free eye testing was done for 142 persons, out of which 49 were provided with free spectacles. Of these, 14 needy patients successfully underwent free cataract surgery.

Taratala Unit, Kolkata

- > Blood Donation camp conducted in March 2008. There were 60 volunteer employees of Taratala Unit, who donated blood.
- > The Unit donated desktop computers to local schools.

Salt Lake Unit, Kolkata

- > The Salt Lake Unit sponsored AREVA T-Shirts and Caps for officials in "All Bengal Inter Government School sports meet 2008," held at Salt Lake Stadium during the year.
- > Supporting "The Family India", an organization involved in a variety of social, educational and humanitarian projects.

Perungudi Unit, Chennai

- > Perungudi Unit re-laid the 1 km road affected by rain in the Industrial estate in which the Unit is located. This has significantly helped ease workers' problems in commuting to factories in the Industrial area.
- > Support for promotion of local cultural activities.

On the whole, 2008 was an eventful and successful year for your Company in the CSR field.

Environment, Health & Safety Initiatives

Environment

Greenway audits have been undertaken at Chennai, Pallavaram,

Perungudi and Naini Units. Action plans have been issued and followed.

Global initiatives

- > Upgrade of effluent / sewage treatment facility and re-usage of treated water for gardening:
 - 30% savings in raw water consumption.
 - 8% savings in Electricity against 25% product sales increase.
 - 10% reduction in paper usage, closure of Electro-plating shop operations to reduce effluents etc.

The **Systems Business** is committed to bringing a cultural change in the field of Environment, Health & Safety (EHS) by educating the site workmen who are mainly local skilled / unskilled labor spread across 50 project sites in 17 states in the country. Inculcating the habit of using safety devices by continuous education through dedicated skilled EHS team, is bringing awareness amongst the sub contractors and their laborers.

Health

CMR (dangerous for the health) products inventory has been launched in 2008 and will be completed at the beginning of 2009.

AREVA
Sustainable Development concept recognizes the inter-dependence of economic, environmental and social system and performance factors.



Accident Prevention initiative at Naini
Before implementation



After implementation



Lean manufacturing system - Pallavaram
Layout before implementation



Layout after implementation

Replacement will be analysed. Medical expert from AREVA Group in France visited AREVA T&D India's sites in 2008 in India and a second visit is planned for March 2009. These visits are to ensure international best practices are followed in industrial health policy.

Safety

Safety is considered as the highest, non-negotiable priority at AREVA T&D India. A strong safety policy, recurrent trainings and ongoing audits are among important elements to ensure safer working conditions for all employees of your Company.

Key actions and achievements in the current year were as follows:

- Safety audits in Naini, Pallavaram and greenfield sites.
- Significant progress on PPEs. (safety shoes and helmet)
- Extensive training and T&D instructions for both employees and contractors: Work at height, Loto, trenches & excavations.
- Road safety awareness deployed at every site.

There has been significant work undertaken on greenfield sites (Padappai, Hosur, Vadodara) and on Systems sites.

There was a reduction in the number of fatal accidents during the year.

The frequency rate of accidents was reduced to 1.58 in 2008 as compared to 2.21 in 2007.

A key initiative for 2009 will be to deploy Safety roadmap for all critical sites and AREVA T&D India's Contractors.

Sustainable Development & Continuous Improvement

During the year under review, the units of your Company including the sales organization continued to progress forward with the implementation of the global sustainable development (SD) model "AREVA WAY", with enhanced involvement of employees. The Sustainable Development concept recognizes the interdependence of economic, environmental and social systems and performance factors. Significant key actions are in line with the sustainable development commitments.

Pallavaram Unit, Chennai

- Lean Project in Purchase function of Pallavaram Unit won AREVA T&D 2008 Strategic Plan Award.
- Automation SDCI Award for Customer Satisfaction 2007 was awarded for the Unit at Automation Global Convention.
- As a part of deployment of Lean manufacturing system in Pallavaram Unit, 4 more lines namely Export HA Midos, Disc, Static and Control Cubicles were transformed into lean lines. The lean transformation has overall resulted in significant productivity improvement apart from reduction in WIP and manufacturing cycle time".
- 8 more Six sigma projects contributing to operational performance improvement were successfully completed and certified.

- Pallavaram became the first manufacturing Unit in Automation Business globally to adopt Lean Manufacturing in Products & Systems assembly and achieved higher Productivity and significant reduction in manufacturing cycle time, inventory / work-in-progress and space utilization per person.

Naini Unit

- Naini Unit received the 'Allahabad Managerial Association Excellence Award' in recognition to its growing performance over the years and following exemplary managerial practices for the growth of the organization, employees and community.
- Testing transformer with working voltage class of 7500 kVA was successfully commissioned in DTI Unit. This unique testing transformer reduces the test configuration changeover time from 2 hours to 5 minutes.

Noida Unit

- EMI (Noida) and PDS (Vadodara) Units were certified for Integrated Management System (ISO 9001, ISO 14001 & OHSAS 18001).
- Systems Unit was re-certified for ISO 9001.

Bangalore Unit

- Bangalore Unit was certified for OHSAS 18001 and re-certified for ISO 14001 and ISO 9001.
- Bangalore Unit implemented Eco friendly design in packing of Line traps, Bushings and Current Transformers, that resulted in reduction of wood content by 15% in packing boxes.

Salt Lake Unit

- The QMS of Air Insulated Switchgear including processes at outsourcing partners end was certified to ISO 9001 and integrated with current circuit breaker certification at Salt Lake Unit in Kolkata.

Shifting of Registered Office

Your Company wishes to inform you that by way of postal ballot you had given approval for shifting the Registered Office of your Company from the state of West Bengal to the National Capital Territory, New Delhi. This will help your Company to carry on its business more economically and efficiently, facilitate operations, smooth functioning of the business activities and will also harmonize administration.

Particulars of Employees

A statement, as required under Section 217(2A) of the Companies Act, 1956, read with The Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219 of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of your Company, excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of your Company.

“Pallavaram became the first Unit in automation Business globally to adopt lean manufacturing in products and systems.”





Country Integration Programme in progress

Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo

The particulars, as prescribed under sub-section 1(e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in the Annexure which forms part of this report.

Human Resources Management

For your Company the key challenge during 2008 was recruitment of professional engineers and managers. HR successfully recruited more than 1200 people in response to business needs and budgeted growth. Highlights include:

- Hit ratio in terms of recruitment was nearly 85%.
- Participation of employees to support your Company in this mission through employee referral scheme called ASAP (AREVA Strategic Talent Acquisition Programme) was excellent nearly contributing to 25% of recruitment.
- Campus management was done on time and attracted 200+ candidates with potential to join us in 2009 from various campuses. The contribution of the line managers to this process was significant. The Central Recruitment team visited 210 institutions across region in the country. Nearly 1400 students participated and finally 210 students were selected. The process included technical tests, group discussion and panel interviews by the line managers.

In 2008, your Company aggressively launched a Country Integration Programme to cover all new recruits

that helped to integrate people with the organization quickly and swiftly.

Your Company's retention programme yielded good results. Attrition which was at the rate of 12.5% in 2005 came down to around 8% in 2008. The retention programme focuses on creating more opportunities for mobility, differentiation in rewards for performers, excellent training and development opportunities have paid dividends. We have reviewed through market survey your Company's compensation levels, and found them to be quite competitive in terms of external equity. Thus, your Company could retain high potential employees.

In the training domain, we launched Development Centre process to help us identify development needs of all our managers. The two years ACE programme for Diploma Engineers could be concluded successfully. AREVA University conducted T&D Finance Institute programme for globally emerging finance leaders of finance team which was very successful. We had a repeat programme for young managers who are on fast track with IIM Bangalore on Business Management. AREVA T&D Corporate training department offered senior managers Situational Leadership programme apart from several other training initiatives. On the whole 2008 was quite an eventful, rewarding and challenging experience for HR.

Information Technology

During the year, your Company undertook several initiatives in creating a seamless IT environment. The IT teams in India have launched the design of new infrastructure in order to follow the T&D business

global network. The design covers both Country WAN and Data center in order to improve communications between units and to consolidate critical industrial and financial data in secure premises.

In addition, IT focused its efforts on the security aspect by deploying a corporate antivirus with automatic updates from corporate servers. A Password policy has been enforced through corporate tools and rules. Initiatives to significantly improve mobility have been deployed. These include a corporate secure solution, giving access to nomadic users access to full work environment from everywhere.

A significant step was taken by introducing a new technology with IP telephony and video conferencing solutions on most of the important sites, in order to promote work sharing between units. The access to T&D backbone was secured and doubled with another access through the hub at Chennai, providing permanent access to corporate solutions.

Applications scope was also concerned as IT has improved SAP solutions by upgrading capacity and securing data with cost reduction.

Directors

During the year, Mr. Pierre Laporte was co-opted as Additional Director, effective April 25, 2008. Brief particulars of Mr. Pierre Laporte are as under:

Mr. Pierre Laporte has a Master Degree in Business Law. His career

started in 1987 as an Attorney specializing in Business Law. He has held several key positions in GE Group in the Europe, Middle East, Africa and in Asia Pacific. He joined AREVA in the year 2005 and at present, he is the Senior Vice President, Corporate Legal and General Counsel of AREVA Corporate, France.

Considering his background and experience, the Board is of the opinion that the appointment of Mr. Pierre Laporte, as Director, will be beneficial to your Company.

Mr. C.M.A. Nayar and Mr. Arthur de Montalembert retire by rotation and being eligible, offer themselves for re-appointment. The Board recommends the re-appointment of both Mr. C.M.A. Nayar and Mr. Arthur de Montalembert as Directors.

Directors' Responsibility Statement

In compliance of Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors of your Company confirm:

- that the applicable Accounting Standards have been followed in the preparation of final accounts and that there are no material departures;
- that such accounting policies have been selected and applied consistently and such judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at

December 31, 2008 and of the profit of your Company for the year ended on that date;

- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- that the annual accounts have been prepared on a going concern basis.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Reports on Management Discussion and Analysis and on Corporate Governance have been included elsewhere in this Report as separate sections.

Further, as required under the amended said Clause 49, your Company has adopted a 'Code of Conduct and Ethics' for its Directors and Senior Executives. We feel proud to record here that this is in addition to the AREVA Values Charter which is applicable to all employees of the AREVA Group.

Auditors

M/s. Deloitte Haskins & Sells, the retiring Auditors, have indicated their willingness to be reappointed.

Noida
February 20, 2009

For and on behalf of the Board
S K Poddar
Chairman

Information in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988:

1. Conservation of Energy

- > Production process improvements were implemented to improve the consumption per unit of manufacture.
- > Usage of LPG administered in the production process.
- > Capacitors are maintained regularly to improve the power factor between 0.95 and 0.99.
- > Fuel efficiency of Diesel Generator : all generators are loaded at optimum load and preventive maintenance done as per plan thereby fuel efficiency increased from 2.2 to 3.5 units per litre.
- > To reduce energy consumption, 100 nos. air cooled split air conditioners are provided at Design , accounts, HR, canteen, project offices and NPT shops.
- > 1000KVA APFC Panel has been installed to improve power factor from 0.91 to 0.97 [approximately saving Rs.15 Lakhs].
- > 50 Nos. T5 Lamps of Bajaj make fitted in total PT production bay.
- > Energy consumption during 2008 was 284.4 units/MVA with respect to 318.02 units per MVA in 2007, thereby achieving 10.4% reduction in energy consumption in 2008.
- > Leakage in air compressor systems arrested as a result of audit by National Productivity Council energy audit, loading pattern optimized in two nos. compressors.

- > All 5 new cranes installed in NPT shops are with variable frequency drives to ensure energy savings.
- > 50 Nos. power saver CFL lamps installed in shop floor and offices including emergency use.

2. Technology Absorption, Adaptation and Innovation

2.1 Technical Development

New Products

- > Development of 1200 kV Capacitor Voltage Transformers for test station at Bina (Power Grid).
- > Localisation of 765 kV Current Transformers and Capacity Voltage Transformers.
- > Compact Corrugated Tank Distribution Transformer for Windmill application of Enercon was developed successfully meeting all tests including Dynamic Short Circuit Test.
- > 3 MVA 11000/165-450W 3 PE Furnace Transformer with built-in Reactor was successfully developed to St. Gobain Palakkad Project.

Improvements

- > Automation of impregnation process for Current Transformers.
- > New core cutting facility established in DTI from Astronics, Switzerland.
- > Impulse generator from AREVA Greece rectified, modified successfully and implemented in DTI.
- > To test upto 132 kV class.

- 2 Nos. Fuel efficient eco-friendly with acoustically enclosed diesel generator sets.
- Each 1500 KVA 415 Volts installed which is adequate for operation of the plant successfully.
- Independent of incoming power failure.

2.2 Benefits of Research & Development

- Development of Top Core Current Transformers in 145 kV and 245 kV ratings.
- Six engineers completed long term assignment on "DC Conversion Sub Station Control Technology" for Aluminium Smelters in Massy Unit. Ongoing long term assignment of 3 engineers in Stafford for HVDC technology.
- Upto 31.5MVA 132 kV class, closed disc winding successfully implemented.
- H-Range 250MVA GT, both 3PH and 1PH, 80MVA 3PH from Stafford Technology implemented.

2.3 Expenditure on Research & Development : Rs. 34,062 thousands

R&D expenditure as a percentage of total turnover 0.12%

For details regarding imported technology and status regarding their absorption, please see the Schedule annexed hereto.

3. Foreign Exchange Earnings & Outgo

The details of foreign exchange used and earned by the Company (including that earned by third parties) during the year ended 31.12.08 are as under:

Rupees Thousands

(a) Foreign exchange used	6,337,097
(b) Foreign exchange earned	6,488,834

Schedule of Imported Technology

Sl.No.	Technology	Year of Import	Status regarding absorption
1	Medium Voltage Prefabricated Substation Model ALTO	2004	Fully absorbed
2	Medium Voltage Ring Main Unit Type FBX	2006	Fully absorbed
3	GSP Foil wound technology in DTI	2006	Fully absorbed and industrialized
4	Layer winding for windings in MPT DTI	2008	Prototype successfully developed
5	145kV gas insulated switchgear, type F35	2008	Under absorption
6	245kV gas insulated switchgear, type B105	2008	Under absorption



Management Discussion & Analysis Report



Market Overview

The Indian economy witnessed a downturn in the year 2008. The effect of US Sub-prime crisis has been felt globally and India could not remain aloof from it. The Indian stock market index "Sensex" which crossed 21000 levels at the beginning of the year, went below 8000 points in the latter half. Overall, the economy is estimated to grow at circa 7% in the financial year 2008-09, as against 9% in the previous year. Inflation reached to its all time high of 12% but also cooled off sharply to 5.2 % by the end of the year.

The Indian government announced two strong stimulus packages, compelling banks to ease the lending norms. Increase in ECB limits was a strongly positive sign for the industry. During this period, the Reserve Bank

of India cut the repurchase rate to 5.5% from 6.5% and the reverse-repurchase rate to 4% from 5%. The monetary authority also cut the so-called cash reserve ratio, or the proportion of deposits banks must hold in reserve, to 5% from 5.5%, releasing Rs.200 Billion (\$4.1 Billion) into the banking system. Some other highlights were:

- > Removal of the interest rate ceiling on ECB.
- > Increase in foreign institutional investment allowed in Indian corporate bonds from \$6 Billion to \$15 Billion.
- > State governments allowed to raise market borrowings of up to 0.5% of State Domestic Product for capital spending.
- > Increasing the lending targets of Public Sector Banks.

These were some of the positive moves from the government to boost the economy.

The market trend for generation and T&D are as follows:

> Generation

Despite strong government commitments the country may not reach the goal of adding 78,000 MW of generation capacity in the 11th plan. Several Ultra Mega Power Projects are delayed, and the financial closure of many private sector projects are also getting delayed due to the current market conditions.

> T&D

The Central Transmission Utility of India, Power Grid, is strongly pursuing the upgrade of transmission infrastructure of the country. The main Transmission Network is planned at Extra High Voltage level i.e. 765 kV. This will be a major contributor to T&D market growth in India. Power Grid is also working on the next level of voltage i.e. 1200 kV systems in India planned for 2010-2011 to evacuate the additional power which are going to be installed during the 11th and 12th Plan periods. The first trial sub-station will be BINA where 1200kV equipments will be installed. Your Company has already tested the locally manufactured 1200 kV CVT successfully.

Opportunities and Threats

Opportunities

- In spite of the global financial crisis, projects in T&D sector were able to organize funds to keep the growth program going. Major success in this direction was achieved by Power Grid and NTPC, whose bonds were oversubscribed. Power Grid has shown significant progress in terms of implementation of 765kV projects in India. It is expected that several 765 kV sub-station projects will be awarded during the year 2009.
- > Your Company was also successful in bidding and winning business opportunities like eBOP (Electrical Balance of Plant) projects, opening a new area of business for your Company. With the ambitious plans of power generation capacity addition there are many such projects in the pipeline.

- > Commodity prices fell sharply which in fact gave a cushion on margin for the product whose costing is mainly based on copper and steel content. This will help your Company to be competitive and safe-guard margins on the products.
- > The new production facilities will cater to the emerging Extra High Voltage (EHV) 765 kV technology offering significant localization. The said facilities could be upgraded to Ultra High Voltage (UHV) 1200 kV if the need arises (expected 2010-11).

Threats

- > Although the Government funded projects are moving ahead, the major section of the industry such as oil & gas is affected due to this global financial crisis. Prices of commodities have dropped preventing investment in the Industrial Segment.
- > Progress of three mega power projects and many other generation projects which involve





FSSC, Pallavaram

private funding are required to be monitored very closely.

- The realty sector and commercial buildings is under pressure and witnessed negative growth. With actions taken by the Government, the scenario has started to show improvement. The secondary distribution business is linked with this sector. It will be important to watch how this sector evolves in the near future.

Business Projections

Your Company is fully equipped to face the technological challenges of the T&D Market and has various solutions in its portfolio to address most of the segments. The brand value of AREVA T&D is very well recognized in the market. Capacities of manufacturing plants are being continuously enhanced and the new facilities are being added to enhance new product ranges.

Support functions to achieve our goals

Human Resources

The employee strength of your Company as on December 31, 2008 is more than 4300. During the year under review, a number of initiatives were taken contributing to significant improvement in recruitment, retention and talent development. Your Company has successfully concluded long term wage settlements at Naini and Bangalore. Relocation of our talents from the current location viz. Chennai, Bangalore, Kolkata to new Greenfield sites are in progress. It has been another year of healthy and cordial atmosphere contributing to improvements in production and productivity.

Risk & Internal Controls

Your Company continues to use the services of the Internal Audit function that operates independent of the Management. Realizing that the institution of controls primarily rests with the management, diagnostic self-evaluation tools like Self Assessment and Internal Control toolkit are provided to them to assess the prevailing levels. The gaps identified through these tools are bridged by identified action plans that are monitored at various levels of management. Internal Audit function continues to adopt risk assessment based methodology for identification and performance of assignments. The Audit Reports include action plans proposed by the auditees for implementation of recommendations. This is further strengthened by a good monitoring process to assess the progress of implementation.

Finance

As a backbone function Finance is fully geared to contribute to the operations of your Company. This is achieved by the combination of keen and enthusiastic staff coupled with the necessary processes to support them. Timely and accurate information being a prerequisite for the efficient running of a company all measures are taken to ensure the time lines are properly met at all times.

Lean process and internal controls are the focus areas along with the optimization of working capital management. With the volume growth in all the spheres of activities, the limited resources are to be effectively utilized. All the finance system and documentation processes are reviewed in each of the units to reduce the non-value added



Investor Meet

processes and implement job responsibilities with segregation of duties for effective internal control. Numbers of action plans have been laid down in each unit to bring in the change and monitor the progress on the new way of working. Implementation of action plans is closely monitored through dashboard at appropriate levels.

Following the AREVA T&D guidelines, the key accounting internal control processes are analyzed into 15 chapters and a self evaluation of each of the function is carried out by the individual locations to identify the improvement areas.

Vendor payment across India is centralized at Financial Shared Service Centre at Chennai. High volumes facilitate the implementation specific tools to improve the efficiency across the board. Towards the end of the year, a significant part of payment to vendor had been moved to

electronic transfer from a paper cheque.

Cash needs for all the Greenfield sites are managed through internal accruals and short term borrowings. However at the end of the year, due to higher interest rates, it had impacted higher costs.

A detailed compliance checklist was prepared during the year with regard to all the direct and indirect tax compliances. Areas of improvement are identified and implementation is being monitored. During the year, your Company opted to become a member of Large Tax Unit Payer (LTU) of Chennai to take advantage of the centralization of Excise and Service Tax along with existing Income Tax operations for better internal control.

Communication

During the year under review, your Company undertook several initiatives to increase investor

communication activities. During the year, Senior Executives of your Company held two one-on-one meetings with the investor community in Mumbai and also conducted 2 web based interactive sessions to discuss the progress and performance of your Company. This is in keeping with your Company's intention to be transparent to the investing community and to keep them abreast of the appropriate and material information on a timely basis.

Outlook

For 2009, the outlook in the Utility Segment looks stable due to investments from central and state utilities.

However, the Industry and Infrastructure Segments are witnessing a negative growth at this moment due to the prevailing market conditions.

Overall T&D market growth in 2009 is expected to be lower than 2008. This is expected to create pressure on prices.

As a result, your Company is closely monitoring market developments in the Industry and Infrastructure Segments and at the same time, looking for growth opportunities in all other segments.

The management team of your Company remains deeply committed to its profitable growth.

Noida
February 20, 2009

For and on behalf of the Board
S K Poddar
Chairman



Corporate Governance

1. Company's philosophy on Corporate Governance

Your Company's philosophy on Corporate Governance is aimed at assisting the top management of your Company in conducting its business in an efficient and transparent manner and in meeting its obligations to shareholders and other stakeholders. In doing so, your Company strives to adhere to AREVA Values which are:

- > Customer Satisfaction
- > Profitability
- > Responsibility
- > Integrity
- > Excellence
- > Sincerity
- > Partnership

2. Board of Directors

A. Composition

The present strength of the Board is eight Directors comprising seven non-executive Directors and one executive Director viz. the Managing Director. More than 85% of the present Directors are non-executive. The Chairman, who is a non-executive Director and two other non-executive Directors are also Independent Directors, which is 37% of the present strength. Your Company does not have any nominee Director. The present composition of the Board fully meets the requirement of SEBI's guidelines as per the amended Clause 49 of the Listing Agreement and the Companies Act, 1956.

B. Attendance of Directors at the Board Meetings and at the last Annual General Meeting

Sl. No.	Names of Directors	Position	Classification	Number of Board Meetings attended (Jan – Dec 2008)	Attendance at the last AGM held on 25.04.2008
1	Mr. S.K. Poddar	Chairman (Non-executive)	Independent	3	Yes
2	Mr. Rathindra Nath Basu	Managing Director	Executive	4	Yes
3	Mr. Michel Augonnet	Director	Non-executive	1	No
4	Mr. Arthur De Montalembert	Director	Non-executive	3	No
5	Mr. C.M.A. Nayar	Director	Independent	3	Yes
6	Mr. Pierre Laporte*	Additional Director	Non-executive	1	NA
7	Mr. Subir Raha	Director	Independent	4	Yes
8	Mr. Karim Vissandjee	Director	Non-executive	4	Yes

* Appointed as an Additional Director at the Board Meeting held on 25.04.2008.

The appointment of Mr. Subir Raha, who was co-opted to the Board as Additional Director, was confirmed by the shareholders in the last AGM held on 25.04.2008.

Brief write-ups about the Directors, due for appointments/re-appointments are given elsewhere in this report. Table 2 gives the Number of other Companies or Committees in which any of the Directors (being a Director as on the date of this Directors' Report) is a Director/Chairman/Member

- C. Number of other Companies or Committees in which any of the Directors (being a Director as on the date of this Directors' Report) is a Director/Chairman/Member

Sl.No.	Name of the Director	No. of other Directorships (Excluding foreign Companies and Private Limited Companies)	No. of other Committees	
			As Chairman	As Member
1	Mr. S. K. Poddar	11	2	1
2	Mr. Rathindra Nath Basu	--	--	--
3	Mr. Michel Augonnet	--	--	--
4	Mr. Arthur de Montalembert	--	--	--
5	Mr. C. M. A. Nayar	--	--	--
6	Mr. Pierre Laporte*	--	--	--
7	Mr. Subir Raha	4	--	--
8	Mr. Karim Vissandjee	--	--	--

*w.e.f. 25.04.2008.

- D. Number of Board Meetings held and the dates of Board Meetings

Four Board Meetings were held during the year ended December 31, 2008

Dates of the Board meetings

- February 28, 2008;
- April 25, 2008;
- July 29, 2008;
- October 27, 2008

3. Disclosures regarding Directors' appointment and re-appointment

At the ensuing Annual General Meeting, Mr. C.M.A.Nayar and Mr. Arthur de Montalembert, Directors, retiring by rotation, are proposed to be re-appointed and Mr. Pierre Joseph Jean Marie Laporte is to be appointed. Brief particulars of these Directors are as under:

Mr. C.M.A. Nayar is a B.Tech in Electrical Engineering from IIT, Madras and has also undergone Advanced Management Training at the renowned institute INSEAD, Paris. Mr.Nayar started his career as a Project Engineer with ALIND, Kerala in 1965 and rose to become the Chief Executive of its Switchgear Division. In 1988, he resigned from ALIND and joined ALSTOM's Power Transmission Group as Marketing Manager. In ALSTOM, he has held several key positions viz. Director-Strategic Purchasing (Power Transmission) - January 1993 to April 1997; Vice President-Sourcing (Power Transmission) - April 1997 to February 1999; Vice President, Industry & Quality (Transmission business) - February 1999 to December 2000 and lastly Vice President (Quality Focus & Change Management), High Voltage Business, from December 2000.

Mr. Nayar is also a Member of the Audit Committee.

Mr. Arthur de Montalembert graduated in Economics and Finance from the Paris Institute for Political Studies. He also holds degrees in Philosophy from the Paris-Sorbonne University and in Regional & Urban Planning from the French School of Civil Engineering.

His career in the energy field started in 1979 as an officer for international energy affairs at the French Ministry of Industry. He joined COGEMA, the French nuclear fuel cycle company, in 1983 and held responsibilities in marketing & sales until 1987. From 1988 to 1992, he was COGEMA Chief Representative in Japan, based in Tokyo, and upon his return to France, Manager for business development at COGEMA's Back-end Division. From the beginning of 1995, he was in charge of American affairs at COGEMA's Corporate Strategy & International Development Division and, in May 2000, was appointed Director for International Development. He joined AREVA when it was created in September 2001. He was the Senior Vice President – International & Marketing, AREVA from March 2008 and the Chairman and Managing Director of AREVA India Private Limited.

Mr. Pierre Joseph Jean Marie Laporte has a Master Degree in Business Law. His career started in 1987 as an Attorney specializing in Business Law. He has held several key positions in GE Group in the Europe, Middle East, Africa and in Asia Pacific. He joined AREVA in the year 2005 and at present, he is the Senior Vice President, Corporate Legal and General Counsel of AREVA Corporate, France.

4. Non Executive Directors Compensation and Disclosures

Non-executive Directors (other than Independent Directors) are not paid any compensation other than sitting fees.

5. Code of Conduct and Ethics for Directors and Senior Executives

In line with the amended Clause 49 of the Listing Agreement, which came into effect from January 1, 2006, your Company adopted a Code of Conduct and Ethics for its Directors and Senior Executives.

The purpose of this Code is to promote conduct of business ethically in an efficient and transparent manner and to meet its obligations to shareholders and all other stakeholders in full compliance with the **AREVA VALUES CHARTER** which applies within all companies forming part of the **AREVA Group**.

The Code has also been posted on your Company's website.

6. CEO/CFO Certification

In line with the requirements of Clause 49 (V) of the Listing Agreement, the Managing Director and the Regional Finance Director, have submitted the CEO/CFO Certification, certifying to the Board inter alia that the Financial Statements and the Cash Flow Statements for the year ended 31.12.2008 were reviewed to the best of their knowledge and belief, that they do not contain any untrue statement, omit any material facts, are not misleading statements, together present a true and fair view and are in compliance with the applicable laws and regulations. The certificate further confirms that the transactions entered into by your Company for establishing internal control, financial reporting, evaluation of the internal control systems and making of necessary disclosures to the Auditors and the Audit Committee have been complied with.

7. Audit Committee

The composition of the Audit Committee is as under :

Mr. S.K. Poddar - Chairman (non-executive)	Independent Member
Mr. C.M.A. Nayar	Independent Member
Mr. Subir Raha	Independent Member
Mr. Karim Vissandjee	Member with Financial management expertise

The above composition duly meets the requirement under amended Clause 49 of the Listing Agreement.

Mr. Rathindra Nath Basu, Managing Director, is a permanent invitee to all Audit Committee meetings.

The Regional Finance Director, Deputy Regional Finance Director, the Internal Auditor and the representatives of Statutory Auditors and Cost Auditors are invitees to the relevant meetings of the Audit Committee. The terms of reference of the Audit Committee are wide enough covering the matters stipulated in Clause 49 of the Listing Agreement and the Companies Act, 1956.

The terms of reference and powers of the Audit Committee shall be as mentioned in Clause 49 II (D) of the Listing Agreement entered into with the Stock Exchanges and would include overseeing your Company's financial reporting process, reviewing with the management the financial statements and the adequacy of the internal audit function and to discuss significant internal audit findings, statutory compliance issues and issues related to risk management and compliances.

The Audit Committee acts as a link between the management, external and internal Auditors and the Board of Directors.

During the year 2008, the Audit Committee met four times and the attendance of the Audit Committee Members at the meetings are as detailed below:

Sl.No.	Names of Directors	Number of Meetings attended
1	Mr. S.K.Poddar, Chairman	3
2	Mr. C.M.A. Nayar	3
3	Mr. Karim Vissandjee	4
4	Mr. Subir Raha	3

8. Remuneration Committee

Remuneration Committee, as contemplated under the Listing Agreement, has not been constituted since your Company, at present, is not considering rewarding its non-executive Directors.

The remuneration paid to Mr. Rathindra Nath Basu, Managing Director, is as per the applicable provisions of the Companies Act, 1956 and within the limits specified under Schedule XIII thereto and duly approved by the shareholders.

9. Remuneration to Directors (during 1.1.2008 to 31.12.2008)

Details of remuneration paid to the Directors, executive and non-executive, are as under:

A. Executive Directors					
Name	Designation	Sitting Fees Paid (Rs.)	All elements of remuneration package i.e. salary, benefits, allowances, bonus, contributions and perquisites (Rs.)	Commission paid (Rs.)	Total (Rs.)
Mr. Rathindra Nath Basu	Managing Director	Nil	108,99,735	Nil	108,99,735

B. Non-executive Directors				
Sl.No.	Names of Directors	Position	Sitting Fees Paid (Rs.)	Commission (Rs.)
1	Mr. S.K. Poddar	Chairman	1,24,000	Nil
2	Mr. Subir Raha	Director	1,20,000	Nil
3	Mr. C.M.A. Nayar	Director	80,000	Nil

Notes:

- (i) Other than sitting fees, for attending the Board and/or Committee Meetings, the Independent non-executive Directors of your Company are not entitled to any other remuneration.
- (ii) No sitting fee was paid to the non-executive Directors employed within AREVA Group for attending Board meetings.

10. Shareholders/Investors Grievance Committee

The Board of Directors have constituted a "Share Transfer and Shareholders / Investors Grievance Committee" in line with the Listing Agreement, which is responsible for all matters concerning the share transfers, transmissions, issue of duplicate share certificates and attending to the grievances of the shareholders.

The present composition of the Committee is as under:

Mr. S.K. Poddar
 Mr. Rathindra Nath Basu
 Mr. Karim Vissandjee

Your Company has appointed Mr. C. S. Ashok Kumar, Company Secretary as the 'Compliance Officer', who may be contacted for any matter relating to share transfers/transmissions, non-receipt of Annual Reports, Dividend, etc. During the year, your Company received 12 complaints from shareholders mostly pertaining to non-receipt of dividend warrants and a few for non receipt of Annual Reports and Share Certificates. These were replied suitably to the satisfaction of the shareholders and no complaint remained pending. Your Company did not have any pending transfers as at December 31, 2008.

11. Disclosures

- (i) There were no materially significant related party transactions during the year having conflict with the interests of your Company.
- (ii) Details of non-compliance by your Company, penalties and strictures imposed on your Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:

Your Company has complied with all the requirements of the Listing Agreement with the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties or strictures have been imposed by SEBI, Stock Exchanges or any other statutory authority on matters relating to capital markets during the last three years.
- (iii) Your Company has not made any rights or public issue during the period covered by this report.
- (iv) It is confirmed that no personnel has been denied access to the Audit Committee.
- (v) It is confirmed that the mandatory requirements are complied with and the non mandatory provisions are adopted wherever necessary.

12. General Body Meetings

A. The details of General Body Meetings held during the last three years are given below:

Sl.No.	General Body Meetings	Date and Time	Venue
1.	Meeting of the Shareholders pursuant to the Calcutta High Court's Order for sanction of the Scheme of Arrangement for the separation of Non T&D Business	28th April 2006 10.30 a.m.	Kalamandir Auditorium 48 Shakespeare Sarani Kolkata-700 017
2.	50th Annual General Meeting	16th May 2006 10.00 a.m.	Kalamandir Auditorium 48 Shakespeare Sarani Kolkata-700 017
3.	Meeting of the Shareholders pursuant to the Calcutta High Court's Order for sanction of the Scheme of Amalgamation for three AREVA entities with Your Company	28th February 2007 10.00 a.m.	Kalamandir Auditorium 48 Shakespeare Sarani Kolkata-700 017
4.	51st Annual General Meeting	5th November 2007 10.00 a.m.	Kalamandir Auditorium 48 Shakespeare Sarani Kolkata-700 017
5.	52nd Annual General Meeting	25th April 2008 10.00 a.m.	Kalamandir Auditorium 48 Shakespeare Sarani Kolkata-700 017

Note:

All the resolutions set out in the respective notices for the above meetings were duly passed by the shareholders with the requisite majority in each case.

B. Details of Special Resolution passed through Postal Ballot:

Description	Date of declaration of the Postal Ballot Result	% of votes in favour of Special Resolution	Scrutinizer for conducting the Postal Ballot
Alteration of Article 4 of the Articles of Association of Your Company under Section 31 of the Companies Act, 1956 for taking into consideration the sub-division of Equity shares of your Company from Face value of Rs. 10 each to Rs. 2 each.	16th September 2008	99.99%	Mr. P.V.Subramanian, Company Secretary in whole time practice, Kolkata
Shifting of the Registered Office of Your Company from the State of West Bengal to the National Capital Territory of Delhi and consequential amendment to the Registered Office clause in the Memorandum of Association of your Company.	19th December 2008	99.91%	Mr. P.V.Subramanian, Company Secretary in whole time practice, Kolkata

None of the resolutions to be passed at the ensuing Annual General Meeting is required to be passed by Postal Ballot.

13. Means of Communication

Half-yearly report sent to each household of shareholders	: No, but published in specified newspapers.
Quarterly Results	
which newspapers normally published in	: The Economic Times (English) in all editions and Aajkal (Bengali) in Kolkata
Any website, where displayed	: www.areva-td.co.in
Whether it also displays official news releases and presentations made to institutional investors or to the analysts	: Yes
Whether Management Discussions and Analysis is a part of Annual Report or not	: Yes, annexed to the Directors' Report

14. Listing of shares on National Stock Exchange

Your Company has got its shares listed on the National Stock Exchange of India Limited with effect from 30.06.2008 to provide its investors with greater ease of access to Your Company's stock. With the stock listed on the National Stock Exchange along with the Bombay Stock Exchange, the opportunity of investing in your Company's stock shall be available to a large number of additional investors who had limited access to any one exchange.

15. Sub-Division of Shares

With a view to improving the liquidity of your Company's shares in the stock market and to make it affordable to the small investors, Your Company has sub-divided the nominal value of equity shares. The shareholders, through a Postal Ballot on 19th September, 2008, had accorded their approval for the Sub-division of every Equity Share of Rs. 10/-each to 5 Equity Shares of Rs. 2/- each.

16. General Shareholder Information

a)	AGM: Date, Time and Venue	: Kalamandir Auditorium 48 Shakespeare Sarani, Kolkata-700 017 Tuesday the 12th day of May, 2009 at 10.00 a.m
b)	Financial Calendar	: January to December
For the Financial Year 2009		
	• First Quarter Results will be published during	: April, 2009
	• Half Yearly Results will be published during	: July, 2009
	• Third Quarter Results will be published during	: October, 2009
	• Results for the fourth quarter and for the year ending on December 31, 2009, will be published during	: February / March, 2010
c)	Dates of Book Closure	: From 5th May, 2009 to 12th May, 2009 (both days inclusive)
d)	Dividend Payment Date	: Dividend if approved at the AGM will be paid on or after 13th May, 2009 to those Shareholders/Beneficial Owners whose names appear in the Register of Members as at the close of business on 12th May, 2009.
e)	Listing on Stock Exchanges	: The Calcutta Stock Exchange Association Ltd. 6 Lyons Range Kolkata 700 001 Bombay Stock Exchange Ltd. Phiroz Jeejeebhoy Towers Dalal Street, Mumbai 400 023 National Stock Exchange of India Limited* Exchange Plaza Bandra Kurla Complex Bandra (E) Mumbai 400 051
* Your Company has got its equity shares listed on the National Stock Exchange w.e.f from 30.06.2008. Your Company has paid the Listing Fees for the year 2008-09 to the three Stock Exchanges.		

f) Stock Code

The Calcutta Stock Exchange Association Ltd	: 17035 for physical and 10017035 for demat scrips
Bombay Stock Exchange Ltd	: 22275 for physical and 522275 for demat scrips
National Stock Exchange of India Ltd	: Symbol : AREVAT&D
ISIN Number for NSDL and CDSL	: INE 200A 01026

g) Market Price Data - As quoted in the Bombay Stock Exchange and Reference of AREVA in comparison with BSE SENSEX:

Month	AREVA Share prices		BSE SENSEX	
	High (Rs.)	Low (Rs.)	High	Low
January '08	2645.00	1425.00	20873.33	16729.94
February '08	1990.00	1615.00	18663.16	16608.01
March '08	1959.95	1310.00	16677.88	14809.49
April '08	1799.00	1371.00	17378.46	15343.12
May '08	1710.00	1473.00	17600.12	16275.59
June '08	1530.00	1200.00	16063.18	13461.60
July '08	1790.00	1199.00	14942.28	12575.80
August '08	1704.70	1468.00	15503.92	14048.34
September '08	1830.00	1322.00	15049.86	12595.75
October '08*	**294.80	142.00	13055.67	8509.56
November '08	200.00	133.05	10631.12	8451.01
December '08	216.90	130.00	10099.91	8739.24

*Shares were sub-divided from face value of Rs. 10 each to Rs. 2 each (record date 31.10.2008)

** The share price has been scaled down to the sub-divided value to facilitate comparison.

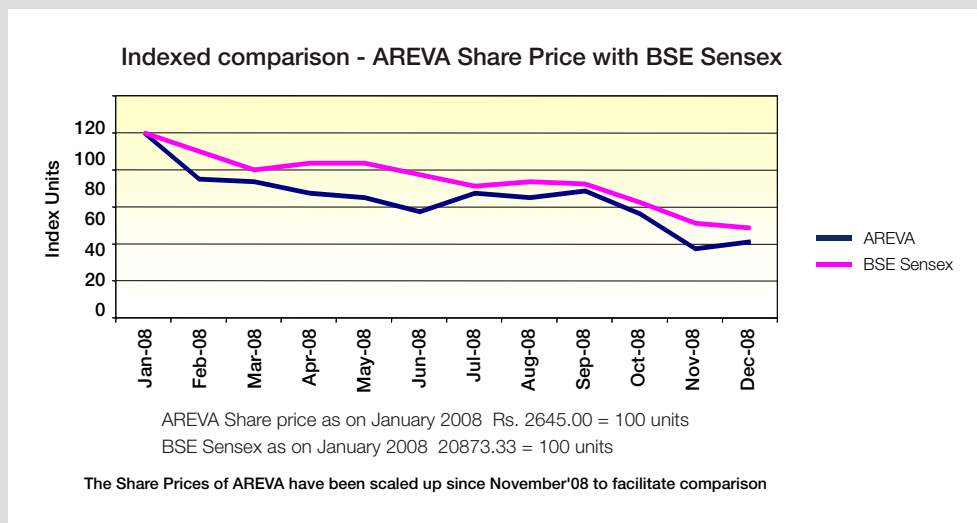
Market Price Data - As quoted in the National Stock Exchange and Reference of AREVA in comparison with S&P CNX Nifty:

	AREVA Share prices on NSE		S&P CNX Nifty	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
July '08	1800.00	1365.00	4539.45	3790.20
August '08	1699.00	1456.00	4649.85	4201.85
September '08	1914.00	1300.00	4558.00	3715.05
October '08*	**293.78	141.10	4000.50	2252.75
November '08	201.70	133.25	3240.55	2502.90
December '08	216.90	130.75	3110.45	2570.70

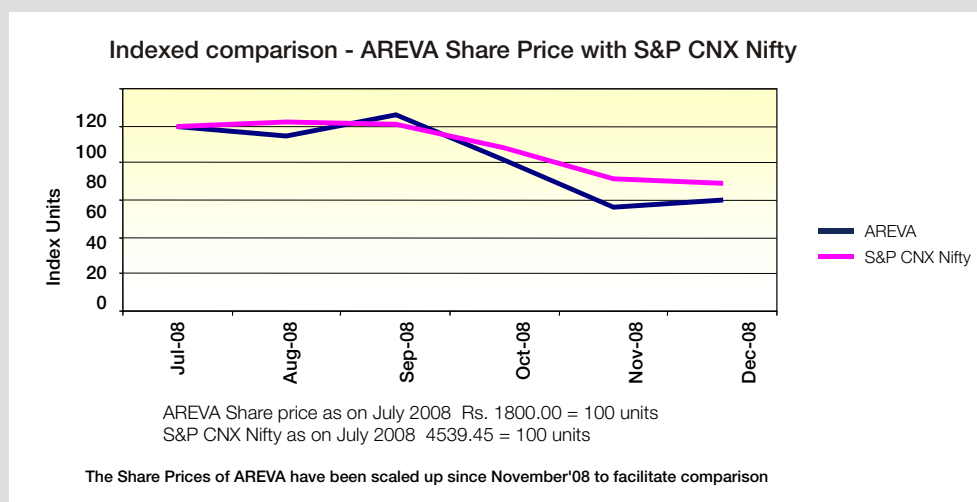
* Shares were sub-divided from face value of Rs. 10 each to Rs. 2 each (record date 31.10.2008)

** The share price has been scaled down to the sub-divided value to facilitate comparison.

h) Stock Performance of AREVA Vs. BSE Indices



Stock Performance of AREVA Vs. S&P CNX Nifty



i) Shareholding pattern as on December 31, 2008

Sl No.	Category	No. of Equity Shares held	Percentage
1	Foreign Principal - AREVA T&D SA, France - 132919225 - AREVA T&D Holding SA - 27893950 - Long & Crawford Limited - 11772725	172585900	72.18
2	Insurance Companies	14322405	5.99
3	Financial Institutions and Banks	120505	0.05
4	UTI and other Mutual Funds	13302940	5.56
5	Foreign Institutional Investors	3617841	1.51
6	Corporate Bodies	6736673	2.82
7	Non-resident Indians, Overseas Corporate Bodies and Foreign Nationals	834881	0.35
8	Directors and their Relatives - Mr. S.K. Poddar - 1900	1900	0.00
9	General Public	27387923	11.46
10	Others - Clearing Member	178102	0.07
	Others - Trust	14965	0.01
	Total	239104035	100.00

j) Distribution of Holdings as on December 31, 2008

Category	No. of Shareholders	Percentage	No. of Shares	Percentage
1 - 500	44108	82.22	6505901	2.72
501 - 1000	4082	7.61	3196289	1.34
1001 - 2000	2461	4.59	3687202	1.54
2001 - 3000	1107	2.06	2826328	1.18
3001 - 4000	525	0.98	1901329	0.80
4001 - 5000	365	0.68	1713203	0.72
5001 - 10000	632	1.18	4576850	1.91
10001 - and above	369	0.68	214696933	89.79
	53649	100.00	239104035	100.00

- k) **Registrars and Share Transfer Agents** : C B Management Services (P) Limited
P-22, Bondel Road
Kolkata - 700 019
Tel. No. : 91 33 2280 6692/6693/6694
Fax No. : 91 33 2287 0263
E-mail : cbmsl1@cal2.vsnl.net.in

l) **Share Transfer System**

A Committee of Directors (Share Transfer and Shareholders / Investors Grievance Committee) was constituted to approve the transfers and transmissions of shares, issue of duplicate share certificates and allied matters. In addition to the above, to expedite the share transfer process Mr. C.S. Ashok Kumar, Company Secretary and the Registrars and Share Transfer Agents CB Management Services (P) Limited have been severally authorised to effect share transfers and transmissions atleast every fortnight.

Your Company's Registrars CB Management Services (P) Limited have adequate infrastructure to serve the shareholders and process the share transfers. In compliance with the Listing Agreement every six months the share processing system is audited by a Practising Company Secretary and a Certificate to that effect is issued. Your Company's scrip forms part of the SEBI's compulsory demat segment.

m) **Dematerialization of shares and liquidity**

Your Company's scrip forms part of the compulsory demat segment for all investors effective 26th June, 2000. To facilitate the investors in having an easy access to the Demat System, your Company has signed up with both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The connectivity has been established through your Company's Registrars, CB Management Services (P) Limited. As at December 31, 2008, a total of 191423884 equity shares of your Company, constituting 80.06 % of the paid-up share capital, stand dematerialised.

n) **Secretarial Audit Report**

As stipulated by the Securities and Exchange Board of India a qualified Practising Company Secretary carries out the Secretarial Audit to reconcile the total admitted Capital with National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total Issued and Listed Capital. The Audit is carried out every quarter and the Report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The Report inter-alia confirms the total listed and paid up share capital of your Company is in agreement with the aggregate of the total dematerialized shares and those in the physical mode.

- o) Outstanding GDR / ADRs / Warrants or any Convertible Instruments,
Conversion date and likely impact on Equity :
None.

p) **Plant Locations:**

In all, your Company has eight manufacturing locations which are - two in Kolkata, two in Chennai and one each at Bangalore, Noida, Naini (Allahabad) and Pondicherry. Their full addresses, telephone / fax numbers, etc. are given elsewhere in this Report.

q) **Address for Correspondence/Investor Complaints:**

Registered Office :
DLF IT Park, Premises No.8
Major Arterial Road, Block AF
Tower C, 8th Floor
New Town, Rajarhat
Kolkata - 700156

Contact Person :
Mr. C.S. Ashok Kumar
Company Secretary
Kolkata: Tel. No. 91 33 40097015
Fax No. 91 33 40097043
Noida: Tel. No. 91 120 4790000, 4790104
Fax No. 91 120 4790286, 4790287
Email: conjeevaramsanthanam.ashokkumar@areva-td.com

Noida
February 20, 2009

For and on behalf of the Board
S K Poddar
Chairman

Declaration by the Managing Director under Clause 49 of the Listing Agreement

To the Members of AREVA T&D India Limited

This is to declare that to the best of my knowledge and belief all the Members of the Board and Senior Management personnel of the Company have affirmed their respective compliance with the AREVA Code of Conduct for the year ended December 31, 2008.

Noida
February 20, 2009

Rathindra Nath Basu
Managing Director

Auditor's Certificate On Corporate Governance

To the Members of AREVA T&D India Limited

We have examined the Compliance of conditions of corporate governance by AREVA T&D India Limited for the year ended 31st December 2008, as stipulated by the Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us by the Directors and the Management, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending against the Company as at 31st December 2008, as per the records maintained by the Share Transfer and Shareholders / Investors Grievance Committee.

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

For **Deloitte Haskins & Sells**
Chartered Accountants

Bhavani Balasubramanian
Partner
Membership No. 22156

Noida
February 20, 2009



Auditors' Report

We have audited the attached balance sheet of AREVA T&D India Limited (the "Company") as at December 31, 2008, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Further to our comments in the Annexure referred to above, we report that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

- ii. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
- iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors and taken on record by the Board of directors, we report that none of the directors is disqualified as on December 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
- vi. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the balance sheet, of the state of affairs of the Company as on December 31, 2008;
 - b) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

Bhavani Balasubramanian
Partner
Membership No. 22156

Noida
February 20, 2009

1. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
2. In respect of its inventories
 - a) As explained to us, inventories including stocks with certain sub-contractors, were physically verified during the year by the management at reasonable intervals.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
3.
 - a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year.
7. The internal audit carried out during the current year, under the guidance of global internal audit department of AREVA Corporate, by the Company's internal audit department, is in our opinion, commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of power transformers, pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete, as the examination of the records are to be made by a Cost Auditor. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
9. In respect of Statutory dues
 - a) According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and

Protection Fund, Employees' State Insurance, Income- tax, Sales-tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues with the appropriate authorities during the year.

b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues as at December 31, 2008 for a period of more than six months from the date they became payable.

c) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess which have not been deposited as on December 31, 2008, with the appropriate authorities on account of disputes, except for dues referred to in note 23(b) and 40(b) to the financial statements.

10.The Company has no accumulated losses as at December 31, 2008 and has not incurred any cash losses either during the financial year covered by our audit or the immediately preceding financial year.

11.In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. There are no loans from financial institutions and debenture holders.

12.Based on our examination of documents and according to the information and explanations given to us, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.

13.The Company is not a chit fund or nidhi/mutual benefit fund/society.

14.In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities and debentures and other investments.

15.According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

16.The Company has not raised any term loan during the year.

17.According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.

18.The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

19.The Company has not issued any debentures during the year.

20.The Company has not raised money through public issues during the year.

21.To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

Bhavani Balasubramanian
Partner
Membership No. 22156

Noida
February 20, 2009

(Rupees Thousands)

	Notes	December 2008	December 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	2	478,208	478,208
Reserves and surplus	3	6,771,923	5,015,268
		7,250,131	5,493,476
Loan Funds			
Unsecured loans	4	4,692,170	1,012,058
		4,692,170	1,012,058
		11,942,301	6,505,534
APPLICATION OF FUNDS			
Fixed Assets			
	5		
Gross block		4,075,221	3,533,896
Less: Accumulated depreciation		2,104,413	1,826,815
Net block		1,970,808	1,707,081
Capital work-in-progress (including Capital advances)		4,499,645	586,183
		6,470,453	2,293,264
Investments	6	34	34
Deferred tax asset (Net)	14	387,230	282,564
Current Assets, Loans and Advances			
Inventories	7	3,862,111	2,729,115
Sundry debtors	8	11,889,443	9,877,929
Cash and bank balances	9	450,865	230,191
Other current assets	10	2,582,505	407,600
Loans and advances	11	2,815,946	1,346,538
		21,600,870	14,591,373
Less: Current Liabilities and Provisions			
Liabilities	12	15,404,941	9,537,100
Provisions	13	1,111,345	1,124,601
		16,516,286	10,661,701
Net Current Assets		5,084,584	3,929,672
		11,942,301	6,505,534

The accompanying notes are an integral part of this Balance Sheet.

Per our report of even date.

 For **DELOITTE HASKINS & SELLS**
 Chartered Accountants

Bhavani Balasubramanian
 Partner

Rathindra Nath Basu
 Managing Director

Karim Vissandjee
 Director

C.S. Ashok Kumar
 Secretary

 Noida
 February 20, 2009

Profit and Loss Account for the Year Ended December 31, 2008

(Rupees Thousands)

	Notes	December 2008	December 2007
INCOME			
Sales and services (Gross)	38	28,266,265	22,180,284
Less : Excise duty		(1,854,122)	(2,117,574)
Sales and services (Net)		26,412,143	20,062,710
Other income	15	138,686	150,188
		26,550,829	20,212,898
EXPENDITURE			
Materials and Project related costs (Net)	16	17,141,373	12,671,237
Employee costs	17	2,091,407	1,536,883
Other manufacturing, administration and selling expenses	18	2,928,318	2,275,479
Interest (Net)	19	298,054	66,309
Depreciation / Amortisation	20	340,269	231,205
		22,799,421	16,781,113
Operating Profit before Restructuring, relocation and sale of property		3,751,408	3,431,785
Restructuring and relocation Costs	21	(396,167)	-
Profit on sale of property		115,021	-
Profit Before Tax		3,470,262	3,431,785
Provision for taxation - Current	14	(1,266,197)	(1,260,971)
Provision for taxation - Deferred	14	104,666	31,691
Fringe benefit tax		(45,500)	(39,506)
Profit After Tax		2,263,231	2,162,999
Balance brought forward from previous year		2,760,536	1,317,368
Profit available for appropriations		5,023,767	3,480,367
Appropriations :			
Proposed dividend		430,387	430,387
Corporate dividend tax		73,144	73,144
General reserve		226,323	216,300
Balance carried over to the balance sheet		4,293,913	2,760,536
		5,023,767	3,480,367
Basic and Diluted earnings per share of Rs 2/- each	43	9.47	9.05

The accompanying notes are an integral part of this Profit and Loss Account.

Per our report of even date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Bhavani Balasubramanian
Partner

Rathindra Nath Basu
Managing Director

Karim Vissandjee
Director

C.S. Ashok Kumar
Secretary

Noida
February 20, 2009

Cash Flow Statement For The Year Ended December 31, 2008

(Rupees Thousands)

	December 2008	December 2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	3,470,262	3,431,785
Adjustments for:		
Restructuring and relocation costs	216,014	-
Profit on sale of Property	(115,021)	-
Provision for contract losses (net)	26,394	24,821
Provision for warranties	12,059	82,427
Provision for doubtful debts	75,831	(32,137)
Bad debts / advances written off (net)	178,583	115,138
Exchange fluctuation unrealised (net)	147,976	3,215
Depreciation	340,269	231,205
Interest income	(3,724)	(18,636)
Interest paid	301,778	84,945
Profit on sale of fixed assets (net)	(848)	(366)
Operating profit before working capital changes	4,649,573	3,922,397
Adjustments :		
Increase in Trade and other receivables	(5,814,614)	(4,448,140)
Increase in Inventories	(1,132,996)	(342,868)
Increase in Trade payables, liabilities and provisions	5,362,092	2,406,949
Cash generated from operations	3,064,055	1,538,338
Employee voluntary separation scheme and related payments	(12,859)	(15,691)
Income tax / Fringe benefits tax paid, net of refunds	(1,508,500)	(1,114,307)
Net cash generated from operating activities	1,542,696	408,340
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure (including capital advances)	(4,223,634)	(1,375,331)
Proceeds from sale of fixed assets	6,389	1,273
Proceeds from sale of property / investments	117,520	96,500
Interest received	3,268	14,456
Net cash used in investing activities	(4,096,457)	(1,263,102)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short term loans, net	3,153,964	979,278
Proceeds from ECB	388,951	-
Interest paid	(271,799)	(90,992)
Dividend and Unclaimed dividend paid / remitted, including Dividend tax	(500,106)	(331,804)
Net cash generated from financing activities	2,771,010	556,482
Net increase / (decrease) in cash and cash equivalents (A + B + C)	217,249	(298,280)
Opening balance of cash and cash equivalents	223,484	521,764
Closing balance of cash and cash equivalents **	440,733	223,484

** excludes Unpaid dividend accounts of Rs 10,132 thousands (December 2007 - Rs 6,707 thousands)

Per our report of even date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Bhavani Balasubramanian
Partner

Rathindra Nath Basu
Managing Director

Karim Vissandjee
Director

C.S. Ashok Kumar
Secretary

Noida
February 20, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention (other than the land and buildings which have been revalued) on the accrual basis of accounting and in accordance with Accounting principles generally accepted in India and comply with the accounting standards notified by the Central Government of India, under the Companies (Accounting Standards) rules 2006 and relevant provisions of the Companies Act, 1956. The significant accounting policies are as follows:

(a) Revenue recognition

Revenue is recognised on shipment or on unconditional appropriation of goods in accordance with the terms of the sale. Sales are inclusive of excise duties and net of trade discounts, returns and sales tax. The revenues for Power transformers are recognised on achievement of contractual milestones. Export benefits are accounted for in the year of exports based on eligibility or when there is no uncertainty in receiving the amount, at the estimated realisable value / actual credit earned during the year.

(b) Foreign currency transactions

Transactions in foreign currencies are accounted at the average exchange rates prevailing during the month of transactions. Monetary assets and liabilities outstanding at the year end are stated at the closing rates. Exchange differences arising on foreign currency transactions settled during the year / restated at the end of the year are recognised in the profit and loss account.

In accordance with Accounting Standard AS-11 ("Revised"), "Accounting for the effects of changes in foreign exchange rates", the branches located outside India have been classified as "Integral foreign operation". Income and expenses are translated at the average exchange rates prevailing during the month of transactions. Monetary assets and liabilities are translated at the closing rate. Non monetary assets are translated at the rates on the date of the transaction. The resultant exchange difference is charged to Profit and Loss account.

In cases where the Company has entered into forward exchange contracts, with underlying transactions, the difference between the forward rate and the exchange rate at the transaction date is recognised as an income or expense over the life of the contract.

Exchange gains/losses on intermediary forward contracts relating to highly probable forecasted transactions are recognised in the Profit and loss account in the period in which the forecasted transactions occur. Any profit or loss arising on cancellation of forward exchange contracts is recognised as income or expense for the year. Cash flows arising on account of roll over of forward contracts are recognised as income/expense of the period in line with the movement in the underlying exposures.

(c) Fixed assets and depreciation

Fixed Assets are recorded at cost (except for the revalued land and buildings which are shown at estimated replacement cost as determined by the valuers) less accumulated depreciation. The Company capitalises all costs relating to acquisition and installation of fixed assets. Cost of special tools is capitalised as plant and machinery

Fixed assets, other than land, but including revalued buildings, are depreciated prorata to the period of use based on straight line method over the estimated useful lives of assets, at the following annual rates which are higher than the rates specified under Schedule XIV of the Companies Act, 1956:

Buildings /Leasehold improvements	2.5%, 4.0% and 33.33%
Plant and machinery	10.0%, 20.0% and 33.3%
Computers and EDP equipment	33.3% and 50.0%
Furniture and fittings, and Office equipment	10.0%, 15.0%, and 20.0%
Motor vehicles	25.0%
Goodwil	20.0%

Assets individually costing less than Rs 5,000 /- are fully depreciated in the year of addition.

Leasehold land/improvements is depreciated over a period not exceeding that of the lease.

The charge over and above the depreciation calculated on the original cost of the revalued assets is transferred from Fixed Asset Revaluation Reserve to the Profit and Loss Account.

Direct expenditure on assets under construction or development is shown under Capital work-in-progress, while indirect expenditure is charged off.

(d) Impairment of assets

The Company determines whether there is any indication of impairment of the carrying amount of the Company's assets. The recoverable amount of such assets are estimated, if any indication exists, and impairment loss is recognised wherever the carrying amount of the assets exceeds its recoverable amount.

(e) Research and development

Revenue expenditure on research and development activities is expensed in the year in which it is incurred.

(f) Technical know-how, testing and certification fees

Technical know-how, testing and certification fee in respect of new products is expensed in the year in which it is incurred.

(g) Inventories

Inventories comprising of raw material, work in progress, finished goods and stores and spares are valued at lower of cost (net of cenvat, where applicable) and net realisable value. Cost includes cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost in respect of raw materials and stores and spares is established using moving weighted average method. Cost of finished goods and work-in-progress, determined on moving weighted average method, includes all applicable manufacturing overheads. The value of finished goods includes excise duty payable on despatch. The inventories are stated net of write downs / allowances on account of obsolete, damaged and slow-moving items.

(h) Investments

Long term investments are stated at cost of acquisition. The diminution, if any, in the value of investments stated at cost, is recognised when such diminution is considered other than temporary.

(i) Employee benefits

Defined contribution plans:

- i). Provident Fund : Contributions are made to the recognised Provident Fund trusts and are expensed to the Profit and loss account. The interest rate payable by the Trust to the beneficiaries every year is being notified by the Government. The company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the interest cost based on notification and recognizes such obligation as an expense. The company also contributes to Regional Provident Fund on behalf of some of its employees who are not part of the above trusts and the above contributions are expensed to the Profit and loss account.
- ii) Superannuation Fund : The Company makes contribution to a scheme administered by the Life Insurance Corporation of India ('LIC') to discharge superannuating liabilities to the employees and the same is expensed to Profit and loss account. The company has no liability other than its annual contribution.

Defined benefit plans (Long term employee benefits):

- i). Gratuity : The Company makes contribution to a scheme administered by the Life Insurance Corporation of India ('LIC') to discharge gratuity liabilities to the employees. Additional gratuity liability is determined based on actuarial valuation and is not funded through separate corpus. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at September 30, 2008, determined by LIC using the projected unit credit method. The pro-rata amount for the balance period is not expected to be material.
- ii). Compensated leave : The Company records its liability on compensated leave based on actuarial valuation as at the balance sheet date, using the projected unit credit method.

Effects of changes in actuarial valuations are immediately recognised in the profit and loss account.

Short term employee benefits:

Short term employee benefits are recognised as an expense as per the company's scheme based on expected obligation on undiscounted basis.

(j) Employee voluntary separation schemes

Lump sum separation payouts are expensed when the scheme is accepted by an employee. In respect of schemes where payments are to be made for a longer period till the age of retirement or death of an employee, whichever is earlier, the liability is actuarially valued and charged to the profit and loss account in the year in which the scheme is accepted by an employee. In case of fixed term obligations, liabilities are valued at net present value. Interest component implicit in the payout during the period is expensed. Further, whenever a management decision is taken to restructure operations, the Company considers provision for estimated employee separation costs.

(k) Long-term contracts

Sales revenue and margins on construction contracts and certain services are recognised according to the percentage of completion method ("PCM"), as provided in AS 7 ("Revised") - "Construction contracts". As required

by this method, sales revenue and income from long-term contracts are recognized over the period of performance of the contract. Depending on the contract terms, the percentage of completion may be based on costs or the stage of physical completion. Under the cost-based PCM formula, the stage of completion is equal to the ratio of costs to the total estimated cost of the contract.

Under the physical completion PCM formula, a predetermined percentage of completion is assigned to each stage of completion of the contract. The sales revenue and costs recognized at the end of the period are equal to the percentage of sales revenue and anticipated costs for the stage of completion achieved at that date. Income recognition arising on these contracts are based on estimated overall profitability of individual contracts reviewed periodically. Direct costs incurred for long term contracts over and above the pro-rata to sales is considered as work-in-progress. Provision for expected loss is recognised immediately when it is probable that the total estimated contract costs will exceed total contract revenue, based on Management's analysis of the risks and exposures on a case to case basis.

(l) Taxation

Current tax is determined on the profit of the year in accordance with the provisions of Income Tax Act, 1961. Deferred tax is calculated at the tax rates and laws that have been enacted or substantially enacted by the Balance sheet date and is recognised on timing differences that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets, subject to consideration of prudence, are recognised and carried forward only to the extent that they can be realised. Fringe benefits tax is calculated in accordance with the provisions of the Income tax act, 1961.

(m) Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and the disclosures relating to contingent assets and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates.

(n) Provisions, Contingent assets and liabilities

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

2. SHARE CAPITAL

	(Rupees Thousands)	
	December 2008	December 2007
Authorised		
627,500,000 equity shares of Rs 2/- each		
(December 2007 - 627,500,000 equity shares of Rs 2/- each)	1,255,000	1,255,000
Issued		
239,106,635 equity shares of Rs 2/- each		
(December 2007 - 239,106,635 equity shares of Rs 2/- each)	478,213	478,213
Subscribed and paid up		
239,104,035 equity shares of Rs 2/- each fully paid		
(December 2007 - 239,104,035 equity shares of Rs 2/- each)	478,208	478,208
	478,208	478,208

Notes:

a) 172,585,900 (72.18%) equity shares of Rs 2/- each are held by:

AREVA T&D S.A. France	132,919,225	55.59%
AREVA T&D Holdings S.A. France	27,893,950	11.67%
Long & Crawford Limited	11,772,725	4.92%
	172,585,900	72.18%

b) 15,750,000 equity shares of Rs 10/- each (before sub-division of shares) were allotted as fully paid bonus shares by capitalisation of general reserve, share premium and profit and loss account balance.

c) 19,871,327 equity shares of Rs 10/- each (before sub-division of shares) were issued and allotted as fully paid up pursuant to the scheme of amalgamation with The General Electric Company of India Limited in 1992-93 (11,520,000 shares), GEC Power Engineering Services of India Limited (PESIL) in 1993-94 (330,000 shares), ALSTOM T&D Distribution Transformers Limited in 2000-01 (87,992 shares) and with AREVA T&D Systems India Limited, AREVA T&D Instrument Transformers India Private Limited and AREVA T&D Lightning Arresters Private Limited, in 2007 (7,933,335 shares), without payment being received in cash.

d) During 1994-95, the Company offered 9,950,000 equity shares of Rs 10/- (before sub-division of shares) each to the existing shareholders in the ratio of 1 share for every 3 shares held at a premium of Rs 40/- per share as per letter of offer dated May 10, 1994. The shares, barring 1,034 shares, which were kept in abeyance for technical reasons, were allotted at the Committee of Directors meeting held on July 28, 1994. Of the 1,034 shares kept in abeyance, 514 shares were allotted upto 2001/02.

e) Pursuant to the approval of the shareholders through postal ballot, the equity shares of Rs 10/- each of the Company were sub-divided into five shares of Rs 2/- each with effect from the record date October 31, 2008.

3. RESERVES AND SURPLUS

	(Rupees Thousands)			
	As at January 1, 2008	Additions and transfers	Withdrawals and transfers	As at December 31, 2008
Capital reserve	47,166	-	-	47,166
Capital redemption reserve	60	-	-	60
Securities premium account	812,729	-	-	812,729
Amalgamation reserve	28,500	-	-	28,500
Fixed asset revaluation reserve	16,120	-	3,045	13,075
General reserve	1,350,157	226,323	-	1,576,480
	<u>2,254,732</u>	<u>226,323</u>	<u>3,045</u>	<u>2,478,010</u>
Balance in Profit and loss account	<u>2,760,536</u>			<u>4,293,913</u>
	<u>5,015,268</u>			<u>6,771,923</u>

4. UNSECURED LOANS (including interest accrued and due)

	(Rupees Thousands)	
	December 2008	December 2007
From banks - short term		
Packing credit	1,519,603	-
Other loans	2,759,589	1,012,058
From Others - Long term :		
External Commercial Borrowings ("ECB")	412,978	-
	<u>4,692,170</u>	<u>1,012,058</u>

Note : a) AREVA T&D SA, France has provided comfort letter to the bankers on loans taken.

b) Short term loans from banks includes overdraft of Rs 540,179 thousands (December 2007 - Rs 12,643 thousands) and foreign currency loan of US\$ 31,250 thousand repayable before May 2009, carrying varying interest rates of 5% to 9%.

c) The Company utilised ECB loan of Euros 6,144 thousand upto December 2008 (sanctioned amount of 13,000 thousand to be utilised before March 2009) from AREVA T&D S.A, France, for financing expansion plans, repayable in 2011. The rate of interest is 375 basis points over six months Euribor.

5. FIXED ASSETS

(Rupees Thousands)

Description	Cost / Valuation as at January 1, 2008	Additions during the year	Disposals/ adjustments during the year	Cost / valuation as at December 31, 2008
GROSS BLOCK				
Tangible assets				
Freehold land	562,833	310	2,227	560,916
Leasehold land	10,408	-	-	10,408
Buildings (including those on leasehold land) and leasehold improvements	525,748	201,205	44,569	682,384
Plant and machinery	1,423,387	214,516	31,484	1,606,419
Furniture and fittings and Office equipment	672,554	242,691	42,641	872,604
Motor vehicles	15,428	3,854	330	18,952
Intangible assets				
Goodwill	323,538	-	-	323,538
	<u>3,533,896</u>	<u>662,576</u>	<u>121,251</u>	<u>4,075,221</u>
Previous year	<u>2,690,141</u>	<u>905,805</u>	<u>62,050</u>	<u>3,533,896</u>
ACCUMULATED DEPRECIATION				
Tangible assets				
Freehold land	-	-	-	-
Leasehold land	3,744	161	-	3,905
Buildings (including those on leasehold land) and leasehold improvements	241,139	67,391	41,116	267,414
Plant and machinery	786,859	172,975	28,819	931,015
Furniture and fittings and Office equipment	503,222	111,880	40,694	574,408
Motor vehicles	9,783	2,913	268	12,428
Intangible assets				
Goodwill	282,068	33,175	-	315,243
	<u>1,826,815</u>	<u>388,495</u>	<u>110,897</u>	<u>2,104,413</u>
Previous year	<u>1,655,858</u>	<u>232,100</u>	<u>61,143</u>	<u>1,826,815</u>
NET BLOCK				
Tangible assets				
Freehold land	562,833			560,916
Leasehold land	6,664			6,503
Buildings (including those on leasehold land) and leasehold improvements	284,609			414,970
Plant and machinery	636,528			675,404
Furniture and fittings and Office equipment	169,332			298,196
Motor vehicles	5,645			6,524
Intangible assets				
Goodwill	41,470			8,295
	<u>1,707,081</u>			<u>1,970,808</u>
Previous year	<u>1,034,283</u>			<u>1,707,081</u>
Capital work-in-progress (including capital advances)	586,183			4,499,645
	<u>2,293,264</u>			<u>6,470,453</u>

Notes:

- Land and buildings were revalued on March 31, 1992, based on the estimated current replacement cost after considering depreciation upto that date as per valuers' reports, and the resultant surplus of Rs. 343,712 thousand was credited to fixed asset revaluation reserve. Of this reserve, Rs 330,637 thousand has been so far transferred to profit and loss account for as an adjustment against depreciation / sale of assets.
- Renewal of lease agreement (for which the company has an option) in respect of 4.84 acres of land at Chennai (which expired on September 13, 1989) is still under process. The Company has contested the enormous hike in rent by the State Government and the matter is sub-Judice. An application of the Company for specific performance of the Lease Agreement was rejected by the Trial Court, and the Company has preferred an appeal against the said Judgement, which is pending, before the District Court, Kancheepuram.
- Net block includes fixed assets held outside India - Rs 1,733 thousands.

(Rupees Thousands)

December 2008 December 2007

6. INVESTMENTS, Long term - At cost, Unquoted**Trade :**

175,000 equity shares of Rs. 10/- each fully paid up in Genelec Limited	35	35
Less : Provision for diminution in value	(35)	(35)

Non-trade :

1,000 shares of Rs. 10/- each fully paid up in The English Electric Company Employees' Co.-operative Stores Limited	10	10
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2 - 5% Non-redeemable registered debenture stocks of Rs 11 thousand and Rs 6 thousand fully paid up in the Woodlands Hospital and Medical Research Centre Limited	17	17
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65 - 1/2% registered mortgage debentures of Rs 100/- each fully paid up in the Woodlands Hospital and Medical Research Centre Limited	7	7
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	34	34
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7. INVENTORIES

Stores and spare parts	2,933	1,259
Raw materials and components (including goods-in-transit - Rs 222,189 thousands (2007 - 213,706 thousands))	1,603,416	1,358,011
Work-in-progress	2,097,884	1,296,462
Finished goods	157,878	73,383
	3,862,111	2,729,115

Note : Finished goods include excise duty payable of Rs 12,308 thousand (December 2007 - Rs 11,041 thousand) relating to items held at manufacturing units awaiting despatch.

8. SUNDRY DEBTORS

Debts outstanding for a period exceeding six months		
Unsecured - considered good	874,423	799,802
- considered doubtful	392,368	316,537
	1,266,791	1,116,339
Other Debts - considered good		
Unsecured	11,015,020	9,078,127
	11,015,020	9,078,127
	12,281,811	10,194,466
Less : Provision for doubtful debts	(392,368)	(316,537)
	11,889,443	9,877,929

Note : Retention monies considered good and included in other debts outstanding Rs 3,111,133 thousand (December 2007 - Rs 1,987,744 thousand)

Notes To The Financial Statements For The Year Ended December 31, 2008

(Rupees Thousands)

	December 2008	December 2007
9. CASH AND BANK BALANCES		
Cash on hand	-	-
Balances with scheduled banks		
In Current accounts [including cheques on hand Rs. 625,787 thousand (December 2007 - Rs 544,682 thousand)]	48,557	196,544
In deposit accounts	1,631	1,632
In unpaid dividend accounts	10,132	6,707
Balances with other Banks - in current accounts		
Citi Bank, Kenya (Maximum amount outstanding during the year - Rs 24,158 thousands (December 2007 - Rs 24,158 thousands))	16,997	24,158
United Arab Bank, Sharjah (Maximum amount outstanding during the year - Rs 1,380 thousands (December 2007 - Rs 1,450 thousands))	-	1,150
BNP Paribas, Qatar (Maximum amount outstanding during the year - Rs 1,502,352 thousands)	373,548	-
	450,865	230,191
10. OTHER CURRENT ASSETS		
Contract revenue in excess of billing and unbilled revenue (refer note 27)	2,582,505	407,600
	2,582,505	407,600
11. LOANS AND ADVANCES - Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	1,877,436	833,170
Deposits	256,945	222,600
Balances with excise authorities	672,062	274,077
Balances with customs and port trust authorities	9,503	16,691
	2,815,946	1,346,538
12. CURRENT LIABILITIES		
Acceptances	140,501	205,758
Sundry creditors		
Dues to Micro enterprises and Small enterprises	429,887	-
Dues to other than Micro enterprises and Small enterprises	3,659,253	3,335,420
Other liabilities	5,919,850	4,102,631
Payments received in advance from customers	5,245,318	1,886,584
Investor Education and Protection Fund shall be credited by the following amount : Unclaimed dividend **	10,132	6,707
	15,404,941	9,537,100
** Represents Dividend warrants issued but not encashed and there is no amount falling due as at December 31, 2008 for transfer to Investor Education and Protection Fund.		
Note : Other liabilities include liability relating to employee voluntary separation schemes [Amount payable within one year is Rs 14,787 thousand (December 2007 - Rs 15,755 thousand)]	47,478	60,337

(Rupees Thousands)

December 2008 December 2007

13. PROVISIONS

Income-tax (net of advance payments)	48,356	273,679
Contract losses	28,296	18,866
Warranties	221,220	209,158
Compensated leave	137,297	95,369
Additional Gratuity	72,345	23,998
Other provisions	100,300	-
Proposed dividend	430,387	430,387
Tax on proposed dividend	73,144	73,144
	1,111,345	1,124,601

Note : Other Provisions represents expenses towards employee separations relating to business/product segments for which the management has decided to restructure operations.

14. TAXATION

a) Current tax :

Current tax is determined in respect of taxable income for the year ended December 31, 2008. The ultimate tax liability will be determined on the basis of taxable income for the period April 01, 2008 to March 31, 2009

b) Deferred tax :

The break up of net deferred tax asset is as under :

Deferred tax assets arising on Timing differences on account of :

Voluntary separation schemes	68,381	39,972
Disallowances under Section 43B of the Income tax Act, 1961	79,122	24,304
Provisions	287,227	245,726
Others	79	21,309
	434,809	331,311

Deferred tax liabilities arising on Timing differences on account of :

Depreciation on fixed assets	47,579	48,747
	47,579	48,747

Deferred tax asset (Net)

387,230 **282,564**

15. OTHER INCOME

Profit on sale of fixed assets (net)	848	366
Scrap sales	101,220	115,083
Rent received	1,275	708
Miscellaneous income	35,343	34,031
	138,686	150,188

16. MATERIALS AND PROJECT RELATED COSTS (NET)

Raw materials and components consumed	18,160,242	12,547,544
Opening stock of Work-in-progress	1,296,462	1,476,229
Less : Closing stock of Work-in-progress	2,097,884	1,296,462
(Increase) / Decrease in Work-in-progress	(801,422)	179,767
Opening stock of Finished goods	73,383	17,309
Less : Closing stock of Finished goods	157,878	73,383
(Increase) in Finished goods	(84,495)	(56,074)
Less : Amount transferred to capital expenditure	132,952	-
	17,141,373	12,671,237

Notes To The Financial Statements For The Year Ended December 31, 2008

(Rupees Thousands)

	December 2008	December 2007
17. EMPLOYEE COSTS		
Salaries, wages, bonus etc.	1,649,340	1,214,651
Contribution to provident and other funds	214,288	153,468
Welfare expenses	228,924	168,764
	2,092,552	1,536,883
Less : Amount transferred to capital expenditure	1,145	-
	2,091,407	1,536,883
18. OTHER MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES		
Consumption of stores and spare parts	60,454	55,213
Power and fuel	139,494	119,020
Rent	120,344	72,800
Rates and taxes	60,255	119,886
Repairs and maintenance		
Buildings	101,731	114,354
Plant and machinery	39,977	30,516
Others	151,972	93,644
Insurance	53,989	74,009
Service charges, net	20,796	75,477
Discount	10,212	7,581
Directors' sitting fees	324	70
Royalty, technical know-how and assistance	263,776	163,329
Freight and octroi	304,519	232,591
Travelling expenses	490,563	351,366
Postage and telephone	90,267	84,804
Amount paid / payable to Auditors		
Audit fee	5,000	5,000
Tax audit fee	1,000	1,000
Quarterly / Half yearly review	1,000	1,000
Transfer pricing	950	950
Other services	4,050	2,950
Reimbursement of expenses	200	100
Bank charges and foreign exchange variation cost (net) - Refer Note 35	125,112	45,750
Contract losses (net)	26,394	24,821
Provision for doubtful debts	75,831	(32,137)
Bad debts written off (net)	178,583	115,138
Trade mark fees	201,383	122,298
Excise duty on stock differential - Refer Note 37	1,267	(1,487)
Miscellaneous expenses	404,893	395,436
	2,934,336	2,275,479
Less : Amount transferred to capital expenditure	6,018	-
	2,928,318	2,275,479
19. INTEREST		
Interest paid On fixed loans	214,407	34,574
Others	87,371	50,371
Interest earned on deposits etc. (Gross)	(3,724)	(18,636)
(Tax deducted at source Rs 456 thousand; December 2007 - Rs 4,180 thousand)		
	298,054	66,309

(Rupees Thousands)

	December 2008	December 2007
20. DEPRECIATION / AMORTISATION		
Leasehold land	161	163
Buildings (including those on leasehold land) and leasehold improvements	67,391	14,233
Plant and machinery	172,975	94,007
Furniture and fittings and Office equipment	111,880	87,881
Motor vehicles	2,913	2,641
Intangible assets - Goodwill	33,175	33,175
	388,495	232,100
Less: Amount transferred from fixed asset revaluation reserve	(731)	(895)
Less: Amount transferred to Restructuring and relocation costs	(47,495)	-
	340,269	231,205
21. RESTRUCTURING AND RELOCATION COSTS		
During the year, three greenfield sites are being constructed, resulting in certain set up costs and costs associated with shifting of machineries, materials and employee transfers / separations.		
22. COMMITMENTS		
Estimated amount of contracts remaining to be executed on capital expenditure and not provided for in these accounts (net of advances)	2,338,083	2,499,283
23. CONTINGENT LIABILITIES IN RESPECT OF		
(a) Legal cases against the Company not acknowledged as debts	13,012	3,039
(b) Sales tax and Excise demands against which the Company has filed appeals	49,738	34,688

Sl No.	Name of the Statute	Nature of Dues	Rupees thousands	Period	Forum where dispute is pending
1	Central Sales Tax Act	Non receipt of Forms	39,252	1988-89,2003-05	Additional Commissioner
2	Central Sales Tax Act	Non receipt of Forms	584	2002-03	Deputy Commissioner
3	Central Sales Tax Act	Non receipt of Forms	3,218	1997-98	Revisional Board
4	Central Sales Tax Act	Non receipt of Forms	4,578	2002-03	Special Commissioner
5	Local Sales Tax Act (Various States)	Non receipt of Forms	551	2004-05	Additional Commissioner
6	Local Sales Tax Act (Various States)	Non receipt of Forms	960	2008-09	Deputy Commissioner
7	Local Sales Tax Act (Various States)	Non receipt of Forms	595	1997-98	Revisional Board
			49,738		

Amount deposited as at December 31, 2008 is Rs 2,780 thousand (2007 - Rs 10,820 thousand)

Note : Show cause notices received have not been considered as contingent liabilities.

24. CHARGE ON ASSETS

Non funded facilities from certain banks are secured by way of a first charge on inventories, book debts and other movable assets.

(Rupees Thousands)

25. DIRECTORS' REMUNERATION

	December 2008	December 2007
Salaries	7,072	3,672
Contribution to provident and other funds	1,748	867
Perquisites	1,816	1,338
Sitting fees	324	70
	10,960	5,947

Note : Excludes provision for compensated leave and gratuity, as actuarial valuation is done on a total company basis.

(Rupees Thousands)

December 2008 December 2007

26. DISCLOSURE PURSUANT TO ACCOUNTING STANDARD AS-7 "CONSTRUCTION CONTRACT" (REVISED):

Contract revenue recognised for the year	10,671,379	7,576,647
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) for all contracts in progress upto the period ended	18,356,214	15,322,208
Gross amount due from customers for contracts in progress	7,101,275	5,033,126
Gross amount due to customers for contracts in progress	2,591,277	1,070,515

27. MILESTONE BILLING ON LONG TERM CONTRACTS

During the year, the Systems and Power transformer business units of the Company revised its accounting policy on recognising revenue and cost, for projects based on certain internal milestones. This has resulted in increase in revenue and other current assets by Rs 2,108,811 thousands and Profit before tax for the year by Rs 260,221 thousands.

28. BREAK-UP OF RAW MATERIALS AND BOUGHT-OUT COMPONENTS CONSUMED

		(Rupees Thousands)			
		December 2008		December 2007	
	Units	Quantity	Value	Quantity	Value
Major raw materials					
Copper	MT	3,826	1,401,058	3,220	1,124,066
Steel	MT	6,380	512,031	6,698	414,436
Aluminium	MT	1,327	463,890	1,189	464,784
Stampings / laminations	MT	6,281	1,532,513	4,684	864,816
Cables	K.Mtrs.	425	26,219	1,275	44,700
Castings	Nos.	421,389	42,266	339,024	31,610
Radiators	Nos.	5,293	170,193	5,207	125,641
On load tap changer	Nos.	762	125,323	836	118,849
Porcelain	Nos.	89,429	608,438	64,675	606,050
Oil, paints and varnish	K.Ltrs.	8,305	472,422	6,008	276,078
Major components					
Switchgear component		*	2,038,080	*	1,759,312
Relay and control panel component		*	1,201,576	*	950,856
Transformer component		*	180,016	*	363,333
Vacuum interrupter component		*	839,980	*	594,703
Other raw materials and components			8,546,237		4,808,310
Raw materials and components and spare parts, none of which account for more than 10 percent of consumption					
			18,160,242		
				12,547,544	

* The quantity denominations and the type of components are dissimilar in nature. Hence it would not be practicable to disclose the quantitative information in respect of these components.

29. VALUE OF RAW MATERIALS AND COMPONENTS CONSUMED

		(Rupees Thousands)			
		December 2008		December 2007	
		Value	%	Value	%
Imported		4,033,255	22	2,162,452	17
Indigenous		14,126,987	78	10,385,092	83
Total		18,160,242	100	12,547,544	100

Note : Imported consumption include items considered for Qatar contract

(Rupees Thousands)

	December 2008	December 2007
30. EARNINGS IN FOREIGN EXCHANGE		
FOB value of exports	4,129,906	2,179,049
IDA / IBRD aided projects	248,172	314,308
Exports through third parties	1,938,777	667,186
Service	171,979	133,047
	6,488,834	3,293,590
Note : FOB value of exports include milestone revenue on Qatar contract		
31. VALUE OF IMPORTS ON CIF BASIS		
Raw materials and components	4,685,682	2,695,673
Spares	1,553	2,780
Capital goods	552,145	85,679
	5,239,380	2,784,132
Note : Raw materials and components includes consumption considered for Qatar contract.		
32. EXPENDITURE IN FOREIGN CURRENCY (subject to withholding of tax where applicable)		
Royalty, technical know-how and assistance	263,776	163,329
Interest	72,779	13,790
Trade mark fees	201,383	122,298
Travelling expenses	95,811	41,810
Other expenses	153,313	44,743
	787,062	385,970
33. DIVIDEND REMITTED IN FOREIGN CURRENCY		
Number of non-resident Shareholders	Three	Three
Number of Shares held (at Rs.2/- each)	172,585,900	172,585,900
Amount remitted	310,655	207,103
Year to which relates	Dec-07	Dec-06
34. RESEARCH AND DEVELOPMENT		
Total revenue expenditure included under appropriate heads of expenditure	34,062	27,744
35. FOREIGN EXCHANGE VARIATION		
Exchange differences (net) on account of forward contracts taken during the year, charged to the profit and loss account	(57,472)	(1,432)
Premium on account of forward contracts taken during the year pertaining to future accounting period	21,070	(30,388)
The Company uses forward contracts to hedge its risks associated with foreign currency fluctuations having underlying transaction and relating to firm commitments or highly probable forecast transactions for transactions more than 10,000 Euros. The Company does not enter into any forward contract which is intended for trading or speculative purposes.		
i) Forward cover for export debtors outstanding	543,725	276,496
ii) Forward cover for expected future sales or highly probable forecast transaction	6,210,718	4,765,024
iii) Forward cover for import creditors / unsecured loans outstanding	2,254,972	520,499

36. DISCLOSURE REQUIREMENTS UNDER ACCOUNTING STANDARD 29 ON "PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS"

(Rupees thousands)

	Opening Balance	Additions	Release	Withdrawals	Closing Balance
1. Provision for Warranties	209,158 (126,718)	95,497 (111,862)	83,435 (29,422)	- (-)	221,220 (209,158)
2. Provision for Contract losses	18,866 (24,161)	26,394 (24,821)	- (-)	16,964 (30,116)	28,296 (18,866)

Notes :

1. Provision for Warranties are estimated based on past obligations and are expected to be settled within next 15 to 18 months.
2. Provision for Contract losses are based on the current ascertained difference between future revenues and cost.
3. Figures in brackets are for the previous year.

37. EXCISE DUTY

Excise Duty on sales for the year has been disclosed as a reduction from the turnover. Excise duty relating to the difference between Closing stock and opening stock has been included in Schedule 18 "Other Manufacturing , Administration and selling expenses".

38 CAPACITIES, PRODUCTION, STOCK AND TURNOVER

Class of goods	Units	Annual installed capacity	Opening stock of finished goods		Production of finished goods Quantity	Turnover / services of finished goods		Closing stock of finished goods	
			Quantity	Amount Rupees Thousands		Quantity	Amount Rupees Thousands	Quantity	Amount Rupees Thousands
1 Switchgear - All types	Nos.	200,000 (200,000)	3,704 (1,700)	39,788 (15,252)	214,702 (213,822)	185,795 (153,691)	7,041,969 (6,256,819)	2,105 (3,704)	67,125 (39,788)
2 Control panels	Nos.	2,000 (2,000)	- (-)	- (-)	1,452 (1,505)	1,452 (1,505)	586,676 (839,580)	- (-)	476 (-)
3 Transformers and reactors	MVA	15,000 (15,000)	- (-)	- (-)	14,635 (12,075)	- (-)	- (-)	- (-)	- (-)
	Nos.	- (-)	61 (-)	5,454 (-)	850 (781)	781 (722)	6,605,898 (5,359,535)	233 (61)	55,151 (5,454)
4 Vacuum interrupter	Nos.	36,000 (36,000)	- (-)	- (-)	26,199 (26,088)	1,138 (17,982)	95,972 (180,976)	- (-)	- (-)
5 Project items (including services)		- (-)	- (-)	- (-)	- (-)	- (-)	11,902,669 (7,862,311)	- (-)	- (-)
6 Line Traps	Nos.	1,200 (1,200)	110 (-)	3,991 (-)	1,222 (969)	994 (828)	235,080 (244,060)	131 (110)	5,339 (3,991)
7 Current Transformers	Nos.	2,760 (2,760)	170 (-)	19,226 (-)	2,331 (1,999)	1,832 (1,591)	637,058 (632,985)	75 (170)	7,887 (19,226)
8 Bushing	Nos.	5,760 (5,760)	9 (-)	137 (-)	4,514 (3,351)	3,452 (2,563)	412,130 (263,613)	38 (9)	1,312 (137)
9 Others including spares		- (-)	- (-)	4,787 (2,057)	- (-)	- (-)	748,813 (540,405)	- (-)	20,588 (4,787)
Total Gross value including excise duty				73,383 (17,309)			28,266,265 (22,180,284)		157,878 (73,383)

Notes:

- 1 Figures in brackets are for the previous year.
- 2 Production in respect of transformers and switchgears, cover various types and ranges.
- 3 Installed capacities, being technical in nature are as certified by management and have not been verified by the auditors.
- 4 As turnover involves combination of different products for composite prices, quantities and values shown against each item of turnover represent quantity and sale value of the respective products sold as such. Certain items considered to be insignificant have not been reflected in the statement.
- 5 Production includes those meant for captive consumption, and turnover includes sales of trading items.
- 6 Under the Industrial policy, notification No.477(E) of 25.07.91, the Company's products are exempt from licensing requirement.

39. RELATED PARTY DISCLOSURES - As identified by the management and relied upon by the auditors

a) List of Related parties and description of relationship

(i) Parties where control exists	AREVA T&D SA, France (Holding Company),
	AREVA SA, France (Ultimate Holding Company)
	AREVA T&D Holdings SA, France (Parent of Holding Company)
(ii) Other related parties with whom transactions have taken place during the year:	
Fellow subsidiaries :	
AREVA T&D Australia Limited	AREVA T&D De Energia Ltd, Brazil
AREVA T&D Canada Inc.	AREVA T&D Inc., USA
AREVA T&D Protection & Control, Stafford	AREVA Hellas, AE, Greece
AREVA T&D Xiamen, China	AREVA T&D Suzhou HV Switchgears, China
AREVA T&D S.A., Mexico	AREVA T&D Middle East FZE, Dubai
AREVA T&D U.K Limited, England	Long & Crawford Limited
AREVA Energietechnik, Gmbh, Germany	AREVA T&D Enerjis Endustrisi AS, Turkey
AREVA T&D Chile S.A	AREVA Sachsenwerk, Gmbh, Germany
Zao AREVA Transmission and Distribution	AREVA Parafoudres S.A, France
AREVA T&D Malaysia Sdn Bhd	Ritz Messwandler Ludwigslust GmbH, Germany
AREVA T&D S.A. de.C.V	AREVA T&D Sp. z.o.o., Poland
AREVA Bio Energy India Private Limited	AREVA T&D Italy SPA
AREVA T&D Pte Limited, Singapore	AREVA T&D Transformateurs de Mesures SA, France
AREVA T&D AG, Switzerland	AREVA T&D Iberica, SA, Spain
AREVA T&D Suzhou High Voltage Switchgear Co. Ltd	
(ii) Key management personnel :	Rathindra Nath Basu

(Rupees Thousands)

	December 2008	December 2007
b) Transactions with related parties :		
(i) With Holding Company - AREVA T&D SA, France		
Sales, services and other income	51,622	174,852
Purchase of raw materials and components / services	142,686	175,740
Expenditure on Royalty Technical know-how and assistance	215,452	46,191
Debtors outstanding	15,635	46,072
Creditors outstanding	23,615	117,752
Other Liabilities and provisions	17,571	42,876
Purchase of Fixed assets	-	4,128
Advances Recoverable	28,637	-
Loan Outstanding	412,978	-
Interest expense	2,957	-
Interest accrued and due	1,484	-
Dividend remitted	239,255	159,503
(ii) With Ultimate Holding Company - AREVA SA, France		
Expenditure on Trademark fees	-	31,469
(iii) With Parent of Holding Company - AREVA T&D Holdings SA, France		
Expenditure on Trademark fees	201,383	90,829
Dividend remitted	50,209	33,473
Other Liabilities	-	90,829

	(Rupees Thousands)	
	December 2008	December 2007
(iv) With fellow subsidiaries :		
Sales, services and other income		
AREVA T&D Middle East FZE, Dubai	123,885	65,211
AREVA Energietechnik, Gmbh, Germany	120,435	63,000
AREVA T&D De Energia Limited, Brazil	171,057	62,693
AREVA T&D Inc.	119,642	42,354
AREVA T&D S.A. de C.V.	152,101	-
AREVA T&D Xiamen, China	4,423	369,716
AREVA T&D UK Limited	154,464	976
AREVA T&D Suzhou High Voltage Switchgear Co. Ltd	159,592	-
AREVA T&D Protection & Control, Stafford	-	310,797
Others	193,204	302,157
Purchase of raw materials and components / services		
AREVA Energietechnik, Gmbh, Germany	260,799	42,276
AREVA T&D UK Limited	593,274	-
AREVA T&D Protection & Control, Stafford	71,597	300,016
AREVA T&D Inc., USA	-	3,610
Others	481,901	190,616
Purchase of Fixed assets		
AREVA T&D FIR SPA	140	-
Ritz Messwandler Ludwigslust GmbH	128	-
AREVA Hellas, AE, Greece	-	9,232
Others	-	44
Expenditure on Royalty Technical know-how, Trademark and assistance		
AREVA T&D Transformateurs de Mesures SA, France	28,037	11,593
AREVA T&D AG, Switzerland	16,954	9,469
AREVA Energietechnik, Gmbh, Germany	3,333	30,859
AREVA Parafoudres S.A, France	-	157
Debtors outstanding		
AREVA Energietechnik, Gmbh, Germany	37,904	19,396
AREVA T&D Protection & Control, Stafford	-	70,505
AREVA T & D Malaysia Sdn Bhd	3,252	62,174
AREVA T&D Xiamen, China	2,218	85,821
Others	218,079	71,803
Creditors outstanding		
AREVA T&D Protection & Control, Stafford	53,213	33,112
AREVA T&D Transformateurs de Mesures SA, France	3,793	-
AREVA T & D Enerjis Endustrisi AS, Turkey	8,618	31,532
AREVA Energietechnik, Gmbh, Germany	69,872	4,467
AREVA T&D FIR SPA	70,898	-
AREVA T&D Shanghai Power Automat. Co, Ltd	65,901	-
AREVA T&D UK Limited	100,800	16
Others	58,729	61,598

	(Rupees Thousands)	
	December 2008	December 2007
Other Liabilities and provisions		
AREVA T&D Inc., USA	-	62,460
AREVA Parafoudres S.A	17,307	-
Others	-	8,353
Loans and Advances		
AREVA T&D AG, Switzerland	17,223	6,515
AREVA Bio Energy India Private Limited	-	2,048
AREVA T & D Enerjis Endustrisi AS, Turkey	33,086	-
AREVA T&D Middle East FZE, Dubai	12,214	-
Dividend remitted to Long & Crawford Limited	21,191	14,127
(iii) With Key Management personnel :		
Managerial remuneration	10,636	5,877

40. INCOME TAX

- a. The Government has issued a notification on December 22, 2006 for the purposes of Section 54EC imposing ceiling on maximum investment at Rs 5,000 thousand per person. Due to this notification the company becomes ineligible to invest its capital gains, beyond 5,000 thousand arisen on sale of Non T&D business in the earlier year. The Company has filed a special leave petition before the Supreme Court of India, challenging the validity of this notification.
- b. The Company has received tax demands (including interest) on completion of assessments (2005-06 - Rs 30,000 thousand; 2006-07 - Rs 11,600 thousand). The Company has preferred appeals against these demands which are pending before appellate authorities, and is of the opinion that there are reasonable chances of success in the appeals.

41. SEGMENT REPORTING

The Company is engaged in the business of T&D activities only, and accordingly there are no primary segments to be reported, as per Accounting Standard 17 "Segment Reporting". The secondary segment by geographical location is given below:

	(Rupees Thousands)		
	Sales	Total Assets	Capital Expenditure
India	24,136,359 (20,001,235)	26,093,005 (16,102,910)	4,573,850 (1,392,295)
Qatar	976,565 (-)	978,574 (-)	- (-)
Kenya	849,368 (-)	322,621 (-)	2,188 (-)
Thailand	347,627 (-)	59,510 (-)	- (-)
China	201,096 (384,878)	45,015 (85,983)	- (-)
Mexico	167,871 (323,973)	30,490 (54,427)	- (-)
France	407,824 (313,836)	235,083 (95,580)	- (-)
Others	1,179,555 (1,156,362)	307,059 (545,771)	- (-)
Total	28,266,265 (22,180,284)	28,071,357 (16,884,671)	4,576,038 (1,392,295)

Note: Figures in brackets are for the previous year.

42. MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 ("MSMED")

The Company has amounts due to suppliers under MSMED as at December 31, 2008. The disclosure pursuant to the said Act is as under:

(Rupees Thousands)

	December 2008
Principal amount due to suppliers under MSMED	423,567
Interest accrued and due to suppliers under MSMED on the above amount, unpaid	6,320
Payment made to suppliers (other than interest) beyond the appointed day during the year	-
Interest paid to the suppliers under the MSMED	-
Interest due and payable towards suppliers under MSMED towards payment already made	-

Note : The information relates to such vendors identified as micro, small and medium enterprises, during the year, on the basis of information available with the Company. Hence comparative figures for the previous year have not been provided.

43. EARNINGS PER SHARE

Net profit for the year has been used as the numerator and number of shares has been used as denominator for calculating the basic and diluted earnings per share.

(Rupees Thousands)

	December 2008	December 2007
Net profit after tax	2,263,231	2,162,999
Weighted average number of shares used as denominator for Basic and Diluted earnings per share	239,104,035	239,104,035
Basic and diluted earnings per share of Rs 2/- each (in Rupees)	9.47	9.05

Note : Pursuant to the sub-division of the face value of equity shares of the Company from Rs 10/- each to Rs 2/- each during the year, previous year figures have been restated.

44. LEASES

The Company has taken office premises on non cancellable operating lease basis with a lock-in period of three years.

Rental expenses paid during the year towards that lease	70,818	-
Minimum lease payments payable :		
Within one year	77,256	70,818
Later than one year and not later than five years	83,694	160,950

45. EMPLOYEE BENEFITS

The Company's obligation towards the Gratuity fund is a defined benefit plan. The details of actuarial valuation is given below:

(Rupees Thousands)

(I) Change in Benefit Obligation	December 2008	December 2007
Liability at the beginning of the year	292,701	239,155
Interest Cost	19,343	17,936
Current Service Cost	15,854	18,873
Past Service Cost (Vested Benefit)	48,347	23,998
Benefit Paid	(21,544)	(56,689)
Benefit Paid (non funded)	(830)	-
Actuarial (gain)/loss on obligations	7,532	49,428
Liability at the end of the year	361,403	292,701

	(Rupees Thousands)	
	December 2008	December 2007
(II) Fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	242,700	232,791
Expected Return on Plan Assets	18,958	17,052
Contributions	41,699	45,839
Benefit Paid	(21,544)	(56,689)
Actuarial gain/(loss) on Plan Assets	3,578	3,707
Fair value of plan assets at the end of the year	285,391	242,700
(III) Actual Return on Plan Assets		
Expected Return on Plan Assets	18,958	17,052
Actuarial gain/(loss) on Plan Assets	3,578	3,707
Actual Return on Plan Assets	22,536	20,759
(IV) Amount Recognised in the Balance Sheet		
Liability at the end of the year	361,403	292,701
Fair Value of Plan Assets at the end of the year	285,391	242,700
Difference (Funded Status)	76,012	50,001
Amount Recognised in the Balance Sheet	76,012	50,001
(V) Expenses Recognised in the Income Statement		
Current Service Cost	15,854	18,873
Interest Cost	19,343	17,936
Expected Return on Plan Assets	(18,958)	(17,052)
Net Actuarial (Gain)/loss to be recognised	3,954	45,721
Past Service Cost (Vested Benefit) Recognised	48,347	23,998
Expense Recognised in P & L	68,540	89,476
(VI) Balance Sheet Reconciliation		
Opening Net Liability	50,001	6,364
Expense as above	68,540	89,476
Employers Contribution	(41,699)	(45,839)
Amount Recognised in Balance Sheet	76,842	50,001
(VII) Actuarial Assumptions : For the year		
Discount Rate Current	7.5%	7.5%
Rate of Return on Plan Assets Current	7.5%	7.5%
Salary Escalation Current	7.5%	7.5%
Mortality table	LIC (1994-96)	LIC (1994-96)

46. PRIOR YEAR COMPARATIVES

Prior year figures have been reclassified wherever necessary for comparative purposes.

Balance Sheet abstract and Company's General Business Profile

I. REGISTRATION DETAILS

Registration no.:	L31102WB1957PLC023381
State code:	21
Balance sheet date:	December 31, 2008

Rupees Thousands

II. CAPITAL RAISED DURING THE YEAR

Public issue	-
Rights issue	-
Bonus issue	-
Private placement	-

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total liabilities	28,458,587
Total assets	28,458,587

Sources of funds

Paid up capital	478,208
Reserves and Surplus	6,771,923
Secured loans	0
Unsecured loans	4,692,170

Application of funds

Net fixed assets	6,470,453
Investments	34
Net deferred tax asset	387,230
Net current assets	5,084,584
Miscellaneous expenditure	-
Accumulated losses	-

IV. PERFORMANCE OF THE COMPANY

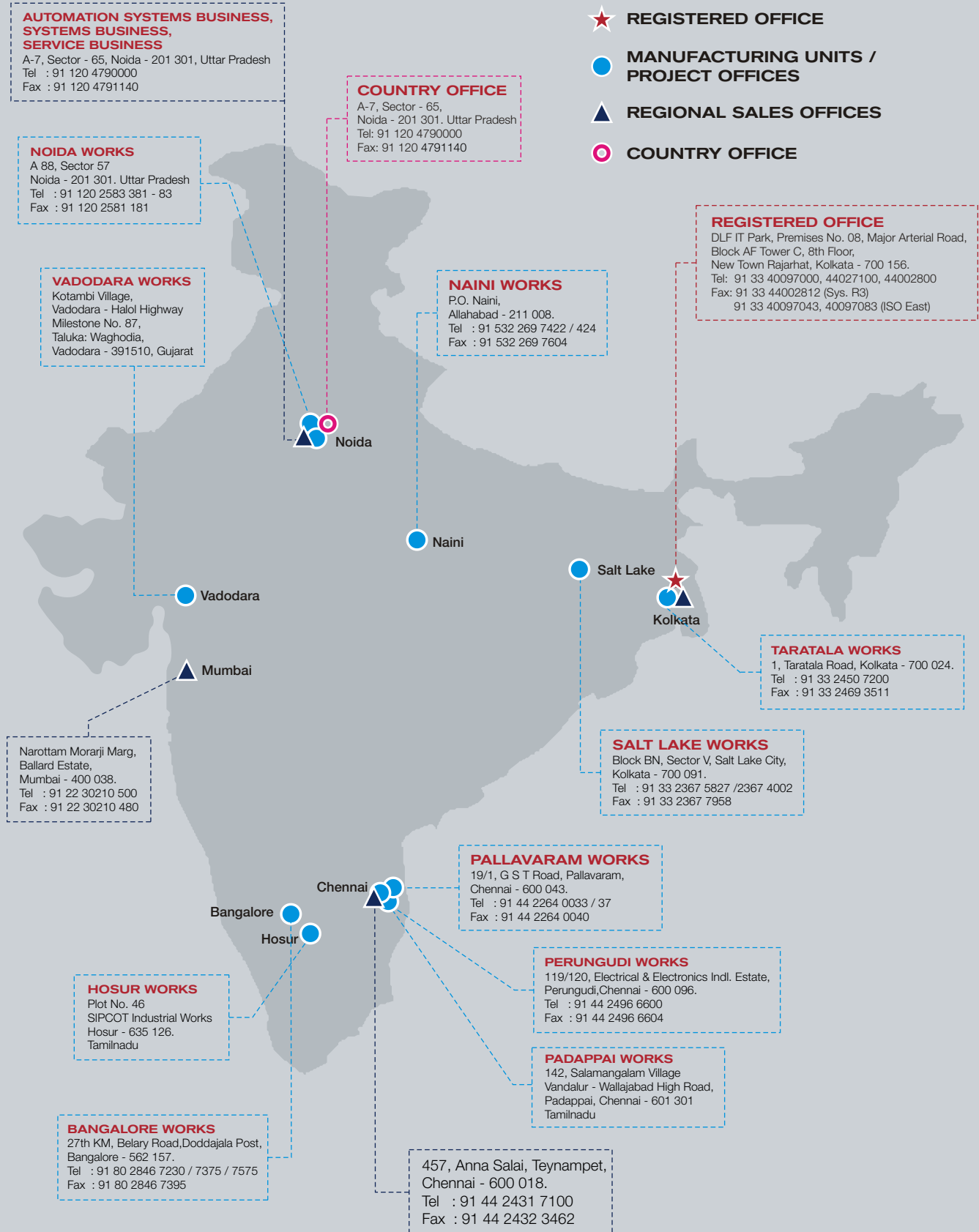
Turnover	28,404,951
Total expenditure	24,653,543
Profit/(Loss) before tax	3,751,408
Other items	(1,488,177)
Profit/(Loss) after tax	2,263,231
Earnings per share (in rupees)	9.47
Dividend rate (in per cent)	90.00

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

(As per monetary terms)

Item code no. (ITC Code)	85.35
Product description:	Switchgear - All Types
Item code no. (ITC Code)	85.04
Product description:	Transformers and reactors
Item code no. (ITC Code)	85.37
Product description:	Control Panels

OUR GEOGRAPHICAL SPREAD IN INDIA



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