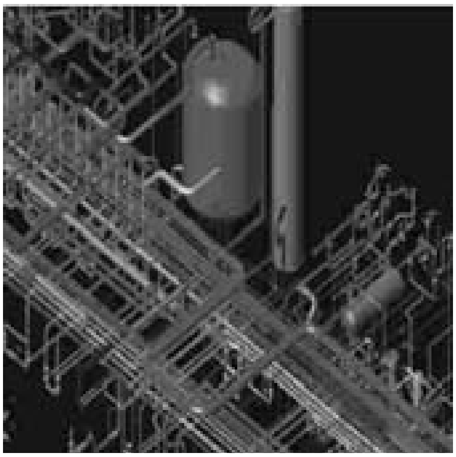
klgsystel

A Knowledge Company

ANNUAL REPORT 2010



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BOARD OF DIRECTORS

DIRECTORS
K.L. Goel - Executive Chairman
G.K. Pandey
B.D. Gupta
Prabir Sengupta
Adarsh Soni
Ankush krishan
Kumud Goel, Managing Director
Upasana Goel, Director (Commercial)
Ritu Goel, Director (Business Development)
Mukesh Arora (Whole Time Director)

CHIEF FINANCE OFFICER
S. Srikanth

COMPANY SECRETARY
Ram Ji Nigam

AUDITORS
B. Bhushan & Co., New Delhi

BANKERS
State Bank Of India
IDBI Bank Ltd.

REGISTERED OFFICE
Plot No. 70A, Sector- 34
EHTP, NH-8, Gurgaon-122004
Telephone: +91-124-4129900
Fax: +91-124-4129999

www.klgsystel.com

RESEARCH & DEVELOPMENT CENTRE
Plot No. 70A, Sector- 34
EHTP, NH-8, Gurgaon-122004

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

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

OFFICES

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

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

KEY COMPANY INDICATORS

KLG SYSTEL LIMITED

CORPORATE DATA

Rs. In Millions

	2006	2007	2008	2009	2010
Sales & Others	513.06	1211.32	2689.45	2283.56	2359.44
EBIDTA	120.31	369.26	849.30	718.75	715.45
Profit Before Tax	77.16	301.63	745.60	437.31	311.93
Profit After Tax	52.04	219.48	523.69	332.97	198.18
Equity Share Capital	81.31	108.39	117.59	126.80	127.59
Reserve & Surplus	403.60	943.99	1697.93	2273.91	2473.34
Net Worth	484.91	1052.38	1815.52	2400.72	2600.93
Gross Fixed Assets	493.24	774.04	1531.04	2124.70	3239.77
Net Fixed Assets	326.77	602.14	1292.53	1729.82	2674.34
Total Tangible Assets	721.27	2613.95	3915.48	4982.59	5860.41
Market capitalisation	812.38	3137.28	6596.12	986.61	1484.41
Number of Employees	182	240	425	425	287

KEY INDICATORS

In Millions

		2006	2007	2008	2009	2010
Earning per share	(in Rs.)	6.66	22.93	48.03	26.72	15.65
Cash earning per share	(in Rs.)	12.56	30.37	61.15	43.87	35.51
EBIDTA/Sales	(in %)	22.97	30.03	31.30	31.48	30.32
PBT/Sales	(in %)	14.74	24.53	27.48	19.15	13.22
PAT/Sales	(in %)	9.94	17.85	19.30	14.58	8.40
Return on net worth	(in %)	10.86	20.94	28.89	13.88	7.62
Return on capital employed	(in %)	9.40	9.73	17.64	7.53	4.98
Dividend	(in %)	15.00	25.00	27.50	27.50	5.00
Sales per employee	(Mil.)	2.82	5.05	6.33	5.37	8.22
Book value per share	(in Rs.)	61.39	109.53	166.28	192.56	208.65
Market price per share	(in Rs.)	100.60	290.95	563.60	78.15	116.85
Debt equity ratio	(in times)	0.15	1.09	0.61	0.50	0.53

DIRECTORS' REPORT

KLG SYSTEL LIMITED

1. To the Members

The Directors have pleasure in submitting the Twenty Fifth Annual Report on the business and operations of your Company along with the Audited Financial Statement of Accounts for the fiscal year ended March 31, 2010.

2. Financial Results

The financial results of the Company are summarized here under:

(Rs. In Millions)

	Year ended 31.03.2010	Year ended 31.03.2009
Sales and Services	2359.44	2283.56
Profit before interest and depreciation	714.34	717.27
Interest	(210.83)	(106.29)
Depreciation	(189.24)	(173.16)
Profit before tax	314.27	437.83
Provisions & Adjustments for tax	(113.76)	(104.34)
Prior Period Adjustments	(2.33)	(0.51)
Profit after tax	198.18	332.97
Surplus brought forward from previous year	130.42	41.03
Amount available for Distribution	328.59	374.00
APPROPRIATIONS :		
Prior period adjustment of dividend, including dividend tax	-	2.96
Proposed dividend	6.35	34.72
Tax on proposed dividend	1.05	5.90
Transfer to general reserve	100.00	200.00
Balance carried forward	221.19	130.42

3. Sales and Profitability

As members are aware, the financial year 2009-10 was quite challenging period for industry and the Company has suffered reduction in net profitability, specifically post global economic meltdown starting from September, 2008

Your company has reported a turnover of Rs. 2,359 million as compared to Rs. 2,284 million for the corresponding previous year. The Company reported EBIDTA of Rs. 714 million compared to Rs. 717 million for the corresponding previous year. The Company reported a profit before tax of Rs. 314 million as compared to Rs. 438 million for the last year. The profit after tax of Rs. 198 million as compared to Rs. 333 million for the previous year.

4. Dividend

Your directors have recommended a dividend of Rs. 0.50 per equity share i.e. 5.00% for the financial year ended 31st March, 2010, for the shareholder's approval at the forthcoming Annual General Meeting.

5. Future Outlook

The financial year 2009-10 has been full of turmoil and even though we started the year on a positive note, the global economic conditions put the whole industry under tremendous pressure for capital. A numbers of ambitious projects, earlier announced by the industry were put on hold for want of cash flows. Details on future outlook are discussed for both SBU's of the company below.

	2007-2008		2008-2009		2009-2010	
	Life Cycle	PSS	Life Cycle	PSS	Life Cycle	PSS
Revenue	1051	1638	832	1451	611	1748
Segment Profit before tax and interest	283	694	198	676	173	629

Strategic Business Unit: Life Cycle Solution

The revenue have gone down compared to 2007-2008 and 2008-2009 and profitability has also gone down. The decline in revenue and profitability can be attributed to the recessionary conditions in industry and infrastructure. However in the past few months, we have observed a marked improvement in these sectors. As such the company hopes that revenues shall be better compared to 2009-2010 financial year.

Your company entered into a relationship with (a) Mitsubishi Electric Asia to work in industrial automation sector (b) DIgSILENT GmbH Consulting to work in the area of Power System Analysis, (c) ASTA Development to work in the areas of Project Management.

With these relationships your company shall reinforce its working in the Life Cycle solution sector. Your company shall be conducting various technical and sales seminars to make for lost ground in 2010-2011.

Strategic Business Unit : Power Systems Solution

Your company has developed Vidushi and SG61 Technologies for Power Distribution Utilities. BEST, a Mumbai based Utility is deploying the same. Your company was hoping to bag orders under R-APDRP program of the Government of India in 2009-2010. Though your company was technically qualified in various bids for different utilities in India, it was not able to win any contract because of lower price bids from competition. This has been a major set back for the company. Tenders for three states are still under finalization and your company has made competitive bids for the same.

Your company has developed Connectgaia.com technology for Energy Efficiency. This Technology has been recognized world over by industry leader such as IBM and Intel. IBM has awarded "Beacon Award" to Connectgaia.com technology and Intel has invested undisclosed amount in your company's FCCB and is also doing joint development with KLG for Intel Atom Processor based embedded Connectgaia system. With the increasing pressure on Clean Environment and Global Warming; your company is hopeful that this technology shall find a large national and international market.

Your company has also undertaken EPC projects in power distribution sector since financial year 2006-2007. These projects have been done in the states of Rajasthan, Haryana and Punjab. Your company estimates that a majority of the projects shall be completed in financial year 2010-2011. Since there are considerable delays in completion and handing over of projects involving cross country sub transmission and distribution lines your company shall not be bidding any further projects in the same area. However your company shall continue to bid for transmission /sub transmission substation contract in future.

6. Transfer to Reserves

In accordance with statutory provisions, your Company has transferred a sum of Rs. 100 million to the General Reserves.

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

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

- Conservation of Energy

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

- Research & Development and Technology Absorption

A. Research and Development (R&D)

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

A revenue expenditure of Rs. 25 million (previous year: Rs. 54 million) was incurred during the period under review on activities relating to research and development while the capital expenditure was Rs.12 million (previous year: Rs. 17 million). The R&D expenses constituted 10.60% of PAT and 0.90% of Sales (previous year 21% and 3% respectively).

B. Technology Absorption, Adaptation and Innovation

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

- Foreign Exchange Earnings and Outgo

During the year under review the earnings and outgo in foreign exchange were of the order of Rs. 4.53 million (previous year: Rs. 0.23 million) and Rs. 172 million (previous year: Rs. 300 million) respectively.

8. Directors Responsibility Statement

The Directors confirm that:

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

(ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

(iii) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;

(iv) The directors have prepared the annual accounts on a going concern basis.

9. Corporate Governance

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

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

10. Management Discussion and Analysis Report

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

11. Listing of Securities

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

i.) National Stock Exchange of India Ltd.
Exchange Plaza, Bandra (E), Mumbai - 400 051

ii.) The Stock Exchange, Mumbai
Phiroz Jeejee Bhoy Towers, Dalal Street, Mumbai - 400 001

The listing fee of above mentioned stock exchanges for the year 2010-2011 has already been paid.

Global Depository Receipts (GDRs) of the Company are listed on Luxembourg Stock Exchange (LuxSE).

Foreign Currency Convertible Bonds (FCCBs) of the Company are listed on Singapore Stock Exchange (SGX-ST).

12. Issue of further securities:

A. Global Depository Receipts (GDRs):

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

As on March 31, 2010, 2,306,850 GDRs were cancelled and converted into equivalent number of underlying shares. 750 GDRs are still outstanding.

B. Foreign Currency Convertible Bonds (FCCBs):

During the year ended March 31, 2007 the Company issued 2200, 1% Coupon bearing Foreign Currency Convertible Bonds ("Bonds" / "FCCBs") of US$ 10000/- each aggregating US$ 22 million, due in 2012. These Bonds are convertible at any time up to March 16, 2012 by holders into fully paid equity shares of Rs. 10 each with full voting rights ("Shares") at a Conversion Price of Rs.400 per share and subsequently Conversion Price has been reset to Rs. 350 per share. The conversion rate for US dollar has been fixed at USD 1.00 = Rs.43.70.

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

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

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

13. Human Resources and Employee Stock Option Scheme

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

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

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

14. Consolidated Financial Statements

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

15. Subsidiary Companies

As on March 31, 2010, KLG Systel Limited has two wholly owned subsidiary companies namely, KLG Environment and Safety Sciences Limited and KLG Software Technology and Infrastructure Private Limited and two other subsidiary Companies namely, KLG Power Limited and Atlantis Lab Private Limited. The Company had filed a necessary application to Central Government under Section 212(8) of the Companies Act, 1956 for exemption from the provisions of attaching the Balance sheets of four subsidiary companies or application of provisions only to such extent as may be specified by the directions issued by the Central Government. The Company has subsequently received the letter from Central Government granting exemption from the aforesaid enclosure. In accordance with the requirements for granting exemption, the Company hereby undertakes that it shall make available the individual annual accounts of its subsidiary companies to the holding and subsidiary Company investors, on receipt of any request for the same. The annual accounts of the subsidiary companies will also be kept for inspection by any investor in its registered office and that of the subsidiary company concerned. The Company is presenting the consolidated financial statements of its subsidiaries as required under the Accounting Standard-21 (AS-21) on consolidation of financial statements. Particulars required to be given under the provisions of Section 212 of the Companies Act, 1956 in respect of the subsidiary companies, are appended.

16. Transfer to Investor Education and Protection Fund

In terms of the provisions of Section 205C of the Companies Act, 1956, the Company has transferred an amount of Rs. 0.147 million, being the amount of unclaimed dividend for the financial year ending March 31, 2000 to the Investor Education and Protection Fund established by Central Government.

17. Auditors

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

18. Directors

Your Directors regret to inform the sad demise of Mr. Subir Raha, a Director of your Company, who passed away on February 1, 2010 after prolonged illness. Your Directors place on record their deep appreciation for the contributions made by him as an Independent Director on the Board of the Company.

Mr. Prabir Sengupta and Mr. Mukesh Arora retire by rotation from the office of director at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

19. Particulars of Employees

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

20. Acknowledgments

The Board puts on records its sincere appreciation for the support, which the Company has received from its Bankers, customers, government organizations, overseas strategic alliance partners, staff and employees. The Board also appreciates the confidence reposed by the shareholders in the Company and its management.

For and On Behalf of the Board of Directors

Date: August 14, 2010 (K. L. Goel)
Place: Gurgaon Chairman

DISCLOSURE REGARDING EMPLOYEES STOCK OPTION PLAN 2005 PURSUANT TO THE SEBI (EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEES STOCK PURCHASE SCHEME) GUIDELINES, 1999

a.	Options Granted	299,500
b.	Pricing Formula	Calculated on the basis of average of the weekly high and low of the closing market price of the Company's equity shares quoted on National Stock Exchange, Mumbai (NSE) of the Two months preceding the date of grant of options.
c.	Options Vested	109, 500
d.	Options Exercised	78,979
e.	Total No. of shar es arising as a result of exercise of options	78,979
f.	Options forfeited/ lapsed	30,521
g.	Variation in terms of options	Nil
h.	Money realized by exercise of options	Rs.9.44 million
i.	Total number of options in force at the end of the year.	38,500
j.	Employee-wise details of options granted to:	A summary^ of options granted to senior managerial personnel* are as under :
	1. Senior managerial personnel	No. of employees covered*: 6 Total no. of options granted to such personnel : 1,17,000
	2. Any other employee receiving a grant in any one year of option amounting to 5% or more of the options granted during the year 2007-08	No. of employees covered*: Total no. of options granted to such personnel :
	3. Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital	Nil *includes employees who are one level below the Board of Directors or CEO/COO working in executive capacity. ^ Only summary given due to sensitive nature of information
k.	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS 20 'Earning Per Share')	Rs.13.49
l.	Difference, if any, between the employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost recognized if the fair value of the options had been used and the impact of this difference on profits and EPS of the company	The company has charged a sum of Rs. NIL to the Profit and Loss account as the fair value of the options granted is less than the exercise price. Fair market value of the options granted as on grant date was Rs.108.65. Had the company adopted the fair value method based on "Black Scholes" Model (Dividend not considered) fair market value would have been Rs.108.65 and considering dividend, fair market value would have been Rs.102.81.
m.	Weighted average exercise prices and weighted average fair value of options whose exercise price equals or exceeds or is less than the market price of the stock	Not Applicable
n.	Description of the method and significant assumptions used during the year to estimate fair values of options, including the following weighted average information:	
	(1) Risk Free interest rate	7.5% (as on grant date)
	(2) Expected life (Years)	4 years
	(3) Expected volatility	315
	(4) Expected dividend yield	1.38%
	(5) Price of the underlying share in the market at the time of option grant	Rs.108.65

@ The Compensation Committee at its meeting held on May 26, 2008 has granted 38,500 options to the employees of the Company at Rs. 621.22 (based on price determined as per the approved Scheme) under the KLG Systel Employee Stock Option Scheme 2005. Out of the options granted, 20% i.e. 7, 700 of the total Options granted on May 26, 2008 have been vested on May 26, 2009. During the year ended no option has been exercised by the employees.

@ The Compensation Committee at its meeting held on May 26, 2008 has granted 69,000 options to the employees of the Company at Rs. 631.40 (based on price determined as per the approved Scheme) under the KLG Systel Employee Stock Option Scheme 2007. Out of the options granted, 20% i.e. 13,800 of the total Options granted on May 26, 2008 have been vested on May 26, 2009. During the year ended no option has been exercised by the employees.

ANNEXURES TO DIRECTORS' REPORT

ANNEXURE - I
CORPORATE GOVERNANCE
KLG SYSTEL LIMITED

1. Company's Philosophy

Your Company is maintaining global standards in compliance with processes of Corporate Governance and following Code of ethics. To achieve the goal of value creation for the shareholders, the Company has identified following key aspects areas for its Governance: -

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

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

Your Company has set up a sound system for risk management and internal control system. Audit Committee of the Board periodically reviews the risk management mechanism and internal control systems.

At KLG, we give highest importance to investor relations. KLG endeavors to enhance shareholder's value by communicating with them effectively and providing them all material information about the Company. All material information is put by the Company on its web site i.e. www.klgsystel.com.

2. Board of Directors
a) Composition of Board

The Board of Directors of the Company comprises of distinguished personalities, who have been acknowledged in their respective fields. Five out of the Ten Directors on the Board as on date, are independent and non-executive. The Chairman is in wholetime employment of the Company. All Independent Non Executive Directors comply with the requirements of the Listing Agreement for being an Independent Director and have also affirmed to this effect.

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

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

* Other Directorships do not include those of private companies and companies incorporated outside India.
** Includes only Audit Committee and Shareholder's Grievance Committee.
***Mr. Subir Raha passed away on February 1, 2010 due to sad demise.
Mr. Sundararajan Govindarajan resigned form his office w.e.f. 14.05.2010

NOTE : 1) None of the Directors is representing a Lender or Equity Investor.
2) None of the Non Executive Directors hold substantial shareholding in the Company.

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

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

c) Number of Board Meetings

KLG Systel Limited had convened 4 (four) board meetings from April 1, 2009 to March 31, 2010.

These meetings were held on May 16, 2009, July 29, 2009, October 31, 2009 & January 30, 2010.

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

- Board Meeting Procedures

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

- Information supplied to the Board

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

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

- Code of Conduct

The Board had prescribed the Code of Conduct for all Board Member and Senior Management.
The Code of Conduct has also be posted on company's web site i.e. www.klgsystel.com

- Declaration by C.E.O.

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

I here by confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year 2009-10.

Sd/-
Managing Director

3. Audit Committee

- Constitution
The Audit Committee comprises of following Non Executive and Independent Directors:

Mr. B. D. Gupta	Chairman
Mr. G. K. Pandey	Member
Mr. Prabir Sengupta	Member

The Audit Committee meetings are chaired by Mr. B. D. Gupta who has vast experience in the area of Finance.
The Company Secretary is acting as Secretary of the Audit Committee

- Terms of Reference

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
   a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
   b. Changes, if any, in accounting policies and practices and reasons for the same.
   c. Major accounting entries involving estimates based on the exercise of judgment by the management.
   d. Significant adjustments made in the financial statements arising out of audit findings.
   e. Compliance with listing and other legal requirements relating to financial statements.
   f. Disclosure of any related party transactions.
   g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.)
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

9. Discussion with internal auditors any significant findings and followup thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. Carrying out any other function as may be referred by the Board from time to time.

- Meetings & Attendance

During the period under review the audit committee met four times on May 16, 2009, July 29, 2009, October 31, 2009 and January 30, 2010.

The attendance record of Audit Committee is as below:-

Date of Meeting	16.05.2009	29.07.2009	31.10.2009	30.01.2010
Mr. B. D. Gupta	Attended	Attended	Attended	Attended
Mr. G. K. Pandey	Attended	Attended	Attended	Attended
Mr. Prabir Sengupta	Attended	Attended	Not Attended	Attended

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

The Committee, in its meeting held on May 16, 2009 reviewed the Annual Accounts for the period ended 31st March, 2009.

4. Remuneration Committee

- Constitution
  The Remuneration Committee comprises of following Non Executive and Independent Directors:

Mr. Prabir Sengupta	Chairman
Mr. B. D. Gupta	Member
Mr. G. K. Pandey	Member

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

- Meetings & Attendance
  During the period under review the remuneration committee met once on July 29, 2009.

Date of Meeting	29.07.2009
Mr. B. D. Gupta	Attended
Mr. G. K. Pandey	Attended
Mr. Subir Raha*	Attended
Mr. Prabir Sengupta**	Not Applicable

*Mr. Subir Raha passed away on February 1, 2010.
**Mr. Prabir Sengupta* was appointed as Chairman of the Remuneration Committee with effect from May 29, 2010.

- Details of remuneration for the year ended 31st March, 2010

(In Rupees)

Name of Director	Sitting fee	Commission	Salary	Perquisites etc.	Providend Fund	Retirement Benefits	Total
Mr. K. L. Goel	-	-	13624842	1755000	-	Gratuity	15379842
Mr. Kumud Goel	-	-	15270434	1797750	1296000	Gratuity	18364184
Mrs. Upasana Goel	-	-	2128050	-	129600	Gratuity	2257650
Mrs. Ritu Goel	-	-	1673530	-	122400	Gratuity	1795930
Mr. Mukesh Arora	-	-	7935000	1715500	-	Gratuity	9650500
Mr. G. K. Pandey	60000	1175202	-	-	-	-	1235202
Mr. B. D. Gupta	65000	1253548	-	-	-	-	1318548
Mr. Prabir Sengupta	45000	861814	-	-	-	-	906814
Mr. Subir Raha*	20000	705121	-	-	-	-	725121
Mr. Adarsh Soni	20000	235040	-	-	-	-	255040
Mr. Sundararajan Govindarajan	25000	156694	-	-	-	-	181694
Mr. Ankush Krishan	20000	-	-	-	-	-	20000

*Mr. Subir Raha passed away on February 1, 2010.

- Shareholding of the Non Executive Directors in the Company

Name	No. of Equity Shares held	% Of Total Paid - up Equity Capital
Mr. G. K. Pandey	6250	Negligible
Mr. B. D. Gupta	NIL	NIL
Mr. Prabir Sengupta	NIL	NIL
Mr. Adarsh Soni	NIL	NIL
Mr. Sundararajan Govindarajan	NIL	NIL
Mr. Ankush Krishan	NIL	NIL

- Details of relationship among Directors, if any

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

5. Shareholders Grievance Committee

The present Shareholder Grievance Committee comprises of Mr. G. K. Pandey, Non Executive and Independent Director and Mr. K. L. Goel, Executive Chairman. Mr. G. K. Pandey is the Chairman of the Committee. During the period under review, the committee met three times viz. on May 16, 2009, July 29, 2009 and March 31, 2010. Both the members of the committee were present in all the meetings.

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

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

As on March 31, 2010, no investor complaint was pending. During the period under report, Company received 3 Complaints. These complaints were completely resolved by the Company.

6. ESOP Compensation Committee

The ESOP Compensation Committee of the Board is constituted in accordance with SEBI (Employee Stock Option Scheme) Guidelines, 1999. The committee comprises of four members, namely Mr. Prabir Sengupta (Chairman), Mr. G. K. Pandey, Mr. B. D. Gupta (Non Executive and Independent Directors) and Mr. Mukesh Arora (Whole Time Director). During the period under review, no meeting of Committee has been held.

The Company Secretary is the Secretary of the Compensation Committee.

7. Borrowing Sub Committee

The Borrowing Sub Committee of the Board is constituted for delegation of borrowing powers of the Board. The committee comprises of five members, namely Mr. B. D. Gupta, Non Executive and Independent Director (Chairman), Mr. G. K. Panday, Non Executive and Independent Director, Mr. K. L. Goel, Executive Chairman, Mr. Kumud Goel, Managing Director and Mr. Mukesh Arora, Whole Time Director.

During the period under review, the committee met three times on July 04, 2009, August 18, 2009 and September 10, 2009.

8. Subsidiary Companies

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

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

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

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

Financial period (ended)	Date	Time	Venue	Whether special resolutions passed or not
March 31, 2007	June 07, 2007	11:00 a.m.	HSIIDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon	Yes
March 31, 2008	July 25, 2008	11:00 a.m.	HSIIDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana	Yes
March 31, 2009	August 22, 2009	11:00 a.m.	HSIIDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana	Yes

10. Postal Ballot

During the year Company has proposed the following Ordinary Resolution through Postal Ballot:

In the current Financial Year 2009-2010

Particulars of Special Resolutions	Details of Voting Pattern	
	Votes Casted in favour	Votes Casted against
Approval under Section 16 and 94 of the Companies Act, 1956 for Sub - Division of Equity Shares and consequent Amendment to the Memorandum of Association of the Company	42,671 (1.40%)	30,00,036 (98.60%)

The Postal Ballot exercise was conducted by Mr. Nagesh Kumar, Chartered Accountant as Scrutinizer and the results were declared on March 16, 2010. The above said resolution has been disapproved by shareholders and the result shall also be declared in the ensuing Annual General Meeting of the Company.

The procedure as specified under Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 was followed for passing the resolution under postal ballot. Accordingly the Notice of Postal Ballot, the Postal Ballot form and self addressed, postage pre-paid envelop was dispatched to all shareholders with instructions to return the duly filled up form by March 12, 2010. After the last date of receipt of form, the Scrutinizer submitted his report to the Executive Chairman of the Company on March 15, 2010, following which the Executive Chairman announced the results stating that the resolution has been disapproved by the shareholders. The said results were duly published in the newspapers.

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

11. Disclosures

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

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

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

None

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

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

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

12. Disclosure regarding appointment or re-appointment of Directors

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

Name	Qualification	Brief Resume And Area of Expertise	Other Directorships	Committee memberships
Mr. Prabir Sengupta, 68		Mr. Prabir Sengupta is a M. A. in Economics from Presidency College, Calcutta University. He is a retired officer of Indian Administrative Service and has held various positions in the State of Assam including the position of Sub-Divisional Officer, Additional District Collector, District Collector, Joint Secretary, Home & Political Departments, etc. Further, he had held various positions with the Government of India including, Secretary, Department of Commerce, Secretary, Department of Supply, Ministry of Commerce & Industry, Secretary, Department of Defense Production & Supplies, Secretary, Ministry of Petroleum and Natural Gas (PNG), Secretary, Department of Heavy Industry, Ministry of Industry, Additional Secretary and Adviser (Energy), Planning Commission and various other important positions during his long career of more than 40 years. He retired as Director of Indian Institute of Foreign Trade, a Deemed University. Presently, he is a Distinguish Fellow with The Energy & Resources Institute and Principal Advisor with Confederation of Indian Industries.	NIL	KLG SYSTEL LIMITED: - Audit Committee - Compensation Committee - Remuneration Committee
Mr. Mukesh Arora, 47	BE (Mech.), MBA	Mr. Arora has held management positions at reputed organizations like HCL, TATA, Unisys, IMTAC (Oman) etc. He has the distinction of being a pioneer in the area of Internet solutions in India and has played a key role in defining the internet strategies for a number of reputed blue-chip companies in India and abroad.		KLG SYSTEL LIMITED: - Compensation Committee - Borrowing Sub Committee

13. Means of Communications

Quarterly results of the Company are published in Economic Times & Financial Express (English) and Jansatta & Navbharat Times (Hindi). These results are put on the web site of the Company i.e www.klgsystel.com, on which the official news releases are also displayed.

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

14. General Information for Shareholders

- Annual General Meeting

Date : Saturday, September 25, 2010

Time : 11:00 A.M.

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

- Financial Calendar (Tentative)

Results for the quarter ending June 30, 2010	:	1st / 2nd week of August, 2010
Results for the quarter ending September 30, 2010	:	1st / 2nd week of November, 2010
Results for the quarter ending December 31, 2010	:	1st / 2nd week of Febuary, 2011
Results for the year ending March 31, 2011	:	2nd / 3rd week of May, 2011

- Period of Book Closure : From Monday, September 20, 2010 to Saturday, September 25, 2010 (both days inclusive)

- Dividend Payment date : Saturday, September 25, 2010

- Listing on Indian Stock Exchanges

- Name of the Stock Exchange — Stock Code

Name of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai	531269
National Stock Exchange	KLGSYSTEL

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

- Listing on Overseas Stock Exchanges

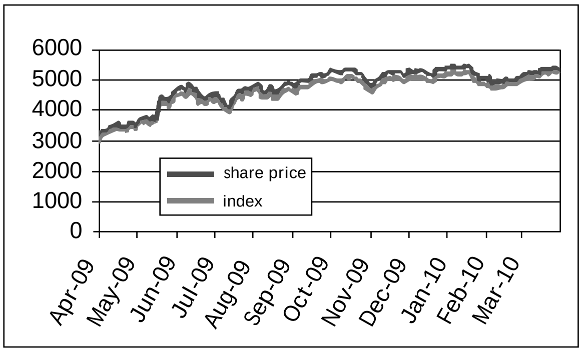
Name of the Stock Exchange	Type of Security Listed
Luxembourg Stock Exchange (LuxSE)	Global Depository Receipts (GDRs)
Singapore Stock Exchange (SGX-ST)	Foreign Currency Convertible Bonds (FCCBs)

- Stock Data

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

Month	National Stock Exchange (in Rs.)	
	High	Low
April, 2009	121.30	85.35
May, 2009	172.35	92.10
June, 2009	234.75	159.50
July, 2009	173.35	129.35
Aug, 2009	215.45	165.75
Sep, 2009	250.50	200.55
Oct, 2009	296.05	208.55
Nov, 2009	214.85	192.90
Dec, 2009	218.20	204.60
Jan, 2010	223.75	177.55
Feb, 2010	192.25	125.55
Mar, 2010	142.00	115.05

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



- Registrar and Share Transfer Agent and Share Transfer System

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

MAS Services Ltd.,
T-34, 2nd Floor,
Okhla Industrial Area, Phase-II,
New Delhi - 110 020

The Registrar & Share Transfer Agent of the Company effect transfer of shares in physical form and also provide connectivity with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The Company Secretary of the Company is authorized by the Board to approve the transfer of shares in physical form on behalf of the Company, who submits a report on shares transferred in physical form, since last board meeting, to the Board at its meeting. The physical shares, after approval by Company Secretary/Authorized Signatory of the Company, are sent to aforesaid Registrar and Share Transfer Agent for further necessary action i.e. effecting transfer in the records. The Company, as per SEBI Guidelines, offers the facility of transfer cum-dematerialisation. Under this system, after effecting the share transfer, a letter is sent by aforesaid Registrar & Share Transfer Agent to the transferee indicating the details of the transferred shares and inquiring whether the transferee wishes to dematerialise the shares and if so, he can approach a Depository Participant (DP) with the letter. The DP, based on the letter, generates a dematerialisation request which the shareholder has to send to the Company along with the option letter issued by the Company. In case the transferee does not wish to de-materialize the share certificates, the Company dispatches the share certificates to the transferee.

- Nomination Facility

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

- Distribution of Equity Shareholding as on March 31, 2010

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Up to 500	19914	89.44	2306149	18.15
501 to 1000	1214	5.45	958319	7.54
1001 to 2000	575	2.58	853253	6.72
2001 to 3000	194	0.87	497118	3.91
3001 to 4000	90	0.41	322254	2.54
4001 to 5000	64	0.29	298582	2.35
5001 to 10000	109	0.49	774578	6.10
10001 & above	105	0.47	6693326	52.69
Total	22265	100.00	12703579	100.00

- Shareholding pattern as on March 31, 2010

Shareholders	No. of Shares Held	% of Total Shares held
Non-resident Indians/OCB's	366318	2.88
Banks/Financial Institutions/FIIs	318113	2.51
Promoters & Directors	3410056	26.84
Corporate Bodies	2284917	17.99
Clearing Members/ Trusts	423570	3.33
Resident Individuals	5899855	46.44
Custodian of GDRs	750	0.00
Total	12703579	100.00

- Dematerialization of Shares and Liquidity

  As on 31st March 2010, 12576927 (99.00%) Shares of the Company were held in dematerialized form and the rest 126652 (1.00%) in physical form.

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

- Outstanding Convertible instruments

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

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

- Non Mandatory Requirements

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

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

BRANCH LOCATIONS

Company has branches at following places:-

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

Bareilly
C-115/6, Rajender Nagar
Pilibhit Road
Near Gokul Megamart,
Bareilly

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

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

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

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

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

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

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

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

Patiala
House No. 10, Street No. 2
Green View Colony
Opp. Harbars Regency
Patiala

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

Varanasi
B-38/127, Plot No. 18,
Taradhan Colony
Tulsipur, Mahamurganj,
Varansasi (U.P)

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

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

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

Certificate From Auditors Regarding Compliance Of Conditions Of Corporate Governance.

To the Shareholders of KLG Systel Limited

We have examined the compliance of conditions of Corporate Governance by KLG Systel Limited, during the year ended on March 31, 2010, in accordance with the provisions of clause 49 of the Listing Agreements executed by the Company with stock exchanges where equity shares of the Company are listed.

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

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

We state that in respect of investor grievances received during the year ended March 31, 2010, no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company which a represented to the Shareholders/Investors' grievance Committee.

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

For B. Bhushan & Co.
Chartered Accountants

Place: Gurgaon
Date: August 14, 2010

Kamal Ahluwalia
Partner

Annexure II

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A) Business Overview and Outlook

The FY 2009-10 was a tough year for the industry and KLG was also not insulated from the recessionary conditions in the market as a whole.

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

KLG remains a Knowledge Company in the true sense and clearly distinguishes itself by providing true value addition that are aligned with the business needs of specific industries. At the core of its delivery model lies a strong business and domain expertise which, enabled by IT technologies & processes, works for the business success of the client. The company had articulated this vision over a decade ago when the rest of Indian IT industry was working on Y2K initiatives and body shopping, and not many in India were talking about being a 'knowledge enterprise.

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

KLG's unique business model blends a rich knowledge of industry and business with cutting-edge technologies from leading international technology partners such as Autodesk, Intergraph, IBM, Invensys, Mitsubishi, Oracle, Digsilent and Asta. This partnering model addresses the needs of a wide spectrum of clients that include Top 500 Indian companies (both from the government & private sector) and the Indian arms of Fortune 500 companies.

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

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

B) Segment-wise Performance

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

(i) POWER SYSTEM SOLUTIONS:

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

Now, the Ministry of Power, Government of India has recently approved the scheme for Restructured Accelerated Power Distribution Reform Programme (R-APDRP) worth Rs. 500 Billion.

The Scheme shall be implemented across India in two parts: The part A shall be worth Rs. 100 Billion in which the scope of work shall be the implementation of IT systems in Power Utilities. Your Company has already developed the solutions which are in line with the requirements of the proposed scheme.

The scope of Part A includes the Preparation of Baseline data for the Towns covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers, and Feeders and SCADA/DMS system. It would include Asset Mapping of the entire distribution network at and below the 11 kV transformers and include the Distribution Transformers and Feeders, Low Tension Lines, poles and other distribution network equipment. It will also include adoption of IT applications for meter reading, billing and collection, energy accounting and auditing, MIS, redressal of consumer grievances, establishment of IT enabled consumer service centres etc.

Part B shall include the Renovation, modernization and strengthening of 11 kV level Substations, Transformers/Transformer Centres, Re-conductoring of lines at 11 kV level and below, Load Bifurcation, feeder separation, Load Balancing, HVDS (11kV), Aerial Bunch Conductoring in dense areas, replacement of electromagnetic energy meters with tamper proof electronic meters, installation of capacitor banks and mobile service centres, etc.

The Scheme is progressing at a fast pace and Power Finance Corporation (PFC) has been appointed the Nodal Agency by the Ministry of Power.

PFC has already empanelled the Information Technology Consultants (ITC) and most of the State Utilities have already appointed ITC. PFC has also empanelled Information Technology Implementation Agencies (ITIA) under four roles of Systems Integration, Network Solution Provider, GIS Solution Provider and Meter Data Acquisition Solution Provider.

Your Company is one of the thirteen companies who have been empanelled under three or more ITIA roles. Your Company has already been doing the works which are defined under the Scheme and is well aware of the local requirements of Indian Power Sector. As you know that we have been focusing on our self-developed products for the sector, Vidushi for Business Process Automation, SG61 for Advanced Metering Infrastructure and Remote Meter Reading, connectgaia.com for Energy Efficiency and Demand Side Management.

Your Company has been participating in the APDRP tenders of various State Utilities and the results of a few of them are still awaited.

Besides APDRP, Your Company has been providing GIS implementation, Revenue Management Services to Utilities over the past few years and continues to get new customers. These Services include:

- Field Survey
- Preparation of Consumer database
- Consumer Indexing
- Camera Based Meter Reading and Billing
- Spot Billing
- Energy Accounting

Your Company has been able to maintain the competitive edge in the market and is implementing the following prestigious orders:

- Spot Billing for 1.0 million consumers for Jodhpur Vidyut Vitaran Nigam Limited, Jodhpur
- Spot Billing for 0.5 million consumers for Punjab State Electricity Board
- Operation and Maintenance of IT Infrastructure for 1.0 million consumers for BEST, Mumbai
- Spot Billing for 1.25 Lac consumers for Purvanchal Vidyut Vitaran Nigam Limited (PuVVNL), Varanasi
- Spot Billing for 1.25 Lac consumers for Lucknow Electric Supply Administration Limited (LESA), Lucknow
- Spot Billing for 80,000 consumers for Madhyanchal Vidyut Vitaran Nigam Limited (MVVNL), Bareilly
- HT Meter reading for Jaipur Vidyut Vitaran Nigam Limited
- Supply and Erection for Rural Electrification of 11,806 villages of Punjab under Rajeev Gandhi Grameen Vidyutikaran Yojna (Rs. 132 Crore)
- Supply and Erection of 1,938 Tubewell Connections of Uttar Haryana Bijli Vitaran Nigam, Haryana (Rs. 30 crore)
- Supply and Erection of 13 no 33-kV Substations in Panchkula, UHBVN (Rs. 30 crore)

Major Opportunities in the current year:

a. Vidushi Technology Sales / Implementation: Your Company has already implemented Vidushi in BEST and JUSCO and integrated it with SAP IS-U (Industry Solution for Utilities of SAP). This was another milestone achievement for the product as it has graduated to a next higher level. It has also proved our preparedness for the upcoming R-APDRP scheme where almost all Utilities have the requirements which can be easily met by Vidushi. This will definitely help in closing a few orders in APDRP scheme.

b. Engineering, Procurement and Contract Jobs:

(i) Feeder Renovation and Feeder Segregation Program: Feeder Renovation and Feeder Segregation are part of scope of R-APDRP scheme Part-B which shall also start within this year. The States will get the fund allocation for the improvement of their existing infrastructure. Your Company has already executed projects for Feeder Renovation from Ajmer and Jaipur. It has also executed a Feeder Segregation Project from Dakshin Haryana Bijli Vitaran Nigam. This shows the complete preparedness for targeting the R-APDRP scheme and also the vision of your Company which started all these activities in advance. Today, we are all set to take on the opportunities in the Power Sector in all areas covering IT as well as Electrification.

(ii) Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY): Initiated by the Ministry of Power in April 2005, this scheme is aimed at the development of Rural Electricity Infrastructure and Household Infrastructure. The Rural Electrification Corporation (REC) has been appointed as the nodal agency for its implementation. The company is already executing project in Punjab State Electricity Board for rural electrification and is bidding for such projects. Many of the States are expected to come out with tenders after the elections on account of the assistance of central government in such schemes.

c. Distribution Management System/SG61- Advanced Metering Infrastructure and Remote Meter Reading:

The main objective of Distribution Management System is to monitor important distribution parameters, remote / automatic meter reading of DT/feeder/boundary meters, Energy Accounting, Load flow Analysis and generate exceptions and MIS reports for proper planning, monitoring, decision-making and taking corrective actions. Your Company is creating a niche in this sector by focusing on Advanced Metering Infrastructure (AMI) rather than the traditional AMR approach followed by other players in the market.

Our strength is our mantra for Utilities is to implement "end-to-end" Integrated solutions rather than using the piecemeal approach in implementing IT solutions.

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

Connectgaia is an end-to-end solution for empowering electricity consumers to Measure, Visualize, Analyze and Control their usage in real-time and without any geographical boundaries. Connectgaia solution is a combination of field devices and enterprise portal that seamlessly integrates energy demand points with meters, sensors, controllers and enterprise web portal.

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

The main differentiator of Connect Gaia is the Enterprise portal, which not only presents an energy dashboard to the user but also enables them to configure an intelligent behavior of the field devices. The configuration is very simple to achieve without requiring any technical knowledge of the ladder programming which is the way the traditional field devices have been configured till date.

Connect Gaia enables energy and business managers, executive staff, and Operations & Maintenance personnel to view electricity consumption and relevant cost data through highly dynamic customizable reports, charts, and graphs.

Each industry4 segment has a different requirement to monitor and control their utility consumption and hence Connect Gaia provides a highly customizable dashboard so that users can customize them based on their specific functional needs.

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

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

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

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

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

1. Market Coverage

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

We are in the process of appointing additional partners to have effective market coverage in India.

2. International Marketing

Connectgaia addresses a market segment, which has a global demand. It has been found through research that the issues and challenges in the electricity market are very similar across the globe and companies are fighting a similar battle to save energy and get a deeper view of their energy consumption patterns. Most countries are working on an ambitious Smart Grid initiative where Connectgaia plays a vital role.

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

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

Today, we have direct presence in Singapore and a channel already functioning in China, Malaysia, Thailand, Taiwan and Philippines.

Pilots are already on in Malaysia for Street Lighting and Water applications.

We are in talks with potential partners in UAE and Oman that will give us a footprint in Middle East market.

Connectgaia now has a strategic presence in US and is working on opportunities with Technology players, utilities and infrastructure owners in US.

Connectgaia R&D team is also working closely with Intel on an Intel 32-bit industry class atom chipset which will give it an opportunity to launch entirely new set of applications in the energy management and industrial automation areas.

The unique features that set connectgaia.com apart and ahead of the other Energy Management Systems (EMS) / Conventional SCADA are as under:

- Software as a Service
- Hosting as a Service
- Wireless Data Communication
- Web Enabled
- Centralized control

The above unique features of connectgaia.com translate into the following advantages which make us stand out from other existing Energy Management systems:

- Economical
- Simpler Installation (Plug & Play)
- Accessible
- Scalable
- Flexible
- Less Maintenance
- Easy Upgrades
- Security / Redundancy
- Remote management
- User Friendly
- End to End solution

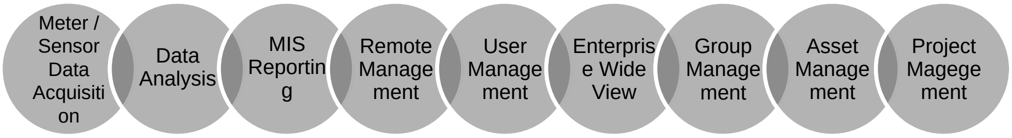
<u>Application / Benefits of Connectgaia.com</u>

- Online monitoring and measurement of energy usage
- Remote switching on and off of equipment, machinery or appliances – instantaneously On Demand / Time based scheduling & Rule based scheduling)
- Energy planning and load forecasting
- Energy accounting and balancing to check wastages and theft
- Communicates with temperature, pressure, light and all types of sensors
- Ensures utilities comply with power delivery service levels and utility bill verification
- Allows users to participate in Demand Response with utilities and power network
- Allows for time of day tariff based incentive program
- Generation of recommendations to improve quality of power
- Monitor equipment performance or system behavior
- Detects the need for load shedding
- Guide to optimize the need for captive power plant generation

- Stimulates the economic development of an organization
- Contributes to saving of energy resources
- Appliance Protection features to safe guard the connected load from power line disturbances/ abnormalities.

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

Various targeted verticals are as follows:



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

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

Some of the specific solutions which we are providing to our clients are:

Lighting - Lighting & AC Control, Peripheral & External Lighting Control, Office Building, Lighting & AC Control, Common Area Lighting Control, Street Lighting, Scheduler ON/OFF, Dimming, Phase Wise Control, Billing, Metering

Water Management- Flow Monitoring, Pump Monitoring & Control, Pressure Monitoring, Totaliser, Billing / Metering

Cell Site Management- Substation Monitoring, Cell Site Management, Mini Exchange Management

Commercial & Residential Management- Elevation Control, Equipment Monitoring, Data Management & Reporting, Utilities Management, Centralized Monitoring & Data Management, Scheduled Operation of Common Area, Integration with Media Services, Elevation Control, Condition Monitoring of Equipments, HVAC Control

DG Set Management- Fuel Parameters Specification, Fuel Consumption Reports, Electrical parameters Specification, Electrical Reports, Alerts and alarms, Sensor integration

Intelligent Green Buildings- Web-based energy efficiency / demand response / billing solution enables the realization of intelligent green buildings and offers several benefits & profitable opportunities to a real estate developer like reduced energy costs, increased rentals, increased property value, low maintenance cost, claiming of CDM benefits, etc.

Connectgaia - Magic Meter:

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

(ii) BUSINESS LIFE CYCLE SOLUTIONS

This stream of business has seen many acquisitions in the core technology areas that your company has been integrating with its solution offerings. Primavera has been acquired by Oracle and Coade by Intergraph. Your company has made changes in business strategy to minimize their impact on the revenue.

In Business Life Cycle Solution focus is on enhancing and effectively using the domain knowledge acquired. The future direction of the company is to consolidate its customer base of more than 2500 customers and to customize and verticalise the life cycle solutions to address the evolving needs of Indian Industries. Some of these growing needs are seamless integration of software solutions within the organization to meet the core financial management, human resources, customer relationships and the supply chain, as well as other functional needs of the organization.

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

(a) Enterprise Project Management

The economic crisis has led to greater scrutiny of how projects are managed and has directly affected company perceptions of the value of project management competencies. This change has led to a more structured and consistent application of project management practices across industry over the last one year. Customers are investing more time in project planning due diligence, conducting more frequent reviews to assess risks, milestones and overall value and measuring quantitative and qualitative project outcomes more frequently.

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

Yet few companies consistently meet their project goals or measure project success. This inconsistency stems largely from a failure to implement and follow well defined project management practices, despite ongoing efforts to improve ongoing processes to deliver better, faster, cheaper, results.

Your company changed the strategy and approach for the SBU. The focus was more given to business, which had higher profitability for the company. Your company took initiative to take Managed services of PMO (Project Management Office), Consultancy services and also increased the focus on training business. The company took greater initiative to focus on verticals, which were promising such as Oil & Gas, Defense, Infrastructure, and Power.

Your Company trained over 2000 professionals in Project Management who were from corporate such as L&T, Reliance, ONGC, GAIL, Tata Power, IOCL, SAIL, Railways, Jindal and many more. They were certified as per training program of PMI, USA which it represents in India.

(b) Computational Engineering & Sciences (CES)

The Computational Engineering & Sciences SBU provides design & analysis tools and services in the area of Plant &Product life cycle to various segments including Oil & Gas, Infrastructure, Manufacturing, Metal etc. We are one of the leading end to end solution providers in this segment in India having experience of more than 20 years. Your company has a rich industrial and consulting experience with state of art expertise in 3D Modeling, Digital prototyping, piping, FEA, GIS etc.

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

The Company provides tools and services in the following areas

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

Your company adds value to its customer's business with this established long-term strategic business partnerships with industry leaders like Autodesk, Intergraph and Altair. We provide full complement of specialized services in implementing end-to-end solutions in the above field. The company plans to add more solutions in this SBU depending upon the demand of the market.

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

Your company recently signed up an agreement with Autodesk in order market and implement their enterprise GIS offering Topobase in India. Built on industry-leading AutoCAD® Map 3D, Autodesk MapGuide®, and Oracle® software, Autodesk Topobase consolidates isolated stores of computer-aided design (CAD) and geographical information system (GIS) data into a central spatial information database. Implemented by utilities, municipal governments, and engineering firms that manage electricity, gas, water, sewer, and land infrastructure assets, Autodesk Topobase is used in more than 500companies worldwide. Topobase benefits the engineering, planning and GIS, maintenance and operations, finance, and IT departments using it—not to mention the executives in charge of these companies. With the spending on infrastructure increasing, your company plans to have a large GIS setup by the end of the coming financial year in order to cater to the large and growing GIS market.

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

Customers:

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

Your company is proud to have some of the elite educational institutes as its customers. This includes Indian Institute of Technology Kharagpur, IIT Mumbai, Jadavpur University, Birla Institute of Technology, Anna University, NIT (Rourkela, Jamshedpur, Silchar and Agartala).

(c) Industrial and Infrastructure Automation

Automation is a rapidly growing market in India. As new infrastructure is being created both in manufacturing as well as in public services, there is a growing need to automate the facilities as well as manufacturing processes.

Your company has enhanced the portfolio of services in this segment by way of partnering with hardware OEMs such as Mitsubishi Electric and IBM.

This business unit continues to sustain the growth momentum shown over the years. We have been able to create generic plant automation solutions for the metal industry including steel and aluminum. Our solutions have enabled manufacturing agility, design agility, supply chain agility for the players in these sectors.

Your Company, for the last 11 years, has been offering IT enabled business optimization solutions in the manufacturing space. These solutions have evolved from a Human Machine Interface and Shop Floor Scheduling solution to a complete Plant Intelligence and Supply Chain Optimization application framework.

The agility to accurately promise and quickly deliver increasingly customized products or new products requires synchronization across a broad scope of manufacturing activities performed by multiple organizations.

Real-time production information enables and empowers the decision makers through web based dashboards and seamless flow of information between ERP systems.

(C) Adequacy of Internal Control

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

(D) Human Resources

The Company considers its human resources as its most important asset. Attracting, retaining and motivating employees and creating an environment that nurtures them to deliver their best has been a constant challenge for your Company. Your Company continues to invest in training and development programs for its employees in India as well as abroad. The Company has instituted KLG Systel Limited Employee Stock Option Scheme 2005 for rewarding the well performing employees who are contributing to the growth of the company. The Company is also introduced another Employee Stock Option Scheme 2007, the approval for which was obtained by way of special resolution passed by shareholders in its Annual General Meeting held on September 08, 2006. At the end of the year under review, the total strength of the employees is 287.

KLG SYSTEL LIMITED

FINANCIAL STATEMENT

AUDITORS' REPORT

To the members of KLG Systel Limited

1. We have audited the attached Balance Sheet of KLG Systel Limited (the Company) as at March 31, 2010 , the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 [Order] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   (b) In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
   (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account maintained by the Company.
   (d) In our opinion Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in the terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      I) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
      ii) in the case of the Profit and Loss Account, of the profit earned by the Company for the year ended on that date; and
      iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

608, New Dehli House 27, Barakhamba Road New Delhi – 110001.	B.Bhushan & Co. Chartered Accountant By the hand of
May 29, 2010	Kamal Ahluwalia Partner Membership no. 093812 Firm Regn. No. 001596N

ANNEXURE TO AUDITOR'S REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of KLG Systel Limited on the financial statements for the year ended March 31, 2010]

i) In respect of its fixed assets:

a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

b) The fixed assets are physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification as compared to book records

c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year.

ii) In respect of its inventories:

a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

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

c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material. The valuation of stock has been done on the basis of physically verified quantities, therefore the shortage/excess gets automatically adjusted and the same have been properly dealt with in the books of account.

iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems.

v) In respect of contracts or arrangements referred to in section 301 of the Companies Act, 1956:

a) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have so been entered.

b) Transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi) The Company has not accepted any deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.

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

viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of activities carried out by the Company.

ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has been generally regular in depositing the undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues as applicable with the appropriate authorities. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no dues of income tax, wealth tax, custom duty, excise duty, service tax and cess that have not been deposited with appropriate authorities on account of any dispute, other than the following:

Nature of the Statute	Nature of dues	Amount Rs.*	Period to which amount relates	Forum where dispute is pending
Haryana Value Added Tax Act, 2003	Value Added Tax	1,302,092	A.Y. 2004-05	Excise & Taxation Officer, Gurgaon, Haryana
Haryana Value Added Tax Act, 2003	Value Added Tax	184,123	A.Y. 2007-08	Excise & Taxation Officer, Gurgaon, Haryana
Employees State Insurance Act, 1948	ESI	180,216	January, 1999 to December, 1999	Employees Insurance Court, Gurgaon, Haryana

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

x) The Company has no accumulated losses as at March 31, 2010 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.

xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.

xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/ societies are not applicable to the Company.

xiv) The Company has maintained proper records of transactions for dealing in or trading in securities and timely entries have been made in the records maintained for the purposes. The securities were/are being held by the Company in its own name.

xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

xvi) In our opinion and according to the information and explanations given to us, term loans were applied for the purpose for which the loans were obtained.

xvii) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information, explanations and representation given to us by the management, we report that no short term funds have been used for long term applications.

xviii) The Company has not made preferential allotment of equity shares during the year companies and parties covered in the register maintained under section 301 of the Companies Act, 1956.

xix) The Company has not issued any debentures during the year.

xx) The Company has not raised any money by way of public issue during the year.

xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

608, New Dehli House
27, Barakhamba Road
New Delhi – 110001.

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

May 29, 2010

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

BALANCE SHEET AS AT MARCH 31, 2010

KLG SYSTEL LIMITED

	Schedules	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	127,594,990	126,805,200
Reserves and surplus	2	2,473,336,049	2,273,913,156
Loans funds			
Secured	3	1,381,141,941	1,206,088,421
Unsecured	4	1,222,240,000	815,200,000
Deferred tax liabilities (Net)	5	207,941,836	146,851,765
		5,412,254,816	4,568,858,542
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	3,239,766,792	2,124,696,955
Less: Accumulated depreciation		565,431,344	394,880,108
Net block		2,674,335,448	1,729,816,847
Capital work in progress including capital advances		138,445,801	604,628,149
Investments	7	244,736,115	134,121,115
Current assets, loans and advances			
Inventories	8	870,000,170	829,157,699
Sundry debtors	9	1,353,140,542	1,090,030,799
Cash and bank balances	10	152,681,515	117,238,358
Loans and advances	11	427,067,454	477,592,206
		2,802,889,681	2,514,019,062
Less: Current liabilities and provisions	12	448,152,229	414,837,107
Net current assets		2,354,737,451	2,099,181,954
Miscellaneous expenditure (to the extent not written off or adjusted)	13	-	1,110,476
		5,412,254,816	4,568,858,542
ACCOUNTING POLICIES	19		
NOTES TO ACCOUNTS	20		

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

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

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

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Kamal Ahluwalia
Partner
Membership no. 093812
Gurgaon.
May 29, 2010

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2010

KLG SYSTEL LIMITED

	Schedules	For the year ended March 31, 2010 Rs.	For the year ended March 31, 2009 Rs.
INCOME			
Sales and services	14	2,359,442,256	2,283,561,959
Others		104,561,191	17,462,551
		2,464,003,447	2,301,024,510
EXPENDITURE			
Cost of sales and services	15	1,361,087,694	1,157,744,265
Employees remuneration and benefits	16	166,822,171	174,913,878
Travelling and conveyance		28,730,540	47,152,525
Research and development		24,876,900	53,855,803
Communication	17	13,205,918	13,566,167
Human resource development		4,377,491	13,667,171
Consultancy fees		24,570,608	8,377,799
Administrative	18	121,381,889	99,884,090
Business development		3,504,505	13,109,159
		1,748,557,716	1,582,270,857
PROFIT BEFORE INTEREST, DEPRECIATION, TAX AND AMORTISATIONS		715,445,732	718,753,653
Interest		210,825,657	106,285,150
Depreciation		189,244,771	173,161,749
Miscellaneous expenditure written off		1,110,476	1,480,000
PROFIT DURING THE YEAR		314,264,828	437,826,754
Prior period adjustments		2,332,830	(512,853)
PROFIT BEFORE TAX		311,931,998	437,313,901
Provision for current income tax		(52,365,136)	(61,946,659)
Provision for deferred tax		(61,090,070)	(39,032,584)
Provision for wealth tax		(301,675)	(360,882)
Provision for fringe benefit tax		-	(3,002,195)
PROFIT AFTER TAX		198,175,116	332,971,581
Balance brought forward from previous year		130,418,726	41,028,412
PROFIT AVAILABLE FOR APPROPRIATION		328,593,842	373,999,993
APPROPRIATIONS			
Prior period adjustment of dividend, including dividend tax		-	2,963,351
Proposed dividend on equity shares		6,351,790	34,717,650
Tax on proposed dividend		1,054,953	5,900,265
Transfer to General Reserve		100,000,000	200,000,000
Balance carried over to Reserve & Surplus Account		221,187,100	130,418,726
		328,593,842	373,999,992
Earnings per share (equity shares, par value of Rs. 10 each)			
Basic [Refer note no. (xxii) of Schedule No. 20]		15.65	26.72
Diluted [Refer note no. (xxii) of Schedule No. 20]		13.49	23.03
ACCOUNTING POLICIES	19		
NOTES TO ACCOUNTS	20		

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

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

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

Kamal Ahluwalia
Partner
Membership no. 093812
Gurgaon.
May 29, 2010

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

SCHEDULES FORMING PART OF THE ACCOUNTS

		As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
1.	SHARE CAPITAL		
	Authorised		
	20,000,000 (20,000,000) equity shares of Rs. 10 (Rs. 10) each	200,000,000	200,000,000
	Issued and subscribed		
	12,886,879 (12,807,900) equity shares of Rs. 10 (Rs.10) each	128,868,790	128,079,000
	Paid up		
	12,703,579 (12,624,600) equity shares of Rs. 10 (Rs. 10) each fully paid up	127,035,790	126,246,000
	Add: Forfeited shares	559,200	559,200
		127,594,990	126,805,200
2.	RESERVES AND SURPLUS		
	Capital reserve	19,200,800	19,200,800
	Share premium	1,163,497,264	1,154,842,745
	General reserve		
	Opening balance	969,450,885	769,450,885
	Add: Additions during the year	100,000,000	200,000,000
	Profit and Loss Account	221,187,100	130,418,726
		2,473,336,049	2,273,913,156
3.	SECURED LOANS		
	From State Bank of India		
	Cash credit facilities	1,004,008,105	889,732,614
	Term loans	127,133,836	166,355,807
	From IDBI Ltd.		
	Term loan	250,000,000	150,000,000
		1,381,141,941	1,206,088,421
4.	UNSECURED LOANS		
	Foreign currency convertible bonds	722,240,000	815,200,000
	Term loan from IFCI Ltd.	500,000,000	-
		1,222,240,000	815,200,000
5.	DEFERRED TAX LIABILITIES (NET)		
	Deferred tax assets	5,810,506	5,810,506
	Deferred tax liabilities	213,752,342	152,662,271
		207,941,836	146,851,765

6. FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Particulars	Cost as at April 1st 2009 Rs.	Additions during the year Rs.	Deletions during the year Rs.	Cost as at 31st March 2010 Rs.	Upto 1st April 2009 Rs.	For the year Rs.	Depreciation on assets sold / discarded during the year Rs.	Upto 31st March 2010 Rs.	As At 31st March 2010 Rs.	As at 31st March 2009 Rs.
Land	84,476,750	-	-	84,476,750	-	-	-	-	84,476,750	84,476,750
Buildings	347,290,490	475,358,783	-	822,649,273	26,368,887	13,239,987	-	39,608,875	783,040,398	320,921,603
Computers	575,870,927	156,455,545	18,805,775	713,520,696	166,451,878	94,482,247	18,656,062	242,278,063	471,242,634	409,419,047
Plant & Machinery	211,328,065	75,010,053	-	286,338,118	42,662,987	26,811,898	-	69,474,884	216,863,234	168,665,079
Furniture	110,929,040	657,955	-	111,586,995	21,746,568	8,451,449	-	30,198,017	81,388,978	89,182,472
Office Equipments	36,955,608	888,591	203,995	37,640,204	6,508,095	1,776,451	4,767	8,279,779	29,360,424	30,447,513
A.C. Equipments	24,289,662	282,649	-	24,572,311	4,821,476	1,163,283	-	5,984,759	18,587,552	19,468,186
Vehicles	51,899,652	1,432,442	1,038,538	52,293,556	10,711,259	5,054,770	32,707	15,733,322	36,560,234	41,188,393
Patent - Technology	552,232,251	403,592,378	-	955,824,629	74,542,303	31,790,524	-	106,332,827	849,491,803	477,689,952
Brands	129,424,509	21,439,750	-	150,864,259	41,066,656	6,474,162	-	47,540,818	103,323,441	88,357,854
Total	2,124,696,955	1,135,118,145	20,048,309	3,239,766,792	394,880,108	189,244,771	18,693,535	565,431,344	2,674,335,448	1,729,816,847
Previous Year	1,531,040,861	615,242,377	21,586,282	2,124,696,956	238,512,496	173,161,749	16,794,137	394,880,108	1,729,816,847	1,292,528,366

		As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
7.	INVESTMENTS		
	Long term investments		
	a) In equity shares of subsidiaries - Unquoted, fully paid up		
	12,000 (12,000) equity shares of Rs. 100 (Rs.100) each of KLG Environment and Safety Sciences Ltd.	3,717,524	3,717,524
	10,000 (10,000) equity shares of Rs. 10 (Rs. 10) each of KLG Software Technology and Infrastructure Pvt. Ltd.	100,000	100,000
	11,111,000 (49,500) equity shares of Rs. 10 (Rs.10) each of KLG Power Ltd.*	111,110,000	495,000
	307,275 (307,275) equity shares of Rs. 10 (Rs. 10) each of Atlantis Lab Pvt. Ltd.	129,807,591	129,807,591
		244,735,115	134,120,115
	b) Others - Non trade and unquoted		
	5 (5) shares of Rs. 100 (Rs. 100) each of Apex Hotel & Enterprises Pvt. Ltd. #	500	500
	5 (5) shares of Rs. 100 (Rs. 100) each of Siddhartha (Vadodra) Association #	500	500
		1,000	1,000
	(a+b)	244,736,115	134,121,115

* Formerly known as KLG Software Technology Pvt. Ltd.

\# Investments are pursuant to purchase of office flats

8.	INVENTORIES		
	Software licenses held for development	1,027,176	1,807,438
	Raw materials		
	Material lying at stores	236,761,845	73,667,829
	Work In Process		
	Manufacturing		2,546,432
	Contract work in progress	632,211,149	751,136,000
		870,000,170	829,157,699
9.	SUNDRY DEBTORS		
	(Unsecured and considered good)		
	Debts outstanding for a period exceeding six months	200,811,860	101,465,188
	Others debts	1,152,328,682	988,565,611
		1,353,140,542	1,090,030,799
10.	CASH AND BANK BALANCES		
	Cash in hand (including cheques in hand)	29,084,034	45,588,264
	Balances with scheduled banks		
	In current accounts	77,167,394	33,781,878
	In deposit accounts	46,430,087	37,868,216
		152,681,515	117,238,358

		As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
11.	LOANS AND ADVANCES		
	(Unsecured and considered good)		
	Advances to subsidiaries		94,169,651
	Advances to vendors	124,412,037	236,526,285
	Advance tax (Net of income tax provisions)	45,165,267	25,540,870
	Earnest money deposits	16,076,492	32,858,120
	Security deposits	16,356,375	21,092,541
	Value added and service tax	57,856,706	35,356,976
	Advance to staff	2,286,940	4,385,297
	Others	164,913,636	27,662,466
		427,067,454	477,592,206
12.	CURRENT LIABILITIES AND PROVISIONS		
	Current liabilities		
	Creditors for purchases	293,248,064	211,335,228
	Other liabilities	131,026,093	136,969,231
	Creditors for capital assets	1,436,841	6,872,349
	Unpaid dividend	1,449,225	1,219,709
	Provisions		
	Proposed dividend on equity shares	6,351,790	34,717,650
	Dividend tax on proposed dividend	1,054,953	5,900,265
	Leave encashment	6,655,282	11,410,068
	Gratuity	6,628,307	5,684,682
	Fringe benefit tax		367,043
	Wealth tax	301,675	360,882
		448,152,229	414,837,107
13.	MISCELLANEOUS EXPENDITURE		
	(to the extent not written off or adjusted)		
	Structuring cost	1,110,476	2,590,476
	Less: Written off during the year	1,110,476	1,480,000
			1,110,476
14.	SALES AND SERVICES		
	Sales	2,002,048,958	1,865,932,875
	Professional fees and service receipts	357,393,298	417,629,084
		2,359,442,256	2,283,561,959
15.	COST OF SALES AND SERVICES		
	Cost of material utilised		
	Opening stock	78,021,699	2,648,628
	Add: Purchases during the year	1,344,519,497	1,037,873,542
		1,422,541,196	1,040,522,170
	Less: Closing stock		
	Software licenses held for development	1,027,176	1,807,438
	Raw materials	236,761,845	76,214,262
	(a)	1,184,752,175	962,500,470
	Cost of services (b)	176,335,519	195,243,795
	(a+b)	1,361,087,694	1,157,744,265

		As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
16.	EMPLOYEES REMUNERATION AND BENEFITS		
	Salaries	151,060,734	142,968,918
	Welfare, contributions and benefits	6,350,743	8,879,512
	Leave encashment	3,143,392	12,515,269
	Gratuity	1,311,125	1,258,557
	Others	4,956,177	9,291,622
		166,822,171	174,913,878
17.	COMMUNICATION		
	Telephone and fax	11,767,121	12,151,966
	Courier	999,368	1,067,233
	Postage	439,430	346,968
		13,205,918	13,566,167
18.	ADMINISTRATIVE		
	Rent, rates and taxes	29,989,299	29,684,285
	Bank charges	30,265,528	23,464,368
	Insurance	10,778,045	3,551,798
	Power and fuel	7,400,003	6,104,074
	Consumables and stationery	6,739,782	8,015,351
	Security expenses	6,341,131	3,576,978
	Vehicle running and maintenance	3,181,144	3,350,108
	Repair and maintenance		
	Buildings	1,140,885	6,581,733
	Machinery	1,188,053	631,307
	Computers	200,198	365,126
	Others	-	1,438,047
	Membership fees	630,945	1,149,980
	Others	23,526,875	11,970,935
		121,381,889	99,884,090

SCHEDULES FORMING PART OF THE ACCOUNTS

19. ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

b) USE OF ESTIMATES

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

c) FIXED ASSETS, INTANGIBLE ASSETS AND WORK IN PROGRESS

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

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

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

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

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

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

d) IMPAIRMENT OF ASSETS

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

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

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

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

a) in the case of an individual asset, at the higher of the net selling price and the value in use.

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

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

e) INVESTMENTS

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

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

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

f) RESEARCH AND DEVELOPMENT

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

g) INVENTORIES

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

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

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

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

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

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

h) DEPRECIATION

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

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

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

I) RECOGNITION OF REVENUE AND EXPENDITURE

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

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

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

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

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

Dividend income is accounted in the year of receipt.

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

j) EMPLOYEE BENEFITS

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

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

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

Other employee benefits are accounted for on accrual basis.

k) TAXATION

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

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

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

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

l) EMPLOYEE STOCK OPTIONS

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

m) SEGMENT ACCOUNTING AND REPORTING

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

a) Segment revenue and expenses

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

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

b) Segment assets and liabilities

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

n) EARNINGS PER SHARE

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

o) FOREIGN CURRENCY TRANSACTIONS

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

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

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

p) CASH FLOW STATEMENT

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

q) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

r) BORROWING COST

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

s) LEASES

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

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

t) MISCELLANEOUS EXPENDITURE

i) Share issue expenses are charged to Share Premium Account.

ii) Public issue expenses are amortised over a period of ten years.

iii) Structuring cost, net of recovery is amortised over a period of ten years.

20. NOTES TO ACCOUNTS

S.No.	Particulars	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
i)	Contingent liabilities not provided for in respect of:		
	a) Claims against the Company not acknowledged as debts* * Net of deposits	1,666,434	1,482,311
	b) Guarantees given by Banks	600,311,828	508,922,255
	Letter of credits established by Banks favouring suppliers [Deposits of Rs. 46,402,587 (Rs. 37,793,460) held by Bank as margin shown under the head 'Cash and Bank Balances']	287,269,595	90,515,997
	c) Premium on redemption of USD 16 million 1% unsecured Foreign Currency Convertible Bonds Due 2012 (Refer Note No. (xv) below)	174,205,732	125,721,078
	d) Domestic Factoring Facility, with recourse, from IFCI Factors Ltd. (Refer Note No. (xvi) below)	132,830,000	-
ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	276,039,927	309,343,037
iii)	Paid up equity share capital includes:		
	- 34,800 (34,800) equity shares issued as fully paid up for consideration other than cash	348,000	348,000
	- 4,609,730 (4,609,730) equity shares issued as fully paid up by way of bonus shares	46,097,300	46,097,300
	- 57,850 (57,850) equity shares issued as fully paid up under Employees Stock Option Scheme, 1998	578,500	578,500
	- 195,179 (116,200) equity shares issued pursuant to the exercise of options granted under Employees Stock Option Scheme, 2005	1,951,790	1,162,000

	- 2,307,600 (2,307,600) underlying shares against GDRs have been issued as fully paid up equity shares	23,076,000	23,076,000
	- 1,470,000 (1,470,000) share warrants converted into fully paid up equity shares	14,700,000	14,700,000
	- 655,500 (655,500) equity shares issued as fully paid up on conversion of FCCBs into equity shares	6,555,000	6,555,000

S.No.	Particulars	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
iv)	Payment to directors #		
	a) Remuneration to Kumud Goel, Managing director	15,270,434	10,498,853
	Remuneration to K. L. Goel, Executive Chairman	13,624,842	9,909,268
	Remuneration to Mukesh Arora, Whole time director	7,935,000	6,085,000
	Remuneration to Ritu Goel, Director	1,673,530	1,558,517
	Remuneration to Upasana Goel, Director	2,128,050	1,465,350
	b) Commission paid to non executive and independent directors*	2,647,850	4,387,419
	c) Sitting fees	255,500	290,000
	# Does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.		
	* Computation of net profit in accordance with section 349 of the Companies Act, 1956, and calculation of commission payable:		
	Net profit after directors remuneration	311,931,998	437,313,900
	Add: Profit on sale of investments	-	3,193,448
	Less: Loss on sale of fixed assets	420,285	1,765,491
	Net profit on which commission is payable	311,511,713	438,741,857
	Commission payable to non-whole time directors (0.85% (1.00%) of net profit as calculated above in accordance with section 198 of the Companies Act, 1956)	2,647,850	4,387,419
v)	Payment to auditors		
	a) For services as auditors, including quarterly audits and service tax	1,064,395	1,023,880
	b) For certification including service tax	27,575	30,788
		1,091,970	1,054,668

vi) Secured loans

From State Bank of India

a) Working capital facilities of Rs. 10,040.08 lacs (Rs. 8,897.33 lacs) secured against hypothecation of Company's entire current assets including inventories and receivables, both present and future, counter guarantee of the Company for bank guarantees and letter of indemnity for letter of credits, and also collaterally secured by, (a) first charge over the fixed assets of the Company including equitable mortgage over land and building at Electronic City, Gurgaon, Haryana, (b) extension of first charge over plots situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these plots at Sector-34, EHTP, Gurgaon, Haryana, and offices at Belapur, Navi Mumbai, Maharashtra, R.C. Dutt Road, Vadodra, Gujarat and Gariahat Road, Kolkata, West Bengal, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

b) Term loan-II of Rs. 171.26 lacs (Rs. 420.19 lacs) secured against first charge including equitable mortgage on property situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these Plots at Sector-34, EHTP, Gurgaon, Haryana, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.
Term loan repayable within 1 (one) year is Rs. 17,125,553 (Rs. 24,124,000).

• c) Term loan-III of Rs. 1,100.08 lacs (Rs. 1,159.10 lacs) secured against first charge on assets created or to be created, including equitable mortgage of proposed building constructed or to be constructed, at Sector-34, EHTP, Gurgaon, Haryana, by utilising this loan, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.
Term loan repayable within 1 (one) year is Rs. 50,000,000 (Nil).

From Industrial Development Bank of India Limited (IDBI)

a) Term loan-I of Rs. 1,500 lacs (Rs. 1,500 lacs) secured against, (a) exclusive charge on industrial plot, in the name of KLG Power Ltd, a subsidiary company, at Baddi, Himachal Pradesh, (b) pledge of 400,00 equity shares of the Company held by promoters and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.
Term loan repayable within 1 (one) year is Rs. 150,000,000(Rs. 150,000,000).

b) Term loan-II of Rs. 1,000 lacs (Nil) secured against, (a) extension of charge on all existing securities on above term loan of Rs. 1,500 lacs, (b) undertaking to the effect that the Company shall not create any further charge/encumbrance on the assets of the Company till charges as stipulated by IDBI in its favour are created on pari passu basis with existing charge holders, (c) demand promissory note, (d) post dated cheques for repayment of principal and interest dues, (e) proceeds of all the receivables relating to power division exceeding 120 days, as on May 31, 2009, to be routed through a designated account with IDBI, and (f) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.
Term loan repayable within 1 (one) year is Rs. 100,000,000 (Nil).

vii) Loan from IFCI Ltd.

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

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

viii) Structuring cost relate to costs incurred in connection with structuring of business transactions and strategic investments are stated net of recovery.

ix) Sales are inclusive of 'Billings for Contracts in Progress' Rs. 6,322.11 lacs (Rs. 7,511.36 lacs) related to revenue recognized in accordance with the Accounting Policy of the Company.

x) Pursuant to adption of Accouting Standard-7 `Construction Contracts' issued by the Institute of Chartered Accountants of India, for recording revenues arising from Contract/Project related activity and contracts for supply/comissioning of power transmission and distribution lines, the Company has changed its accounting for recording Debtors. Debtors (other than software division) are stated net of amounts billed for 'Contracts in Progress' which will crystalize proportionately upon the phased completion of the erection/installation work in accordance with the terms of contract. Till such time the same are treated as part of Inventory -`Contracts Work in Progress' and are stated at contract value in line with the accounting policy of the Company.

xi) During the year, the Company has changed its estimates on the useful life of its 'Brand, Patent & Technology'. Depreciation on Brand, Patent & Technology was being charged on straight line basis, assuming that the term of such brands and patents would be a period of 10 years. However, considering the advanced technology developed by the Company, the provisions of the Patent Act, 1970, and that the brands are co-existent with the technology developed by the Company, the Company considers the life of the brands, patents and technology developed to be 20 years from the date of filing of complete specifications with the Registrar of Patents. Accordingly, depreciation of Brands, Patents and Technology has been considered on the basis of revised useful life of the asset which stands increased from 10 years to 20 years. In view of the said change the charge on the Profit and Loss Account on account of depreciation is lower by a sum of Rs. 35,581,330.00. Had their been no change in the estimates of the useful life of the asset, the profit for the current year would have been lower by the identical amount.

xii) During the year the Company has changed its accounting policy on recognizing the effects of changes in Foreign Exchange Rates, to bring it in line with AS-11 `Accounting for the Effects of Changes in Foreign Exchange Rates', and has accordingly recognized the net exchange gain of Rs. 929.60 lacs, (Loss of Rs. 1,868.70 lacs) in the income statement, as against adjustment of same to the cost of fixed assets, acquired out of such foreign currency funds, as permitted in terms of Notification No. GSR/225E dated March 31, 2009. Pursuant to the change, the profit for the year is overstated by similar amount.

xiii) During the year, the Company has capitalized Rs. 403,592,378.00 Lac (Rs. 286,778,072.00), being expenditure incurred on Research, Technology development, by transfer of equivalent amount from 'Capital Work in Progress including Advances'.

xiv) During the year, the Company allotted 78,979 (58,300) fully paid equity shares of Rs. 10 (Rs. 10) each at a premium of Rs. 109.58 (Rs. 109.58) per share for cash to employees/non-executive directors of the Company on exercise of options granted in accordance with KLG Systel Employee Stock Option Scheme, 2005, approved by the board of directors, framed in accordance with SEBI (Employees Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 and other provisions of applicable Statutes. Options were issued to employees/non executive directors at an exercise price that is not less than the fair market value.

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

S.No.	Particulars	2009-10 (in Nos.)	2008-09 (in Nos.)
a)	Options outstanding, beginning of the year	148,000	209,200
b)	Add: Granted during the year	-	-
c)	Less: Exercised	78,979	58,300
	Forfeited	30,521	2,900
d)	Options outstanding, end of the year	38,500	148,000

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

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

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

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

Since the redemption of abovesaid FCCBs is contingent upon its non-conversion into equity shares, the Company has not provided for the proportionate premium for the period upto March 31, 2010 amounting to Rs. 1,742.05 (Rs. 1,257.21 lacs) equivalent to USD 3.42 (USD 2.47 million) at the prevailing exchange rates as at the Balance Sheet date. In the opinion of the management, since the likelihood of redemption cannot be presently ascertained, therefore, no provision for any liability that may result has been made in the financial statements. The FCCBs are considered monetary liability. The FCCBs are redeemable only if there is no conversion of the same earlier. The payment of premium on redemption is contingent in nature, as the outcome is dependent upon uncertain future events, and is considered as a contingent liability.

xvi) The Company is availing Domestic Factoring Facility with recourse for factoring of receivables (approved debtors) from IFCI Factors Limited to the tune of Rs.1500.00 Lac. As on the Balance Sheet date,the Company has received pre-payment of approved debtors aggregating Rs.1328.83 Lac from the factor. The Company has a contingent liability for the said amount in the event of non payment of amount by the approved debtors to the factor, on or before the due date. In the opinion of the management, the liability of the Company for payment to the factor is contingent upon future events, which are uncertain, hence the same has been considered as a Contingent Liability.

xvii) In the opinion of the management, the current assets, loans and advances, if realised in the ordinary course of business, would realise a sum equal to that stated in the Balance Sheet.

xviii) As per Accounting Standard-21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, the Company has presented consolidated financial statements separately in this annual report.

xix) Unpaid dividend, to be credited to Investor Education and Protection Fund, does not include any amount due and outstanding.

xx) Principal amount due to Micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" amount to Rs. 135,46,989 (Rs. 1,621,911). No interest is paid/payable to such enterprises for the year ended March 31, 2010. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

xxi) In accordance with the provisions of the Accounting Standard-22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recognised deferred tax assets of Rs. 4,515,092 (Rs. 5,810,506) and deferred tax liabilities of Rs. 212,456,928 (Rs. 152,662,271) as at March 31, 2010. Major components of deferred tax are as follows:

S.No.	Particulars	As at April 1, 2009 Rs. (A)	As at March 31, 2010 Rs. (B)	For the year Rs. (C)=(B)-(A)
i)	Deferred tax assets			
	Unabsorbed short term capital loss	-	-	-
	Gratuity	1,932,223	2,252,962	320,739
	Leave encashment	3,878,282	2,262,130	(1,616,152)
		5,810,505	4,515,092	(1,295,413)
ii)	Deferred tax liabilities			
	Research and development	22,742,969	21,863,852	(879,117)
	Fixed assets	129,919,302	190,593,076	60,673,774
		152,662,271	212,456,928	59,794,657
	Net deferred tax (liability); (ii)-(I)	146,851,766	207,941,836	61,090,070

The deferred tax liabilities amounting to Rs. 610,90,070 (Rs. 39,032,584) for the year has been recognised in the Profit and Loss Account.

xxii) Earning Per Share (EPS)

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

Particulars	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
a) Profit after tax-Profit attributable to equity shareholders	198,175,116	332,971,580
b) Weighted average number of shares outstanding		
- Basic	12,661,958	12,460,894
- Diluted	14,693,412	14,458,608
c) Nominal value of per equity share	10	10
d) Earnings per share		
- Basic	15.65	26.72
- Diluted	13.49	23.03

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

Particulars	As at March 31, 2010		As at March 31, 2009	
	Amount Outstanding Rs.	Maximum balance outstanding	Amount Outstanding Rs.	Maximum balance Outstanding Rs.
a) Loans and Advances in the nature of loans to subsidiaries				
- KLG Environment and Safety Sciences Ltd.	-	1,234,718	1,384,718	2,838,209
- KLG Power Ltd.	-	110,613,386	92,784,933	92,784,933

b) No loans and advances in the nature of loans have been given to firms/companies in which directors are interested.

c) No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years and no interest or interest below section 372A of the Companies Act, 1956 is charged.

d) No investment have been made by the loanee in the shares of parent company.

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

Particulars	Dividend	
	2009-10	2008-2009
a) Number of non-resident shareholders	1	4
b) Number of equity shares held by them	750	25,000
c) Financial year to which the dividend related	2008-09	2007-08
d) Gross amount of dividends (in Rs.)	2,063	68,750

xxv) Details of Capital work-in-progress:

Particulars	2009-10 Rs.	2008-2009 Rs.
a) Development and construction	-	552,689,838
b) Capital advances	54,701,552	51,938,311
c) Technology	83,744,249	-
	138,445,801	604,628,149

xxvi) Defined Benefit Plans
a. Gratuity
b. Leave encashment

The disclosures as per the revised AS-15 are as follows:
(a) Change in defined benefit obligations

Particulars	Gratuity Rs.	Leave encashment Rs.
Projected benefit obligation at the beginning of the year	5,684,682	11,410,068
Current service cost	1,236,486	2,510,952
Interest cost	397,928	798,705
Actuarial (gain)/loss on obligations	(438,674)	3,619,327
Benefits paid	(252,115)	(11,683,770)
Projected benefit obligation at the end of the year	6,628,307	6,655,282

(b) The fair value of plan assets is Nil since employee benefit plans are wholly unfunded as on March 31, 2010.

(c) Amount recognised in Balance Sheet

Particulars	Gratuity Rs.	Leave encashment Rs.
Present value of obligations as at the end of the year	6,628,307	6,655,282
Fair value of plan assets as at the end of the period	-	-
Funded status	(6,628,307)	(6,655,282)
Unrecognised actuarial (gains)/losses	-	-
Net liability recognised in the balance sheet	6,628,307	6,655,282

(d) Net periodic gratuity cost

Particulars	Gratuity Rs.	Leave encashment Rs.
Current service cost	1,236,486	2,510,952
Interest cost	397,928	798,705
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognised	(438,674)	3,619,327
Expenses recognised in the statement of Profit and Loss	1,195,740	6,928,984

(e) Principal actuarial assumption

Particulars	Gratuity and leave encashment
Discount rates	7.30% per annum
Future salary increases	7.00% per annum

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

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

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

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

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

Particulars	For the year ended March 31, 2010 Rs.	For the year ended March 31, 2009 Rs.
a) Expenditure in foreign exchange (on payment basis)		
- CIF value of import of materials	152,880,648	270,945,939
- Interest paid on FCCBs	7,492,309	7,990,483
- Renewal fees	-	1,071,184
- Legal and professional	8,978,822	1,665,443
- Travelling-directors	705,184	4,438,470
- Travelling-others	974,259	3,752,771
- Seminar and training	228,105	9,525,191
- Listing fees	7,047	18,025
- Internet charges	533,424	210,265
- Membership	270,387	77,480
b) Income in foreign exchange (on receipt basis)		
- Service charges	4,534,051	227,641

xxix) Related Party Disclosures

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

S. no.	Related party	Relationship between parties
1.	K.L. Goel	Key management personnel
2.	Kumud Goel	Key management personnel
3.	Ritu Goel	Key management personnel
4.	Upasana Goel	Key management personnel
5.	Mukesh Arora	Key management personnel
6.	Gopal Krishan Pandey	Independent director
7.	Bishambhar Dayal Gupta	Independent director
8.	Prabir Sengupta	Independent director
9.	* Subir Raha	Independent director
10.	Adarsh Soni	Independent director
11.	Sundararajan Govindarajan	Independent director
12.	@ Ankush Krishan	Independent director
13.	P. L. Goel	Spouse of K. L. Goel
14.	Aditi Goel	Daughter of Kumud Goel
15.	Mini Arora	Spouse of Mukesh Arora
16.	KLG Environment and Safety Sciences Ltd.	Subsidiary company
17.	KLG Software Technology and Infrastructure Pvt. Ltd.	Subsidiary company
18.	# KLG Power Ltd.	Subsidiary company
19.	Atlantis Lab Pvt. Ltd.	Subsidiary company
20.	KLG Computers Pvt. Ltd.	Enterprise over which key management personnel exercise significant control
21.	Pushap Telecommunication Pvt. Ltd.	"
22.	Aditi Telecom Pvt. Ltd.	"

* Held office upto February 1, 2010
@ Appointed on April 14, 2009
# Formerly known as KLG Software Technology Pvt. Ltd.

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

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

S. no.	Nature of transactions	Related party	For the year ended March 31, 2010, Rs.	For the year ended March 31, 2009, Rs.
1	Payment for services as Executive Chairman	K.L. Goel	13,624,842	9,909,268
2	Payment for services as Managing Director	Kumud Goel	15,270,434	10,498,853
3	Payment for services as Director	Ritu Goel	1,673,530	1,558,517
4	Payment for services as Director	Upasana Goel	2,128,050	1,465,350
5	Payment for services as Whole Time Director	Mukesh Arora	7,935,000	6,085,000
6	Payment for services	Aditi Goel	903,972	-
7	Advance given	KLG Environment and Safety Sciences Ltd.	493,389	2,274,485
	Advance recovered	"	2,605,000	3,300,000
8	Rent paid for premises	Upasana Goel	5,400,000	4,650,000
9	Rent paid for premises	Mukesh Arora	1,800,000	1,800,000
10	Rent paid for premises	Pushap Telecommunication Pvt. Ltd.	2,700,000	2,325,000
11	Rent paid for premises	Aditi Telecom Pvt. Ltd.	2,700,000	2,325,000
12	Amount received on exercise of ESOP options	Mukesh Arora	597,900	-
13	Amount received on preferential allotment	Kumud Goel	-	46,980,000
14	Amount received on preferential allotment	KLG Computers Pvt. Ltd	-	23,490,000
15	Amount received on preferential allotment	Ritu Goel	-	11,745,000
16	Amount received on preferential allotment	Upasana Goel	-	35,235,000
17	Amount received on preferential allotment	P.L.Goel	-	8,221,500
18	Investment during the year	Atlantis Lab Pvt. Ltd.	-	2,000,000
19	Professional services received	Atlantis Lab Pvt. Ltd.	146,406	944,236
20	Investment during the year	KLG Power Ltd.	110,615,000	60,427,933
21	Personal guarantees given in respect of:			
	Term loans	K.L. Goel	877,133,836	316,355,807
	Working capital borrowings from Bank	Kumud Goel	1,004,008,105	890,732,614
	Corporate Term Loan		500,000,000	-
	Domestic Factoring Facilities		150,000,000	
22	Guarantee given on behalf of the Company	KLG Power Ltd.	250,000,000	150,000,000
23	Commission	Independent directors	2,647,850	4,387,419
24	Sitting fees	Independent directors	255,500	290,000

B. Amount outstanding as at March 31, 2010

S. No.	Account head	Related party	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
1.	Investments	KLG Environment and Safety Sciences Ltd.	3,717,524	3,717,524
		KLG Software Technology and Infrastructure Pvt. Ltd.	100,000	100,000
		KLG Power Ltd.	111,110,000	495,000
		Atlantis Lab Pvt. Ltd.	129,807,591	129,807,591
2.	Loans and advances	KLG Environment and Safety Sciences Ltd.	(726,893)	1,384,718
		KLG Power Ltd.	-	92,784,933
		Mukesh Arora	-	300,000
3.	Security deposits	Pushap Telecommunication Pvt. Ltd.	1,800,000	1,800,000
		Aditi Telecom Pvt. Ltd.	1,800,000	1,800,000
		Upasana Goel	2,700,000	2,700,000
		Mukesh Arora	1,800,000	1,800,000
4.	Creditors	Atlantis Lab Pvt. Ltd.	-	274,212
5.	Other liabilities	Key management personnel	560,619	1,288,386
		Independent directors	2,647,850	4,387,419
		KLG Environment and Safety Sciences Ltd.	726,893	-

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

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

Segment wise revenue, results and capital employed for the year ended March 31, 2010:

S. No.	Particulars	For the year ended March 31, 2010 (Rs. '000)	For the year ended March 31, 2009 (Rs. '000)
1.	Segment revenue		
a)	Life Cycle Solutions	611,445	832,419
b)	Power System Solutions	1,747,997	1,451,143
	Total	2,359,442	2,283,562
	Less: Inter segment revenue	-	-
	Net sales/income from operations	2,359,442	2,283,562
2.	Segment results		
	Profit before tax and interest		
a)	Life Cycle Solutions	173,071	197,671
b)	Power System Solutions	628,833	676,412
	Total	801,904	874,083
	Less:		
c)	Interest	210,826	106,285
d)	Other un-allocable expenditure net off	101,106	330,484
	Unallocable income		
	Profit before tax	311,932	437,314

3. Capital employed

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

xxvii) Schedule of Investments as at March 31, 2010

S.No	Particulars	Opening balance Shares Nos.	Opening balance Amount Rs.	Purchases Shares Nos.	Purchases Amount Rs.	Sales Shares Nos.	Sales Amount Rs.	Closing balance Shares Nos.	Closing balance Amount Rs.	Valuation
a)	In equity shares of subsidiaries-Unquoted, fully paid up									
	- KLG Environment and Safety Sciences Ltd.	12,000	3,717,524	-	-	-	-	12,000	3,717,524	At cost
	- KLG Software Technology and Infrstructure Pvt .Ltd	10,000	100,000	-	-	-	-	10,000	100,000	At cost
	- KLG Power Ltd.#	49,500	495,000	11,061,500	110,615,000	-	-	11,111,000	111,110,000	At cost
	- Atlantis Lab Pvt. Ltd.	307,275	127,807,591	-	2,000,000	-	-	307,275	129,807,591	At cost
			132,120,115		112,615,000	-	-		244,735,115	
b)	In others - Non trade and unquoted									
	- Apex Hotel & Enterprises Pvt. Ltd.*	5	500	-	-	-	-	5	500	At cost
	- Siddartha (Vadodra) Association*	5	500	-	-	-	-	5	500	At cost
			1,000	-	-		-		1,000	
	# Formerly known as KLG Software Technology Pvt. Ltd.									
	* Investments are pursuant to purchase of office flats									
	Total (a+b)		159,920,304		112,615,000		30,992,637		244,736,115	

xxxii) The Balances of Sundry Debtors, Sundry Creditors, Loan , Advances and Deposits are subject to confirmation and subsequent reconciliation, if any.

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

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

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

xxxvi) Additional information under part IV of the Schedule VI of the Companies Act, 1956, as certified by the Management. Balance Sheet abstract and general business profile:

	2009-10
I. REGISTRATION DETAILS	
Registration no.	34348
Status code	05
Balance Sheet date	March 31, 2010

S. No.	As at March 31, 2010 Rs. in '0.00
II. CAPITAL RAISED DURING THE YEAR	
Public issue	-
Right issue	-
Bonus issue	-
Private placement	-
ESOP	790
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS	
Total liabilities	5,412,255
Total assets	5,412,255
SOURCES OF FUNDS	
Paid up capital	127,595
Reserves and surplus	2,473,336
Secured loans	1,381,142
Unsecured loans	1,222,240
Deferred tax liabilities (net)	207,942
APPLICATION OF FUNDS	
Net fixed assets	2,674,335
Capital work in progress	138,446
Investments	244,736
Net current assets	2,354,737
Miscellaneous expenditure	-

S. No.	For the year ended March 31, 2010 Rs.' 000
IV. PERFORMANCE OF COMPANY	
Total turnover	2,464,003
Total expenditure	2,152,070
Profit before tax	311,932
Profit after tax	198,175
Earning per share (in Rs.)	15.65
Dividend rate	5%
V. GENERIC NAMES OF PRINCIPAL PRODUCT (as per monetary terms)	
Item code no.	85238020
Product description	Computer software and hardware

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

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

May 29, 2010
Gurgaon.

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2010

KLG SYSTEL LIMITED

		For the year ended March 31, 2010 Rs.	For the year ended March 31,2009 Rs.
A. CASH FLOW FROM OPERATIONS			
Profit before tax and extraordinary items		314,264,828	437,826,753
Depreciation		189,244,771	173,161,749
Miscellaneous expenditure written off		1,110,476	1,480,000
Interest paid		210,825,657	106,285,150
Fringe benefit tax		-	(3,002,195)
Interest receipts		(2,012,991)	(635,394)
Income from investments		-	(3,193,448)
Adjustment for deferred taxation		(61,090,070)	(39,032,584)
Prior period adjustment		(2,332,830)	(512,853)
Adjustment for transitional provision in compliance with AS-15 (Revised)		-	-
Loss on sale of fixed assets		420,285	1,765,491
Operating profit before working capital changes	(i)	650,430,125	674,142,669
Trade and other receivables		(212,584,991)	(399,197,725)
Inventories		(40,842,472)	(67,338,466)
Trade payables and other liabilities		139,623,581	(315,184,666)
	(ii)	(113,803,882)	(781,720,857)
Cash used in operations	(iii=i+ii)	536,626,243	(107,578,188)
Direct taxes paid (net)		(65,664,062)	(135,546,857)
Dividend paid		(40,682,832)	(40,617,914
Net cash flow operating activities	(A)	430,279,349	(283,742,959)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,134,183,657)	(613,765,723
Increase in capital work in progress		466,182,348	(181,271,999
Investments (Net)		(110,615,000)	25,799,189
Sale of fixed assets		-	1,550,000
Income from investments		-	3,193,448
Interest receipts		2,012,991	635,394
Net cash used in investing activities	(B)	(776,603,318)	(763,859,691)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of equity share capital		789,790	9,210,500
Subscription money against warrants forfeited		-	18,100,000
Share premium received on issuance of equity share capital		8,654,519	268,496,014
Subscription money received against warrants		-	(32,063,500)
Increase in secured loans		175,053,520	842,177,919
Increase in unsecured loans		407,040,000	55,770,000
Interest paid		(210,825,657)	(106,285,150
Net cash used in financing activities	(C)	380,712,173	1,055,405,783
NET INCREASE IN CASH AND CASH EQUIVALENTS	(A+B+C)	35,443,157	7,803,132
Cash and cash equivalents - Opening balance		117,238,358	109,435,226
Cash and cash equivalents - Closing balance		152,681,515	117,238,358

Note: Figures in brackets indicate cash outflow

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

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

Kamal Ahluwalia
Partner
Gurgaon.
May 29, 2010

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

KLG SYSTEL LIMITED

CONSOLIDATED

FINANCIAL STATEMENT

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of KLG Systel Limited

1. We have audited the attached Consolidated Balance Sheet of KLG Systel Limited (the Company) and its subsidiaries (collectively called 'the Group') as at March 31, 2010, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We did not audit the financial statements of 3 (three) subsidiaries whose financial statements reflect total assets of Rs. 163295477 (Rs. 154,176,449) as at March 31, 2010 and total revenue of Rs. 63404055 (Rs. 63,877,602) for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion in respect thereof is based solely on the reports of other auditors.

4. We report the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.

5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of some consolidated entities and on the other financial information of the components, and to the best of our information and explanations given to us, we are of the opinion that the consolidated financial statements, together with accounting policies and notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at March 31, 2010;

   ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Company and its subsidiaries for the year ended on that date; and

   iii) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year on that date.

608, New Delhi House
Barakhamba Road
New Delhi.

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

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

May 29, 2010

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2010

KLG SYSTEL LIMITED

	Schedules	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	127,594,990	126,805,200
Reserves and surplus	2	2,487,929,543	2,307,305,633
Minority Interest		31,354,676	28,663,852
Loans funds			
Secured	3	1,381,141,941	1,206,249,921
Unsecured	4	1,222,240,000	816,651,905
Deferred tax liabilities (Net)	5	208,636,267	147,971,021
		5,458,897,417	4,633,647,532
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	3,482,652,300	2,291,943,690
Less: Accumulated depreciation		591,987,451	415,994,613
Net block		2,890,664,849	1,875,949,077
Capital work in progress including capital advances		157,061,258	670,744,219
Investments			
Current assets, loans and advances	7	75,056,542	20,101,000
Inventories	8	870,000,170	78,985,699
Sundry debtors	9	1,364,488,641	1,854,544,733
Cash and bank balances	10	175,415,852	122,413,834
Loans and advances	11	452,524,060	404,716,152
		2,862,428,722	2,460,660,418
Less: Current liabilities and provisions	12	456,364,638	423,057,491
Net current assets		2,406,064,084	2,037,602,927
Miscellaneous expenditure	13	50,686	29,250,309
(to the extent not written off or adjusted)		5,458,897,419	4,633,647,532
ACCOUNTING POLICIES	19		
NOTES TO ACCOUNTS	20		

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

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

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

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Kamal Ahluwalia
Partner
Membership no. 093812
Gurgaon.
May 29, 2010

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2010

KLG SYSTEL LIMITED

	Schedules	For the year ended March 31, 2010 Rs.	For the year ended March 31, 2009 Rs.
INCOME			
Sales and services	14	2,421,886,324	2,347,734,141
Others		106,351,709	19,541,710
		2,528,238,033	2,367,275,851
EXPENDITURE			
Cost of sales and services	15	1,361,087,694	1,157,554,265
Employees remuneration and benefits	16	206,180,531	215,371,611
Travelling and conveyance		30,794,694	51,863,042
Research and development		24,876,900	53,855,803
Communication	17	13,682,388	14,207,572
Human resource development		4,377,491	13,755,527
Consultancy fees		27,327,435	9,954,061
Administrative	18	129,130,761	108,886,954
Business development		4,168,515	15,999,723
		1,801,626,409	1,641,448,559
PROFIT BEFORE INTEREST, DEPRECIATION, TAX AND AMORTISATIONS		726,611,625	725,827,291
Interest		210,988,422	106,828,497
Depreciation		194,686,373	178,541,066
Miscellaneous expenditure written off		20,694,574	1,480,000
PROFIT DURING THE YEAR		300,242,256	438,977,729
Prior period adjustments		2,439,211	(554,350)
PROFIT BEFORE TAX		297,803,045	438,423,378
Provision for current income tax		(54,699,274)	(62,334,897)
Provision for deferred tax		(60,665,245)	(38,678,967)
Provision for wealth tax		(301,675)	(360,882)
Provision for fringe benefit tax		-	(3,314,164)
PROFIT AFTER TAX (BEFORE ADJUSTMENT FOR MINORITY INTEREST)		182,136,850	333,734,469
Less : Share of profit transferred to minority		8,809,676	246,757
PROFIT AFTER TAX (AFTER ADJUSTMENT FOR MINORITY INTEREST)		173,327,174	333,487,712
Balance brought forward from last year		141,097,696	51,191,250
Prior period adjustments of Reserve		6,048,959	-
PROFIT AVAILABLE FOR APPROPRIATION		320,473,829	384,678,962
APPROPRIATIONS			
Prior period adjustment of dividend, including dividend tax		-	2,963,351
Proposed dividend on equity shares		6,351,790	34,717,650
Tax on proposed dividend		1,054,953	5,900,265
Transfer to General Reserve		100,000,000	200,000,000
Balance carried over to Reserve & Surplus Account		213,067,087	141,097,696
		320,473,829	384,678,962
Earnings per share (equity shares, par value of Rs. 10 each)			
Basic [Refer note no. (xxi) of Schedule 20]		13.69	48.18
Diluted [Refer note no. (xxi) of Schedule 20]		11.80	40.66
ACCOUNTING POLICIES	19		
NOTES TO ACCOUNTS	20		

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

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

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

Kamal Ahluwalia
Partner
Membership no. 093812
Gurgaon.
May 29, 2010

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

		As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
1.	SHARE CAPITAL		
	Authorised		
	20,000,000 (20,000,000) equity shares of Rs. 10 (Rs. 10) each	200,000,000	200,000,000
	Issued and subscribed		
	12,886,879 (12,807,900) equity shares of Rs. 10 (Rs.10) each	128,868,790	128,079,000
	Paid up		
	12,703,579 (12,624,600) equity shares of Rs. 10		
	(Rs. 10) each fully paid up	127,035,790	126,246,000
	Add: Forfeited shares	559,200	559,200
		127,594,990	126,805,200
2.	RESERVES AND SURPLUS		
	Capital reserve	19,200,800	19,200,800
	Share premium	1,184,229,854	1,175,575,335
	General reserve		
	Opening balance	971,431,802	971,431,802
	Add: Additions during the year	100,000,000	-
	Profit and Loss Account	213,067,087	141,097,696
		2,487,929,543	2,307,305,633
3.	SECURED LOANS		
	From State Bank of India		
	Cash credit facilities	1,004,008,105	889,732,614
	Term loans	127,133,836	166,355,807
	From IDBI Ltd.		
	Term loan	250,000,000	150,000,000
	From ICICI Bank Ltd.		
	Vehicle loan	-	161,500
		1,381,141,941	1,206,249,921
4.	UNSECURED LOANS		
	Foreign currency convertible bonds	722,240,000	815,200,000
	Term loan from IFCI Ltd.	500,000,000	-
	From banks	-	1,451,205
	From director	-	700
		1,222,240,000	816,651,905
5.	DEFERRED TAX LIABILITIES (NET)		
	Deferred tax assets	5,810,506	5,810,506
	Deferred tax liabilities	214,446,773	153,781,527
		208,636,267	147,971,021

6. FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NETBLOCK	
	Cost as at April 1, 2009 Rs.	Additions during the year Rs.	Sales during the year Rs.	Cost as at March 31, 2010 Rs.	Upto March March 31, 2009 Rs.	For the year Rs.	Written back Rs.	Upto March 31, 2010 Rs.	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
Goodwill on consolidation	129,252,365			129,252,365	-			-	129,252,365	129,252,365
Land	84,476,750	65,744,000	-	150,220,750	-	853,203	-	853,203	149,367,547	84,476,750
Buildings	347,290,492	483,539,690	-	830,830,182	26,368,888	13,240,737	-	39,609,625	791,220,557	320,921,604
Computers	597,493,581	157,845,341	18,805,775	736,533,146	185,014,233	97,279,612	18,656,061	263,637,783	472,895,363	412,479,348
Plant and machinery	211,657,269	75,218,193	-	286,875,462	42,709,323	26,812,722	-	69,522,045	217,353,417	168,947,946
Furniture and fixtures	120,804,710	728,088	-	121,532,798	24,095,233	9,748,671	-	33,843,904	87,688,894	96,709,477
Office equipments	40,258,049	1,020,565	203,995	41,074,619	7,071,578	2,002,923	4,767	9,069,735	32,004,884	33,186,471
A.C. equipments	24,519,225	282,649	-	24,801,874	4,875,472	1,163,283	-	6,038,755	18,763,119	19,643,753
Vehicles	54,534,486	1,346,265	1,038,538	54,842,213	12,259,300	5,320,537	32,707	17,547,130	37,295,083	42,275,186
Patent - Technology	552,232,254	403,592,378	-	955,824,632	72,533,932	31,790,524	-	104,324,456	851,500,176	479,698,322
Brands	129,424,510	21,439,750	-	150,864,260	41,066,653	6,474,162	-	47,540,815	103,323,444	88,357,856
Total	2,291,943,690	1,210,756,918	20,048,309	3,482,652,300	415,994,613	194,686,374	18,693,534	591,987,453	2,890,664,849	1,875,949,078
Previous Year	1,692,753,681	622,108,318	22,918,308	2,291,943,691	255,579,718	178,541,066	18,126,170	415,994,614	1,875,949,077	1,437,173,965

	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
7. INVESTMENTS		
Long term investments		
a) In units-Unquoted	-	
1,510,000 (1,510,000) units of Rs. 10 (Rs. 10) each of 510-ING-Vysya FMP 366-A-Retail Growth [Market value, Nil (Rs. 15,985,615)]	-	15,100,000
499,955.004 (499,955.004) units of Rs. 10.0009 (Rs. 10.0009) each of Reliance Quarterly Interval Fund [Market value, Nil (Rs. 5,011,649)]	-	5,000,000
5,061.068 (Nil) units of Rs. 1,001.8857 (Nil) each of Reliance Money Manager Fund	5,055,542	-
[Market value, Rs. 5,066,578.49 (Rs. 5,011,649)]	5,055,542	20,100,000
b) Others - Non trade and unquoted		
5 (5) shares of Rs. 100 (Rs. 100) each of Apex Hotel & Enterprises Pvt. Ltd. #	500	500
5 (5) shares of Rs. 100 (Rs. 100) each of Siddhartha (Vadodra) Association #	500	500
	1,000	1,000
(a+b)	5,056,542	20,101,000

Investments are pursuant to purchase of office flats

8. INVENTORIES		
Software licenses held for development	1,027,176	1,807,438
Raw materials		
Material lying at stores	236,761,845	-
Work In Process		
Manufacturing	-	73,667,829
Contract work in progress	632,211,149	3,510,432
	870,000,170	78,985,699
9. SUNDRY DEBTORS		
(Unsecured and considered good)		
Debts outstanding for a period exceeding six months	202,882,038	356,616,798
Others debts	1,161,606,603	1,497,927,935
	1,364,488,641	1,854,544,733
10. CASH AND BANK BALANCES		
Cash in hand (including cheques in hand)	29,301,348	45,633,353
Balances with scheduled banks		
In current accounts	82,218,850	38,740,234
In deposit accounts	63,895,654	38,040,248
	175,415,852	122,413,834

		As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
11. LOANS AND ADVANCES			
(Unsecured and considered good)			
Advances to subsidiaries		-	-
Advances to vendors		124,412,037	236,537,816
Advance tax (Net of income tax provisions)		65,049,100	39,802,916
Earnest money deposits		16,076,492	32,858,120
Security deposits		20,309,081	24,010,241
Value added and service tax		57,856,706	35,329,063
Advance to staff		2,407,132	4,674,307
Claims receivable		-	-
Others		166,413,511	31,503,688
		452,524,060	404,716,152
12. CURRENT LIABILITIES AND PROVISIONS			
Current liabilities			
Creditors for purchases		294,375,876	211,223,241
Other liabilities		137,211,656	144,357,941
Creditors for capital assets		1,436,841	6,872,349
Unpaid dividend		1,449,225	1,219,709
Provisions			
Proposed dividend on equity shares		6,351,790	34,717,650
Dividend tax on proposed dividend		1,054,953	5,900,265
Income tax (Net of advance tax)		-	134,149
Leave encashment		6,893,778	11,593,191
Gratuity		7,288,845	6,159,291
Fringe benefit tax		-	518,823
Wealth tax		301,675	360,882
		456,364,638	423,057,491
13. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
Structuring cost		1,110,476	2,590,476
Less: Written off during the year		1,110,476	1,480,000
	(a)	-	1,110,476
Preliminary expenses		84,803	84,803
Less: Amortised during the year		69,403	
	(b)	15,400	84,803
Pre-operative expenses		28,055,030	120,946
Less: Amortised during the year	(c)	11,175,889	27,934,084
		39,230,919	28,055,030
Less: Amortised during the year		39,195,633	
	(c)	35,286	28,055,030
	(a+b+c)	50,686	29,250,309

		As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
14. SALES AND SERVICES			
Sales		2,064,493,026	1,865,932,875
Professional fees and service receipts		357,393,298	481,801,266
		2,421,886,324	2,347,734,141
15. COST OF SALES AND SERVICES			
Cost of material utilised			
Opening stock		78,021,699	2,648,628
Add: Purchases during the year		1,344,519,497	1,037,683,542
		1,422,541,196	1,040,332,170
Less: Closing stock		-	78,021,700
Software licenses held for development		1,027,176	-
Raw materials		236,761,845	-
Work in process		-	-
	(a)	1,184,752,175	962,310,470
Cost of services	(b)	176,335,519	195,243,795
	(a+b)	1,361,087,694	1,157,554,265
16. EMPLOYEES REMUNERATION AND BENEFITS			
Salaries		189,285,381	182,480,410
Welfare, contributions and benefits		7,004,859	9,752,972
Leave encashment		3,256,575	12,583,355
Gratuity		1,566,931	1,263,252
Others		5,066,785	9,291,622
		206,180,531	215,371,611
17. COMMUNICATION			
Telephone and fax		12,216,888	12,726,976
Courier		1,026,071	1,133,628
Postage		439,430	346,968
		13,682,388	14,207,572
18. ADMINISTRATIVE			
Rent, rates and taxes		33,866,881	33,987,843
Bank charges		30,296,600	23,515,133
Consumables and stationery		7,026,502	8,260,950
Power and fuel		7,738,717	7,132,753
Security expenses		6,352,131	3,576,978
Insurance		10,906,641	3,679,911
Vehicle running and maintenance		3,277,953	3,440,783
Repair and maintenance			
Buildings		1,140,885	7,254,117
Machinery		1,316,363	717,237
Computers		1,426,819	1,510,434
Others		839,872	1,698,644
Membership fees		630,945	1,152,627
Others		24,310,451	12,959,544
		129,130,761	108,886,954

19. ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

b) USE OF ESTIMATES

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

c) PRINCIPLES OF CONSOLIDATION

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

The consolidated financial statements are prepared on the following basis:

- The consolidated financial statements of the Group have been prepared in accordance with Accounting Standard-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, to the extent possible in the same format as that adopted by the parent Company for its separate financial statements by regrouping, recasting or rearranging figures wherever considered necessary.
- The consolidated financial statements include the financial statements of the Company and all its subsidiaries, which are more than 50% owned or controlled as at March 31, 2010.
- The financial statements of the Company and its subsidiaries are consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra group balances, intra-group transactions and unrealised profits on intra-group transactions.
- Minorities' interest in net profit/loss of the consolidated subsidiaries for the year is identified and adjusted against income in order to arrive at the net income attributable to sharholders of the Company. Minorities' interest in net assets of the consolidated subsidiaries is identified and presented separately in the consolidated financial statements.
- The excess of cost to the parent company of its investment in the subsidiary over the parent companys' portion of equity of the subsidiary is recognised in the consolidated finanical statements as 'Goodwill'. The excess of parent companys' portion of equity over the cost of investment as at the date of its investment is treated as 'Capital Reserve'.
- Goodwill arising out of consolidation is not being amortised.

d) FIXED ASSETS, INTANGIBLE ASSETS AND WORK IN PROGRESS

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

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

Depreciation on fixed assets in the case of a subsidiary, Altantis Lab Pvt. Ltd., is calculated on the written down value of the respective fixed asset. The fixed assets of subsidiary comprise 7.71% of the total consolidated fixed assets.

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

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

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

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

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

e) IMPAIRMENT OF ASSETS

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

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

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

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

Recoverable amount is determined:

a) in the case of an individual asset, at the higher of the net selling price and the value in use.

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

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

f) INVESTMENTS

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

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

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

g) RESEARCH AND DEVELOPMENT

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

h) INVENTORIES

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

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

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

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

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

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

i) DEPRECIATION

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

Depreciation on fixed assets in case of a subsidiary, Altantis Lab Pvt. Ltd., is charged on the written down value method at rates as specified in Schedule XIV of the Companies Act, 1956. Depreciation on fixed assets comprise ___% of the total depreciation of consolidated accounts.

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

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

j) RECOGNITION OF REVENUE AND EXPENDITURE

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

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

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

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

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

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

Dividend income is accounted in the year of receipt.

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

k) EMPLOYEE BENEFITS

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

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

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

Other employee benefits are accounted for on accrual basis.

l) TAXATION

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

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

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

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

m) EMPLOYEE STOCK OPTIONS

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

n) SEGMENT ACCOUNTING AND REPORTING

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

a) Segment revenue and expenses

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

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

b) Segment assets and liabilities

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

o) EARNINGS PER SHARE

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

p) FOREIGN CURRENCY TRANSACTIONS

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

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

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

q) CASH FLOW STATEMENT

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

r) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

s) BORROWING COST

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

t) LEASES

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

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

u) MISCELLANEOUS EXPENDITURE

i) Share issue expenses are charged to Share Premium Account.

ii) Public issue expenses are amortised over a period of ten years.

iii) Structuring cost, net of recovery is amortised over a period of ten years.

20.NOTES TO ACCOUNTS

Sr. No.	Particulars	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
i)	Contingent liabilities not provided for in respect of:		
	a) Claims against the Company not acknowledged as debts*	1,666,434	1,482,311
	* Net of deposits		
	b) Guarantees given by Banks	600,311,828	508,922,255
	Letter of credits established by Banks favouring suppliers [Deposits of Rs. 46,402,587 (Rs. 37,793,460) held by Bank as margin shown under the head 'Cash and Bank Balances']	287,269,595	90,515,997
	c) Premium on redemption of USD 16 million 1% unsecured Foreign Currency Convertible Bonds Due 2012 (Refer Note No. xvi below)	174,205,732	125,721,078
	d) Domestic Factoring Facility, with recourse, from IFCI Factors Ltd. (Refer Note No. xvii below)	132,830,000	-
	e) Guarantee given by KLG Power Ltd., subsidiary company, on behalf of Company to IDBI Bank Ltd.	250,000,000	150,000,000
ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	276,039,927	437,407,729
iii)	Paid up equity share capital includes:		
	- 34,800 (34,800) equity shares issued as fully paid up for consideration other than cash	348,000	348,000
	- 4,609,730 (4,609,730) equity shares issued as fully paid up by way of bonus shares	46,097,300	46,097,300
	- 57,850 (57,850) equity shares issued as fully paid up under Employees Stock Option Scheme, 1998	578,500	578,500
	- 195,179 (116,200) equity shares issued pursuant to the exercise of options granted under Employees Stock Option Scheme, 2005	1,951,790	1,162,000
	- 2,307,600 (2,307,600) underlying shares against GDRs have been issued as fully paid up equity shares	23,076,000	23,076,000
	- 1,470,000 (1,470,000) share warrants converted into fully paid up equity shares	14,700,000	14,700,000
	- 655,500 (655,500) equity shares issued as fully paid up on conversion of FCCBs into equity shares	6,555,000	6,555,000

Sr. No.	Particulars	For the year ended 31, 2010 Rs.	For the year ended 31, 2009 Rs.
iv)	Payment to directors#		
	a) Remuneration to Kumud Goel, Managing director	15,270,434	10,498,853
	Remuneration to K. L. Goel, Executive Chairman	13,624,842	9,909,268
	Remuneration to Mukesh Arora, Whole time director	7,935,000	6,085,000
	Remuneration to Ritu Goel, Director	1,673,530	1,558,517
	Remuneration to Upasana Goel, Director	2,128,050	1,465,350
	Remuneration to M.D. Prabhu, Director of subsidiary company	-	2,302,680
	Remuneration to Abhijit Surlaker, Director of subsidiary company	-	2,302,680
	b) Commission paid to non executive and independent directors*	2,647,850	4,387,419
	c) Sitting fees	255,500	290,000
	# Does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.		
v)	Payment to auditors		
	a) For services as auditors, including quarterly audits and service tax	1,178,556	1,148,041
	b) For certification including service tax	36,314	66,178
		1,214,870	1,214,219

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

Detail of subsidiaries are as follows:

S. no.	Name of subsidiary	Country of incorporation	% of holding
1	KLG Environment and Safety Sciences Ltd.	India	100
2	KLG Power Ltd.	India	99
3	KLG Software Technology And Infrastructure Pvt. Ltd.	India	100
4	Atlantis Lab Pvt. Ltd.	India	51

b) Goodwill amounting to Rs. 129,252,365 (Rs. 129,252,365) has been recognised in consolidated financial statements being excess of the cost to the parent of its investment in subsidiaries.

c) The consolidated financial statements are prepared using uniform accounting policies for the transactions and other events in similar circumstances.

d) Figures pertaining to the subsidiaries have been reclassified wherever necessary to bring them in line with the Company's Financial Statements.

vii) Secured loans

From State Bank of India

a) Working capital facilities of Rs. 10,040.08 lacs (Rs. 8,897.33 lacs) secured against hypothecation of Company's entire current assets including inventories and receivables, both present and future, counter guarantee of the Company for bank guarantees and letter of indemnity for letter of credits, and also collaterally secured by, (a) first charge over the fixed assets of the Company including equitable mortgage over land and building at Electronic City, Gurgaon, Haryana, (b) extension of first charge over plots situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these plots at Sector-34, EHTP, Gurgaon, Haryana, and offices at Belapur, Navi Mumbai, Maharashtra, R.C. Dutt Road, Vadodra, Gujarat and Gariahat Road, Kolkata, West Bengal, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

b) Term loan-II of Rs. 171.26 lacs (Rs. 420.19 lacs) secured against first charge including equitable mortgage on property situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these Plots at Sector-34, EHTP, Gurgaon, Haryana, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

Term loan repayable within 1 (one) year is Rs. 17,125,553 (Rs. 24,124,000).

c) Term loan-III of Rs. 1,100.08 lacs (Rs. 1,159.10 lacs) secured against first charge on assets created or to be created, including equitable mortgage of proposed building constructed or to be constructed, at Sector-34, EHTP, Gurgaon, Haryana, by utilising this loan, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

Term loan repayable within 1 (one) year is Rs. 50,000,000 (Nil).

From Industrial Development Bank of India Limited (IDBI)

a) Term loan-I of Rs. 1,500 lacs (Rs. 1,500 lacs) secured against, (a) exclusive charge on industrial plot, in the name of KLG Power Ltd, a subsidiary company, at Baddi, Himachal Pradesh, (b) pledge of 400,00 equity shares of the Company held by promoters and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

Term loan repayable within 1 (one) year is Rs. 150,000,000(Rs. 150,000,000).

b) Term loan-II of Rs. 1,000 lacs (Nil) secured against, (a) extension of charge on all existing securities on above term loan of Rs. 1,500 lacs, (b) undertaking to the effect that the Company shall not create any further charge/encumbrance on the assets of the Company till charges as stipulated by IDBI in its favour are created on pari passu basis with existing charge holders, (c) demand promissory note, (d) post dated cheques for repayment of principal and interest dues, (e) proceeds of all the receivables relating to power division exceeding 120 days, as on May 31, 2009, to be routed through a designated account with IDBI, and (f) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

Term loan repayable within 1 (one) year is Rs. 100,000,000 (Nil).

viii) Loan from IFCI Ltd.

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

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

ix) Structuring cost relate to costs incurred in connection with structuring of business transactions and strategic investments are stated net of recovery.

x) Sales are inclusive of 'Billings for Contracts in Progress' Rs. 6,322.11 lacs (Rs. 7,511.36 lacs) related to revenue recognized in accordance with the Accounting Policy of the Company.

xi) Pursuant to adption of Accouting Standard-7 `Construction Contracts' issued by the Institute of Chartered Accountants of India, for recording revenues arising from Contract/Project related activity and contracts for supply/comissioning of power transmission and distribution lines, the Company has changed its accounting for recording Debtors. Debtors (other than software division) are stated net of amounts billed for 'Contracts in Progress' which will crystalize proportionately upon the phased completion of the erection/installation work in accordance with the terms of contract. Till such time the same are treated as part of Inventory -`Contracts Work in Progress' and are stated at contract value in line with the accounting policy of the Company.

xii) During the year, the Company has changed its estimates on the useful life of its 'Brand, Patent & Technology'. Depreciation on Brand, Patent & Technology was being charged on straight line basis, assuming that the term of such brands and patents would be a period of 10 years. However, considering the advanced technology developed by the Company, the provisions of the Patent Act, 1970, and that the brands are co-existent with the technology developed by the Company, the Company considers the life of the brands, patents and technology developed to be 20 years from the date of filing of complete specifications with the Registrar of Patents. Accordingly, depreciation of Brands, Patents and Technology has been considered on the basis of revised useful life of the asset which stands increased from 10 years to 20 years. In view of the said change the charge on the Profit and Loss Account on account of depreciation is lower by a sum of Rs. 35,581,330.00. Had their been no change in the estimates of the useful life of the asset, the profit for the current year would have been lower by the identical amount.

xiii) During the year the Company has changed its accounting policy on recognizing the effects of changes in Foreign Exchange Rates, to bring it in line with AS-11 `Accounting for the Effects of Changes in Foreign Exchange Rates', and has accordingly recognized the net exchange gain of Rs. 929.60 lacs, (Loss of Rs. 1,868.70 lacs) in the income statement, as against adjustment of same to the cost of fixed assets, acquired out of such foreign currency funds, as permitted in terms of Notification No. GSR/225E dated March 31, 2009. Pursuant to the change, the profit for the year is overstated by similar amount.

xiv) During the year,the Company has capitalized Rs. 403,592,378.00 Lac (Rs. 286,778,072.00), being expenditure incurred on Research, Technology development, by transfer of equivalent amount from 'Capital Work in Progress including Advances'.

xv) During the year, the Company allotted 78,979 (58,300) fully paid equity shares of Rs. 10 (Rs. 10) each at a premium of Rs. 109.58 (Rs. 109.58) per share for cash to employees/non-executive directors of the Company on exercise of options granted in accordance with KLG Systel Employee Stock Option Scheme, 2005, approved by the board of directors, framed in accordance with SEBI (Employees Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 and other provisions of applicable Statutes. Options were issued to employees/non executive directors at an exercise price that is not less than the fair market value.

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

S. no.	Particulars	2009-10 (in Nos.)	2008-09 (in Nos.)
a)	Options outstanding, beginning of the year	148,000	209,200
b)	Add: Granted during the year	-	-
c)	Less: Exercised	78,979	58,300
	Forfeited	30,521	2,900
d)	Options outstanding, end of the year	38,500	148,000

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

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

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

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

Since the redemption of abovesaid FCCBs is contingent upon its non-conversion into equity shares, the Company has not provided for the proportionate premium for the period upto March 31, 2010 amounting to Rs. 1,742.05 (Rs. 1,257.21 lacs) equivalent to USD 3.42 (USD 2.47 million) at the prevailing exchange rates as at the Balance Sheet date. In the opinion of the management, since the likelihood of redemption cannot be presently ascertained, therefore, no provision for any liability that may result has been made in the financial statements. The FCCBs are considered monetary liability. The FCCBs are redeemable only if there is no conversion of the same earlier. The payment of premium on redemption is contingent in nature, as the outcome is dependent upon uncertain future events, and is considered as a contingent liability.

xvii) The Company is availing Domestic Factoring Facility with recourse for factoring of receivables (approved debtors) from IFCI Factors Limited to the tune of Rs.1500.00 Lac. As on the Balance Sheet date, the Company has received pre-payment of approved debtors aggregating Rs.1328.83 Lac from the factor. The Company has a contingent liability for the said amount in the event of non payment of amount by the approved debtors to the factor, on or before the due date. In the opinion of the management, the liability of the Company for payment to the factor is contingent upon future events, which are uncertain, hence the same has been considered as a Contingent Liability.

xviii) In the opinion of the management, the current assets, loans and advances, if realised in the ordinary course of business, would realise a sum equal to that stated in the Balance Sheet.

xix) Unpaid dividend, to be credited to Investor Education and Protection Fund, does not include any amount due and outstanding.

xx) Principal amount due to Micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" amount to Rs. 135,46,989 (Rs. 1,621,911). No interest is paid/payable to such enterprises for the year ended March 31, 2010. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

xxi) Earning Per Share (EPS)

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

Sr. No.	Particulars	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
a)	Profit after tax-Profit attributable to equity shareholders	173,327,174	333,487,712
b)	Weighted average number of shares outstanding		
	- Basic	12,661,958	12,460,894
	- Diluted	14,693,412	14,458,608
c)	Nominal value of per equity share	10	10
d)	Earnings per share		
	- Basic	13.69	26.76
	- Diluted	11.80	23.06

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

Sr. No.	Particulars	Dividend 2009-10	Dividend 2008-09
a)	Number of non-resident shareholders	1	4
b)	Number of equity shares held by them	750	25000
c)	Financial year to which the dividend related	2008-09	2007-08
d)	Gross amount of dividends (in Rs.)	2063	68750

xxiii) Details of Capital work-in-progress:

Sr. No.	Particulars	2009-10 Rs.	2008-09 Rs.
a)	Development and construction	-	552,689,838
b)	Capital advances	54,701,552	51,938,311
c)	Technology	83,744,249	-
		138,445,801	604,628,149

xxiv) Related Party Disclosures

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

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

* Held office upto February 1, 2010

@ Appointed on April 14, 2009

\# Formerly known as KLG Software Technology Pvt. Ltd.

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

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

Sr. No.	Nature of transactions	Related party	For the year ended 31, 2010 Rs.	For the year ended 31, 2009 Rs.
1	Payment for services as Executive Chairman	K.L. Goel	13,624,842	9,909,268
2	Payment for services as Managing Director	Kumud Goel	15,270,434	10,498,853
3	Payment for services as Director	Ritu Goel	1,673,530	1,558,517
4	Payment for services as Director	Upasana Goel	2,128,050	1,465,350
5	Payment for services as Whole Time Director	Mukesh Arora	7,935,000	6,085,000
6	Payment for services	Aditi Goel	903,972	-
7	Payment for services as director	M.D. Prabhu	2,322,829	2,302,680
8	Payment for services as director	Abhijit Surlaker	2,320,590	2,302,680
9	Rent paid for premises	Upasana Goel	5,400,000	4,650,000
10	Rent paid for premises	Mukesh Arora	1,800,000	1,800,000
11	Rent paid for premises	Pushap Telecommunication Pvt. Ltd.	2,700,000	2,325,000
12	Rent paid for premises	Aditi Telecom Pvt. Ltd.	2,700,000	2,325,000
13	Amount received on exercise of ESOP options	Mukesh Arora	597,900	-
14	Amount received on preferential allotment	Kumud Goel	-	46,980,000
15	Amount received on preferential allotment	KLG Computers Pvt. Ltd	-	23,490,000
16	Amount received on preferential allotment	Ritu Goel	-	11,745,000
17	Amount received on preferential allotment	Upasana Goel	-	35,235,000
18	Amount received on preferential allotment	P.L.Goel	-	8,221,500
19	Repayment of unsecured loan	Sanjay Garg	700	-
20	Reimbursement of expenses	"	600	-
21	Personal guarantees given in respect of:			
	Term loans	K.L. Goel	877,133,836	316,355,807
	Working capital borrowings from Bank	Kumud Goel	1,004,008,105	890,732,614
	Corporate Term Loan		500,000,000	-
	Domestic Factoring Facilities		150,000,000	-
22	Guarantee given on behalf of the Company	KLG Power Ltd.	250,000,000	150,000,000
23	Commission	Independent directors	2,647,850	4,387,419
24	Sitting fees	Independent directors	255,500	290,000

B. Amount outstanding as at March 31, 2010:

Sr. No.	Account head	Related party	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
1.	Unsecured loans	Sanjay Kumar Garg	-	700
2.	Loans and advances	Mukesh Arora	-	300,000
3.	Security deposits	Pushap Telecommunication Pvt. Ltd.	1,800,000	1,800,000
		Aditi Telecom Pvt. Ltd.	1,800,000	1,800,000
		Upasana Goel	2,700,000	2,700,000
		Mukesh Arora	1,800,000	1,800,000
4.	Other liabilities	Key management personnel	560,619	1,288,386
		Independent directors	2,647,850	4,387,419

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

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

Segment wise revenue, results and capital employed for the year ended March 31, 2010

Sr. No.	Particulars	For the year ended 31, 2010 (Rs.'000)	For the year ended 31, 2009 (Rs.'000)
1.	Segment revenue		
	a) Life Cycle Solutions	672,429	896,591
	b) Power System Solutions	1,749,457	1,451,143
	Total	2,421,886	2,347,734
	Less: Inter segment revenue	-	-
	Net sales/income from operations	2,421,886	2,347,734
2.	Segment results		
	Profit before tax and interest		
	a) Life Cycle Solutions	181,804	202,596
	b) Power System Solutions	629,475	676,412
	Total	811,279	879,008
	Less:		
	c) Interest	210,988	106,828
	d) Other un-allocable expenditure net off	86,815	333,756
	Unallocable income		
	Profit before tax	297,803	438,423
3.	Capital employed		

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

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

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

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

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

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

	K. L. Goel	Kumud Goel
	Executive Chairman	Managing Director
Gurgaon.	Ram Ji Nigam	Sanjay Kumar Garg
May 29, 2010	Company Secretary	Chief Finance Officer

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31,2010

KLG SYSTEL LTD.

			Year ended March 31, 2010 Rs.	Year ended March 31, 2009 Rs.
A.	CASH FLOW FROM OPERATIONS			
	Profit before tax and extraordinary items		300,242,256	438,977,729
	Depreciation		194,686,373	178,541,066
	Miscellaneous expenditure written off		29,199,623	(26,454,084)
	Interest paid		210,988,422	106,828,497
	Fringe benefit tax		-	(3,314,164)
	Interest receipts		(3,226,184)	(2,251,072)
	Income from investments		-	(3,193,448)
	Prior period adjustments		6,048,959	-
	Adjustment for deferred taxation		(60,665,245)	(38,678,967)
	Adjustment for capital profit		-	-
	Adjustment of share of profit transferred to minority		(8,809,676)	(246,757)
	Prior period adjustments		(2,439,211)	(554,350)
	Adjustment for transitional provision in compliance with AS-15 (Revised)		-	-
	Loss on sale of fixed assets		420,285	1,765,491
	Operating profit before working capital changes	(i)	666,445,601	651,419,941
	Trade and other receivables		442,248,184	(346,359,894)
	Inventories		(791,014,471)	(65,215,899)
	Trade payables and other liabilities		137,911,596	(315,083,635)
		(ii)	(210,854,691)	(726,659,428)
	Cash used in operations	(iii=i+ii)	455,590,910	(75,239,487)
	Direct taxes paid (net)		(65,664,062)	(135,546,857)
	Dividend paid		(40,682,832)	(40,617,914)
	Net cash flow from operating activities	(A)	349,244,016	(251,404,258)
B.	CASH FLOW FROM INVESTING ACTIVITIES			
	Purchase of fixed assets		(1,211,372,430)	(620,631,670)
	Increase in capital work in progress		513,682,961	(215,497,819)
	Investments (Net)		15,044,458	7,699,189
	Sale of fixed assets		1,550,000	1,550,000
	Income from investments		-	3,193,448
	Interest receipts		3,226,184	2,251,072
	Net cash used in investing activities	(B)	(677,868,827)	(821,435,780)
C.	CASH FLOW FROM FINANCING ACTIVITIES			
	Issuance of equity share capital		789,790	9,210,500
	Subscription money against warrants forfeited		-	18,100,000
	Share premium received on issuance of equity share capital		8,654,519	268,496,014
	Subscription money received against warrants		-	(32,063,500)
	Minority interest		2,690,824	246,757
	Proceeds from long term borrowings (net)		174,892,020	841,693,419
	Proceeds from unsecued loans		405,588,095	53,487,203
	Interest paid		(210,988,422)	(106,828,497)
	Net cash used in financing activities	(C)	381,626,826	1,052,341,896
	NET INCREASE IN CASH AND CASH EQUIVALENTS	(A+B+C)	53,002,015	(20,498,142)
	Cash and cash equivalents - Opening balance		122,413,835	142,911,979
	Cash and cash equivalents - Closing balance		175,415,852	122,413,835

Note: Figures in brackets indicate cash outflow

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

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

Kamal Ahluwalia
Partner
Membership no. 093812
Gurgaon.
May 29, 2010

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

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

	KLG ENVIRONMENT AND SAFETY SCIENCES LTD.	KLG POWER LTD.	KLG SOFTWARE TECHNOLOGY AND INFRASTRUCTURE PVT. LTD.	ALTANTIS LAB PVT. LTD.
	As at March 31,2010 Rs.	As at March 31,2010 Rs.	As at March 31,2010 Rs.	As at March 31,2010 Rs.
I. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS				
Total liabilities	6,417,120	91,315,602	100,000	64,292,632
Total assets	6,417,120	91,315,602	100,000	64,292,632
Sources of funds				
Paid up capital	1,200,000	111,115,000	100,000	6,025,000
Reserves & surplus	4,836,390	(19,799,398)	-	57,953,931
Secured loans	-	-	-	-
Unsecured loans	-	-	-	-
Deferred tax(net)	380,730	-	-	313,701
Application of funds				
Net fixed assets	2,945,851	92,147,008	-	10,599,634
Investments	-	-	-	5,055,542
Net current assets	3,471,269	(831,406)	49,314	48,637,456
Miscellaneous expenditure	-	-	50,686	-
	For the year ended March 31, 2010 Rs.	For the year ended March 31, 2010 Rs.	For the year ended March 31, 2010 Rs.	For the year ended March 31, 2010 Rs.
II. PERFORMANCE OF THE COMPANY				
Turnover	829,731	1,460,000	-	61,944,855
Profit before taxation	(1,778,213)	(19,799,398)	-	7,448,658
Provision for taxation	(47,869)	-	-	1,957,182
Profit after taxation	(1,730,344)	(19,799,398)	-	5,491,476
Proposed dividend	-	-	-	-

Notes:

1) The Company hereby undertakes that annual accounts of the above said subsidiary Companies and related detailed information will be made available to the holding and subsidiary Company investors seeking such information at any point of time.

2) The annual accounts of the above said subsidiary Companies are ready for inspection by any investors in the head office of the Company and that of the subsidiary's office.

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

B. Bhushan & Co. Chartered Accountants By the hand of	K. L. Goel Executive Chairman	Kumud Goel Managing Director
Kamal Ahluwalia Partner Membership no. 93812 Gurgaon. May 29, 2010	Ram Ji Nigam Company Secretary	Sanjay Kumar Garg Chief Finance Officer

NOTICE

KLG SYSTEL LIMITED

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

Notice is hereby given that the Twenty Fifth Annual General Meeting of KLG Systel Limited will be held on Saturday, the 25th day of September, 2010 at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010, the audited Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To declare dividend for the financial year ended March 31, 2010.
3. To appoint a Director in place of Mr. Prabir Sengupta, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Mukesh Arora, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint M/s B. Bhushan & Co., Chartered Accountants (Firm Regn. No. 001596N), retiring auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS:

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

   "RESOLVED THAT pursuant to Para B of Section II of Part II of Schedule XIII and other applicable provisions of the Companies Act, 1956, including any statutory modification or enactment thereof for the time being in force and subject to the approval of the Central Government and such other sanctions and approvals as may be necessary in this regard, consent be and is hereby accorded that in case of inadequacy or absence of profits in any of the financial years 2010-11, 2011-12 and 2012-13, minimum remuneration payable to Mr. K. L. Goel, Executive Chairman of the Company, for that financial year shall be in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, as amended from time to time."

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act as amended from time to time (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of Central Government, the consent of the Company be and is hereby accorded to ratify and/or approve the payment of Rs. 1,28,70,434/- (Rupees One Crore Twenty Eight Lac Seventy Thousand Four Hundred Thirty Four Only) made to Mr. K. L. Goel, Executive Chairman of the Company in excess of the remuneration payable to him in accordance with the provisions of Schedule XIII of the Act for the Financial Year 2009-10.

   RESOLVED FURTHER THAT subject to the approval of Central Government, the recovery by the Company of the excess amount of Rs. 1,28,70,434/- (Rupees One Crore Twenty Eight Lac Seventy Thousand Four Hundred Thirty Four Only) paid to Mr. K. L. Goel for the Financial Year 2009-10, being the amount exceeding the statutory limits laid down under the Act, arising as a consequence of inadequacy and/or absence of profits, be and is hereby waived.

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

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, including any statutory modification or enactment thereof for the time being in force and subject to the approval of the Central Government and such other sanctions and approvals as may be necessary in this regard, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Kumud Goel as Managing Director of the Company for a period of five years with effect from October 1, 2009.

   Resolved further that the remuneration payable to Mr. Kumud Goel, Managing Director, during the period 1st October, 2009 to 30th September, 2012 shall be as follows :-

   Salary : Rs. 9,00,000-Rs. 1,00,000-Rs.11,00,000 per month.

   Perquisites:

   In addition to the above the following perquisites shall be allowed to Mr. Kumud Goel, restricted per annum to an amount equal to the annual salary. The perquisites are classified into three parts viz:-A, B, C as follows:-

PART A

Housing:

a) The expenditure incurred by the Company on hiring furnished accommodation subject to the following ceiling:
- 50% of the salary, over and above 10% payable by Mr. Kumud Goel.

b) If accommodation is not provided by the Company, Mr. Kumud Goel shall be entitled to house rent allowance subject to the ceiling laid down in (a) above.

c) If accommodation is provided by the Company in its owned premises a deduction @ 10% shall be made from his salary.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962 subject to a ceiling of 10% of the salary of Mr. Kumud Goel.

Medical reimbursement: Reimbursement of expenses incurred for self and family subject to a ceiling of one month salary in a year or three months salary in a period of three years.

Leave Travel Concession: Leave travel concession for self and family once in a year incurred in accordance with the rules of the Company.

Club fees: Fees for a maximum of two clubs excluding admission and life membership fees.

Personal accident insurance: Personal accident insurance of an amount the annual premium whereof shall not exceed Rs. 4000/-.

PART B

1. Contribution to Provident Fund or Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisite to the extent these, either singly or put together, are not taxable under the Income tax Act, 1961.
2. Gratuity payable shall not exceed half a month salary for each completed years of service.
3. Earned leave on full pay and allowance as per the rules of the Company but not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the tenure will not be included in computation of ceiling on perquisite.

PART C

Provision of car for use of Company's business and telephone at residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private use shall be billed by the Company.

RESOLVED FURTHER THAT during the period 1st October, 2009 to 30th September, 2012, where in any financial year the Company has no profits or its profits are inadequate, the remuneration payable for that financial year shall be in accordance with the provisions of Part B of Section II of Part II of Schedule XIII to the Companies Act, 1956, as amended from time to time.

RESOLVED FURTHER THAT the Board of Director be and are hereby authorised to alter and vary from time to time the terms and conditions as stated herein above in accordance with the laws and also authorised to take such steps as may be necessary to give effect to the same."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act as amended from time to time (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of Central Government, the consent of the Company be and is hereby accorded to ratify and/or approve the payment of Rs. 1,12,24,842/-(Rupees One Crore Twelve Lac Twenty Four Thousand Eight Hundred Forty Two Only) made to Mr. Kumud Goel, Managing Director of the Company in excess of the remuneration payable to him in accordance with the provisions of Schedule XIII of the Act for the Financial Year 2009-10."

RESOLVED FURTHER THAT subject to the approval of Central Government, the recovery by the Company of the excess amount of Rs. 1,12,24,842/-(Rupees One Crore Twelve Lac Twenty Four Thousand Eight Hundred Forty Two Only) paid to Mr. Kumud Goel for the Financial Year 2009-10, being the amount exceeding the statutory limits laid down under the Act, arising as a consequence of inadequacy and/or absence of profits, be and is hereby waived.

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

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, including any statutory modification or enactment thereof for the time being in force and subject to the approval of the Central Government and such other sanctions and approvals as may be necessary in this regard, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Mukesh Arora as Whole time Director of the Company for a period of three years with effect from August 1, 2010 as per the terms and conditions set out hereunder :-

Salary: Rs. 6,00,000 per month.

Perquisites:

In addition to the above the following perquisites shall be allowed to Mr. Mukesh Arora to be restricted to an amount equal to the annual salary. The perquisites are classified into three parts viz:- A, B, C as follows:-

PART A

Housing:

a) The expenditure incurred by the Company on hiring furnished a accommodation subject to the following ceiling:-

   - 50% of the salary, over and above 10% payable by Mr. Mukesh Arora.

b) If accommodation is not provided by the Company, Mr. Mukesh Arora shall be entitled to house rent allowance subject to the ceiling laid down in (a) above.

c) If accommodation is provided by the Company in its owned premises a deduction @ 10% shall be made from his salary.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962 subject to a ceiling of 10% of the salary of Mr. Mukesh Arora.

Medical reimbursement: Reimbursement of expenses incurred for self and family subject to a ceiling of one month salary in a year or three months salary in a period of three years.

Leave Travel Concession: Leave travel concession for self and family once in a year incurred in accordance with the rules of the Company.

Club fees: Fees for a maximum of two clubs excluding admission and life membership fees.

Personal accident insurance: Personal accident insurance of an amount the annual premium whereof shall not exceed Rs. 4000/-.

PART B

1. Contribution to Provident Fund or Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisite to the extent these, either singly or put together, are not taxable under the Income tax Act, 1961.
2. Gratuity payable shall not exceed half a month salary for each completed years of service.
3. Earned leave on full pay and allowance as per the rules of the Company but not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the tenure will not be included in computation of ceiling on perquisite.

PART C

Provision of car for use of Company's business and telephone at residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private use shall be billed by the Company.

RESOLVED FURTHER THAT during his tenure where in any financial year the Company has no profits or its profits are inadequate, the remuneration payable for that financial year shall be in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, as amended from time to time.

RESOLVED FURTHER THAT the Board of Director be and are hereby authorised to alter and vary from time to time the terms and conditions as stated hereinabove in accordance with the laws and also authorised to take such steps as may be necessary to give effect to the same."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act as amended from time to time (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of Central Government, the consent of the Company be and is hereby accorded to ratify and/or approve the payment of Rs. 55,35,000/- (Rupees Fifty Five Lac Thirty Five Thousand Only) made to Mr. Mukesh Arora, Wholetime Director of the Company in excess of the remuneration payable to him in accordance with the provisions of Schedule XIII of the Act for the Financial Year 2009-10.

RESOLVED FURTHER THAT subject to the approval of Central Government, the recovery by the Company of the excess amount of Rs. 55,35,000/- (Rupees Fifty Five Lac Thirty Five Thousand Only) paid to Mr. Mukesh Arora for the Financial Year 2009-10, being the amount exceeding the statutory limits laid down under the Act, arising as a consequence of inadequacy and/or absence of profits, be and is hereby waived.

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

By the Order of Board of Directors
For KLG Systel Limited

Place: Gurgaon
Date : August 14, 2010

Ram Ji Nigam
Company Secretary

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business under Item No. 6 to 11 as set out above is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE, THE PROXY FORM DULY STAMPED AND SIGNED SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 20, 2010 to Saturday, September 25, 2010 (both days inclusive).

4. The dividend for the financial year ended March 31, 2010 as recommended by the Board of Directors and if approved by the shareholders at the meeting shall be payable to those members whose names appear in the Company's Register of Members, as on September 25, 2010 for shares held in physical form and who are Beneficiary holders as per the records of the depositories (NSDL & CDSL) as on close of September 19, 2010.

5. In order to provide protection against fraudulent encashment of dividend warrants, members are requested to provide their bank account details, viz. type of account, account number, banker's name and address to enable the Company to record the mandate and forward future dividend warrant in such name to the members. The above mentioned details should be furnished by the First/Sole shareholders, directly to the Share Transfer Agent quoting the Folio No., number of shares held, details of holding etc.

6. As the Company proposes to pay dividend through ECS to those shareholders who are residing at specified cities and hold shares in Demat Form. Therefore, Members are requested to update the following details with their Depository Participants before the record date for dividend:

   a) Beneficiary Bank Account Number.
   b) 9-Digit MICR on the Cheque Leaf.
   c) Beneficiary Bank Name & Complete address of the Branch.
   d) Residential Address and Address for Correspondence.

7. Members are requested to inform the share transfer agent of any change in their addresses.

8. Members are requested to quote their folio numbers/DPID & Client ID in all correspondence with the Company/Share Transfer Agent.

9. Members who presently hold shares in more than one folio are requested to intimate the Company's transfer agent the details of all their folio numbers for consolidation into a single folio.

10. Members are requested to intimate to the Company queries, if any, regarding the accounts/notices at least ten days before the date of Annual General Meeting to enable the management to keep the information ready at the meeting.

11. Members/Proxies should bring the attendance slip sent here-with duly filled in for attending the meeting.

12. Members/Proxies may note that no gift will be distributed at the meeting and the Members/Proxies raising nuisance on this issue will not be allowed to participate further in the proceedings of the meeting.

13. Corporate Members intending to send their authorized representative to attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.

14. Information pursuant to Clause 49 of the Listing Agreement pertaining to directors proposed to be appointed/reappointed are given elsewhere in the Annual Report.

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

EXPLANATORY STATEMENT
PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item Nos. 6 & 7
Mr. K. L. Goel, Executive Chairman of the Company was reappointed by the shareholders of the Company in the last Annual General Meeting of the Company held on August 22, 2009 for a period of 5 years with effect from November 5, 2008 on terms and conditions stipulated therein. At the time of his reappointment, the Company was having adequate profits in respect of the proposed remuneration. However, in the financial year 2009-10, on account of the impact of the global economic slump, the profitability of the Company eroded and the profits of that year were insufficient under the provisions of the applicable provisions of law for payment of the proposed remuneration. Therefore the remuneration payable to Mr. K L Goel for this period was determined in terms of Section 309, read with Part II of Section II of the Companies Act, 1956. Further, Schedule XIII also provides that subject to the approval of shareholders by way of special resolution for payment of minimum remuneration as per Para B of Section II of Part II of Schedule XIII of the Companies Act, 1956, during the period of inadequacy of profits, the Company may pay remuneration upto Rs. 4 lacs per month to Mr. K L Goel. The Board of Directors and the Remuneration Committee of Directors at their respective Meetings held on August 14, 2010, have already approved the proposal.

Further, due to losses incurred during the Financial Year 2009-10 as explained herein above, an excess managerial remuneration of Rs. 1,28,70,434/- (Rupees One Crore Twenty Eight Lac Seventy Thousand Four Hundred Thirty Four Only) was determined as paid to Mr. K. L. Goel over the maximum permissible limit prescribed under Schedule XIII of the Companies Act, 1956. As per the provisions of Section 309 of the Companies Act, 1956, the recovery of remuneration paid to a Director in excess of the maximum remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 may be waived by the Company pursuant to receipt of permission from the Central Government. The Board of Directors and the Remuneration Committee of Directors at their respective meetings held on August 14, 2010, have noted the foregoing and opined that Mr. K. L. Goel had requisite experience and expertise and contributed towards growth of the Company. The remuneration paid to him was in line with his long experience and expertise and have accordingly ratified, confirmed and approved the payment of aforestated excess remuneration and subject to the approval of the Shareholders and of the Central Government, have waived the recovery of the excess remuneration. An application in this regard, will be made to Central Government for seeking its approval for waiver of the requirement for recovery of excess remuneration paid to Mr. K. L. Goel.

The Board of Directors of your Company therefore recommends the passing of resolutions at Item Nos. 6& 7.

Mr. K. L. Goel is interested in the resolutions at item nos. 6 & 7. Mr. Kumud Goel, Mrs. Ritu Goel and Mrs. Upasana Goel may also be considered to be interested in the resolution, being related to Mr. K. L. Goel. None of the other directors is concerned or interested in the said resolutions.

Item Nos. 8 & 9
The earlier five years term of Mr. Kumud Goel as the Managing Director of the Company ended on 30th September, 2009. The Board of Directors of the Company and the Remuneration Committee of Directors at their respective meetings held on July 29, 2009 have re-appointed Mr. Kumud Goel, as Managing Director of the Company with effect from October 1, 2009 for a further period of 5 years. The remuneration and the other terms and conditions for his appointment for the period of 3 years from the date of appointment were also determined and are set out in the proposed resolution at Item No. 8. Furthermore, the consent of shareholders by way of a Special Resolution is being sought to enable the Company to pay minimum remuneration as per Para B of Section II of Part II of Schedule XIII of the Companies Act, 1956 in case of inadequacy of profits in any financial year during his tenure.

Further, during the Financial Year 2009-10 on account of the impact of the global economic slump, the profitability of the Company eroded and the profits of that year were insufficient, and therefore an excess managerial remuneration of Rs. 1,12,24,842/-(Rupees One Crore Twelve Lac Twenty Four Thousand Eight Hundred Forty Two Only) was determined as paid to Mr. Kumud Goel over the maximum permissible limit prescribed under Schedule XIII of the Companies Act, 1956. As per the provisions of Section 309 of the Companies Act, 1956, the recovery of remuneration paid to a Director in excess of the maximum remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 may be waived by the Company pursuant to receipt of permission from the Central Government. The Board of Directors and the Remuneration Committee of Directors at their respective meetings held on August 14, 2010, have noted the foregoing and opined that Mr. Kumud Goel had requisite experience and expertise and contributed towards growth of the Company. The remuneration paid to him was in line with his long experience and expertise and have accordingly ratified, confirmed and approved, the payment of aforestated excess remuneration and subject to the approval of the Shareholders and of the Central Government, have waived the recovery of the excess remuneration. An application in this regard, will be made to Central Government for seeking its approval for waiver of the requirement for recovery of excess remuneration paid to Mr. Kumud Goel. The Board of Directors of your Company therefore recommend the passing of resolution at Item Nos. 8 & 9.

Mr. Kumud Goel may be considered to be interested in the resolution to the extent of remuneration payable to him. Mr. K. L. Goel, Mrs. Ritu Goel and Mrs. Upasana Goel may also be considered to be interested in the resolution, being related to Mr. Kumud Goel. None of the other directors is concerned or interested in the said resolution.

Item No. 10 & 11

During his last tenure, Mr. Mukesh Arora was appointed as Whole Time Director of the Company with effect from August 1, 2007 for the period of three year. This tenure ended on 31st July, 2010.

The Board of Directors of the Company in its meeting held on August 14, 2010 re-appointed Mr. Mukesh Arora, as Whole Time Director of the Company with effect from August 1, 2010 for a further period of 3 years. The remuneration and the other terms and conditions for his appointment were also determined by the Remuneration Committee at its meeting held on the same date and are set out in the proposed resolution at Item No. 10. Furthermore, the consent of shareholders by way of a Special Resolution is being sought to enable the Company to pay minimum remuneration as per Para B of Section II of Part II of Schedule XIII of the Companies Act, 1956 in case of inadequacy of profits in any financial year during his tenure.

Further, during the Financial Year 2009-10 on account of the impact of the global economic slump, the profitability of the Company eroded and the profits of that year were insufficient, and therefore an excess managerial remuneration of Rs. 55,35,000/-(Rupees Fifty Five Lac Thirty Five Thousand Only) was determined as paid to Mr. Mukesh Arora over the maximum permissible limit prescribed under Schedule XIII of the Companies Act, 1956. As per the provisions of Section 309 of the Companies Act, 1956, the recovery of remuneration paid to a Director in excess of the maximum remuneration payable to him in accordance with the provisions of Schedule XIII of the Companies Act, 1956 may be waived by the Company pursuant to receipt of permission from the Central Government. The Board of Directors and the Remuneration Committee of Directors at their respective meetings held on August 14, 2010, have noted the foregoing and opined that Mr. Mukesh Arora had requisite experience and expertise and contributed towards growth of the Company. The remuneration paid to him was in line with his long experience and expertise and have accordingly ratified, confirmed and approved, the payment of aforestated excess remuneration and subject to the approval of the Shareholders and of the Central Government, have waived the recovery of the excess remuneration. An application in this regard, will be made to Central Government for seeking its approval for waiver of the requirement for recovery of excess remuneration paid to Mr. Mukesh Arora. The Board of Directors of your Company therefore recommend the passing of resolution at Item Nos. 10& 11.

Mr. Mukesh Arora may be considered to be interested in the resolution. None of the other directors is concerned or interested in the said resolution.

In pursuance of Parts B & C of Section II of Part II of Schedule XIII of the Companies Act, 1956, following further information is given in respect of item nos. 6 to 11:

I. GENERAL INFORMATION:

(1) Nature of Industry: Software/ ITES
(2) Date or expected date of commencement of commercial production: Not applicable - the Company is an existing Company
(3) In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable

(4) Financial performance of the Company:

Particulars	FY 2009-10	FY 2008-09	FY 2007-08
Turnover	2359.44	2283.56	2689.45
Profit Before Tax	311.93	437.31	745.60
Profit After Tax	198.18	332.97	523.69
Dividend (%)	5.00	27.50	27.50
Earning Per Share (Rs.)	15.65	26.72	48.03

(5) Export Performance and net foreign exchange collaborations: NIL

(6) Foreign Investments or collaborators, if any: NIL

II. INFORMATION ABOUT THE DIRECTORS:

(1) Background Details:

Mr. K.L. Goel, Executive Chairman of the Company aged about 78 years, is fellow member of the Institute of Chartered Accountants of India and also an alumnus of the International Management Institute (IMI, Geneva), Indian Institute of Management, Ahmedabad and Henley on Thames-Staff Administration college, United Kingdom. He was Director, Finance of Indian Oil Corporation Limited and Director-In-charge of Assam Oil Division till 1983, when he joined an oil trading company in Paris and returned to India to set up his own business. Mr. K. L. Goel has been a consultant to various government/ private companies and World Bank projects. He has more than 43 years of experience in business development and management.

Mr. Kumud Goel, Managing Director of the Company aged about 49 years, is a fellow member of the Institute of Chartered Accountants and has been in the information technology industry for more than 19 years. A visionary, he has made significant contributions in the Indian industry for identifying the need and potential for Plant Life Cycle Management Solutions. He has attended various advanced software seminars in India and overseas. Mr. Kumud Goel has been one of the pioneers in introducing CAD/ CAE applications, Project Management, Power System and Automation in India in the late 1980s.

Mr. Mukesh Arora, Whole Time Director aged 43 years, is a Mechanical Engineer and MBA by qualification. He has held management positions at reputed organizations like HCL, TATA, Unisys, IMTAC (Oman) etc. He has the distinction of being a pioneer in the area of Internet solutions in India and has played a key role in defining the internet strategies for a number of reputed blue-chip companies in India and abroad.

Past remuneration:

Year	K L Goel	Kumud Goel	Mukesh Arora
From 2007-2008	Rs.52,43,616/-	Rs.57,44,795/-	Rs.46,00,000/-
From 2008-2009	Rs.1,13,34,268/-	Rs.1,19,23,853/-	Rs.70,22,500/-
From 2009-2010	Rs.1,53,79,842/-	Rs.1,83,64,184/-	Rs.96,50,500/-

III. OTHER INFORMATION:

(1) Reason of loss or inadequate profit:

The Company has reported a turnover of Rs. 235.94 Crores for the year ended March 31, 2010 as against Rs. 228.36 Crores for the Previous Year. The Company has reported a net profit of Rs. 19.82 Crores as against net profit of Rs. 33.30 Crores of the Previous Year.

The Company has reported lower profits inspite of increased turnover as the global economic slump and recession in American and European countries has affected the business of the Company directly and indirectly.

(2) Steps taken or proposed to be taken for improvement; and

The Company has rationalized its operations and has implemented cost saving measures to maintain its profitability levels as earlier. The work efficiency has also been improved with stress on research and development activities.

(3) Expected increase in productivity and profits in measurable terms

As a result of the measures taken, the Company is expected to increase its turnover and profitability substantially in the coming years. Also the indigenously developed new products of the Company is expected to have wide applications and potentially untapped markets with limitless growth.

PROXY FORM

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

I/We ____

S/o / W/o / D/o ____

of____ in the district of________________

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

of____ or failing him/her Mr./Ms.__________

__________ of ________________________________ in the district of __________________

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Saturday, September 25, 2010, at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase- V, Gurgaon, Haryana at 11 A.M. and at any adjournment thereof.

Signed this ______________________________ day of ____________________________

Signature ______________________________

L.F. No/Client ID number____________________

No. of Share (s) held ______________________

____

Affix
Paise 15
Revenue
Stamp

Notes:

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

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

ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting to be held on Saturday, September 25, 2010, at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase- V, Gurgaon, Haryana at 11 A.M.

Ledger Folio number/ client ID number: ____

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

Father's/ Husband's Name ____

No. of Equity Shares held ____

Signature of the Share holder or Proxy attending ____________________________________

klgsystel

A Knowledge Company

ANNUAL REPORT

2010