

**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Halonix Limited will be held on Friday, the 24th day of September, 2010 at 09.30 A.M. at the Registered Office of the Company at 59-A, NSEZ, Phase-II, Noida, District Gautam Budh Nagar (U.P.) - 201 305 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, Profit & Loss Account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Gurdeep Singh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Steven Mark Enderby, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Arun K. Gupta & Associates, Statutory Auditors of the Company to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-  
“**RESOLVED THAT** pursuant to provisions of Section 257 of the Companies Act, 1956, Mr. Rajesh Kochhar, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-  
“**RESOLVED THAT** pursuant to the provisions of Section 257 of the Companies Act, 1956, Mr. Susanta Kumar Neogi, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:-  
“**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, if required, the consent of the shareholders be and is hereby accorded for the re-appointment of Mr. Susanta Kumar Neogi as Executive Director of the Company for a period of one year with effect from 08.09.2010 to 07.09.2011 on the following remuneration and terms and conditions:
  1. **Salary**  
Basic salary at the rate of Rs.1,50,000/- (Rupees One lacs Fifty thousand only) per month with an annual increment as per Company Policy.
  2. **Special Allowance**  
Rs. 90,000/- (Rs. Ninety thousand only) per month with an annual increment as per Company Policy.
  3. **Perquisites**  
In addition to salary, Mr. Susanta Kumar Neogi shall also be entitled to perquisites amounting Rs. 1,42,250/- per month (with an annual increment as per Company Policy) as specified below:-
    - (i) House Rent Allowance: The expenditure incurred by the Company on hiring unfurnished accommodation will be subject to a limit of 60% of the salary.
    - (ii) Medical Reimbursement: Medical expenses incurred for self and family subject to a ceiling of Rs. 15,000/- per annum.
    - (iii) Leave Travel Concession: For self and family in accordance with the rules of the Company subject to ceiling of Rs. 36,000/- per annum.
    - (iv) Ex-gratia payment: Ex-gratia payment @ 20% of the basic salary.

- (v) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules.
- (vi) Gratuity payable upto half month's salary for each completed year of service.
- (vii) Car: The Company will provide a car with driver. Car used for company business will not be considered as perquisites. Use of car for personal purpose will be billed to the appointee.
- (viii) Telephone: Telephone at the residence and mobile phone will not be considered as perquisites. Personal Long Distance calls on telephone for private purpose shall be billed by the company.

In the event of loss or Inadequacy of profits, Mr. Susanta Kumar Neogi, Executive Director be paid the above salary and perquisites as minimum remuneration within the ceilings as provided in Para(B) Part II, Section II to Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the overall remuneration to Mr. Susanta Kumar Neogi, Director of the Company will not exceed 5% (remuneration shall not exceed 5% of net profits for one such Director, and if there are more than one such Director, 10% for all of them together) at any point of time in terms of section 198, 309 read with section 349 and 350 of the Companies Act, 1956.

**RESOLVED FURTHER THAT** in the event Mr. Susanta Kumar Neogi resigns from the Company he will be required to give three calendar months notice, except in case his employment is terminated by the Company on the ground of misconduct or being incapacitated, he will be entitled to receive three months notice of termination from the Company.

**RESOLVED FURTHER THAT** Mr. Susanta Kumar Neogi will work under the supervision and control of the Board of Directors of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such further acts and deeds and to take all such actions as required necessary to give effect to the above resolution."

By Order of the Board

Place : Noida  
Dated: 26.08.2010

**(Sanjiv Kashyap)**  
Chief Financial Officer &  
Company Secretary

**NOTES :**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **Proxies in order to be effective, must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**
3. The Register of Members and Share Transfer Books of the Company will remain closed on Friday, 10th September, 2010, for the purpose of ensuing Annual General Meeting.
3. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days except Saturday and Sunday between 11.00 A.M. and 1.00 P.M. upto the date of the ensuing Annual General Meeting.
4. **Appointment/Re-appointment of Directors**

The detail of Directors appointed/re-appointed at the ensuing Annual General Meeting are reproduced below in terms of Clause 49 of the Listing Agreement.

**Mr. Gurdeep Singh**, an Indian national aged about 66 years, is a B.Tech in Chemical Engineering from IIT-Delhi. He has done an Advanced Management Program from Harvard Business School. Mr. Gurdeep Singh was associated with Hindustan Unilever Limited (formerly Hindustan Lever Ltd.) ) from 1966 and until he retired in October 2004 as Director HR., Corporate Affairs and Technology. From November 2004 till March 2006 he continued with Hindustan Unilever Ltd. as Senior Vice President-Corporate Affairs, responsible for enhancing the Company's presence in Delhi and State Governments where HLL had substantial operations which included responsibility for CSR activities.

As on 31<sup>st</sup> March, 2010 Mr. Gurdeep Singh, is an Independent and Non-Executive Director on the Board of the Company. He is Chairman of Remuneration Committee and member of Audit Committee, Compensation Committee and Sub-Committee. Mr. Gurdeep Singh is not holding any shares in the Company.

**Mr. Steven Mark Enderby**, a British National, aged 48 years holds a degree in Economics from Queens University, Belfast and he is also a Qualified Accountant. Mr. Enderby is a Partner at Actis the leading global emerging markets Private Equity investor. Mr Enderby has been involved in more than 40 investments across a broad range of sectors and investment types. He has 15 years of experience in the South Asian Private Equity market with a particular focus on change of control and buyout deals including Halonix, South Asia Gateway Terminals and Punjab Tractors.

As on 31<sup>st</sup> March, 2010 Mr. Steven Mark Enderby, is a Non-Executive Director on the Board of the Company. He is Chairman of Share Committee and member of Compensation Committee, Remuneration Committee and Audit Committee. Mr. Steven Mark Enderby is not holding any shares in the Company.

**Mr. Rajesh Kochhar**, aged 52 years, is a Bachelor of Engineering in Electronics from BITS, Pilani, is a veteran of the Indian Lighting Industry with over 3 decade of working experience.

Mr. Rajesh Kochhar joined Halonix Limited from Landis + Gyr Limited where he was Chief Executive Officer, India from January 2009. Landis + Gyr is a Swiss multinational specializing in Electric Metering for domestic, commercial and grid applications. Prior to this, Mr. Kochhar worked for over seventeen years with Wipro and his last position with them was Chief Executive – C&I Business, Wipro Lighting. Mr. Kochhar joined Wipro in December, 1991 when Wipro ventured into Lighting and he played key role in enabling Wipro to become a big player in the Indian lighting industry. Mr. Rajesh Kochhar started his career with Genlec Limited in 1979 and worked in several positions.

As on 31<sup>st</sup> March, 2010 Mr. Rajesh Kochhar, is an Executive Director on the Board of the Company. Mr. Rajesh Kochhar is not holding any shares in the Company.

**Mr. S.K. Neogi**, aged 65 years, graduated in Physics Honours from IIT, Kharagpur, B.Tech in Applied Physics and post graduate M. Tech specialisation in Optical Engineering. He has served Crompton Greaves, Bombay in lighting division for 3 years, worked with General Electric Company for 10 years in lighting division as Chief Engineer manufacturing and R&D department. He has worked with HMT in lighting division for 10 years as Joint General Manager in special purpose machine tool division and subsequently as General Manager responsible for Sales & Manufacturing of Lamp and Lamp making machines.

Mr. S.K. Neogi being associated with the Company since June 1993, as Vice President and he was subsequently elevated as Director – Operations of the Company. He has wide knowledge in quality control, design, development, turnkey electrification, manufacturing and implementation of quality, environmental and health systems.

As on 31<sup>st</sup> March, 2010 Mr. S.K. Neogi, is an Executive Director on the Board of the Company. Mr. S.K. Neogi is not holding any shares in the Company.

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

### **Item No. 5**

**Mr. Rajesh Kochhar**, aged 52 years, has been appointed as an Additional Director of the Company with effect from 16<sup>th</sup> November, 2009. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Rajesh Kochhar holds office of Director only upto the date of ensuing Annual General Meeting.

The Company has received notice in writing from members under section 257 of the Companies Act, 1956, proposing appointment of Mr. Rajesh Kochhar for the office of Director. Board recommends the resolution for your approval.

None of the Directors of the Company except Mr. Rajesh Kochhar, is concerned or interested in the said resolution.

### **Item No. 6**

**Mr. Susanta Kumar Neogi**, aged 65 years, has been appointed as an Additional Director of the Company with effect from 8<sup>th</sup> September, 2010. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Susanta Kumar Neogi holds office of Director only upto the date of ensuing Annual General Meeting. He has also been re-appointed as an Executive Director of the Company with effect from 8<sup>th</sup> September, 2010 for a further period of one year.

The Company has received notice in writing from members under section 257 of the Companies Act, 1956, proposing appointment of Mr. Susanta Kumar Neogi for the office of Director. Board recommends the resolution for your approval.

None of the Directors of the Company except Mr. Susanta Kumar Neogi, is concerned or interested in the said resolution.

### **Item No. 7**

Mr. Susanta Kumar Neogi had been as an Executive Director of the Company with effect from 08.09.2009 for a period of one year and for the same you have accorded your permission through postal ballot process. Subsequently, the Board of Directors in their meeting held on 26<sup>th</sup> August, 2010 has re-appointed Mr. Susanta Kumar Neogi as an Executive Director of the Company with effect from 08<sup>th</sup> September, 2010 for a period of one year to look after day to day business affairs of the company under the supervision and control of the Board of Directors of the company. Mr. Neogi is associated with the company since June, 1993 and having very wide and rich experience in the field of quality control, design, development, turnkey electrification, manufacturing & implementation of quality, environmental and health systems. He is having around 40 years of experience. None of the Director except Mr. Susanta Kumar Neogi is concerned or interested in this resolution. Your directors propose to pass these resolutions as a special resolutions.

## **DETAILED INFORMATION AS PER SCHEDULE XIII OF THE COMPANIES ACT, 1956:**

### **I. GENERAL INFORMATION :**

<b>Nature of Industry</b>	Manufacturing and trading of Electric Lamps, parts and fittings thereof
<b>Commencement of commercial production</b>	w.ef. 1 <sup>st</sup> February, 1993.
<b>Financial Performance</b>	<p>The Company has recorded a Gross sales were Rs. 45,651.23 lacs, an increase of 13% over 2008-2009. Profit before tax after providing for obsolete inventories, doubtful debts, warranty claims and prior period adjustments was Rs. (1,930.26) lacs and Net Profit at Rs. (1,974.14) lacs. The Company produced 923.79 lacs electric lamps as against 838.28 lacs last year, an increase of 10.2%. The operating results of the Company have been sharply lower on account of :-</p> <ul style="list-style-type: none"> <li>• Warranty Returns</li> <li>• Losses on account of Rupee depreciation and high commodity prices during the year.</li> <li>• Higher expenditure on Fixed Costs, coming from the development of a retail marketing network and Brand launch expenses, including advertising.</li> </ul>
<b>Export performance and net foreign exchange collaborations</b>	The Foreign Exchange Earnings for financial year ended on 2010 is Rs. 12542.38 Lacs. Further the Company is trying to increase exports by exploring new markets in USA, Europe and Middle East by way of entering into Joint Venture agreement with established foreign partner in the lighting business.
<b>Foreign Investments or Collaborations, if any</b>	As on 30 <sup>th</sup> June, 2010 foreign shareholders hold 21750032 equity shares representing 77.63 % holding in the Company.

**II. INFORMATION ABOUT MR. SUSANTA KUMAR NEOGI, EXECUTIVE DIRECTOR:**

<b>Background details</b>	Mr. Susanta Kumar Neogi graduated in Physics from IIT, Kharagpur, B.Tech in Applied physics and post graduate M.Tech specialization in Optical Engineering. He has served Crompton Greaves, Bombay in lighting division for 3 years, worked with General electric company for 10 years in lighting division as chief engineer manufacturing and R& D department. He has worked with HMT in lighting division for 10 years as Joint General Manager in special purpose machine tool division and subsequently as General Manager responsible for Sales of Manufacturing of Lamp and lamp making machines.
<b>Past Remuneration</b>	Rs. 34,91,358/- in Financial Year 2009-2010
<b>Job Profile and his suitability</b>	Mr. Neogi being associated with the Company since June, 1993 will look after all the day to day managerial activities. The Company, under his guidance and control, has sailed through many difficult situations with ease. Apart from that, his knowledge and experience of a number of years and his industrial background helps the management to create a history in its industrial field under his guidance and supervision.

**Remuneration Proposed**

The details of remuneration proposed to be paid to him are as under:

**1. Salary**

Basic salary at the rate of Rs.1,50,000/- (Rupees One lacs Fifty thousand only) per month **(with an annual increment as per Company Policy.)**

**2. Special Allowance**

Rs. 90,000/- (Rs. Ninety thousand only) per month **(with an annual increment as per Company Policy.)**

**3. Perquisites**

In addition to salary, Mr. Susanta Kumar Neogi shall also be entitled to perquisites amounting Rs. 1,42,250/- per month **(with an annual increment as per Company Policy)** as specified below:-

- (i) **House Rent Allowance:** The expenditure incurred by the Company on hiring unfurnished accommodation will be subject to a limit of 60% of the salary.
- (ii) **Medical Reimbursement:** Medical expenses incurred for self and family subject to a ceiling of Rs. 15,000/- per annum.
- (iii) **Leave Travel Concession:** For self and family in accordance with the rules of the Company subject to ceiling of Rs. 36,000/- per annum.
- (iv) **Ex-gratia payment** - Ex-gratia payment @ 20% of the basic salary.
- (v) **Contribution to Provident Fund**, Superannuation Fund or Annuity Fund as per Company Rules.
- (vi) **Gratuity** payable upto half month's salary for each completed year of service.
- (vii) **Car:** The Company will provide a car with driver. Car used for company business will not be considered as perquisites. Use of car for personal purpose will be billed to the appointee.
- (viii) **Telephone:** Telephone at the residence and mobile phone will not be considered as perquisites. Personal Long Distance calls on telephone for private purpose shall be billed by the company.

In the event of loss or inadequacy of profits, Mr. Susanta Kumar Neogi, Executive Director be paid the above salary and perquisites as minimum remuneration within the ceilings as provided in Para(B) Part II, Section II to Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the overall remuneration to Mr. Susanta Kumar Neogi, Director of the Company will not exceed 5% (remuneration shall not exceed 5% of net profits for one such Director, and if there are more than one such Director, 10% for all of them together) at any point of time in terms of section 198, 309 read with section 349 and 350 of the Companies Act, 1956.

**RESOLVED FURTHER THAT** in the event Mr. Susanta Kumar Neogi resigns from the Company he will be required to give three calendar months notice, except in case his employment is terminated by the Company on the ground of misconduct or being incapacitated, he will be entitled to receive three months notice of termination from the Company.

**RESOLVED FURTHER THAT** Mr. Susanta Kumar Neogi will work under the supervision and control of the Board of Directors of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such further acts and deeds and to take all such actions as required necessary to give effect to the above resolution."

#### **Comparative remuneration profile**

Our Company is engaged in manufacturing and trading of automotive halogen lamp, compact fluorescent lamps, components and parts and fittings thereof. The payment of remuneration is commensurate to other lighting majors.

#### **Pecuniary relationship directly or indirectly with the company or relationship with the Managerial personnel, if any**

The appointee is not having any pecuniary relationship with the Company either directly or indirectly in the Company.

### **III. OTHER INFORMATION:**

<b>(i) Reasons of loss or inadequate profit</b>	The operating results of the Company have been sharply lower on account of:- <ul style="list-style-type: none"> <li>Warranty Returns relating to previous year.</li> <li>Losses on account of Rupee depreciation and high commodity prices during the year.</li> <li>Higher expenditure on Fixed Costs, coming from the development of a retail marketing network and Brand launch expenses, including advertising</li> </ul>
<b>(ii) Steps taken or proposed to be taken for improvement</b>	The Company will take every necessary and possible step for its improvement and future growth.
<b>(iii) Expected increase in productivity and profits in measurable terms</b>	The company is confident that the company will achieve its target.

The above details will be treated as an information and abstract of the terms of the contract together with the memorandum of interest under section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. S.K. Neogi, is concerned or interested in the said resolution.

By Order of the Board

**(Sanjiv Kashyap)**  
Chief Financial Officer &  
Company Secretary

Place : Noida  
Dated: 26.08.2010



**DIRECTORS' REPORT****To the Members of the Company**

Your Directors have pleasure in presenting the **Nineteenth Annual Report** on the business and operations of the Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2010.

**FINANCIAL RESULTS***(Rs. in lacs)*

PARTICULARS	Year ended 31.03.2010	Year ended 31.03.2009
Gross Sales and other Income	45,651.23	40,268.88
Profit before Interest, Depreciation & Tax	2,910.78	4,020.75
Depreciation	1,300.36	1,143.83
Gross Profit	1,610.42	2,876.92
Interest	1,445.83	1,469.46
Profit Before Tax	164.59	1,407.46
Less : Provision for Obsolete Inventories, Doubtful Debts and Warranty Claims	1,673.74	825.55
Less: Adjustments relating to earlier years (Net)	421.11	260.16
Net Provision for Tax	(3.12)	158.98
Profit After Tax	(1927.14)	162.77
Balance of Profit / (Loss) brought forward	5,980.66	5,949.02
Proposed Dividend on Equity Shares	—	112.08
Tax on Dividend	—	19.05
Balance of Profit carried forward to next year	4,053.52	5,980.66

**FINANCIAL AND OPERATIONAL PERFORMANCE**

During the year under review, Gross Sales were Rs. 45,651.23 lacs, an increase of 13% over 2008-09. Profit before tax (PBT) after providing for Obsolete Inventories, Doubtful Debts, Warranty Claims and prior period adjustments was Rs. (1,930.26) lacs and Net Profit at Rs. (1,974.14) lacs. The Company produced 923.79 lacs electric lamps as against 838.28 lacs last year, an increase of 10.2%. The operating results of the Company have been sharply lower on account of :

- Warranty Returns
- Losses on account of Rupee depreciation and high commodity prices during the year.
- Higher expenditure on Fixed Costs, coming from the development of a retail marketing network and Brand launch expenses, including advertising.

**BUSINESS / OPERATIONS****AUTO BUSINESS**

Your company's business in the Automobile Segment has seen a very strong growth in the year 2009-2010 and we see

that trend carrying forward for the year 2010-2011. During the year gone by, all major customer segments viz. Exports, and Original Equipment Manufacturers (OEM) showed healthy demand. We expanded our markets with new customers being added in Latin America, Japan and USA. The expectation is that these new markets will start contributing to our sales from the year 2011. The major reason that held back growth in last quarter of FY10 was capacity constraint. This critical issue has been addressed with the planned addition of two H4 lines in the 2<sup>nd</sup> Quarter of 2010-2011. This will help your company to maintain its growth pattern and allow it to plan its penetration into new markets and geographies. The Company is, therefore, confident of retaining its dominance in the domestic market and simultaneously looking at aggressive growth in Exports, both for replacement as well as OEM segments.

The volatile Euro was a risk factor which would have adversely affected the company operations and profits despite a natural hedge on account of our Euro purchases. But with the Euro stabilising, this risk seems manageable.

**GENERAL LIGHTING BUSINESS**

The General lighting business grew 8.25% in the year 2009-2010 over last year. The year 2009-2010 was turbulent for the Compact Fluorescent Lamp (CFL) market on account of change in the Government regulations to transition lamps from Low Power Factor (LPF) to High Power Factor (HPF). The HPF lamps required additional electronic components which pushed up the cost of manufacturing by about Rs. 10 per lamp. The transition was effective October 1, 2009. However flow of LPF lamps from the organised sector continued unabated for quite some time after the implementation date. This led to very severe pressure on pricing as cost increases could not be passed on to the trade and consumers. This has caused established players to lose market share till recently. We have seen improvement in the last few months of 2010 and we expect the situation to stabilise in the very near future.

During the year, we started our distribution network in South-India. Despite the turbulence, we are confident of achieving significant growth in 2010-2011.

Energy saving has emerged as one of the focus areas of the Government of India and there is a lot of activity in this field. We expect CFL distribution under "Clean Development Mechanism" (CDM) to take off in a big way in the next two years. This will be the biggest driver of growth with the Government estimating close to 400 million lamps to be distributed across India under "Bachat Lamp Yojana" (BLY) program. During the year, we started supplies under CDM to Chattisgarh and are in the process of rolling out the distribution in Lucknow, Varanasi and a pilot project in New Delhi in 2<sup>nd</sup> Quarter of 2010-2011. The expectation is that several

Government organisations including Public sector Enterprises will switch to the energy saving CFL's, this will fuel the growth in this segment.

Your company took a conscious decision of reducing exposure in the Private labelling business and this segment registered a decline of more than 30% for the year 2009-10 over last year. We expect to bring it down by another 40% in the year 2010-2011. This decision has been taken on account of the high warranty returns in this segment which have eroded the profitability of the company. We will be focussing on developing our own brand and bring down the reliance on the private labelling. The focus will also be on improved quality and better cost efficiencies in manufacturing and distribution.

#### **LUMINAIRES BUSINESS**

To enhance the footprint in lighting business, we decided to enter the Luminaires business about 2 years ago. As this business was started when the economy was in a downturn, the initial efforts were not successful. We have reworked the business model and recruited a competent team to focus on high growth areas viz infrastructure projects, home lighting and light emitting diodes (LEDs). We expect this initiative to give significant results in the coming years.

#### **AUDITORS' COMMENTS IN THE AUDITORS REPORT**

The Auditors, in their Auditors Report, have commented that "According to the information and explanations given to us, and an overall examination of the Balance sheet and Cash flow statement of the Company, we report that funds raised on short term basis amounting to Rs. 800.92 lacs have been used for long term investment". The Directors have examined this comment and state that the Company had a Net Worth of Rs. 10,653 lacs as on 31<sup>st</sup> March, 2010, while Net Fixed Assets were Rs. 10,588 lacs. The Fixed Assets have, therefore, been entirely funded out of Equity; no short-term bank borrowings have been used to finance long-term assets. During the year under review, an escrow loan was taken to pay off a long-term loan, in order to retrieve the first charge on Fixed Assets given to the banks. This loan has since been paid off.

#### **DIVIDEND**

Your directors have not proposed any dividend for the financial year 2009-10.

#### **RE-STRUCTURING OF OPERATIONS OF THE COMPANY**

The Company proposes to restructure its business into Automotive lighting business (Auto Business) and the General lighting business (General Business). The Auto Business was performing as per profit expectations but the General Business was acting as a drag on the Company's profitability. The Board of Directors considered various options and felt that it was best to sell and/or transfer the General Business to the Company's 100% owned subsidiary, Halonix Technologies Limited, including by way of slump sale, along with all its rights, obligations and liabilities, to Halonix Technologies Limited, effective from 1<sup>st</sup> April, 2010 and subsequently sell and transfer its entire holding in the shares of or interest in Halonix

Technologies Limited to the promoters of the Company, Argon India Limited and Argon South Asia Limited, for which it has already received an Expression of Interest. In addition to delinking the automotive business from sub-optimal performance of the General Lighting business, this exercise would also result in an infusion of cash in the Company by way of consideration received for the General Lighting business.

The Company has entered into a Memorandum of Understanding with Halonix Technologies Limited in connection with the sale and/or transfer of the General Lighting Business of the Company to Halonix Technologies Limited, subject to valuation by independent valuer(s) and all other approvals as may be applicable. KPMG India Private Limited has been appointed as the Tax advisors for re-structuring advise. PricewaterhouseCoopers Private Limited and SSPA & Co., Chartered Accountants, Mumbai, were appointed as independent valuer(s) for valuing the General Lighting Business, who have submitted their valuation reports. Enam Securities Private Limited have been appointed as the Investment Bankers.

The Board has, vide a circular resolution of 1<sup>st</sup> July, 2010, sought consent of the shareholders of the Company under section 293 (1) (a) of the Companies Act, 1956 for (i) sale of the non-automotive lighting business to its subsidiary Halonix Technologies Limited and (ii) sale and transfer of the Company's entire holding/interest in Halonix Technologies Limited to Argon India Limited and Argon South Asia Limited and/ or their affiliates or representatives through Postal Ballot process.

As a part of the demerger and subsidiarisation process, the Company is consolidating its manufacturing/assembly lines for the Automotive business at plants at Noida and for the General Lighting business, at Haridwar plant.

#### **ACQUISITION OF ASSETS AND TRADEMARK OF COMPANIES IN EUROPE**

The Board is pleased to inform you that the Company has signed a binding agreement with its distributor in Europe, who distributes the Company's products in Europe, for the acquisition of its assets, business and intellectual property. Legal and Financial Due diligence has been done by the Consultants and Halonix shall acquire, through one or more of European entities, certain assets (including stock-in-trade, contracts, brand names and employees connected with certain goods) of the Distributor for which the commercial terms and conditions have been finalized. Once this acquisition is completed, the distribution in Europe would get integrated with the quality manufacturing facility of Halonix in India. This is expected to result in expansion of existing brand portfolio, higher customer confidence, cost rationalisation and help in increasing the customer base. With the consolidation of accounts, Revenue and EBITDA for Halonix is expected to increase by the same amount, thereby, enhancing EBITDA margin for the consolidated operations.



**MANAGEMENT DISCUSSION & ANALYSIS REPORT****a) Industry Structure and Development**

Your Company is a market leader in Automotive Halogen Lamps in India with supplies to all major OEMs in 4-Wheeler and 2-Wheeler Industry. It is also a major exporter to developed countries.

Your Company is also a leading player in Compact Fluorescent Lamps and other General Lighting Lamps. In case of General Lighting Lamps, a rapid shift is taking place from Ordinary Incandescent Lamps to energy efficient Compact Fluorescent Lamps (CFLs). With increasing demand of Energy Saving Lamps and the efforts of the Government taking the initiative to replace Ordinary Incandescent Lamps with energy saving Lamps, the CFL market is set to show tremendous growth over the next few years.

The business model for Luminaires business has been revamped. The Company has recruited a competent team to focus on high growth areas viz infrastructure projects, home lighting and light emitting diodes (LEDs). The LED luminaires is gaining greater acceptance by the day and being expensive than the regular luminaires, is pushing up the market size considerably.

**b) Opportunities and Threats****Opportunities**

- Government thrust on use of energy efficient equipments and Energy shortage in India as well as rest of the World will increase the demand for Compact Fluorescent Lamps and thus tremendous growth opportunities for your Company.
- Increase/Consolidate market share in fast growing domestic Auto market – setting up of new lines.
- Greater Auto growth will result in more after market sales.
- Expand export of automotive lamps to new markets with the expansion of brand portfolio – North America, Latin America and Europe.
- Focus on building the Brand.
- Enhanced Product portfolio – LED tail lamp assembly and Stop and Tail lamps.
- Introduction of new low cost PCBs.
- Introduction of new Fixtures and Fitting for the new generation lamps.
- Expansion of domestic distribution network by the Company will increase pricing power with the final customer.

**Threats**

- Increasing prices of inputs and volatility in currency market may impact the profitability of the Company.
- High Energy prices, high inflation and high Interest cost may adversely affect the Company.

- Increase/ Volatility in cost of Raw Material, especially major commodities like Molybdenum.
- New projects of Luminaires could be put on hold by various State Governments.
- Frequent changes in government regulations especially BIS norms.

**e) Outlook**

The Government thrust on development of Infrastructure and Housing sector as a whole and use of Energy efficient Lamps will further boost demand for the products of the Company. Compact Fluorescent Lamps are expected to witness exponential growth in the near future.

With the economy reviewing, the auto OE business may see some inventory build-up, which should be positive for the auto business.

The Company has taken various steps to rationalize its operating cost as well as to manage its current assets better. This should improve both profitability and capital efficiency.

**d) Risks and Concern**

The Company's risk management strategy encompasses the proper and in-depth identification, assessment and prioritization of risk followed by the speedy mobilization of resources to minimize, monitor, and control the profitability of unfortunate events.

Excessive volatility in the Company's key raw materials can have severe impact on its profitability. As the Company derives a portion of its revenues from exports and pays for purchases with foreign exchange, excessive volatility in currency rates can significantly impact profitability.

**e) Financial Performance vis-a-vis Operational Performance**

During the year under review, Gross Sales were Rs. 45,651.23 lacs, an increase of 13% over 2008-09. Profit before tax (PBT) after providing for Obsolete Inventories, Doubtful Debts, Warranty Claims and prior period adjustments was Rs. (1,930.26) lacs and Net Profit at Rs. (1,974.14) lacs. The Company produced 923.79 lacs electric lamps as against 838.28 lacs last year, an increase of 10.2%.

**f) Segment wise or Product wise Performance**

As per the relevant reporting requirements, though the Company operates in a single segment i.e. Electrical Lamps, it has decided to segregate its business into two product lines, Automotive and General Lighting. Automotive Lamps sales constituted 48% of total sales and 52% sales came from General Lighting side.

**g) Internal Control System and their adequacy**

The Company has a proper and adequate system of internal controls commensurate with its size to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, recorded and reported correctly.

The Company's internal control systems are further supplemented by an extensive programme of internal audit by an independent firm of Chartered Accountants and periodic review by management.

The internal control system is designed to ensure that all financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

**h) Developments on Human Resources & Industrial Relations Front**

The Company believes that employees are the real strength and their contribution is always the main engine for growth. Sound human resource development policies of the Company ensure that each employee grows as an individual and contributes to the performance of the Company. Regular in-house training programs for employees at all levels help in this objective.

Industrial relations continued to remain harmonious during the year and morale of the employees working in the Company is very high. The number of persons employed in the Company is 3094 as on 31st March, 2010.

**i) Cautionary Note**

Certain statements in the 'Management Discussion and Analysis' section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which would be different from what the Directors envisage in terms of the future performance and outlook.

Investors are cautioned that this discussion contains forward looking statement that involve risks and uncertainties including, but not limited to, risks inherent in the Company's growth strategy, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors discussed. The following discussion and analysis should be read in conjunction with the Company's financial statements and notes on accounts.

**CORPORATE GOVERNANCE**

Your Company always strives to incorporate the appropriate standards for good corporate governance. As a listed Company, necessary measures are taken and systems put

in place to comply with the Listing Agreement with Stock Exchanges.

A separate Report on Corporate Governance along with a Certificate of Compliances of conditions of Corporate Governance from the Practicing Company Secretary forms part of this Report.

**QUALITY POLICY**

The Company is committed to provide consistent quality products to its customers worldwide. For the achievement of world class quality in the products manufactured, It is necessary that every employee is involved in ensuring and improving of products at all time. The Management on its part is fully committed to quality and provides all resources to accomplish this task.

**SAFETY, HEALTH AND ENVIRONMENT POLICY**

The Company is committed to prevent injury and ill health and continually improve its safety, health and environment, legal and other requirements through institutionalizing proactive safety, health and environment management strategies.

**CERTIFICATION(S)**

The Company is certified for ISO 9002 since Nov.-1994 & QS 9000:1998/ISO 9001:1994 since Jan.-2002, ISO/TS 16949:2002 since May -2003 by RWTUV, Germany. The Company has also certified for ISO 14001:2004 and OHSAS 18001:1999 since Apr.-2005 by RWTUV, Germany.

The Company has been certified for ISO 9001:2008 and ISO/TS 16949:2002 for all units located in Noida, valid until 2012 and ISO 14001:2004, OHSAS 18001:2007 is valid until Apr.-2011 for all units by TUV NORD INDIA PVT. LTD., Germany. The Company has been recently conducted surveillance audit for ISO/TS 16949:2009 in the month of Mar.-2010.

The Certification of ISO 9001:2008 & ISO/TS 16949:2009 valid are until Aug.-2010 for Dehradun plant and Haridwar plant certification of ISO 9001:2008 valid is until Aug. -2011.

The Company's (59-A) testing lab is NABL accredited in July 2010 and SA 8000 certification during this financial year.

The Company's units at A1, Phase-II, Noida and Haridwar are certified for ROHS compliance and the audit was performed by Intertek. Your Company was the first Company in India to be certified with ROHS compliance through certification audit last year and this certification is valid till 2013 and also approved by BIS for the CFL products.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Board of Directors of your Company state:

- i. that in the preparation of the annual accounts, applicable accounting standards have been followed;
- ii. that 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 of the Company for the year under review;

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

#### **PUBLIC DEPOSITS**

The Company has not accepted any deposits from Public, during the year under review.

#### **DIRECTORS**

Mr. Gurdeep Singh, Director and Mr. Steven Mark Enderby, Director, retire by rotation at the forthcoming Annual General Meeting, and being eligible offer themselves for re-appointment.

During the year Mr. S.K. Neogi was appointed as an Additional Director on 24<sup>th</sup> August, 2009, subsequent to the dispatch of the Notice for AGM. Hence, he was re-appointed as an Additional Director on 8<sup>th</sup> September, 2009 for a period of one year. He was subsequently also appointed as Executive Director of the Company. Mr. S. K. Neogi has now been re-appointed as an Executive Director as approved by the Board in their meeting held on 26<sup>th</sup> August, 2010 for another period of one year, effective September 08, 2010. The Company has received notice under section 257 of the Companies Act, 1956 for his appointment at the ensuing Annual General Meeting. The Board recommends the same for your approval.

Mr. Rajesh Kochhar was appointed as an Additional Director and Managing Director of the Company with effect from 16<sup>th</sup> day of November, 2009. The Company has received notice(s) under section 257 of the Companies Act, 1956 for his appointment at the ensuing Annual General Meeting. The Board recommends the same for your approval.

In terms of Clause 49 of the Listing Agreement with Stock Exchanges, the details of the Directors to be appointed / re-appointed are contained in the accompanying notice for convening the ensuing Annual General Meeting.

During the period, Mr. Rajiv Prasad, Managing Director, resigned and was relieved from the Board as well as from the office of the Company with effect from 17<sup>th</sup> day of August, 2009. Your Board of Directors wish to place on record their sincere appreciation for the guidance and valuable contribution made by Mr. Rajiv Prasad in the deliberations of the Board during his tenure as Managing Director of the Company.

#### **AUDITORS**

M/s. Arun K. Gupta & Associates, Auditors of the Company, retire at the forthcoming Annual General Meeting, and being eligible offer themselves for re-appointment.

#### **LISTING OF SHARES**

The Equity Shares of the Company are listed on Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. The Listing fees for the financial year 2010-2011 has been paid.

#### **COST AUDIT**

The Board of Directors, in pursuance of an order made under section 233B of the Companies Act, 1956, has appointed M/s. J.K. Kabra & Co., Cost Accountants, New Delhi as Cost Auditors for conducting audit of the cost accounts maintained by the Company for the financial year ended 31st March, 2010.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information under 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 given below:

##### **A. Conservation of Energy**

The Company continues its policy of priority to energy conservation measures including regular review of energy conservation, consumption and effective control of utilization of energy.

The following energy conservation measures were implemented during the year under review.

- Roof extractor and transparent fiber sheet has been installed to dilute the heat in production area, increase natural cooling, improve the natural illumination and replace electricity driven fans and lights to take care of the power consumption.
- Up-gradation of machine electrical panels by using advance PLCs. Absolute encoders, Drives, HMI's, vision systems and more than 25 new advance electrical panels have been made inhouse at various plant locations to increase the machine efficiency and reduction of power consumption.
- Kwh meters installed on different locations of plants to monitor the actual power consumption.
- In spite of increased production & existing machine load, 16.9 thousand units saved in comparison to the last year.

**During the year under report, company has consumed units of energy as detailed below.**

<b>Electric Energy</b>	- 135.22 (previous. year 123.64) lac units supplied by Power Corporation, 18.87 (previous. year 16.34) lac units generated by DG sets.
------------------------	--

- Diesel** – 5.78 (previous. year 4.97) lac litres for running of DG sets.
- (b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy – No major additional investment is required.
- (c) Impact of the measures at(a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. – Not applicable
- (ii) Benefits derived as a result of the above R&D
- Power saving.
  - Power provided to areas where grid has not reached. Installed 15 KW power generating capacity till last financial year.
- (iii) Future Plan of Action :
- The Company will undertake R&D activities in the organization to improve quality and reduce cost by increasing the raw material efficiency and reducing wastage. To commercialize the products developed. Penetrate market. Reduce cost and enhance quality To introduce Organic LED. To introduce sensors. To introduce LED 8Watt general lighting lamps.

## B. Technology Absorption

Particulars regarding Research & Development, Technology Absorption, Adaptation and Innovation are given under in prescribed Form 'B'.

### FORM 'B'

#### 1. Research & Development (R & D) :

- (i) Specific Areas in which R&D carried out by the Company
- LED based TATA NOVA tail lights testing and E Homologation. ARAI Certification launched and sets sold.
  - LED based 600 \* 600 mm recessed fitting for use in Commercial Complexes commercialized and sold in bulk.
  - Bulk head fixtures for general lighting on AC mains commercialized and sold several pieces..
  - Ministry of New and Renewable Energy (MNRE) type test approved Home Lighting System for use in remote locations. Home lighting system commercialized and sold.
  - MNRE type test approved street lighting system for use in Urban and remote areas. Production commercialized and sold in bulk quantities.
  - MNRE approved lantern under type testing and approval completed.
  - TERI lanterns under the Bill Clinton Fund approved for supply and production commercialized.
  - Introduction of Sparkle for mass consumer Understanding of LED. We have sold more than 25000 such units for generating awareness of LED.

- (iv) Expenditure on R & D
- : During the year Company has developed and completed tooling for LED based tail lights and expenditure incurred for design and tooling fees was 200 lacs INR.

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

- (i) Efforts in brief : Technology to manufacture Halogen Lamps and CFL Lamps has been fully absorbed.
- (ii) Benefits derived as a result of the above efforts : Stabilized Operations
- (iii) Details of technology imported during last five years:
- Technology Imported : tail lamp manufacturing.
  - Year of Import : 2010.
  - Has technology been fully absorbed : yes
  - If not fully absorbed, area where this : N.A. has not taken place.

#### C. Foreign Exchange Earnings and Outgo

PARTICULARS	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
1. Foreign Exchange Earnings	12542.38	9925.24
2. Foreign Exchange Outgo -		
(a) Raw Materials	11017.68	14377.29
(b) Capital Goods	183.38	767.94
(c) Spare Parts	220.10	778.13
(d) Foreign Traveling/ Selling Expenses	83.51	103.27
(e) Dividend	85.82	775.38

## D. Export Activities

Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The Company is taking necessary steps to increase export activities. The Company is having a unit in NSEZ. The company is trying to acquire marketing company in Europe.

## PERSONNEL

Report on particulars of the employees required in terms of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, is as under:

Sr. No.	E-Name	Age	Designation	Remuneration Received (Rs.)	Qualification	Experience (Years)	Date of Comm. of Employment	Last Employment
<b><u>Employed throughout the year</u></b>								
1.	S K Neogi	65	Executive Director	3491358	M.Tech, BSC(H)	40	03.06.1993	HMT Ltd.
2.	Amar Singh Saini	60	Director Operations	3055008	D.M.E	39	03.05.1991	Ece Industries Ltd.
3.	Pawan Kumar Sharma	59	General Manager-Sales	1956022	B.com., Diploma in Business Management	40	01.04.1989	Halonix Electric Ltd.
4.	Arvind Raman	43	General Manager Operations	2003835	B.E. (Industrial & Prod. Engg.)	18	02.01.2008	ITC Ltd.
5.	Rakesh Zutshi	42	Director Sales & Mktg.	3776280	BSC., MBA	20	09.07.2007	Gujrat Glass Ltd.
6.	Sanjeev Pandiya	49	Director Finance	4738210	C.A. (Inter), ICWA (Inter), MBA	23	14.10.2008	Renuka Sugar Ltd.
7.	Lalit Ramsharan Bhatia	44	General Manager-SCM	2294257	B.SC (Power Electronics)	14	05.02.2009	Supreme Industries
<b><u>Employed for part of the year</u></b>								
1.	C.B.Satija	63	Vice President	977162	C.A.	36	02.06.2008	Surya Roshini Ltd.
2.	Muralidhar Manvi	45	VP-luminaires	487135	MBA (Marketing)	21	11.02.2010	Ingersoll Rand
3.	Devarshi Deb	43	Vice President-HR	188777	PGDPM	18	02.03.2010	Quattro
4.	Sanjiv Kashyap	46	CFO & CS	158166	ACA, ACS, PGDFM	21	15.03.2010	Hero Motors Limited
5.	Seema Arora	38	Marketing Head	72313	MBA	14	15.03.2010	Beetel Teletech Ltd.
6.	Rajesh Kochhar	53	Managing Director	5472268	B.E. Electronics	32	16.11.2009	Landis + Gyr Limited
7.	Rajiv Prasad	49	Managing Director	9606944	B.E. Electronics, PGDM, IIM Bangalore	26	10.05.2007	Gujrat Glass Ltd.

- The employment is contractual
- The terms and conditions of employment are based on the board resolution, shareholders' resolution and appointment letter.
- Nature of duties of all the above personnel is to look after day-to-day activities of the Company under the supervision of Board of Directors of the Company.
- No employee as mentioned above are related to each other.

## ACKNOWLEDGEMENT

Your Directors wish to place on record their gratitude to NSEZ Authorities, Banks, Business Associates and Shareholders for their unstinted support, assistance and co-operation.

Your Company and its Directors also acknowledge with thanks the full fledged co-operation received from the employees at all levels.

For and on behalf of the Board

Place : Noida  
Date : 10.08.2010

**RAJ KRISHAN SAHGAL**  
Chairman



## CORPORATE GOVERNANCE REPORT AS ON 31<sup>ST</sup> MARCH, 2010

### Corporate Governance

The Company is committed to moral accountability, social responsibility, strict compliance with the law and consistent and coherent approach and has a strong, independent and knowledgeable Board charged with the responsibility to:-

- Ensure legal and ethical conduct by every one in the Company.
- Protect the interest of the investors, customers, employees, lenders, suppliers and the community.
- Advise and counsel the MD with the view to make the Company stronger and more successful.
- Support investments and decisions that serve the interest of the Company and the stakeholders and caution in cases of investments and decisions which may not benefit the Company.
- Prevent conflicts of interest and ensure that the right people are making the decisions and monitor, on ongoing basis, the results of the decisions that are likely to affect the Company most.

The Company's Corporate guidelines emphasize:-

- First and foremost 'The quality of strength of character'.
- An enquiring and independent mind, practical wisdom and mature judgment.
- Principle-centered directors, leaders and senior management.
- Structure that promotes transparency and culture that the right questions are asked without fear and that checks and balances are in place to ensure that the answers reflect what is best for the creation of long term sustainable wealth and value.

Risk Management is also seen by the Company as an essential element of Corporate Governance and therefore, the Board is charged with the oversight of this function.

### 1. BOARD OF DIRECTORS

#### (A) Composition of Board

The present Board consists of one Managing Director, one Executive Director and Six Non-Executive Directors. The Non-Executive Directors with their diverse knowledge, experience and expertise brings in their independent judgment to the deliberations and decisions of the Board. Apart from the sitting fees being paid for attending Board / Committee Meetings, the non-executive Directors did not have any material pecuniary relationship or transaction with the Company during the year 2009-2010.

The Company has a non-executive Chairman and the Company meets the requirements relating to the composition of Independent and non-Independent Directors of the Board of Directors.

#### (B) Non-Executive Directors' compensation and disclosures

The Non-Executive Directors of the Company are paid sitting fee as fixed by the Board of Directors within the limits prescribed under the Companies Act, 1956. No stock options were granted to non-executive Independent Directors during the year under review.

#### (C) Other provisions as to Board and Committees

During the financial year 2009-2010, 11 meetings of the Board of Directors were held on 21<sup>st</sup> May, 2009, 30<sup>th</sup> June, 2009, 25<sup>th</sup> July, 2009, 29<sup>th</sup> July, 2009, 24<sup>th</sup> August, 2009, 8<sup>th</sup> September, 2009, 23<sup>rd</sup> October, 2009, 14<sup>th</sup> November, 2009, 28<sup>th</sup> January, 2010, 26<sup>th</sup> February, 2010 and 29<sup>th</sup> March, 2010.

The 18<sup>th</sup> Annual General Meeting of your Company was held on Tuesday, the 8<sup>th</sup> September, 2009 at 10.00 a.m. at the registered office of the Company at 59-A, Noida Special Economic Zone, Phase-II, Noida, District Gautam Budh Nagar, U.P. – 201 305.

The details about the directors, attendance in the Board Meeting and Annual General Meeting are given below.

Name	Category	Board Meetings Attended During the year	Attendance at the AGM held on 08.09.2009	No.of Directorship in Companies other than Halonix Limited	No.of Committees & Positions held as	
					Member	Chairman
Mr. Raj K Sahgal (Chairman)	Independent & Non-Executive	11	Yes	—	1	2
Mr. Rajiv Prasad (Managing Director)	Executive	4	Not Applicable	1	1	—



Name	Category	Board Meetings Attended During the year	Attendance at the AGM held on 08.09.2009	No. of Directorship in Companies other than Halonix Limited	No. of Committees & Positions held as	
					as Member	as Chairman
Mr. Steven M Enderby (Director)	Non- Executive**	9	Yes	5	3	1
Mr. Gurdeep Singh (Director)	Independent & Non-Executive	9	Yes	4	3	1
Mr. Jayant Davar (Director)	Independent & Non-Executive	6	No	3	—	—
Mr. Girija S. Tripathy (Director)	Independent & Non-Executive**	10	Yes	5	4	—
Mr. Ganapati Rathinam (Director)	Independent & Non-Executive**	6	Yes	5	1	—
Mr. S.K. Neogi (Director)	Executive	5	Not Applicable	1	1	—
Mr. Rajesh Kochhar (Managing Director)	Executive	3	Not Applicable	1	3	1

\*\* Representative of Argon India limited and Argon South Asia Limited

- Mr. S.K. Neogi was inducted as Executive Director for a period of one year from 8<sup>th</sup> September, 2009 to 7<sup>th</sup> September, 2010. Mr. S. K. Neogi has again been appointed as an Additional Director and Executive Director of the Company with effect from 8<sup>th</sup> September, 2010.
- Mr. Rajesh Kochhar was inducted as Managing Director with effect from 16<sup>th</sup> day of November, 2009.
- Mr. Rajiv Prasad resigned from the post of Managing Director and Director from the Board with effect from 17<sup>th</sup> day of August, 2009.

**Note :**

1. Directorship in Private Company, Foreign Companies and Companies under section 25 of the Companies Act, 1956 have not been considered.
2. For the purpose of membership & Chairmanship in a Committee only Audit Committee and Shareholders' Investors' Grievances Committee have been considered.
3. The above composition is as at 31<sup>st</sup> March, 2010.

None of the Directors of the Board serve as Member of more than 10 Committees nor do they Chair more than 5 Committees.

**(D) Code of Conduct**

- (i) The Board of Directors has laid down Code of Conduct for all Board Members and Senior Management of the Company. The copies of Code of Conduct as applicable to the Directors (including Senior Management of the Company) are uploaded on the website of the Company [www.halonix.co.in](http://www.halonix.co.in)
- (ii) The Members of the Board of Directors and Senior Management personnel have affirmed compliance with the Code applicable to them during the year ended March 31, 2010. The Annual Report of the Company contains a Certificate duly signed by the Managing Director in this regard.

**II. AUDIT COMMITTEE**

**(A) Qualified and Independent Audit Committee**

The Company complies the provisions related to Audit Committee in terms of Clause 49 of the Listing Agreement as well as in terms of the provisions of Section 292A of the Companies Act, 1956. Its functioning is as under:

- (i) The Audit Committee consists of the four directors as members, three of them are independent directors.
- (ii) All members of the Committee are finance literate, Mr. Girija Shankar Tripathy is a qualified Chartered Accountant and also holding degree in Master in Finance and Control; and Mr. Steven Mark Enderby, is also qualified accountant having the requisite financial management expertise.

- (iii) Mr. Raj Krishan Sahgal, the Chairman of the Audit Committee is an Independent Director.
- (iv) The Chairman of the Audit Committee, Mr. Raj Krishan Sahgal was present at the last Annual General Meeting of the Company held on 8<sup>th</sup> day of September, 2009.
- (v) The Chief Financial Officer / Director-Finance, Internal Auditors, representatives of the Statutory Auditor and such other officials of the Company are invited to attend the Audit Committee meetings as and when required.
- (vi) The Company Secretary acts as the Secretary to the Committee.

## (B) Meeting and Composition of Audit Committee

During the year, 5 Audit Committee meetings were held on 30<sup>th</sup> June, 2009, 25<sup>th</sup> July, 2009, 29<sup>th</sup> July, 2009, 23<sup>rd</sup> October, 2009 and 28<sup>th</sup> January, 2010.

**Number of meetings attended by the Members are given below:**

Name of Members	Composition of the Share Committee	Meetings Attended
Mr. Raj K. Sahgal	Independent	5
Mr. Steven Mark Enderby	Non-executive	4
Mr. Gurdeep Singh	Independent	4
Mr. Girija Shankar Tripathy	Independent	2

## (C) Powers of Audit Committee

The Audit Committee has powers including:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

## (D) Role of Audit Committee

1. Review of Company's financial reporting process, the financial statements and financial/risk management policies.
2. Recommendation to the Board on appointment of statutory auditors and fixation of audit fee and other fees to the auditors.
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 particulars reference to:
  - a. Matters required to be included in the Director's Responsibility Statement, to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 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 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.
- 5A. Reviewing, with the management, the statement of uses/application of funds raised through an issue public issue, rights issue, preferential issue, etc., the statement of funds utilized for purposes other than those stated in the offer document / prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

7. 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.
8. Discussion with the Statutory and internal auditors on any significant findings and follow up there on.
9. 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.
10. 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.
11. 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.
12. To review the functioning of the Whistle Blower mechanism, wherever applicable.
13. Approval of appointment of CFO (i.e., the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc of the candidate.
14. Carrying out any other function as is mentioned in the terms of reference of the audit Committee.
15. To carry out any of the functions contained in the Corporate Governance Clause of the Listing Agreement as well as section 292A of the Companies Act, 1956.

**(E) Review of information by Audit Committee**

The Audit Committee has reviewed the following information during the year.

1. Financial Statement and draft audit report including quarterly/half-yearly financial information.
2. Management discussion and analysis of financial condition and results of operations of the Company.
3. Statement of related party transactions.
4. Letter issued related to Internal Control Weaknesses.
5. The reports of Internal Auditors.
6. The appointment/remuneration of the Internal Auditors.

**(F) Export activities**

Activities relating to exports, initiatives then to increase export, development of new export market for products and arvic aervics , and export plans. The company is taking necessary steps to increase export activities. The Company is having plant in NSEZ. The company is trying to acquire marketing Company in Europe.

**III. SUBSIDIARY COMPANY**

1. The Company has one non listed non-material Subsidiary Company “Halonix Technologies Limited”.
2. The Audit Committee also reviews the financial statements, in particular, the investments made by the unlisted subsidiary company.
3. The minutes of the Board Meetings of the unlisted subsidiary company are placed at the subsequent Board Meetings of the Company. The Management brings to the attention of Board of Directors, a statement of all significant transactions and arrangements entered into by the subsidiary company.

**IV. DISCLOSURES**

**(A) Basis of related party transactions**

There is no material significant related party transaction that may have potential conflict with the interest of the Company at large.

- (B)** There is no non-compliance by the Company and there are no 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.

**(C) Disclosure of Accounting Treatment**

The Financial statement of Company are prepared as per the prescribed Accounting standards and reflects true and fair view of the business transactions in the Corporate Governance.

## (D) Whistle Blower Policy

There is no need in the Company to establish a mechanism called 'Whistle Blower Policy' for employees to report to the management instances of unethical behavior, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy in the Company.

(E) The Company has complied with the mandatory conditions of Corporate Governance and constituted Remuneration Committee as per the non-mandatory requirements.

## (F) Board Disclosures Risk Management

The Company has laid down procedures to inform the Board of Directors about the Risk Management and its minimization procedures. The Audit Committee and the Board of Directors review these procedures periodically.

## (G) Proceeds from public issues, rights issues, preferential issues, etc.

During the year under review, no money has been raised by the Company.

## (H) Remuneration of Directors

### (1) Executive Directors

(a) The remuneration of the executive directors is decided by the remuneration committee based on the qualification, experience, industry benchmarks, the Company's performance vis-à-vis the industry, performance track record of the executive director/ appointee(s). The Company pays remuneration by way of salary, perquisites, commission and allowances.

(b) Remuneration paid to the past/present executive directors of the company during 2009-2010 is as under:-

(Amount in Rs.)

Name of the Executive Director	Salary and other Allowances	Perquisites	Contribution to Provident Fund	Service Tenure	Contract Notice Period	No. of Shares of the Company
Mr. S.K. Neogi	3122705	153000	215653	07.09.2011	3 Months	Nil
Mr. Rajesh Kochhar	5155600	61248	255420	15.11.2012	3 Months	Nil
Mr. Rajiv Prasad	7684009	1143235	779700	Upto 17.08.2009	3 Months	Nil

- There is no stock option in the Company.

### (2) Non-Executive Directors

(a) The Non-Executive Directors are entitled to sitting fee only for attending the Board/Committee Meetings in terms of the Companies Act, 1956. A sitting fee of Rs. 5,000 per meeting of the Board and Rs. 2,500 per committee meeting are paid.

### (b) Payment of sitting fees to Non-Executive Directors for the year ended 31<sup>st</sup> March, 2010 :-

Name	Sitting Fees Paid (in Rs.)
Mr. Raj K Sahgal	75,000
Mr. Steven M Enderby	62,500
Mr. Gurdeep Singh	60,000
Mr. Jayant Davar	30,000
Mr. G. Tripathy	55,000
Mr. G. Rathinam	30,000

(c) The non-executive directors have disclosed that they do not hold any shares and/or convertible instruments in the Company.

(d) There has been no pecuniary relationship or transactions of the non-executive directors' vis-à-vis the Company during the year under review.

(e) The Company has constituted the Remuneration Committee in the Company to look after the remuneration being paid to the executive directors of the Company.

- (f) The detail of composition of Remuneration Committee as on 31<sup>st</sup> March, 2010 is as under:-

Name of Members	Composition of the Remuneration Committee
Mr. Gurdeep Singh	Independent
Mr. Raj Krishan Sahgal	Independent
Mr. Steven Mark Enderby	Non-Executive

During the year ended 31<sup>st</sup> March, 2010, the Committee held three meetings on 24<sup>th</sup> August, 2009, 8<sup>th</sup> September, 2009 and 14<sup>th</sup> November, 2009 Mr. Gurdeep Singh is the Chairman of the Remuneration Committee.

**Number of meetings attended by the Members are given below:**

Name of Members	Composition of the Remuneration Committee	Meetings Attended
Mr. Gurdeep Singh	Independent	2
Mr. Raj Kishan Sahgal	Independent	3
Mr. Steven Mark Enderby	Non-Executive	3

**(I) Management**

The Management Discussion and Analysis Report has been included separately in the Annual Report to the shareholders.

**(J) Shareholders Information**

- (i) Mr. Gurdeep Singh and Mr. Steven Mark Enderby are retiring by rotation at the forthcoming Annual General Meeting of the Company. The brief resume and other details of these directors are given with Notice of the Annual Report.

Mr. S.K. Neogi has been appointed as an Additional Director as well as Executive Director for a period of one year with effect from 8<sup>th</sup> September, 2009 and Mr. Rajesh Kochhar has been appointed as an Additional Director as well as Managing Director of the Company on 16<sup>th</sup> day of November, 2009 respectively. As per the provisions of section 260 of the Companies Act, 1956, these Directors hold office only upto the date ensuing Annual General Meeting. The Company has received notices under section 257 of the Companies Act, 1956 proposing appointment of these Directors as Directors liable to retire by rotation. The brief resume and other details of these directors are given with Notice of the Annual Report.

During the period under review, Mr. Rajiv Prasad, resigned as Managing Director and Director from the Board of Directors of the Company with effect from 17<sup>th</sup> day of August, 2009. Your Board of Directors placed on record their sincere appreciation for the guidance and valuable contribution made by Mr. Rajiv Prasad in the deliberations of the board during his tenure as Managing Director of the Company.

During the year under review, Ms. Nidhi Agarwal, Company Secretary was appointed on 1<sup>st</sup> February, 2010 and resigned from the post of Company Secretary on 17<sup>th</sup> April, 2010. Mr. Sanjiv Kashyap, has been nominated by the Board as Company Secretary and Compliance Officer of the Company with effect from 17<sup>th</sup> day of April, 2010.

- (ii) The quarterly results are put on the Company's website [www.halonix.co.in](http://www.halonix.co.in)
- (iii) Shareholders'/Investor Grievance Committee Meeting now termed as Share Committee, is constituted under the Chairmanship of a non-executive Director to consider and look into the matter of Shareholders'/Investors' Grievances and to suggest the remedial and improvement measures and to redress the same.

The composition of Shareholders' Investors' Grievance Committee now termed as Share Committee is as under:

Name of Members	Composition of the Share Committee	Meetings Attended
Mr. Steven Mark Enderby	Non-executive	20
Mr. Girija S Tripathy	Independent	12
Mr. S.K. Neogi	Executive	11
Mr. Rajesh Kochhar	Executive	3
Mr. Gurdeep Singh	Independent	1
Mr. Rajeev Prasad	Executive	9

Mr. Steven Mark Enderby is the Chairman of the Committee.

During the period 24 Share Committee Meetings were held in the year ended 31<sup>st</sup> March, 2010.

Mr. Sanjiv Kashyap, Company Secretary, is the Compliance Officer and can be contacted at :

**Mr. Sanjiv Kashyap**, Chief Financial Officer, Company Secretary and Compliance Officer  
**Halonix Limited**

59-A, Noida Special Economic Zone,  
Noida Phase - II, Distt. Gautam Budh Nagar, U.P. - 201 305.  
Phone:91-11-0120-4012222, Fax:91-11-0120-2562943  
email : halonix@halonix.co.in

28 investors' complaints/queries were received during the year under review and all of them have been resolved during the year and no complaint was pending as on March 31, 2010.

- (iv) The Board of Directors of the Company has delegated the power of Share Transfer to the Share Committee and the Registrar and Share Transfer Agents. The meetings of the Share Committee to consider share transfer formalities are held on fortnightly basis generally. During the year company held 24 meetings of Share Committee Meeting.

## General Body Meetings

Location and time of Annual General Meetings held in the last 3 years :

Year	Type	Date	Venue	Time	Special Resolution Passed
2007	AGM	30.07.2007	59-A, NSEZ, Phase-II, Noida Distt. Gautam Budh Nagar, U.P. – 201305	10.00 A.M.	No
2008	AGM	25.08.2008	59-A, NSEZ, Phase-II, Noida Distt. Gautam Budh Nagar, U.P. – 201305	10.00 A.M.	No
2009	AGM	08.09.2009	59-A, NSEZ, Phase-II, Noida Distt. Gautam Budh Nagar, U.P. – 201305	10.00 A.M.	No
Whether Special Resolution were put through postal ballot last year					Yes
Details of voting pattern					Given hereunder
Persons who conducted the postal ballot exercise					Given hereunder
Whether Special Resolutions are proposed to be conducted through postal ballot					Yes

## POSTAL BALLOT:

- During the year 2009-10, in terms of the provisions of section 192A of the Companies Act, 1956 read with the Companies (Passing of the resolution by postal ballot) Rules, 2001, following resolutions were passed by voting through postal ballot.
  - Appointment and remuneration of Mr. Susanta Kumar Neogi, Executive Director of the Company.
  - Appointment and remuneration of Mr. Rajesh Kochhar, Managing Director of the Company.
  - Authorisation to Board of Directors of the Company to borrow such sums of money(s) not exceeding the sum of Rs. 350 Crores over and above the paid-up capital and free reserves of the company.
  - Authorisation to Board of Directors of the Company to create charge, hypothecate, mortgage, pledge, any movable and immovable properties of the company both present and future, not exceeding the sum of Rs. 350 crores over and above the paid up capital and free reserves of the Company.

Related procedure for voting by postal ballot has been followed by the company. Dr. S. Chandrasekaran, a Company Secretary in whole time practice had been appointed as scrutinizer, who conducted this postal Ballot exercise in a fair and transparent manner and submitted his report to the company.



**Procedure Followed**

- I. The company has issued the postal ballot notice dated 28<sup>th</sup> Jan 2010 for passing the above mentioned Resolutions. The draft resolutions together with the explanatory statement and postal ballot forms and self addressed business reply envelopes were sent to the members and other concerned under certificate of posting;
- II. The company has made an advertisement regarding dispatch of postal ballot notice in The Statesman (English) and Amar Ujala (Hindi) on 22<sup>nd</sup> day of February 2010.
- III. Members were advised to read the instructions carefully printed on the postal ballot form and return the duly completed form in the attached self- addressed business reply envelope, so as to reach the scrutinizer not later than the close of working hours on 24<sup>th</sup> of March 2010.
- IV. After due scrutiny of all the postal ballot forms received upto the close of working hours on 24<sup>th</sup> of March 2010, Dr. S. Chandrasekaran, a Practicing Company Secretary (the Scrutinizer ) submitted his report on Saturday, 27<sup>th</sup> March 2010;
- V. The results of the postal ballot were declared by Mr. Rajesh Kochhar, Managing Director of the Company on Tuesday, March 30, 2010 at 11:00 A. M. at the Registered Office of the Company at 59-A, NSEZ, Noida Phase II, Distt. Gautam Budh Nagar (U.P) – 201305. The date of declaration of results was taken as the date of passing of the Resolutions. The Managing Director declared that all Resolutions specified in the notice have been passed with requisite majority;
- VI. The results of the postal ballot were published in the newspapers, The Statesman,(in English)and Amar Ujala( in Hindi) on 02.04.2010.

**The details of voting pattern are as follows:**

Particulars.	Total No. of Votes received.	No. of Votes for which right is not Exercised	No. of votes have been rejected.	Net No. of Valid Votes cast through postal ballot.	No. of votes cast in favour of resolution.	No. of votes cast in against of resolution.
Appointment and Remuneration of Mr. Susanta Kumar Neogi as Executive Director	18530498	600	301	18529597	18528321	1276
Appointment and Remuneration of Mr. Rajesh Kochhar as Managing Director	18530498	438	301	18529762	18526186	3576
Authorization to Board of Directors of the Company to borrow the funds.	18530498	435	301	18529762	18528662	1100
Authorization to Board of Directors to create charge over the assets/properties of the Company.	18530498	435	301	18529762	18527386	2376

**Means of Communication**

<b>Quarterly report sent to each Household of shareholders</b>	<b>The result of the Company are published in the newspapers.</b>
<b>Quarterly results and in which newspaper normally published in</b>	All quarter results were published in Financial Express :- All Editions (English Edition) and Navbharat Times, Delhi (Hindi Editions).
<b>Any website Where displayed</b>	Yes, the results are displayed on the Company's website at <a href="http://www.halonix.co.in">www.halonix.co.in</a>
<b>Whether it also displays official News releases</b>	No
<b>Whether the website displays the Presentation made to the Institutional Investors and to the analysis</b>	No

## Market Price Information

The reported high and low closing prices during the year ended March 31, 2010 on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, where your Company's shares are frequently traded, are given below :

Month	National Stock Exchange		Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr, 2009	56.00	39.05	57.00	39.00
May, 2009	70.75	42.00	71.00	44.00
Jun, 2009	82.95	61.10	83.75	62.50
Jul, 2009	67.75	51.50	67.00	51.00
Aug, 2009	80.00	63.00	83.00	62.25
Sep, 2009	99.00	72.00	98.80	69.00
Oct, 2009	108.75	85.05	108.80	83.20
Nov, 2009	108.50	82.50	108.90	83.00
Dec, 2009	98.00	86.55	96.85	88.25
Jan, 2010	104.50	74.05	105.00	74.00
Feb, 2010	86.95	73.15	92.00	73.50
Mar, 2010	91.75	73.00	100.00	73.15

## Performance in comparison to BSE Sensex

Month	BSE Sensex	BSE Sensex	Halonix Limited	
	High	Low	High (Rs.)	Low (Rs.)
Apr, 2009	11492.10	9546.29	57.00	39.00
May, 2009	14930.54	11621.30	71.00	44.00
Jun, 2009	15600.30	14016.95	83.75	62.50
Jul, 2009	15732.81	13219.99	67.00	51.00
Aug, 2009	16002.46	14684.45	83.00	62.25
Sep, 2009	17142.52	15356.72	98.80	69.00
Oct, 2009	17493.17	15805.20	108.80	83.20
Nov, 2009	17290.48	15330.56	108.90	83.00
Dec, 2009	17530.94	16577.78	96.85	88.25
Jan, 2010	17790.33	15982.08	105.00	74.00
Feb, 2010	16669.25	15651.99	92.00	73.50
Mar, 2010	17793.01	16438.45	100.00	73.15

## General Shareholder Information

<b>Annual General Meeting, Date &amp; Time</b>	: Friday, 24th September, 2010 at 09.30 A.M.
<b>Venue</b>	: 59-A, NSEZ, Phase-II, Noida, District Gautam Budh Nagar, U.P.- 201305.
<b>Financial Year</b>	: 1 <sup>st</sup> April to 31 <sup>st</sup> March of the succeeding year.
<b>Date of Book Closure</b>	: 10 <sup>th</sup> September, 2010
<b>Listing on Stock Exchange</b>	: Bombay Stock Exchange Limited 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 : National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai - 400051
<b>Stock Code</b>	: BSE-517296 NSE - HALONIX
<b>ISIN number for NSDL &amp; CDSL</b>	: ISIN INE455B01016

## Share Transfer System

Shares lodged for transfer at the Registrar's address are normally processed and approved by Share Committee on a fortnight basis. All requests for dematerialization of shares are process and the confirmation is given to the Depositories within 15 days. Grievances received from Members and other miscellaneous correspondence on change of address, mandates etc. are processed by the Registrar within 30 days.

**INVESTORS CORRESPONDENCE**

In case of any delay in attending to transfer of shares, non-receipt of Dividend Warrant, non-receipt of Annual Report or any other related matter the request can be forwarded at :

**(i) The Secretarial Department****Halonix Limited**

59-A, NSEZ, Phase-II, Noida, District Gautam Budh Nagar, Uttar Pradesh – 201 305.

Ph. : 0120-4012222, Fax: 0120-2562943, email : halonix@halonix.co.in

**(ii) Registrars and Share Transfer Agents :**

M/s. Alankit Assignments Limited, 2E/21, Jhandewalan Extension, New Delhi-110 055.

Phone : 011-42541234/42341234, Fax : 011-42541201, 23552001, 23551967.

**DISTRIBUTION OF SHAREHOLDING****(a) Distribution of Shareholding (No. of Shares) as on March 31, 2010 is as under:-**

No. of Shares	No. of Shareholders	% of Shareholders	Total No. of Shares	% of Holding
1 - 500	18958	93.71	2578198	9.20
501 - 1000	659	3.26	536069	1.91
1001 - 2000	244	1.21	383796	1.37
2001 - 3000	112	0.55	288553	1.03
3001 – 4000	44	0.22	158925	0.57
4001 - 5000	55	0.27	258473	0.92
5001 - 10000	77	0.38	554965	1.98
10001 & above	81	0.40	23260321	83.02
<b>TOTAL</b>	<b>20230</b>	<b>100.00</b>	<b>28019300</b>	<b>100.00</b>

**(b) Shareholding Pattern as on 31st March, 2010**

Category	No. of Shares held
<b>Promoters</b>	18509587
<b>Institutional Investors</b>	
Mutual Funds & UTI	4300
Banks, Financial Institutions and Insurance Companies	700
FII's	1000532
<b>Others</b>	
Private Corporate Bodies	2814589
Indian Public	5266252
NRIs / OCBs	402250
Trust	21090
<b>TOTAL</b>	<b>28019300</b>

**DEMATERIALISATION OF SHARES**

**86.95%** of the shareholding of the Company have been dematerialised as on 31.03.2010 and there is sufficient liquidity in the stock.

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity. The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

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<b>Plant Locations</b>	:	59-A, Noida Special Economic Zone, Phase-II, Noida, Distt. Gautam Budh Nagar, U.P. - 201 305.
	:	59-D, Noida Special Economic Zone, Phase-II, Noida, Distt. Gautam Budh Nagar, U.P. - 201 305.
	:	A-1, Noida Special Economic Zone, Phase-II, Noida, Distt. Gautam Budh Nagar, U.P. - 201 305.
	:	C-8, Selaqui Industrial Area, District Dehradun, Uttaranchal.
	:	Plot no. 5, Sector 12, Integrated Industrial Area, Ranipur, Haridwar, Uttaranchal.
<b>Address for correspondence</b>	:	59-A, Noida Special Economic Zone, Noida Phase - II, Distt. Gautam Budh Nagar, U.P. - 201305. Phone : 91-11-0120-4012222, Fax : 91-11-0120-2562943 email : halonix@halonix.co.in

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**Electronic Clearing Service (Ecs)**

SEBI had vide its Circular no. DCC/FITTCIR-3/2001 dated 15<sup>th</sup> October, 2001 advised that all Companies should mandatorily use ECS facility wherever available. In the absence of ECS facility, Company may use warrants for distributing the dividends and vide its Circular no. D&CC/FUTTCUR-4/2001 dated 13<sup>th</sup> November, 2001, SEBI has advised Companies to mandatorily print the Bank Account Details furnished by the Depositories on the Dividend Warrants. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the money in the accounts specified on the dividend warrant and ensures safety for the investors.

In view of the SEBI Circular, the Company is availing the ECS facility to distribute Dividends to those Members who have opted for it, through the ECS facility in metropolitan cities. However, the members who wish to receive Dividend in an account other than the one specified while opening the depository account, may notify their respective Depository Participants (DPs) about any change in their bank account details.

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**DECLARATION OF THE MANAGING DIRECTOR**

This is to certify that the Company has laid down code of conduct for all Board Members and Senior Management of the Company and the copies of the same are uploaded on the website of the Company [www.halonix.co.in](http://www.halonix.co.in). Further certified that the Members of the Board of Directors and Senior Management personnel have affirmed having complied with the code applicable to them during the year ended March 31, 2010.

Place : Noida  
Date : 10.08.2010

**Rajesh Kochhar**  
Managing Director

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**AUDITORS' REPORT ON CORPORATE GOVERNANCE - MARCH 31, 2010**

To,  
The Shareholders of **HALONIX LIMITED**

We have examined all relevant records of **HALONIX LIMITED** (the Company) for the purpose of certifying the conditions of Corporate Governance under Clause 49 of the Listing Agreement with Stock Exchanges for the financial year ended 31st, March 2010. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with the conditions of Clause 49 of the Listing Agreement.

For **Chandrasekaran Associates**  
Company Secretaries

**Dr. S. Chandrasekaran**  
Senior Partner

Place : Noida  
Date : 10.08.2010

(Membership No. FCS 1644, CP 715)

**AUDITORS' REPORT****To the Members of Halonix Limited**

1. We have audited the attached Balance Sheet of Halonix Limited as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 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 the annexure referred to in para 3 above, we report that: -
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - (e) On the basis of written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1) (g) of Companies Act, 1956;
  - (f) As explained in point no. 17 of schedule-19, an application has been made to Central Government seeking approval for remuneration to the Managing Director & erstwhile Managing Director in excess of the limits prescribed under the Act, for which approval is awaited.
  - (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of Balance Sheet, of the state of the affairs of the Company, as at March 31, 2010
    - ii) in the case of the Profit and Loss account, of the loss of 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.

For **ARUN K. GUPTA & ASSOCIATES**  
Chartered Accountants

**GIREESH KUMAR GOENKA**  
Partner  
Membership No. 096655

Place : Noida  
Date : 06.05.2010

**Annexure referred to in paragraph (3) of our report of even date Halonix Limited (Formally known as Phoenix Lamps Limited)**

1. The Company has maintained proper records to show full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management according to the phased programme designed to cover all the items over a period of three years which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets have been physically verified by the management during the year and no material discrepancies between the book records and physical verification have been noticed. The company has not disposed off any substantial part of fixed assets during the year and going concern status of the company is not affected. However the board of directors of the company in its meeting authorized the execution of memorandum of undertaking with M/s Halonix Technologies Limited (a wholly owned subsidiary of the company) in connection with transfer/sale of the non – automotive lighting business of the company to Halonix Technologies Limited.
2. The management has conducted physical verification of inventory except goods in transit at reasonable intervals. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory except for work in progress, which has been determined on the physical verification at the year end. No material discrepancies in inventory were noticed on physical verification.
3. (a) The company has granted interest free unsecured loan to one company listed in the register maintained under section 301 of the Companies Act 1956. The maximum amount involved during the year was Rs. 20.75 Lacs and the year end balance was Rs 20.75 Lacs and the terms & conditions of the loan are not prima facie prejudicial to the interest of the company.  
(b) The aforesaid loan is repayable on demand and there is no repayment schedule.  
(c) Since the loan is repayable on demand, we are unable to comment whether there has been default in repayment.  
(d) As informed to us, the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventories and fixed assets and for the sale of goods. There is no sale of services, hence provision of this clause, to the extent of sale of services are not applicable to the company. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. According to the information and explanations provided by the management, there is no contract or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301. Therefore, provisions of clause 4 (v)(b) are not applicable to the company.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A & 58AA of the Companies Act, 1956 and the rules made thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Govt. for the maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have however, not made a detailed examination of these records with a view to determine whether they are accurate or complete.
9. a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales/Vat Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at 31st March, 2010 for a period of more than six months from the date they became payable.  
b) According to the records of the Company, the dues outstanding of Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom duty, Excise duty & Cess on account of any dispute are as follows:



S. No.	Name of the statute	Nature of dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where dispute(s) are pending
1.	Delhi Sales Tax Act, 1975	Sales Tax Demand	0.82	F.Y.1995-96	D.C.-Appeal IV, Delhi
2.	U.P Trade Tax Act, 1948	Demand U/s 4B	1.04	F.Y.2000-01	Joint Commissioner Appeal, Noida
3.	Uttarakhand Vat Act, 2005	Demand against Stock Transferred	27.97	F.Y.2005-06	Joint Commissioner Appeal, Dehradun
4.	U.P Vat Act, 2008	U/s 54(14)	6.12	F.Y.2008-09	Deputy Commissioner, Noida
5.	U.P.Tax Entry of Goods Act, 2001	Demand under ex-party assessment	30.00	F.Y.2007-08	Deputy Commissioner Assessment, Noida
6.	U.P.Trade Tax Act, 1948	Demand under ex-party assessment	622.34	F.Y.2007-08	Deputy Commissioner Assessment, Noida
7.	C.S.T. Act ,1956	Demand under ex-party assessment	2290.61	F.Y.2007-08	Deputy Commissioner Assessment, Noida

10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or bank.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund, nidhi / mutual benefit fund and societies.
14. The company has not dealt/traded in securities and other investments during the year.
15. Based on the audit procedures applied by us & according to the information & explanations provided by the management, the term loans taken by the company during the year have been applied for the purpose for which the loans were obtained.
16. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the company, we report that funds raised on short term basis amounting to Rs. 800.92 Lacs have been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties or Companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed by us for expressing our opinion on these financial statements and information & explanations given by the management, we have neither come across any instance of major fraud on or by the company noticed or reported during the year nor we have been informed of such case by the management.

For **ARUN K. GUPTA & ASSOCIATES**  
Chartered Accountants

**GIREESH KUMAR GOENKA**  
Partner  
Membership No. 096655

Place : Noida  
Date : 06.05.2010

## BALANCE SHEET

AS AT 31<sup>ST</sup> MARCH, 2010

(Rs. in Lacs)

PARTICULARS	SCHEDULE	As At 31.03.2010	As At 31.03.2009
<b>SOURCES OF FUNDS</b>			
SHARE CAPITAL	1	4117.93	4117.93
RESERVES & SURPLUS	2	9471.95	11399.09
SECURED LOANS	3	13243.49	12807.09
DEFERRED TAX LIABILITIES (NET)		362.69	418.33
<b>TOTAL</b>		<b>27196.06</b>	<b>28742.44</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	26851.05	26545.80
Less Depreciation		16262.81	15118.46
Net Block		10588.24	11427.34
Capital Work In- Progress including Capital Advances (refer note no C (2) of schedule 19)		1216.99	833.70
		11805.23	12261.04
<b>INVESTMENTS</b>	5	—	5.00
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
(i) Inventories	6	8834.31	11861.87
(ii) Sundry Debtors	7	9805.95	7568.85
(iii) Cash and Bank Balances	8	1375.79	721.45
(iv) Other Current Assets	9	227.06	280.71
(v) Loans and Advances	10	1042.30	1280.97
<b>TOTAL</b>		<b>21285.41</b>	<b>21713.85</b>
<b>LESS CURRENT LIABILITIES AND PROVISIONS</b>	11		
(i) Current Liabilities		4855.19	4360.45
(ii) Provisions		1039.39	877.00
<b>NET CURRENT ASSETS</b>		<b>15390.83</b>	<b>16476.40</b>
<b>TOTAL</b>		<b>27196.06</b>	<b>28742.44</b>
<b>NOTES FORMING PART OF ACCOUNTS</b>	19		

As per our report of even date  
For ARUN K. GUPTA & ASSOCIATES  
Chartered Accountants  
Firm Registration No. 000605N

RAJ KRISHAN SAHGAL  
Chairman

Place: Noida  
Date : 06.05.2010

GIREESH KUMAR GOENKA  
Partner (M. No. 096655)

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

RAJESH KOCHHAR  
Managing Director

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**
*(Rs. in Lacs)*

PARTICULARS	SCHEDULE	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>INCOME</b>			
GROSS SALES		45615.60	40133.72
LESS: EXCISE DUTY		1383.44	1727.39
NET SALES		44232.16	38406.33
INCREASE/(DECREASE) IN STOCK	12	(563.17)	1122.20
OTHER INCOME	13	35.63	135.16
<b>TOTAL</b>		<b>43704.62</b>	<b>39663.69</b>
<b>EXPENDITURE</b>			
MATERIALS	14	30078.78	27218.42
OPERATING EXPENSES	15	1665.81	1317.17
ADMINISTRATIVE & SELLING EXPENSES	16	4307.67	3171.54
PAYMENT & BENEFITS TO EMPLOYEES	17	4338.90	3746.70
FINANCIAL CHARGES	18	1848.51	1658.56
DEPRECIATION	4	1300.36	1143.84
<b>TOTAL</b>		<b>43540.03</b>	<b>38256.23</b>
PROFIT BEFORE TAX, PROVISIONS AND PRIOR PERIOD ADJUSTMENTS		164.59	1407.46
<b>PROVISIONS FOR :</b>			
OBSOLETE INVENTORIES		703.80	246.29
DOUBTFUL DEBTS		432.08	159.46
WARRANTY CLAIMS		537.86	419.80
PROFIT BEFORE TAX & PRIOR PERIOD ADJUSTMENT		(1509.15)	581.91
PRIOR PERIOD ADJUSTMENT (NET)		421.11	260.17
PROFIT BEFORE TAX		(1930.26)	321.74
<b>PROVISION FOR :</b>			
FRINGE BENEFIT TAX		–	60.00
DEFERRED TAX		(55.64)	(127.37)
EARLIER YEAR INCOME TAX		52.52	226.35
PROFIT AFTER TAX FOR THE YEAR		(1927.14)	162.77
PROFIT BROUGHT FORWARD		5980.66	5949.02
AMOUNT AVAILABLE FOR APPROPRIATION		4053.52	6111.79
PROPOSED EQUITY DIVIDEND		–	112.08
TAX ON DIVIDEND		–	19.05
BALANCE CARRIED TO BALANCE SHEET		4053.52	5980.66
EARNING PER SHARE (IN RS.) (FACE VALUE RS. 10/- PER SHARE)			
BASIC		(6.88)	0.58
DILUTED		(6.88)	0.58

**NOTES FORMING PART OF ACCOUNTS**

As per our report of even date  
For ARUN K. GUPTA & ASSOCIATES  
Chartered Accountants  
Firm Registration No. 000605N

RAJ KRISHAN SAHGAL  
Chairman

Place : Noida  
Date : 06.05.2010

GIREESH KUMAR GOENKA  
Partner (M. No. 096655)

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

RAJESH KOCHHAR  
Managing Director

## SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE – 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
41,000,000 Equity Shares of Rs.10/- each	4100.00	4100.00
2,900,000 Redeemable Preference Shares of Rs. 100/- each	2900.00	2900.00
	7,000.00	7,000.00
<b>Issued,Subscribed and Paid up</b>		
2,80,19,300 (P.Y.2,80,19,300) Equity Shares of Rs. 10/- Each Fully Paidup	2801.93	2801.93
**1,316,000 (P.Y.13,16,000) 0% Redeemable Preference Shares of Rs. 100/- each.	1316.00	1316.00
<b>TOTAL</b>	4117.93	4117.93

### Out of the equity capital :

- (i) 91,00,000 Equity Shares allotted in terms of Scheme of Amalgamation
- (ii) 1,48,07,668 Equity Shares held by Argon India Limited a holding company.

\*\*Refer Note No. C (5) in Schedule 19

<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
(i) CAPITAL SUBSIDY	40.00	40.00
(ii) CAPITAL REDEMPTION RESERVE	1621.00	1621.00
(iii) SECURITIES PREMIUM :	3733.86	3733.86
(iv) GENERAL RESERVE :		
OPENING BALANCE	23.57	23.57
(v) PROFIT & LOSS ACCOUNT :		
SURPLUS IN PROFIT & LOSS ACCOUNT	4053.52	5980.66
<b>TOTAL</b>	9471.95	11399.09

<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
(i) Term Loan		
From Banks	–	1018.37
(ii) Working Capital Loan from banks		
Cash Credit Facilities	8733.49	8266.32
Short Term Loan	4510.00	2300.00
Bill Discounting	–	1222.40
<b>TOTAL</b>	13243.49	12807.09

- (i) Term Loans are secured by way of first pari passu charges on all the movable and immovable properties, both present & future & subject to charges created/ to be created in favour of the company's bankers by way of security against borrowing for working capital requirements in the ordinary course of business.
- (ii) Working Capital loans from Scheduled Bank is secured by hypothecation of stocks of Raw Material, Work in Progress, Finished Goods, Stores & Spares, consumables and book debts of the company both present and future and further secured by way of second charge on the fixed assets.

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd...)**
**SCHEDULE - 4  
FIXED ASSETS**
*(Rs. in Lacs)*

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01/04/2009	Additions	Adj. / Sale	As At 31/03/2010	As At 01/04/2009	For the year	Adjust- ment	As At 31/03/2010	As At 31/03/2010	As At 31/03/2009
LEASE HOLD LAND	370.16	—	—	370.16	18.70	4.33	—	23.03	347.13	351.46
* BUILDINGS	3102.74	66.41	—	3169.15	542.56	102.36	—	644.93	2524.22	2560.18
PLANT & MACHINERY	20825.39	424.06	103.43	21146.02	13930.90	911.50	24.37	14818.03	6327.99	6894.49
LABORATORY EQUIPMENTS	240.26	14.41	—	254.67	61.21	11.06	—	72.27	182.41	179.05
GAS CYLINDERS	39.71	3.05	24.37	18.39	27.49	3.05	22.84	7.71	10.69	12.22
FURNITURE & FIXTURES	229.38	8.08	—	237.45	122.02	8.64	—	140.58	96.88	104.09
OFFICE EQUIPMENTS	190.88	7.62	—	198.50	72.14	9.04	—	81.18	117.32	118.74
COMPUTERS	416.74	8.39	70.88	354.25	148.98	58.48	67.98	139.47	214.78	267.77
VEHICLES	171.55	24.23	52.31	143.47	102.62	13.95	40.82	65.84	77.62	72.13
FIRE FIGHTING EQUIPMENTS	88.15	—	—	88.15	25.72	3.77	—	29.49	58.66	62.43
<b>INTANGIBLE ASSETS ::</b>										
—SOFTWARES	271.94	—	—	271.94	66.12	54.39	—	120.51	151.43	205.82
—** RESEARCH & DEVELOPMENT COST	598.90	—	—	598.90	—	119.78	—	119.78	479.12	598.90
<b>GRAND TOTAL</b>	26545.80	556.25	251.00	26851.05	15118.46	1299.36	156.01	16262.81	10588.24	16020.29
<b>PREVIOUS YEAR</b>	23570.88	2977.83	2.92	26545.80	13975.18	1143.84	0.55	15120.65	11425.15	9595.70

\* Includes Rs. 590.64/- Lacs on leased land belonging NSEZ. (Previous year Rs590.64/- Lacs)

\*\* Refer point no 9 of notes to account of schedule 19.

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE - 5</b>		
<b>INVESTMENTS, LONG TERM, UNQUOTED</b>		
Long Term	—	5.00
Fully paid equity share of Halonix Technologies Limited a subsidiary company		
No of shares 50000 @ Rs.10/-		
<b>TOTAL</b>	—	5.00
<b>SCHEDULE -6</b>		
<b>INVENTORIES (As Valued &amp; Certified by the Management)</b>		
Raw Materials	2984.03	4313.41
Gases	54.03	24.56
Consumables	83.50	98.00
Packing Materials	167.85	347.21
Stores & Spares	209.19	338.61
Finished Goods	1724.47	1730.91
Work in Progress	2216.78	2773.51
Goods in Transit	68.67	92.33
Goods sold in Transit	917.22	615.39
Goods For Resale	1400.65	1440.96
Assets held for disposal	7.75	—
Scrap	16.08	442.12
<b>SUB TOTAL</b>	9850.22	12217.01
<b>Less:- Provision for obsolete invenotries</b>	1015.91	355.14
<b>TOTAL</b>	8834.31	11861.87

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd...)**
*(Rs. in Lacs)*

<b>PARTICULARS</b>	<b>As At 31.03.2010</b>	<b>As At 31.03.2009</b>
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS</b>		
Debts outstanding for a period exceeding six months		
Unsecured, Considered Good	<b>1425.59</b>	571.85
Unsecured, Considered Doubtful	<b>720.62</b>	293.88
<b>Other Debts</b>		
Unsecured, Considered Good	<b>8380.36</b>	6997.00
	<b>10526.57</b>	7862.73
Less :- Provision for doubtful debts	<b>(720.62)</b>	(293.88)
<b>TOTAL</b>	<b>9805.95</b>	7568.85
<b>SCHEDULE - 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	<b>4.65</b>	7.56
Balance with Scheduled Banks in :		
i) Current Accounts	<b>840.05</b>	321.01
ii) Fixed Deposits (Pledged as margin money)	<b>213.26</b>	85.22
iii) Dividend Account (Unpaid)	<b>317.83</b>	307.66
<b>TOTAL</b>	<b>1375.79</b>	721.45
<b>SCHEDULE - 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Prepaid Expenses	<b>23.28</b>	83.89
Security Deposits	<b>196.32</b>	193.88
Interest Receivable	<b>7.46</b>	2.94
<b>TOTAL</b>	<b>227.06</b>	280.71
<b>SCHEDULE - 10</b>		
<b>LOANS AND ADVANCES (Unsecured Considered Good)</b>		
Advances to Staff	<b>9.46</b>	8.58
Advances recoverable in cash or kind or for value to be received. *	<b>386.26</b>	489.33
Balances with Excise & custom authorities	<b>224.66</b>	309.91
Advance Income Tax /Tax Deducted at Source (Net of provision of Income Tax)	<b>391.37</b>	442.60
MAT Credit Entitlement	<b>30.55</b>	30.55
* (Includes Rs 6517133/- (Previous Year Rs Nil) due from Halonix Technologies Ltd, a wholly owned subsidiary Company (Maximum amount due during the year 6517133) (Previous year Rs. Nil.)		
<b>TOTAL</b>	<b>1042.30</b>	1280.97



**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd...)**
*(Rs. in Lacs)*

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE - 11</b>		
<b>(I) CURRENT LIABILITIES</b>		
Acceptances	737.56	996.40
<b>Sundry Creditors</b>		
– Dues to Micro and Small Enterprises (Refer Note No. 3 of Notes to Accounts Schedule 19 )	83.49	102.21
– Others	2517.74	2389.12
Customer's Credit Balances	61.08	97.09
Other Liabilities(Includes Rs.1459999/- P.Y. Rs.2,43,602/- due to Directors)	1005.25	374.04
Statutory Liabilities	132.24	93.93
Unpaid Dividend (Investors education and protection fund shall be credited)	317.83	307.66
<b>SUB TOTAL</b>	<b>4855.19</b>	<b>4360.45</b>
<b>(II) PROVISIONS FOR :</b>		
Fringe Benefit Tax	–	60.00
Less: Advance Fringe Benefit Tax	–	60.00
Leave Encashment	215.67	162.00
Gratuity	285.86	164.07
Warranty Claims	537.86	419.80
Proposed Equity Dividend	–	112.08
Tax on Proposed Dividend	–	19.05
<b>SUB TOTAL</b>	<b>1039.39</b>	<b>877.00</b>
<b>TOTAL</b>	<b>5894.58</b>	<b>5237.45</b>
<b>SCHEDULE - 12</b>		
<b>INCREASE/(DECREASE) IN STOCK</b>		
<b>OPENING STOCK</b>		
Finished Goods	1730.91	1452.36
Work in progress	2773.51	1929.86
<b>TOTAL</b>	<b>4504.42</b>	<b>3382.22</b>
<b>CLOSING STOCK</b>		
Finished Goods	1724.47	1730.91
Work in progress	2216.78	2773.51
<b>TOTAL</b>	<b>3941.25</b>	<b>4504.42</b>
<b>INCREASE/(DECREASE) IN STOCK</b>	<b>(563.17)</b>	<b>1122.20</b>
<b>SCHEDULE - 13</b>		
<b>OTHER INCOME</b>		
Interest on bank deposits (Tax Deducted at Source Rs.97498/- PY Rs.113093/-)	10.25	5.56
Other Interest {(Tax deducted at source Rs Nil (Previous year Nil)}	12.64	104.33
Profit on sale of Fixed Assets	2.76	–
Miscellaneous Income	9.98	25.27
<b>TOTAL</b>	<b>35.63</b>	<b>135.16</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS (Contd...)

(Rs. in Lacs)

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE - 14</b>		
<b>MATERIALS</b>		
Raw Materials	25837.13	23373.35
Gases	1039.88	878.85
Consumables	576.42	641.03
Packing Materials	1901.22	2031.28
Goods for Resale	736.20	299.12
Increase/(Decrease) in excise duty on closing stock	(12.07)	(5.21)
<b>TOTAL</b>	<b>30078.78</b>	<b>27218.42</b>
<b>SCHEDULE - 15</b>		
<b>OPERATING EXPENSES</b>		
Repair & Maintenance		
i) Plant & Machinery	686.20	586.14
ii) Building	10.09	17.45
iii) Others	89.48	69.11
Power & Fuel	848.66	619.77
Technician Expenses	31.38	24.70
<b>TOTAL</b>	<b>1665.81</b>	<b>1317.17</b>
<b>SCHEDULE - 16</b>		
<b>ADMN.&amp; SELLING EXPENSES</b>		
<b>A. ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Printing & Stationery	10.11	9.32
Postage, Telephone & Telegram	121.05	114.38
Rent	166.72	131.79
Conveyance & Travelling	726.26	721.16
Vehicle Running & Maintenance	35.41	39.96
Professional Charges	426.25	223.95
Auditor's Remuneration	17.95	15.88
Insurance Charges	29.60	31.70
Filing and Legal Charges	56.02	63.50
Miscellaneous Expenses	43.43	18.98
Donation	0.34	0.61
Security Services	54.92	55.89
Loss on Sale of Fixed Assets	12.94	2.12
Balances written off (net)	90.20	—
Provision for discarded assets	29.82	—
Provision for diminution in value of long term investment	5.00	—
Exchange Variation	499.28	108.66
<b>SUB TOTAL</b>	<b>2325.30</b>	<b>1537.90</b>
<b>B. SELLING EXPENSES</b>		
Advertisement ,Exhibition, Sales Promotion & Other Exp.	700.39	496.67
Selling Commission	71.38	64.99
Freight Outward	1164.55	1019.45
Insurance	46.05	52.54
<b>SUB TOTAL</b>	<b>1982.37</b>	<b>1633.65</b>
<b>TOTAL</b>	<b>4307.67</b>	<b>3171.54</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd...)**
*(Rs. in Lacs)*

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE - 17</b>		
<b>PAYMENT &amp; BENEFITS TO EMPLOYEES</b>		
Salary, Wages, Bonus & allowances	<b>3823.11</b>	3182.35
Contribution to Provident & Other funds	<b>327.85</b>	329.53
Welfare Expenses	<b>187.94</b>	234.82
<b>TOTAL</b>	<b>4338.90</b>	3746.70
<b>SCHEDULE - 18</b>		
<b>FINANCIAL CHARGES</b>		
Interest on Term Loan	<b>72.41</b>	11.47
Interest Others	<b>1373.42</b>	1457.99
Bank Charges	<b>220.44</b>	189.10
Loss on derivatives	<b>182.24</b>	–
<b>TOTAL</b>	<b>1848.51</b>	1658.56

**SCHEDULE-19**
**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS** (Forming part of the Accounts for the year ended 31st March, 2010)

**A. NATURE OF OPERATION**

Halonix Limited (hereinafter referred to as “the Company”) is a manufacturer of Electric Lamps.

**B. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**
**a) BASIS OF PREPARATION**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, except where otherwise stated, and on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

**b) USE OF ESTIMATES**

The preparation of financial statements are in conformity with generally accepted accounting principles & it requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates.

**c) FIXED ASSETS**

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Financing cost relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Expenditure for addition, improvement and renewal are capitalized and expenditure for repairs and maintenance are charged to Profit & Loss Account. Expenses specifically attributable to completion of project are considered as part of project cost.

**d) BORROWING COST**

Borrowing cost related to acquisition or construction of the qualifying fixed assets for the period up to the completion of their acquisition or construction are included in the book value of the respective assets and other borrowing costs are charged to profit & loss account.

## e) DEPRECIATION

- i) Depreciation is provided on straight line method as prescribed in Schedule XIV of the Companies Act, 1956.
- ii) Lease hold land is amortized over the period of lease.
- iii) Depreciation on the amount of addition made to fixed assets due to up gradation /improvement is provided at the rate applied to the existing assets.
- iv) Intangible assets are accounted for at their cost of acquisition & amortized over their estimated economic life not exceeding 5years.
- v) Research & Development are accounted for at their cost of acquisition /generation .

## f) EMPLOYEE BENEFITS

### (a) Short-term Employee benefits :

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave .The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period.

### (b) Post-employment benefits:

- (i) Retirement benefits in the form of the Company's contribution to Provident Fund charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
- (ii) The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determine based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on government securities as at the balance sheet date.

When the calculation results in a benefit to the company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognized immediately in the profit & loss account.

### (c) Other Long-term employment benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are provided for on the basis of actuarial valuation made at the end of each financial year.

## g) FOREIGN EXCHANGE TRANSACTION

### *Initial Recognition:*

Foreign current transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency transactions.

### *Conversion:*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction, and non monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

### *Exchange Difference:*

Exchange differences arising on the settlement of monetary items or on restatement of reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

***Forward Exchange Contracts : ( Derivative Instruments)  
not intended for trading or speculation purposes:-***

The company uses derivative financial instruments including forward exchange contracts to hedge its risk associated with foreign currency fluctuations. The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit & loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expenses for the year.

**h) INVENTORY VALUATION**

Inventories are valued as follows:

**Raw Materials & Others:**

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products, in which they will be incorporated, are expected to be sold at or above cost. Cost is determined on transaction moving weighted average.

**Work in Progress and Finished Goods**

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty where ever applicable.

**By Products and Waste – Net realizable value.**

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

**i) Leases:**

Where the company is lessee Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

It there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the Profit & Loss Account on a straight line basis over the lease term.

**j) REVENUE RECOGNITION**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured. Sale of Goods Revenue is recognized when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sales are net of return, volume discount and sales/vat tax but including excise duty.

Warranty claims settled including supply of material free of cost are adjusted against sales.

Interest: Interest is recognized on a time proportion basis taking into account the amount outstanding at the applicable date.

Dividend:

Dividend is recognised when the shareholder's right to receive payment is established by the balance sheet date.

**k) INVESTMENT**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

**l) INCOME TAX**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is

measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier year .

Deferred taxes measured based on the tax rates and the tax law enacted or substantively enacted at the balance sheet date. Deferred assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier year are reassessed and recognized to the extent that it has become reasonable certain that future taxable income will be available against which such deferred tax assets be realised.

Mat credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal Income Tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accounts of India, the said asset is created by way of a credit to the profit & loss account and shown as MAT credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit Entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal Income Tax during the specified period.

**m) PROVISIONS:**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

**n) IMPAIRMENT OF FIXED ASSETS**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

**o) INTANGIBLE ASSETS**

Research and Development Costs

Research & development costs which relate to the design and testing of new or improved materials, products or processes which are recognized as an intangible asset to the extent that it is expected that such assets will generate future economic benefits. Research and development expenditure of a capital nature is added to fixed assets. Development costs carried forward is amortised over the period of expected future sales from the related project, not exceeding five years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable. Other Research and development costs, incurred for development of products are expensed as incurred,

**p) EARNINGS PER SHARE:**

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating Diluted Earning per Share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential Equity Shares.



**C. NOTES TO ACCOUNTS**
**1 (A) Contingent liabilities not provided for in respect of:**
*(Rs. in Lacs)*

<b>PARTICULARS</b>	<b>Current Year</b>	<b>Previous Year</b>
a) Unexpired Bank guarantees	<b>397.73</b>	394.20
b) Suspension period wages	<b>43.21</b>	<b>38.34</b>
c) Disputed demand of Income Tax :- For the Assessment Year 2003-04,04-05,05-06	<b>97.93</b>	97.93
d) Disputed demand of TradeTax/Sales/Value add Tax under appeal :-		
i) Delhi Sales Tax Act 1975	<b>1.07</b>	1.07
ii) Uttarakhand Vat Act 2005	<b>37.28</b>	35.42
iii) U.P.Trade Tax Act 1948	<b>2.07</b>	2.07
iv) U.P.Vat Act 2008	<b>13.19</b>	12.88
e) Demand under ex-party assessment for the F.Y.2007-08		
i. U.P.Tax on Entry of Goods Act, 2001	<b>30.00</b>	—
ii. U.P.Trade Tax Act 1948	<b>622.34</b>	—
iii. C.S.T.under CST Act 1956	<b>2290.61</b>	—
f) Excise Duty Under Protest	<b>70.84</b>	70.84

Based on favourable decision in similar cases, discussions with the advocate etc, the Company believes that there is fair chance of decision in its favour and hence no provision is considered necessary against the same.

**(B)** The Company carries an export obligation of Rs. 1200.84 lacs (previous year Rs.1343.62 lacs) towards import of plant and machinery under Export Promotion Capital Goods scheme to be fulfilled by June 2012.

**(C)** Outstanding Commitment of capital contracts Rs. 2213.08 lacs (Previous year Rs. 2243.30 lacs ) net of advances.

2. Capital Work in Progress Rs.1216.98/-Lacs(Previous year Rs. 833.70 Lacs) {Includes Capital Advance Rs 850.44 /-Lacs (Previous year Rs. 434.84/-Lacs). Plant & machinery under erection Rs.342.55/- Lacs (Previous year Rs 398.86/-Lacs) & Other assets under erection Rs 24/-Lacs (Previous year Rs. Nil)

3. The Company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprises Development Act,2006 (MSMED Act,2006). Based on the information available with the company. The Details of dues to Micro, Small and Medium Enterprise as per MSMED Act,2006 are as under:-

*(Rs. in lacs)*

<b>Particulars</b>	<b>Current Year</b>	<b>PreviousYear</b>
i) The Principal amount and the interest due thereon remaining unpaid to any supplier as at the end of year		
Principal Amount Unpaid:	<b>83.49</b>	102.21
Interest Due	<b>5.71</b>	0.02
ii) The amount of interest paid by the buyer in terms of section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year.		
Payment made beyond the Appointed Date	<b>267.50</b>	1.99
Interest Paid beyond the Appointed Date	—	—

iii) The amount of interest due and payable for the period of delay in making payment(which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.		
iv) The amount of interest accrued and remaining unpaid at the end of the year; and	5.71	0.02
v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act,2006.	5.73	0.02

4. Secured Loans (Short term) falling due within next 12 months Rs. 4510 lacs (Previous Year Rs. 2800 lacs)
5. As per the Schemes of Arrangement of Share Capital u/s 391 of the Companies Act, 1956 approved by Hon'ble Allahabad High Court vide order dated 22.02.2000 & 22.04.2002, the Company had converted 13,160,000 equity shares of face value of Rs.10/- each aggregating to Rs.131,600,000 into 1,316,000 Redeemable Preference Shares of Rs.100/- each aggregating to Rs. 131,600,000. Redeemable Preference Shares will not carry any dividend right. Out of this 766,000 redeemable preference shares will be redeemed at par after 31<sup>st</sup> March, 2007 and 550,000 redeemable preference shares will be redeemed at par after 1<sup>st</sup> April, 2012 on such date as the board of directors may determine after Preference Shares held by Industrial Development Bank of India Limited have been redeemed in full and their liabilities have been fully discharged. The preference shares held by Industrial Development Bank of India Limited has since been redeemed. The board of the company has not exercised its option to redeem the preference shares falling due after 31<sup>st</sup> March'2007
6. Employee Benefits:
  - a) Contribution to Provident Fund:  
Amount of Rs. 264.33lacs (P.Y. Rs.263.41 lacs ) is recognized as an expense & included in Payment and Benefits to employees (Refer Schedule – 17) in the Profit & Loss account.
  - b) The following table sets out the status of the gratuity scheme plan as at 31<sup>st</sup> March,2010.

(Rs.in lacs)

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>I. Changes in Present Value of Obligations during the year 01.04.2009 to 31.03.2010</b>		
Present Value of Obligation as at the beginning of the period	271.33	339.66
Acquisition adjustment	–	–
Interest Cost	21.16	27.17
Past Service Cost	–	–
Current Service Cost	67.47	47.58
Curtailment Cost / (Credit)	–	–
Settlement Cost / (Credit)	–	–
Benefit Paid	(41.65)	(54.42)
Actuarial (gain)/ loss on obligations	81.32	(88.69)
Present Value of Obligation as at the end of the period on	399.61	271.31
<b>II. Changes in the Fair value of Plan Assets during the year 01.04.2009 to 31.03.2010</b>		
Fair Value of Plan Assets at the beginning of the period	107.24	127.44

<b>PARTICULARS</b>	<b>As At 31.03.2010</b>	<b>As At 31.03.2009</b>
Acquisition Adjustments	–	–
Expected Return on Plan Assets	<b>9.91</b>	11.79
Contributions	<b>40.00</b>	25.00
Benefits Paid	<b>41.65</b>	(54.42)
Actuarial Gain /( loss) on Plan Assets	<b>1.75</b>	(2.58)
Fair Value of Plan Assets at the end of the period on 31.03.2010	<b>113.75</b>	107.24
<b>III. Actuarial gain / loss recognized for the year 01.04.2009 to 31.03.2010</b>		
Actuarial gain/(loss) for the period – Obligation	<b>(81.32)</b>	88.69
Actuarial (gain)/loss for the period – Plan Assets	<b>1.75</b>	2.58
Total (gain) / loss for the period	<b>83.07</b>	(86.12)
Actuarial (gain) / loss recognized in the period on	<b>83.07</b>	(86.12)
Unrecognized actuarial (gains) / losses at the end of period on	–	–
<b>IV. The amount recognized in Balance Sheet and Statements of Profit and Loss</b>		
Present Value of Obligation as at the end of the period	<b>399.61</b>	271.31
Fair Value of Plan Assets as at the end of the period	<b>113.75</b>	107.24
Funded Status	<b>(285.86)</b>	(164.07)
Unrecognized Actuarial (gains) / losses	–	–
Unrecognized Past Service Cost (Non Vested Benefits)	–	–
Net Liability Recognized in Balance Sheet on 31.03.2010	<b>285.86</b>	164.07
<b>V. Expense recognized in the statement of Profit and Loss for the year 01.04.2009 to 31.03.2010</b>		
Current Service Cost	<b>67.47</b>	47.58
Past Service Cost	–	–
Interest Cost	<b>21.16</b>	27.17
Expected Return on Plan Assets	<b>(9.91)</b>	(11.79)
Curtailment Cost / (Credit)	–	–
Settlement Cost / (Credit)	–	–
Net actuarial (gain)/ loss recognized in the period	<b>83.07</b>	(86.12)
Expenses Recognized in the statement of Profit & Loss	<b>161.79</b>	23.15
<b>VI. Assumptions:</b>		
Discount Rate:	<b>8.20%</b>	7.80%
Rate of increase in Compensation levels:	<b>6.00%</b>	6.00%
Rate of Return on Plan Assets:	<b>9.25%</b>	9.25%
Average Outstanding Service of Employees up to Retirement:	<b>31.69 yrs</b>	31.54 yrs
<b>VII. The Company's Gratuity fund is managed by Life Insurance Corporation Of India .The plan assets under the fund are deposited under approved securities.</b>		

C). Performance incentive of Managing Director is to be provided as & when it is decided in the board, and for the employee as & when it is decided by the management.

7. Sales includes sale of scrap of Rs. 334 lacs (Previous year Rs.86.21 lacs )
8. The company has formed a wholly owned subsidiary company by the name "Halonix Technologies Limited" on 02-03-2009 and obtained a certificate of Commencement of Business w.e.f. 27-03-2009.
9. Research and Development

The expenditure incurred for the research and development of the product amounting to Rs. NIL lacs (Previous Year 598.89 Lacs) has been capitalized. The management is of the view that:-

- a. There is a reasonable indication that current and future research and development costs to be incurred on the project together with expected production, selling and administrations costs are likely to be more than covered by future revenues/benefits and
- b. The management has indicated its intention to produce and market the product .
- c. Adequate resources exist, and are reasonably expected to be available to complete the project and market the product / process.
- d. The Company has applied for Patent vide application no. 1021/DEL/2009 dated 19/05/2009.

(Rs.in lacs)

Intangible Assets	Opening Balance as at 01/04/2009	Additions during the year	Amortisation during the year	Closing Balances as at 31/03/2010
Research under Development and Commercialisation	598.89	NIL	119.78	479.11

10. The company has taken various residential, office and warehouse premises under operating lease agreements. These are generally not non cancelable and are renewable by mutually agreed terms. There are no restrictions imposed by Lease Agreements. There are no subleases.

(Rs. in Lacs)

PARTICULARS	Lease Payment	
	2009-10	2008-09
Total Lease payment for the year (Recognized in Profit an Loss Account)	174.81	107.30
Minimum Lease Payments		
Not later than one year	130.06	77.85
Later than one year but not later than five years	194.95	226.67
Later than five years	177.08	198.66

- 11 Disclosure required by Accounting Standard (AS-29) relating to 'Provisions, Contingent Liabilities and Contingent Assets. The provisions are recognized on the basis of past events and the probable settlement of the present obligation as a result of the past events during the year.

The movements in provision on account of warranty claims are as under:

(Rs. in Lacs)

PARTICULARS	Current Year	Previous Year
Carrying amount at the beginning of the year	419.80	—
Addition provisions made during the year	2517.70	419.80
Amount used during the year	2399.63	—
Unused amounts reversed during the year	—	—
Carrying amount of provisions at the closing of the year	537.86	419.80

The provision has been recognized for expected warranty claims on the product sold during the financial year. It is expected that majority of these expenses is incurred in the next financial year.

**12. Deferred Tax Liabilities / (Assets)**

The break up of the deferred tax liabilities/ (Assets) is as under:

(Rs.in lacs)

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>Deferred Tax liability</b>		
Timing difference on account of depreciation (Difference as per books & as per Income Tax Act)	750.77	818.36
<b>Total</b>	<b>750.77</b>	<b>818.36</b>
<b>Deferred Tax Assets</b>		
On account of Disallowance u/s 43B	191.56	147.50
Provisions	196.52	252.53
<b>Total</b>	<b>388.08</b>	<b>400.03</b>
Net Deferred Tax Liabilities	<b>362.69</b>	418.33
Net Deferred Tax Liabilities / (Assets) for the year	<b>(55.64)</b>	(127.37)

**13. SEGMENT REPORTING**

Business segment

In the opinion of the management, there is only one reportable segment i.e. manufacturing of electrical lamps, as envisaged by Accounting Standard 17 "Segment Reporting", prescribed by the Companies (Accounting Standards) Rules, 2006.

Geographical Segment

The Company sells its products to various customers within the country and also export to other companies. Considering the size and proportion of exports to local sales, the Company considers sales made within the country and exports as different geographical segment.

(Figure in Rs.)

Particulars	Within India	Outside India	Total
Revenue	3287517381	1274042185	4561559566
	(2996898514)	(1016473739)	4013372253
Segment Assets	576339068	404255980	980595048
	496827581	260058147	756885728
Addition to fixed assets	55624511	—	55624511
	(297783283)	—	(297783283)

Figures in bracket indicate previous year figures

**14. EARNING PER SHARE (E.P.S.)**

(Rs.in lacs)

	Current Year	Previous Year
(a) Net profit after tax available for equity share holders	<b>(1927.14)</b>	162.77
(b) Weighted average number of Equity shares	<b>280.19</b>	280.19
(c) Earning per share (Rs.) (Nominal value Rs. 10/- per share)		
Basic	<b>(6.88)</b>	0.58
Diluted	<b>(6.88)</b>	0.58

## 15. RELATED PARTY DISCLOSURE

a) List of related parties with whom transactions have taken place during the year is as under:

Nature of Relationship	Name of the Person
i) Subsidiaries	Halonix Technologies Limited (Ownership 100%)
ii) Common Control	Argon South Asia Limited
iii) Holding Company	Argon India Limited
iv) Key Management personnel	Mr. Rajesh Kochhar (With effect from 16 <sup>th</sup> November'2009) Mr. S.K Neogi Mr. Rajiv Prasad (Upto 16 <sup>th</sup> November'2009)

## b) Related Party Transactions

(Rs. in Lacs)

Nature of transaction	Subsidiary Company	Holding Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Total
<b>Transaction during the year</b>						
I) Investment	– (5)	– (–)	– (–)	– (–)	– (–)	– (5)
II) Loan given	20.75 (–)	– (–)	– (–)	– (–)	– (–)	20.75 (–)
III) Managerial Remuneration	– (–)	– (–)	– (–)	188.36 (192.41)	– (–)	188.36 (192.41)
IV) Advance recoverable in cash or kind (Expenses incurred on behalf of )	44.42 (–)	– (–)	– (–)	– (–)	– (–)	44.42 (–)
V) Dividend Paid	– (–)	59.23 (592.31)	14.81 (148.07)	– (–)	– (–)	74.04 (740.38)
<b>Balances outstanding at the year end</b>						
I) Investment	5 (5)	– (–)	– (–)	– (–)	– (–)	5 (5)
II) Loan given	20.75 (–)	– (–)	– (–)	– (–)	– (–)	20.75 (–)
III) Advance recoverable in cash or kind	44.42 (–)	– (–)	– (–)	– (–)	– (–)	44.42 (–)
IV) Managerial Remuneration Payable	– (–)	– (–)	– (–)	14.50 (2.44)	– (–)	14.50 (2.44)

i) Previous year figures are given in brackets

ii) No amount has been written off or provided for in respect of transactions with the related parties except for provision of Rs. 5 Lacs for diminution in value of investment in subsidiary.

## 16. DERIVATIVE INSTRUMENT AND UNHEDGED FOREIGN CURRENCY EXPOSURE.

Forward Contract outstanding as at Balance Sheet date:

(Figure in Lacs)

Particulars of Derivatives	Current Year	Previous Year	Purpose
Purchase EURO	10.00	–	Hedge of Debtors/ Creditors
Purchase USD	47.50	–	Hedge of Debtors/ Creditors



Particulars of unhedged Foreign Currency exposure as at the balance sheet date:–

(Figure in Lacs)

Particulars	F.C	Current Year (In Foreign Currency)	Previous Year (In Foreign Currency)
Import Creditors	JPY	44.75	15.05
Import Creditors	EURO	(7.14)	1.10
Import Creditors	USD	12.09	10.16
Export Debtors	EURO	52.37	43.70
Export Debtors	USD	14.45	24.93

#### 17. MANAGERIAL REMUNERATION\*

(Rs. in lacs)

PARTICULARS	Current Year	Previous Year
Managerial Remuneration u/s 198 of Companies Act, 1956 (included under various heads of Accounts of Profit & Loss account)		
Salary & Allowances	104.52	103.50
Performance Incentives	–	54.22
Leave encashment	11.28	
Perquisites	27.35	22.27
Contribution to Provident Fund	11.71	12.42
Joining Fees	33.50	–
	188.36	192.41
Director's Sitting Fees	3.13	1.72
<b>Total</b>	<b>191.49</b>	<b>194.13</b>

#### Note:

- Provision for contribution to employee benefits which are based on actuarial valuation done on an overall company basis are excluded from above.
- The company has received approval of the Central Government vide their letter No. A64380926 – CL.VII dated 13.4.2010 in respect of the remuneration of the erstwhile managing director. Remuneration of Rs. 86.34 lacs comprising Rs. 73.22 lacs for the financial year 2008-09 & Rs. 13.12 lacs for f.y. 2009-10 has been paid in excess of the approval of the Central Government. The company has charged the excess remuneration to the profit & loss account in view of the revision application for approval of the excess remuneration filed by the company vide acknowledgement no. 1690 dated 5.5.2010. Accordingly excess remuneration of Rs. 86.34 lacs has not been recovered from the erstwhile Managing Director.
  - Salary paid/payable to the managing director of Rs. 70.99 lacs in excess of the limit specified in schedule XIII of the companies act, 1956 is pending approval from Central Government. The company has made an application seeking approval from the central government for payment of managerial remuneration in excess of the limit specified under the companies act, 1956. The said approval is awaited.

## 18. AUDITOR'S REMUNERATION:

(Rs. in lacs)

PARTICULARS	Current Year 31.03.2010	Previous Year 31.03.2009
i) Statutory Auditor		
a) As Auditor's	12.66	8.74
b) Other Capacity		
- Tax Audit	2.21	2.21
- Certification & other matters	1.81	3.31
- Out of Pocket Expenses	0.26	0.87
ii) Cost Auditor fee	1.00	0.75
<b>Total</b>	<b>17.94</b>	<b>15.88</b>

## 19. Additional information pursuant to the provisions of para 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956 (As Certified by the Management) :

### a) Details of Capacity and Production

(Figure in Lacs)

Class of Goods	Unit	Licenced Capacity*		Installed Capacity		Actual Production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Electric Lamps	Pcs	-	-	1418.88	1270.08	923.79	838.28

\* Since been delicensed

### b) Raw Material Consumed

(Figure in Lacs)

Items	Unit	QUANTITY		AMOUNT	
		Current Year	Previous Year	Current Year	Previous Year
Tungsten Filament	Pcs	987.14	698.37	1001.53	875.58
Lead in Wire	Pcs	1011.05	1013.63	138.16	172.21
Moly Shield	Pcs	331.85	289.02	877.09	863.78
Lamp Base Parts	Pcs	2562.66	283.52	4377.65	3909.03
Others	Pcs	-	-	19442.70	17552.73

### c) Particulars in respect of goods dealt with by the company

(Figures in lacs)

Class of Goods	Opening Stock		Sales		Closing Stock	
	Qty (Pcs.)	Value (Rs.)	Qty (Pcs.)	Value (Rs.)	Qty (Pcs.)	Value (Rs.)
Electric Lamps	48.64 (35.86)	1730.90 (1449.10)	920.02 (825.50)	44879.39 (40047.50)	52.41 (48.64)	1724.47 (1730.90)

**d) Value of imported and indigenous Raw Material and Stores & Spares Consumed (Rs. in lacs)**

Items	CURRENT YEAR		PREVIOUS YEAR	
	Value (Rs.)	Percentage (%)	Value (Rs.)	Percentage (%)
<b>Raw Material</b>				
Imported	13003.02	49.67	10783.95	46.14
Indigenous	12834.11	50.33	12589.40	53.86
<b>Total</b>	<b>25837.13</b>	<b>100.00</b>	<b>23373.35</b>	<b>100.00</b>
<b>Spares Parts</b>				
Imported	208.07	30.32	210.28	35.88
Indigenous	478.13	69.68	375.85	64.12
<b>Total</b>	<b>686.20</b>	<b>100.00</b>	<b>586.13</b>	<b>100.00</b>
<b>Packing material, Consumables &amp; Others</b>				
Imported	82.99	2.36	45.11	1.27
Indigenous	3434.52	97.64	3506.05	98.73
<b>Total</b>	<b>3517.52</b>	<b>100.00</b>	<b>3551.16</b>	<b>100.00</b>

**e) Particulars of goods for resale (Rs. in lacs)**

PARTICULARS	Opening Stock		Purchases		Sales		Closing Stock	
	Qty (Pcs.)	Value (Rs.)	Qty (Pcs.)	Value (Rs.)	Qty (Pcs.)	Value (Rs.)	Qty (Pcs.)	Value (Rs.)
<b>Class of Goods</b>								
Electric Lamps	11.72 (0.61)	1377.22 (30.92)	24.60 (25.29)	695.89 (1702.91)	24.69 (14.06)	709.96 (519.83)	11.63 (11.84)	1363.14 (1377.21)
Electronic Items	0.009 (0.009)	63.75 (63.54)	- (0.00005)	- (0.34)	0.004 (0.00002)	26.24 (0.001)	0.005 (0.009)	37.50 (63.75)

*(Rs. in Lacs)*

P A R T I C U L A R S		Current Year (2009-10)	Previous Year (2008-09)
<b>f) I) Value of Imports on CIF Basis</b>			
i) Raw Material & Gases		11017.68	14377.29
ii) Spares Parts/Consumable		220.10	778.13
iii) Capital Goods		183.38	767.94
<b>II) Expenditure in Foreign Currency (on Basis)</b>		83.51	-
i) Foreign Travel		13.39	20.15
ii) Exhibition Expenses		-	0.10
iii) Professional Fees		7.71	3.53
iv) Selling commission		52.95	43.12
v) Others		9.46	36.37

**g) Earning in Foreign Currency FOB Value of Exports Goods (Rs. in Lacs)**

P A R T I C U L A R S	Current Year	Previous Year
FOB Value of Exports	12542.38	9925.24

## 20. NET DIVIDEND REMITTED IN FOREIGN CURRENCY

(Rs. in Lacs)

PARTICULARS	Current Year (2009-10)	Previous Year (2008-09)
a) Number of Non Resident Shareholders	155	112
b) Equity Shares held by them ( Nos.In lacs)	214.56	193.84
c) Amount of Dividend Remitted (Rs. In lacs)	85.82	775.38
d) Tax Deducted at Source Rs	NIL	NIL
e) Year to Which dividend relates	2008-09	2007-08

21. Previous year figures have been regrouped /rearranged wherever considered necessary.

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

Name of the Subsidiary Company	Halonix Technologies Ltd.
Financial Year of the subsidiary Company ended on	31.03.2010
Number of Shares held by Halonix Limited at the end of the financial year of the Subsidiary Company.	
[i] Equity Shares	50,000
[ii] Extent of holding	100%
[iii] face value of share (Rs.)	10/-
Date from which it became subsidiary Company	02.03.2009
The net aggregate profit/(Loss) of the Subsidiary Company as far as it concerns the members of the Holding company	
[i] Not dealt with in the Holding Company's Accounts:	
[a] For the Financial Year of the Subsidiary	(Rs. 7,615,727)
[b] For the Previous Financial Years since it became the Holding Company's Subsidiary	(Rs. 7,615,727)
[ii] Dealt with in the Holding Company's Accounts:	
[a] For the Financial Year of the Subsidiary	NIL
[b] For the Previous Financial Years since it became the Holding Company's Subsidiary	NIL
Changes in the interest of Halonix Limited between the end of the Subsidiary's Financial Year and 31 <sup>st</sup> March, 2010	NIL
Number of shares acquired	NIL
Material changes between the end of the Subsidiary's Financial Year and 31 <sup>st</sup> March, 2010	NIL
[i] Fixed Assets (Net Addition) (Capital Work-in-Progress)	NIL
[ii] Investments	NIL
[iii] Moneys lent by the Subsidiary	NIL
[iv] Moneys borrowed by the Subsidiary Company other than for meeting Current Liabilities	NIL

For and on behalf of the Board

Date : 10.08.2010  
Place : Noida

RAJ KRISHAN SAHGAL  
Chairman

RAJESH KOCHHAR  
Managing Director

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

## 22. Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### (a) Registration Details

Registration No.  State Code   
Balance Sheet Date

### (b) Capital Raised during the year (Rs. in Lacs)

Public Issue  Rights Issue  Bonus Issue  Private Placement

### (c) Position of Mobilisation and deployment of Funds (Rs. in Lacs)

Total Liabilities  Total Assets

#### Sources of Funds

Paid up Capital  Reserves & Surplus   
Secured Loans  Unsecured Loans   
Deferred Tax Liability

#### Application of Funds

Net Fixed Assets   
Net Current Assets  Investments

### (d) Performance of Company (Rs. in Lacs)

Turnover  Total Expenditure   
Other Income   
Profit Before Tax  Profit After Tax   
Earning per share in Rs.   
Dividend Rate %  
on Preference Shares  
on Equity Shares

### (e) Generic Names of Principal Products/services of Company (As per monetary terms)

Item Code No. (ITC Code) Product Description Electric Lamps

As per our report of even date  
For ARUN K. GUPTA & ASSOCIATES  
Chartered Accountants  
Firm Registration No. 000605N

RAJ KRISHAN SAHGAL  
Chairman

Place: Noida  
Date : 06.05.2010

GIREESH KUMAR GOENKA  
Partner (M. No. 096655)

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

RAJESH KOCHHAR  
Managing Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010

(Rs. in Lacs)

PARTICULARS	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & Prior period adjustments	(1509.15)	581.91
Adjustments for :		
Depreciation	1300.36	1143.84
Interest paid	1445.83	1469.46
Interest received	(35.63)	(135.16)
Loss on Derivative	182.24	
Special Incentive to Employees		(352.52)
Loss on sale of Fixed assets	40.00	2.12
Provision for dimunition in value of investment	5.00	
Previous Year Expenses	(421.11)	(260.17)
Unrealised exchange (gain)/loss	204.55	(241.03)
Provisions	1673.74	825.55
<b>Operating Profit Before Working Capital Changes</b>	<b>2885.83</b>	<b>3034.00</b>
Adjustments for :		
Trade and other Receivables	(2611.39)	1730.42
Inventories	2331.50	(2412.12)
Trade Payables	305.60	841.67
<b>Cash Generated from Operations</b>	<b>2911.55</b>	<b>3193.97</b>
Direct taxes paid	(77.74)	(321.63)
<b>Net Cash from Operating Activities</b>	<b>2833.81</b>	<b>2872.33</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(939.53)	(2076.95)
Sale of fixed assets	47.23	0.24
Purchase of investments		(5.00)
Loss on Derivative	(182.24)	
Interest received	35.63	135.16
<b>Net cash from investing activities</b>	<b>(1038.91)</b>	<b>(1946.55)</b>
<b>C. CASH FLOW FORM FINANCING ACTIVITIES</b>		
Proceeds from Short term borrowings (Net)	1454.77	1476.32
Proceeds from Long term borrowings		1018.37
Repayment of Long term Loan	(1018.37)	(175.03)
Interest paid	(1445.83)	(1469.46)
Equity dividend & dividend tax	(131.12)	(1311.25)
<b>Net cash from financing activities</b>	<b>(1140.56)</b>	<b>(461.05)</b>
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS *</b>	<b>654.34</b>	<b>464.74</b>
Cash and cash equivalents (Opening balance)	721.45	256.72
<b>Cash and cash equivalents (Closing balance)</b>	<b>1375.79</b>	<b>721.45</b>

**Note :** 1. The cash flow statement has been prepared under the indirect method as set out in Accounting Standard -3 on cash flow statements issued by the Institute of Chartered Accountants of India.

\*2. Closing Rs 21326136/- (Opening Rs 8521736/-) includes pledged as margin money

As per our report of even date  
For ARUN K. GUPTA & ASSOCIATES  
Chartered Accountants  
Firm Registration No. 000605N

RAJ KRISHAN SAHGAL  
Chairman

Place : Noida  
Date : 06.05.2010

GIREESH KUMAR GOENKA  
Partner (M. No. 096655)

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

RAJESH KOCHHAR  
Managing Director



**AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF HALONIX LIMITED (FORMERLY KNOWN AS PHOENIX LAMPS LIMITED) ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HALONIX LIMITED AND ITS SUBSIDIARY.**

To,

**The Board of Directors of Halonix Limited**

1. We have audited the attached Consolidated Balance Sheet of Halonix Limited and its subsidiary as at 31<sup>st</sup> March 2010, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statements for the year ended on that date annexed thereto. These financial statements are the responsibility of the Halonix Limited'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 the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Halonix Limited Management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements notified pursuant to the Companies (Accounting Standards) Rules, 2006.
4. As explained in point no. 17 of schedule-19, an application has been made to Central Government seeking approval for remuneration to the Managing Director & erstwhile Managing Director of the parent Company in excess of the limits prescribed under the Act, for which approval is awaited.
5. Based on our audit and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India.
  - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Halonix Limited Group as at 31<sup>st</sup> March 2010.
  - (b) in the case of the Consolidated Profit and Loss Account, of the Loss of the Halonix Limited Group for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Halonix Group for the year ended on that date.

**For Arun. K. Gupta & Associates**  
Chartered Accountants  
Firm Registration No. 000605N

**Gireesh Kumar Goenka**  
Partner  
Membership No. 096655

Place : Noida  
Date : 06.05.2010

# CONSOLIDATED BALANCE SHEET

AS AT 31st March, 2010

(Rs. in Lacs)

PARTICULARS	SCHEDULE	As At 31.03.2010	As At 31.03.2009
<b>SOURCES OF FUNDS</b>			
SHARE CAPITAL	1	4117.93	4117.93
RESERVES & SURPLUS	2	9400.80	11399.09
SECURED LOANS	3	13243.49	12807.09
DEFERRED TAX LIABILITIES (NET)		362.68	418.33
<b>TOTAL</b>		<b>27124.90</b>	<b>28742.44</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	26851.05	26545.80
Less Depreciation		16262.81	15118.46
Net Block		10588.24	11427.34
Capital Work In- Progress including Capital Advances (refer note no C (2) of schedule 19)		1216.99	833.70
		11805.23	12261.04
<b>INVESTMENTS</b>	5	—	5.00
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
(i) Inventories	6	8834.31	11861.87
(ii) Sundry Debtors	7	9805.95	7568.85
(iii) Cash and Bank Balances	8	1377.37	721.45
(iv) Other Current Assts	9	227.16	280.71
(v) Loans and Advances	10	1021.55	1280.97
<b>TOTAL</b>		<b>21266.34</b>	<b>21713.85</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	11		
(i) Current Liabilities		4901.55	4360.45
(ii) Provisions		1045.12	877.00
<b>NET CURRENT ASSETS</b>		<b>15319.67</b>	<b>16476.40</b>
<b>TOTAL</b>		<b>27124.90</b>	<b>28742.44</b>
<b>NOTES FORMING PART OF ACCOUNTS</b>	<b>19</b>		

As per our report of even date  
For ARUN K. GUPTA & ASSOCIATES  
Chartered Accountants  
Firm Registration No. 000605N

RAJ KRISHAN SAHGAL  
Chairman

Place: Noida  
Date : 06.05.2010

GIREESH KUMAR GOENKA  
Partner (M. No. 096655)

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

RAJESH KOCHHAR  
Managing Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**
*(Rs. in Lacs)*

PARTICULARS	SCHEDULE	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>INCOME</b>			
GROSS SALES		45615.60	40133.72
LESS: EXCISE DUTY		1383.43	1727.39
NET SALES		44232.16	38406.33
INCREASE/(DECREASE) IN STOCK	12	(563.17)	1122.20
OTHER INCOME	13	35.63	135.16
<b>TOTAL</b>		<b>43704.62</b>	<b>39663.69</b>
<b>EXPENDITURE</b>			
MATERIALS	14	30078.78	27218.42
OPERATING EXPENSES	15	1665.81	1317.17
ADMINISTRATIVE & SELLING EXPENSES	16	4316.18	3171.54
PAYMENT & BENEFITS TO EMPLOYEES	17	4401.52	3746.70
FINANCIAL CHARGES	18	1848.54	1658.56
DEPRECIATION	4	1300.36	1143.84
<b>TOTAL</b>		<b>43611.19</b>	<b>38256.23</b>
PROFIT BEFORE TAX, PROVISIONS AND PRIOR PERIOD ADJUSTMENTS		93.44	1407.46
<b>PROVISIONS FOR :</b>			
OBSOLETE INVENTORIES		703.80	246.29
DOUBTFUL DEBTS		432.08	159.46
WARRANTY CLAIMS		537.86	419.80
PROFIT BEFORE TAX & PRIOR PERIOD ADJUSTMENT		(1580.31)	581.91
PRIOR PERIOD ADJUSTMENT (NET)		421.11	260.17
PROFIT BEFORE TAX		(2001.42)	321.74
<b>PROVISION FOR :</b>			
FRINGE BENEFIT TAX		—	60.00
DEFERRED TAX		(55.64)	(127.37)
EARLIER YEAR INCOME TAX		52.52	226.35
PROFIT AFTER TAX FOR THE YEAR		(1998.29)	162.77
PROFIT BROUGHT FORWARD		5980.66	5949.02
AMOUNT AVAILABLE FOR APPROPRIATION		3982.37	6111.79
PROPOSED EQUITY DIVIDEND		—	112.08
TAX ON DIVIDEND		—	19.05
BALANCE CARRIED TO BALANCE SHEET		3982.37	5980.66
EARNING PER SHARE (IN RS.) (FACE VALUE RS. 10/- PER SHARE)			
BASIC		(7.13)	0.58
DILUTED		(7.13)	0.58

**NOTES FORMING PART OF ACCOUNTS**

As per our report of even date  
For ARUN K. GUPTA & ASSOCIATES  
Chartered Accountants  
Firm Registration No. 000605N

RAJ KRISHAN SAHGAL  
Chairman

Place: Noida  
Date : 06.05.2010

GIREESH KUMAR GOENKA  
Partner (M. No. 096655)

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

RAJESH KOCHHAR  
Managing Director

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
41,000,000 Equity Shares of Rs.10/- each	4100.00	4100.00
2,900,000 Redeemable Preference Shares of Rs 100/- each	2900.00	2900.00
	7000.00	7000.00
<b>Issued,Subscribed and Paid up</b>		
2,80,19,300(P.Y.2,80,19,300) Equity Shares Of Rs10/- Each Fully Paidup	2801.93	2801.93
** 1,316,000 (P.Y.13,16,000) 0% Redeemable Preference Shares of Rs.100/- each.	1316.00	1316.00
<b>TOTAL</b>	4117.93	4117.93
<b>Out of the equity capital :</b>		
(i) 91,00,000 Equity Shares allotted in terms of Scheme of Amalgamation		
(ii) 1,48,07,668 Equity Shares held by Argon India Limited a holding company.		
**Refer Note No. C ( 5 ) in Schedule 19		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
(i) CAPITAL SUBSIDY	40.00	40.00
(ii) CAPITAL REDEMPTION RESERVE	1621.00	1621.00
(iii) SECURITIES PREMIUM :	3733.86	3733.86
(iv) GENERAL RESERVE : OPENING BALANCE	23.57	23.57
(v) PROFIT & LOSS ACCOUNT: SURPLUS IN PROFIT & LOSS ACCOUNT	3982.37	5980.66
<b>TOTAL</b>	9400.80	11399.09
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
(i) Term Loan From Banks	—	1018.37
(ii) Working Capital Loan from banks		
Cash Credit Facilities	8733.49	8266.32
Short Term Loan	4510.00	2300.00
Bill Discounting	—	1222.40
<b>TOTAL</b>	13243.49	12807.09
(i) Term Loans are secured by way of first pari passu charges on all the movable and immovable properties, both present & future & subject to charges created/ to be created in favour of the company's bankers by way of security against borrowing for working capital requirements in the ordinary course of business.		
(ii) Working Capital loans from Scheduled Bank is secured by hypothecation of stocks of Raw Material, Work in Progress, Finished Goods, Stores & Spares, consumables and book debts of the company both present and future and further secured by way of second charge on the fixed assets.		

**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd...)**
**SCHEDULE - 4  
FIXED ASSETS**

(Rs. in Lacs)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As At 01/04/2009	Additions	Adj. / Sale	As At 31/03/2010	As At 01/04/2009	For the year	Adjust- ment	As At 31/03/2010	As At 31/03/2010	As At 31/03/2009
LEASE HOLD LAND	370.16	—	—	370.16	18.70	4.33	—	23.03	347.13	351.46
* BUILDINGS	3102.74	66.41	—	3169.15	542.56	102.36	—	644.93	2524.22	2560.18
PLANT & MACHINERY	20825.39	424.06	103.43	21146.02	13930.90	911.50	24.37	14818.03	6327.99	6894.49
LABORATORY EQUIPMENTS	240.26	14.41	—	254.67	61.21	11.06	—	72.27	182.41	179.05
GAS CYLINDERS	39.71	3.05	24.37	18.39	27.49	3.05	22.84	7.71	10.69	12.22
FURNITURE & FIXTURES	229.38	8.08	—	237.45	122.02	8.64	—	140.58	96.88	104.09
OFFICE EQUIPMENTS	190.88	7.62	—	198.50	72.14	9.04	—	81.18	117.32	118.74
COMPUTERS	416.74	8.39	70.88	354.25	148.98	58.48	67.98	139.47	214.78	267.77
VEHICLES	171.54	24.23	52.31	143.47	102.62	13.95	40.82	65.84	77.62	72.13
FIRE FIGHTING EQUIPMENTS	88.15	—	—	88.15	25.72	3.77	—	29.49	58.66	62.43
<b>INTANGIBLE ASSETS ::</b>										
—SOFTWARES	271.94	—	—	271.94	66.12	54.39	—	120.51	151.43	205.82
—** RESEARCH & DEVELOPMENT COST	598.90	—	—	598.90	—	119.78	—	119.78	479.12	598.90
<b>GRAND TOTAL</b>	26545.80	556.25	251.00	26851.05	15118.46	1,299.36	156.01	16262.81	10588.24	16,020.29
<b>PREVIOUS YEAR</b>	23570.88	2977.83	2.92	26545.80	13975.18	1143.84	0.55	15120.65	11425.15	9595.70

\* Includes Rs. 590.64/- Lacs on leased land belonging NSEZ.(Previous year Rs590.64/- Lacs)

\*\* Refer point no 9 of notes to account of schedule 19.

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE -5</b>		
<b>INVESTMENTS, LONG TERM, UNQUOTED AT COST</b>		
Long Term	—	5.00
Fully paid equity share of Halonix Technologies Limited a subsidiary company No of shares 50000@ Rs.10/-	—	—
<b>TOTAL</b>	<b>—</b>	<b>5.00</b>
<b>SCHEDULE -6</b>		
<b>INVENTORIES (As Valued &amp; Certified by the Management)</b>		
Raw Materials	2984.03	4313.41
Gases	54.03	24.56
Consumables	83.50	98.00
Packing Materials	167.85	347.21
Stores & Spares	209.19	338.61
Finished Goods	1724.47	1730.91
Work in Progress	2216.78	2773.51
Goods in Transit	68.67	92.33
Goods sold in Transit	917.23	615.39
Goods For Resale	1400.65	1440.96
Assets held for disposal	7.75	—
Scrap	16.08	442.12
<b>SUB TOTAL</b>	<b>9850.22</b>	<b>12217.01</b>
Less: Provision for obsolete invenotries	1015.90	355.14
<b>TOTAL</b>	<b>8834.31</b>	<b>11861.87</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd...)**
*(Rs. in Lacs)*

<b>PARTICULARS</b>	<b>As At 31.03.2010</b>	<b>As At 31.03.2009</b>
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, Considered Good	<b>1425.59</b>	571.85
Unsecured, Considered Doubtful	<b>720.62</b>	293.88
	<b>-</b>	-
<b>Other Debts</b>	<b>-</b>	-
Unsecured, Considered Good	<b>8380.36</b>	6997.00
	<b>10526.57</b>	7862.73
	<b>(720.62)</b>	(293.88)
Less :- Provision for doubtful debts		
<b>TOTAL</b>	<b>9805.95</b>	7568.85
<b>SCHEDULE - 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	<b>4.91</b>	7.56
<b>Balance with Scheduled Banks in :</b>	<b>-</b>	
i) Current Accounts	<b>841.36</b>	321.01
ii) Fixed Deposits (Pledged as margin money)	<b>213.26</b>	85.22
iii) Dividend Account (Unpaid)	<b>317.83</b>	307.66
<b>TOTAL</b>	<b>1377.37</b>	721.45
<b>SCHEDULE - 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Prepaid Expenses	<b>23.38</b>	83.89
Security Deposits	<b>196.32</b>	193.88
Interest Receivable	<b>7.45</b>	2.94
<b>TOTAL</b>	<b>227.16</b>	280.71
<b>SCHEDULE - 10</b>		
<b>LOANS AND ADVANCES (Unsecured Considered Good)</b>		
Advances to Staff	<b>9.46</b>	8.58
Advances recoverable in cash or kind or for value to be received.	<b>365.51</b>	489.33
Balances with Excise & custom authorities	<b>224.66</b>	309.91
Advance Income Tax /Tax Deducted at Source (Net of provision of Income Tax)	<b>391.37</b>	442.60
MAT Credit Entitlement	<b>30.55</b>	30.55
<b>TOTAL</b>	<b>1021.55</b>	1280.97



**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd...)**
*(Rs. in Lacs)*

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE - 11</b>		
<b>(I) CURRENT LIABILITIES</b>		
Acceptances	737.56	996.40
Sundry Creditors		
– Dues to Micro and Small Enterprises (Refer Note No. 3 of Notes to Accounts Schedule 19 )	83.49	102.21
– Others	2519.33	2389.12
Customer's Credit Balances	61.08	97.09
Other Liabilities(Includes Rs.1459999/- P.Y. Rs.2,43,602/- due to Directors)	1049.67	374.04
Statutory Liabilities	132.58	93.93
Unpaid Dividend (Investors education and protection fund shall be credited)	317.83	307.66
<b>SUB TOTAL</b>	<b>4901.55</b>	<b>4360.45</b>
<b>(II) PROVISIONS FOR :-</b>		
Fringe Benefit Tax	–	60.00
Less: Advance Fringe Benefit Tax	–	60.00
Leave Encashment	218.35	162.00
Gratuity	288.90	164.07
Warranty Claims	537.86	419.80
Proposed Equity Dividend	–	112.08
Tax on Proposed Dividend	–	19.05
<b>SUB TOTAL</b>	<b>1045.12</b>	<b>877.00</b>
<b>TOTAL</b>	<b>5946.66</b>	<b>5237.45</b>
<b>SCHEDULE - 12</b>		
<b>INCREASE/(DECREASE) IN STOCK</b>		
<b>OPENING STOCK</b>		
Finished Goods	1730.91	1452.36
Work in progress	2773.51	1929.86
<b>TOTAL</b>	<b>4504.42</b>	<b>3382.22</b>
<b>CLOSING STOCK</b>		
Finished Goods	1724.47	1730.91
Work in progress	2216.78	2773.51
<b>TOTAL</b>	<b>3941.25</b>	<b>4504.42</b>
<b>INCREASE/(DECREASE) IN STOCK</b>	<b>(563.17)</b>	<b>1122.20</b>
<b>SCHEDULE - 13</b>		
<b>OTHER INCOME</b>		
Interest on bank deposits (Tax Deducted at Source Rs.97498/- PY Rs.113093/-)	10.25	5.56
Other Interest {(Tax deducted at source Rs Nil (Previous year Nil)}	12.64	104.33
Profit on sale of Fixed Assets	2.76	–
Miscellaneous Income	9.98	25.27
<b>TOTAL</b>	<b>35.63</b>	<b>135.16</b>

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd...) (Rs. in Lacs)

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE - 14</b>		
<b>MATERIALS</b>		
Raw Materials	25837.13	23373.35
Gases	1039.88	878.85
Consumables	576.41	641.03
Packing Materials	1901.22	2031.28
Goods for Resale	736.20	299.12
Increase/(Decrease) in excise duty on closing stock	(12.07)	(5.21)
<b>TOTAL</b>	<b>30078.78</b>	<b>27218.42</b>
<b>SCHEDULE - 15</b>		
<b>OPERATING EXPENSES</b>		
Repair & Maintenance		
i) Plant & Machinery	686.20	586.14
ii) Building	10.09	17.45
iii) Others	89.48	69.11
Power & Fuel	848.67	619.77
Technician Expenses	31.38	24.70
<b>TOTAL</b>	<b>1665.81</b>	<b>1317.17</b>
<b>SCHEDULE - 16</b>		
<b>ADMN.&amp; SELLING EXPENSES</b>		
<b>A. ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Printing & Stationery	10.11	9.32
Postage, Telephone & Telegram	121.28	114.38
Rent	166.72	131.79
Conveyance & Travelling	737.73	721.16
Vehicle Running & Maintenance	35.41	39.96
Professional Charges	426.25	223.95
Auditor's Remuneration	18.50	15.88
Insurance Charges	29.60	31.70
Filing and Legal Charges	56.08	63.50
Miscellaneous Expenses	43.72	18.98
Donation	0.84	0.61
Security Services	54.92	55.89
Loss on Sale of Fixed Assets	12.94	2.12
Balances written off (net)	90.20	—
Provision for discarded assets	29.82	—
Exchange Variation	499.28	108.66
<b>SUB TOTAL</b>	<b>2333.40</b>	<b>1537.90</b>
<b>B. SELLING EXPENSES</b>		
Advertisement ,Exhibition, Sales Promotion & Other Exp.	700.80	496.67
Selling Commission	71.38	64.99
Freight Outward	1164.55	1019.45
Insurance	46.05	52.54
<b>SUB TOTAL</b>	<b>1982.78</b>	<b>1633.65</b>
<b>TOTAL</b>	<b>4316.18</b>	<b>3171.54</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd...)**
*(Rs. in Lacs)*

<b>PARTICULARS</b>	<b>As At 31.03.2010</b>	<b>As At 31.03.2009</b>
<b>SCHEDULE - 17</b>		
<b>PAYMENT &amp; BENEFITS TO EMPLOYEES</b>		
Salary, Wages,Bonus & allowances	<b>3880.79</b>	3182.35
Contribution to Provident & Other funds	<b>331.86</b>	329.53
Welfare Expenses	<b>188.87</b>	234.82
<b>TOTAL</b>	<b>4401.52</b>	3746.70
<b>SCHEDULE - 18</b>		
<b>FINANCIAL CHARGES</b>		
Interest on Term Loan	<b>72.41</b>	11.47
Interest Others	<b>1373.44</b>	1457.99
Bank Charges	<b>220.45</b>	189.10
Loss on derivatives	<b>182.24</b>	—
<b>TOTAL</b>	<b>1848.54</b>	1658.56

## SCHEDULE-19

### SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS TO THE CONSOLIDATED FINANCIAL STATEMENTS OF HALONIX LIMITED AND ITS SUBSIDIARY FOR THE FINANCIAL YEAR ENDED 31.03.2010

#### (A) PRINCIPLES OF CONSOLIDATION

- (a) The consolidated financial statements relate to Halonix Limited and its wholly owned subsidiary company. The consolidated financial statements have been prepared on the following basis:
  - (i) The financial statements of the Parent company and its subsidiary company have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances and intra group transactions and resulting unrealized profits are eliminated in full as per Accounting Standard-21, Consolidated Financial Statements, as notified by Companies Accounting Standards Rules, 2006. Unrealized losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.
  - (ii) The financial statements of the subsidiary Company used in the consolidation are drawn for the same period as that of the Parent Company i.e year ended March 31, 2010.
- (b) List of subsidiary company which is considered in the consolidation and the Parent Company holding therein is as under:

S.No.	Name of the Subsidiary Company	Country of Incorporation	Extent of holding (%) as on March 31,2010
1.	Halonix Technologies Limited	India	100

As far as possible, the Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company separate financial statements.

#### B) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### a) BASIS OF PREPARATION

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, except where otherwise stated, and on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### b) USE OF ESTIMATES

The preparation of financial statements are in conformity with generally accepted accounting principles & it requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### c) FIXED ASSETS

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Financing cost relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Expenditure for addition, improvement and renewal are capitalized and expenditure for repairs and maintenance are charged to Profit & Loss Account. Expenses specifically attributable to completion of project are considered as part of project cost.

##### d) BORROWING COST

Borrowing cost related to acquisition or construction of the qualifying fixed assets for the period up to the completion of their acquisition or construction are included in the book value of the respective assets and other borrowing costs are charged to profit & loss account.

##### e) DEPRECIATION

- i) Depreciation is provided on straight line method as prescribed in Schedule XIV of the Companies Act, 1956.
- ii) Lease hold land is amortized over the period of lease.

- iii) Depreciation on the amount of addition made to fixed assets due to up gradation /improvement is provided at the rate applied to the existing assets.
- iv) Intangible assets are accounted for at their cost of acquisition & amortized over their estimated economic life not exceeding 5years.
- v) Research & Development are accounted for at their cost of acquisition /generation .

**f) EMPLOYEE BENEFITS**

**(a) Short-term Employee benefits :**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave .The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period.

**(b) Post-employment benefits:**

- (i) Retirement benefits in the form of the Company's contribution to Provident Fund charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
- (ii) The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determine based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on government securities as at the balance sheet date.

When the calculation results in a benefit to the company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognized immediately in the profit & loss account.

**(c) Other Long-term employment benefits:**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are provided for on the basis of actuarial valuation made at the end of each financial year.

**g) FOREIGN EXCHANGE TRANSACTION**

**Initial Recognition:**

Foreign current transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency transactions.

**Conversion:**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction, and non monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

**Exchange Difference:**

Exchange differences arising on the settlement of monetary items or on restatement of reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

**Forward Exchange Contracts : ( Derivative Instruments)  
not intended for trading or speculation purposes:-**

The company uses derivative financial instruments including forward exchange contracts to hedge its risk associated with foreign currency fluctuations. The premium or discount arising at the inception of forward exchange contracts is

amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit & loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expenses for the year.

**h) INVENTORY VALUATION**

Inventories are valued as follows:

**Raw Materials & Others:**

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products, in which they will be incorporated, are expected to be sold at or above cost. Cost is determined on transaction moving weighted average.

**Work in Progress and Finished Goods**

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty where ever applicable.

**By Products and Waste – Net realizable value.**

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

**i) Leases:**

Where the company is lessee Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the Profit & Loss Account on a straight line basis over the lease term.

**j) REVENUE RECOGNITION**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured. Sale of Goods Revenue is recognized when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sales are net of return, volume discount and sales/vat tax but including excise duty.

Warranty claims settled including supply of material free of cost are adjusted against sales.

Interest: Interest is recognized on a time proportion basis taking into account the amount outstanding at the applicable date.

Dividend:

Dividend is recognised when the shareholder's right to receive payment is established by the balance sheet date.

**k) INVESTMENT**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

**l) INCOME TAX**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier year .

Deferred taxes measured based on the tax rates and the tax law enacted or substantively enacted at the balance sheet date. Deferred assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier year are reassessed and recognized to the extent that it has become reasonable certain that future taxable income will be available against which such deferred tax assets be realised.

Mat credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal Income Tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accounts of India, the said asset is created by way of a credit to the profit & loss account and shown as MAT credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit Entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal Income Tax during the specified period.

**m) PROVISIONS:**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

**n) IMPAIRMENT OF FIXED ASSETS**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

**o) Intangible Assets**

Research and Development Costs

Research & development costs which relate to the design and testing of new or improved materials, products or processes which are recognized as an intangible asset to the extent that it is expected that such assets will generate future economic benefits. Research and development expenditure of a capital nature is added to fixed assets. Development costs carried forward is amortised over the period of expected future sales from the related project, not exceeding five years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Other Research and development costs, incurred for development of products are expensed as incurred,

**p) EARNINGS PER SHARE:**

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating Diluted Earning per Share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential Equity Shares.



## C. NOTES TO ACCOUNTS

### 1 (A) Contingent liabilities not provided for in respect of:

(Rs. in Lacs)

PARTICULARS	Current Year	Previous Year
a) Unexpired Bank guarantees	397.73	394.20
b) Suspension period wages	43.21	38.34
c) Disputed demand of Income Tax For the Assessment Year 2003-04	97.93	97.93
d) Disputed demand of TradeTax/Sales/Value add		
<b>Tax under appeal :-</b>		
i) Delhi Sales Tax Act 1975	1.07	1.07
ii) Uttarakhand Vat Act 2005	37.28	35.42
iii) U.P.Trade Tax Act 1948	2.07	2.07
iv) U.P.Vat Act 2008	13.19	12.88
e) Demad under ex-party assessment		
i. U.P.Tax on Entry of Goods Act 2001	30.00	—
ii. U.P.Trade Tax Act 1948	622.34	—
iii. C.S.T.under CST Act 1956	2290.61	—
f) Excise Duty Under Protest	70.84	70.84

Based on favourable decision in similar cases, discussions with the advocate etc , the Company believes that there is fair chance of decision in its favour and hence no provision is considered necessary against the same.

(B) The Company carries an export obligation of Rs. 1200.84 lacs (previous year Rs.1343.62 lacs) towards import of plant and machinery under Export Promotion Capital Goods scheme to be fulfilled by June 2012.

(C) Outstanding Commitment of capital contracts Rs. 2213.08 lacs (Previous year Rs. 2243.30 lacs ) net of advances.

2. Capital Work in Progress Rs.1216.98/-Lacs(Previous year Rs. 833.70 Lacs) {Includes Capital Advance Rs 850.44 /-Lacs (Previous year Rs. 434.84/-Lacs). Plant & machinery under erection Rs.342.55/- Lacs (Previous year Rs 398.86/-Lacs) & Other assets under erection Rs 24/-Lacs (Previous year Rs0)

3. The Company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprises Development Act,2006 (MSMED Act,2006). Based on the information available with the company. The Details of dues to Micro, small and Medium Enterprise as per MSMED Act,2006 are as under:-

(Rs. in Lacs)

Particulars	Current Year	PreviousYear
i) The Principal amount and the interest due thereon remaining unpaid to any supplier as at the end of year		
Principal Amount Unpaid:	83.49	102.21
Interest Due	5.71	0.02
ii) The amount of interest paid by the buyer in terms of section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year.		
Payment made beyond the Appointed Date	267.50	1.99
Interest Paid beyond the Appointed Date	—	—
iii) The amount of interest due and payable for the period of delay in making payment(which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.		

iv) The amount of interest accrued and remaining unpaid at the end of the year; and	5.71	0.02
v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006.	5.73	0.02

4. Secured Loans (Short term) falling due within next 12 months Rs. 4510 lacs (Previous Year Rs. 2800 lacs)
5. As per the Schemes of Arrangement of Share Capital u/s 391 of the Companies Act, 1956 approved by Hon'ble Allahabad High Court vide order dated 22.02.2000 & 22.04.2002, the Company had converted 13,160,000 equity shares of face value of Rs.10/- each aggregating to Rs.131,600,000 into 1,316,000 Redeemable Preference Shares of Rs.100/- each aggregating to Rs. 131,600,000. Redeemable Preference Shares will not carry any dividend right. Out of this 766,000 redeemable preference shares will be redeemed at par after 31<sup>st</sup> March, 2007 and 550,000 redeemable preference shares will be redeemed at par after 1<sup>st</sup> April, 2012 on such date as the board of directors may determine after Preference Shares held by Industrial Development Bank of India Limited have been redeemed in full and their liabilities have been fully discharged. The preference shares held by Industrial Development Bank of India Limited has since been redeemed. The board of the company has not exercised its option to redeem the preference shares falling due after 31<sup>st</sup> March'2007
6. Employee Benefits:
- a) Contribution to Provident Fund:
- Amount of Rs. 264.33lacs (P.Y. Rs.263.41 lacs ) is recognized as an expense & included in Payment and Benefits to employees (Refer Schedule – 17) in the Profit & Loss account.
- b) The following table sets out the status of the gratuity scheme plan as at 31<sup>st</sup> March, 2010. (Rs.in lacs)

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>I. Changes in Present Value of Obligations during the year 01.04.2009 to 31.03.2010</b>		
Present Value of Obligation as at the beginning of the period	271.33	339.66
Acquisition adjustment	–	–
Interest Cost	21.16	27.17
Past Service Cost	–	–
Current Service Cost	70.51	47.58
Curtailment Cost / (Credit)	–	–
Settlement Cost / (Credit)	–	–
Benefit Paid	(41.65)	(54.42)
Actuarial (gain)/ loss on obligations	81.32	(88.69)
Present Value of Obligation as at the end of the period on	402.65	271.31
<b>II. Changes in the Fair value of Plan Assets during the year 01.04.2009 to 31.03.2010</b>		
Fair Value of Plan Assets at the beginning of the period	107.24	127.44
Acquisition Adjustments	–	–
Expected Return on Plan Assets	9.91	11.79
Contributions	40.00	25.00
Benefits Paid	41.65	(54.42)
Actuarial Gain /( loss) on Plan Assets	1.75	(2.58)
Fair Value of Plan Assets at the end of the period on 31.03.2010	113.75	107.24

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>III. Actuarial gain / loss recognized for the year 01.04.2009 to 31.03.2010</b>		
Actuarial gain/(loss) for the period – Obligation	(81.32)	88.69
Actuarial (gain)/loss for the period – Plan Assets	1.75	2.58
Total (gain) / loss for the period	83.07	(86.12)
Actuarial (gain) / loss recognized in the period on	83.07	(86.12)
Unrecognized actuarial (gains) / losses at the end of period on	–	–
<b>IV. The amount recognized in Balance Sheet and Statements of Profit and Loss</b>		
Present Value of Obligation as at the end of the period	402.65	271.31
Fair Value of Plan Assets as at the end of the period	113.75	107.24
Funded Status	(288.90)	(164.07)
Unrecognized Actuarial (gains) / losses	–	–
Unrecognized Past Service Cost (Non Vested Benefits)	–	–
Net Liability Recognized in Balance Sheet on 31.03.2010	288.90	164.07
<b>V. Expense recognized in the statement of Profit and Loss for the year 01.04.2009 To 31.03.2010</b>		
Current Service Cost	67.47	47.58
Past Service Cost	–	–
Interest Cost	21.16	27.17
Expected Return on Plan Assets	(9.91)	(11.79)
Curtailment Cost / (Credit)	–	–
Settlement Cost / (Credit)	–	–
Net actuarial (gain)/ loss recognized in the period	83.07	(86.12)
Expenses Recognized in the statement of Profit & Loss	161.79	23.15
<b>VI. Assumptions:</b>		
Discount Rate:	8.20%	7.80%
Rate of increase in Compensation levels:	6.00%	6.00%
Rate of Return on Plan Assets:	9.25%	9.25%
Average Outstanding Service of Employees up to Retirement:	31.69 yrs	31.54 yrs
<b>VII. The Company's Gratuity fund is managed by Life Insurance Corporation of India .The plan assets under the fund are deposited under approved securities.</b>		

C). Performance incentive of Managing Director is to be provided as & when it is decided in the board, and for the employee as & when it is decided by the management.

7. Sales includes sale of scrap of Rs. 334 lacs (Previous year Rs.86.21 lacs )

8. Research and Development

The expenditure incurred for the research and development of the product amounting to Rs. NIL lacs (P.Y Rs. 598.89 Lacs) has been capitalized. The management is of the view that:-

- There is a reasonable indication that current and future research and development costs to be incurred on the project together with expected production, selling and administrations costs are likely to be more than covered by future revenues/benefits and
- The management has indicated its intention to produce and market the product .
- Adequate resources exist, and are reasonably expected to be available to complete the project and market the product / process.

- d. The Company has applied for Patent vide application no. 1021/DEL/2009 dated 19/05/2009. **(Rs. in Lacs)**

<b>Intangible Assets</b>	<b>Opening Balance as at 01/04/2009</b>	<b>Additions during the year</b>	<b>Amortisation during the year</b>	<b>Closing Balances as at 31/03/2010</b>
Research under Development and Commercialisation	598.89	NIL	119.78	479.11

9. The company has taken various residential, office and warehouse premises under operating lease agreements. These are generally not non cancelable and are renewable by mutually agreed terms. There are no restrictions imposed by Lease Agreements. There are no subleases.

**(Rs. in Lacs)**

<b>PARTICULARS</b>	<b>Lease Payment</b>	
	<b>2009-10</b>	<b>2008-09</b>
Total Lease payment for the year (Recognized in Profit and Loss Account)	<b>174.81</b>	107.30
Minimum Lease Payments		
Not later than one year	<b>130.06</b>	77.85
Later than one year but not later than five years	<b>194.95</b>	226.67
Later than five years	<b>177.08</b>	198.66

10. Disclosure required by Accounting Standard (AS-29) relating to 'Provisions, Contingent Liabilities and Contingent Assets. The provisions are recognized on the basis of past events and the probable settlement of the present obligation as a result of the past events during the year.

**The movements in provision on account of warranty claims are as under:**

**(Rs. in Lacs)**

<b>PARTICULARS</b>	<b>Current Year</b>	<b>Previous Year</b>
Carrying amount at the beginning of the year	<b>419.80</b>	-
Addition provisions made during the year	<b>2517.70</b>	419.80
Amount used during the year	<b>2399.63</b>	-
Unused amounts reversed during the year	-	-
Carrying amount of provisions at the closing of the year	<b>537.86</b>	419.80

The provision has been recognized for expected warranty claims on the product sold during the financial year. It is expected that majority of these expenses is incurred in the next financial year.

#### 11. Deferred Tax Liabilities / (Assets)

**The break up of the deferred tax liabilities/ (Assets) is as under:**

**(Rs. in lacs)**

<b>PARTICULARS</b>	<b>As At 31.03.2010</b>	<b>As At 31.03.2009</b>
<b>Deferred Tax liability</b>		
Timing difference on account of depreciation (Difference as per books & as per Income Tax Act)	<b>750.77</b>	818.36
<b>Total</b>	<b>750.77</b>	818.36
<b>Deferred Tax Assets</b>		
On account of Disallowance u/s 43B	<b>191.56</b>	147.50
Provisions	<b>196.52</b>	252.53
<b>Total</b>	<b>388.08</b>	400.03
Net deferred Tax liabilities	<b>362.69</b>	418.33
Net Deferred Tax Liabilities / (Assets) for the year	<b>(55.64)</b>	(127.37)

## 12. SEGMENT REPORTING

### Business segment

In the opinion of the management, there is only one reportable segment i.e. manufacturing of electrical lamps, as envisaged by Accounting Standard 17 "Segment Reporting", prescribed by the Companies (Accounting Standards) Rules, 2006.

### Geographical Segment

The Company sells its products to various customers within the country and also export to other companies. Considering the size and proportion of exports to local sales, the Company considers sales made within the country and exports as different geographical segment.

(Figure in Rs.)

Particulars	Within India	Outside India	Total
Revenue	3287517381	1274042185	4561559566
	(2996898514)	(1016473739)	4013372253
Segment Assets	576339068	404255980	980595048
	496827581	260058147	756885728
Addition to fixed assets	55624511	—	55624511
	(297783283)	—	(297783283)

Figures in bracket indicate previous year figures

## 13. EARNING PER SHARE (E P S)

(Rs. in lacs)

	Current Year	Previous Year
(a) Net profit after tax available for equity share holders	(1998.29)	162.77
(b) Weighted average number of Equity shares	280.19	280.19
(c) Earning per share (Rs.) (Nominal value Rs. 10/- per share)		
Basic	(7.13)	0.58
Diluted	(7.13)	0.58

## 14. RELATED PARTY DISCLOSURE

a) List of related parties with whom transactions have taken place during the year is as under:

Nature of Relationship	Name of the Person
i) Subsidiaries	Halonix Technologies Limited (Ownership 100%)
ii) Common Control	Argon South Asia Limited
iii) Holding Company	Argon India Limited
iv) Key Management personnel	Mr. Rajesh Kochhar (With effect from 16 <sup>th</sup> November'2009)
	Mr. S.K Neogi
	Mr. Rajiv Prasad (Upto 16 <sup>th</sup> November'2009)

Nature of transaction	Subsidiary Company	Holding Company	Common Control	Key Management Personnel	Relatives of Key Management Personnel	Total
<b>Transaction during the year</b>						
II) Loan given	20.75 (-)	-- (-)	- (-)	- (-)	- (-)	20.75 (-)
II) Managerial Remuneration	- (-)	- (-)	- (-)	188.36 (192.41)	- (-)	188.36 (192.41)
III) Advance recoverable in cash or kind (Expenses incurred on behalf of )	44.42 (-)	- (-)	- (-)	- (-)	- (-)	44.42 (-)
IV) Dividend Paid	- (-)	59.23 (592.31)	14.81 (148.07)	- (-)	- (-)	74.04 (740.38)
<b>Balances outstanding at the year end</b>						
I) Loan given	20.75 (-)	- (-)	- (-)	- (-)	- (-)	20.75 (-)
II) Advance recoverable in cash or kind	44.42 (-)	- (-)	- (-)	- (-)	- (-)	44.42 (-)
III) Managerial Remuneration Payable	- (-)	- (-)	- (-)	14.50 (2.44)	- (-)	14.50 (2.44)

- i) Previous year figures are given in brackets
- ii) No amount has been written off or provided for in respect of transactions with the related parties except for provision of Rs. 5 Lacs for diminution in value of investment in subsidiary.

**15. DERIVATIVE INSTRUMENT AND UNHEDGED FOREIGN CURRENCY EXPOSURE.**

Forward Contract outstanding as at Balance Sheet date:

*(Figure in Lacs)*

Particulars of Derivatives	Current Year	Previous Year	Purpose
Purchase EURO	10.00	-	Hedge of Debtors/ Creditors
Purchase USD	47.50	-	Hedge of Debtors/ Creditors

Particulars of unhedged Foreign Currency exposure as at the balance sheet date:-

*(Figure in Lacs)*

Particulars	F.C	Current Year (In Foreign Currency)	Previous Year (In Foreign Currency)
Import Creditors	JPY	44.75	15.05
Import Creditors	EURO	(7.14)	1.10
Import Creditors	USD	12.09	10.16
Export Debtors	EURO	52.37	43.70
Export Debtors	USD	14.45	24.93

**16. AUDITOR'S REMUNERATION:**
*(Rs. in lacs)*

PARTICULARS	Current Year 31.03.2010	Previous Year 31.03.2009
i) Statutory Auditor		
a) As Auditor's	13.21	8.74
b) Other Capacity		
– Tax Audit	2.21	2.21
– Certification & other matters	1.81	3.31
– Out of Pocket Expenses	0.26	0.87
ii) Cost Auditor fee	1.00	0.75
<b>Total</b>	<b>18.49</b>	<b>15.88</b>

**17. MANAGERIAL REMUNERATION\***
*(Rs in lacs)*

PARTICULARS	Current Year 31.03.2010	Previous Year 31.03.2009
Managerial Remuneration u/s 198 of Companies Act, 1956 (included under various heads of Accounts of Profit & Loss account)		
Salary & Allowances	104.52	103.50
Performance Incentives	–	54.22
Leave encashment	11.28	–
Perquisites	27.35	22.27
Contribution to Provident Fund	11.71	12.42
Joining Fees	33.50	–
	<b>188.36</b>	<b>192.41</b>
Director's Sitting Fees	3.13	1.72
<b>Total</b>	<b>191.49</b>	<b>194.13</b>

**Note:**

- 1) Provision for contribution to employee benefits which are based on actuarial valuation done on an overall company basis are excluded from above.
- 2) a) The company has received approval of the Central Government vide their letter No. A64380926 – CL.VII dated 13.4.2010 in respect of the remuneration of the erstwhile managing director. Remuneration of Rs. 86.34 lacs comprising Rs. 73.22 lacs for the Financial Year 2008-09 & Rs. 13.12 lacs for Financial Year 2009-10 has been paid in excess of the approval of the Central Government. The company has charged the excess remuneration to the profit & loss account in view of the revision application for approval of the excess remuneration filed by the company vide acknowledgement no. 1690 dated 5.5.2010. Accordingly excess remuneration of Rs. 86.34 lacs has not been recovered from the erstwhile Managing Director.
- b) Salary paid/payable to the Managing Director of Rs. 70.99 lacs in excess of the limit specified in schedule XIII of the Companies Act, 1956 is pending approval from Central Government. The company has made an application seeking approval from the Central Government for payment of Managerial Remuneration in excess of the limit specified under the Companies Act, 1956. The said approval is awaited.



18. The effect of acquisition of the subsidiary during the year on the consolidated financial statement are as under:-

*(Rs. In Lacs)*

Name of the Subsidiary	Effect on Group Profit	Effect on Group Net Assets
Halonix Technologies Limited	Decreased by 76.15	25.75

19. Figures relating to subsidiary have been regrouped / reclassified where ever considered necessary to bring them in line with the company's financial statements.

20. Since the consolidated financial statements are applicable and presented for the first time, comparative figures for the previous year are on standalone basis and hence not comparable.

As per our report of even date  
For ARUN K. GUPTA & ASSOCIATES  
Chartered Accountants  
Firm Registration No. 000605N

RAJ KRISHAN SAHGAL  
Chairman

Place : Noida  
Date : 06.05.2010

GIREESH KUMAR GOENKA  
Partner (M. No. 096655)

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

RAJESH KOCHHAR  
Managing Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**
**(Rs. in Lacs)**

<b>PARTICULARS</b>	<b>Year Ended 31.03.2010</b>	<b>Year Ended 31.03.2009</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & Prior period adjustments	(1585.31)	581.91
Adjustments for :		
Depreciation	1300.36	1143.84
Interest paid	1445.85	1469.46
Interest received	(35.63)	(135.16)
Loss on Derivative	182.24	—
Special Incentive to Employees	—	(352.52)
Loss on sale of Fixed assets	40.00	2.12
Provision for diminution in value of investment	5.00	—
Previous Year Expenses	(421.11)	(260.17)
Unrealised exchange (gain)/loss	204.55	(241.03)
Provisions	1673.74	825.55
<b>Operating Profit Before Working Capital Changes</b>	<b>2809.69</b>	<b>3034.00</b>
Adjustments for :		
Trade and other Receivables	(2544.38)	1730.42
Inventories	2331.50	(2412.12)
Trade Payables	311.33	841.67
<b>Cash Generated from Operations</b>	<b>2908.14</b>	<b>3193.97</b>
Direct taxes paid	(77.74)	(321.63)
<b>Net Cash from Operating Activities</b>	<b>2830.40</b>	<b>2872.33</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(939.53)	(2076.95)
Sale of fixed assets	47.23	0.24
Purchase of investments	5.00	(5.00)
Loss on Derivative	(182.24)	—
Interest received	35.63	135.16
<b>Net cash from investing activities</b>	<b>(1033.91)</b>	<b>(1946.55)</b>
<b>C. CASH FLOW FORM FINANCING ACTIVITIES</b>		
Proceeds from Short term borrowings (Net)	1454.77	1476.32
Proceeds from Long term borrowings	—	1018.37
Repayment of Long term Loan	(1018.37)	(175.03)
Interest paid	(1445.85)	(1469.46)
Equity dividend & dividend tax	(131.12)	(1311.25)
<b>Net cash from financing activities</b>	<b>(1140.58)</b>	<b>(461.05)</b>
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS *</b>	<b>655.91</b>	<b>464.74</b>
Cash and cash equivalents (Opening balance)	721.45	256.72
<b>Cash and cash equivalents (Closing balance)</b>	<b>1377.37</b>	<b>721.45</b>

Note : 1. The cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 on cash flow statements issued by the Institute of Chartered Accountants of India.

\* 2. Closing Rs 21326136/- (Opening Rs 8521736/-) includes pledged as margin money

As per our report of even date  
For ARUN K. GUPTA & ASSOCIATES  
Chartered Accountants  
Firm Registration No. 000605N

RAJ KRISHAN SAHGAL  
Chairman

Place : Noida  
Date : 06.05.2010

GIREESH KUMAR GOENKA  
Partner (M. No. 096655)

SANJIV KASHYAP  
Chief Financial Officer & Company Secretary

RAJESH KOCHHAR  
Managing Director

# HALONIX TECHNOLOGIES LIMITED

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## DIRECTORS' REPORT

### To the Members of the Company

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#### Dear Members,

Your Directors have pleasure in presenting their 1<sup>st</sup> Annual Report together with Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2010.

#### OPERATIONS & FUTURE PROSPECTS

The Company was incorporated on 02<sup>nd</sup> March 2009. The Company has not yet started its commercial activities and has accounted the loss of Rs. 76,15,727 for the period ended 31.03.2010. The Company is looking forward to start its business operations in the near future. At present the Company is exploring the possibility of manufacturing and trading in energy saving devices.

#### RE-STRUCTURING OF OPERATIONS OF THE COMPANY

During the year under review, the Holding Company ie Halonix Limited, decided to re-structure its business into Automotive product line and Non-Automotive product line. The Board of Directors of Halonix Technologies Limited felt that it was best to purchase and/or transfer the General Lighting Business of Halonix Limited to itself, including by way of slump sale, on a 'going concern basis', effective from 1<sup>st</sup> April, 2010. The company has entered into a memorandum of understanding with the holding company ie Halonix Limited, in connection with the transfer/purchase of the General ie non-automotive lighting business of Halonix limited to Halonix Technologies Limited, subject to valuation by independent valuer(s) and all other approvals as may be applicable.

PricewaterhouseCoopers Private Limited and SSPA & Co., Chartered Accountants, Mumbai, were appointed by Halonix Limited as independent valuer(s) for valuing the General Lighting Business.

#### DIRECTORS

The Company had appointed Mr. Rajiv Prasad, Mr. Amar Singh Saini and Mr. Susanta Kumar Neogi as the First Directors of the Company. Further, during the year Company has appointed Mr. Rakesh Zutshi and Mr. Sanjeev Pandiya as Additional Directors of the Company. The Board of Directors of the Company has noted that none of the directors is disqualified under section 274(1)(g) of the Companies Act, 1956 during the year. The Company has received notices u/s 257 of the Companies Act, 1956 from the shareholders of the company proposing the candidature of Mr. Sanjeev Pandiya and Mr. Rakesh Zutshi for appointment as a Director at the forthcoming Annual General Meeting, who were appointed as Additional Directors of the Company and hold office only upto the date of forthcoming Annual General Meeting. The Board recommends the same for your approval.

During the year Mr. Rajiv Prasad, director of the Company resigned from the directorship w.e.f. 19.01.2010 and Mr. Rajesh Kochchar and Mr. S K Neogi has resigned from the

directorship of the Company w.e.f 23.06.2010. The Board has taken note of its appreciation for valuable guidance provided by them to the company during their tenure.

The Board has appointed Mr. Rakesh Zutshi as an Executive Director of the Company to look after day to day business activities of the Company. The Board recommends the same for your approval as a Special Resolution

#### AUDITORS

The term of M/s A. kumar Gupta & Co., Chartered Accountants, the first statutory auditors of the company will come to an end at the conclusion of the ensuing Annual General Meeting. The Company has received their willingness for appointment as the Statutory Auditors of the company and simultaneously their eligibility certificate pursuant to section 224(1B) of the Companies Act, 1956 that the appointment, if made, will be in accordance with the limits. The Board of Directors recommends the same for your approval.

#### AUDITORS REPORT:

As per the Auditors Report provided by the Auditors for the period ended 31.03.2010, there is no adverse remark in the Auditors Report.

#### HOLDING COMPANY

The Company is a wholly owned subsidiary of M/s Halonix Limited, who holds 100% shares in the Company. The Company has also availed loan of Rs. 20,75,000/- from the holding Company during the year.

#### FIXED DEPOSITS

The Company has not accepted any deposits within the meaning of section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules 1975.

#### PARTICULARS OF EMPLOYEES

There is no employee covered under section 217(2A) of Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended during the period ended 31.03.2010.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

In terms of section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in Report of the Board of Directors) Rules, 1988 your directors furnish the information as below:

#### CONSERVATION OF ENERGY

The Company has taken all the measure steps to conserve the energy in the company.

## HALONIX TECHNOLOGIES LIMITED

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### TECHNOLOGY ABSORPTION

The company has not absorbed any technology from any source.

#### **Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans**

Presently the Company is not doing any Export activity.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	YearPeriod ended 31.03.2010 (Rs.)
Earning	NIL
Outflow	NIL

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement. It is hereby confirmed that:

1. in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2010 the applicable accounting standards has been followed.

2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 loss of the Company for the year under the review.
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for the safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities.
4. the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March 2010 on a going concern basis.

### ACKNOWLEDGEMENT

The Board of Directors wish to place on record their appreciation for the continued co-operation and assistance received from the banker and all the stakeholder of the company.

For and on the behalf of Board of  
**Halonix Technologies Limited**

Place : Noida                      **(Sanjeev Pandiya)**      **(Rakesh Zutshi)**  
Date : 06.05.2010                      Director                      Director

## HALONIX TECHNOLOGIES LIMITED

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### AUDITORS' REPORT TO THE MEMBERS OF HALONIX TECHNOLOGIES LIMITED

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1. We have audited the attached Balance Sheet of Halonix Technologies Limited as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 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 the annexure referred to in para 3 above, we report that: -
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - (e) On the basis of written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1) (g) of Companies Act, 1956;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give 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 Balance Sheet, of the state of the affairs of the Company, as at March 31, 2010
    - ii) in the case of the Profit and Loss account, of the loss of the Company for the period ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

**For ARUN K GUPTA & ASSOCIATES**  
Chartered Accountants  
Firm Registration No. 000605N

**Gireesh Kumar Goenka**  
Partner  
Membership No. 096655

Place : NOIDA  
Date : 06.05.2010

## HALONIX TECHNOLOGIES LIMITED

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### **Annexure referred to in paragraph (3) of our report of even date**

- |   |   |
|---|---|
| <p>i) The Company has no fixed assets hence this clause is not applicable to the company.</p> <p>ii) The Company has no stock of raw material, spare parts &amp; finished goods. Hence this clause is not applicable to the company.</p> <p>iii) a) According to the information and explanations given to us, the company has taken loan from one party listed in the register maintained u/s 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 20.75 lacs and the year end balance of the loan taken was Rs. 20.75 lacs.</p> <p>b) In our opinion, the terms and conditions of interest free unsecured loans taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima-facie prejudicial to the interest of the company.</p> <p>c) As informed, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.</p> <p>iv) There are no purchases or sale of inventory &amp; fixed assets during the year. Hence this clause is not applicable to the company.</p> <p>v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.</p> <p>(b) In our opinion and according to the information and explanations given to us the Company has not made any transaction in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five, lacs in respect of any party during the year.</p> <p>vi) The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and the provision of Section 58A and 58AA of the Companies Act, 1956 and Rules framed there under are not applicable for the year under audit.</p> | <p>vii) In our opinion, the internal audit is not applicable to the company.</p> <p>viii) In our opinion and according to the information &amp; explanation given to us maintenance of cost records has not been prescribed by the Central Government under clause (d) of subsection (i) of section 209 of the Act.</p> <p>ix) (a) According to the records of the Company and information and explanations given to us, the Company is regular in depositing undisputed statutory dues as applicable to the Company including Provident Fund, Investor Education and Protection Funds, Employee's State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Custom duty, Excise Duty, Cess, Service-tax and other statutory dues with the appropriate authorities during the year.</p> <p>(b) According to the information &amp; explanation given to us, no undisputed amounts payable in respect of Income Tax, Wealth-Tax, Sales-Tax, Customs Duty, Service-tax and Cess were in arrears, as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they become payable,</p> <p>(c) According to the records of the Company and information and explanation given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty, Cess and Service-tax, which have not been deposited on account of any dispute.</p> <p>x) The company has accumulated losses at the end of the financial year, which is more than fifty percent of its net worth. Further the Company has incurred cash losses during the financial year ended 31.03.2010.</p> <p>xi) Based on our audit procedures and on the information and explanations given by the management, the Company has not defaulted in the repayment of dues to financial institutions &amp; banks.</p> <p>xii) In our opinion and according to the information and explanations given to us the Company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>xiii) In our opinion and according to the information and explanations given to us. The nature of activities of the Company does not attract any special statute</p> |
|---|---|

## HALONIX TECHNOLOGIES LIMITED

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- applicable to chit fund and nidhi/mutual benefit fund/ securities.
- xiv) The Company is not dealing in shares, debentures and other securities hence this clause is not applicable to the company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks & financial institutions.
- xvi) The company has not taken any term loan during the year; hence this clause is not applicable to the company.
- xvii) According to the records examined by us and according to the information and explanations given to us & on overall examination of the balance sheet of the Company, we report that prima facie no funds raised on short term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act. 1956.
- xix) According to the information and explanation given to us and the records examined by us, the Company has not issued debentures.
- xx) The Company has not raised money by any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **ARUN K. GUPTA & ASSOCIATES**  
Chartered Accountants  
Firm Registration No.000605N

**GIREESH KUMAR GOENKA**  
Partner  
M. No. 096655

Place : Noida  
Date : 06.05.2010



# HALONIX TECHNOLOGIES LIMITED

## BALANCE SHEET

AS ON 31<sup>ST</sup> MARCH, 2010

(Figure in Rs.)

PARTICULARS	SCHEDULE	As At 31.03.2010	As At 31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Fund</b>			
Share Capital	1	500,000	—
<b>Reserve &amp; Surplus</b>			
Profit & Loss Reserve		—	—
<b>LOAN FUND</b>			
Secured Loans		—	—
Unsecured Loans	2	2,075,000	—
<b>TOTAL</b>		<b>2,575,000</b>	<b>—</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets – Gross Block		—	—
Less – Depreciation		—	—
Net Block		—	—
<b>Current Assets, Loans &amp; Advances</b>			
<b>Current Assets</b>			
Sundry Debtors		—	—
Cash and Bank Balance	3	157,356	—
Other Current Assets	4	10,207	—
Loans & Advances		—	—
		<b>167,563</b>	<b>—</b>
Less: Current Liabilities & Provisions	5	—	—
(i) Current Liabilities		4,635,648	—
(ii) Provisions		572,642	—
<b>Net Current Assets</b>		<b>(5,040,727)</b>	<b>—</b>
Misc. Expenditure [Preliminary Exp.]		—	—
Profit & Loss		<b>7,615,727</b>	<b>—</b>
<b>TOTAL</b>	<b>9</b>	<b>2,575,000</b>	<b>—</b>

### Notes Forming Part of Accounts

Audited in terms of our report of even date

For Halonix Technologies Limited

For ARUN K. GUPTA & ASSOCIATES

S.K. NEOGI  
Director

A.S. SAINI  
Director

Chartered Accountants  
Firm Registration No. 000605N

Gireesh Kumar Goenka  
Partner  
M.NO. 096655

Place : Noida  
Date : 06.05.2010

# HALONIX TECHNOLOGIES LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2010

(Figure in Rs.)

PARTICULARS	SCHEDULE	For the Period Ended 31.03.2010	For the Period Ended 31.03.2009
<b>INCOME</b>			
		—	—
		—	—
		—	—
	<b>TOTAL</b>	—	—
<b>EXPENSES</b>			
Employees Remuneration and Benefit	6	6,262,293	—
Administration & Other Expenses	7	1,350,835	—
Financial Expenses	8	2,599	—
Depreciation		—	—
	<b>TOTAL</b>	7,615,727	—
Profit before Taxation		(7,615,727)	—
Provision for Tax		—	—
Profit after Tax		(7,615,727)	—
Balance of Previous years		—	—
Profit available for appropriation		(7,615,727)	—
Balance c/f to Balance Sheet		(7,615,727)	—
<b>Earning Per Share</b>			
(Face Value Rs 10/- Per Share)		(152.31)	—
Earning per Share [Basic / Diluted]		—	—
<b>Notes Forming Part of Accounts</b>	<b>9</b>		

Audited in terms of our report of even date

For Halonix Technologies Limited

For ARUN K. GUPTA & ASSOCIATES

Chartered Accountants

S.K. NEOGI  
Director

A.S. SAINI  
Director

Firm Registration No. 000605N

Gireesh Kumar Goenka

Partner

M.NO. 096655

Place : Noida

Date : 06.05.2010

# HALONIX TECHNOLOGIES LIMITED

## SCHEDULES FORMING PART OF THE ACCOUNTS

(Amount in Rs.)

PARTICULARS	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE – 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000 Equity Shares of Rs.10/- each	500,000	–
<b>Issued Subscribed &amp; Paid up</b>		
50,000 Equity Shares of Rs. 10/- each fully paid up ( of the above 49994 Equity shares of Rs. 10/- each are held by the Holding Company M/s Halonix Limited and 6 shares by nominees of the Holding Company)	500,000	–
<b>TOTAL</b>	500,000	–
<b>SCHEDULE – 2</b>		
<b>UNSECURED LOAN</b>		
Loan from Parent company	2,075,000	–
<b>TOTAL</b>	2,075,000	–
* Maximum balance outstanding during the period to Holding Company Rs. 2075000 /– (Previous year–Nil)		
<b>SCHEDULE – 3</b>		
<b>Cash &amp; Bank Balances</b>		
(i) Cash In Hand	25,877	
<b>Balance with Scheduled Bank</b>		
(i) In Current A/C	131,479	
<b>TOTAL</b>	157,356	–
<b>SCHEDULE – 4</b>		
<b>Other Current Assets</b>		
Prepaid Expenses	10,207	–
<b>TOTAL</b>	10,207	–
<b>SCHEDULE – 5</b>		
<b>Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities :</b>		
Other Liabilities	158,831	–
Statutory Liabilities	34,684	–
Due to Parent Company *	4,442,133	–
<b>SUB TOTAL</b>	4,635,648	
<b>Provisions for :</b>		
Compensated Absences	268,441	–
Gratuity	304,201	–
<b>SUB TOTAL</b>	572,642	
<b>GRAND TOTAL</b>	5,208,290	–
* Maximum amount Outstanding during the period Rs. 4442133		

## HALONIX TECHNOLOGIES LIMITED

### SCHEDULES FORMING PART OF THE ACCOUNTS (Contd...)

(Amount in Rs.)

PARTICULARS	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>SCHEDULE – 6</b>		
<b><u>Employees Remuneration and Benefit</u></b>		
Salary allowances and Bonus	5,195,088	–
Contribution to Provident Fund	401,493	
Gratuity	304,201	
Compensated Absences	268,441	
Staff Welfere	93,070	–
<b>TOTAL</b>	<b>6,262,293</b>	<b>–</b>
<b>SCHEDULE – 7</b>		
<b><u>Administration and other Expenses</u></b>		
Conveyance Charges	978,996	–
Legal & Professional Charges	6,762	–
Travelling Expenses	167,926	–
Telephone Expenses	22,987	–
Sales Promotion	40,630	–
Statutory Audit Fees	55,150	–
General Expenses	28,384	–
Preliminary Expenses w/o	50,000	–
	<b>1,350,835</b>	<b>–</b>
<b>SCHEDULE – 8</b>		
<b><u>Financial Expenses</u></b>		
Bank Charges	469	–
Interest on Income Tax	2,130	–
<b>TOTAL</b>	<b>2,599</b>	<b>–</b>

# HALONIX TECHNOLOGIES LIMITED

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## SCHEDULE – 9

### NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT PERIOD ENDED 31.03.2010

#### 1. Nature of Business

Halonix Technologies Limited (hereinafter referred to as “the Company”) is at present exploring the possibility of manufacturing and trading in energy saving devices.

#### 2. Accounting policies

The Balance Sheet and Profit & Loss Account have been prepared in conformity with Accounting Standards issued by the Institute of Chartered Accountants of India. The significant accounting policies followed are given below:

##### a) Basis of Accounting

The company follows mercantile system of Accounting and recognizes income & expenditure on accrual basis. The accounts are prepared on historical cost basis and are consistent with the generally accepted accounting principles.

##### b) Taxes on Income

The tax on income for the current period is determined in accordance with the Provisions of the Income Tax act. Deferred Tax is recognized on timing differences. The deferred tax assets in respect of unabsorbed depreciation/ brought forward losses are recognized to the extent there is a virtual certainty of having future taxable income. Fringe Benefit Tax has been calculated in accordance with the provisions of the Income-Tax Act, 1961.

##### c) Foreign Currency Transactions

###### i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

###### ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and no monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

###### iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

##### d) Earning Per Share

A basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all diluted potential equity shares.

##### e) Revenue Recognition

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

Revenue from rendering services is recognized on completion of the assignment as per the terms of Agreement and raising Bills thereof.

##### f) Borrowing Cost

Borrowing costs directly attributable to the acquisitions, 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 their qualifying assets, any such investment income, earned on such fund is deducted from the borrowing cost incurred.

## HALONIX TECHNOLOGIES LIMITED

### g) Employee Benefits

- (i) A retirement benefit in the form of provident fund scheme is a defined contribution and contribution is charged to the Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.
- (ii) Gratuity liability is a defined obligation and provided for on the basis of an actuarial valuation made on projected unit credit method at the end of each financial year. Actuarial gains and losses are recognized in full in the Profit and Loss Account for the period in which they occur
- (iii) Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are provided for on the basis of actuarial valuation made at the end of each financial year.

### NOTES TO ACCOUNTS

3. Contingent liabilities not provided for Rs.Nil (P.Y.-Rs. Nil)
4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. NIL (P.Y.- Rs. Nil)
5. In the opinion of the board, all the current assets, loan & advances have value on the realization which in the ordinary course of the business shall at least be equal to the amount at which it is stated in the Balance Sheet. The provisions for all know liabilities are adequate and not in excess/short of the amount considered reasonable necessary.

### 6. Auditor's Remuneration

Statutory Audit Fees Current Year Rs. 55150/- Previous Year Rs. NIL  
(Including Service Tax)

### 7. EARNING PER SHARE (E P S)

	Current Year	Previous Year
(a) Net loss available for equity share holders	7615727	—
(b) Weighted average number of Equity shares	50000	—
(c) Basic /Diluted Earning per share (Rs.) (Face value Rs. 10/- per share)	(152.31)	—

### 8. Related Party Transactions

- a) List of related parties with whom transactions have taken place during the year is as under:

Nature of Relationship	Name of the Person
i) Holding Company	i) Halonix Limited

- b) Related Party Transactions

(Figures in Rs.)

Nature of transaction	Subsidiary Company	Holding Company	Common Control	Key management Personnel	Relatives of Key management Personnel	Total
<b>Transaction during the year</b>						
I) Loan	— —	2075000 —	— —	— —	— —	2075000 —
II) Current Liabilities	— —	4442133 —	— —	— —	— —	4442133 —
<b>Balances outstanding at the year end</b>						
i) Loan	— —	2075000 —	— —	— —	— —	2075000 —
ii) Current Liabilities	— —	4442133 —	— —	— —	— —	4442133 —

No amount has been written off or provided for in respect of transactions with the related parties.

## HALONIX TECHNOLOGIES LIMITED

### 9. Employee's Benefits

- a) Contribution to Provident Fund:  
Amount of Rs.4.01 lacs (P.Y. Rs.Nil ) is recognized as an expense & included in Payment and Benefits to employees in the Profit & Loss account.
- b) The following table sets out the status of the gratuity scheme plan as at 31<sup>st</sup> March, 2010.

(Figures in Rs.)

PARTICULARS	March 31st 2010
<b>I. Changes in Present Value of Obligations during the year 01.04.2009 to 31.03.2010</b>	
Present Value of Obligation as at the beginning of the period	Nil
Acquisition adjustment	—
Interest Cost	—
Past Service Cost	—
Current Service Cost	304201
Curtailment Cost / (Credit)	—
Settlement Cost / (Credit)	—
Benefit Paid	—
Actuarial (gain)/ loss on obligations	—
Present Value of Obligation as at the end of the period on	304201
<b>II. The amounts recognized in Balance Sheet and Statements of Profit &amp; Loss</b>	
Present Value of Obligation as at the end of the period	304201
Fair Value of Plan Assets as at the end of the period	—
Funded Status	(304201)
Unrecognized Actuarial (gains) / losses	—
Unrecognized Past Service Cost (Non Vested Benefits)	—
Net Liability Recognized in Balance Sheet on 31.03.2010	304201
<b>III. Expenses recognized in the statements of Profit and Loss for the Period ended 01.04.2009 to 31.03.2010</b>	
Current Service Cost	304201
Past Service Cost	—
Interest Cost	—
Expected Return on Plan Assets	—
Curtailment Cost / (Credit)	—
Settlement Cost / (Credit)	—
Net actuarial (gain)/ loss recognized in the period	—
Expenses Recognized in the statement of Profit & Loss	304201
<b>IV. Assumptions:</b>	<b>As on 31.03.2010</b>
Discount Rate:	8.20 %
Rate of increase in Compensation levels:	6.00 %
Rate of Return on Plan Assets:	—
Average Outstanding Service of Employees up to Retirement:	28.23 yrs



## HALONIX TECHNOLOGIES LIMITED

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10. Unhedged Derivative instruments outstanding as on Balance Sheet date: Nil
11. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprises Development Act, 2006 (MSMED Act, 2006). However, identification of the micro, small and medium enterprises in terms of MSMED Act, 2006 could not be made as the company does not have any information in its possession.. Further interest payable during the year if any under the terms of MSMED Act, 2006 could not be ascertained.
12. Additional information pursuant to the provision of part II of schedule VI to the companies, Act, 1956 is either NIL or NOT APPLICABLE.
13. Expenditure in Foreign Currency Nil
14. Earning in Foreign Currency: Nil
15. The accounts have been prepared for the period from 2<sup>nd</sup> March 2009 (being the date of Incorporation) to 31<sup>st</sup> March 2010. This is being the 1<sup>st</sup> year of the company; Corresponding figures for the previous year are not available.

**For HALONIX TECHNOLOGIES LIMITED**

**S.K.NEOGI**  
*Director*

**A.S.SAINI**  
*Director*

**FOR ARUN K GUPTA & ASSOCIATES**

*Chartered Accountants*  
Firm Registration No. 000605N

**GIREESH KUMAR GOENKA**  
Partner  
M. No.096655

Place : Delhi  
Dated : 06.5.2010

## HALONIX TECHNOLOGIES LIMITED

### CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2010

(Rs. in Lacs)

PARTICULARS	Period Ended 31.03.2010
<b>1 Cash Flow from Operating Activities</b>	<b>-76.16</b>
Net Profit/(Loss) before tax & Prior Period Items	
Operating Profit Before Working Capital Changes	<b>-76.16</b>
Adjustment for Changes in Working Capital	
Increase in Current Assets	
Increase in Current Liabilities	<b>51.98</b>
Net Cash Flow from Operating Activities	<b>-24.18</b>
<b>2 Cash Flow From Investing Activities</b>	<b>-</b>
Net Cash Flow from Investing Activities	<b>-</b>
<b>3 Cash Flow from Financing Activities</b>	
Proceed from Issue of Equity Share Capital	<b>5.00</b>
Proceed from Short term loan	<b>20.75</b>
Net Cash Flow from Financing Activities	<b>25.75</b>
<b>4 Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>1.57</b>
Cash and cash Equivalent (Opening Balance)	<b>-</b>
Cash and cash Equivalent (Closing Balance)	<b>1.57</b>

**Note:**

- The cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 on cash flow statements issued by the Institute of Chartered Accountants of India.
- Negative figures have been shown in brackets.

For HALONIX TECHNOLOGIES LIMITED

**S.K.NEOGI**  
Director

**A.S.SAINI**  
Director

FOR ARUN K GUPTA & ASSOCIATES

Chartered Accountants  
Firm Registration No. 000605N

**GIREESH KUMAR GOENKA**  
Partner  
M. No.096655

Place : Delhi  
Dated : 06.5.2010

## HALONIX LIMITED

Regd. Office : 59-A, NSEZ, Phase-II, Noida, District Gautam Budh Nagar, U.P. - 201 305

### PROXY

Folio No./ DP ID. & Client ID. :-

I/We ..... of .....  
..... being a member of **Halonix Limited**, hereby  
appoint .....  
of ..... or failing him  
..... of .....  
as my/our proxy to attend and vote on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held on  
Friday, 24th September, 2010 at 09:30 A.M. and at any adjournment thereof.

Signed this ..... day of ..... 2010

Signature

Affix  
Rupee 1/-  
Revenue  
Stamp

**Note :** The Proxy must be returned so as to reach at the Registered Office of the Company not less than Forty Eight hours  
before the time of holding the aforesaid meeting.



- Tear Here -



## HALONIX LIMITED

Regd. Office : 59-A, NSEZ, Phase-II, Noida, District Gautam Budh Nagar, U.P. - 201 305

### ATTENDANCE SLIP

PLEASE FILL IN THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders may obtain additional slip on request.

PARTICULARS OF THE SHAREHOLDER / PROXY

Name :

Address :

Folio No./ DP ID. & Client ID. :-

I hereby record my presence at the Nineteenth Annual General Meeting of the Company being held on Friday, 24th September,  
2010 at 09:30 A.M. at 59-A, NSEZ, Phase-II, Noida, Distt. Gautam Budh Nagar, U.P. - 201 305.

(SIGNATURE OF THE SHAREHOLDER/PROXY)



**BOARD OF DIRECTORS**

Mr. Raj Krishan Sahgal	—	Chairman
Mr. Rajesh Kochhar	—	Managing Director
Mr. Steven Mark Enderby	—	Director
Mr. Jayant Davar	—	Director
Mr. Gurdeep Singh	—	Director
Mr. Girija Shankar Tripathy	—	Director
Mr. Ganapati Rathinam	—	Director
Mr. Susanta Kumar Neogi	—	Executive Director

**AUDITORS**

M/s. Arun K. Gupta & Associates  
D-58, East of Kailash, New Delhi – 110 065

**SECRETARIAL AUDITORS**

M/s. Chandrasekaran Associates  
11-F, Pocket-IV, Mayur Vihar Phase-I, Delhi – 110 091

**INTERNAL AUDITORS**

M/s. Ernst & Young Pvt. Ltd.  
Golf View Corporate Tower-B, Sector-42  
Sector Road, Gurgaon – 122 002

**REGISTERED OFFICE**

59-A, Noida Special Economic Zone,  
Noida Phase-II, Distt. Gautam Budh Nagar,  
U.P. - 201 305

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