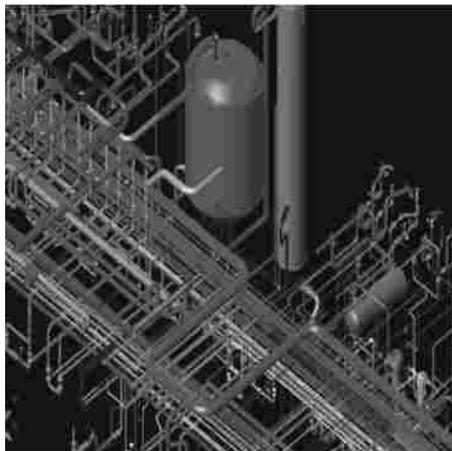
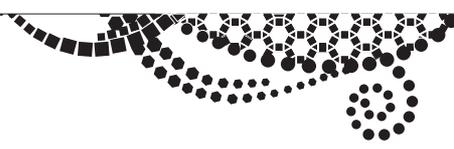


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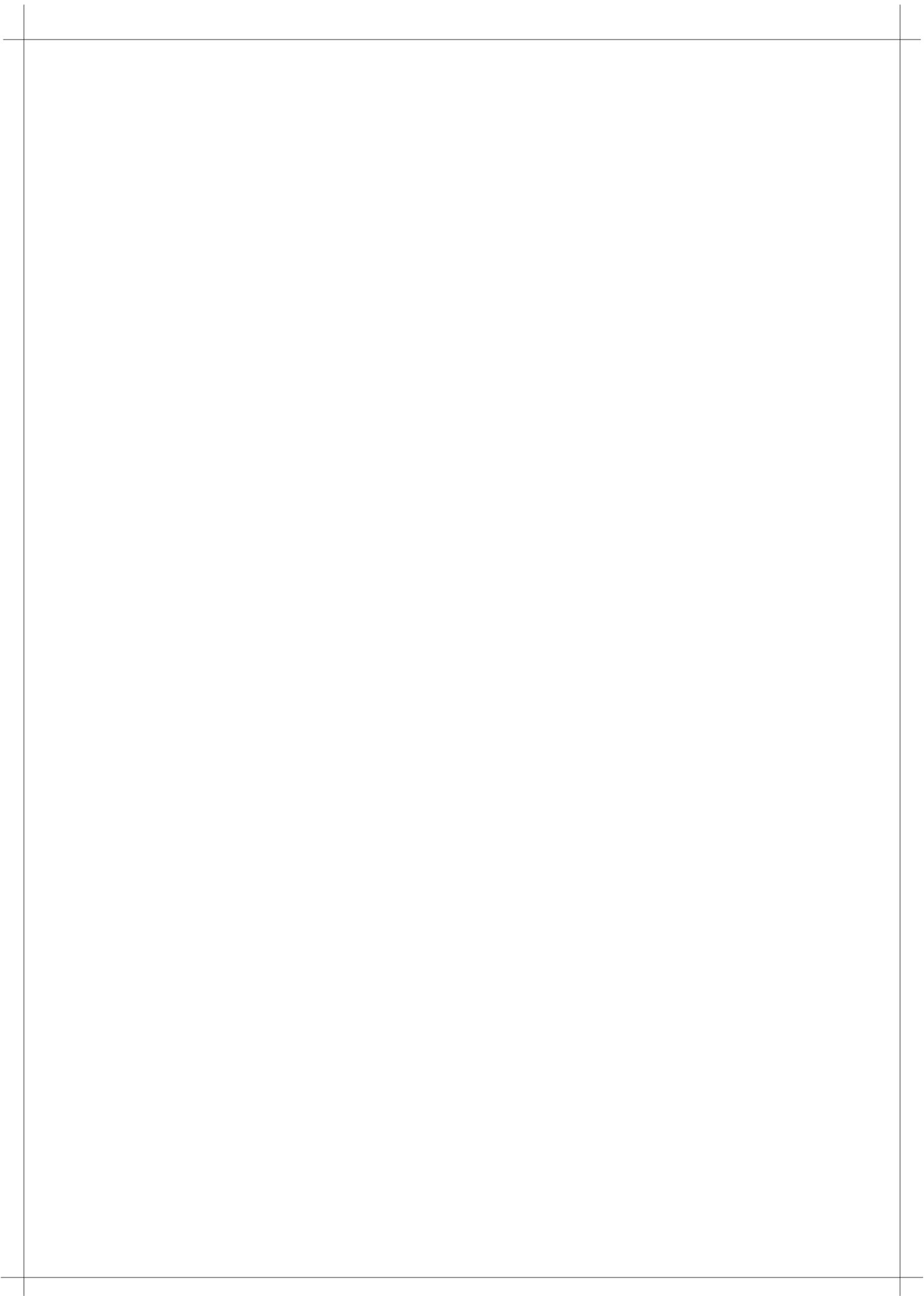




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BOARD OF DIRECTORS

DIRECTORS

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

CHIEF FINANCE OFFICER

Sanjay Kumar Garg

COMPANY SECRETARY

Ram Ji Nigam

AUDITORS

B. Bhushan & Co., New Delhi

BANKERS

State Bank Of India
IDBI Bank Ltd.

REGISTERED OFFICE

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

RESEARCH & DEVELOPMENT CENTRE

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

PLANT

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

OFFICES

Gurgaon	Hyderabad	Kolkata	Patiala
Bangalore	Jaipur	Lucknow	Udaipur
Bareilly	Jamshedpur	Mumbai	Vadodara
Chennai	Jodhpur	Nasik	Varanasi

Share Transfer Agent

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

KEY COMPANY INDICATORS

KLG SYSTEL LIMITED

CORPORATE DATA

Rs. in Millions

	2005	2006	2007	2008	2009
Turnover	365.28	513.06	1211.32	2689.45	2283.56
EBIDTA	73.56	120.31	369.26	849.30	718.75
Profit before tax	38.78	77.16	301.63	745.60	437.31
Profit after tax	25.39	52.04	219.48	523.69	332.97
Equity share capital	38.94	81.31	108.39	117.59	126.80
Reserve and surplus	388.55	403.60	943.99	1697.93	2273.91
Net worth	427.48	484.91	1052.38	1815.52	2400.72
Gross fixed assets	397.13	493.24	774.04	1531.04	2124.70
Net fixed assets	268.18	326.77	602.14	1292.53	1729.82
Total tangible assets	564.32	721.27	2613.95	3915.48	4982.59
Market capitalisation	311.71	812.38	3137.28	6596.12	986.61
No. of employees (Numbers)	171	182	240	425	425

KEY INDICATORS

Rs. in Millions

		2005	2006	2007	2008	2009
Earning per share	Rs.	3.31 *	6.66	22.93	48.03	26.72
Cash earning per share	Rs.	7.83 *	12.56	30.37	61.15	43.87
EBIDTA/Sales	%	19.34	22.97	30.03	31.30	31.48
PBT/Sales	%	10.19	14.74	24.53	27.48	19.15
PAT/Sales	%	6.68	9.94	17.85	19.30	14.58
Return on Net Worth	%	6.04	10.86	20.94	28.89	13.88
Return on Capital Employed	%	5.97	9.40	9.73	17.64	7.53
Dividend	%	15.00	15.00	25.00	27.50	27.50
Sales per employee	Mil	2.14	2.82	5.05	6.33	5.37
Book value per share	Rs.	54.78	61.39	109.53	166.28	192.56
Market price per share	Rs.	81.23	100.60	290.95	563.60	78.15
Debt equity ratio	No. of times	0.01	0.15	1.09	0.61	0.50

* Adjusted consequent to issue of 1:1 Bonus issue during 2005-06

DIRECTORS' REPORT

KLG SYSTEL LIMITED

1. To the members

The Directors have pleasure in submitting the Twenty Fourth Annual Report on the business and operations of your Company along with the Audited Financial Statement of Accounts for the fiscal year ended March 31, 2009.

2. Financial results

The financial results of the Company are summarized hereunder

	Rs. In Millions	
	Year ended 31.03.2009	Year ended 31.03.2008
Sales and Services	2283.56	2689.45
Profit before interest and depreciation	717.27	847.81
Interest	(106.29)	(18.75)
Depreciation	(173.16)	(83.11)
Profit before tax	437.83	745.95
Provisions & Adjustments for tax	(104.34)	(221.91)
Prior Period Adjustments	(0.51)	(0.35)
Profit after tax	332.97	523.69
Surplus brought forward from previous year	41.03	4.99
Amount available for Distribution	374.00	528.68

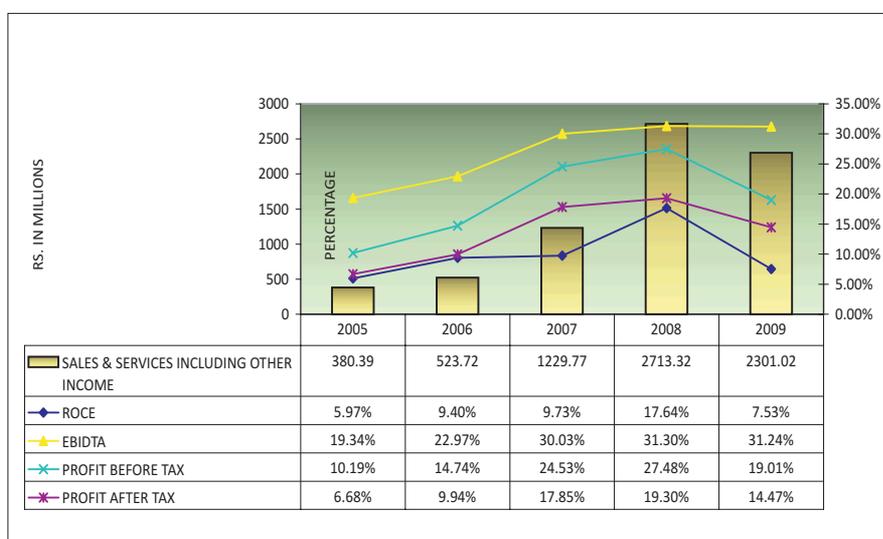
APPROPRIATIONS :

Prior period adjustment of dividend, including dividend tax	2.96	-
Proposed dividend	34.72	32.18
Tax on proposed dividend	5.90	5.47
Transfer to general reserve	200.00	450.00
Balance carried forward	130.42	41.03

3. SALES AND PROFITABILITY

As members are aware, the global melt down in market had an adverse impact on the Indian Software Companies to a great extent. Your Company is no exception to this general slow down.

This has resulted in decline in turnover and reduction in operating profit of your Company. The reason for decline in sales is the recession impact on end-user especially in construction, oil & gas, power and other industrial market.



Your company has reported a turnover of Rs. 2,284 million as compared to Rs. 2,689 for the corresponding previous year. The Company reported EBIDTA of Rs. 717 million compared to Rs. 848 million for the corresponding previous year. The Company reported a profit before tax of Rs. 438 million as compared to Rs. 746 million for the last year. The profit after tax of Rs. 333 million as compared to Rs. 524 million for the previous year.

4. Dividend

Your directors have recommended a dividend of Rs. 2.75 per equity share i.e. 27.50% for the financial year ended 31st March, 2009, for the shareholder's approval at the forthcoming Annual General Meeting.



DIRECTORS' REPORT

5. Future outlook

The financial year 2008-09 has been full of turmoil and even though we started the year on a positive note, the global economic conditions put the whole industry under tremendous pressure for capital. A numbers of ambitious projects, earlier announced by the industry were put on hold for want of cash flows.

These are testing times for the company but it reinforces our belief in company's Plant Life cycle model where the current services and future road-map is well aligned with the core industry verticals.

KLG is not insulated from the ripples in the market but we have been able to quickly change our frontal strategies that are backed by our sound and proven life cycle model.

Your company by now has close to 1500 customers across almost all industry segments. These customers span from large public sector companies building world-class infrastructure to companies falling in the SME sector which are driving growth across all geographies and market segments. This wide customer base makes your company more resilient to the positive and negative dynamics of the market. Despite a global meltdown, your company has been able to leverage its strong credentials in segments like power, transportation, process, industrial infrastructure which sustained the growth targets to some extent.

Some of our established, target industry segments like automotive, FMCG, Industrial Machinery and Housing came under pressure of the economic downturn. However, the segments like power, transportation (railways, rapid mass transport, road, ports and airports), Heavy engineering helped us in generating additional revenue.

The market conditions also prompted us to re-package our offerings so that we can offer phase wise and modular solutions to our customers to assist them in tight financial situation.

We have taken number of new initiatives to contact with our customers by way of seminars, workshops and boot camps. This has helped our customers in training their workforce rather than keeping them on bench, waiting for projects.

Your company is currently focusing on following key verticals and has already built pre-packaged solution to minimize the deployment time.

1. Power Generation and distribution
2. Railways
3. Airport
4. Rapid Mass transport
5. Ports
6. Oil & Gas
7. Heavy Engineering and
8. Process and Petrochemical

Your company is also restructuring its business units so that it can better reach out to the market as new offerings are being added to our previous year service offering. A new Enterprise business unit is being created to address enterprise projects management, asset management and optimization needs of large enterprise who design, create or maintain asset intensive infrastructure.

Due to the global economic crisis, most companies in India have fallen short of their growth projections while on the other hand most of them built the infrastructure for an aggressive growth, which tapered down in the second half of the financial year. Your company is no exception to this trend. However, we reacted sharply to this unexpected change and took aggressive measures to cut costs. This included restructuring the business units, improving the accounts receivable cycle time and redefining the terms of contract to improve collection time and minimize the risk of delays beyond the acceptable norms.

Your company has been closely monitoring the market demand in the infrastructure segment, which is core to your company's business model. The company has identified a need for creating a "Construction Management" solution encompassing Project Management, Drawing & Document Management, Project Collaboration and Management Dashboards. The solution that is currently under development will leverage both the existing customer base and enormous domain knowledge of your company. It will use the cutting edge development platform to be easily able to co-exist and integrate with the current enterprise platforms that our customers are already using. These innovations will help us create cutting edge solutions for our existing and potential customers. It will also help us create intellectual property for your company.

In the field of SCADA and Automation, your company looks ahead to major growth opportunities. There are large investments happening in the areas of mass transportation, manufacturing, water and power. KLG already has more than a decade of experience in automation and we have already established strategic partnerships with control hardware vendors to be able to offer a complete end-to-end SCADA solution for the above growth areas.

DIRECTORS' REPORT

6. Advantage Technology

The Company has several Intellectual Property Rights to its credit which have been developed indigenously with research and development initiatives taken by the Company. The SG-61, Vidushi and Connectgaia are path breaking achievements of the Company. These technological developments and innovations have given the Company a technological edge. Further, the Company is steadily building its Brand image, riding high on the acceptance and success of its products. The Company has taken all measures to register and protect Intellectual Property Rights including trade name/ service/trade marks/Patents, etc belonging to the Company.

7. Transfer to Reserves

In accordance with statutory provisions, your Company has transferred a sum of Rs. 200 million to the General Reserves.

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

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

- **Conservation of Energy**

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

- **Research & Development and Technology Absorption**

- A. **Research and Development (R&D)**

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

A revenue expenditure of Rs. 54 million (previous year: Rs. 30 million) was incurred during the period under review on activities relating to research and development while the capital expenditure was Rs. 17 million (previous year: Rs. 38 million). The R&D expenses constituted 21 % of PAT and 3 % of Sales (previous year 13 % and 2.5% respectively).

- B. **Technology Absorption, Adaptation and Innovation**

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

- **Foreign Exchange Earnings and Outgo**

During the year under review the earnings and outgo in foreign exchange were of the order of Rs. 00.23 million (previous year: Rs. 899 million) and Rs. 300 million (previous year: Rs. 227 million) respectively.

9. Quality Management

The Company has always strived to maintain the Best Quality Products and Services, as it believes that Quality in the business value plans to constantly deliver to its customers. The Company has obtained a certificate for Quality Management System covering the Scope of Design, Development, procurement and Supply of Software with BSI Management Systems. This certificate is issued for complying with the requirements of BS EN ISO 9001: 2000. KLG is the first company in India to get the ISO 9001-2000 certificate for its Power System division covering Revenue Management Activities by BSI Management Systems of UK.

10. Directors Responsibility Statement

The Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- (ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;



DIRECTORS' REPORT

(iii) 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 safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;

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

11. Corporate Governance

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

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

12. Management Discussion and Analysis Report

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

13. Listing of Securities

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

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

The listing fee of above mentioned stock exchanges for the year 2009-2010 has already been paid.

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

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

14. Issue of further securities:

A. Global Depository Receipts (GDRs):

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

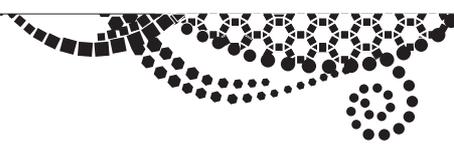
As on March 31, 2009, 2,306,850 GDRs were cancelled and converted into equivalent number of underlying shares. 750 GDRs are still outstanding. The proceeds of issue have been utilized for creation / development of infrastructure facilities for Research and Development Centre and meeting working capital requirements.

B. Foreign Currency Convertible Bonds (FCCBs):

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

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

The outstanding FCCBs as on March 31, 2009 are US\$ 16 million as during the year 2007-08, out of the total bonds issued, bondholders holding bonds aggregating US\$ 3 million opted to convert their bonds into 3,27,750 Equity Shares. Subsequently, in the year 2008-09, bondholders holding bonds aggregating US\$ 3 million have also opted to convert their bonds into 3,27,750 Equity Shares. Presently, the outstanding FCCBs are of US\$ 16 million. During the year the Conversion



DIRECTORS' REPORT

price has been reset to Rs. 350 per share.

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

C. Conversion of Share Warrants into equity shares:

Promoter Group has subscribed to and were allotted 535,000 Equity Shares of Rs.10 each at a price of Rs.261/- per Equity Share aggregating Rs.126 million in the Month of March, 2008 in exchange for and out of the 10,70,000 share warrants issued to them in January, 2007 in terms of Preferential Issue Guidelines of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

The Balance share warrants were allotted 5,35,000 Equity Shares of Rs. 10 each at a price of Rs. 261/- per share aggregating Rs.126 million on 12th June, 2008.

Consequent upon the aforesaid allotments and the shares allotted to the employees against the employee stock options exercised by them, the paid up share capital of your company as on date is Rs. 12,62,46,000.

15. Human Resources And Employee Stock Option Scheme

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

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

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

16. Consolidated Financial Statements

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

17. Subsidiary Companies

As on March 31, 2009, KLG Systel Limited has two wholly owned subsidiary companies namely, KLG Environment and Safety Sciences Limited and KLG Software Technology and Infrastructure Private Limited and two other subsidiary Companies namely, KLG Power Limited and Atlantis Lab Private Limited. The Company had filed a necessary application to Central Government under Section 212(8) of the Companies Act, 1956 for exemption from the provisions of attaching the Balance sheets of four subsidiary companies or application of provisions only to such extent as may be specified by the directions issued by the Central Government. The Company has subsequently received the letter from Central Government granting exemption from the aforesaid activities. In accordance with the requirements for granting exemption, the Company hereby undertakes that it shall make available the individual annual accounts of its subsidiary companies to the holding and subsidiary Company investors, on receipt of any request for the same. The annual accounts of the subsidiary companies will also be kept for inspection by any investor in its registered office and that of the subsidiary company concerned. The Company is presenting the consolidated financial statements of its subsidiaries as required under the Accounting Standard-21 (AS-21) on consolidation of financial statements. Particulars required to be given under the provisions of Section 212 of the Companies Act, 1956 in respect of the subsidiary companies, are appended.

18. Transfer to Investor Education and Protection Fund

In terms of the provisions of Section 205C of the Companies Act, 1956, the Company has transferred an amount of Rs. 0.08 million, being the amount of unclaimed dividend for the financial year ending December 2000 to the Investor Education and Protection Fund established by Central Government.

19. Auditors

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



DIRECTORS' REPORT

20. Directors

Mr. Adarsh Soni was appointed as an Additional Director by the Board of Directors on September 5, 2008, and he holds office upto the ensuing Annual General Meeting of the Company. A notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature as a Director of the Company and being eligible, Mr. Adarsh Soni has offered himself for Directorship. Your Directors recommend his appointment as Director at the ensuing Annual General Meeting.

Mr. Sundararajan Govindarajan was appointed as an Additional Director by the Board of Directors on November 25, 2008, and he holds office upto the ensuing Annual General Meeting of the Company. A notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature as a Director of the Company and being eligible, Mr. Sundararajan Govindarajan has offered himself for Directorship. Your Directors recommend his appointment as Director at the ensuing Annual General Meeting.

Mr. Ankush Krishan was appointed as an Additional Director by the Board of Directors on April 14, 2009, and he holds office upto the ensuing Annual General Meeting of the Company. A notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature as a Director of the Company and being eligible, Mr. Ankush Krishan has offered himself for Directorship. Your Directors recommend his appointment as Director at the ensuing Annual General Meeting.

Mrs. Upasana Goel and Mrs. Ritu Goel retire by rotation from the office of director at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

21. Particulars of employees

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

22. Acknowledgements

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

For and On Behalf of the Board of Directors

Date : May 16, 2009
Place: Gurgaon

(K L Goel)
Chairman

DIRECTORS' REPORT

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

a.	Options Granted	299,500
b.	Pricing Formula	Calculated on the basis of average of the weekly high and low of the closing market price of the Company's equity shares quoted on National Stock Exchange, Mumbai (NSE) of the Two months preceding the date of grant of options.
c.	Options Vested	78,450
d.	Options Exercised	58,300
e.	Total No. of shares arising as a result of exercise of options	58,300
f.	Options forfeited/ lapsed	20,150
g.	Variation in terms of options	Nil
h.	Money realized by exercise of options	Rs.6.97 million
l.	Total number of options in force at the end of the year.	1,48,000
j.	Employee-wise details of options granted to:	A summary [^] of options granted to senior managerial personnel* are as under :
	1. Senior managerial personnel	No. of employees covered*: 6 Total no. of options granted to such personnel : 1,17,000
	2. Any other employee receiving a grant in any one year of option amounting to 5% or more of the options granted	No. of employees covered*: 4 Total no. of options granted to such personnel : 82,000
	3. Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital	Nil
		*includes employees who are one level below the Board of Directors or CEO/COO working in executive capacity. [^] Only summary given due to sensitive nature of information
k.	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS 20 'Earning Per Share')	Rs. 23.03
l.	Difference, if any, between the employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost recognized if the fair value of the options had been used and the impact of this difference on profits and EPS of the company	The company has charged a sum of Rs.NIL to the Profit and Loss account as the fair value of the options granted is less than the exercise price. Fair market value of the options granted as on grant date was Rs.108.65. Had the company adopted the fair value method based on "Black-Scholes" Model (Dividend not considered), fair market value would have been Rs.108.65 and considering dividend, fair market value would have been Rs.102.81.
m.	Weighted average exercise prices and weighted average fair value of options whose exercise price equals or exceeds or is less than the market price of the stock	Not Applicable
n.	Description of the method and significant assumptions used during the year to estimate fair values of options, including the following weighted average information:	
	(1) Risk Free interest rate	7.5% (as on grant date)
	(2) Expected life (Years)	4 years
	(3) Expected volatility	315
	(4) Expected dividend yield	1.38%
	(5) Price of the underlying share in the market at the time of option grant	Rs.108.65



DIRECTORS' REPORT

@During the year ended March 31, 2009, the Compensation Committee at its meeting held on May 26, 2008 has granted 38,500 options to the employees of the Company at Rs. 621.22 (based on price determined as per the approved Scheme) under the KLG Systel Employee Stock Option Scheme 2005. Out of the options granted, 20% of the Options granted shall vest after 1 year from the date of grant, 30% at the end of the next year and the balance 50% at the end of 3rd year from the date of grant. Option Grantees may exercise the vested options within 1 (one) year from the date of vesting of options.

@During the year ended on March 31, 2009, the Compensation Committee at its meeting held on May 26, 2008 has granted 69,000 options to the employees of the Company at Rs. 631.40 (based on price determined as per the approved Scheme) under the KLG Systel Employee Stock Option Scheme 2007. Out of the options granted, 20% of the Options granted shall vest after 1 year from the date of grant, 30% at the end of the next year and the balance 50% at the end of 3rd year from the date of grant. Option Grantees may exercise the vested options within 1 (one) year from the date of vesting of options.



ANNEXURES TO DIRECTORS' REPORT

ANNEXURE - I

CORPORATE GOVERNANCE

KLG SYSTEL LIMITED

1. Company's Philosophy

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

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

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

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

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

2. Board of Directors

a) Composition of Board

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

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

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

N.A. = NOT APPLICABLE

* Other Directorships do not include those of private companies and companies incorporated outside India.

** Includes only Audit Committee and Shareholder's Grievance Committee.

***Mr. Adarsh Soni was appointed as Non Executive and Independent Director on September 5, 2008.

#Mr. Sundararajan Govindarajan was appointed as Non Executive and Independent Director on November 25, 2008.

@Mr. Ankush Krishan was appointed as Non Executive and Independent Director on April 14, 2009.

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

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

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

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

c) Number of Board Meetings

KLG Systel Limited had convened 7 (seven) board meetings from April 1, 2008 to March 31, 2009.

These meetings were held on April 16, 2008, May 26, 2008, June 12, 2008, July 28, 2008, September 19, 2008, October 25, 2008 & January 23, 2009.



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

- Board Meeting Procedures

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

- Information supplied to the Board

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

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

- Code of Conduct

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

- Declaration by C.E.O.

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

I here by confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct for Directors and Senior Management in respect of the Financial Year 2008-09.

Sd/-
Managing Director

3. Audit Committee

- Constitution

The Audit Committee comprises of following non-executive and independent Directors :

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

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

- Terms of Reference

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by the management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, 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 internal auditors any significant findings and followup thereon.
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. Carrying out any other function as may be referred by the Board from time to time.

- Meetings & Attendance

During the period under review the audit committee met five times on April 16, 2008, June 12, 2008, July 28, 2008, October 25, 2008 and January 23, 2009.

The attendance record of Audit Committee is as below:-

Date of Meeting	16.04.2008	12.06.2008	28.07.2008	25.10.2008	23.01.2009
Mr. B. D. Gupta	Attended	Attended	Attended	Attended	Attended
Mr. G. K. Pandey	Attended	Attended	Attended	Attended	Attended
Mr. Prabir Sengupta	Attended	Attended	Not Attended	Attended	Attended

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

The Committee, in its meeting held on June 12, 2008 reviewed the Annual Accounts for the period ended 31st March, 2008.

4. Remuneration Committee

- Constitution

The Remuneration Committee comprises of following non-executive and independent Directors :

Mr. Subir Raha Chairman
 Mr. B. D. Gupta Member
 Mr. G.K. Pandey Member

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

- Meetings & Attendance

During the period under review the remuneration committee met two times on June 12, 2008 and October 25, 2008.

The attendance record of Remuneration Committee is as below:-

Date of Meeting	12.06.2008	25.10.2008
Mr. B. D. Gupta	Attended	Attended
Mr. G. K. Pandey	Attended	Attended
Mr. Subir Raha	Attended	Attended

- Details of remuneration for the year ended March 31, 2009

Name of Director	Sitting Fee	Commission	Salary	Prequisites	PF	Retirement Benefits	Total (in Rs.)
Mr. K.L. Goel	-	-	9909268	1425000	-	Gratuity	11334268
Mr. Kumud Goel	-	-	9382853	1425000	1116000	Gratuity	11923853
Mrs. Upasana Goel	-	-	1348350	-	117000	Gratuity	1465350
Mrs. Ritu Goel	-	-	1444517	-	114000	Gratuity	1558517
Mr. Mukesh Arora	-	-	6085000	937500	-	Gratuity	7022500
Mr. G.K. Pandey	85000	2126359	-	-	-	-	2211359
Mr. B. D. Gupta	80000	1670711	-	-	-	-	1750711
Mr. Prabir Sengupta	55000	1518828	-	-	-	-	1573828
Mr. Subir Raha	45000	455648	-	-	-	-	500648
Mr. Adarsh Soni	15000	-	-	-	-	-	15000
Mr. Sundararajan Govindarajan	10000	-	-	-	-	-	10000
Mr. Ankush Krishan	-	-	-	-	-	-	-



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

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

- **Details of relationship among Directors, if any**

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

5. Shareholders' Grievance Committee

The present Shareholder Grievance Committee comprises of Mr. G. K. Pandey, Non Executive and Independent Director and Mr. K. L. Goel, Executive Chairman. Mr. G. K. Pandey is the Chairman of the Committee. During the period under review, the committee met five times viz. on May 26, 2008, July 28, 2008, January 31, 2009, February 28, 2009 and March 31, 2009. Both the members of the committee were present in all the meetings.

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

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

As on March 31, 2009, no investor complaint was pending. During the period under report, Company received 11 Complaints. These complaints were completely resolved by the Company.

6. ESOP Compensation Committee

The ESOP Compensation Committee of the Board is constituted in accordance with SEBI (Employee Stock Option Scheme) Guidelines, 1999. The committee comprises of four members, namely Mr. Prabir Sengupta (Chairman), Mr. G. K. Pandey, Mr. B. D. Gupta (Non Executive and Independent Directors) and Mr. Mukesh Arora (Whole Time Director). During the period under review, the committee met once on May 26, 2008.

The Company Secretary is the Secretary of the Compensation Committee.

7. Borrowing Sub Committee

The Borrowing Sub Committee of the Board is constituted for delegation of borrowing powers of the Board. The committee comprises of five members, namely Mr. Sundararajan Govindarajan, Non Executive and Independent Director (Chairman), Mr. B. D. Gupta, Non Executive and Independent Director, Mr. K. L. Goel, Executive Chairman, Mr. Kumud Goel, Managing Director and Mr. Mukesh Arora, Whole Time Director. During the period under review, the committee met once on February 2, 2009.

8. Subsidiary Companies

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

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

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

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

Financial period (ended)	Date	Time	Venue	Whether special resolutions passed or not
March 31, 2006	September 08, 2006	11.00 a.m.	HSI IDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon	Yes
March 31, 2007	June 7, 2007	11.00 a.m.	HSI IDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon	Yes
March 31, 2008	July 25, 2008	11.00 a.m.	HSI IDC Auditorium, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon	Yes



10. Postal Ballot

The Company has passed the following Special Resolutions through Postal Ballot:

In the current Financial Year 2008-2009

Particulars of Special Resolution	Details of Voting Pattern	
	Votes Casted in favour	Votes Casted against
Approval under Section 31 of the Companies Act, 1956 to alteration of the Articles of Association of the Company by insertion of new article no. 64A relating to authority to Buy Back the shares of the Company under Section 77A, 77AA and 77B of the Companies Act, 1956.	3534886 (99.50%)	17849 (0.50%)

The Postal Ballot exercise was conducted by Mr. Nagesh Kumar, Chartered Accountant as Scrutinizer and the results were declared on September 15, 2008. The above said resolution shall also be declared to have been passed in the ensuing Annual General Meeting of the Company.

The procedure as specified under Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 was followed for passing the resolution under postal ballot. Accordingly the Notice of Postal Ballot, the Postal Ballot form and self addressed, postage pre-paid envelop was dispatched to all shareholders with instructions to return the duly filled up form by September 9, 2008. After the last date of receipt of form, the Scrutinizer submitted his report to the Executive Chairman of the Company on September 12, 2008, following which the Executive Chairman announced the results stating that the resolution had been duly passed with requisite majority as special resolution. The said results were duly published in the newspapers.

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

11. Disclosures

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

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

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

None

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

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

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

12. Disclosure regarding appointment and re-appointment of Directors

According to the Provisions of Section 255 of the Companies Act, 1956 read with the Articles of Association of the Company, Mrs. Upasana Goel and Mrs. Ritu Goel are liable to retire by rotation in the ensuing Annual General Meeting. Being eligible, they have offered themselves for re-appointment. Accordingly, they shall hold office as director till the date of ensuing Annual General Meeting. Further, Mr. Adarsh Soni, Mr. Sundararajan Govindarajan and Mr. Ankush Krishan were appointed as Additional Non Executive Independent Directors by the Board of Directors on September 5, 2008, November 25, 2008 and April 14, 2009 respectively by resolutions by circulation, which holds office till the date of ensuing Annual General Meeting. As required under the provisions of Section 257 of the Companies Act, 1956, notices have been received from members signifying their intention to propose appointment of Mr. Adarsh Soni, Mr. Sundararajan Govindarajan and Mr. Ankush Krishan as directors of the Company, who shall be liable to retire by rotation, along with the prescribed deposits. The brief resume of these Directors are as follows:-

Name	Qualification	Brief Resume And Area of Expertise	Other Directorships	Committee memberships
Mrs. Upasana Goel, 41	Post Graduate	Mrs. Upasana Goel has about nine years of experience in the field of Commercial matters.	Nil	Nil
Mrs. Ritu Goel, 47	Post Graduate Punjab University	Mrs. Ritu Goel has about eight years of experience in Business Development, Management and Business Strategies. She has worked with Jaldi.com for around three years in the area of Business Development.	Nil	Nil



Name	Qualification	Brief Resume And Area of Expertise	Other Directorships	Committee memberships
Mr. Adarsh Soni, 64	B. Tech (Chemical), IIT Delhi ('66) MBA-FMS, Delhi University ('75)	Mr. Adarsh Soni has been associated with all facets of Hydrocarbon Industry, right from Design to Commissioning, for past 36 years. He has been responsible for commercialization of several new products and technologies in the country in association with many international companies. During his 33 years with Engineers India Limited (EIL), he held numerous positions, contributing significantly towards the growth of EIL and the Indian Refining Industry. He retired as Director (Technical) on the Board of EIL and was directly responsible for providing effective leadership to team of technical professionals working in the Process Design & Development Division, R & D Division and its Pilot Units, Specialized Materials and Maintenance Services, Information Technology Services, Process Operations and Safety Divisions of EIL. After retirement from EIL, he spent 3 years with ONGC/ MRPL as Associated President/ Sr. Advisor and was responsible for conceptualization and initiation of Projects over Rs.25,000 Crores in the field of Refining and Petrochemicals. Currently, he is President (Projects) with Punj Lloyd Limited.	Nil	Nil
Mr. Sundararajan Govindarajan, 66	Science Graduate, Madras University	Mr. Sundararajan Govindarajan started his professional career as an Officer with the State Bank of India ("SBI") in the year 1965. He has been associated and well versed with all facets of Banking, for past 43 years. He held several key positions during his tenure with the SBI and retired as the Managing Director and Group Executive (National Banking Group) of SBI in July 2002. Besides being an Official Director on the SBI's Central Board of Directors, Mr. Govindarajan also functioned as Bank's nominee on the Board of Directors of several SBI ventures including National Stock Exchange of India, SBI (Canada), SBI International (Mauritius) Ltd., SBI Life Insurance Company Ltd. etc. Post retirement, from May 2003 to June 2005, he was holding the office of Banking Ombudsman with the Reserve Bank of India, Chandigarh. At present, he is member of the Settlement Advisory Committee of the Indian Bank, Chennai Head Office and advises the Bank on the settlement of problem loans of the Bank.	1	KLG SYSTEL LIMITED: • Borrowing Sub Committee
Mr. Ankush Krishan, 60	Post Graduate in Civil Engineering	Mr. Ankush Krishan has over 35 years experience in technical and managerial field with IRCON, RITES and Indian Railways. He has a vast experience in India and abroad includes rehabilitation, revitalization, privatization, design and construction of railway systems. The experience encompasses all aspect of Planning, Construction, Management, Systems and Marketing in the Government and Commercial environments in the domestic and International arena. He started his career with Indian Railways for 23 years and during the tenure he held several key positions with Indian Railways. He has also worked with Punjab Government as Assistant Engineer (Designs). Thereafter he worked with Rites Limited for around 9 years and IRCON International Limited as Directors (Works) and retired as Managing Director of IRCON International Limited.	Nil	Nil



13. Means of Communications

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

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

14. General Information For Shareholders

- Annual General Meeting

Date : Saturday, August 22, 2009
 Time : 11: 00A.M.
 Venue : HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana

- Financial Calendar (Tentative)

Results for the quarter ending June 30, 2009 : Last week of July, 2009
 Results for the quarter ending September 30, 2009 : Last week of October, 2009
 Results for the quarter ending December 31, 2009 : Last week of January, 2010
 Results for the year ending March 31, 2010 : 2nd/3rd week of June, 2010

- Period of Book Closure: From Monday, August 17, 2009 to Saturday, August 22, 2009 (both days inclusive)

- Dividend Payment date : August 22, 2009

- Listing on Indian Stock Exchanges

Name of the Stock Exchange	Stock Code
Bombay Stock Exchange Limited, Mumbai	531269
National Stock Exchange	KLGSYSEL

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

- Listing on Overseas Stock Exchanges

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

- Stock Data

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

Month	National Stock Exchange (in Rs.)	
	High	Low
April, 2008	707.20	528.20
May, 2008	691.85	570.50
June, 2008	563.85	377.85
July, 2008	376.00	293.90
Aug, 2008	451.00	370.20
Sep, 2008	413.25	240.30
Oct, 2008	243.40	97.85
Nov, 2008	124.10	69.50
Dec, 2008	107.00	67.25
Jan, 2009	111.20	66.85
Feb, 2009	75.05	63.70
Mar, 2009	78.80	51.95

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





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

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

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

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

- **Nomination Facility**

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

- **Distribution of Equity Shareholding as on March 31, 2009**

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Up to 500	14828	90.02	1484264	11.76
501 to 1000	809	4.91	641839	5.08
1001 to 2000	397	2.41	598734	4.74
2001 to 3000	135	0.82	344525	2.73
3001 to 4000	81	0.49	289856	2.29
4001 to 5000	57	0.35	263585	2.09
5001 to 10000	76	0.46	561440	4.45
10001 & above	89	0.54	8440357	66.86
Total	16472	100.00	12624600	100.00

- **Shareholding pattern as on 31st March, 2009**

Shareholders	No. of Shares held	% of Total Shares held
Non-resident Indians/OCB's	283601	2.25
Banks/Financial Institutions/FIs	1542515	12.22
Promoters & Directors	3610056	28.60
Corporate Bodies	2021404	16.01
Clearing Members/ Trusts	534125	4.23
Resident Individuals	4632149	36.69
Custodian of GDRs	750	0.00
Total	12624600	100.00

- **Dematerialization of Shares and Liquidity**

As on 31st March 2009, 12493051 (98.96%) Shares of the Company were held in dematerialized form and the rest 131549 (1.04%) in physical form.

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



- **Outstanding Warrants/Convertible instruments**

The 5,00,000 warrants, issued to Investors on preferential basis, on June 20, 2007 at a price of Rs.362/- per warrant, with each warrant convertible into an equity shares of Rs.10/- each at a premium of Rs.352/- per share within 18 months from the date of issue have expired. The amount of Rs. 1.81 crore being 10% of the price of warrants received at the time of allotment of warrants have been forfeited.

During the year 2006-07, the Company issued 2200, 1% Coupon bearing Foreign Currency Convertible Bonds (“Bonds”) of US\$ 10000/- each aggregating US\$ 22 million, due in 2012. The outstanding FCCBs as on March 31, 2009 are US\$ 16 million as during the year 2008-09, out of the total bond issued, bondholders holding bonds aggregating US\$ 3 million opted to convert their bonds into 327750 Equity Shares at a conversion price of Rs. 400/- per share. During the year the conversion price has been reset to Rs. 350/- per share.

The Company had issued 23,07,600 Global Depository Receipts during the year 2006-07. Upto March 31, 2009 the holders of 23,06,850 GDRs had got their GDRs cancelled and converted into equivalent number of underlying shares. As on date, 750 GDRs are still outstanding.

- **Non Mandatory Requirements**

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

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

BRANCH LOCATIONS

Company has branches at following places:-

Bangalore

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

Bareilly

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

Chennai

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

Hyderabad

Flat No. 304, IIIrd Floor,
Sai Plaza, Mody's Compound,
Metteguda,
Secunderabad-500017

Jaipur

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

Jamshedpur

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

Jodhpur

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

Kolkata

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

PLANT:

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

Lucknow

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

Mumbai

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

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

Nasik

Row House No. 3,
Laxmi Ganga Bunglow,
Kathe Gali, Nasik Pune Highway,
Nasik

Patiala

House No. 10, Street No. 02,
Green View Colony,
Opposite Harbans Regency,
Patiala

Udaipur

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

Vadodara

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

Varanasi

B-38/217, Plot No. 18,
Taradham Colony, Tulsipur,
Mahamurganj, Varanasi, U.P.

Address for Correspondence

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



Annexure To The Report Of Directors

Certificate From Auditors Regarding Compliance Of Conditions Of Corporate Governance.

To the Shareholders of KLG Systel Limited

We have examined the compliance of conditions of Corporate Governance by KLG Systel Limited, during the year ended on March 31, 2009, in accordance with the provisions of clause 49 of the Listing Agreements executed by the Company with stock exchanges where equity shares of the Company are listed.

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

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

We state that in respect of investor grievances received during the year ended March 31, 2009, no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company which are presented to the Shareholders/Investors' grievance Committee.

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

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

Place: Gurgaon
Date: May 16, 2009

Kamal Ahluwalia
Partner



Annexure II

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A) Industry Structure, Development, Opportunities & Threat

The convergence of information technology and high speed networks has ushered in the knowledge era, creating a revolution in today's businesses. Innovation is driving success compelling IT companies to evolve their role from service providers to add more value by being knowledge-oriented and domain specific in their approach. KLG Systel is among few Indian companies that started with a vision of being a 'Knowledge Company' right from inception.

KLG is a knowledge Company in the true sense and clearly distinguishes itself from its Indian IT services outsourcing counterparts. At the core of its delivery model lies a strong business and domain expertise which, enabled by IT technologies & processes, works for the business success of the client. The company had articulated this vision over a decade ago when the rest of Indian IT industry was working on Y2K initiatives and body shopping, and not many in India were talking about being a 'knowledge enterprise'.

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

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

Indian IT and ITES companies have entered into long term engagements with customers, expanded their portfolio of services offerings, built scale, extended service propositions beyond cost savings to quality and innovation, evolved their pricing models and have tried to find sustainable solutions to various issues such as risk management, human capital attraction and retention and cost management. A key demand driver for the Indian IT services and ITES industry has been the changing global business landscape which has exerted performance pressures on multinational enterprises.

A majority of companies in India have already aligned their internal processes and practices to international standards such as ISO, CMM, six sigma etc., which has helped to establish India as a credible sourcing destination. Indian IT and ITES companies have expanded their product and service portfolios gravitating towards higher value processes and achieving increased traction in engineering and product development services. The high performance of the IT and ITES sector was in large part due to factors such as the emergence of a more efficient global delivery model, the unbundling of large IT outsourcing deals with larger India-based delivery shares, and the bagging of large contract by the country's players.

Strengths at a Glance

- Great history in software development
- English Language proficiency
- Government Support and policies
- Cost advantage
- Strong tertiary education
- Process quality focus
- Skilled workforce
- Expertise in new technologies
- Entrepreneurship

The current financial year have been the toughest year ever for the country's software industry, and the cracks gone done deeper than previously estimated. The country's biggest software firms are affected in comparison to Last fiscal year in comparison to their revenue, which is seen either flat or slightly lower. This downfall due to US and European countries project cancellations, pressure on prices, volatile currencies and India's biggest corporate fraud.

The quality practices in the Indian IT industry have evolved through three distinct stages. The first stage was the creation of basic processes to handle all activities relating to order fulfillment. Many companies demonstrated this by aligning their Quality Management Systems (QMS) with ISO 9000 standards. This ensured consistent and orderly execution of customer engagements and provided a framework for measurable improvement.

Liberalization of trade, investment in high technology domains, and the development of an efficient telecommunication infrastructure have brought India to the forefront of developing nations, supplying IT-enabled and knowledge-related services. The key segments that have contributed significantly to the industry's exports include Software, IT services and IT-enabled services (ITeS). During this decade, India has successfully established itself as a preferred global outsourcing destination in these segments. These sectors are expected to fuel future growth as well.

KLG Systel Limited is one such company that has been an enabler in the burgeoning growth of Indian Industry and Infrastructure. In its quest to be a party to the development of Indian Economy, your Company has provided products and solutions for IT enablement of many Indian Fortune 500 companies in the areas of Oil and Gas, Manufacturing, Retail, Infrastructure, power, process and new economy industries such as IT telecommunications and service sectors.

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

Your Company primarily works in two sectors Business Life Cycle Solutions and Power Systems Solutions and services for the power industry.

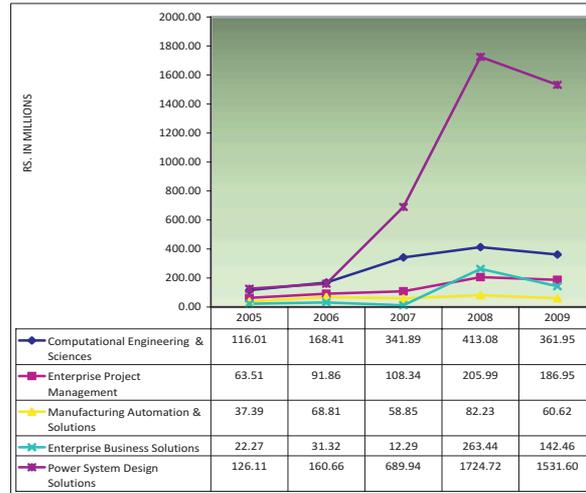


B) Segment-wise Performance

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

(I) POWER SYSTEM SOLUTIONS:

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



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

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

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

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

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

More than Rs. 19 Billion has already been sanctioned to various States.

PFC has already empanelled the Information Technology Consultants (ITC) and most of the State Utilities have already appointed ITC who are preparing the bidding document for them.

PFC has also empanelled Information Technology Implementation Agencies (ITIA) under four roles of Systems Integration, Network Solution Provider, GIS Solution Provider and Meter Data Acquisition Solution Provider.

Your Company is one of the thirteen companies who have been empanelled under three or more ITIA roles.

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

Now the time has come when such solutions shall be implemented across Indian Power Sector. Being in the Sector for a long time and with the self developed solutions your Company definitely has a competitive edge over other empanelled companies under the scheme. During the year we have also developed application for Load Forecasting for Utilities and integrated our Vidushi product with SAP Industry Solution for Utilities (SAP IS-U) and Interactive Voice Response System for Customer Care.

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

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



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

- Spot Billing for 1.0 million consumers for West Bengal State Electricity Distribution Company Limited, Kolkata.
- Spot Billing for 1.0 million consumers for Jodhpur Vidyut Vitaran Nigam Limited, Jodhpur
- Spot Billing for 1.0 million consumers for Punjab State Electricity Board (Order awaited, lowest bidder)
- Operation and Maintenance of IT Infrastructure for 1.0 million consumers for BEST, Mumbai
- Spot Billing for 2.75 Lac consumers for Purvanchal Vidyut Vitaran Nigam Limited (PuVVNL), Varanasi
- Spot Billing for 2.0 Lac consumers for Lucknow Electric Supply Administration Limited (LESA), Lucknow
- Spot Billing for 80,000 consumers for Madhyanchal Vidyut Vitaran Nigam Limited (MNVNL), Bareilly
- HT Meter reading for Jaipur Vidyut Vitaran Nigam Limited
- Photo Meter Reading using Digital Camera for Maharashtra State Electricity Distribution Company Limited (MSEDCL)
- Supply and Erection for Rural Electrification of 11,806 villages of Punjab under Rajeev Gandhi Grameen Vidyutikaran Yojna (Rs. 132 Crore)
- Supply and Erection of 4,486 Tubewell Connections in Muktsar, Punjab (Rs. 34 Crore)
- Supply and Erection of 1,938 Tubewell Connections of Uttar Haryana Bijli Vitaran Nigam, Haryana (Rs. 30 crore)
- Supply and Erection of 13 no 33-kV Substations in Panchkula, UHBVN (Rs. 30 crore)

Major Opportunities in the current year:

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

Our readiness with the product and our empanelment under R-APDRP with three out of four roles provides us the opportunity to address the R-APDRP scheme with definite competitive edge over others.

- b. **Engineering, Procurement and Contract Jobs:**

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

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

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

The main objective of Distribution Management System is to monitor important distribution parameters, remote / automatic meter reading of DT / feeder / boundary meters, Energy Accounting, Load flow Analysis and generate exceptions and MIS reports for proper planning, monitoring, decision-making and taking corrective actions. Your Company is creating a niche in this sector by focusing on Advanced Metering Infrastructure (AMI) rather than the traditional AMR approach followed by other players in the market. Our mantra for Utilities is to implement “end-to-end” integrated solutions rather than using the piecemeal approach in implementing IT solutions. R-APDRP also envisages the implementation of such a system for proper Energy Accounting and Reconciliation.

- d. **Connectgaia.com :** An affordable web based solution that allows power consumers to MEASURE, VISUALIZE, ANALYZE, CONTROL AND SAVE™ electricity, Anywhere, Anytime - across the Enterprise. Connectgaia.com solution is a state of the art smart energy management system that leverages advanced metering, sensors, proven IP communication technologies and a robust IT backbone to build intelligence into electricity network across the enterprise (multi-location). Data is available on near real time basis just at the click of a button from anywhere across the globe, thus giving the user complete control over the entire enterprise.

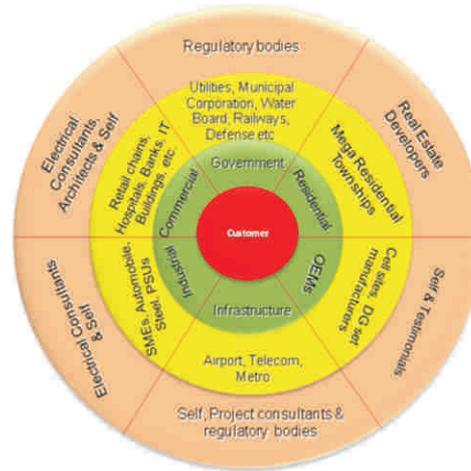
The solution provides dedicated access to authenticated users only by way of built in levels of security which guards against the possible mischief of users or spurious operation of controls due to over-sight. The system is self-sufficient in that, that it has multiple levels of alarms generation (each with the option of annunciation or reporting), reports of On/Off control history, list of schedules, limits and deadbands, capability to get back online when power is restored.

This efficient energy management system is the enabler of an Intelligent Grid that would foster energy efficiency, interaction, proactive decisions and innovative practices to optimize power usage. The



solution integrates the power and internet highways. These Connectgaia.com units enable power users to set up informed energy efficiency and conservation measures by using state-of-art technology and sensor networks.

Connectgaia.com has partnered with IBM, SAP, ZigBee Alliance and many more to provide state of art product and solution to its clients. With our past experience and the current opportunities, Connectgaia.com aims to focus on various infrastructure sectors and has created different applications catering to their needs and requirements. Various targeted segments are as follows:



We are delivering following solutions to our customers across different sectors:

- Lighting (Shelter, street, high-mast, façade, colony-street lighting)
- Fuel parameters specification
- Fuel consumption reports
- Electrical Parameters specification
- Data Acquisition and Remote Monitoring
- Operation and Control
- Data Management and Reporting
- Electricity Demand Forecasting
- Assets, Alarm and Logs Management
- Online health monitoring
- Quick Fault Detection
- Calendar based/Time Based Scheduling
- Nature Based Operation
- Power Conditioning
- Voltage Regulation
- Operational parameters and analysis
- Enterprise Solution
- System Performance
- Electrical Reports
- DG & fuel set monitoring
- Asset management
- Sensor integration

Connectgaia.com has bagged prestigious accounts across these segments. To name a few: Indian Railways, BEST (Mumbai), DLF, BHEL, Delphi Automotive Systems, Shree Cement, SRL Ranbaxy, Sudhir Genset, BSNL Pune, MCD, NDMC and the list goes on.

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

- 2009 Best Lotus Energy and Environment (Green) Award
- 2009 IBM Beacon Award finalist in the Outstanding Energy & Environment (Green) Solution
- 2009 Logica Global Innovation Venture Partner Award
- 2009 IBM Ready for Energy & Environment Solution Validation
- 2008 IBM Best ISV Award Energy & Utilities Industry Solutions
- 2008 NASSCOM Innovation Awards (Finalist)
- 2007 Golden Peacock Award in the Innovative Product/Service Category
- Among NASSCOM's 100 IT Innovators of 2007
- 2007 CII National Award for Excellence in Energy Management
- Product certifications from IBM
- Global recognition and appreciation of the product- US and European Markets

International Operations:

We have also made an international presence by appointing our channel partners in Middle East Asia (Oman, Saudi Arabia) and South East Asia (Malaysia, Bangkok, Philippines), South America (Brazil). These partners are now actively selling Connectgaia.com solutions in their regions. We are further expanding our base in these regions as well as appointing partners in China, Australia and North America,

Magic Meter:

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



(ii) BUSINESS LIFE CYCLE SOLUTIONS:

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

Companies need to collaborate across the supply chain to become more adaptive to the changing business and customer needs. This means that the core applications of Project Management, Design Engineering and Plant Automation that your Company has been providing to its blue chip customer, need to undergo a transformation in terms of customization, integration and collaboration.

Companies have islands of these application, which have been provided earlier and now organizations are looking at enhancing these and integrating them across the supply chain. Your Company will continue to help customers realize their own individual road maps and leverage the power of Business Life Cycle Solutions.

Your Company's unique business model also blends a rich knowledge of industry and business with cutting-edge technologies from leading international technology partners such as Autodesk, COADE, IBM, Microsoft, Oracle, Primavera and SAP. This partnering model addresses the needs of a wide spectrum of clients that includes Top 500 Indian companies (both from the government & private sector) and the Indian arms of Fortune 500 companies.

(a) Enterprise Project Management:

Enterprise Project & Portfolio Management (EPM), in broad terms, is the field of organizational development that supports organizations in managing integrally and adapting themselves to the changes of a transformation. In recent years, with general adoption of (IT) governance practices, Enterprise Project Management has become more specific. In the 1990s focus was generally on the management of the single project, in the subsequent decade companies lay more focus on the fact that a project is likely to not be the only one in the enterprise. Today companies like Reliance, NTPC, BHEL, SAIL, Essar, HCC, L&T are executing many projects simultaneously. Enterprise Project Management is to not only plan and track the existing set of projects, but to create a portfolio (per budget size, per calendar year, per budget year, per business line, per geography etc.) of existing and future (demand) projects.

Today many companies in the Engineering & Construction, Power, Metal, Energy, Telecom vertical needs Project Portfolio Management for selecting which projects to keep in portfolio (because of their anticipated value) and which ones to discard (because of their obsolescence or because they will not yield the value that was initially calculated). Project Portfolio Management includes the creation of various scenarios to decide which is the most optimal portfolio (for a certain year, business, budget, etc.). Once the contents of the portfolio are agreed upon, it is key to constantly scrutinize how the individual projects are evolving in terms of quality, cost and schedule. Implementing Enterprise Project Management toolset needs to be considered in light of the organization's Project Management Maturity and the methodologies, processes and governance structures that are currently in place.

Your company has been a leading solution provider and implementation company in the field of Enterprise wide Project Management across various leading Indian Organizations and Indian counterparts of large MNCs in India. Your company has been in the business of Project Management for last 19 years with many man-years of project design and implementation experience in India and abroad.

The division has successfully rolled out Enterprise Project Management from the stage of conception and design to handover for many large companies in India and abroad. Some of our esteemed customers are in the fields of Power, Metals & Minerals, Oil & Gas, Designing, Consulting and EPC companies, Public Infrastructure & Transportation. Some of our esteemed customers are NTPC, NHPC, Reliance Energy, BHEL, Essar Power, Jindal Steel and Power, Tata Power, Tata Steel, SAIL, GAIL, IOCL, HPCL, BPCL, Reliance Industries, Udhe (a Thyssen Group company), Tecnimont ICB, EIL, Punj Lloyd, Assam PWD, Mumbai International Airport, Delhi International Airport, Indian Railways, Delhi Metro, Bangalore Metro, Goa Shipyard.

In addition to the above customers, your company has provided complete Project Management solution to more than 600 customers. The key services provided by your company in these projects are:

- a. Enterprise Project Management Architecture
- b. Setup of Project management Office
- c. Design of Project and organization structure
- d. Running of Project Management office for extended period
- e. Network design of projects across various verticals highlighted above
- f. Resource Management
- g. Reporting and data mining for project execution
- h. Project Collaboration backbone design and implementation
- i. Drawing and Document management
- j. HO to site connectivity for project progress data aggregation
- k. Project costing and budgeting
- l. ERP Integration (SAP and Oracle)
- m. GIS integration

Some of the highlights of EPM (Enterprise Project Management) SBU of KLG are:

- 1. Strong team of Consultants who are well trained on EPM
- 2. The consultants are from core domain verticals such as Construction, Engineering, Power etc.
- 3. Collaborated with Oracle, Microsoft and IBM



(b) Computational Engineering & Sciences (CES):

After the inception of this SBU, it has shown a tremendous growth year after year. Last year the business grew in spite of the economic slowdown in last two quarters. The SBU continues to be one of the major contributors to Life Cycle Business Solution with a major.

With strategic alliance with industry giants like Autodesk, COADE, Altair, and others the company offers the state of art solutions to the industry that is cost effective which is the demand of the hour in the current situation.

The company has set up a development team to integrate the project management solutions with the CAD solutions which will give the option of working in 4D to the customer instead of conventional 3D. Pilots of the project are being successfully carried out. This will help lots of EPC customers integrate their disjoint business of CAD & EPM. The company offers the following solution under this SBU

- Computer Aided Design (CAD)
- Computer Aided Engineering (CAE)
- Computer Integrated Manufacturing (CIM)
- Product Life Cycle Management (PLM)
- Geographical Information Systems (GIS)
- Rapid Prototyping & Reverse Engineering technologies

KLG provides customized software solutions and services through out the entire range of value chain through out Engineering design for the across all segments of industry be it plant /process, manufacturing or any other.

Over the years KLG has earned a dominant market share by providing state of art solutions to customers across verticals. The major customer base include BHEL, L & T (HED & ECC Division), EIL, Mecon, Alstom, Jacobs, Reliance, NTCP, SAIL, Samsung, UDHE, TICB among others.

(c) Enterprise Business Solutions:

A key success factor for a growing company in a dynamic environment is an effective and efficient enterprise business solution to support business strategies and processes. We see a growing demand for sophisticated business solutions for higher levels of integration and collaboration, which will help them manage their daily operations more effectively.

SAP is world leader in the business of Businesses i.e. ERP. Headquartered in Germany with Global presence for the last 36 years and in India Presence for last 11 years, they have mastered the art of optimizing the understanding the best practices of diverse industries and finally bringing it to their ERP Products.

This year your company has stepped up and become a Value added Distributor of SAP solutions; we have attained the status of SAP Distributor by the virtue of our commitment and achievements in SAP Business in a small span of time. Moreover, your company has successfully made a chain of 50 Channel Partner to support SAP Business in capacity of SAP Distributor. Your company sees this as a potentially good growth opportunity and will leverage on its industry knowledge in a wide range of industries and huge reference customer base to sell and implement SAP solutions via its partner network.

Your company, as a Distributor of SAP, will offer comprehensive enterprise business solutions to meet the unique and changing business needs of organizations.

We will be launching value added promotional campaign for the benefit of SMB's based on our exposure in following industrial verticals:

- IT Hardware & Peripherals
- Wholesale & Distribution
- Logistics

Your Company will differentiate itself from their competitors and will stand as an outstanding SAP Distributor through its knowledge base and experience in SAP Ecosystem. Deep domain expertise across multiple industry verticals has been key to our ability to provide value to our Channel Partners. Your company has depth and breadth of consulting and SAP knowledge that is unmatched in the industry.

Besides successfully implementing SAP Solution in various industry vertical, we have touched the heights with a strong channel partner network who is working on the path laid by our esteemed company.

Your Company has developed several Add-ons on SAP-B1 product such as Plant maintenance, Excise, Optical care etc. based on customer requirements and plans to have them certified by SAP.

SPInterlink is a web based application that was developed by your company to interface SAP applications with Primavera and is powered by SAP Netweaver and certified by SAP. This application helps customers eliminate costly and error prone manual data entry, access timely information for planning and enables project management decisions, resulting in cost optimized projects. Your Company envisages a fair demand for this interface area and will leverage on the existing Primavera customers to tap this opportunity.

Some of the clients that we worked with are East Coast Distributors (ECD), SambRamky, Mair & Vidarno (M+V), Sevcon International, Bakers Circle, L&T, BHEL, Hindustan Unilever Ltd., Nestle (India) and SHV, a Dutch multinational, NYK Line.



(d) Automation And Manufacturing

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

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

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

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

Your Company works closely with Wonderware a division of Invensys PLC, Microsoft, IBM, Oracle and SAP to deliver solutions.

Your Company has developed application software using Archestra platform provided by Invensys.

C) Adequacy of Internal Control

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

D) Human Resources

The Company considers its human resources as its most important asset. Attracting, retaining and motivating employees and creating an environment that nurtures them to deliver their best has been a constant challenge for your Company. Your Company continues to invest in training and development programs for its employees in India as well as abroad. The Company has instituted KLG Systel Limited Employee Stock Option Scheme 2005 for rewarding the well performing employees who are contributing to the growth of the company. The Company is also introduced another Employee Stock Option Scheme 2007, the approval for which was obtained by way of special resolution passed by shareholders in its Annual General Meeting held on September 08, 2006. At the end of the year under review, the total strength of the employees is 425.



KLG SYSTEL LIMITED

FINANCIAL STATEMENT



AUDITORS' REPORT

To the members of KLG Systel Limited

1. We have audited the attached Balance Sheet of KLG Systel Limited (the Company) as on March 31, 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 [Order] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account maintained by the Company.
 - (d) In our opinion Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2009 from being appointed as a director in the terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
 - ii) in the case of the Profit and Loss Account, of the profit earned by the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

C-43, Inderpuri,
New Delhi - 110 012

May 16, 2009

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

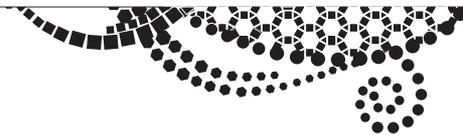
Kamal Ahluwalia
Partner
Membership No. 093812



ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of KLG Systel Limited on the financial statements for the year ended March 31, 2009]

- i) In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The fixed assets were physically verified by the management at reasonable intervals during the previous year and no material discrepancies were noticed on such verification as compared to book records.
 - c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
- ii) In respect of its inventories:
 - a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
 - b) The procedures for the physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
- iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- v) In respect of contracts or arrangements referred to in section 301 of the Companies Act, 1956:
 - a) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have so been entered.
 - b) Transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of activities carried out by the Company.
- ix)
 - a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has been regular in depositing the undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues as applicable with the appropriate authorities.
 - b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues were outstanding, as at March 31, 2009, for a period of more than six months from the date they became payable.
 - c) According to the information and explanations given to us, there are no dues of income tax, wealth tax, custom duty, excise duty, service tax and cess that have not been deposited with appropriate authorities on account of any dispute, other than the following:



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

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

- x) The Company has no accumulated losses as at March 31, 2009 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/ societies are not applicable to the Company.
- xiv) The Company has maintained proper records of transactions for dealing in or trading in securities and timely entries have been made in the records maintained for the purposes. The securities were/are being held by the Company in its own name.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, term loans were applied for the purpose for which the loans were obtained.
- xvii) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long term investment.
- xviii) The Company has made preferential allotment of equity shares to a company and parties covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by way of public issue during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

C-43, Inderpuri
New Delhi-110012

May 16, 2009

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

Kamal Ahluwalia
Partner
Membership No. 093812

BALANCE SHEET AS AT MARCH 31, 2009

KLG SYSTEL LIMITED

	Schedules	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
SOURCES OF FUNDS			
Shareholders funds			
Share capital	1	126,805,200	117,594,700
Subscription money received against warrants		-	32,063,500
Reserves and surplus	2	2,273,913,156	1,697,926,828
Loan funds			
Secured	3	1,206,088,421	363,910,503
Unsecured			
- Foreign currency convertible bonds	4	815,200,000	759,430,000
Deferred tax liabilities (Net)	5	146,851,766	107,819,182
		<u>4,568,858,543</u>	<u>3,078,744,713</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	2,124,696,955	1,531,040,860
Less: Accumulated Depreciation		394,880,108	238,512,496
Net block		<u>1,729,816,847</u>	<u>1,292,528,364</u>
Capital work in progress including Capital advances		604,628,149	423,356,149
Investments	7	134,121,115	159,920,304
Current assets, loans and advances			
Inventories	8	78,021,700	10,683,234
Sundry Debtors	9	1,841,166,799	1,710,917,544
Cash and bank balances	10	117,238,358	109,435,226
Loans and advances	11	477,592,207	208,643,737
		<u>2,514,019,064</u>	<u>2,039,679,742</u>
Less: Current liabilities and provisions	12	414,837,108	839,330,322
Net current assets		<u>2,099,181,956</u>	<u>1,200,349,419</u>
Miscellaneous expenditure (to the extent not written off or adjusted)	13	1,110,476	2,590,476
		<u>4,568,858,543</u>	<u>3,078,744,713</u>
ACCOUNTING POLICIES	19		
NOTES TO ACCOUNTS	20		

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

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

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

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Kamal Ahluwalia
Partner
Membership No. 093812
Gurgaon
May 16, 2009

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2009

KLG SYSTEL LIMITED

	Schedules	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
INCOME			
Sales and services	14	2,283,561,959	2,689,449,040
Others		17,462,551	23,871,143
		<u>2,301,024,510</u>	<u>2,713,320,183</u>
EXPENDITURE			
Cost of sales and services	15	1,157,744,266	1,559,026,695
Employees remuneration and benefits	16	174,913,878	110,442,519
Travelling and conveyance		47,152,525	36,285,627
Research and development		53,855,803	30,071,396
Communication	17	13,566,167	9,902,036
Human resource development		13,667,171	14,738,746
Consultancy fees		8,377,799	8,343,869
Administrative	18	99,884,090	80,598,895
Business development		13,109,159	14,612,469
		<u>1,582,270,858</u>	<u>1,864,022,252</u>
PROFIT BEFORE INTEREST, DEPRECIATION, TAX AND AMORTISATIONS		718,753,651	849,297,931
Interest		106,285,150	18,749,286
Depreciation		173,161,749	83,118,059
Miscellaneous expenditure written off		1,480,000	1,480,000
PROFIT DURING THE YEAR		437,826,753	745,950,585
Prior period adjustments		(512,853)	(350,806)
PROFIT BEFORE TAX		437,313,900	745,599,779
Provision for current tax		(61,946,659)	(160,327,064)
Provision for deferred tax		(39,032,584)	(58,478,677)
Provision for wealth tax		(360,882)	(181,552)
Provision for fringe benefit tax		(3,002,195)	(2,922,499)
PROFIT AFTER TAX		332,971,580	523,689,988
Balance brought forward from previous year		41,028,412	4,992,987
PROFIT AVAILABLE FOR APPROPRIATION		<u>373,999,992</u>	<u>528,682,975</u>
APPROPRIATIONS			
Prior period adjustment of dividend, including dividend tax		2,963,351	-
Proposed dividend on equity shares		34,717,650	32,184,763
Tax on proposed dividend		5,900,265	5,469,800
Transfer to General Reserve		200,000,000	450,000,000
Balance carried over to Reserve & Surplus Account		130,418,726	41,028,412
		<u>373,999,992</u>	<u>528,682,975</u>
Earnings per share (equity shares, par value of Rs. 10 each)			
Basic [Refer note no. (xxi) of Schedule No. 20]		26.72	48.03
Diluted [Refer note no. (xxi) of Schedule No. 20]		23.03	40.54
ACCOUNTING POLICIES	19		
NOTES TO ACCOUNTS	20		

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

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

Kamal Ahluwalia
Partner
Membership No. 093812
Gurgaon
May 16, 2009

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

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
1. SHARE CAPITAL		
Authorised		
20,000,000 (20,000,000) equity shares of Rs.10 (Rs.10) each	200,000,000	200,000,000
Issued and subscribed		
12,807,900 (11,886,850) equity shares of Rs. 10 (Rs.10) each	128,079,000	118,868,500
Paid up		
12,624,600 (11,703,550) equity shares of Rs.10 (Rs.10) each fully paid up	126,246,000	117,035,500
Add: Forfeited shares	559,200	559,200
	<u>126,805,200</u>	<u>117,594,700</u>
2. RESERVES AND SURPLUS		
Capital reserve	19,200,800	1,100,800
Share premium	1,154,842,745	886,346,731
General reserve		
Opening balance	769,450,885	320,000,000
Add: Additions during the year	200,000,000	450,000,000
Less: Transitional provision in compliance with AS-15 (Revised)	-	(549,115)
Profit and Loss Account	130,418,726	41,028,412
	<u>2,273,913,156</u>	<u>1,697,926,828</u>
3. SECURED LOANS		
From State Bank of India		
Cash credit facilities	889,732,614	220,183,336
Term loans	166,355,807	142,585,650
From IDBI Ltd.		
Term loan	150,000,000	-
ICICI Bank Ltd.		
Vehicle loans	-	1,042,917
Equipment loan	-	98,600
	<u>1,206,088,421</u>	<u>363,910,503</u>
4. UNSECURED LOANS		
Foreign currency convertible bonds	815,200,000	759,430,000
5. DEFERRED TAX LIABILITIES (NET)		
Deferred tax assets	5,810,506	4,452,191
Deferred tax liabilities	152,662,271	112,271,373
	<u>146,851,766</u>	<u>107,819,182</u>

6. FIXED ASSETS

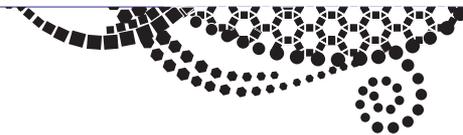
Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost as at April 1, 2008 Rs.	Additions during the year Rs.	Sales during the year Rs.	Cost as at March 31, 2009 Rs.	Upto March 31, 2008 Rs.	For the year Rs.	Written back Rs.	Upto March 31, 2009 Rs.	As at March 31, 2008 Rs.	As at March 31, 2009 Rs.
Land	83,010,946	1,465,804	-	84,476,750	-	-	-	-	84,476,750	83,010,946
Buildings	218,433,224	128,857,266	-	347,290,490	18,370,263	7,998,625	-	26,368,888	320,921,602	200,062,961
Computers	476,123,270	114,412,373	15,987,342	574,548,301	102,440,809	81,120,345	15,141,685	168,419,469	406,128,832	373,682,461
Plant and machinery	173,839,658	37,674,793	-	211,514,451	19,981,050	22,691,220	-	42,672,270	168,842,181	153,858,608
Furniture	82,153,135	28,775,905	-	110,929,040	14,079,891	7,666,676	-	21,746,567	89,182,473	68,073,244
Office equipments	33,196,828	4,862,017	-	38,058,845	4,796,100	1,743,493	-	6,539,593	31,519,252	28,400,728
AC Equipments	20,278,191	4,044,472	-	24,322,663	3,796,731	1,024,745	-	4,821,476	19,501,187	16,481,460
Vehicles	55,119,544	2,379,048	5,598,940	51,899,652	7,070,054	5,293,658	1,652,452	10,711,260	41,188,392	48,049,490
Patent - Technology	280,448,840	271,783,414	-	552,232,254	38,316,550	34,217,382	-	72,533,932	479,698,322	242,132,290
Brands	108,437,225	20,987,285	-	129,424,510	29,661,049	11,405,604	-	41,066,653	88,357,856	78,776,176
TOTAL	1,531,040,861	615,242,377	21,586,282	2,124,696,955	238,512,497	173,161,749	16,794,137	394,880,108	1,729,816,847	1,292,528,363
PREVIOUS YEAR	774,036,557	777,153,815	20,149,511	1,531,040,861	171,897,934	83,118,059	16,503,497	238,512,496	1,292,528,366	602,138,621



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
7. INVESTMENTS		
Long term investments		
a) In equity shares of subsidiaries - Unquoted, fully paid up		
12,000 (12,000) equity shares of Rs. 100 (Rs.100) each of KLG Environment and Safety Sciences Ltd.	3,717,524	3,717,524
10,000 (10,000) equity shares of Rs. 10 (Rs. 10) each of KLG Software Technology and Infrastructure Pvt. Ltd.	100,000	100,000
49,500 (49,500) equity shares of Rs. 10 (Rs.10) each of KLG Power Ltd.*	495,000	495,000
307,275 (307,275) equity shares of Rs. 10 (Rs. 10) each of Atlantis Lab Pvt. Ltd.	<u>129,807,591</u>	<u>127,807,591</u>
	<u>134,120,115</u>	<u>132,120,115</u>
b) In units - unquoted		
Nil (2,354,008) units of Nil (Rs. 10) each of SBI MF Magnum Institutional Income Fund	-	27,799,189
c) Others - Non trade and unquoted		
5 (5) shares of Rs. 100 (Rs. 100) each of Apex Hotel & Enterprises P. Ltd. #	500	500
5 (5) shares of Rs. 100 (Rs. 100) each of Siddhartha (Vadodra) Association #	<u>500</u>	<u>500</u>
	<u>1,000</u>	<u>1,000</u>
	<u>134,121,115</u>	<u>159,920,304</u>
	(a+b+c)	
8. INVENTORIES		
Software licenses held for development	1,807,438	2,648,628
Raw materials	73,667,829	-
Work in process	<u>2,546,432</u>	<u>8,034,607</u>
	<u>78,021,700</u>	<u>10,683,235</u>
9. SUNDRY DEBTORS		
(Unsecured and considered good)		
Debts outstanding for a period exceeding six months		
Debts on deferred credit terms	11,360,124	10,272,848
Others	341,605,064	102,207,909
Other debts		
Debts on deferred credit terms	96,980,049	207,090,079
Others	<u>1,391,221,562</u>	<u>1,391,346,708</u>
	<u>1,841,166,799</u>	<u>1,710,917,544</u>
10. CASH AND BANK BALANCES		
Cash in hand	45,588,264	42,646,521
(including cheques in hand)		
Balances with scheduled banks		
- in current account	33,781,878	3,196,660
- in deposit account	<u>37,868,216</u>	<u>63,592,046</u>
	<u>117,238,358</u>	<u>109,435,226</u>
11. LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received		
- Unsecured and considered good		
Advance to subsidiaries	94,169,651	34,767,233
Advances to vendors	236,526,285	27,583,912
Earnest money deposits	32,858,120	55,769,446
Advance tax (Net of income tax provisions)	25,540,870	-
Security deposits	21,092,541	19,729,616
Value added and service tax	35,356,976	28,337,822
Advance to staff	4,385,297	6,272,690
Others	<u>27,662,466</u>	<u>36,183,018</u>
	<u>477,592,207</u>	<u>208,643,737</u>



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
12. CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Creditors for purchases	211,335,228	584,292,868
Other liabilities	136,969,231	124,953,604
Creditors for capital assets	6,872,349	31,741,867
Unpaid dividend	1,219,709	1,106,807
Provisions		
Proposed dividend on equity shares	34,717,650	32,184,763
Dividend tax on proposed dividend	5,900,265	5,469,800
Income tax (net of advance tax)	-	48,012,772
Leave encashment	11,410,068	5,035,796
Gratuity	5,684,682	4,951,579
Fringe benefit tax	367,043	1,398,915
Wealth tax	360,882	181,552
	<u>414,837,107</u>	<u>839,330,322</u>
13. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Structuring cost	2,590,476	4,070,476
Less: Written off during the year	1,480,000	1,480,000
	<u>1,110,476</u>	<u>2,590,476</u>
14. SALES AND SERVICES		
Sales	1,865,932,875	2,340,011,858
Professional fee and service receipts	417,629,084	341,402,575
Value of work in process	-	8,034,607
	<u>2,283,561,959</u>	<u>2,689,449,040</u>
15. COST OF SALES AND SERVICES		
Cost of material utilised		
Opening stock	2,648,628	6,614,605
Add: Purchases during the year	<u>1,037,873,542</u>	<u>1,440,384,136</u>
	1,040,522,170	1,446,998,741
	<u>78,021,700</u>	<u>2,648,628</u>
Less: Closing stock	(A) <u>962,500,470</u>	<u>1,444,350,114</u>
Cost of services	(B) <u>195,243,795</u>	<u>114,676,582</u>
	(A+B) <u>1,157,744,266</u>	<u>1,559,026,695</u>
16. EMPLOYEES REMUNERATION AND BENEFITS		
Salaries	142,968,918	93,255,014
Welfare contributions and benefits	8,879,512	5,656,137
Leave encashment	12,515,269	5,400,429
Gratuity	1,258,557	1,637,722
Others	<u>9,291,622</u>	<u>4,493,216</u>
	<u>174,913,878</u>	<u>110,442,519</u>
17. COMMUNICATION		
Telephone and fax	12,151,966	8,020,170
Courier	1,067,233	1,700,253
Postage	<u>346,968</u>	<u>181,614</u>
	<u>13,566,167</u>	<u>9,902,036</u>



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
18. ADMINISTRATIVE		
Rent, rates and taxes	29,684,285	15,578,547
Bank charges	23,464,368	13,069,983
Consumables and stationery	8,015,351	9,703,306
Power and fuel	6,104,074	6,671,356
Security Expenses	3,576,978	4,888,700
Insurance	3,551,798	4,161,822
Vehicle running and maintenance	3,350,108	2,261,970
Repair and maintenance		
Buildings	6,581,733	8,804,387
Machinery	631,307	2,488,463
Computers	365,126	1,567,251
Others	1,438,047	1,133,664
Membership fees	1,149,980	494,093
Others	<u>11,970,935</u>	<u>9,775,354</u>
	<u>99,884,090</u>	<u>80,598,895</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

19. ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

b) USE OF ESTIMATES

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

c) FIXED ASSETS, INTANGIBLE ASSETS AND WORK IN PROGRESS

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

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

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

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

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

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

d) IMPAIRMENT OF ASSETS

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

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

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

Recoverable amount is determined:

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

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

e) INVESTMENTS

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

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

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

f) RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development is charged to Profit and Loss Account in the year in which it is



incurred. Capital expenditure on research and development is treated as additions to fixed assets and depreciated in accordance with the depreciation rates set out in paragraph (h).

g) INVENTORIES

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

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

Work in process is valued at cost and other attributable costs incurred upto the stage of completion.

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

h) DEPRECIATION

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

Technology and Brand costs are amortised equally in 10 years from the date of capitalisation.

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

i) RECOGNITION OF REVENUE AND EXPENDITURE

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

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

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

Dividend income is accounted in the year of receipt.

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

j) EMPLOYEE BENEFITS

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

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

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

Other employee benefits are accounted for on accrual basis.

k) TAXATION

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

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

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

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



l) FRINGE BENEFIT TAX

Consequent to the introduction of Fringe Benefit tax effective April 1, 2005, in accordance with the guidance note on accounting for fringe benefit tax issued by the Institute of Chartered Accountants of India, the Company has made provision for fringe benefit tax on the aggregate amount of fringe benefits determined in accordance with the provisions of the relevant enactments under income taxes.

m) EMPLOYEE STOCK OPTIONS

The Company measures the compensation cost relating to employee stock options using the intrinsic value method.

n) SEGMENT ACCOUNTING AND REPORTING

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

a) Segment revenue and expenses

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

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

b) Segment assets and liabilities

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

o) EARNINGS PER SHARE

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

p) FOREIGN CURRENCY TRANSACTIONS

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

Exchange differences arising on the translation or settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recorded in exchange fluctuation account and recognised as income or expense in the year in which they arise, except in so far as they relate to the acquisition of depreciable capital asset, in which case they are adjusted to the carrying cost of such asset and depreciated over the balance life of the asset.

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

q) CASH FLOW STATEMENT

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

r) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

s) **BORROWING COST**

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

t) **MISCELLANEOUS EXPENDITURE**

- i) Share issue expenses are charged to Share Premium Account.
- ii) Public issue expenses are amortised over a period of ten years.
- iii) Structuring cost, net of recovery is amortised over a period of ten years.

20. NOTES TO ACCOUNTS

S.No. Particulars	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
i) Contingent liabilities not provided in respect of		
a) Claims against the Company not acknowledged as debts* * Net of deposits	1,482,311	3,458,377
b) Guarantees given by Banks Letter of credits established by Banks favouring suppliers [Deposits of Rs. 37,793,460 (Rs. 63,517,290) held by Bank as margin shown under the head 'Cash and Bank Balances']	508,922,255 90,515,997	315,035,173 -
c) Premium on redemption of USD 22 million 1% unsecured Foreign Currency Convertible Bonds Due 2012 (Refer Note No. xii below)	125,721,078	56,194,260
ii) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	309,343,037	405,517,479
iii) Paid up equity share capital includes:		
- 34,800 (34,800) equity shares issued as fully paid up for consideration other than cash	348,000	348,000
- 4,609,730 (4,609,730) equity shares issued as fully paid up by way of bonus shares	46,097,300	46,097,300
- 57,850 (57,850) equity shares issued as fully paid up under Employees Stock Option Scheme, 1998	578,500	578,500
- 116,200 (57,900) equity shares issued pursuant to the exercise of options granted under Employees Stock Option Scheme, 2005	1,162,000	579,000
- 2,307,600 (2,307,600) underlying shares against GDRs have been issued as fully paid up equity shares	23,076,000	23,076,000
- 1,470,000 (935,000) share warrants converted into fully paid up equity shares	14,700,000	9,350,000
- 655,500 (327,750) equity shares issued as fully paid up on conversion of FCCBs into equity shares	6,555,000	3,277,500
iv) Unexpired installments of assets purchased on hire purchase basis [Amount due within 1 (one) year is Nil (Rs. 1,141,517)]	-	1,141,517

S.No. Particulars	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
v) Payment to directors:#		
a) Remuneration to Kumud Goel, Managing Director	10,498,853	5,084,795
Remuneration to K. L. Goel, Executive Chairman	9,909,268	4,598,616
Remuneration to Mukesh Arora, Whole time director	6,085,000	4,000,000
Remuneration to Ritu Goel, Director	1,558,517	1,063,562
Remuneration to Upasana Goel, Director	1,465,350	1,403,861
b) Commission paid to non executive and independent directors*	4,387,419	7,442,258
c) Sitting fees	290,000	260,000

Does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.



*Computation of net profit in accordance with Section 349 of the Companies Act, 1956, and calculation of commission payable:

Net profit after directors remuneration	437,313,900	745,599,779
Add: Profit on sell of investments	3,193,448	-
Less: Loss on sale of fixed assets	<u>1,765,491</u>	<u>1,374,004</u>
Net profit on which commission is payable	<u>438,741,857</u>	<u>744,225,775</u>
Commission payable to non-whole time directors (1% of net profit as calculated above in accordance with Section 198 of the Companies Act, 1956)	4,387,419	7,442,258
vi) Payment to auditors		
a) For services as auditors, including quarterly audits and service tax	1,023,880	942,769
b) For certification including service tax	<u>30,788</u>	<u>26,966</u>
	<u>1,054,668</u>	<u>969,735</u>

vii) **Secured loans**

From State Bank of India

- a) Working capital facilities of Rs. 8,897.33 lacs (Rs. 2,201.83 lacs) secured against hypothecation of Company's entire current assets including receivables, both present and future, counter guarantee of the Company for bank guarantees and letter of indemnity for letter of credits, and also collaterally secured by, (a) first charge over the fixed assets of the Company including equitable mortgage over land and building at Electronic City, Gurgaon, Haryana, (b) extension of first charge over plots situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these plots at Sector-34, EHTP, Gurgaon, Haryana, and offices at Belapur, Navi Mumbai, Maharashtra, R.C. Dutt Road, Vadodra, Gujarat and Gariahat Road, Kolkata, West Bengal, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.
- b) Term loan-I of Rs. 84.26 lacs (Rs.144.59 lacs) secured against assignment of receivables/rentals with power of attorney duly recorded with the lessee, and also collaterally secured by, (a) equitable mortgage on land and building at Electronic City, Gurgaon, Haryana, (b) extension of charge on the existing and proposed fixed assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.
Term loan repayable within 1 (one) year is Rs. 6,492,000 (Rs. 7,846,236).
- c) Term loan-II of Rs. 420.19 lacs (Rs. 664.74 lacs) secured against first charge including equitable mortgage on property situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these Plots at Sector-34, EHTP, Gurgaon, Haryana, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.
Term loan repayable within 1 (one) year is Rs. 24,124,000 (Rs. 24,124,000).
- d) Term loan-III of Rs. 1,159.10 lacs (Rs. 616.52 lacs) secured against first charge on assets created or to be created, including equitable mortgage of proposed building constructed or to be constructed, at Sector-34, EHTP, Gurgaon, Haryana, by utilising this loan, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.
Term loan repayable within 1 (one) year is Nil (Nil).

From Industrial Development Bank of India Limited

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

From ICICI Bank Ltd.

- a) Equipment loan of Nil (Rs. 0.99 lacs) secured against hypothecation of equipments namely desktops, printers, servers, projectors, UPS, and other allied products, and also collaterally secured by way of personal guarantee of K.L. Goel, Executive Chairman of the Company.
Equipment loan repayable within 1 (one) year is Nil (Rs. 98,600).
- b) Vehicle loans of Nil (Rs. 10.43 lacs) are secured against hypothecation of vehicles.
Vehicle loan repayable within 1 (one) year is Nil (Rs. 1,042,917).

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

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



- ix) During the year, the Company allotted 58,300 (57,900) equity shares fully paid equity shares of Rs. 10 (Rs. 10) each at a premium of Rs. 109.58 (Rs. 109.58) per share for cash to employees/non-executive directors of the Company on exercise of options granted in accordance with KLG Systel Employee Stock Option Scheme, 2005, approved by the board of directors, framed in accordance with SEBI (Employees Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 and other provisions of applicable Statutes. Options were issued to employees/non executive directors at an exercise price that is not less than the fair market value.

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

S.No.	Particulars	2008-09 (in Nos.)	2007-08 (in Nos.)
a)	Options outstanding, beginning of the year	209,200	299,500
b)	Add: Granted during the year	-	-
c)	Less: Exercised	58,300	57,900
	Forfeited	2,900	32,400
d)	Options outstanding, end of the year	148,000	209,200

The Company at its meeting of Compensation Committee held on May 26, 2008 issued 38,500 employee stock options out of total 40,400 options, lapsed due to non exercise/cessation/separation of the employees/non-executive directors from the Company, @ Rs.621.22 per option to the employees of the Company in accordance with KLG Systel Employee Stock Option Scheme 2005 framed in accordance with SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999, and other applicable provisions of applicable statutes which after exercise will give rise to equivalent number of equity shares of Rs. 10 each at a premium of Rs. 611.22 per share.

- x) The Company at its meeting of Compensation Committee held on May 26, 2008 issued 69,000 employee stock options @ Rs. 631.40 per option to the employees of the Company in accordance with KLG Systel Employee Stock Option Scheme 2007 framed in accordance with SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999, and other applicable provisions of applicable statutes which after exercise will give rise to equivalent number of equity shares of Rs. 10 each at a premium of Rs. 621.40 per share. Upon vesting of aforesaid options, employees are eligible to apply and secure allotment of Company's share at a price determined on the date of grant of options.
- xi) The 500,000 warrants issued to Foreign Institutional Investors on preferential basis at its meeting of Board of Directors held on June 20, 2007 with an option to convert the same into equivalent number of equity shares of nominal value of Rs. 10 each at a premium of Rs. 352 per share, have expired on December 19, 2008. The amount of Rs. 181 lacs being 10% of the price of warrants received at the time of allotment of warrants have been forfeited and has been credited to Capital Reserve Account.
- xii) The Company issued 2,200-1% unsecured Foreign Currency Convertible Bonds 2012 (FCCBs) of Rs. 9,589.80 lacs on March 26, 2007 having maturity period of 5 years and 2 days. The holders thereof has an option to convert the bonds into equity shares at initial conversion price of Rs. 400 per share on or after March 26, 2007 upto the close of business on March 16, 2012; such equity shares to be vested with full voting rights. The conversion price, if applicable, will be reset on March 26, 2009 and March 26, 2010. The applicable conversion price may be reset, downwards only, to the current market price of the shares on the relevant reset date if the volume weighted average share price of the 21 (twenty one) trading days prior to the relevant reset date is lower than the conversion price in effect. The reset conversion price cannot be lower than Rs. 350 per equity share or the applicable reset floor price as prescribed by SEBI from time to time.

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

During the year, out of the balance 1,900 unsecured FCCBs outstanding as on April 1, 2008, issued by the Company, of par value US \$ 10,000 each aggregating US\$ 22 million, the holders of FCCBs aggregating US \$ 3 million have exercised their conversion option and consequently 327,750 equity shares of Rs. 10 each were allotted to them as per the terms of the issue at a share premium of Rs. 390 per equity share.

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

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

Since the redemption of abovesaid FCCBs is contingent upon its non-conversion into equity shares, the Company has not provided for the proportionate premium for the period upto March 31, 2009 amounting to Rs. 1,257.21 lacs equivalent to USD 2.47 million at the prevailing exchange rates as at the Balance Sheet date. In the opinion of the management, since the likelihood of redemption cannot be presently ascertained, therefore no provision for any liability that may result has been made in the financial statements. The FCCBs are considered monetary liability. The FCCBs are redeemable only if there is no conversion of the same earlier. The payment of premium on redemption is contingent in nature, as the outcome is dependent upon uncertain future events, and is considered as a contingent liability.

Rs. 618.65 lacs, pending utilisation out of the proceeds of the above FCCBs, as at the beginning of the year have been utilised during the year in power system solutions and expansion activities.



- xiii) While recognising exchange difference accounting in terms of Notification No. GSR/225E dated March 31, 2009 relating to Accounting Standard-11 "Accounting for the Effects of Changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India, net exchange loss of Rs. 1,868.70 lacs (net exchange gain of Rs. 687.80 lacs) has been adjusted to the cost of fixed assets.
- xiv) The Company allotted 535,000 equity shares to its promoters on June 12, 2008 arising after conversion of 535,000 balance warrants out of the total of 1,070,000 warrants, which were issued on January 5, 2007, at a price of Rs. 261 per warrant in compliance with the requirements under Securities Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.
- xv) During the year, Nil (30,000) GDRs were converted into fully paid up equity shares with such voting rights as are available to the existing shareholders of the Company.
- xvi) In the opinion of the management, the current assets, loans and advances, if realised in the ordinary course of business, would realise a sum equal to that stated in the Balance Sheet.
- xvii) As per Accounting Standard-21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, the Company has presented consolidated financial statements separately in this annual report.
- xviii) Unpaid dividend, to be credited to Investor Education and Protection Fund, does not include any amount due and outstanding.
- xix) Principal amount due to Micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" amount to Rs. 1,621,911 (Rs. 1,720,507). No interest is paid/payable to such enterprises for the year ended March 31, 2009. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.
- xx) In accordance with the provisions of the Accounting Standard-22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recognised deferred tax assets of Rs. 5,810,506 (Rs. 4,452,191) and deferred tax liabilities of Rs. 152,662,271 (Rs. 112,271,373) as at March 31, 2009. Major components of deferred tax are as follows:

Sr. No.	Particulars	As at April 1, 2008 Rs. (A)	As at March 31, 2009 Rs. (B)	For The Year Rs. (C)=(B)-(A)
(i)	Deferred tax assets			
	Unabsorbed short term capital loss	778,868	-	(778,868)
	Gratuity	1,694,988	1,932,223	237,235
	Leave encashment	1,978,335	3,878,282	1,899,947
		<u>4,452,191</u>	<u>5,810,506</u>	<u>1,358,315</u>
(ii)	Deferred tax liabilities			
	Research and development	25,040,455	22,742,969	(2,297,486)
	Fixed assets	87,230,918	129,919,302	42,688,384
		<u>112,271,373</u>	<u>152,662,271</u>	<u>40,390,898</u>
	Net deferred tax (liability); (ii)-(i)	<u>107,819,182</u>	<u>146,851,766</u>	<u>39,032,584</u>

The deferred tax liabilities amounting to Rs. 39,032,584 (Rs. 58,478,677) for the year has been recognised in the Profit and Loss Account.

- xxi) Earnings Per Share (EPS)

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

Particulars	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
a) Profit after tax-Profit attributable to equity shareholders	332,971,580	523,689,988
b) Weighted average number of shares outstanding		
- Basic	12,460,894	10,903,120
- Diluted	14,458,608	12,917,534
c) Nominal value of per equity shares	10	10
D) Earning per share		
- Basic	26.72	48.03
- Diluted	23.03	40.54



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

Particulars	As at March 31, 2009		As at March 31, 2008	
	Amount Outstanding Rs.	Maximum balance outstanding Rs.	Amount Outstanding Rs.	Maximum balance Outstanding Rs.
a) Loans and Advances in the nature of loans to subsidiaries - KLG Environment and Safety Sciences Ltd. - KLG Power Ltd.	1,384,718 92,784,933	2,838,209 92,784,933	2,410,233 32,357,000	2,410,233 32,357,000
b) No loans and advances in the nature of loans have been given to firms/companies in which directors are interested.				
c) No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years and no interest or interest below section 372A of the Companies Act, 1956 is charged.				
d) No investment have been made by the loanee in the shares of parent company.				

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

Particulars	Dividend		
	2008-09	2007-08	
	Final	Interim	Final
a) Number of non-resident shareholders	4	13	16
b) Number of equity shares held by them	25,000	40,800	2,349,800
c) Financial Year to which the dividend related	2007-08	2006-07	2005-06
d) Gross amount of dividends (in Rs.)	68,750	102,000	3,524,700

xxiv) Details of Capital work-in-progress:

Particulars	2008-09 Rs.	2007-08 Rs.
a) Development and construction expenses	552,689,838	275,822,137
b) Capital advances	51,938,311	135,466,440
c) Technology	-	12,067,572
	<u>604,628,149</u>	<u>423,356,149</u>

xxv) Defined Benefit Plans

- a. Gratuity
- b. Leave encashment

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

(a) Change in defined benefit obligations

Particulars	Gratuity Rs.	Leave encashment Rs.
Projected benefit obligation at the beginning of the year	4,951,579	5,029,442
Current service cost	1,155,273	7,756,371
Interest cost	396,126	402,355
Actuarial (gain)/loss on obligations	(408,227)	3,640,240
Benefits paid	(410,069)	(5,418,340)
Projected benefit obligation at the end of the year	5,684,682	11,410,068

(b) The fair value of plan assets is Nil since employee benefit plans are wholly unfunded as on March 31, 2009.

(c) Amount recognised in Balance Sheet

Particulars	Gratuity Rs.	Leave encashment Rs.
Present value of obligations as at the end of the year	5,684,682	11,410,068
Fair value of plan assets as at the end of the period	-	-
Funded status	(5,684,682)	(11,410,068)
Unrecognised actuarial (gains)/losses	-	-
Net liability recognised in the balance sheet	5,684,682	11,410,068



(d) Net periodic gratuity cost

Particulars	Gratuity Rs.	Leave encashment Rs.
Current service cost	1,155,273	7,756,371
Interest cost	396,126	402,355
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognised	(408,227)	3,640,240
Expenses recognised in the statement of Profit and Loss	1,143,172	11,798,966

(e) Principal actuarial assumption

Particulars	Gratuity and leave encashment
Discount rates	7% per annum
Future salary increases	7% per annum

- (f) The discount rate is based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.
- (g) The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors.
- (h) The employees are assumed to retire at the age of 58 years.
- (i) The mortality rate considered are as per the published rates in the LIC (1994-96) mortality tables.

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

Particulars	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
a) Expenditure in foreign exchange (on payment basis)		
- CIF value of import of materials	270,945,939	194,790,213
- Interest paid on FCCBs	7,990,483	9,110,958
- Renewal fees	1,071,184	-
- Legal and professional	1,665,443	4,787,444
- Travelling-directors	4,438,470	6,284,232
- Travelling-others	3,752,771	2,107,528
- Seminar and training	9,525,191	7,086,015
- Listing fees	18,025	161,977
- Internet charges	210,265	-
- Membership	77,480	-
- Research and development	-	29,216
b) Income in foreign exchange (on receipt basis)		
- Service charges	227,641	2,232,115

xxvii) **Related Party Disclosures**

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

S. no.	Related party	Relationship between parties
1	K.L. Goel	Key management personnel
2	Kumud Goel	Key management personnel
3.	Ritu Goel	Key management personnel
4	Upasana Goel	Key management personnel
5	Mukesh Arora	Key management personnel
6	Gopal Krishan Pandey	Independent director
7.	Bishambhar Dayal Gupta	Independent director
8.	Prabir Sengupta	Independent director
9.	Subir Raha	Independent director
10.	Adarsh Soni	Independent director
11.	Sundararajan Govindarajan	Independent director
12.	P. L. Goel	Spouse of K. L. Goel
13.	Mini Arora	Spouse of Mukesh Arora
14.	KLG Environment and Safety Sciences Ltd.	Subsidiary company



S. no.	Related party	Relationship between parties
15.	KLG Software Technology and Infrastructure Pvt. Ltd.	Subsidiary company
16.	KLG Power Ltd.#	Subsidiary company
17.	Atlantis Lab Pvt. Ltd.	Subsidiary company
18.	KLG Computers Pvt. Ltd.	Enterprise over which key management personnel is exercise significant control
19.	Pushap Telecommunication Pvt. Ltd.	"
20.	Aditi Telecom Pvt. Ltd.	"

Formerly known as KLG Software Technology Limited

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

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

S. no.	Nature of transactions	Related party	For the year ended March 31, 2009, Rs.	For the year ended March 31, 2008, Rs.
1	Payment for services as Executive Chairman	K.L. Goel	9,909,268	4,598,616
2	Payment for services as Managing Director	Kumud Goel	10,498,853	5,084,795
3	Payment for services as Director	Ritu Goel	1,558,517	1,063,562
4	Payment for services as Director	Upasana Goel	1,465,350	1,403,861
5	Payment for services as Whole Time Director	Mukesh Arora	6,085,000	4,000,000
6	Payment for services as Chief Executive Officer	Mukesh Arora	-	1,359,391
7	Salary paid	Mini Arora	-	288,825
8	Advance given	KLG Environment and Safety Sciences Ltd.	2,274,485	1,247,055
	Advance recovered	"	3,300,000	-
9	Rent paid for premises	Upasana Goel	4,650,000	2,150,000
10	Rent paid for premises	Mukesh Arora	1,800,000	1,259,500
11	Advance rent	Mukesh Arora	-	1,800,000
12	Rent paid for premises	Mini Arora	-	59,500
13	Rent paid for premises	Pushap Telecommunication Pvt. Ltd.	2,325,000	1,100,000
14	Rent paid for premises	Aditi Telecom Pvt. Ltd.	2,325,000	1,100,000
15	Security deposit paid for premises	Mukesh Arora	-	1,800,000
16	Loan received including interest	Mukesh Arora	-	1,160,150
17	Loan received including interest	Mini Arora	-	3,144,000
18	Amount received on preferential allotment	Kumud Goel	46,980,000	46,980,000
19	Amount received on preferential allotment	KLG Computers Pvt. Ltd.	23,490,000	23,490,000
20	Amount received on preferential allotment	Ritu Goel	11,745,000	11,745,000
21	Amount received on preferential allotment	Upasana Goel	35,235,000	35,235,000
22	Amount received on preferential allotment	P.L.Goel	8,221,500	8,221,500
23	Investment during the year	Atlantis Lab Pvt. Ltd.	2,000,000	127,807,591
24	Training services received	Atlantis Lab Pvt. Ltd.	-	39,326
25	Professional services received	Atlantis Lab Pvt. Ltd.	944,236	266,292
26	Investment during the year	KLG Power Ltd.	60,427,933	400,000
27	Shares sold during the year	KLG Power Ltd.	-	5,000
28	Personal guarantees given in respect of:			
	Term loans	K.L. Goel	316,355,807	142,585,650
	Working capital borrowings from Bank	Kumud Goel	890,732,614	220,183,336
29	Guarantee given on behalf of the Company	KLG Power Ltd.	150,000,000	-
30	Commission	Independent directors	4,387,419	7,442,258
31	Sitting fees	Independent directors	290,000	260,000



B. Amount outstanding as at March 31, 2009

S.No.	Account head	Related party	As at March 31, 2009, Rs.	As at March 31, 2008, Rs.
1.	Investments	KLG Environment and Safety Sciences Ltd. KLG Software Technology and Infrastructure Pvt. Ltd. KLG Power Ltd. Atlantis Lab Pvt. Ltd.	3,717,524 100,000 495,000 129,807,591	3,717,524 100,000 495,000 127,807,591
2.	Loans and advances	KLG Environment and Safety Sciences Ltd. KLG Power Ltd. Mukesh Arora	1,384,718 92,784,933 300,000	2,410,233 32,357,000 1,200,000
3.	Security deposits	Pushap Telecommunication Pvt. Ltd. Aditi Telecom Pvt. Ltd. Upasana Goel Mukesh Arora	1,800,000 1,800,000 2,700,000 1,800,000	1,800,000 1,800,000 2,700,000 1,800,000
4.	Creditors	Atlantis Lab Pvt. Ltd.	274,212	270,991
5.	Other liabilities	Key management personnel Independent directors	1,288,386 4,387,419	763,767 7,442,258

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

xxix) Balance of Profit and Loss Account carried over to Reserves and Surplus is net of Rs. 2,963,351, being dividend and tax thereon payable for the preceding financial year on fresh equity share capital issued, prior to the record date of declaration of dividend for the relevant year, arising pursuant to:

- allotment of 58,300 equity shares to non-executive director of the Company on exercise of options granted in accordance with KLG Systel Employee Stock Option Scheme, 2005;
- allotment of 3,27,750 equity shares to FCCB holders who have exercised their conversion option; and
- issue of fresh conversion of 535,000 warrants into equivalent equity shares.

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

Segment wise revenue, results and capital employed for the year ended March 31, 2009

S.No.	Particulars	For the year ended March 31, 2009 (Rs. In '000)	For the year ended March 31, 2008 (Rs. In '000)
1.	Segment revenue		
a)	Life Cycle Solutions	832,419	1,050,994
b)	Power System Solutions	1,451,143	1,638,455
	Total	2,283,562	2,689,449
	Less: Inter segment revenue	-	-
	Net sales/income from operations	2,283,562	2,689,449
2.	Segment results		
	Profit before tax and interest		
a)	Life Cycle Solutions	197,671	282,897
b)	Power System Solutions	676,412	693,966
	Total	874,083	976,863
	Less:		
c)	Interest	106,285	18,749
d)	Other un-allocable expenditure net off	330,484	212,514
	Unallocable income		
	Profit before tax	437,314	745,600
3.	Capital employed		

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

xxxii) Schedule of Investments as at March 31, 2009

S.No	Particulars	Opening balance		Purchases		Sales		Closing balance		Valuation
		Shares Nos.	Amount Rs.	Shares Nos.	Amount Rs.	Shares Nos.	Amount Rs.	Shares Nos.	Amount Rs.	
a)	In equity shares of subsidiaries-Unquoted, fully paid up									
	- KLG Environment and Safety Sciences Ltd.	12,000	3,717,524	-	-	-	-	12,000	3,717,524	At cost
	- KLG Software Technology and Infrastructure Pvt .Ltd	10,000	100,000	-	-	-	-	10,000	100,000	At cost
	- KLG Power Ltd.#	49,500	495,000	-	-	-	-	49,500	495,000	At cost
	- Atlantis Lab Pvt. Ltd.	307,275	127,807,591	-	2,000,000	-	-	307,275	129,807,591	At cost
			<u>132,120,115</u>		<u>2,000,000</u>				<u>134,120,115</u>	
b)	In others - Non trade and unquoted									
	- Apex Hotel & Enterprises Pvt. Ltd.*	5	500	-	-	-	-	5	500	At cost
	- Siddhartha (Vadodra) Association*	5	500	-	-	-	-	5	500	At cost
			<u>1,000</u>						<u>1,000</u>	
	# Formerly known as KLG Software Technology Pvt. Ltd.									
	* Investments are pursuant to purchase of office flats									
c)	In units - Unquoted									
S.No.	Particulars	Opening balance Units Nos.	Amount Rs.	Purchases Units Nos.	Amount Rs.	Sales Units Nos.	Amount Rs.	Closing balance Units Nos.	Amount Rs.	
1	Magnum Institutional Income Fund -Savings -Growth	2,354,008	27,799,189	-	-	2,354,008	30,992,637			
	Total		<u>159,920,304</u>		<u>2,000,000</u>		<u>30,992,637</u>		<u>134,121,115</u>	
			(a+b+c)							



- xxxii) Figures have been rounded off to the nearest Rupee.
- xxxiii) Figures in brackets pertain to previous year, unless otherwise indicated.
- xxxiv) Previous year figures have been regrouped/ recast ,wherever considered necessary to make them comparable with current year's figures.
- xxxv) Additional information under part IV of the Schedule VI of the Companies Act, 1956, as certified by the Management.
Balance Sheet abstract and general business profile:

	<u>2008-09</u>
I. REGISTRATION DETAILS	
Registration no.	34348
State code	05
Balance Sheet date	March 31, 2009
	As at March 31, 2009 Rs.in '000
II. CAPITAL RAISED DURING THE YEAR	
Public issue	-
Right issue	-
Bonus issue	-
Private placement	9,211
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS	
Total liabilities	4,568,859
Total assets	4,568,859
SOURCES OF FUNDS	
Paid up capital	126,805
Reserves and surplus	2,273,913
Secured loans	1,206,088
Unsecured loans	815,200
Deferred tax liabilities (net)	146,852
APPLICATION OF FUNDS	
Net fixed assets	1,729,817
Capital work in progress	604,628
Investments	134,121
Net current assets	2,099,182
Miscellaneous expenditure	1,110
	For the year ended March 31, 2009 Rs.' 000
IV. PERFORMANCE OF COMPANY	
Total turnover	2,301,025
Total expenditure	1,863,198
Profit before tax	437,314
Profit after tax	332,972
Earnings per share (in Rs.)	26.72
Dividend rate	27.50%
V. GENERIC NAMES OF PRINCIPAL PRODUCT (as per monetary terms)	
Item code no.	85238020
Product description	Computer software and hardware

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

K. L. Goel
Executive Chairman
Ram Ji Nigam
Company Secretary

Kumud Goel
Managing Director
Sanjay Kumar Garg
Chief Finance Officer

Gurgaon
May 16,2009

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2009

KLGSYSTEL LIMITED

	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
A. CASH FLOW FROM OPERATIONS		
Profit before tax and extraordinary items	437,826,753	745,950,585
Depreciation	173,161,749	83,118,059
Miscellaneous expenditure written off	1,480,000	1,480,000
Interest paid	106,285,150	18,749,286
Fringe benefit tax	(3,002,195)	(2,922,499)
Interest receipts	(635,394)	(5,811,688)
Income from investments	(3,193,448)	-
Adjustment for deferred taxation	(39,032,584)	(58,478,677)
Prior period adjustment	(512,853)	(350,806)
Adjustment for transitional provision in compliance with AS-15 (Revised)	-	(549,115)
Loss on sale of fixed assets	1,765,491	1,374,004
Operating profit before working capital changes (i)	674,142,669	782,559,150
Trade and other receivables	(399,197,725)	(1,145,721,947)
Inventories	(67,338,466)	81,981,925
Trade payables and other liabilities	(315,184,667)	503,536,244
(ii)	(781,720,858)	(560,203,778)
Cash used in operations (iii=i+ii)	(107,578,189)	222,355,372
Direct taxes paid (net)	(135,546,857)	(111,829,772)
Dividend paid	(40,617,914)	-
Net cash flow operating activities (A)	(283,742,960)	110,525,600
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(613,765,723)	(777,153,815)
Increase in capital work in progress	(181,271,999)	(351,008,944)
Investments (Net)	25,799,189	(128,202,591)
Sale of fixed assets	1,550,000	2,272,008
Income from investments	3,193,448	-
Interest receipts	635,394	5,811,688
Net cash used in investing activities (B)	(763,859,691)	(1,248,281,654)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of equity share capital	9,210,500	9,206,500
Subscription money against warrants forfeited	18,100,000	-
Share premium received on issuance of equity share capital	268,496,014	268,452,182
Subscription money received against warrants	(32,063,500)	4,136,500
Increase in secured loans	842,177,919	142,453,696
Increase in unsecured loans	55,770,000	(199,550,000)
Interest paid	(106,285,150)	(18,749,286)
Net cash used in financing activities (C)	1,055,405,783	205,949,592
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	7,803,132	(931,806,462)
Cash and cash equivalents - Opening balance	109,435,226	1,041,241,687
Cash and cash equivalents - Closing balance	117,238,358	109,435,226

Note: Figures in brackets indicate cash outflow

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

B. Bhushan & Co.

Chartered Accountants

By the hand of

Kamal Ahluwalia

Partner

Gurgaon

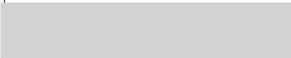
May 16, 2009

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer



KLG SYSTEL LIMITED

CONSOLIDATED

FINANCIAL STATEMENT



AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of KLG SYSTEL LIMITED

1. We have audited the attached Consolidated Balance Sheet of KLG Systel Limited (the Company) and its subsidiaries (collectively called 'the KLG Group') as at March 31, 2009, the Consolidated Profit and Loss Account and the Consolidated 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 generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of three subsidiaries whose consolidated financial statements reflect total assets of Rs. 154,176,449 (Rs. 96,251,275) as at March 31, 2009 and total revenue of Rs. 63,877,602 (Rs. 36,450,771) for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid subsidiaries, in our opinion, the consolidated financial statements together with accounting policies and notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Consolidated Balance Sheet, of the state of affairs of the KLG Group as at March 31, 2009;
 - ii) in the case of the Consolidated Profit and Loss Account, of the profit of the KLG Group for the year ended on that date;
and
 - iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the KLG Group for the year on that date.

C-43, Inderpuri
New Delhi-110 012

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

May 16, 2009

Kamal Ahluwalia
Partner
Membership No. 093812

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2009

KLG SYSTEL LIMITED

	Schedules	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
SOURCES OF FUNDS			
Shareholders funds			
Share capital	1	126,805,200	117,594,700
Subscription money received against warrants		-	32,063,500
Reserves and surplus	2	2,307,305,633	1,730,803,173
Minority Interest		28,663,852	28,417,095
Loans funds			
Secured	3	1,206,249,921	364,556,503
Unsecured	4	816,651,905	763,164,702
Deferred tax liabilities (Net)	5	147,971,022	109,292,055
		<u>4,633,647,534</u>	<u>3,145,891,728</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	2,291,943,690	1,692,753,681
Less: Accumulated depreciation		<u>415,994,613</u>	<u>255,579,717</u>
Net block		1,875,949,077	1,437,173,964
Capital work in progress incl. Capital advances		670,744,219	455,246,399
Investments	7	20,101,000	27,800,189
Current assets, loans and advances			
Inventories	8	78,985,700	13,769,801
Sundry Debtors	9	1,854,544,733	1,726,603,312
Cash and bank balances	10	122,413,835	142,911,978
Loans and advances	11	<u>404,716,152</u>	<u>186,297,679</u>
		2,460,660,420	2,069,582,770
Less: Current liabilities and provisions	12	<u>423,057,491</u>	<u>846,707,819</u>
Net current assets		2,037,602,929	1,222,874,951
Miscellaneous expenditure (to the extent not written off or adjusted)	13	29,250,309	2,796,225
		<u>4,633,647,534</u>	<u>3,145,891,728</u>
ACCOUNTING POLICIES			
19			
NOTES TO ACCOUNTS			
20			

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

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

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

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Kamal Ahluwalia
Partner
Membership No. 093812
Gurgaon
May 16, 2009

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2009

KLG SYSTEL LIMITED

	Schedules	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
INCOME			
Sales and services	14	2,347,734,141	2,729,699,290
Others		19,541,710	22,662,542
		<u>2,367,275,851</u>	<u>2,752,361,833</u>
EXPENDITURE			
Cost of sales and services	15	1,157,554,266	1,559,026,695
Employees remuneration and benefits	16	215,371,611	132,473,750
Travelling and conveyance		51,863,042	39,317,438
Research and development		53,855,803	30,071,396
Communication	17	14,207,572	10,366,692
Human Resource Development		13,755,527	14,719,420
Consultancy fees		9,954,061	9,126,452
Administrative	18	108,886,954	84,854,419
Business Development		15,999,723	15,058,065
		<u>1,641,448,559</u>	<u>1,895,014,329</u>
PROFIT BEFORE INTEREST, DEPRECIATION, TAX AND AMORTISATION		725,827,291	857,347,504
Interest		106,828,497	19,145,520
Depreciation		178,541,066	86,670,827
Miscellaneous expenditure written off		1,480,000	1,480,000
PROFIT DURING THE YEAR		438,977,729	750,051,156
Prior period adjustments		(554,350)	(345,572)
PROFIT BEFORE TAX		438,423,379	749,705,584
Provision for current tax		(62,334,897)	(161,567,051)
Provision for deferred tax		(38,678,967)	(58,476,570)
Provision for wealth tax		(360,882)	(181,552)
Provision for fringe benefit tax		(3,314,164)	(3,194,226)
PROFIT AFTER TAX (BEFORE ADJUSTMENT FOR MINORITY INTEREST)		333,734,469	526,286,186
Less : Share of profit transferred to minority		246,757	1,028,257
PROFIT AFTER TAX (AFTER ADJUSTMENT FOR MINORITY INTEREST)		333,487,712	525,257,929
Balance brought forward from last year		51,191,250	3,788,210
Pre-acquisition profit of subsidiaries		-	9,799,673
PROFIT AVAILABLE FOR APPROPRIATION		<u>384,678,962</u>	<u>538,845,812</u>
APPROPRIATIONS			
Prior period adjustment of dividend, including dividend tax		2,963,351	-
Proposed dividend on equity shares		34,717,650	32,184,763
Tax on proposed dividend		5,900,265	5,469,800
Transfer to General Reserve		200,000,000	450,000,000
Balance carried over to Reserve & Surplus Account		141,097,696	51,191,250
		<u>384,678,962</u>	<u>538,845,813</u>
Earnings per share (equity shares, par value of Rs. 10 each)			
- Basic (refer note no. xix of Schedule 20)		26.76	48.18
- Diluted (refer note no. xix of Schedule 20)		23.06	40.66
ACCOUNTING POLICIES	19		
NOTES TO ACCOUNTS	20		

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

B. Bhushan & Co.
Chartered Accountants
By the hand of
Kamal Ahluwalia
Partner
Membership No. 093812
Gurgaon
May 16, 2009

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

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
1. SHARE CAPITAL		
Authorised 20,000,000 (20,000,000) equity shares of Rs. 10 (Rs. 10) each	<u>200,000,000</u>	<u>200,000,000</u>
Issued and subscribed 12,807,900 (11,886,850) equity shares of Rs. 10 (Rs.10) each	<u>128,079,000</u>	<u>118,868,500</u>
Paid up 12,624,600 (11,703,550) equity shares of Rs. 10 (Rs. 10) each fully paid up Add: Forfeited shares	<u>126,246,000</u> <u>559,200</u> <u>126,805,200</u>	<u>117,035,500</u> <u>559,200</u> <u>117,594,700</u>
2. RESERVES AND SURPLUS		
Capital reserve	19,200,800	1,100,800
Share premium	1,175,575,335	907,079,321
General reserve		
Opening balance	771,431,802	321,948,000
Add: Additions during the year	200,000,000	450,000,000
Less: Transitional provision in compliance with AS-15 (Revised)	-	(516,198)
Profit and Loss Account	<u>141,097,696</u>	<u>51,191,250</u>
	<u>2,307,305,633</u>	<u>1,730,803,173</u>
3. SECURED LOANS		
From State Bank of India		
Cash credit facilities	889,732,614	220,183,336
Term loan	166,355,807	142,585,650
From IDBI Ltd.		
Term Loan	150,000,000	-
From ICICI Bank Ltd.		
Vehicle loan	161,500	1,688,917
Equipment loan	-	98,600
	<u>1,206,249,921</u>	<u>364,556,503</u>
4. UNSECURED LOAN		
Foreign currency convertible bonds	815,200,000	759,430,000
From banks	1,451,205	3,734,002
From director	700	700
	<u>816,651,905</u>	<u>763,164,702</u>
5. DEFERRED TAX LIABILITIES (NET)		
Deferred tax assets	5,810,506	4,452,191
Deferred tax liabilities	<u>153,781,527</u>	<u>113,744,246</u>
	<u>147,971,022</u>	<u>109,292,055</u>

6. FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost as at April 1, 2008 Rs.	Additions during the year Rs.	Sales during the year Rs.	Cost as at March 31, 2009 Rs.	Upto March 31, 2008 Rs.	For the year Rs.	Written back Rs.	Upto March 31, 2009 Rs.	As at March 31, 2008 Rs.	As at March 31, 2009 Rs.
Goodwill on consolidation	127,252,365	2,000,000	-	129,252,365	-	-	-	-	127,252,365	129,252,365
Land	83,010,946	1,465,804	-	84,476,750	-	-	-	-	83,010,946	84,476,750
Buildings	218,433,226	128,857,266	-	347,290,492	18,370,263	7,998,625	-	26,368,888	200,062,963	320,921,604
Computers	499,066,726	115,268,614	16,841,759	597,493,581	116,157,928	84,852,407	15,996,102	185,014,233	382,908,798	412,479,348
Plant and machinery	173,987,228	37,674,793	4,752	211,657,269	20,014,433	22,699,642	4,752	42,709,323	153,972,795	168,947,946
Furniture & Fixtures	88,671,000	32,133,710	-	120,804,710	15,402,938	8,692,295	-	24,095,233	73,268,062	96,709,477
Office equipments	34,744,137	5,513,912	-	40,258,049	5,105,227	1,966,351	-	7,071,578	29,638,910	33,186,471
A.C.Equipments	20,474,753	4,044,472	-	24,519,225	3,840,037	1,035,435	-	4,875,472	16,634,716	19,643,753
Vehicles	58,227,235	2,379,048	6,071,797	54,534,486	8,711,292	5,673,324	2,125,316	12,259,300	49,515,943	42,275,186
Patent - Technology	280,448,840	271,783,414	-	552,232,254	38,316,550	34,217,382	-	72,533,932	242,132,290	479,698,322
Brands	108,437,225	20,987,285	-	129,424,510	29,661,049	11,405,604	-	41,066,653	78,776,176	88,357,856
Total	1,692,753,681	622,108,318	22,918,308	2,291,943,690	255,579,718	178,541,066	18,126,170	415,994,613	1,437,173,965	1,875,949,078
Previous year	777,451,587	935,451,596	20,149,502	1,692,753,681	172,679,851	99,403,363	16,503,497	255,579,718	1,437,173,965	1,437,173,965



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
7. INVESTMENTS		
Long term investments		
a) In units-Unquoted		
1,510,000 (Nil) units of Rs. 10 (Nil) each of 510-ING-Vysya FMP 366-A-Retail Growth (Market value, Rs. 15,985,615)	15,100,000	-
499,955.004 (Nil) units of Rs. 10.0009 (Nil) each of Reliance Quarterly Interval Fund (Market value, Rs. 5,011,649)	5,000,000	-
Nil (2,354,008) units of Nil (Rs. 10) each of SBI MF Magnum Institutional Income Fund	-	27,799,189
	<u>20,100,000</u>	<u>27,799,189</u>
b) Others - Non trade and unquoted		
5 (5) shares of Rs. 100 (Rs. 100) each of Apex Hotel & Enterprises Pvt. Ltd. #	500	500
5 (5) shares of Rs. 100 (Rs. 100) each of Siddhartha (Vadodra) Association #	500	500
	<u>1,000</u>	<u>1,000</u>
	(a+b) <u>20,101,000</u>	<u>27,800,189</u>
# Investments are pursuant to purchase of office flats		
8. INVENTORIES		
Software licenses held for development	1,807,438	2,648,628
Raw materials	73,667,829	-
Work in process	3,510,432	11,121,173
	<u>78,985,700</u>	<u>13,769,801</u>
9. SUNDRY DEBTORS		
(Unsecured and considered good)		
Debts outstanding for a period exceeding six months		
Debts on deferred credit terms	11,360,124	10,272,848
Others	345,256,674	105,137,438
Other debts		
Debts on deferred credit terms	96,980,049	207,090,079
Others	1,400,947,886	1,404,102,947
	<u>1,854,544,733</u>	<u>1,726,603,312</u>
10. CASH AND BANK BALANCES		
Cash in hand (including cheques in hand)	45,633,353	42,713,977
Balances with scheduled banks		
- in current account	38,740,234	6,278,869
- in deposit account	38,040,248	93,919,134
	<u>122,413,835</u>	<u>142,911,978</u>
11. LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received		
- Unsecured and considered good		
Advances to vendors	236,537,816	27,583,912
Earnest money deposits	32,858,120	55,769,446
Advance tax (Net of income tax provisions)	39,802,916	23,295,383
Security deposits	24,010,241	28,337,822
Value added and service tax	35,329,063	-
Advance to staff	4,674,307	6,550,141
Others	31,503,688	44,760,975
	<u>404,716,152</u>	<u>186,297,679</u>



	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
12. CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Creditors for purchases	211,223,241	584,021,877
Other liabilities	144,357,941	131,957,586
Creditors for capital assets	6,872,349	31,741,867
Unpaid dividend	1,219,709	1,106,807
Provisions		
Proposed dividend on equity shares	34,717,650	32,184,763
Dividend tax on proposed dividend	5,900,265	5,469,800
Income tax (net of advance tax)	134,149	48,308,010
Leave encashment	11,593,191	5,035,796
Gratuity	6,159,291	4,953,699
Fringe benefit tax	518,823	1,746,064
Wealth tax	360,882	181,552
	<u>423,057,491</u>	<u>846,707,819</u>
13. MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Structuring cost	2,590,476	4,070,476
Less: Written off during the year	1,480,000	1,480,000
	<u>1,110,476</u>	<u>2,590,476</u>
	(a)	
Preliminary expenses	84,803	30,800
Add: Additions during the year	-	54,003
	<u>84,803</u>	<u>84,803</u>
	(b)	
Preoperative expenses	120,946	26,060
Add: Additions during the year	27,934,084	94,886
	<u>28,055,030</u>	<u>120,946</u>
	(c)	
	<u>29,250,309</u>	<u>2,796,225</u>
	(a+b+c)	



		For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
14. SALES AND SERVICES			
Sales		1,865,932,875	2,377,675,657
Professional fee and service receipts		481,801,266	343,989,026
Value of work in process		-	8,034,607
		<u>2,347,734,141</u>	<u>2,729,699,290</u>
15. COST OF SALES AND SERVICES			
Cost of material utilised			
Opening stock		2,648,628	6,614,605
Add: Purchases during the year		1,037,683,542	1,440,384,136
		<u>1,040,332,170</u>	<u>1,446,998,741</u>
Less: Closing stock		78,021,700	2,648,628
	(a)	<u>962,310,470</u>	<u>1,444,350,114</u>
Cost of services	(b)	195,243,795	114,676,582
	(a+b)	<u>1,157,554,266</u>	<u>1,559,026,695</u>
16. EMPLOYEES REMUNERATION AND BENEFITS			
Salaries		182,480,410	114,610,947
Welfare contributions and benefits		9,752,972	5,978,836
Leave encashment		12,583,355	5,426,404
Gratuity		1,263,252	1,964,346
Others		9,291,622	4,493,216
		<u>215,371,611</u>	<u>132,473,750</u>
17. COMMUNICATION			
Telephone and fax		12,726,976	8,454,536
Courier		1,133,628	1,730,543
Postage		346,968	181,614
		<u>14,207,572</u>	<u>10,366,692</u>
18. ADMINISTRATIVE			
Rent, rates and taxes		33,987,843	17,557,407
Bank charges		23,515,133	13,086,863
Consumables and stationery		8,260,950	10,052,950
Power and fuel		7,132,753	7,093,732
Security Expenses		3,576,978	4,888,700
Insurance		3,679,911	4,187,914
Vehicle running and maintenance		3,440,783	2,308,646
Repair and maintenance		-	-
Buildings		7,254,117	9,116,444
Machinery		717,237	2,488,463
Computers		1,510,434	1,623,250
Others		1,698,644	1,182,769
Membership fees		1,152,627	525,162
Others		12,959,544	10,742,120
		<u>108,886,954</u>	<u>84,854,419</u>



19. ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

b) USE OF ESTIMATES

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

(c) PRINCIPLES OF CONSOLIDATION

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

The consolidated financial statements have been prepared on the following basis:

- The consolidated financial statements have been prepared in accordance with Accounting Standard-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, to the extent possible in the same format as that adopted by the parent Company for its separate financial statements by regrouping, recasting or rearranging figures wherever considered necessary.
- The consolidation of the financial statements of the parent Company and its subsidiaries is done to the extent possible on line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances, transactions and unrealised profits or losses have been fully eliminated in the process of consolidation.
- The excess of cost to the Company of its investment in the subsidiaries over its share of the equity of the subsidiaries, at the dates on which the investments in the subsidiaries were made, is recognised as 'Goodwill' being an asset in the Consolidated Financial Statements.
- Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.
- Goodwill arising out of consolidation is not being amortised.

d) FIXED ASSETS, INTANGIBLE ASSETS AND WORK IN PROGRESS

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

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

Depreciation of fixed assets in case of Atlantis Lab Pvt. Ltd. is calculated on the written down value of the respective fixed asset. The fixed assets of Atlantis Lab Pvt. Ltd. comprise 1.63% of the total consolidated fixed assets.

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

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

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

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

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

e) IMPAIRMENT OF ASSETS

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

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

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

Recoverable amount is determined:

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

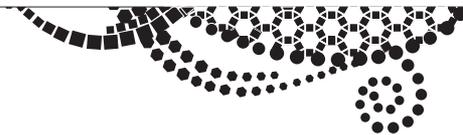
Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.



- f) **INVESTMENTS**
Investment in subsidiaries and others are stated at cost. Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature. Investments other long term investments being current investments are valued at lower of cost and fair value, determined on an individual basis.
Investments in units are valued at cost or marked to market values, whichever is lower.
Loss or gain on sale of investments is computed with reference to their cost.
- g) **RESEARCH AND DEVELOPMENT**
Research and development expenditure is recognised in the Profit and Loss Account when incurred. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the depreciation rates set out in paragraph (I).
- h) **INVENTORIES**
Raw material, components and stores are valued at cost on first in first out basis.
Finished goods are valued at lower of cost or net realisable value. Cost is determined on the basis of first in first out method and net realisable value is estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.
Work in process is valued at cost and other attributable costs incurred upto the stage of completion.
Cost includes direct material and labour and a proportion of manufacturing overheads based on normal operating capacities.
- i) **DEPRECIATION**
Depreciation on fixed assets is charged on the straight line method at rates as specified in Schedule XIV of the Companies Act, 1956. Depreciation on the acquisition/purchase of assets during the year has been provided on pro-rata basis according to the period each asset was put to use during the year.
Depreciation on fixed assets in case of Altantis Lab Pvt. Ltd., a subsidiary company, is charged on the written down value method at rates as specified in Schedule XIV of the Companies Act, 1956. Depreciation on fixed assets comprise 2.71% of the total depreciation of consolidated accounts.
Technology and Brand costs are amortised equally in 10 years from the date of capitalisation.
In respect of an asset for which impairment loss is recognised, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- j) **RECOGNITION OF REVENUE AND EXPENDITURE**
Sales are stated net of discounts, returns and recoverable taxes.
Revenue from services is recognised on accrual basis in accordance with the terms of the relevant agreement.
Interest income is recognised on time proportion basis, taking into account the amount outstanding and the applicable rate of interest.
Income of KLG Environment and Safety Sciences Ltd., subsidiary of parent Company, is considered to accrue at the time attaining the defined stage of an assignment i.e., defined in client's contract and terms of payment.
Dividend income is accounted in the year of receipt.
Expenditure incurred on research and development, technology seminar, training and business development is inclusive of direct expenses and allocable overheads.
- k) **EMPLOYEE BENEFITS**
In accordance with the requirements of revised Accounting Standard-15 "Employee Benefits", the Company provides for gratuity covering eligible employees on the basis of actuarial valuation as carried out by an Actuary using the Projected Unit Credit Method. The liability is unfunded. Actuarial gains and losses arising from changes in the actuarial assumptions are charged or credited to the Profit and Loss Account in the year in which such gains or losses arise.
Leave encashment benefits payable to employees of the Company with respect to accumulated leave outstanding at the year end are accounted for on the basis of an actuarial valuation as at the Balance Sheet date. The liability is unfunded.
Contributions payable by the Company to the concerned government authorities in respect of provident fund, family pension fund and employees state insurance are charged to Profit and Loss Account.
Other employee benefits are accounted for on accrual basis.
- l) **TAXATION**
The accounting treatment followed for taxes on income is to provide for current tax and deferred tax. Provision for current income tax is made for the tax liability payable on taxable income ascertained in accordance with the applicable tax rates and laws.
Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements, carrying amounts of existing assets and liabilities and their respective tax bases and carry forwards of operating loss. Deferred tax assets and liabilities are measured on the timing differences applying the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Changes in deferred tax assets and liabilities between one Balance Sheet date and the next, are recognised in the Profit and Loss Account in the year of change. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the year of change.
Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which these assets can be realized in future, whereas in case of existence of unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty of realisation backed by convincing evidence. Deferred tax assets are reviewed at each Balance Sheet date.
Advance taxes and provisions for current income tax are presented in the Balance Sheet after off-setting advance tax paid and income tax provision.
- m) **FRINGE BENEFIT TAX**
Consequent to the introduction of Fringe Benefit tax effective April 1, 2005, in accordance with the guidance note on accounting for fringe benefit tax issued by the Institute of Chartered Accountants of India, the Company has made provision for fringe benefit tax on the aggregate amount of fringe benefits determined in accordance with the provisions of the relevant enactments under income taxes.



- n) **EMPLOYEE STOCK OPTIONS**
The Company measures the compensation cost relating to employee stock options using the intrinsic value method.
- o) **SEGMENT ACCOUNTING AND REPORTING**
The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. The basis of reporting is as follows:
- a) **Segment revenue and expenses**
Segment revenue and expenses those are directly attributable to the segment are considered for respective segments. For rest allocation has been done between segments and where it is not possible to segregate, the same has been considered as unallocable revenue and expenses.
Segment revenue and expenses does not include interest or dividend income, profit on sale of investments, interest expense, provision for contingencies and taxation.
 - b) **Segment assets and liabilities**
Assets and liabilities have not been segregated to any of the reportable segments, as fixed assets are used interchangeably between segments and it is not practicable to provide meaningful segment disclosure relating to total assets and liabilities.
- p) **EARNINGS PER SHARE**
In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary/ exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds available, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and bonus shares issues.
- q) **FOREIGN CURRENCY TRANSACTIONS**
Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date except in cases where actual amount has been ascertained by the time of finalisation of accounts.
Exchange differences arising on the translation or settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recorded in exchange fluctuation account and recognised as income or expense in the year in which they arise, except in so far as they relate to the acquisition of depreciable capital asset, in which case they are adjusted to the carrying cost of such asset and depreciated over the balance life of the asset.
In translating the financial statements of representative office, the monetary assets and liabilities are translated at the rate prevailing on the balance sheet date, non monetary assets and liabilities are translated at exchange rates prevailing at the date of the transaction and income and expense items are converted at the respective monthly average rates. Net gain/loss on foreign currency translation is recognised in the Profit and Loss Account.
- r) **CASH FLOW STATEMENT**
Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.
- s) **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**
A provision is recognised for a present obligation as result of past events if it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on best estimate of the amount required to settle the obligation at the Balance Sheet date. Reimbursements expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received. Contingent liabilities is disclosed in the notes in case of a present obligation arising from a past event when it is not probable than an outflow of resources will be required to settle the obligation. Contingent assets are neither recognised nor disclosed in the financial statements. Contingent liabilities and contingent assets are reviewed at each balance sheet date.
- t) **BORROWING COST**
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Where funds are temporarily invested pending their expenditure on the qualifying assets, any such investment income, earned on such fund is deducted from the borrowing cost incurred.
- u) **MISCELLANEOUS EXPENDITURE**
 - i) Share issue expenses are charged to Share Premium Account.
 - ii) Public issue expenses are amortised over a period of ten years.
 - iii) Structuring cost, net of recovery is amortised over a period of ten years.



20. NOTES TO ACCOUNTS

Sr. No.	Particulars	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
i)	Contingent liabilities not provided for in respect of:		
a)	Claims against the Company not acknowledged as debts* * Net of deposits	1,482,311	3,458,377
b)	Guarantees given by Banks Letter of credits established by Banks favouring suppliers [Deposits of Rs. 37,793,460 (Rs. 63,517,290) held by Bank as margin shown under the head 'Cash and Bank Balances']	508,922,255 90,515,997	315,035,173 -
c)	Premium on redemption of USD 22 million 1% unsecured Foreign Currency Convertible Bonds Due 2012 (Refer Note No. xii below)	125,721,078	56,194,260
d)	Guarantee given by KLG Power Ltd., subsidiary company, on behalf of Company to IDBI Bank Ltd.	150,000,000	-
ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	309,343,037	437,407,729
iii)	Paid up equity share capital includes:		
-	34,800 (34,800) equity shares issued as fully paid up for consideration other than cash	348,000	348,000
-	4,609,730 (4,609,730) equity shares issued as fully paid up by way of bonus shares	46,097,300	46,097,300
-	57,850 (57,850) equity shares issued as fully paid up under Employees Stock Option Scheme, 1998	578,500	578,500
-	116,200 (57,900) equity shares issued pursuant to the exercise of options granted under Employees Stock Option Scheme, 2005	1,162,000	579,000
-	2,307,600 (2,307,600) underlying shares against GDRs have been issued as fully paid up equity shares	23,076,000	23,076,000
-	1,470,000 (935,000) share warrants converted into fully paid up equity shares	14,700,000	9,350,000
-	655,500 (327,750) equity shares issued as fully paid up on conversion of FCCBs into equity shares	6,555,000	3,277,500
iv)	Unexpired installments of assets purchased on hire purchase basis [Amount due within 1 (one) year is Nil (Rs. 1,141,517)]	-	1,141,517

Sr. No.	Particulars	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
v)	Payment to directors:#		
a)	Remuneration to Kumud Goel, Managing Director	10,498,853	5,084,795
	Remuneration to K L Goel, Executive Chairman	9,909,268	4,598,616
	Remuneration to Mukesh Arora, Whole time director	6,085,000	4,000,000
	Remuneration to Ritu Goel, Director	1,558,517	1,063,562
	Remuneration to Upasana Goel, Director	1,465,350	1,403,861
	Remuneration to M.D. Prabhu, Director of subsidiary company	2,302,680	1,343,230
	Remuneration to Abhijit Surlaker, Director of subsidiary company	2,302,680	1,343,230
b)	Commission paid to non executive and independent directors	4,387,419	7,442,258
c)	Sitting fees	290,000	260,000
	# Does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.		
vi)	Payment to auditors:		
a)	For service as auditors, including quarterly audits & service tax	1,148,041	1,042,625
b)	For certification including service tax	66,178	82,500
		<u>1,214,219</u>	<u>1,125,125</u>

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

Detail of subsidiaries are as follows:

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

- b) Goodwill amounting to Rs. 129,252,365 (Rs. 127,252,365) has been recognised in consolidated financial statements being excess of the cost to the parent of its investment in subsidiaries.
- c) The consolidated financial statements are prepared using uniform accounting policies for the transactions and other events in similar circumstances.
- d) Figures pertaining to the subsidiaries have been reclassified wherever necessary to bring them in line with the Company's Financial Statements.

viii) **Secured loan**

From State Bank of India

(a) Working capital facilities of Rs. 8,897.33 lacs (Rs. 2,201.83 lacs) secured against hypothecation of Company's entire current assets including receivables, both present and future, counter guarantee of the Company for bank guarantees and letter of indemnity for letter of credits, and also collaterally secured by, (a) first charge over the fixed assets of the Company including equitable mortgage over land and building at Electronic City, Gurgaon, Haryana, (b) extension of first charge over plots situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these plots at Sector-34, EHTP, Gurgaon, Haryana, and offices at Belapur, Navi Mumbai, Maharashtra, R.C. Dutt Road, Vadodra, Gujarat and Gariahat Road, Kolkata, West Bengal, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

(b) Term loan-I of Rs. 84.26 lacs (Rs. 144.59 lacs) secured against assignment of receivables/rentals with power of attorney duly recorded with the lessee, and also collaterally secured by, (a) equitable mortgage on land and building at Electronic City, Gurgaon, Haryana, (b) extension of charge on the existing and proposed fixed assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

Term loan repayable within 1 (one) year is Rs. 6,492,000 (Rs. 7,846,236).

(c) Term loan-II of Rs. 420.19 lacs (Rs. 664.74 lacs) secured against first charge including equitable mortgage on property situated at Sector-34, EHTP, Gurgaon, Haryana, and the building constructed on these Plots at Sector-34, EHTP, Gurgaon, Haryana, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

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

(d) Term loan-III of Rs. 1,159.10 lacs (Rs. 616.52 lacs) secured against first charge on assets created or to be created, including equitable mortgage of proposed building constructed or to be constructed, at Sector-34, EHTP, Gurgaon, Haryana, by utilising this loan, and also collaterally secured by, (a) extension of charge on the existing and proposed fixed assets of the Company, (b) extension of charge on current assets of the Company, and (c) personal guarantees of K.L. Goel, Executive Chairman of the Company and Kumud Goel, Managing Director of the Company.

Term loan repayable within 1 (one) year is Nil (Nil).

From Industrial Development Bank of India Limited

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

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

From ICICI Bank Ltd.

a) Equipment loan of Nil (Rs. 0.99 lacs) secured against hypothecation of equipments namely desktops, printers, servers, projectors, UPS, and other allied products, and also collaterally secured by way of personal guarantee of K.L. Goel, Executive Chairman of the Company.

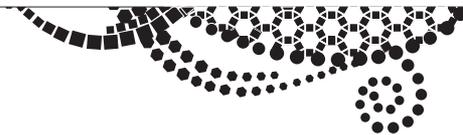
Equipment loan repayable within 1 (one) year is Nil (Rs. 98,600).

b) Vehicle loans of Nil (Rs. 10.43 lacs) are secured against hypothecation of vehicles. Vehicle loan repayable within 1 (one) year is Nil (Rs. 1,042,917).

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

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

- X) During the year, the Company allotted 58,300 (57,900) equity shares fully paid equity shares of Rs. 10 (Rs. 10) each at a premium of Rs. 109.58 (Rs. 109.58) per share for cash to employees/non-executive directors of the Company on exercise of options granted in accordance with KLG Systel Employee Stock Option Scheme, 2005, approved by the board of directors, framed in accordance with SEBI (Employees Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 and other provisions of applicable Statutes. Options were issued to employees/non executive directors at an exercise price that is not less than the fair market value.



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

S. no.	Particulars	2008-09 (in Nos.)	2007-08 (in Nos.)
a)	Options outstanding, beginning of the year	209,200	299,500
b)	Add: Granted during the year	-	-
c)	Less: Exercised	58,300	57,900
	Forfeited	2,900	32,400
d)	Options outstanding, end of the year	148,000	209,200

The Company at its meeting of Compensation Committee held on May 26, 2008 issued 38,500 employee stock options out of total 40,400 options, lapsed due to non exercise/cessation/separation of the employees/non-executive directors from the Company, @ Rs.621.22 per option to the employees of the Company in accordance with KLG Systel Employee Stock Option Scheme 2005 framed in accordance with SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999, and other applicable provisions of applicable statutes which after exercise will give rise to equivalent number of equity shares of Rs. 10 each at a premium of Rs. 611.22 per share.

xi) The Company at its meeting of Compensation Committee held on May 26, 2008 issued 69,000 employee stock options @ Rs. 631.40 per option to the employees of the Company in accordance with KLG Systel Employee Stock Option Scheme 2007 framed in accordance with SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999, and other applicable provisions of applicable statutes which after exercise will give rise to equivalent number of equity shares of Rs. 10 each at a premium of Rs. 621.40 per share. Upon vesting of aforesaid options, employees are eligible to apply and secure allotment of Company's share at a price determined on the date of grant of options.

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

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

During the year, out of the balance 1,900 unsecured FCCBs outstanding as on April 1, 2008, issued by the Company, of par value US \$ 10,000 each aggregating US\$ 22 million, the holders of FCCBs aggregating US \$ 3 million have exercised their conversion option and consequently 327,750 equity shares of Rs. 10 each were allotted to them as per the terms of the issue at a share premium of Rs. 390 per equity share.

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

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

Since the redemption of abovesaid FCCBs is contingent upon its non-conversion into equity shares, the Company has not provided for the proportionate premium for the period upto March 31, 2009 amounting to Rs. 1,257.21 lacs equivalent to USD 2.47 million at the prevailing exchange rates as at the Balance Sheet date. In the opinion of the management, since the likelihood of redemption cannot be presently ascertained, therefore no provision for any liability that may result has been made in the financial statements. The FCCBs are considered monetary liability. The FCCBs are redeemable only if there is no conversion of the same earlier. The payment of premium on redemption is contingent in nature, as the outcome is dependent upon uncertain future events, and is considered as a contingent liability.

Rs. 618.65 lacs, pending utilisation out of the proceeds of the above FCCBs, as at the beginning of the year have been utilised during the year in power system solutions and expansion activities.

xiii) While recognising exchange difference accounting in terms of Notification No. GSR/225E dated March 31, 2009 relating to Accounting Standard-11 "Accounting for the Effects of Changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India, net exchange loss of Rs. 1,868.70 lacs (net exchange gain of Rs. 687.80 lacs) has been adjusted to the cost of fixed assets.



- xiv) The Company allotted 535,000 equity shares to its promoters on June 12, 2008 arising after conversion of 535,000 balance warrants out of the total of 1,070,000 warrants, which were issued on January 5, 2007, at a price of Rs. 261 per warrant in compliance with the requirements under Securities Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.
- xv) During the year, Nil (30,000) GDRs were converted into fully paid up equity shares with such voting rights as are available to the existing shareholders of the Company.
- xvi) In the opinion of the management, the current assets, loans and advances, if realised in the ordinary course of business, would realise a sum equal to that stated in the Balance Sheet.
- xvii) Unpaid dividend, to be credited to Investor Education and Protection Fund, does not include any amount due and outstanding.
- xviii) Principal amount due to Micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" amount to Rs. 1,621,911 (Rs, 1,720,507). No interest is paid/payable to such enterprises for the year ended March 31, 2009. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.
- xix) **Earnings Per Share (EPS)**
EPS is calculated by dividing the profit attributable to the equity shareholders by the average number of equity shares outstanding during the year. Numbers used for calculating basic and diluted earnings per equity share are as stated below:

S. no.	Particulars	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
(a)	Profit after tax (after adjustment of minority interest)	333,487,712	525,257,929
(b)	Weighted average number of shares outstanding		
	- Basic	12,460,894	10,903,120
	- Diluted	14,458,608	12,917,534
(c)	Nominal value of per equity share (in Rs.)	10	10
(d)	Earning per share		
	- Basic	26.76	48.18
	- Diluted	23.06	40.66

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

S. no.	Particulars	Dividend		
		2008-09	2007-08	
		Final	Interim	Final
a)	Number of non-resident shareholders	4	13	16
b)	Number of equity shares held by them	25000	40800	2349800
c)	Financial Year to which the dividend related	2007-08	2006-07	2005-06
d)	Gross amount of dividends (in Rs.)	68750	102000	3524700

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

S. no.	Particulars	2008-09 Rs	2007-08 Rs
a)	Development and construction	618,805,908	307,712,387
b)	Capital advances	51,938,311	135,466,440
c)	Technology	-	12,067,572
		<u>670,744,219</u>	<u>455,246,399</u>

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

S.no.	Related party	Relationship between parties
1.	K.L. Goel	Key management personnel
2.	Kumud Goel	Key management personnel
3.	Ritu Goel	Key management personnel
4.	Upasana Goel	Key management personnel
5.	Mukesh Arora	Key management personnel



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

Formerly known as KLG Software Technology Pvt. Ltd.

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

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

S.no.	Nature of transaction	Related party	For year ended March 31, 2009 Rs.	For year ended March 31, 2008 Rs.
1	Payment for services as Executive Chairman	K.L. Goel	9,909,268	4,598,616
2	Payment for services as Managing Director	Kumud Goel	10,498,853	5,084,795
3	Payment for services as Director	Ritu Goel	1,558,517	1,063,562
4	Payment for services as Director	Upasana Goel	1,465,350	1,403,861
5	Payment for services as Whole Time Director	Mukesh Arora	6,085,000	4,000,000
6	Payment for services as Chief Executive Officer	Mukesh Arora	-	1,359,391
7	Payment for services as director	M.D. Prabhu	2,302,680	1,343,230
8	Payment for services as director	Abhijit Surlaker	2,302,680	1,343,230
9	Salary paid	Mini Arora	-	288,825
10	Rent paid for premises	Upasana Goel	4,650,000	2,150,000
11	Rent paid for premises	Mukesh Arora	1,800,000	1,259,500
12	Advance rent	Mukesh Arora	-	1,800,000
13	Rent paid for premises	Mini Arora	-	59,500
14	Rent paid for premises	Pushap Telecommunication Pvt. Ltd.	2,325,000	1,100,000
15	Rent paid for premises	Aditi Telecom Pvt. Ltd.	2,325,000	1,100,000
16	Security deposit paid for premises	Mukesh Arora	-	1,800,000
17	Loan received including interest	Mukesh Arora	-	1,160,150
18	Loan received including interest	Mini Arora	-	3,144,000
19	Amount received on preferential allotment	Kumud Goel	46,980,000	46,980,000
20	Amount received on preferential allotment	KLG Computers Pvt. Ltd	23,490,000	23,490,000
21	Amount received on preferential allotment	Ritu Goel	11,745,000	11,745,000
22	Amount received on preferential allotment	Upasana Goel	35,235,000	35,235,000
23	Amount received on preferential allotment	P.L.Goel	8,221,500	8,221,500
24	Personal guarantees given in respect of:			
	Term loans	K.L. Goel	316,355,807	142,585,650
	Working capital borrowings from Bank	Kumud Goel	890,732,614	220,183,336
25	Guarantee given on behalf of the Company	KLG Power Ltd.	150,000,000	-
26	Commission	Independent directors	4,387,419	7,442,258
27	Sitting fees	Independent directors	290,000	260,000



B. Amount outstanding as at March 31, 2009

S.no.	Account head	Related party	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
1.	Unsecured loans	Sanjay Kumar Garg	700	700
2.	Loan & Advances	Mukesh Arora	300,000	1,160,150
3.	Security deposits	Pushap Telecommunication Pvt. Ltd. Aditi Telecom Pvt. Ltd. Upasana Goel Mukesh Arora	1,800,000 1,800,000 2,700,000 1,800,000	1,800,000 1,800,000 2,700,000 1,800,000
4.	Other liabilities	Key management personnel Independent directors	1,288,386 4,387,419	763,767 7,442,258

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

xxiv) Balance of Profit and Loss Account carried over to Reserves and Surplus is net of Rs. 2,963,351, being dividend and tax thereon payable for the preceding financial year on fresh equity share capital issued, prior to the record date of declaration of dividend for the relevant year, arising pursuant to:
a) allotment of 58,300 equity shares to non-executive director of the Company on exercise of options granted in accordance with KLG Systel Employee Stock Option Scheme, 2005;
b) allotment of 327,750 equity shares to FCCB holders who have exercised their conversion option; and
c) issue of fresh conversion of 535,000 warrants into equivalent equity shares.

xxv) The segment report prepared in accordance with the accounting standard 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.
Segment wise revenue, results and capital employed for the year ended March 31, 2009

S.No.	Particulars	For the year ended March 31, 2009 (Rs. in '000)	For the year ended March 31, 2008 (Rs. in '000)
1.	Segment revenue		
a)	Life Cycle Solutions	896,591	1,091,244
b)	Power System Solutions	1,451,143	1,638,455
	Total	2,347,734	2,729,699
	Less: Inter segment revenue	-	-
	Net sales/income from operations	2,347,734	2,729,699
2.	Segment results		
	Profit before tax and interest		
a)	Life Cycle Solutions	202,596	288,211
b)	Power System Solutions	676,412	693,966
	Total	879,008	982,177
	Less:		
c)	Interest	106,828	19,146
d)	Other un-allocable expenditure net off	333,756	213,326
	Unallocable income		
	Profit before tax	438,423	749,706
3.	Capital employed		

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

- xxvi) Previous years figures have been regrouped/rearranged wherever necessary to conform to those of the current year.
xxvii) Figures have been rounded off to the nearest Rupee.
xxviii) Figures in brackets pertain to previous year, unless otherwise indicated.
xxix) Previous year figures have been regrouped/ recast, wherever considered necessary to make them comparable with current year's figures.

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

Gurgaon
May 16, 2009

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2009

KLG SYSTEL LTD.

	Year ended March 31, 2009 Rs.	Year ended March 31, 2008 Rs.
A. CASH FLOW FROM OPERATION		
Profit before tax and extraordinary items	438,977,729	750,051,157
Depreciation	178,541,066	86,670,827
Miscellaneous expenditure written off	(26,454,084)	1,331,111
Interest paid	106,828,497	19,145,520
Fringe benefit tax	(3,314,164)	(3,194,226)
Interest receipts	(2,251,072)	(7,007,843)
Income from investments	(3,193,448)	-
Pre-acquisition profit of subsidiaries	-	9,799,673
Adjustment for deferred taxation	(38,678,967)	(58,476,570)
Adjustment for capital profit	-	(432,662)
Adjustment of share of profit transferred to minority	(246,757)	(1,028,257)
Prior period adjustment	(554,350)	(345,572)
Adjustment for transitional provision in compliance with AS-15 (Revised)	-	(516,198)
Loss on sale of fixed assets	1,765,491	1,374,004
Operating profit before working capital changes	(I) 651,419,941	797,370,965
Trade and other receivables	(346,359,894)	(1,137,353,572)
Inventories	(65,215,899)	81,234,774
Trade payables and other liabilities	(315,083,635)	509,490,461
	(II) (726,659,428)	(546,628,337)
Cash used in operations	(III=I+II) (75,239,487)	250,742,628
Direct taxes paid (net)	(135,546,857)	(111,829,772)
Dividend paid	(40,617,914)	-
Net cash flow from operating activities	(A) (251,404,258)	138,912,856
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(620,631,670)	(922,719,067)
Increase in capital work in progress	(215,497,819)	(382,899,194)
Investments (Net)	7,699,189	-
Sale of fixed assets	1,550,000	2,272,008
Income from investments	3,193,448	-
Interest receipts	2,251,072	7,007,843
Net cash used in investing activities	(B) (821,435,780)	(1,296,338,411)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of equity share capital	9,210,500	9,206,500
Subscription money against warrants forfeited	18,100,000	-
Share premium received on issuance of equity share capital	268,496,014	288,839,432
Subscription money received against warrants	(32,063,500)	4,136,500
Minority interest	246,757	28,417,095
Proceeds from long term borrowings (net)	841,693,419	143,099,695
Proceeds from unsecured loans	53,487,203	(195,816,698)
Interest paid	(106,828,497)	(19,145,520)
Net cash used in financing activities	(C) 1,052,341,896	258,737,005
NET INCREASE IN CASH AND CASH EQUIVALENTS	(A+B+C) (20,498,142)	(898,688,550)
Cash and cash equivalents - Opening balance	142,911,979	1,041,600,529
Cash and cash equivalents - Closing balance	122,413,835	142,911,979

Note: Figures in brackets indicate cash outflow

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

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

Kamal Ahluwalia
Partner
Membership No. 093812
Gurgaon
May 16, 2009

K. L. Goel
Executive Chairman

Ram Ji Nigam
Company Secretary

Kumud Goel
Managing Director

Sanjay Kumar Garg
Chief Finance Officer

KLG SYSTEL LTD.

INFORMATION PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

	KLG ENVIRONMENT AND SAFETY SCIENCES LTD.	KLG POWER LTD.	KLG SOFTWARE TECHNOLOGY AND INFRASTRUCTURE PVT.LTD.	ALTANTIS LAB PVT.LTD.
	As at March 31, 2009 Rs.	As at March 31, 2009 Rs.	As at March 31, 2009 Rs.	As at March 31, 2009 Rs.
I. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS				
Total liabilities	9,580,050	93,284,933	100,700	60,790,816
Total assets	9,580,050	93,284,933	100,700	60,790,816
Sources of funds				
Paid up capital	1,200,000	500,000	100,000	6,025,000
Reserves & surplus	6,566,734	-	-	52,462,454
Secured loans	-	-	-	161,500
Unsecured loans	1,384,718	92,784,933	700	1,451,205
Deferred tax(net)	428,598	-	-	690,657
Application of funds				
Net fixed assets	3,518,978	66,116,070	-	13,360,884
Investments	-	-	-	20,100,000
Net current assets	6,061,072	(929,707)	59,437	27,329,932
Miscellaneous expenditure	-	28,098,570	41,263	-
	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2009 Rs.
II. PERFORMANCE OF THE COMPANY				
Turnover	2,796,224	-	-	62,222,393
Profit before taxation	217,291	-	-	822,295
Provision for taxation	27,881	-	-	318,709
Profit after taxation	189,410	-	-	503,586
Proposed dividend	-	-	-	-

Notes:

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

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

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

B. Bhushan & Co.
Chartered Accountants

By the hand of

Kamal Ahluwalia
Partner
Membership No. 093812
Gurgaon
May 16, 2009

K. L. Goel
Executive Chairman

Kumud Goel
Managing Director

Ram Ji Nigam
Company Secretary

Sanjay Kumar Garg
Chief Finance Officer



NOTICE

KLG SYSTEL LIMITED

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

Notice is hereby given that the Twenty Fourth Annual General Meeting of KLG Systel Limited will be held on Saturday, the 22nd day of August, 2009 at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase V, Gurgaon, Haryana at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2009, the audited Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To declare dividend for the financial year ended March 31, 2009.
3. To appoint a Director in place of Mrs. Upasana Goel, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mrs. Ritu Goel, who retires by rotation and, being eligible, offers herself for re-appointment.
5. To appoint M/s B. Bhushan & Co., Chartered Accountants, retiring auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956, Mr. Adarsh Soni who was appointed as Additional Director of the Company by the Board of Directors and who holds office only up to the date of next Annual General Meeting of the Company in accordance with Section 260 of the Companies Act, 1956 read with Regulation 89 of the Articles of Association of the Company, be and is hereby appointed as Director of the Company, whose office shall be liable to retire by rotation”
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956, Mr. Sundararajan Govindarajan who was appointed as Additional Director of the Company by the Board of Directors and who holds office only up to the date of next Annual General Meeting of the Company in accordance with Section 260 of the Companies Act, 1956 read with Regulation 89 of the Articles of Association of the Company, be and is hereby appointed as Director of the Company, whose office shall be liable to retire by rotation”
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Section 257 of the Companies Act, 1956, Mr. Ankush Krishan who was appointed as Additional Director of the Company by the Board of Directors and who holds office only up to the date of next Annual General Meeting of the Company in accordance with Section 260 of the Companies Act, 1956 read with Regulation 89 of the Articles of Association of the Company, be and is hereby appointed as Director of the Company, whose office shall be liable to retire by rotation”
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, including any statutory modification or enactment thereof for the time being in force and such other sanctions and approval as may be necessary in this regard, the consent of the Company be and is hereby accorded to the appointment of Mr. K. L. Goel as Executive Chairman of the Company for a period of five years with effect from November 5, 2008 as per the terms and conditions set out hereunder :-

Salary: Rs. 9,00,000/- per month.
Perquisite:
In addition to the above the following perquisites shall be allowed to Mr. K. L. Goel to be restricted to an amount equal to the annual salary. The perquisites are classified into three parts viz. :- A, B, C as follows:-



PART A

Housing :

- a) The expenditure incurred by the Company on hiring furnished accommodation subject to the following ceiling:-
- 50% of the salary, over and above 10% payable by Mr. K. L. Goel.
- b) If accommodation is not provided by the Company, Mr. K. L. Goel shall be entitled to house rent allowance subject to the ceiling laid down in (a) above.
- c) If accommodation is provided by the Company in its owned premises a deduction @ 10% shall be made from his salary.

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

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

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

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

Personal accident insurance: Personal accident insurance of an amount the annual premium whereof shall not exceed Rs. 5000/-.

PART B

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

PART C

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

Where in any financial year the Company has no profits or its profits are inadequate, the remuneration payable will be in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, as may be amended from time to time.

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

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

“RESOLVED THAT pursuant to the provisions of Sections 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the payment of remuneration by way of commission to directors of the Company who are not in whole time employment, at a rate not exceeding 1% of the net profits of the Company, such remuneration to be paid for a period of 5 years with effect from April 1, 2009 and to be divided amongst the eligible directors in such proportion as may be determined by the Board of Directors and in default of such determination, equally.”

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

“RESOLVED THAT pursuant to the provisions of the Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and rules and regulations thereunder, or any statutory modification (s) or any amendment or substitution or re-enactment thereof and subject to the approval of Central Government, consent of the Company be and is hereby accorded to the appointment of and payment of remuneration to Ms. Aditi Goel, a relative of Company's Directors Mr. Kumud Goel, Mr. K. L. Goel and Mrs. Ritu Goel, as Sales Manager-EDRS of the Company on the following terms and conditions:

1.	Monthly Salary	
a)	Basic	Rs. 43,000
b)	H.R.A	Rs. 21,500
c)	Special Allowance	Rs. 5,671
	Total	Rs. 70,171



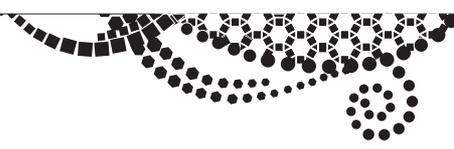
2.	Statutory Contributions	
	Provident Fund	5,160
	Total Company Contribution	5,160
3.	Monthly Reimbursement Limit	
a)	Books	500
b)	Conveyance	800
c)	Business Dev. Expenses	500
	Total	1,800
4.	Monthly Total (1+2+3)	77,131
5.	Annual Benefits	
a)	Medical - Domiciliary	15,000
b)	LTA	15,000
	Total	30,000
6.	Additional Benefits	
a)	PL Encashment	35,833
b)	Medical Leave Encashment	8,600
	Total	44,433
7.	Total Additional Benefits (5+6)	74,433
8.	Gross Annual Total (4x12+7)	10,00,005

RESOLVED FURTHER THAT Ms. Aditi Goel also entitled for annual increment upto 25% as recommended by the controlling officer.”

By the Order of Board of Directors
For KLG Systel Limited

Place: Gurgaon
Date : May 16, 2009

Ram Ji Nigam
Company Secretary



NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business under Item No. 6 to 11 as set out above are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE, THE PROXY FORM DULY STAMPED AND SIGNED SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, August 17, 2009 to Saturday, August 22, 2009 (both days inclusive).
4. The dividend for the financial year ended March 31, 2009 as recommended by the Board of Directors and if approved by the shareholders at the meeting shall be payable to those members whose names appear in the Company's Register of Members, as on August 22, 2009 for shares held in physical form and who are Beneficiary holders as per the records of the depositories (NSDL & CDSL) as on close of August 16, 2009.
5. In order to provide protection against fraudulent encashment of dividend warrants, members are requested to provide their bank account details, viz. type of account, account number, banker's name and address to enable the Company to record the mandate and forward future dividend warrant in such name to the members. The above mentioned details should be furnished by the First/Sole shareholders, directly to the Share Transfer Agent quoting the Folio No., number of shares held, details of holding etc.
6. As the Company proposes to pay dividend through ECS to those shareholders who are residing at specified cities and hold shares in Demat Form. Therefore, Members are requested to update the following details with their Depository Participants before the record date for dividend:
 - a) Beneficiary Bank Account Number.
 - b) 9-Digit MIRC on the Cheque Leaf.
 - c) Beneficiary Bank Name & Complete address of the Branch.
 - d) Residential Address and Address for Correspondence.
7. Members are requested to inform the share transfer agent of any change in their addresses.
8. Members are requested to quote their folio numbers/DPID & Client ID in all correspondence with the Company/Share Transfer Agent.
9. Members who presently hold shares in more than one folio are requested to intimate the Company's transfer agent the details of all their folio numbers for consolidation into a single folio.
10. Members are requested to intimate to the Company queries, if any, regarding the accounts/notices at least ten days before the date of Annual General Meeting to enable the management to keep the information ready at the meeting.
11. Members/Proxies should bring the attendance slip sent here-with duly filled in for attending the meeting.
12. Members/Proxies may note that no gift will be distributed at the meeting and the Members/Proxies raising nuisance on this issue will not be allowed to participate further in the proceedings of the meeting.
13. Corporate Members intending to send their authorized representative to attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
14. Information pursuant to Clause 49 of the Listing Agreement pertaining to directors proposed to be appointed/ reappointed are given elsewhere in the Annual Report.

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



EXPLANATORY STATEMENT

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

Item No. 6

Mr. Adarsh Soni was appointed as Additional Director of the Company on September 5, 2008 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only upto the date of next Annual General meeting. As required under the provisions of Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Adarsh Soni as a director along with a deposit of Rupees five hundred. The Board considers it desirable that the Company should continue to avail of his services & guidance.

A brief resume of Mr. Adarsh Soni, nature of his expertise and names of companies in which he holds directorships and memberships/ chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in Report on Corporate Governance forming part of the Annual Report.

Therefore, your Directors recommend the resolution set out in the item no. 6 of the notice for your approval.

None of Directors except Mr. Adarsh Soni shall be deemed to be concerned or interested in the Resolution.

Item No. 7

Mr. Sundararajan Govindarajan was appointed as Additional Director of the Company on November 25, 2008 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only upto the date of next Annual General meeting. As required under the provisions of Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. S. Govindarajan as a director along with a deposit of Rupees five hundred. The Board considers it desirable that the Company should continue to avail of his services & guidance.

A brief resume of Mr. Sundararajan Govindarajan, nature of his expertise and names of companies in which he holds directorships and memberships/ chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in Report on Corporate Governance forming part of the Annual Report.

Therefore, your Directors recommend the resolution set out in the item no. 7 of the notice for your approval.

None of Directors except Mr. Sundararajan Govindarajan shall be deemed to be concerned or interested in the Resolution.

Item No. 8

Mr. Ankush Krishan was appointed as Additional Director of the Company on April 14, 2009 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only upto the date of next Annual General meeting. As required under the provisions of Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Ankush Krishan as a director along with a deposit of Rupees five hundred. The Board considers it desirable that the Company should continue to avail of his services & guidance.

A brief resume of Mr. Ankush Krishan, nature of his expertise and names of companies in which he holds directorships and memberships/ chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in Report on Corporate Governance forming part of the Annual Report.

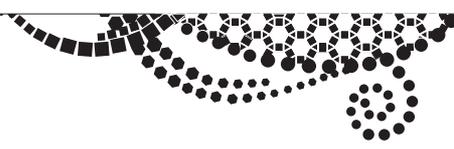
Therefore, your Directors recommend the resolution set out in the item no. 8 of the notice for your approval.

None of Directors except Mr. Ankush Krishan shall be deemed to be concerned or interested in the Resolution.

Item No. 9

It is submitted that Mr. K.L. Goel was re-appointed as the Whole Time Director of the Company with effect from November 5, 2003 on the terms and conditions duly approved by the Shareholders of the Company in the Annual General Meeting held on September 24, 2004 in the pay scale of Rs. 80000- Rs.5000- Rs.100000. The remuneration was revised in the pay scale of Rs.150000- Rs.30000- Rs.210000 per month with effect from May 01, 2006 and approved by the Shareholders of the Company in the Annual General Meeting held on September 08, 2006. He was re-designated as the Executive Chairman of the Company by the Board of Directors in its meeting held on May 07, 2007. The remuneration was revised further in the pay scale of Rs. 4,00,000 - Rs 50,000 - Rs. 4,50,000 per month with effect from June, 01, 2007 and approved by the Shareholders of the Company in the Annual General Meeting held on June 07, 2007. The remuneration was revised to Rs. 9,00,00 per month with effect from July 1, 2008 and approved by the Shareholders of the Company in Annual General Meeting held on July 25, 2008.

The Board of Directors of the Company in its meeting held on October 25, 2008 re-appointed Mr. K. L. Goel, as Executive Chairman of the Company with effect from November 5, 2008 for a further period of 5 years on the terms and conditions as



set out in the proposed resolution. Furthermore, as Mr. Goel has attained the age of 70 years, consent of shareholders by way of a Special Resolution is required for this appointment.

Therefore, your Directors recommend the resolution set out in the item no. 9 of the notice for your approval.

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

Item No. 10

The Shareholders of the Company in Annual General Meeting held on August 12, 2005 passed a resolution approving the remuneration to Directors of the Company, who are not in whole time employment, by way of commission, at a rate not exceeding 1% of net profit of the Company for a period of 5 years with effect from April 1, 2004. The above stated period of 5 year had expired on March 31, 2009. Now it is proposed to get the approval of Shareholders of the Company by special resolution in General Meeting of the Company for payment of remuneration by way of Commission to Directors, who are not in whole time employment with effect from April 1, 2009 for a period of 5 years at a rate not exceeding 1% of the net profit of the Company.

Therefore, your Directors recommend the resolution set out in the item no. 10 of the notice for your approval.

None of Directors except who are not in whole time employment shall be deemed to be concerned or interested in the Resolution.

Item No. 11

As per the provisions of the Section 314 of the Companies Act, 1956 no relative of Director shall hold any office or place of profit in the Company which carries a total monthly remuneration of more than Rs. 50,000/- per month except with the prior approval of Shareholders by way of Special Resolution and the approval of Central Government. The Board of Directors at their meeting held on May 16, 2009, on the recommendation by Selection Committee, appointed Ms. Aditi Goel (a relative of Company's Directors Mr. Kumud Goel, Mr. K. L. Goel and Mrs. Ritu Goel) as Sales Manager-EDRS of the Company and approve the payment of Salary along with the other perquisite and allowances, subject to the approval of Shareholders by way of Special Resolution and the approval of Central Government.

Ms. Aditi Goel is MBA (Marketing) from International Management Institute (IMI), New Delhi.

Therefore, your Directors recommend the resolution set out in the item no. 11 of the notice for your approval.

None of Directors except Mr. K. L. Goel, Mr. Kumud Goel and Mrs. Ritu Goel shall be deemed to be concerned or interested in the Resolution.

PROXY FORM

KLG SYSTEL LIMITED

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

I/We _____
S/o / W/o / D/o _____
of _____ in the district of _____
being a member /members of the above named Company hereby appoint Mr. / Ms. _____
of _____ or failing him/her Mr./Ms. _____
of _____ in the district of _____
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Saturday, August 22, 2009, at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase- V, Gurgaon, Haryana at 11 A.M. and at any adjournment thereof.

Signed this _____ day of _____

Signature _____

L.F. No/Client ID number _____

No. of Share (s) held _____

Affix
Paise 15
Revenue
Stamp

Notes:

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

KLG SYSTEL LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting to be held on Saturday, August 22, 2009, at HSIIDC Auditorium, HSIIDC, Vanijya Nikunj, Udyog Vihar, Phase- V, Gurgaon, Haryana at 11 A.M.

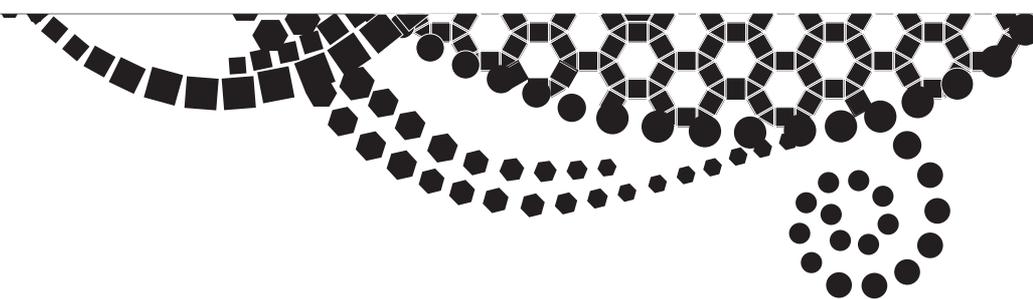
Ledger Folio number/ client ID number: _____

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

Father's/ Husband's Name _____

No. of Equity Shares held _____

Signature of the Share holder or Proxy attending _____



klgsystemel
A Knowledge Company

**ANNUAL
REPORT**

2009