

**BOARD OF DIRECTORS**

NIKHIL MORSAWALA

Chairman

ZUBIN PATEL

Independent Non-Executive Director

V CHANDRASEKHAR

Executive Director
(From 31-10-2007)

SANJAY GUGALE

Independent Non-Executive Director

VEENA MORSAWALA

Non-Executive Director
(upto 30-10-2007)**COMPANY SECRETARY**

ANUJA SHRIVASTAVA

KEY MANAGEMENT PERSONNEL

V CHANDRASEKHAR

Executive Director

NARHARI PATIL

Head Operations

MIHIR SHAH

President-Software & Automation Products

D. K. KAKADE

Business Development Manager

DIVYANG SHAH

General Manager - Works

P SAMPATH KUMAR

Head R & D

P SENTHIL KUMAR

Head - Operations (South India)

A RAMASAMY

Head - HR

OUR ENGINEERING TEAM

Deenanath Sahani

Haresh Mankame

Manoj Mistry

Ganesh Dumbre

Vijay Raorane

Sibi K. P.

Nikunj Patel

Hardik Shah

Satish Mahajan

Amulya Kumar Sahu

Bhagwan Muthe

Mangesh Bahutule

Prakash Pawar

Vinod Patil

Suresh Solanki

Vipul Patel

AUDITORS

PARIMAL BHOGALE

REGISTRARS AND SHARE TRANSFER AGENTS

ADROIT CAPITAL SERVICES PVT. LTD.

BANKERS

UTI - AXIS BANK

BANK OF INDIA

REGISTERED OFFICE:304, A-Wing, Wingway Complex, Opp. Old Police Lane, Opp. Andheri Rly., Station,
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National Offices at Hyderabad, Coimbatore, Raipur, Goa, Mangalore, Kozhikode, Salem

International Offices at U.S.A, U.A.E.



MANAGEMENT DISCUSSION AND ANALYSIS

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

Energy plays a crucial role in fuelling and supporting economic growth in any country. Availability of reliable and quality power is a key requirement of all users, industrial and residential. The Indian domestic power scene is dominated by huge capacity shortages, high level of transmission, distribution and commercial losses, ageing networks, and lack of commercial orientation. Accordingly, the programs of the Government of India are primarily focused on the following:

- a. Access to electricity to be made available for all households in the next 5 years
- b. Availability of power on demand to be fully met by year 2012
- c. Energy shortage and the peak requirement to be overcome with higher power generation capacity
- d. Per capita consumption of electricity to rise to over 1,000 Kwh in the next 10 years (from the existing level of about 600 Kwh)

In a comprehensive initiative, the Central Government has enacted the Electricity Act, 2003 (the Electricity Act). The Act seeks to create liberal framework of development for the power sector by allowing the private sector to play a larger role.

The Central Government has notified a comprehensive policy namely National Electricity Policy . The policy aims at laying guidelines for accelerated development of the power sector, providing supply of electricity to all areas and protecting interests of consumers and other stakeholders keeping in view availability of energy resources, technology available to exploit these resources, economics of generation using different resources, and energy security issues.

The strategy developed to make power available to all by 2012 includes promotion of energy efficiency and its conservation in the country, which is found to be the least cost option to reduce the gap between demand and supply. Nearly 25,000 MW of capacity creation through energy efficiency in the electricity sector alone has been estimated in India. Energy conservation potential for the economy as a whole has been assessed as 23% with maximum potential in industrial and agricultural sectors.

Considering the vast potential of energy savings and benefits of energy efficiency, the Government of India enacted the Energy Conservation Act, 2001 (52 of 2001). The Act provides for the legal framework, institutional arrangement and a regulatory mechanism at the Central and State level to embark upon energy efficiency drive in the country.

The Ministry of Power has recently announced the Energy Conservation Building Code (ECBC), the implementation of which is voluntary for the current year and will be made compulsory from the next financial year. The code makes the issue of occupancy and completion certificates to new buildings conditional on the buildings adopting measures to be energy efficient. The implementation of the ECBC opens up a vast and challenging frontier for Energy Saving Companies like yours.

B. DELIVERY MECHANISMS FOR ENERGY EFFICIENCY SERVICES

Although the benefits of energy efficiency are well known and recognised, investments in energy efficiency have not taken place due to variety of barriers faced by energy users, such as risk averseness and lack of motivation for making energy efficiency investments, and low credibility of energy auditors and their services, lack of confidence in the ability of energy efficiency equipment to deliver energy savings as expected, etc. An innovative way of overcoming such barriers is the approach of using performance contracting through energy service companies (ESCOs) like yours. Your company has already successfully implemented various projects under the BOOT Model to promote Energy Saving.



C. COMPANY STRATEGY, BUSINESS FOCUS and ACQUISITIONS

Demand Side Management - Energy Efficiency

Your company/has clearly defined Energy Efficiency, or Demand Side Management, as one of its main business segments. Over the last few years, it has developed core competencies in the Technology Development, technology assimilation and commercial exploitation of Energy Saving Equipment. Your company presently operates in Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Tamil Nadu, Andhra Pradesh, Kerala, and Karnataka. The company's products have consistently shown an Energy Savings performance of more than thirty percent in lighting loads and between ten and eighteen percent in mixed loads, which is considered to be very satisfactory. Pictorial depictions and technical specifications are available on your company's website www.epicenergy.biz and have also been given elsewhere in this report.

Your company constantly strives to improve its technological edge over its competition by offering advanced features on its equipment. During the year under review, your company has introduced equipment with GSM and GPRS capabilities which make Remote Energy Management simple and effective to use. This GSM and GPRS capability has given a cutting edge to the Energy Efficiency efforts of your company's customers, making it one of a select handful of companies capable of offering this in India.

Recognition of the company's successful Energy Savings efforts has come by way of your company being shortlisted as an approved ESCO (Energy Savings Company) by the Bureau of Energy Efficiency, Ministry of Power, Government of India (www.bee-india.nic.in).

Recognition also came by way of being invited to present a white paper on the Technology of Impedance Matching, by a leading international Hotel Chain at its Asia Pacific Engineering Summit in Bangkok during March, 2008.

This year, the company has launched a CFL Replacement program under the CDM Mechanism in the State of Chhattisgarh. The program was inaugurated by the Hon. Chief Minister of Chhattisgarh Dr. Raman Singh on 17th August, 2008, in Kurud, Dhamtari.

Supply Side Management Energy Infrastructure

Your company's focus on Demand Side Management has made it a market leader in this segment. Without losing focus on DSM, your company's management has decided to add Supply Side Management to its boutique of Energy Management solutions. This decision has been largely taken to satisfy the needs of existing customers who were demanding these solutions from your company.

In order to quickly build in-house competencies in the area of Supply Side Management, your Company acquired the business of M.M. Associates, (MMA), a leading player in this field in the State of Kerala. Based in Kozhikode, the management of MMA has successfully executed many prestigious projects over the last 24 years and currently has a very healthy order book position. MMA brings with it vast experience in this field and is sure to play a big role in the future growth of your company.

Solar Products

Due to the burgeoning energy crisis all over the world, there has been a renewed global focus on the use of Solar Products for energy needs of various segments of society. Your company has been making steady progress in this field over the last couple of years. To further strengthen its foothold in this market space, your company acquired the business of Sathiyam Sun Power Systems, (SSPS) which has played a major role in the State of Tamil Nadu in this field. SSPS brings with it five years of experience in the Solar Products segment with specific emphasis on Solar Street Lights, Solar Hoarding Lights and Solar Road Studs. Your company expects to substantially build on this experience in the coming years.

Power Retail

Last year, your company launched its unique Power Retail initiative under the brand S-Urja : The Power



Boutique . The first S-Urja outlet was opened at Rabale, Navi Mumbai, The total number of such shops operational currently are four and your company plans to expand this to twelve by March, 2009. The S-Urja shops sell Renewable Energy and Energy Efficiency products for Home Use. Details of these products are available on your company's website www.epicenergy.biz and have also been given elsewhere in this report.

Subsidiaries

The Company had two subsidiaries during the year : Hydragen Infrastructures Pvt. Ltd. & Green Energy Management Inc., USA. The Accounts of both these subsidiaries accompany the company's financial statements.

D. FINANCIAL CONDITION

1. Share Capital

At present we have only one class of Shares : Equity shares of par value Rs. 10/- each. Our authorized capital is Rs. ten crores divided into one crore shares of Rs. 10/- each. During the year under report, there was no change in the Share Capital of the company.

2. Reserves and Surplus

a. Share Premium Account

During the year under report, there was no change in the Share Premium of the company

b. Profit and Loss Account

The company reported satisfying results during the year under review. Profit After Tax was Rs. 2,96,72,570. The book value per share as on 31st March, 2008, was Rs. 18.60 compared to Rs. 14.17 as of the previous year end.

3. Fixed Assets

Your company has added capital assets of Rs. 395 lacs which mainly comprised of Energy Saving Devices installed on BOOT basis. Capital work-in-progress at the end of the year was Rs. 291 lacs.

4. Inventories

The inventories of finished goods comprise of Epic Power Saver 1090 and Solar Products assembled/purchased by the company. The inventories of Work-In-Progress comprise Energy Saving Equipment which were in the process of being installed and commissioned at the year end. The inventories of spare parts are the maintenance spares which the company keeps to ensure uninterrupted functioning of its equipment.

5. Sundry Debtors

Sundry Debtors are the receivables arising mainly from the Energy Saving Business of the company.

E. RESULTS OF OPERATIONS

1. Income

Your company's main income is from the sales of Energy Saving Equipment, installation of such equipment on BOOT basis, sale of Solar Products and Sale of other Energy Appliances like UPS, Invertors, Automatic Timer Machines etc. The sales of Solar Products amounted to Rs. 1,75,35,600 (Previous Year Rs. 12,15,000.)



2. Expenditure

Purchases represent the cost of inputs for assembling the Energy Products of your company. Maintenance Costs represent cost of spares consumed to keep the equipment & solar products in running condition. Employee Costs consist of Salaries paid to employees in India.

3. Net Profit

The company reported a Net Profit after tax of Rs. 2,96,72,570 (Previous Year Rs. 1,10,15,338)

4. Provision for Tax

The company has substantial depreciation and some carried forward losses from earlier years. The provision for tax of Rs. 48,30,418 (Previous Year Rs. 8,48,000) represents the Minimum Alternate Tax payable by your company under the existing Tax laws.

F. OPPORTUNITIES AND THREATS

1. We have identified Energy Efficiency on the Demand Side as one of the main focus areas of our business. As per the estimates of the Bureau of Energy Efficiency, the potential for Energy Saving on the Demand Side is a massive 25,000 MW in India alone. Your company has a pioneering early bird advantage.
2. Technological Evolution which gives the cutting edge advantage to your company's equipment has been a key factor of your company's R & D efforts. The company has introduced equipment with GSM and GPRS capabilities during the year under review. Apart from in-house R & D efforts, your company is actively scouting for international collaborations with technology offerings in our field.
3. Solar Products are also expected to play a major role in providing power to energy deficient areas where sunshine is plentiful. In the Institutional Markets, your company is focused on Solar Street Lights, Solar Hoarding Lights, Solar Road Studs, whereas in the Commercial Segment, the focus is on the Home Products Market and the Solar Retail Market. Your company has a range of Solar products for Home Use.
4. Your company has identified Power Retail as a business segment with tremendous potential. A network of outlets under the brand S-Urja : The Power Boutique , has been launched to distribute Renewable Energy and Energy Saving products for Home Use.
5. Energy Saving Companies (ESCOs) are now being recognized as the key drivers to the Energy Efficiency mission of the country. As a recognition of this, the Bureau of Energy Efficiency, Ministry of Power conducted an exercise of short listing approved ESCO companies. We are pleased to report that your company has been shortlisted as one such approved ESCO. A complete list of approved ESCO companies is available on www.bee-india.nic.in
6. Availability and Prices of Photo Voltaic Solar Panels largely depend on the supply and price of Silicon. Shortage of Silicon affects the cost and availability of Solar Panels.
7. The technology used in Energy Saving Equipment is continually evolving. Obsolescence is a major threat. Your company is constantly researching and studying the application of various technologies around the world to protect its business interests.
8. Competition is limited to the few players who have the technology to assemble, test and maintain the type of products dealt with by your company.



G. INTERNAL CONTROLS AND THEIR ADEQUACY

Your company has in place adequate systems of internal control procedures covering all financial and operating functions. The Audit Committee periodically reviews the adequacy of these procedures. Your company renewed its ISO 9001:2000 certification during the year and is committed to maintaining the highest standards of quality control at all levels of operations.

H. RISK CONCERNS AND RISK MANAGEMENT

The Risk Management Function is overseen by the Audit Committee. Risk Management Policies are designed after discussions with various constituents and experts. The following Risk Concerns have been identified and are being dealt with as explained against each concern:

a. Technology Risk:

The Technology used in Energy Saving Devices is constantly evolving. The introduction of newer and better techniques could render our products obsolete. To address this risk, your company is constantly researching and studying the application of various technologies across the world and has a separate team of people upgrading the technologies that we use. Technological Evolution which gives the cutting edge advantage to your company's equipment has been a key factor of your company's R & D efforts. The company has introduced equipment with GSM and GPRS capabilities during the year under review.

b. Concentration Risk:

Your company was till last year operating only in the Demand Side Management segment and had a presence in only four states in India. The company's foray into Supply Side Management and its existing presence in nine States will widen its footprint and mitigate any Concentration Risk.

c. Human Resources:

Your company depends to a large extent on trained engineers, both electronic and electrical. Whilst availability of manpower is not a concern, training and retention is a challenge. Your company has instituted various Employee Training and Retention schemes to mitigate this Risk. An ESOP scheme has also been put up for your consideration at the forthcoming Annual General Meeting.

d. General Risk

Your company has adequate insurance policies in place for its equipment and inventories. Medical and Accident Insurance Policies for its employees have also been taken where required.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions, affecting demand, supply and price conditions in the markets in which the company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.



CORPORATE GOVERNANCE REPORT

The Company is listed on the Bombay Stock Exchange Limited and is a part of Group S on the Exchange. Report on Corporate Governance as per Clause 49 of the Listing Agreement is given hereunder:

1) Company's Philosophy on Corporate Governance

Company's Philosophy on Code of Governance as adopted by its Board of Directors are as under:

- To maintain the highest standards of transparency in all aspects of our interactions and dealings.
- To ensure the core values of the company are protected.
- To ensure timely dissemination of all price sensitive information and matters of interest to our stakeholders.
- To ensure that the Board exercises its fiduciary responsibilities towards shareholders and creditors.
- To comply with all the laws and regulations as applicable to the Company.
- To promote the interest of all stakeholders including of customers, shareholders, employees, lenders, vendors and the Community.

2) Composition of Board of Directors

Sl. No.	Name of Director	ED/ NED/ ID*	Attendance in Board Meetings Held	Attended	Attendance in Last AGM	Other Board		
						Directorship **	Committee Chairmanship ***	Committee Membership
1	Nikhil Morsawala	NED	7	7	Present	1	1	3
2	Zubin Patel	ID & NED	7	7	Present	1	1	3
3	Sanjay Gugale	ID & NED	7	7	Present	1	1	3
4	V Chandrasekhar *	ED	7	7	Present	1	1	3
5	Veena Morsawala **	NED	2	2	Present	0	0	0
6	Vispi Damania **	NED	2	0	Absent	0	0	0

ED- Executive Director, NED- Non Executive Director, ID- Independent Director

* Appointed with effect from 31.10.2007

** Resigned with effect from 31.10.2007

3) Details of Director seeking Re-appointment in the Annual General Meeting

Particulars	Zubin Patel	V. Chandrasekhar
Date of Birth	11 Aug 1968	27th June, 1961
Appointed on	31 December 2005	31st October 2007
Qualification	Graduate	B. E. (Electrical)
Expertise in Specific functional areas Electronics and	Human Res. & Fin.	Electrical Solutions
Directorship held in other Public Companies (excluding foreign companies)	None	None
Chairman/Member of the committees of the Board of Directors of other companies in which he is a Director	None	None
Shareholding in the company	NIL	NIL



4. Audit Committee

The company has reconstituted of the Audit Committee consisting of three independent Directors. During the Financial Year the company has held four Audit Committee Meeting. The Minutes of meeting of the Audit Committee are in accordance with all the items listed in Clause 49 (II) (D) and (E) of the listing Agreement as follows:

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 auditor 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 Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up 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. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
14. Review the following information,
 1. Management discussion and analysis of financial condition and results of operations;
 2. Statement of significant related party transactions (as defined by the audit committee), submitted by management.
 3. Management letters/ letters of internal control weaknesses issued by the statutory auditors;
 4. Internal audit reports relating to internal control weaknesses; and
 5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.