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## **Board of Directors**

Dr. A J Prasad	Chairman & Managing Director
Mr. M S S Srinath	
Mrs. Kavita Prasad	
Mr. P Ganapathi Rao	
Mr. V V Rao	(IDBI Nominee Director)
Mrs. Preeti Khandelwal	
Mr. Vivek Mundra (upto 14 <sup>th</sup> February, 2011)	

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## **Audit Committee**

Mr. P Ganapathi Rao	Chairman of the Committee
Mrs. Kavita Prasad	
Mr. V V Rao	
Mrs. Preeti Khandelwal	

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## **Company Secretary**

Mr. M V S S Kumar

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## **Registered Office**

8-2-601, Road # 10  
Banjara Hills  
Hyderabad – 500 034

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## **Auditors**

M/s. Satyanarayana & Co.,  
Chartered Accountants  
Amar Mansion, Ranigunj  
Secunderabad-500003

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## **Cost Auditors**

M/s. Narasimha Murthy & Co.  
Cost Accountants, Hyderabad

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## **Bankers**

State Bank of India  
State Bank of Hyderabad  
IDBI Bank Ltd.  
Axis Bank Ltd  
ICICI Bank Ltd



## NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Members of **HBL POWER SYSTEMS LIMITED** will be held at K L N Prasad Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 on **Monday, the 5<sup>th</sup> day of September, 2011 at 4.00 p.m.** to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2011 and the Profit and Loss Account for the year ended on 31<sup>st</sup> March 2011, together with the Directors' Report and the Auditors' Report thereon.
2. To declare Dividend for the year ended 31<sup>st</sup> March 2011.
3. To appoint a Director in place of Mrs. Preeti Khandelwal, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint Auditors for the year 2011-12 till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration. M/s. Satyanarayana & Co., Chartered Accountants, the retiring auditors are eligible for re-appointment.

### SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:

5. **To pay minimum remuneration to Dr. A J Prasad, Chairman & Managing Director of the Company in the absence of eligible profits:**

**"RESOLVED THAT** in continuation of the ordinary resolution passed at the 24<sup>th</sup> Annual General meeting of the Company held on 27<sup>th</sup> September, 2010 pursuant to the provisions of Sections 198, 269, 309, 310, 311, 314 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded for payment of remuneration to Dr. A J Prasad, Chairman & Managing Director of the Company as approved at the previous Annual General Meeting for a period commencing from 1<sup>st</sup> October, 2010 on the following terms and conditions:

- I. Basic Salary : ₹ 24,00,000 per annum.
- Period of appointment : 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2015
- Commission: Subject to the overall limits laid down in Section 198 and 309 of the Companies Act, 1956, 3% Commission to be paid as percentage of the profit of the Company for the year.
- II Perquisites:
  - a) House Rent Allowance or Provision of House Accommodation subject to a maximum monthly rent at 60% of basic salary, over and above 10% payable by the Managing Director. The Expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income Tax rules, 1962. This shall however subject to a ceiling of 10% of the salary.
  - b) Leave Travel Allowance: Actual Traveling Expenses incurred for self and dependents, not exceeding one-month basic salary for every year of service.
  - c) Medical Reimbursement: Membership or the Subscription paid to any hospital and /or doctors schemes or insurance company in India and all hospital and medical expenses incurred for self and family subject to ceiling of one month's salary in a year.
  - d) Club Fees: Fees of clubs subject to maximum of two clubs, excluding admission and the life membership fees.
  - e) Personal Accident Insurance: Actual Premium borne by the company.
  - f) Company's Contribution to Provident and Superannuation fund to the extent of these either singly or put together are not taxable under the Income Tax Act. Gratuity payable shall not exceed half month's salary for each completed year of service.
  - g) Encashment of Leave at the end of the tenure will not be included in the computation of perquisites.
  - h) The Company shall provide a car with driver and telephone facility at the residence of the Chairman & Managing Director. Provision of a car with driver for use on company's business and telephone facility at the residence will not be considered as perquisites.
  - i) Notwithstanding any thing mentioned above, wherein any financial year during the currency



of tenure of the Chairman & Managing Director, the company has no profit or its profit are inadequate it may pay the Chairman & Managing Director remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration under Section II of Part II of Schedule XIII of the Companies Act, 1956 including such revision within the limits of Schedule XIII as the Board may decide from time to time.

- III. The Appointment is subject to determination by giving three months notice by either party and other rules and regulation of the Company."

For and on behalf of the Board

Place: Hyderabad  
Date: July 27, 2011

**MVSS Kumar**  
Company Secretary

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member.
2. Proxies, in order to be effective, should be completed, stamped and signed and must be deposited at the Registered Office or Investor Service Department of the Company not less than 48 hours before the commencement of the meeting.

3. The Explanatory Statement, as required by Section 173(2) of the Companies Act, 1956 in respect of item No.5 set out above is annexed hereto.
4. The Register of Members and Share transfer books of the Company shall remain closed from 31<sup>st</sup> August 2011 to 5<sup>th</sup> September 2011 (both days inclusive).
5. The dividend, if any, declared would be paid to those members whose names appear on the Register of Members of the Company as on 5<sup>th</sup> September 2011.
6. Members desirous of making nomination in respect of their shareholding may approach the Company for obtaining prescribed form and return the same duly filled in and signed for registration with the Company.
7. Members are requested to intimate immediately their change of address to the Company, quoting Registered Folio Number, Change in the address, if any, with the Pin Code Number.
8. Members attending the meeting are requested to bring with them the Attendance slip attached to the Annual Report duly filled in and signed and hand over the same at the entrance of the hall.
9. As a part of green initiative in the Corporate Governance, the Ministry of Corporate Affairs, vide its Circular No.17/2011 dated 21<sup>st</sup> April 2011 permitted service of notices and documents in electronic mode. Hence, members are requested to register their e-mail ID's with the Company's Registrar and Transfer Agent, Karvy Computershares Private Limited at the address given in the Corporate Governance section.

## EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

The Board of Directors at their meeting held on 9<sup>th</sup> August 2010 appointed Dr. A J Prasad as Chairman & Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> October 2010 to 30<sup>th</sup> September 2015 at a remuneration as proposed in the notice supra. This was approved by an ordinary resolution at the 24<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> September 2010. Though the Company has recorded profits during the reporting period, according to Section 349 of the Companies Act, 1956 there is a prescribed calculation of profit for asserting the eligible profits for payment of remuneration to managerial personnel. On computation of eligible profits as specified under Section 349 of the said Act, it was observed that such profits did not cover payment of remuneration during 2010-11 as approved at the previous Annual general meeting.

However, Chairman and Managing Director may be paid the same remuneration, if a special resolution, as appended in the notice, is passed by the members of the Company as per provisions of Schedule XIII of the Companies Act, 1956 and enable the Company to continue the payment of remuneration to Chairman and Managing Director with effect from 1<sup>st</sup> October 2010.

As per Schedule XIII to the Companies Act, 1956, the proposed special resolution has to be supported by certain disclosures, which are annexed herewith as a part of this explanatory statement. Hence, Your Directors recommend the aforesaid resolution as special for approval of the members. This may be treated as an abstract pursuant to Section 302 of the Act. Dr. A J Prasad, Mr. M S S Srinath and Mrs. Kavita Prasad are concerned or interested in the aforesaid resolution.

For and on behalf of the Board

Place: Hyderabad  
Date : July 27, 2011

**MVSS Kumar**  
Company Secretary

## **ANNEXURE TO EXPLANATORY STATEMENT**

### **I. General Information:**

#### 1. Nature of Industry:

The Company is engaged in designing, development and manufacture of specialized batteries and DC systems and other engineering products in India. With over three decades of its experience in this field, the Company offers a wide range of batteries and associated electronics providing its customers, custom built solutions to meet critical requirements. The Company operates from different manufacturing facilities and regional offices across India.

#### 2. The Company has commenced its commercial activity in the year 1977.

#### 3. The Company is in existence for over 3 decades hence, clause 3 of General Information is not applicable.

#### 4. Financial Performance (based on audited financial statements):

(₹ in Crores)

S.No	Financial Year	Paid-up Capital	Net Sales	Profit before Tax	Provision for tax	Profit after Tax	Dividends (as % of paid up capital)
1	31.03.2007	24.28	511.85	51.52	15.25	32.08	15
2	31.03.2008	24.28	972.76	110.26	37.00	67.09	15
3	31.03.2009	24.28	1243.90	136.83	42.00	90.96	30
4	31.03.2010	25.30	1109.51	143.98	41.50	100.42	30
5	31.03.2011	25.30	994.95	5.10	-	16.45	10 (proposed)

#### 5. Export performance (based on audited financial statements):

(₹ in Crores)

Financial Year →	March 2011	March 2010	March 2009	March 2008	March 2007
Particulars ↓					
Export sales	198.70*	109.11	123.84	83.43	83.52

\* Inclusive of exports of Know-how and I & C.

#### 6. There is no Foreign Investment or Foreign Collaboration.

### **II. Information about the appointee:**

#### 1. Background Details :

Dr. A.J. Prasad is the promoter and Chairman & Managing Director of the Company. Dr. Prasad is B.Tech from IIT, Khargpur, MS in Management from MIT, USA, Doctorate in International Business from Columbia University, USA.

#### 2. Past Remuneration:

(₹ in lakhs)

S.No.	Name of the Managerial personnel Dr. A J Prasad, Chairman & MD	31.03.2010	31.03.2009	31.03.2008
1	Salary	10.32	10.88	10.32
2	Commission on profits	448.22	426.35	341.60



3. Recognition or Awards

Dr. A J Prasad has rich and extensive experience in international business and management, which is steering strength for the development of the Company.

4. Job Profile and Suitability:

Dr. A J Prasad is engaged in overall management of the company with specific focus on new products, organizational development and promotion of export sales.

5. Proposed Remuneration:

The remuneration is as mentioned in Notice and approved by the members of the Company at the Annual General Meeting held on 27th September 2010.

6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person

The Company is a medium sized engineering Company and in view thereof, the remuneration proposed and approved by the members at the 24<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> September 2010 is considered to be reasonable and is within the scale of remuneration payable as per Schedule XIII of the Companies Act, 1956, is well in comparison with the remuneration payable to Chairman and Managing Director in the industry.

7. Pecuniary relationship directly or indirectly with the company:

There is no pecuniary relationship of the managerial personnel with the Company indirectly other than the approved remuneration.

### III. OTHER INFORMATION :

Inevitable market conditions are the key factors for inadequacy in profits. However, the present special resolution is proposed as an abundant caution to enable the Company to pay remuneration within the limits of schedule XIII to the Companies Act, 1956.

### IV. DISCLOSURES :

1. The Board has taken required steps to inform the shareholders about the remuneration of Managerial Person.
2. Disclosure in the Corporate Governance Report is attached in the relevant section of this report.

For and on behalf of the Board

Place: Hyderabad  
Date : July 27, 2011

**MVSS Kumar**  
Company Secretary

## **BRIEF PARTICULARS OF DIRECTORS PROPOSED FOR RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**

(In pursuant to clause 49 of the Listing Agreement)

Name of the Director	Ms. Preeti Khandelwal
Date of Birth	24.03.1971
Date of first appointment	02.03.2009
Qualification	B. Com, ACS
Expertise in specific functional Area	She is a Practicing Company Secretary and has expertise in Company Law and FEMA related issues.
Details of other Directorships	NIL
Details of Committee and membership status	Member of Audit Committee, Remuneration Committee and Share Transfer Committee

## DIRECTORS' REPORT

Dear Members

Your Board of Directors take pleasure in presenting the 25<sup>th</sup> Annual Report for the financial year ended on 31<sup>st</sup> March 2011. The financial performance on Standalone basis is presented below.

(₹ In Lacs)

S No.	Particulars	2010-11	2009-10
1	Net Sales	99494	110951
2	Other Income	2297	654
3	Total Income	101791	111606
4	Total Expenditure	93306	90569
5	Profit before interest, depreciation and tax	8485	21037
6	Finance Cost	4934	3831
7	Depreciation	3030	2807
8	<b>Profit before tax</b>	521	14399
9	Provision for tax & tax adjustment	(145)	4117
10	Deferred tax liability	(989)	240
11	<b>Net Profit</b>	1645	10042
12	Transfer to General Reserve	-	8000
13	Earnings Per Share (Diluted EPS of Rupees)	0.650	4.065
14	Dividend (on face value of share Re 1 each)	10%	30%

### Performance Review 2010-11:

Overall Sales of the Company for the year 2010-11 were recorded at ₹ 99494 Lacs as compared to previous year sales of ₹ 110,951 lacs. This decrease is primarily on account of a reduction in lead acid battery market, due to various macro factors affecting telecom business in the country. The company passed on the reduction in the average cost of lead. This impact was reinforced by lower demand from the telecom sector due to macro economic factors. Profit after tax was ₹ 1645 Lacs for the year 2010-11 as compared to previous year of ₹ 10042 Lacs.

### Expansion plans:

For details of expansion plans, please see the Management Discussion and Analysis section of the Annual Report

### Utilization of proceeds of Preferential Issue:

The preferential issue was made to finance the General Corporate Investments in related companies and for other General Corporate purposes. The total Proceeds of preferential issue of capital including share premium was ₹ 3469.51 lacs.



Details of utilisation upto 31.03.2011:

S. No.	Particulars	Amount ₹ in Lacs
1	Investment in the Equity of M/s. Autotec Systems Pvt. Ltd, Bangalore.	300.34
2	Investment in the Equity of M/s. SCIL Infracon Pvt. Ltd.	651.63
3	Investment in the Equity of M/s. Sankhya Infotech Ltd.	331.04
4	Advance for Equity in M/s. SCIL Infracon Pvt. Ltd.	117.80
5	Advance for Equity in M/s. Sankhya Infotech Ltd	195.38
6	ICD to M/s. Sankhya Infotech Limited	1300.00
7	ICD to M/s. SCIL Infracon Pvt. Ltd.	292.86
	<b>Total</b>	<b>3189.06</b>
	Unutilised Balance	280.45
	Unutilised balance Parked in CC loan account of the Company	279.95
	Balance in Current Account	0.50

#### Dividends:

Your Directors are pleased to recommend a dividend of ₹ 0.10/- per equity share of Re.1/-fully paid up share @10% (Previous Year 30%) for the Financial Year 2010-11, subject to the approval of the members at the ensuing Annual General Meeting. The proposed dividend including Corporate Dividend Tax will absorb ₹ 294.04 lacs.

#### Investment/divestments in Subsidiary/ Joint Venture/associate Companies:

##### Investments in Subsidiary:

**Agile Electric Drives Technologies and Holdings Private Limited (Agile):** ₹ 112.88 Crores was invested in the Company during the year for acquisition of 63.91% equity shares in the Company. Agile is subsidiary of the Company and engaged in manufacturing of motor subassemblies and precision components and providing motors technology.

The Company through its subsidiary Agile acquired 62.94% of the equity in Igarashi Motors India Limited (Igarashi), which is subsidiary of Agile and listed on BSE and NSE. Igarashi is currently engaged in the business of assembling of DC motors and actuation system for various automotive and non-automotive applications and manufacturing sub assemblies that go into DC motors.

**SCIL Infracon Private Limited:** ₹ 6.52 Crores was invested in the Company as upto 31<sup>st</sup> March, 2011 for acquiring 50% of the equity holding in the Company. Subsequently negotiation took place with the Investing Company to acquire their remaining 30% holding for ₹ 3 crores. The former promoter also expressed interest to sell his 20% shareholding. After completing these transactions for acquiring additional equity, SCIL Infracon P Ltd will be poised to become a 100% subsidiary of HBL. The Company is engaged in manufacturing of concrete polls, primarily for telecom sector and roof slabs and has increased product range to cover special pile foundation piles, high mast lighting poles with a hydraulic arrangement to lower the lights, 40 and 50 mtr towers for telecom and power transmission. The products are being received well by the customers.

**HBL Germany GmbH, Germany:** An amount of 25,000 Euros (₹ 14.91 lacs) was invested in the equity of wholly owned subsidiary in Germany.

**HBL Power Systems (M) SDN BHD:** There was no further investment in the Company.

**Bhagirath Energy Systems Private Ltd (BES)** a wholly owned subsidiary in Nepal is in the process of winding up. Provision for diminution in the value of investment has been made based on Official Liquidators certificate of cash available as on 31.03.2005. No further provision is considered necessary, as there is no reduction in cash balance as on 31.03.2011.



### Associate Company

**Sankhya Infotech Limited (Sankhya):** 8,40,482 equity shares being 9.89% of the equity of Sankhya were acquired through open market for an aggregate value of ₹ 3.31 Crores. The Company has also subscribed for allotment of 12,20,000 convertible warrants for an issue price of ₹ 32.03 per warrant aggregating to ₹ 3.91 crores, of which ₹ 1.95 Crores being 50% of the issue price was paid upfront. These warrants will be converted into equal number of equity shares of ₹ 10/- each upon payment of balance 50% of the issue price within 18 months from the date of allotment of such warrants and thereby, post conversion, the Company will hold 14.97% of the equity in Sankhya.

### Joint Ventures

**HBL ELTA Avionics Systems Pvt. Ltd** – During the year, the investment of ₹ 2.25 Crores in joint venture has been divested for a total consideration of ₹ 13.66 Crores.

### Directors' Responsibility Statement:

In Compliance with the Provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record -

1. That in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
2. That the Accounting Policies adopted are consistently followed and the judgments and estimates made 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 the Profit and Loss Account of the Company for the Financial Year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing / detecting fraud and other irregularities; and
4. That the Annual Accounts have been prepared on a Going Concern basis.

### Corporate Governance:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled "Report on Corporate Governance" is attached to the Annual Report.

### CONSOLIDATION OF ACCOUNTS

In accordance with the requirements of Accounting Standards AS 21 read with AS 27 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the company and its Subsidiaries/ JVs are annexed in this Annual Report.

In view of general exemption granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956 vide its General Circular No.2/2011 dated 8<sup>th</sup> February 2011, companies are exempted from the provisions of section 212 of the Companies Act 1956 subject to fulfillment of conditions therein. Accordingly, the Board has passed required resolution in respect thereof for not attaching the Balance sheets of the following subsidiary companies:

1. HBL Power Systems (M) SDN BHD, Malaysia,
2. Bhagirath Energy Systems Pvt. Ltd., Nepal,
3. SCIL Infracon Private Limited
4. Agile Electric Drives Technologies and Holdings Private Limited
5. HBL Germany GmbH, Germany

Hence, in this annual report the audited financial statements, (Standalone and Consolidated) prepared in compliance with the applicable Accounting Standards, Listing Agreements prescribed by SEBI, have been attached and no individual Balance sheet or other information of subsidiaries is attached or disclosed except to the extent of the information as required to be disclosed under the condition (iv) of the Circular No.2/2011 dated 8<sup>th</sup> February 2011, which is disclosed in note 10 of the Notes on Accounts of Consolidated Financial Statements.

The Company undertakes that the Annual Accounts of the subsidiary Companies and the related detailed information will be made available to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the subsidiary companies will also be kept open for inspection during business hours at the Registered office of the Company.

### Auditors' Report:

The Board noted the contents of the Auditors report. It is observed that some of the comments of the auditors have been continuing in the past also. The necessary rectification (e.g. Capital asset register) has not been fully satisfactory being lack of attention at the Board level.

The Board has, therefore, decided that Mr. M S S Srinath, Director of Accounts and administration will now spend enough time to ensure that these comments do not repeat in future.



The Board has considered the observations/ queries as raised by the Statutory Auditors and the explanations are as under:

- a) *Point 4 (a) Reference is invited to Note: 7 of Schedule 20(B) regarding balances appearing under debtors, creditors, advance received / paid which are subject to confirmation / reconciliation and consequential adjustments, the impact of which on these financial statements is not quantifiable by us.*

**Our Reply:** The Company has circulated confirmatory letters to various parties. Some of them have not responded in time, although the letter stipulates that the balance is deemed accepted or confirmed if no reply was received. During the year, we shall endeavour to send interim confirmation letters and upon reply, suitable reconciliation will be undertaken.

- b) *Point 4 (b) Reference is invited to Note 12 of Schedule 20(B) Managerial remuneration: Based on the approval of the members in the AGM held on 27.09.2010, a remuneration of Rs.25.80 lacs was paid to the Chairman & Managing Director for the year 2010-11. Due to inadequacy of the profits computed under section 349 read with section 198 of the Companies Act, 1956 and in accordance with the Provisions of Schedule XIII of the Act, the remuneration so paid is subject to the approval / ratification by the members by way of special resolution.*

**Our Reply:** This is being placed in the ensuing Annual General Meeting for approval and ratification of members. The resolution passed at the previous Annual General Meeting was an ordinary resolution. In view of the provisions of Schedule XIII of the Companies Act 1956, whenever there is any inadequacy of profits as computed under section 349 read with section 198 of the Companies Act, a special resolution is necessary.

- c) *Point 4 (c) Reference is invited to Note 13 of Schedule 20(B) regarding disclosure made under section 22 of the MSMED Act, 2006 which is as compiled by the management and relied upon by us. Further, the company has neither paid nor provided the applicable interest on such dues from the date the Act came into force and the amount of which is not ascertained. According to the Company there is no accrued liability, which requires provision.*

**Our Reply:** Some of the vendors who come under the MSMED Act 2006 have been associated with the company for a long time and have a continuous business relationship. The company is usually

prompt in servicing these vendors as per mutually agreed payment terms. In view of such longstanding relationship, no separate interest provision has been made, as there are no such claims. Interest payment if any will be treated on cash basis.

- d) *Point 4 (d) Reference is invited to Note 14(I) of Schedule 20(B) regarding non compliance with the disclosure requirements required under A.S.27 relating to Company's interests in Assets & Liabilities and Income & Expenses in the Joint Venture Company.*

**Our Reply:** These reports have since come and the Consolidated Audited Balance sheet was prepared accordingly.

#### **Annexure referred to in Paragraph 3 of Auditors' report (under CARO Report)::**

- (a) The Company has maintained year wise details of fixed assets acquired by the divisions showing the relevant particulars including original cost at the time of acquisition and there have been instances of shifting and inter divisional transfer of certain assets after acquisition. However the Company is yet to maintain and update the division wise asset register showing the relevant particulars including the original cost, depreciation provided and the written down value of each asset duly reconciled with financial records and also the identification particulars to facilitate physical verification.

**Our Reply:** Physical verification of assets has been taken up in all the divisions. Steps are being initiated as suggested by auditor to reconcile and update the division-wise register.

- (b) According to the information and explanation given to us physical verification of fixed assets except at branches was carried out during the year by the management and the process of reconciliation including identification of differences / discrepancies is reported to be in progress. In the absence of reconciliation, identification of the differences / discrepancies and quantification thereof, we are not in a position to comment on the amount involved and its impact on the financial statements as on 31.03.2011.

**Our Reply:** This will be initiated as stated above. The company believes that such discrepancies if any may not be very material in nature.

- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of