



SRM Energy

SRM ENERGY LIMITED
(Formerly Hitkari Fibres Limited)

**23rd Annual Report
2009-2010**

NOTICE



NOTICE is hereby given that the Twenty Third Annual General Meeting of the members of SRM Energy Limited will be held on Monday, May 17, 2010 at 11.30 A.M. at Kilachand Hall, IMC Building, IMC Marg, Churchgate, Mumbai -400020 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended March 31, 2010 together with Directors' Report and the Auditors' Report thereon.
2. To appoint a director in place of Mr. Deep Kumar Rastogi who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board
For SRM Energy Limited

Sanjeevlata Samdani
Company Secretary

Place: Mumbai
Dated: April 08, 2010

SRM ENERGY LIMITED

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NOTICE



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 AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the meeting. A form of proxy is given at the end of the Annual Report.
3. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 10.30 a.m. to 12.30 p.m. on all working days except Saturday and holidays upto the date of the Annual General Meeting.
4. The Register of Members and Share Transfer Books of the company will remain closed from Monday, May 10, 2010 to Monday, May 17, 2010 (both days inclusive).
5. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the meeting.
6. Members / Proxies who attend the meeting are requested to bring the enclosed attendance slip duly filled and deliver the same at the entrance of the meeting hall.
7. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.
8. Members who are holding Company's shares in dematerialised form are requested to bring details of their DP and client ID number for identification.
9. **CLAUSE 49 OF THE LISTING AGREEMENT**
Brief profile of directors seeking reappointment at the forthcoming Annual General Meeting (item no.2 of the Notice)

Mr. Deep Kumar Rastogi

He is the Promoter Director of the Company. He is part of the Rastogi family which is into import and trading of various chemicals into India and manufacture of various industrial products for more than 100 years. He is a renowned industrialist having more than 40 years experience and set up various projects. He is on the Board of various Companies.

By Order of the Board
For SRM Energy Limited

Sanjeevlata Samdani
Company Secretary

Place: Mumbai

Dated: April 08, 2010

The Directors present herewith the Twenty Third Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2010.

FINANCIAL RESULTS:

(Rs. in Lacs)

Description	Year Ended 31-03-2010	Year Ended 31-03-2009
Gross Sales	-	55.37
Less: Excise Duty	-	-
Net Sales	-	55.37
Other Income	0.03	0.72
TOTAL INCOME	0.03	56.09
Profit / (Loss) before Depreciation and Interest	(3.65)	(24.27)
Depreciation (Net of Revaluation Reserve) & Amortisation	-	-
Interest	-	0.11
Profit/(Loss) from Ordinary Activities before tax	(3.65)	(24.38)
Tax Expenses	-	0.10
Net Profit/(Loss) from Ordinary Activities after tax	(3.65)	(24.48)
Extra-ordinary Items	-	-
Net profit/(Loss) for the year	(3.65)	(24.48)

OPERATIONS:

The Company is in the process of setting up Thermal Power Project of 1600 MW - 2000 MW capacity in Tamilnadu and there are no other operations at present. As such the related expenses incurred during the current period are considered as pre operative expenses pending allocation to the power project.

The promoters of the Company have infused an amount of Rs.3896.55 lacs upto 31st March 2010 in the form of unsecured loans, which will not be withdrawn from the Company till the required Equity is in place.

The Company is in the process of acquiring the required land and is in the process of finalizing the EPC contract. Depending on the unit size finalized, the capacity may be of 1800 MW or 1980 MW (3X600 or 3X660 MW). The Company has received approval from the Airports Authority for Chimney height clearance and has also received in principle approval from Tamilnadu Maritime Board for drawal of sea water.

The Promoters of the Company have teamed up with Al Kharafi Group of Kuwait and Al Mal Investment KSC, one of its investment arms for a joint investment in the Project. Al Kharafi group have agreed to become the co-sponsor of the project. The Al-Kharafi family is one of Kuwait's principal merchant dynasties in the Middle East with the group being founded over 100 years ago. The group presently has interests in 34 countries covering various sectors such as Contracting, Investment, Industry and Manufacturing, Trading, Tourism and Aviation etc.

The Promoters and the Company have mandated one of the leading international banks and the investment arm of the Kharafi group as placement agents for private placement of Equity, who have already commenced the placement process. The Company plans to appoint one of the leading domestic banks / institutions for tying up the debt requirements of the project.

DIVIDEND:

As the Power project is under implementation and there is no operating income, your directors are not in a position to recommend any dividend.

DIRECTORS:

Mr. Deep Kumar Rastogi retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

Mr. Vini Ahuja who retires by rotation as required under the Companies Act 1956, though eligible to be reappointed, has not offered himself for reappointment and accordingly, retires at the ensuing Annual General Meeting. Your directors do not propose to fill the vacancy caused by the retirement of Mr. Vini Ahuja. Your directors record their appreciation for the services and support rendered by Mr. Vini Ahuja during his tenure on the Board of the Company.

FIXED DEPOSITS:

During the year under review, the Company has not accepted any deposits from the public pursuant to Section 58-A of the Companies Act, 1956.

THE CORPORATE GOVERNANCE CODE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a compliance report on Corporate Governance is annexed as part of the Annual Report.

DEMATERIALISATION OF SHARES:

In terms of the notification issued by the Securities and Exchange Board of India (SEBI) the Company has dematerialized its shares with both the depositories CDSL and NSDL.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956 the Board of Directors of the Company hereby state and confirm that:

- a) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- b) The Directors had 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/loss of the Company for that period.
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The Directors had prepared the annual accounts on a going concern basis.

CODE OF CONDUCT:

The Code of Conduct, as adopted by the Board of Directors is applicable to all Directors, Senior Management and Employees of the Company. This code is based on fundamental principles, viz. good corporate governance and good corporate citizenship. The Code covers Company's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly work place, transparency and accountability and legal compliance.

AUDITORS

M/s Haribhakti & Company, Chartered Accountants, Mumbai, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that, their appointment, if made, by the Company for the year 2010-11 will be within the limit prescribed under Section 224 (1-B) of the Companies Act, 1956. The Board of Directors recommends their appointment.

AUDITORS' OBSERVATIONS:

The Company's present assets are adequate to meet its liabilities. The management is of the strong view that once the power project, which is being set up by the Company becomes operationalized, the Company would turnaround and the net worth would also improve. The promoters of the company have also undertaken to infuse the required funds to pay the outstanding TDS amount of Rs.21.38 lacs.

The Company is in the process of raising resources from promoters and investors towards Equity requirements of the project and expects the Net worth to improve substantially in the next financial year.

PARTICULARS UNDER SECTION 217

Statement of particulars of employees under Section 217(2A) of the Companies Act, 1956 is annexed to this report. Statement of particulars under Section 217(1)(e) regarding Conservation of Energy and Technology Absorption are presently not applicable to the Company. Details of foreign exchange outgo are set out in note No. B- 5 of schedule 11 to the Accounts. There have been no Foreign Exchange earnings during the current year and previous year.

ACKNOWLEDGEMENTS:

The Directors acknowledge with gratitude and place on record their appreciation of the support and co-operation received from Company's Banks, vendors and employees.

For and on behalf of the Board of Directors

D Sundararajan
Director

Place: Mumbai
Dated: April 08, 2010

ANNEXURE TO THE DIRECTORS' REPORT**PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956**

Name and Designation	Remuneration (Gross)	Qualification and experience	Date of Commencement of employment	Last employment held
Ravishankar, Chief People Officer	1,970,414 (*)	MBA with Personnel Management, 17 years	December 12, 2008	Adani Power Limited

(*) Part of the year (up to 16-09-2009)

CERTIFICATE



To,
The Members
SRM Energy Limited,
Mumbai

We have examined the compliance of conditions of corporate governance by SRM Energy Limited for the year ended March 31, 2010 as stipulated in Clause 49 of the Agreements of the said Company with stock exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

On the basis of representation received from Registrars and Share Transfer agents and as per the records maintained by the Company which are presented to the Share Transfer Committee, we state that during the year ended March 31, 2010 no investor grievances are pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Pankaj & Associates
Company Secretaries

Place: Mumbai
Dated: April 08, 2010

Pankaj S. Desai
Sole Proprietor

ED/CEO CERTIFICATION

This is to certify to the Board that :

- a) The Financial Statements and the Cash Flow Statement for the period have been reviewed and to the best of my knowledge and belief are true and fair view of the company's affairs.
- b) To the best of my knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's Code of Conduct.
- c) I accept the responsibility of establishing and maintaining internal controls for the financial report and that I have evaluated the effectiveness, disclosing the deficiencies to the Auditors and the Audit Committee and take steps or proposed to take steps to rectify these deficiencies.
- d) I indicated to the Auditors and the Audit Committee :
 - i) Significant changes in the Internal Control Process during the period.
 - ii) Significant changes in Accounting policies
 - iii) Instances of significant fraud of which I have become aware.

Place: Mumbai
Dated: April 08, 2010

D. Sundararajan
Director

Business Review:

India is one of the fastest growing economies globally and has grown at an average rate of around 8.2% during the last five years. During the 11th five year plan (2007-12) Indian aims at sustainable GDP growth rate of around 9%. The power sector has been recognized by the Govt. of India as a key infrastructure to attain this growth rate and under eleventh plan, out of the total investment in infrastructure the power sector is expected to attract nearly one-third.

The Indian power sector has grown significantly in size and capacity since India's independence in 1947. Generation capacity, which was only 1,362 MW at the time of independence, has increased to around 157200 MW as on February 28, 2010. Despite exponential growth in capacity, per capita annual consumption of electricity in India remains one of the lowest in the world at approximately 704 kWh / capita during FY 2007-08, as compared to the estimated per capita annual consumption of over 2,040 kWh in China and nearly 13,515 kWh in the USA and world average of 2750 kWh.

The Government of India has set a vision of achieving 'Power for All' by 2012, when the peak power demand and total energy demand is expected to reach around 152,700 MW and 968 Billion units respectively (as per 17th Electric Power Survey ('EPS') by Central Electricity Authority ('CEA')). By the year 2016-17, peak demand is expected to touch 218,209 MW and energy requirement 1,392 Billion Units. The Country faces a peak demand-supply gap of more than 12.6 percent on an overall basis.

In the recent past, the Indian power sector has been growing at a pace much below the required levels. During the period April 2009 to February 2010, against targeted capacity addition of around 14500 MW(out of which Thermal capacity was targeted at around 13000 MW), the capacity additions have been only around 7500 MW (out of which thermal plants contributed about 7200 MW).

However, the Govt. of India has taken significant measures such as restructuring of the state electricity boards, regulatory policy intervention etc. The Govt. has also liberalized policies relating to generation, transmission and distribution lines. With the initiative taken by the Govt. to restructure the power sector the industry is expecting major capacity additions to come from the Government of India as well as increasingly from the private sector. Whilst the private sector has historically accounted for a small share of total capacity (in particular with respect to coal-powered thermal energy), this trend is expected to be reversed over the next decade as historic limitations and regulatory burdens are being removed.

The power requirement of Southern India, consisting of the states of Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Union Territory of Puducherry, is met by the power generated by state utilities, Independent Power Producers ('IPPs') and the state's share in the power generated by the central sector power stations. The total installed capacity in the Southern region as on September 2009 was around 41,600 MW with a peak deficit of 9.5% and normative deficit of 6.2% during the period April 2009 to September 2009.

The total capacity addition during the XIth Five Year Plan is expected to be around 78,700 MW out of which thermal based power is expected to contribute around 59,700 MW. Under various growth scenarios, the capacity addition required during 12th plan would be in the range of 70,800 - 107,500 MW, based on normative parameters. The 11th Plan Working Group recommends a capacity addition of 82,200 MW for the 12th Plan based on the scenario of 9 percent GDP growth rate and an elasticity of 0.8 percent.

Recent Developments and Opportunities:

The National Tariff policy deals with various parameters with respect to fixation of tariffs, like providing adequate return on investment to the power generator and ensuring reasonable user charges for the customers. The policy moots the procurement of power separately for base and peak load requirements and introduction of differential tariffs for peak and off-peak hours, for better load management. The National Electricity Policy and the National Tariff Policy have clearly defined the timetable for implementing further reforms to boost the development in the sector.

Trading opportunities : With the impetus given to power trading under the Electricity Act, the quantum of power traded is going up significantly and expected to show an exponential growth in the coming years. Trading activity is helping the electricity market in many ways. Through trading short term demand supply mismatch can be bridged at market determined prices. Also, IPP can sell their power as per prevailing market prices instead of pre-determined prices for long term contracts, thereby taking advantage of short term demand supply mismatches. Consequently, trading activity has increased attractiveness of the power sector to private players. With the evolution of the trading environment, both the volume and sale price of traded electricity has increased over the years. In 2007, nearly 48% of the electricity traded was at INR 4 - 5 per kWh, whereas in the period April to June 2008, 99% of total traded electricity was traded at INR 6.50 - 8.50 per kWh. For the year 2008 / 2009, the weighted average price of electricity traded increased further to INR 7.31 (Source: CERC).

Key Risks:

While Regulatory and Political issues always pose a risk in a developing country like ours, environmental issues are assuming greater importance due to increased awareness about global warming. Each country is forced to come out with significant reduction in emission levels.

Project at Cuddalore:

The Company is in the process of finalizing the EPC contract. Depending on the unit size finalized, the capacity may be of 1800 MW or 1980 MW (3X600 or 3X660 MW).

The promoters of the company have teamed up with Al Kharafi Group of Kuwait and Al Mal Investment KSC, one of its investment arms for a joint investment in the Project. Al Kharafi group have agreed to become the co-sponsor of the project. The Al-Kharafi family is one of Kuwait's principal merchant dynasties in the Middle East with the group being founded over 100 years ago. The group presently has interests in 34 countries covering various sectors such as Contracting, Investment, Industry and Manufacturing, Trading, Tourism and Aviation etc.

The promoters and the company have mandated one of the leading international banks and the investment arm of the Kharafi group as placement agents for private placement of Equity, who have already commenced the placement process. The company plans to appoint one of the leading domestic banks / institutions for tying up the debt requirements of the project.

The company has received approval from the Airports Authority for Chimney height clearance and has also received in principle approval from Tamilnadu Maritime Board for drawal of sea water. The company has also submitted applications to the Railway and Road Authorities for crossing of the Railway tracks and Highways.

The Company is in compliance with clause 49 of its listing agreements with the BSE and the Indian corporate governance rules applicable to it.

1. Company's Philosophy on Code of Governance

Your Company believes that good corporate governance practice ensures the attainment of the highest levels of transparency, accountability and equity in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and the lenders.

2. Board of directors

The Board of Directors consists of 5 directors.

Composition and category of Directors is as follows:

Name	Position
Mr. D. Sundararajan	Executive Professional Director
Mr. Srinivasan Parthasarathy	Non-Executive Independent Director
Mr. Vini Ahuja	Non-Executive Independent Director
Mr. Bantval Srinivasa Rao	Non-Executive Independent Director
Mr. Deep Kumar Rastogi	Promoter Director

a. Attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies:

Name of Director	Attendance Particulars		No. of other Directorship / Chairmanship(s) Board Committees of other Companies	
	Board Meeting	Last AGM	Other Directorship(s) #	Committee Membership(s) ##
Mr. Bantval Srinivasa Rao	4	Yes	1	1 (as Chairman)
Mr. D. Sundararajan	4	Yes	Nil	Nil
Mr. Vini Ahuja	2	Yes	2	Nil
Mr. Srinivasan Parthasarathy	2	Yes	Nil	Nil
Mr. Deep Kumar Rastogi	1	No	1	2 (including 1 as Chairman)

#The Directorship held by Directors as mentioned above, do not include Alternate Directorship and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

In accordance with the Clause 49, Membership / Chairmanships of only the Audit Committees and Shareholders'/ Investors' Grievance Committee of all Public Limited Companies (excluding SRM Energy Limited) have been considered.

b. Number of Board Meetings held and the dates on which held:

Four Board Meetings were held during the year. The dates on which the meetings were held are as follows: April 29, 2009, July 29, 2009, October 20, 2009 and January 22, 2010.

3. Board Committees

Details of the Standing Committees of the Board and other related information are provided here under: