

22nd

ANNUAL REPORT 2007 2008

Towards
a brighter
TOMORROW



XL TELECOM & ENERGY LIMITED
(formerly XL Telecom Limited)

BOARD OF DIRECTORS

Dr. R. Srinivasan	Chairman & Independent Director
Mr. Dinesh Kumar	Managing Director
Mr.K. Vasudeva Rao	Executive Director
Mr.V.Visweswara Rao	Director (Finance)
Mr. Aneesh Mittal	Whole Time Director
Mr. Pramod Kumar Jain	Whole Time Director
Mr.Naresh Chand Singhal	Non Executive and Independent Director
Mr.Rajiv Garg	Non Executive and Independent Director
Mr.Ashok Kumar Goyal	Non Executive and Independent Director
Mr. Wolfgang Knop	Non Executive and Independent Director
Mrs.Ritu Lal Kumar	Non Executive and Non-Independent Director
Mr.K.Sateesh Gupta	Company Secretary
Auditors	M/s. Satyanarayana & Company Chartered Accountants Secunderabad
Bankers	Canara Bank The Federal Bank Limited Vijaya Bank State Bank of Hyderabad IDBI Bank Limited ICICI Bank Limited Bank of India State Bank of India
Registered Office	C2, Pooja Plaza, VikramPuri Secunderabad 500 009
Factory	
1. <u>Jointing Kits & SPV Division</u> Shed No. 30, 31 & 32 I.D.A. Mallapur, Hyderabad - 500 076	2. <u>SMPS & CDMA Division</u> Plot No. 198/A, I.D.A. Cherlapally, Hyderabad - 500 051
3. <u>Ethanol Division</u> Plot Nos. B 8 to B 10, & B 18 to B21 MIDC, Kushnoor, Nanded (Dt), Maharastra	

22nd Annual Report 2007 - 2008

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N O T I C E

Notice is hereby given that the 22nd Annual General Meeting of the members of XL TELECOM & ENERGY LIMITED will be held on Wednesday, the 24th December, 2008 at 11.00 A.M. at the Premises of the Company's plant at Plot No.198/A, IDA, Cherlapally, Hyderabad - 500051 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as on 30th June, 2008, the Profit & Loss Account for the year ended on that date together with the Schedules and Annexures thereto and the reports of the Auditors' and the Board of Directors thereon
2. To declare dividend on equity shares of the company for the financial year ended 30th June, 2008
3. To appoint a Director in place of Mr.R.Srinivasan, Director who retires by rotation and being eligible offers himself for re-appointment
4. To appoint a Director in place of Mr.Rajiv Garg, who retires by rotation and being eligible offers himself for re-appointment
5. To appoint a Director in place of Mr.Ashok Kumar Goyal, Director, who retires by rotation and being eligible offers himself for re-appointment
6. To re-appoint M/s.Satyanarayana & Co, Chartered Accountants, retiring auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize Board of Directors to fix their remuneration

SPECIAL BUSINESS

7. To consider and if thought fit to pass, with or without modification (s), the following resolution as an *Ordinary Resolution*:

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956 and other applicable provisions, if any of the Companies Act, 1956 and in supersession of the earlier resolution passed by the members at the 18th Annual General Meeting held on 25th September, 2004 the Company hereby accords its consent to the Board of Directors to borrow any sum or sums of money from time to time from any one or more of the Company's Bankers and / or from any one or more other person, firms, bodies corporate, or financial institutions whether by way of cash credit, advance or deposit, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties whether movable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-progress and all or any of the undertakings of the Company notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed of Rs.1500 Crores only (Rupees One thousand Five hundred Crores only) and the Directors are hereby, further authorized to execute such deeds or debentures and debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Directors may think fit."

8. To consider and if thought fit to pass, with or without modification (s), the following resolution as an *Ordinary Resolution*:

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) of the Companies Act, 1956 the Board be and is hereby authorised to mortgage and /or charge all or any of the movable or immovable properties wherever situated both present and future of every kind whatsoever or the whole or substantially the whole of the undertaking or the undertakings of the Company for securing any loan obtained or as may be obtained from any Bank, Financial Institution or person or persons together with interest, costs, charges, expenses and any other money payable by the company for an amount not exceeding Rs.1500 Crores.

RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating the mortgages / charges / hypothecation / and accepting or making any alterations, changes, variations to or in terms and conditions, to do all such acts, deeds, matters and things and to execute all such acts, deeds, matters and things as it may consider necessary, for the purpose of giving effect to this resolution."

9. To consider and if thought fit to pass, with or without modification (s), the following resolution as *Special Resolution*:

“RESOLVED THAT in supersession of the earlier resolution passed by the Board of Directors and members of the Company and pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force, consent of the Company be and is hereby accorded for the re-appointment of Mr.K.Vasudeva Rao as an Executive Director of the Company for a period of 3 years with effect from 28th February, 2008.

RESOLVED FURTHER THAT Mr.K.Vasudeva Rao shall be paid and allowed the remuneration as per the following terms and conditions with effect from 28th February, 2008:

Salary	:	Rs.2,00,000/- per month
House Rent Allowance	:	Rs. 50,000/- per month
Other allowances	:	Rs. 50,000/- per month
TOTAL	:	<u>Rs.3,00,000/-</u> Per month

Perquisites:

- (a) Free use of Company's car with driver for Company's business.
(b) Free telephone facility at residence but personal long distance calls will be billed to Mr.K.Vasudeva Rao

RESOLVED FURTHER THAT the above remuneration shall be allowed and paid as the minimum remuneration to Mr.K.Vasudeva Rao, notwithstanding the absence or inadequacy of the profits in any Financial Year during the term of his office.”

10. To consider and if thought fit to pass, with or without modification (s), the following resolution as *Special Resolution*:

“RESOLVED THAT in supersession of the earlier resolution passed by the Board of Directors and members of the Company and pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force, consent of the Company be and is hereby accorded for the re-appointment of Mr.Pramod Kumar Jain as Whole Time Director of the Company for a period of 3 years with effect from 26th October, 2008.

RESOLVED FURTHER THAT Mr.Pramod Kumar Jain shall be paid and allowed the remuneration as per the following terms and conditions with effect from 26th October, 2008:

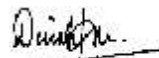
Salary	:	Rs.2,00,000/- per month
House Rent Allowance	:	Rs. 50,000/- per month
Other allowances	:	Rs. 25,000/- per month
TOTAL	:	<u>Rs.2,75,000/-</u> Per month

Perquisites:

- (a) Free use of Company's car with driver for Company's business.
(b) Free telephone facility at residence but personal long distance calls will be billed to Mr.Pramod Kumar Jain

RESOLVED FURTHER THAT the above remuneration shall be allowed and paid as the minimum remuneration to Mr.Pramod Kumar Jain, notwithstanding the absence or inadequacy of the profits in any Financial Year during the term of his office.

For and on behalf of the Board of
Directors of XL Telecom & Energy Limited



Dinesh Kumar
Managing Director

Place: Secunderabad
Date: 27th September, 2008

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF OR HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT OF PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
3. The relevant Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the special business set out above is annexed hereto.
4. Members / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
5. The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Saturday, 20th December, 2008 to Wednesday, 24th December, 2008, (both days inclusive).
6. Members are requested to address all their correspondence including change of address, mandates, transfer of shares etc. to the registrars Viz. M/s. Bigshare Services Pvt Ltd, G-10, Left Wing, Amrutha Ville Appt., Opp: Yashoda Hospital, Somajiguda, Rajbhavan Road, HYDERBAD 500 082.
7. Members seeking any information with regard to Accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
8. Dividend, if declared, will be paid to those shareholders, whose names appear on the Company's Register of Members as at the close of the business hours on 19th December, 2008.
9. The Securities and Exchange Board of India had made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend.
10. You are advised to encash your dividend warrants immediately as the dividend amount remaining unclaimed / unpaid at the expiry of seven years from the date that becomes due for payment are required to be transferred by the Company to the Investor Education and Protection Fund under Section 205C in terms of Section 205A of the Companies Act, 1956.
11. Payment of Dividend through Electronic Clearing Services (ECS).
The Securities and Exchange Board of India (SEBI) has advised the Companies to mandatory use ECS facility, wherever available, for distributing dividends or other cash benefits etc. to the investors. This facility provides instant credit of dividend amount to your Bank account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants.
Under this facility the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book / statement account. We would be issuing an advice to you directly after the transaction is effected.
In case you wish to have your dividends paid through ECS, and are holding the Company's shares in electronic form, you may kindly send ECS mandate form and submit it to your Depository Participant. However, in case you are holding the Company's Share in physical form and wish to have your future dividends paid through ECS, you may kindly send the ECS mandate form duly completed and signed by you at our Registered Office mentioned elsewhere in this report.
If you do not wish to opt for ECS facility, we strongly recommend to provide the details of your Bank's Name, Branch, type of Account and Account Number to your depository participant, in cases where shares are held in physical form for printing the same on the dividend warrants which will be dispatched to you. In the event of any change or correction in the details provided earlier, kindly send revised particulars to your Depository Participants or to us as the case may be, at an early date.
12. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the Company. Therefore, the shareholders willing to avail this facility may make nomination in Form 2B.
13. Additional information on Directors being re-appointed as required under Clause 49 (VI) of the listing agreement entered with the Stock Exchanges is given below:
At the ensuing 22nd Annual General Meeting, Mr.Rajiv Garg, Mr.R.Srinivasan and Mr.Ashok Kumar Goyal, Directors, retires by rotation and being eligible offers themselves for re-appointment.
Mr.Rajiv Garg aged 53 years is an Independent Director and has 28 years of experience in finance/general management. Mr. Rajiv Garg is an Engineer from Delhi. After passing Engineering in 1979, he joined State Bank of India and he has worked with various Corporate Capital Venture Fund, Jindal Group, Raymonds, etc and worked as a Chief Executive Officer in ZEE Telefilms Limited.

Dr R.Srinivasan Chairman and Independent Director, aged 77 years is a Doctorate in Banking and Finance - comes with good managerial expertise. He has held several Senior Managerial Positions in the Public Sector Banks like Chairman and Managing Director of Bank of India and Allahabad Bank for several years. He is also associated currently as Chairman/Director of several companies focussing in Software, Pharma, Gems & Jewellery, Tea, Paint in addition to Mutual Fund Industry.

Mr.Ashok Kumar Goyal, aged about 51 years, is an Independent Director and is a Chartered Accountant. He has more than 25 years of experience in managing businesses especially in financial, regulatory issues and more specifically Telecom and Office Automation sectors. He is founder Chairman of Global Advisors Ltd., and a Director of Spice Investments & Finance Advisors Pvt. Ltd.. He was involved as Executive Director in setting up the first Cellular Network in India for Modi Telestra Ltd.

EXPLANATORY STATEMENT

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

Item # 7: Authorisation to borrow funds for the Company

As per the provisions of Section 292 read with Section 293 of the Companies Act, 1956, Board of Directors of the Company is authorized to borrow funds for the company upto an aggregate of the paid-up share capital and free reserves apart from temporary loans obtained from the Company's Bankers in the ordinary course of business. Any borrowings beyond the paid up share capital and free reserves requires the approval of members in general meeting.

At present, Board of Directors of the Company is authorized to borrow funds for the purposes of the Company upto Rs.600 Crores including the temporary loans obtained from the Company's Bankers in the ordinary course of business. In view of the increasing operations and establishment of Solar cell manufacturing line and expansion of module line, the company requires additional working capital funds to execute the domestic and export orders. In this connection, it is proposed to authorise the Board of Directors of the Company to borrow funds for the purposes of the Company upto an amount not exceeding Rs.1500 Crores at any time, which requires approval of members in General Meeting. Hence, the resolution at item # 7 is submitted to the meeting for the members' approval.

None of the Directors is interested or concerned either directly or indirectly in the proposed resolution.

Item # 8: Mortgage, Charge and /or hypothecate the assets of the Company

Your Company may require providing the security of its properties both movable and immovable by way of mortgage/charge to the Bank(s) or financial institutions for securing the repayment of the funds borrowed from them.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of directors of a public company shall not, without the consent of the members in general meeting sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company. Since the mortgaging by the Company of its movable and immovable properties as aforesaid in favour of Banks, financial institutions etc, will be considered to be dispose of the company's properties and hence it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

None of the Directors is interested or concerned either directly or indirectly in the proposed resolution.

Item # 9: Re-appointment of Mr.K.Vasudeva Rao, Executive Director

The existing tenure of Mr.K.Vasudeva Rao as Executive Director expired on 27th February, 2008. Mr.K.Vasudeva Rao is a Chartered Accountant by profession, had played a key role in pre-Initial Public Offering, Initial Public Offering of the Company during 2006 and issue of Foreign Currency Convertible Bonds of the company during October, 2007. He has varied industry exposure like Engineering, Tea, Telecom and Software. He has been in Telecom Industry for over 15 years focussing Operations and software for over 6 years. Keeping in view of his vast experience, Board proposed to re-appoint him for a further period of Three years w.e.f. 28th February, 2008 and with a monthly remuneration of Rs.3,00,000/-.

The above proposal requires the approval of members by Special Resolution by virtue of Schedule XIII to the Companies Act, 1956.

None of the Directors except Mr.K.Vasudeva Rao, is deemed to be concerned or interested, directly or indirectly, in passing this resolution.

I. General Information:

1) Nature of industry

XL Telecom & Energy Ltd (XL) is a Two Decade old fast growing established profit making, Rs.656.53 Crores

Revenue, Telecom and Energy Company. In Telecom XL is engaged in manufacturing Telecom Equipment, largely CDMA Mobile Handsets, CDMA & GSM Fixed Wireless Phones, SMPS Power Systems etc., as one of the dedicated suppliers for Indian Telecom Operators/Service Providers like TATA, Reliance, BSNL, MTNL etc., and Network Integrators like NORTEL, ERICSSON etc.. In Energy Segment XL is engaged in new emerging products like Ethanol and Solar Photovoltaic Products. Currently Revenues from Telecom Segment are about 44.49% and Energy Segment is about 55.51%.

2) Date of commencement of commercial production

Commercial Operations of the Company have started during the year 1986.

3) Financial performance:

Performance of the Company for the last three years are as follows:

(Rs. in Lakhs)

Item	2007-08 (12 months ended on 30th June, 2008)	2006-07 (12 months ended on 30th June, 2007)	2005-06 (12 months ended on 30th June, 2006)
Income from Operations (Gross)	65401.51	52314.34	40833.23
Profit Before Interest, Depreciation & tax	7462.84	41163.63	2717.52
Profit after Tax	4014.33	2017.69	1067.17

4) Export performance and net foreign exchange earnings

Export performance of the Company for the last three years is as follows:

(Rs. in Lakhs)

Item	2007-08 (12 months ended on 30th June, 2008)	2006-07 (12 months ended on 30th June, 2007)	2005-06 (12 months ended on 30th June, 2006)
FOB value of goods realised	9325.70	210.96	21.07

(5) Foreign investments or collaborators, if any.

Foreign investments in the Company as on 30th June, 2008 are 47,70,509 equity shares. These shares are held by FIIs, FVCI, NRIs and Foreign Corporate Bodies.

At present the Company does not have any Collaboration, either technical or Financial. However, the Company has partnered with International Brand KYOCERA for establishing an assembly unit for CDMA Mobile Handsets.

The Company has signed the Memorandum of Understanding with Axisset Inc., California in 2005 to manufacture and deal in FWP with CDMA/GSM technology in Indian market.

II. Information about the appointee:

Background details

(1) Mr. K. Vasudeva Rao, aged 46 years is a Chartered Accountant and has held several senior positions in reputed organizations for over 17 years before taking over as Executive Director for XL Telecom & Energy Ltd. He was Executive Director for Goldstone Group for 5 years. Goldstone Technologies Ltd, a Software Company listed in NSE and BSE and had revenues of about Rs.50 Crores for over 5 years. He has served on the Boards of Goldstone Teleservices Ltd (NSE and BSE listed) for one year as Executive Director, founder and Director of Gold Island Cables Pvt. Ltd of Sri Lanka, founder and Managing Director of Goldstone Investech Ltd of Japan. He was involved as a working Board Member in Building Goldstone Group from the Rs.25 Crores revenues in 1997-98 to Rs.200 crores in 2001.

He was also on the Board of GSS America Infotech Ltd and NEST Ltd, a solar technology focused company.

He served Kirloskar Electric Co Ltd for over 3 years and handled their Debenture Issue for Rs.23 Crores in 1990-91 and Coorg Tea Company Ltd for a short period.

(2) Past remuneration

Mr.K. Vasudeva Rao was drawing a monthly salary of Rs.3,00,000/- per month.

(3) Recognition or awards

Nil

(4) Job profile and his suitability

Mr.K.Vasudeva Rao is taking care of corporate management activities including fund raising activities to establish various projects of the Company. He also closely works with the Managing Director in improving shareholders value.

Mr.K.Vasudeva Rao has worked with various companies in different positions and has varied industry exposure like Engineering (Kirloskar Electric), Tea, Telecom and Software. He has been in Telecom & Energy Industry for over 13 years focussing Operations and software for over 6 years. His vast exposure and experience will be an added advantage to the Company.

(5) Remuneration proposed

Remuneration proposed Rs.3,00,000/- per month.

(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

Compared to the remuneration profile of position and person with respect to this Industry and size, he is entitled to minimum remuneration of Rs. 3.00 Lakhs per month.

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any

NIL

III. Other information:

(1) Reasons for inadequate profits

The Company has significantly expanded its Energy business segment and the Section has normally a long gestation period. Telecom Segment is going through tough competition and has pruned gross margins due to unhealthy competition.

(2) Steps taken or proposed to be taken for improvement

In tune with the changing trend, the Company has already changed its focus to new and exiting sector i.e. Energy Sector. The Company proposes to diversify and venture into new emerging products like Ethanol, Denatured Spirit for fuels and Solar Products where the gross margins are almost double the telecom and the Company believes that the Energy Sector adds greater value for substantial expansion of the Company both in terms of productivity and profitability.

(3) Expected increase in productivity and profits in measurable terms.

Company is poised to achieve a turnover of more than Rs. 1000 Crores by June, 2009 and the Net profit of Rs. 90 Crores.

Item # 10: Re-appointment of Mr.Pramod Kumar Jain, Whole Time Director

The existing tenure of Mr.Pramod Kumar Jain as Whole Time Director expires on 25th October, 2008. He has been contributing to the company in Telecom activity and tying up with the suppliers in production of telecom products with great dedication and commitment. Further, he is playing a key role in the establishment of Solar cell project in Fab city, Hyderabad. Keeping in view the immense contribution of Mr.Pramod Kumar Jain, it is proposed to re-appoint him as Whole Time Director for a further period of Three years w.e.f. 26th October, 2008 and with a monthly remuneration of Rs.2,75,000/-.

The above proposal requires the approval of members by Special Resolution by virtue of Schedule XIII to the Companies Act, 1956.

None of the Directors except Mr.Pramod Kumar Jain, is deemed to be concerned or interested, directly or indirectly, in passing this resolution.

I. General Information:

(1) Nature of industry

XL Telecom & Energy Ltd (XL) is a Two Decade old fast growing established profit making, Rs.656.53 Crores Revenue, Telecom and Energy Company. In Telecom XL is engaged in manufacturing Telecom Equipment, largely CDMA Mobile Handsets, CDMA & GSM Fixed Wireless Phones, SMPS Power Systems etc., as one of the

dedicated suppliers for Indian Telecom Operators/Service Providers like TATA, Reliance, BSNL, MTNL etc., and Network Integrators like NORTEL, ERICSON etc.,. In Energy Segment XL is engaged in new emerging products like Ethanol and Solar Photovoltaic Products. Currently Revenues from Telecom Segment are about 44.49% and Energy Segment is about 55.51%.

(2) Date of commencement of commercial production

Commercial Operations of the Company have started during the year 1986.

(3) Financial performance:

Performance of the Company for the last three years are as follows:

(Rs. in Lakhs)

Item	2007-08 (12 months ended on 30th June, 2008)	2006-07 (12 months ended on 30th June, 2007)	2005-06 (12 months ended on 30th June, 2006)
Income from Operations (Gross)	65401.51	52314.34	40833.23
Profit Before Interest, Depreciation & tax	7462.84	41163.63	2717.52
Profit after Tax	4014.33	2017.69	1067.17

(4) Export performance and net foreign exchange earnings

Export performance of the Company for the last three years is as follows:

(Rs. in Lakhs)

Item	2007-08 (12 months ended on 30th June, 2008)	2006-07 (12 months ended on 30th June, 2007)	2005-06 (12 months ended on 30th June, 2006)
FOB value of goods Exported	9325.70	210.96	21.07

(5) Foreign investments or collaborators, if any.

Foreign investments in the Company as on 30th June, 2008 are 47,70,509 equity shares. These shares are held by FIIs, FVCI, NRIs and Foreign Corporate Bodies.

At present the Company does not have any Collaboration, either technical or Financial. However, the Company has partnered with International Brand KYOCERA for establishing an assembly unit for CDMA Mobile Handsets.

The Company has signed the Memorandum of Understanding with Axssotel Inc., California in 2005 to manufacture and deal in FWP with CDMA/GSM technology in Indian market.

II. Information about the appointee:

(1) Background details

Mr Pramod Kumar Jain, aged 42 years is the Whole-time Director of the company and is a Telecom Engineering Graduate. He is having 17 years of experience in the Telecom Industry. He has diversified exposure to various telecom technologies such as optical transmission, data networking, operation support systems, wireless and mobile communication systems, etc. He has held important positions with Companies like Lucent Technologies Pty. Ltd., Singapore, Reliance Telecom Ltd., National Telecom Ltd., and Optel Telecommunications Ltd., in wireless telecommunication.

(2) Past remuneration

Mr.Pramod Kumar Jain was drawing a monthly salary of Rs.2,75,000/- per month.

(3) Recognition or awards

Nil

(4) Job profile and his suitability

Mr.Pramod Kumar Jain, Whole Time Director is head of Telecom Segment of the Company. He takes care of telecom product feasibility, planning and execution in production of telecom products to meet the customer requirements. He closely associate with the Managing Director. His vast and rich experience in telecom technologies

is an added advantage to the Company.

(5) Remuneration proposed

Remuneration proposed Rs.2,75,000/- per month.

(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

Compared to the remuneration profile of position and person with respect to this Industry and size, he is entitled to minimum remuneration of Rs. 2.75 Lakhs per month.

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any

NIL

III. Other information:

(1) Reasons for inadequate profits

The Company has significantly expanded its Energy business segment and the Section has normally a long gestation period. Telecom Segment is going through tough competition and has pruned gross margins due to unhealthy competition.

(2) Steps taken or proposed to be taken for improvement

In tune with the changing trend, the Company has already changed its focus to new and exiting sector i.e. Energy Sector. The Company proposes to diversify and venture into new emerging products like Ethanol, Denatured Spirit for fuels and Solar Products where the gross margins are almost double the telecom and the Company believes that the Energy Sector adds greater value for substantial expansion of the Company both in terms of productivity and profitability.

(3) Expected increase in productivity and profits in measurable terms.

Company is poised to achieve a turnover of more than Rs. 1000 Crores by June, 2009 and the Net profit of Rs. 90 Crores.

For and on behalf of the Board of
Directors of XL Telecom & Energy Limited



Dinesh Kumar
Managing Director

Place: Secunderabad
Date: 27th September, 2008

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twenty Second Annual Report of the Company together with the Audited statement of accounts for the year ended 30th June, 2008.

Financial Results

Particulars	Rs (in Lacs)	
	30th June, 2008	30th June, 2007
Income from Operations	65,651.37	52,980.78
Less: Duties and Taxes	249.85	666.44
Net Income from Operations	654,01.51	52,314.34
Other Income	222.51	142.02
Profit Before depreciation, Interest and Tax	7,462.84	4,096.74
Interest & Financial Charges	2,595.80	1,393.84
Depreciation	213.40	161.99
Profit Before Tax	4,653.64	2,560.80
Provision for Income Tax	575.00	504.73
Provision for Fringe Benefit Tax	26.59	16.06
Deferred Tax	37.72	22.32
Profit After Tax	4014.33	2,017.69
Dividend (%)	15%	10%
Equity Capital (Rs.)	187854520	145014160
Earnings per Share (Rs.)	21.73	13.91

The Company has achieved Rs.65651.37 lacs revenues for the year compared to previous year revenues of Rs.52980.78 lacs registering a growth of 24%. The Company has earned a profit after tax for the year of Rs.4014.33 lacs as against Rs.2017.69 lacs for the previous year registering a growth of 99%.

Segment wise revenues of your company are as under:

Segment wise revenue	Rs in Lacs	
	2007-08	2006-07
I . TELECOM	29,104.35	43,774.03
II. Energy	36,547.02	9,206.75
Total revenues	65,651.37	52,980.78

Dividend and Transfer to Reserves

The Directors recommended for consideration of the shareholders at the ensuing 22nd Annual General Meeting, payment of final Dividend of Rs.1.50 per Equity Share of Rs. 10/- each. This would result in cash outflow of Rs. 281.78 lacs and tax on Dividend of Rs. 47.89 lacs of the Company for the period ended on 30th June, 2008. Your Directors propose to transfer Rs. 200.72 Lacs to General Reserves for the year.

Subsidiary Companies

The information as required under Section 212 (1) of the Companies Act, 1956 is attached to this Annual Report.

Foreign Currency Convertible Bonds

Pursuant to the approval accorded by the members on 26th September, 2007, Company raised US\$ 40 million in October 2007 through an issue of Zero Coupon Foreign Currency Convertible Bonds (FCCBs) due in 2012. The FCCBs have a maturity period of 5 years and 1 day and are listed at Singapore Stock Exchange. The FCCBs, if fully converted into equity shares, will result in increase of capital of the Company by approximately 61,21,538 equity shares of Rs.10/- each. The said FCCBs are convertible by Bondholders into equity shares at any time on or after 29th October, 2007 upto the close of the business on 22nd October, 2012.

Warrants

Pursuant to the approval accorded by the members on 26th September, 2007, the Company had issued and allotted 52,50,000 warrants to the promoters and others in October, 2007. The warrants will be convertible into equity shares within 18 months. The warrants, if fully converted into equity shares, will result in increase of capital of the company by 52,50,000 equity shares of Rs.10/- each.

Changes in Share Capital

Out of USD 40 million FCCBs, the Bondholders requested for conversion of USD 19.76 mill FCCBs. On conversion, the company issued and allotted 30,24,036 equity shares of Rs.10/- each at a premium of Rs.250/- per share. The outstanding balance of FCCBs as on 30th June, 2008 is USD 20.24 million.

During the year your company issued and allotted 52,50,000 warrants to the promoters/promoter group and others. Out of the above, 12,60,000 warrants were converted and the company issued and allotted 12,60,000 equity shares of Rs.10/- each at a premium of Rs.125/- each.

Consequent to the above, the share capital of the Company was increased to 18785452 equity shares of Rs.10/- each.

Change of Registered Office

The Registered Office of the Company was changed from 335, Chandralok, S.D.Road, Secunderabad to C2, Pooja Plaza, Vikramপুরi, Secunderabad 500009 w.e.f 26th July, 2008

Certifications

Your company is an ISO 9001:2000 certified Company. During the year under review, your company accredited with TuV certification from Germany.

Conservation of Energy, Technology Absorption etc

As required by the Companies (Disclosure of particulars in the report of Directors) Rules, 1988, the relevant data relating to conservation of energy, technology absorption and other details are given in the prescribed format as annexure to this report.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Director's Responsibilities Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the Financial Year ended 30th June, 2008, the applicable accounting standards have been followed and there are no material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements 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 financial year ended on 30th June, 2008 and of the profit of the Company for that period;
- (iii) that 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;
- (iv) that the directors had prepared the accounts for the financial year ended 30th June, 2008 on a 'going concern' basis.

DIRECTORS

In accordance with the Companies Act, 1956 and Articles of Association of the Company, Mr.Rajiv Garg, Mr.R.Srinivasan and Mr.Ashok Kumar Goyal Directors, retire by rotation at the ensuing 22nd Annual General Meeting and being eligible have offered themselves for re-appointment.

AUDITORS

M/s. Satyanarayana & Co, Chartered Accounts, the retiring auditors of the Company, are eligible for re-appointment. The requisite certificate to the effect that the re-appointment, if made, will be within the limit specified in Section 224 (1-B) of the Companies Act, 1956 has been received from them.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the annexure included in the Directors' Report.

However, as per the provisions of Section 219(1)(b)(v) of the Companies Act, 1956, the Directors' Report and the accounts are being sent to all members of the Company excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Company.

DEPOSITS

During the year under review your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock exchanges, a separate section on Corporate Governance is enclosed herewith which forms part of the Annual Report.

A certificate from the Practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated under the Clause 49 of the Listing Agreement is annexed to this Report.

Management Discussion & Analysis

Management Discussion & Analysis of the financial condition and results of operations of the Company for the period under review as required under Clause 49 of the Listing Agreement, is given as a separate statement forming part of the Annual Report.

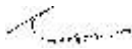
ACKNOWLEDGEMENTS

Your Directors would like to express their appreciation for the sincere efforts put in by the dedicated team of employees of the Company resulting in successful performance during the period under review.

Your Director would like to place on the record their sincere appreciation for continuous support extended by the Company's Bankers and Financial Institutions.

Last but not the least, Your Directors also wish to place on record their thanks to stake holders of the Company for the confidence reposed on the management of the Company.

For and on behalf of the Board of Directors
For XL TELECOM & ENERGY LIMITED


Dr.R.Srinivasan
Chairman

Place: Secunderabad
Date: 27th September, 2008

ANNEXURE TO DIRECTORS' REPORT
INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE
REPORT OF THE BOARD OF DIRECTORS) RULES 1988

(1) CONSERVATION OF ENERGY:

a) Energy Conservation Measures taken

Company has taken all possible measures to conserve the energy wherever possible and continues to accord high priority. Possible steps have been taken to create awareness among employees on the necessity of conservation of energy.

b) Additional Investment and proposals, if any, being implemented for reduction of conservation of energy. No additional investment is proposed.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

NIL

d) Total Energy Consumption and energy consumption per unit of production

NIL

(II) Technology Absorption:

(A) RESEARCH AND DEVELOPMENT: NIL

(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts made , in brief, toward technology absorption, adaptation and innovation and benefits derived out of such efforts: Nil

b) Import of Technology: Nil

(III) FOREIGN EXCHANGE EARNINGS AND OUTGO

	Rs.in Lakhs	Rs.in Lakhs
	2007-2008	2006-2007
<u>Earnings</u>		
• FOB Value of goods exported	9325.70	210.96
<u>Expenditure</u>		
• Travelling	84.24	41.33
• Value of imports calculated on C.I.F. basis:		
☞ Raw Materials	27,982.33	10,299.07

CORPORATE GOVERNANCE REPORT

1. A brief statement on company's philosophy on code of governance.

The Company's philosophy on Corporate Governance envisages 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, lenders and the society. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time. In our commitment to practice sound governance principles, we are guided by the following principles:

- Transparency
- Disclosures
- Accountability
- Compliances
- Ethical conduct
- Stakeholders' Interests

2. Board of Directors:

- i) The Company has 11 Directors with a Non-Executive Chairman. Of the 11 Directors, 6 are Non-Executive Directors and 5 are Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreements.
- ii) None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on June 30, 2008 have been made by the Directors.
- iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Name of the Director	Category	No. of Board meetings during the year 2007-08		Whether attended last AGM held on 26 th Sept, 2007	No. of Directorships in other public companies		No. of committee positions held in other public Companies	
		Held	Attended		Chairman	Member	Chairman	Member
Mr.R.Srinivasan Chairman	Independent, Non-Executive	5	5	No	—	8	3	6
Mr.N.C.Singhal	Independent, Non-Executive	5	3	No	1	11	2	3
Mr.Rajiv Garg	Independent, Non-Executive	5	2	Yes	---	2	---	---
Mr.Ashok Kumar Goyal	Independent, Non-Executive	5	2	No	1	1	---	---
Mr.Wolfgang Knop	Independent, Non-Executive	5	—	No	---	---	---	---
Mr.Dinesh Kumar Managing Director	Promoter, Executive, non-independent	5	5	Yes	1	3	---	---
Mr.K.Vasudeva Rao	non-independent, Executive	5	5	Yes	---	2	---	2
Mr.Aneesh Mittal	non-independent, Executive promoter	5	4	Yes	---	---	---	---
Mr.Pramod Kumar Jain	non-independent, Executive	5	5	Yes	---	---	---	---
Mr.V.Visweswara Rao	non-independent, Executive	5	5	Yes	---	2	---	---
Ms.Ritu Lal Kumar	Non-Independent, Non Executive	5	4	Yes	---	3	---	---

- iv) 5 Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:
16th August, 2007, 1st September, 2007, 31st October, 2007, 31st January, 2008 and 29th April, 2008
- v) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.
- vi) During the year, information as mentioned in Annexure 1A to Clause 49 of the Listing Agreements has been placed before the Board for its consideration.

3. Audit Committee:

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

1. Brief description of terms of reference

- i) Authority to investigate any matter pertaining to the items specified in section 292A of the Companies Act or referred to it by the Board
- ii) Investigate any activity within its terms of reference
- iii) 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
- iv) Reviewing with management the annual financial statements
- v) Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- vi) Reviewing the adequacy of internal audit function, 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
- vii) Reviewing the Company's financial and risk management policies
- viii) Periodic discussion with the auditors about internal control systems, scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

2. The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Name	Category	No. of meetings during the year 2007-08	
		Held	Attended
Dr R.Srinivasan, Chairman	Non Executive Chairman	4	4
Mr. Rajiv Garg	Independent Director	4	2
Mr. Ashok Kumar Goyal	Independent Director	4	2
Mr. K.Vasudeva Rao	Executive Director	4	4

3. Four Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: 1st September, 2007, 31st October, 2007, 31st January, 2008 and 29th April, 2008.

The necessary quorum was present at all the meetings.

4. Remuneration Committee:

- i. The Company has constituted a Remuneration Committee of Directors.
- ii. The broad terms of reference of the Remuneration Committee are as under:
 - a) To approve the terms and conditions for appointment and remuneration payable to Managing Director and other Executive Directors
 - b) To approve the remuneration payable to executives of the Company and other matters related thereto.
- iii. The composition of the Remuneration Committee and the details of meetings attended by the members of the Remuneration Committee are given below:

Name	Category	No. of meetings during the year 2007-08	
		Held	Attended
Dr R.Srinivasan, Chairman	Non Executive Chairman	1	1
Mr. Rajiv Garg	Independent Director	1	1
Mr. Ashok Kumar Goyal	Independent Director	1	--
Mr. Wolfgang Werner Knop	Independent Director	1	-

iv. One meeting of the Remuneration Committee were held during the year on 16th August, 2007.

v. The Company does not have any Employee Stock Option Scheme.

vi. Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce.

The company pays sitting fees to the Non-Executive Directors and reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

vii. Details of Remuneration for the year ended June 30, 2008:

a. Non-Executive Directors

Name	Sitting Fees (Rs)
Dr. R.Srinivasan	87,500
Mr.Naresh Chand Singhal	30,000
Mr. Rajiv Garg	35,000
Mrs.Ritu Lal Kumar	40,000

b. Managing Director & Executive Directors

Name	Salary	Perquisites & Allowances
Mr. Dinesh Kumar	1,20,00,000	30,00,000
Mr. K.Vasudeva Rao	36,00,000	---
Mr. V.Visweswara Rao	36,00,000	---
Mr. Aneesh Mittal	24,00,000	---
Mr. Pramod Kumar Jain	33,00,000	---

5. Shareholders / Investors Grievance Committee:

i. The Company has constituted a Shareholders / Investors Grievance Committee of Directors to look into the approval of transfer/transmission /demat/remat of shares, issue of duplicate, splitup, consolidation, renewal of share certificate, non receipt of balance sheet, non receipt of declared dividends etc.

ii. Seven meetings of the Shareholders / Investors Grievances Committee were held during the year on 23rd October, 2007, 1st November, 2007, 28th November, 2007, 17th December, 2007, 28th December, 2007, 24th January, 2008 and 31st March, 2008.

iii. The composition of the Shareholders / Investors Grievance Committee and the details of meetings attended by its members are given below:

Name	Category	No. of meetings during the year 2007-08	
		Held	Attended
Mr. Rajiv Garg, Chairman	Independent Director	7	-
Mr. Dinesh Kumar	Managing Director	7	7
Mr. K. Vasudeva Rao	Executive Director	7	7

iv. Name, designation and address of Compliance Officer:

Mr. K.Sateesh Gupta
Company Secretary
XL Telecom & Energy Ltd
C2, Pooja Plaza, Vikrampuri, Secunderabad 500 009
Tel: 040 2777 5568 Fax: 040 27840081, E-mail : satish@xltelemetry.com

v. Details of Complaints received:

Opening Balance	Received during the year	Resolved during the year	Closing Balance
NIL	22	22	Nil

6. Management Committee

- During the year, Company has constituted a Management Committee of Directors in order to take decisions in day to day operations of the Company viz., opening of Bank accounts, day to day administrative and financial functions, to appoint attorneys for general or specific purposes, to authorise company executives to institute civil suits, to borrow money for working capital requirements and etc.
- The terms of references of the Committee are:
 - Mr.Dinesh Kumar, Managing Director of the Company shall be the Chairman of the Management Committee.
 - The quorum for the Committee meetings shall be TWO members or one third of the total number of members whichever is higher.
 - The Company Secretary shall be the Secretary of the Management Committee and shall issue the Notices for the management Committee meetings, prepare minutes of the meetings of the Committee and get the same ratified by the Board of Directors.
- Twelve meetings of the Management Committee were held during the year on 3rd September, 2008, 21st November, 2007 and 23rd January, 2008, 6th February, 2008, 13th February, 2008, 23rd February, 2008, 13th March, 2008, 27th March, 2008, 8th May, 2008, 13th May, 2008 and 23rd June, 2008.

The composition of the Management Committee and the details of meetings attended by its members are given below:

Name	Category	No. of meetings during the year 2006-07	
		Held	Attended
Mr. Dinesh Kumar	Managing Director	12	12
Mr. K.Vasudeva Rao	Executive Director	12	12
Mr. V.Visweswara Rao	Director (Finance)	12	12

7. General Body meetings:

i. Location and time, where last three AGMs held.

Year	Date & Time of Meeting	Venue	Special Resolutions
2006-07	September 26, 2007 at 11.00 A.M.	Plot No.198/A, IDA Cherlapally, Hyderabad - 500051	1) U/s 31 of the Companies Act, 1956, to alter the capital clause of the Articles of Association 2) U/s 81 of the Companies Act, 1956, issue of FCCBs/GDRs/ADRs /Convertible securities/Shares 3) U/s 81 of the Companies Act, 1956, issue of warrants 4) U/s 257, 198, 269,309 of the Companies Act, 1956, appointment of Mr.Visweswara Rao as Director (Finance)
2005-06	December 16, 2006 at 12.00 Noon	335, Chandralok Complex, S.D.Road, Secunderabad - 3	U/s 16, 17 & 18 of the Companies Act, 1956, alteration of Main Objects of the company.
2004-05	September 28, 2005 at 12.00 Noon	335, Chandralok Secunderabad - 3	U/s 224A of the Companies Act, 1956, appointment of Auditors of the Company

ii. No Postal Ballot was conducted during the year.

8. Disclosures:

- i) There are no transactions with related parties excepting the investment in Subsidiaries as stated under investments.
- ii) 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 period from July 1, 2007 to June 30, 2008: NIL
- iii) In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.
- iv) The Company adopted the Code of Conduct for Directors and Senior Management. The code has been circulated to all the members of the Board and Senior Management and the same has been put on the company's website www.xltenergy.com. The Board members and senior management have affirmed their compliance with the code and a declaration signed by the Managing Director of the Company (i.e. CEO within the meaning of Clause 49 of the listing Agreement) is given below:

"It is hereby declared that the Company has obtained from all members of the Board and senior management affirmation that they have complied with the code of conduct for directors and senior management of the Company for the financial year 2007-08."

Secunderabad
27th September, 2008

Dinesh Kumar
Managing Director

- v) A certificate from the CEO (Managing Director) and CFO (Director (Finance)) was placed before the Board under clause 49 (V) of the Listing Agreement.
- vi) In compliance with the Securities & Exchange Board of India (Prevention of Insider Trading) Regulations, 1992, the Company has framed a Code of Conduct for prevention of insider trading by the company insiders.
- vii) A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/ paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.
- viii) The Board in its report have confirmed that the financial accounts for the period ended 30th June, 2008 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.
- xi) The details of the shares/convertible warrants held by the Non Executive Director as on 30th June, 2008:

Name of the Non-Executive Director	No.of Equity shares	No.of convertible warrants
Mr.Rajiv Garg	12,000	40,000

- x) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreements with the Stock Exchanges:

The Company has set up a Remuneration Committee details of which have been given earlier in this Report.

9. Means of communication:

- (a) The quarterly, half yearly and Annual results of the Company are normally published in The Business Standard and Surya Telugu daily.
- (b) The results are also displayed on the Company's website "www.xltenergy.com".
- (c) Press releases made by the Company from time to time are also displayed on the website. Presentations made to the institutional investors and analysts after the declaration of the quarterly results are displayed on the Company's website.
- (d) A management Discussion and Analysis statement is a part of the Company's Annual Report.
- (e) Annual Reports and other communications will be sent through Post.

10. General Shareholder information:

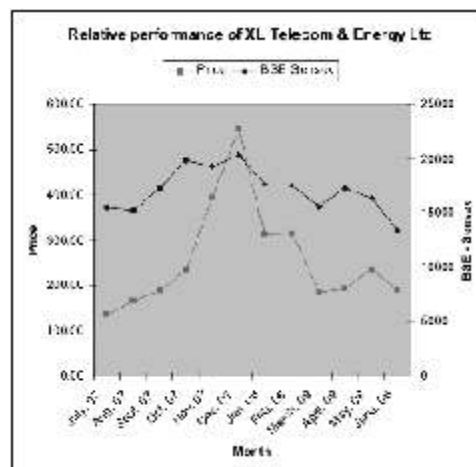
i) Annual General Meeting

Date : December 24, 2008
Time : 11.00 A.M.

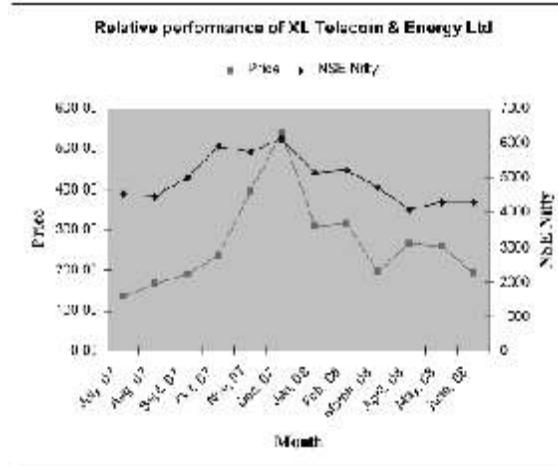
- Venue : Company's plant at Plot No.198/A, IDA, Cherlapally, Hyderabad - 500051
- ii) Financial year
 Year ending : June 30
- iii) Date of Book closure : Saturday, 20th December, 2008 to Wednesday, 24th December, 2008
- iv) Dividend Payment Date : Within 30 days from the date of AGM
- v) Listing on Stock Exchanges : 1. The Company's equity shares are currently listed in Bombay Stock Exchange Limited and National Stock Exchange of India Limited and the company paid the annual listing fee upto 31st March, 2009.
 2. Zero Coupon Foreign Currency Convertible Bonds (FCCBs) are listed at Singapore Exchange Securities Trading Limited (SGX-ST)
- vi) Stock Code / Symbol : for equity shares
 BSE : 532788 & XLTELENE
 NSE : XLTL
 ISIN for FCCBs
 Singapore Stock Exchange: XS0325291861
- vii) Market Price Data: High, Low during each month in last financial year

Month	BSE		NSE	
	High	Low	High	Low
July, 2007	143.90	120.00	144.60	119.50
August, 2007	164.95	122.00	165.05	122.00
September, 2007	208.40	167.40	208.40	164.80
October, 2007	242.50	191.70	245.60	189.00
November, 2007	428.60	233.00	433.25	227.00
December, 2007	595.00	380.05	594.00	380.00
January, 2008	535.95	299.00	548.00	296.00
February, 2008	339.00	284.65	340.00	284.85
March, 2008	310.50	185.30	311.00	183.70
April, 2008	274.00	193.10	274.00	194.00
May, 2008	294.00	235.00	294.40	233.10
June, 2008	284.70	188.10	284.40	172.45

viii. Stock Performance in comparison to broad-based indices - BSE Sensex



Stock Performance in comparison to broad-based indices -NSE Nifty



ix) Registrar and Transfer Agents

The company has appointed M/s. Bigshare Services Private Limited as its Registrar & Share Transfer Agents. Shareholders are advised to approach Bigshare Services Private Limited on the following address for any share and demat related queries and problems:

Bigshare Services Pvt Ltd,
 G-10, Left Wing, Amrutha Ville Appt.,
 Opp: Yashoda Hospital, Somajiguda,
 Rajbhavan Road, HYDERBAD 500 082

Tel: +91 40 23374967 Fax: +91 40 23370295
 E-mail: bsshyd@bigshareonline.com, hyd2_bigshare@yahoo.com, Website: www.bigshareonline.com

x) Share Transfer System

All physical share transfers are handled by Bigshare Services Private Limited. The transferee is required to furnish transfer deed duly complete in all respects together with the share certificates to Bigshare Services Private Limited at the above said address in order to enable them to process the transfer. As regard transfers of dematerialized shares, the same can be effected through the demat accounts of the transferor(s) and transferee(s) maintained with recognized Depository Participants.

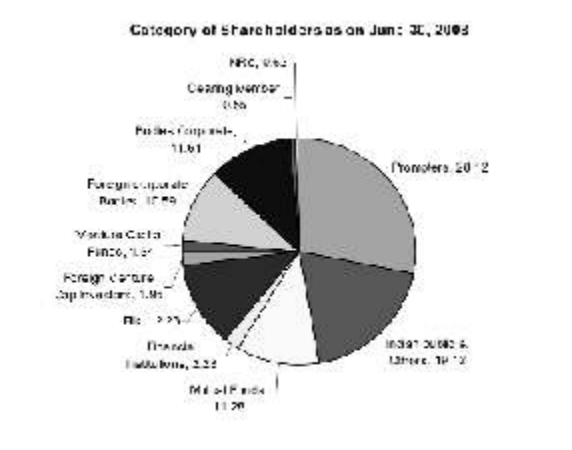
xi) Distribution of shareholding

Distribution of shareholding as on 30th June, 2008

Range (in Rupees)	No. of shareholders	% of shareholders	No. of shares	% of shareholding
1 - 5000	14500	94.47	1077642	5.74
5001 - 10000	394	2.57	312452	1.66
10001 - 20000	204	1.33	306638	1.63
20001 - 30000	56	0.36	144373	0.77
30001 - 40000	32	0.21	114040	0.61
40001 - 50000	29	0.19	136990	0.73
50001 - 100000	38	0.25	277130	1.48
Above 100000	96	0.63	16416187	87.39
Total	15349	100.00	18785452	100.00

A. Categories of Shareholders as on 30th June, 2008:

Category	No. of Shares	Percentage
Promoters	5283312	28.12
Indian Public & others	3591665	19.12
Mutual Funds	2118774	11.28
Financial Institutions	427840	2.28
Foreign Institutional Investors	2297229	12.23
Foreign Venture Capital Investors	368994	1.96
Venture Capital Funds	308101	1.64
Foreign Corporate Bodies	1988753	10.59
Bodies Corporate	2181558	11.61
NRIs	115533	0.55
Clearing Member	103693	0.62
Grand Total	18785452	100.00



xii. Dematerialization of shares and liquidity

The Company has admitted its shares to the depository system of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of shares. The International Securities Identification Number (ISIN) allotted to the Company is INE 183H01011. The equity shares of the Company are compulsorily traded in dematerialized form as mandated by SEBI.

Out of 1,87,85,452 equity shares, 1,62,45,041 equity shares constituting 86.48% of total equity share capital are held in dematerialized form with NSDL and CDSL as on 30th June, 2008.

xiii. Date of transfer of unclaimed dividend

Financial Year	Type of Dividend	Date of declaration	Amount outstanding as on 30-06- 2008	Due for transfer on
2006-07	Interim Dividend	22-01-2007	Rs.96,444.00	01-03-2014

The dividends for the period listed above, which remain unclaimed for seven years will be transferred to Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956. The above table gives the transfer date in this regard. Shareholders who have not claimed these dividends are, therefore, requested to do so before they are statutorily transferred to the Investor Education and Protection Fund. Shareholders who have not encashed their dividend warrants relating to the dividend specified above are requested to immediately approach M/s Bigshare Services Private Limited, Hyderabad for the issue of duplicate warrants / demand drafts in lieu of the dividend warrants.

xiv. Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

As on June 30, 2008, the following are the outstanding convertible Foreign Currency Convertible Bonds (FCCBs) and warrants:

Outstanding FCCBs	: USD 20,240,000
Warrants	: 39,90,000 warrants convertible into 39,90,000 equity shares of Rs.10/- each

If the FCCBs and warrants are fully converted, will result in increase of 70,87,498 equity shares of the Company. Further, Company did not have any outstanding GDRs/ ADRs as on 30th June, 2008.

xiv. Plant Locations

- | | |
|--|--|
| 1. Jointing Kits Division
Shed No. 30 & 31
I.D.A., Mallapur, Hyderabad - 500 076. | 2. SPV Division
Shed No. 32, I.D.A.,
Mallapur, Hyderabad - 500 076. |
| 3. SMPS & CDMA Division:
Plot No. 198/A, I.D.A., Cherlapally,
Hyderabad - 500 051. | 4. Ethanol Division:
Plot Nos. B 8 to B 10, &
B 18 to B21, MIDC, Kushnoor
NANDED (District), Maharastra State |

xv. Address for correspondence

Registered Office
C2, Pooja Plaza, Vikrampuri
Secunderabad 500 009
Tel : 040 27775568 Fax : 040 27840081
Email : info@xltelemetry.com
Website : www.xltelemetry.com

COMPLIANCE CERTIFICATE

TO THE MEMBERS OF
XL TELECOM & ENERGY LIMITED

We have examined the compliance of conditions of Corporate Governance by XL Telecom & Energy Limited, for the year ended June 30, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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 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 according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We 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 R&A Associates
Company Secretaries

R.Ramakrishna Gupta
Partner
C.P.No.6696

Hyderabad, September 27, 2008

MANAGEMENT DISCUSSION & ANALYSIS

Forward looking statements

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include cost of inter connection charges, determination of tariff and such other charges and levies by the regulatory authority, changes in government regulations, tax laws, economic developments within and outside the country and such other factors.

The following discussions on our financial condition and results of operations should be read together with our audited financial statements and the notes to those statements included in the Annual Report. The following discussions are based on our audited financial statements for the period ended 30th June, 2008 and on information available from other financial records of the Company.

Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", "XL" are to XL Telecom & Energy Limited.

Overall review

XL Telecom & Energy Limited was originally incorporated as a Private Limited company under Companies Act, 1956 on October 3, 1985 in the name of "XL Cable Splices Private Limited". Subsequently the name of the company was changed to "XL Telecom Private Limited" on December 18, 1985. Later, the Company changed its status to a public limited with effect from December 31, 1990. The name of the Company was again changed from XL Telecom Limited to XL Telecom & Energy Limited with effect from 7th March, 2007. The equity shares of the Company were listed on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. with effect from 28th December, 2006.

Solar Industry

Solar power systems are used for a variety of residential, commercial and industrial applications generally described as either "on-grid" or "off-grid" in nature. The market for "on-grid" applications, where solar power is used to supplement electricity purchased from the utility network, represents the largest and fastest growing segment of the market. According to Solarbuzz, in 2005, the global on-grid segment grew by 42% to 1,262 MW, and since 2001, the on-grid segment has grown at an average annual rate of approximately 55%. We believe the majority of our products are used in on-grid applications.

"Off-grid" markets, where access to utility networks is not physically feasible or economical, offer additional opportunities for solar technology. Off-grid industrial applications include road signs, highway call boxes, communications support along remote pipelines and telecommunications equipment, as well as rural residential applications. Off-grid consumer applications include portable recreational power modules, garden lights, marine lighting and camping equipment. As reported by Solarbuzz, the off-grid market grew 2% in 2005, to 198 MW, and has grown at an average of 12% per annum since 2001.

According to Solarbuzz, between 2001 and 2005, total annual solar power system installations increased globally from 345 MW to 1,460 MW, representing a compound annual growth rate of 43%, and global installations of solar power systems are expected to grow at a compound annual growth rate of 17% from 1,460 MW in 2005 to 3,250 MW by 2010. Solarbuzz forecasts continued strong growth globally, with sales increasing from \$9.8 billion in 2005 to an estimated \$18.6 billion by 2010, a 14% compound annual growth rate. Despite this rapid growth, solar energy constitutes only a small fraction of the world's energy output. The development and increased usage of solar power is, and for the foreseeable future will be, affected by the existence of government incentives. A growing number of countries have established attractive incentive programs for the development of solar and other renewable energy sources. In 2005, two of the three largest markets for solar products, as measured by total installations per annum, were Germany and the United States, each having significant government subsidy programs for solar power. Other countries in which XL sells its products such as Spain, France and Italy also have significant government subsidy programs for solar power.

Solar Energy Evolution Timeline

- 1950s First photovoltaic cell created at Bell Labs.
- 1958 Federal support for space program linked to Vanguard satellite.
- 1970s Integrated buildings program started by DOE focusing on design and demonstration for buildings.
- 1974 Solar Energy Industry Association founded.
- 1978 PV energy commercialization program accelerating installation of PV systems in federal facilities.
- 1981 Boeing and Kodak develop first PV cells with efficiency greater than 10%.
- 1989 Renewable Energy and Efficiency Technology Act passed to improve module efficiencies and electric power production costs.
- 1989 PV for Utility Scale Applications, a nation-wide private/public program, started to assess the viability of utility-scale PV systems.
- 1992 15% efficiency achieved by a PV cell.
- 1993 Record efficiencies in poly & Mono crystalline devices, approaching 15% and 30%.
- 1994 First solar dish generator using free piston Sterling engine.
- 1994 3M Company introduces a new silvered plastic film for solar applications.
- 2004 Worldwide solar energy PV installations were 927MW, up from 574MW in 2003.
- 2004 Solar energy growth for the past 15 years was 25% worldwide.
- 2006 California Public Utilities Commission approved the California Solar Initiative (CSI), a comprehensive \$2.8 billion program that provides incentives toward solar development over 11 years.

Market Opportunity:

Globally, energy is fast emerging as a critical issue, especially as existing power generation options have limitations in terms of growth potential and long-term sustenance. With the Sun supplying 10,000 times the amount of energy needed every year by Earth, and with technological breakthroughs fast lowering harnessing and distribution costs, solar power is fast emerging as the most viable and eco-friendly power generation option for tomorrow with no moving parts, no noise and zero emissions.

Solar Market grew by 30% over in the last 18 years. In Year 2006, the global market for PV energy was 2 GW, grew by 41% compared to the previous year. Market is projected to grow from \$15.6 Billion in 2006 to \$69.3 Billion by 2015. Further California Solar Initiative should add another incremental \$13.2 Billion cumulatively.

The PV space is expected to grow five-fold to a global market size of Rs 300,000 crore (\$70 billion) by Year 2015 as per Clean Edge Energy research. As the group is one of the early entrants in this space, and having exposure to domestic and international markets since 1994, Saptashva is well-positioned to leverage this explosive growth curve.

UBS's global demand estimate is for solar electricity to grow from 5GW in 2008 to 22GW by 2012 (a 46% CAGR). It expects Spain, Italy, and France to increase to 35% by 2012 (up from 27% in 2007) of the global market and drive solar growth in the near term. Its estimate for global solar demand in 2010 is 10GW, which is the base case scenario. The aggressive case assumes faster adoption of solar PV in key growth markets of Spain and the US, with the approval of higher feed-in tariffs in Spain and passage of an energy bill in the US, which includes the extension of Solar Investment Tax Credits with removal of the residential cap and utility exemption.

Given the uncertainty of solar in the US market in 2009 and 2010, UBS believes it is more prudent to assume the conservative scenario. However, if the US Energy Bill passes with the solar investment tax credits included, UBS believes the more likely scenario would be closer to its aggressive case of 13GW by 2010. The conservative scenario assumes a five-year CAGR of 30%, resulting in 5.5GW by 2010, and the aggressive scenario assumes a five-year CAGR of 55%, resulting in 13GW in 2010. The conservative scenario is based on sustaining the 2002-07 solar CAGR of 30%. Global solar demand reached 2GW in 2006, and UBS believes demand could grow by 70% in 2007 to reach 3.4GW led by demand growth in Spain and Germany. It estimates that global demand will grow at a steady rate above 40% year over year until 2011, as solar PV generated electricity cost approaches grid electricity in regions with high retail electricity rates and high solar irradiance.

Solar Demand Driven Mostly by Europe in Near Term

In 2006, the three biggest markets for solar Germany, Japan, and the US accounted for 80% of the total global demand for solar PV. By 2012, these markets account for 47% of total global PV demand; however, countries such as Spain, Greece,

France, Italy, Canada, and Korea, and other non OECD countries grow their PV markets at CAGRs exceeding 100%.

The fastest growing markets for solar PV over the next three years are expected to be Spain (CAGR 105%), France (CAGR 141%), Italy (CAGR 126%), Portugal (CAGR 122%), Greece (CAGR 116%), and South Korea (CAGR 106%). These countries should grow to represent 41% of the global solar PV market compared with just 29% in 2007.

Years	Global Solar Demand (in MW) (numbers for 2008 onwards are estimates)				
	2008	2009	2010	2011	2012
Total Solar PV demand incl. countries like Germany, Japan, USA etc.)	4848	6970	10075	15124	22525
Germany	2071	2690	3464	4376	5355
France	94	309	436	664	1087
Italy	92	208	491	1201	2998
Spain	1293	1512	1940	2649	3767
Greece	99	213	483	640	882
Portugal	49	109	259	355	511

Source : UBS estimates in their report of Dec 2007

Note: The largest markets for solar PV demand are Germany , Japan and US, hence the total demand for solar PV systems is much higher than that for the countries tabulated.

Ethanol

Global production of ethanol fuel increased by 18 percent to 46 billion liters in 2007, marking the sixth consecutive year of double-digit growth. Developed countries like Brazil, Japan, and the United States are in this industry since the long time. Today, Brazil gets more than 40% of its automobile fuels from sugar cane-based ethanol.

It increased its ethanol production by 21% in 2007 to 19 billion litres. United States produced about 24.5 billion litres and imported an additional 1.7 billion litres, mostly from Brazil, in 2007. Brazil and the United States accounted for 95 percent of all ethanol production in 2007.

Today, this industry is no longer restricted to a few countries and is building momentum in other parts of the world, including China, India, Thailand, EU member countries, and Australia.

In India, ethanol is currently a neglected business but, as also being realized by many economists, it has great future as a world-class producer of Ethanol.

About Ethanol...

Ethanol is a liquid alcohol made of oxygen, hydrogen and carbon and is obtained from the fermentation of sugar or converted starch contained in grains and other agricultural or agri-forest feedstocks. It is already being used extensively as a fuel additive, and alone or as part of a mix with gasoline is increasing.

The processes by which ethanol can be produced are diverse as it can be produced from wheat, corn, beet, sweet sorghum, sugarcane juice, rice etc.

It is a renewable fuel because it is produced from biomass. Ethanol also burns more cleanly and completely than gasoline or diesel fuel and reduces greenhouse gas (GHG). It is one of the best tools to fight vehicular pollution and also reduces particulate emissions that pose a health hazard.

World's ethanol production is expected to pass 20 billion gallons with CAGR (Compounded Average Growth Rate) of about 5% from 2008-2012. US and Brazil being the leaders in the production of Ethanol are expected to have the most growth in this industry along with the emergence of new ethanol producers in Asia and Latin America.

Trading of Ethanol is also done in the derivatives market in some exchanges like NYMEX under the category of "Energy" and CME under "Chemical".

DEMAND SUPPLY FOR ETHANOL in India

The Center's 'Gasohol Program' of blending 5% ethanol in petrol has given an assured scope for ethanol industry in the country. The Center's Kisan-friendly initiative has definitely been a boost to the venture. Following statistics could show how there is definite market potential for such industry.

PETROL CONSUMPTION

10000000	KILO Liters
500000	KILO Liters - 5% ALCOHOL required
500000000	Ltrs.

Demand all over Country	5000	Lac liters
Existing Production	1840	Lac liters
Total demand	2460	Lac liters
Demand in Maharashtra	700	Lac liters

Source: The information is taken from document published by Govt. of India Ministry of Petroleum and Natural Gas.



In India, the following 9 states and Union Territories viz., Andhra Pradesh, Maharashtra, Punjab, Uttar Pradesh, Goa, Gujarat, Haryana, Karnataka, Tamilnadu and the Union Territories of Chandigarh, Dadra & Nagar Haveli Daman and Div and Pondicherry, are covered in 1st phase to use the 5% ethanol blended petrol.

The entire country will be covered in 2nd Phase and ethanol content to be increased to 10% in 3rd Phase. Most important R & D Studies are successful of blending ethanol with Diesel, which itself is a very significant point in developing ethanol.

All this significance shows a definite assured market for the industry leading the project to most viable and safe for financial assistance.

Telecom

XL operates in Fixed Wireless Phones segment in the Telecom Sector currently in association with Axisstel, a NASDAQ listed US based company. The demand for Fixed Wireless Phones is increasing exponentially and during the last two years, the actual growth in the Fixed Line business is only due to these phones. Post the Unified licence regime, all the mobile operators were given permission to compete in the Fixed Line segment, which was dominated for ages by BSNL and MTNL. Fixed Wireless Phones though operate in the same technology as the Mobile phones; for the purpose of differentiation was given the status of Land Line more in terms of tariff for outgoing calls chargeable to the customers, which was at that time much cheaper than the regular mobile phone tariff.

Most of the major cellular telephone operators are focusing currently on this segment for their future growth in the customer base, especially in view of approaching a stagnation in mobile connections in the metros, urban and semi urban areas. Current market focus is the smaller towns and villages where people are more familiar with the land line model and hence the growth in this segment is expected to be more than mobile phones.

Outlook

Energy:

XL Energy Segment Revenues have reached Rs.3.63 Billions for the year 2007-08 compared to the previous year revenues of Rs.91.30 Millions and more significantly growing Year on Year at 298%. The year is also significant in the sense, the Energy segment revenues have surpassed the Telecom Revenues for the year and Energy Segment has become the internal Leader as expected.

XL sees the Energy sector as the FOCUS segment for its growth going forward. XL, as the shareholders are aware, has been focusing on Solar Energy segment and Fuel Cell grade Ethanol Segment in the Energy Sector Currently and is planning to invest significantly in both the segments to grow exponentially due to great demand for these sectors both domestic markets and international markets. It has embarked on a major expansion in both segments that it operates in and, in parallel, adopted a strategy of greater control over the value chain and to de-risk the business.

Solar Energy:

With the ever increasing demand for renewable energy power generation across the Globe, the demand for the Solar Photovoltaic Systems is growing by the day. It is understood that there is consensus among the global research organizations about 40% CAGR for Solar Products for next 10 years in Global Markets. The overall market size is expected to reach about US\$ 65 Billion plus in shorter time frame.

In view of this huge opportunity your company has increased during the year the Module Capacity from 24 MW per annum to 180 MW per annum. Further as envisaged in the previous year, the Company is further expanding the Module capacity of 40 MW semi-automated plant in addition to 180 MW current capacity and also investing in Solar Cell manufacturing capacity of 120 MW. These two expansion projects are in advanced stage of implementation and as of 30th June the Company has already invested about Rs.210 crores as against the total CAPEX plans of Rs.360 Crores. The Project should be commissioned by Dec 2008 and commercial production should begin in March 2009.

XL as part of its long term strategy has decided to move-up in the solar value chain by going into Solar Energy Power Generation through grid connected Solar Farms. The Company has floated a 100% subsidiary in Europe and has made investments for installing 1.6 MW Solar Power Plant. The Plant should be operational by Sep/Oct 2008 and with this your Company will become the FIRST COMPANY IN THE WORLD WHO HAS FOCUS IN COMPLETE SOLAR VALUE CHAIN FROM CELL-MODULE-SYSTEMS-SOLAR FARM POWER GENERATION.

With this approach your company should be Unique in its approach and the subsidiary should be able to become the largest customer for the Holding company in terms of its solar panels and EPC services.

Ethanol Division:

The Ethanol segment is expected to maintain steady growth as present demand for fuel Ethanol is not being fully met. Further, the Group of Ministers of the Government of India has already recommended going to E10 from E5 presently which creates a very assured demand scenario.

We are looking at establishing the Distillery for meeting the Raw Material requirement for the Ethanol Production and the Plant is in advanced stage of implementation. The Company has already incurred about Rs.27 crores of CAPEX of the total Rs.72 crores Project Cost as of 30th June 2008. The Plant is expected to be commissioned in the second quarter of 2009.

Telecom:

Telecom Market in India has reached sort of saturation stage and as the market matures, we see our existing product range to continue to contribute about the current level of revenues and expect a more lullish growth in the present product line. For continued growth, we will need to look at possibilities of diversification into new product lines.

Risks and concerns

- Delay in execution of new projects and consequential business opportunities.
- Government Policies regarding the imports and exports.
- Further, Rupee appreciation would seriously affect the export business being planned in the Solar Segment.

Internal control systems and their adequacy

An Audit Committee of the Board of Directors has been constituted as per the provisions of Section 292A of the Companies Act, 1956 and Corporate Governance requirements specified by the Stock Exchanges.

The Internal Audit function is looked after by an independent firm, which conducts reviews and evaluates and presents its reports to the Audit Committee and the management at regular intervals. The Internal Auditor's reports dealing with Internal Control Systems are considered by the Audit Committee and appropriate actions are taken, wherever deemed necessary.

The Standard Operating Procedures (SOPs) put in place by the Company are in line with the best global practices, and have been laid down across the process flows, along with authority controls for each activity.

Financial performance - Overview

Revenues

During the year, Company earned total revenues of Rs.65653.02 lacs compared to previous year revenues of Rs. 52532.69 lacs registering a growth of 24.98%.

Operating profit before finance charges, depreciation and amortisation, exceptional items (EBITDA)

The Company earned EBITDA of Rs.7462.84 lacs compared to previous year of Rs. 4116.63 lacs registering a growth of 81.28%.

Interest and Financial Charges

During the year, net finance charges increased to Rs.2595.80 lacs from Rs. 1393.84 lacs compared to the previous year.

Depreciation

During the year, Depreciation charges increased to Rs.213.40 lacs from Rs. 161.99 lacs compared to the previous year.

Profit Before Tax and after Tax

During the year, Profit before tax was Rs.4653.64 lacs compared to previous year of Rs. 2560.80 lacs registering a growth of 81.73%.

The Company has earned a profit after tax for the year Rs. 4014.33 lacs as against Rs. 2017.69 lacs for the previous year registering a growth of 98.96%.

Earnings Per Share (EPS)

During the year, EPS is Rs.21.37 as compared to Rs. 13.91 for the previous year registering a growth of 53.58%

Dividend

Directors recommended a dividend of Rs.1.50 per equity share for the year 2007-08 as compared to the dividend of Re.1 each per equity share for the year 2006-07.

Segmentwise performance

Company operates business into two segments i.e. Telecom and Energy.

Telecom

During the year under review, the company earned revenues of Rs. 29099.13 lacs compared to previous year of Rs. 43,774.03lacs registering a decrease of 32.62%.

Energy

During the year under review, the company earned revenues of Rs. 36302.38 lacs compared to previous year of Rs. 9130.34 lacs registering an increase of 297.60%.

Developments on Human Resources Front

The company has built a team of highly qualified and competent professionals to meet the emerging business challenges and market competition. The company has developed an environment of harmonious and cordial relations with its employees. The company had 834 employees on its rolls as on June 30, 2008.

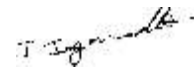
AUDITOR'S REPORT

To

The Members of XL Telecom & Energy Limited

1. We have audited the attached Balance Sheet of M/s. XL Telecom & Energy Limited (Formerly XL Telecom Limited), C2, Pooja Plaza, Vikrampuri, Secunderabad 500 003 as at 30th June 2008, and Profit and Loss Account and 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to the above, our comments are as under:
 - a) There are no dues to Small Medium and Micro Enterprises and reference is invited to Note No. B-17 under Schedule 16.
 - b) Reference is invited to Note No. B-18 under Schedule 16 regarding confirmation of balances.
5. Further to our comments in the Annexure referred to in Paragraphs (3) and (4) above;
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, excepting Accounting Standard 15 on Retirement benefits for which the company has not laid out any accounting policy.
 - (e) On the basis of written representations received from the directors, as on 30th June, 2008 and taken on record by the Board of Directors, we report that none of the Director is disqualified as on 30th June, 2008 from being appointed as Directors in 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 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting Principles generally accepted in India.
 - (i) in the case of Balance Sheet, of the state of affairs of the Company as at 30th June 2008,
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - (iii) in case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

For Satyanarayana & Co.
Chartered Accountants



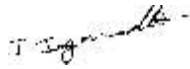
J. Jagannadha Rao
Partner
(M. No. 6239)

Place : Secunderabad
Date : 27/09/2008

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the fixed assets have not been physically verified by the management during the year however, the company has drawn up a program to verify its fixed assets at reasonable intervals. No material discrepancies were noticed on such verification by the management.
- (c) During the year, the company has not disposed off substantial portion fixed assets excepting old vehicles.
- (ii) (a) The inventory has been physically verified by the management at the year end. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, the Company has neither taken nor granted any loans, secured or unsecured from/ to 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 procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) The transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956, does not arise, as there are no such transactions.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The maintenance of cost records has not been prescribed by the Central Government under Sec 209 (1) (d) of the Companies Act, 1956 for the company.
- (ix) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it excepting Income Tax for the A.Yr. 2007-08 & 2008-09 amounting to Rs. 2.27 crores & Rs. 4.10 crores respectively for which the company has made provision in the books of account.
- (x) The Company does not have any accumulated losses as on 30.06.2008.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) The Company has not granted any loans and advances against pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) The company has not given any guarantee for the loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment and vice-versa except permanent working capital.
- (xviii) The company has converted FCCBs and Warrants in to Equity Shares during the year and reference is invited to Note No. B-12 & B-13 under Schedule 16 regarding such allotment of shares.
- (xix) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Satyanarayana & Co.
Chartered Accountants


J. Jagannadha Rao
Partner
(M. No. 6239)

Place : Secunderabad
Date : 27/09/2008

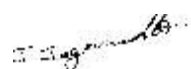
BALANCE SHEET AS AT 30th JUNE 2008

Rs. in lakhs

	Schedule	As at 30.06.08		As at 30.06.07	
SOURCES OF FUNDS					
Share Holders Funds:					
Share Capital	1	1,878.54		1,450.14	
Share application money		538.65		0.00	
Reserves & Surplus	2	26,695.08		13,875.33	
			29,112.27		15,325.47
Loan Funds:					
Secured Loans	3	29,130.37		6,432.60	
Un-Secured Loans					
FCCB		8,698.50			
			37,828.87		6,432.60
Deferred Tax Liability			384.12		346.40
Total			67,325.26		22,104.47
APPLICATION OF FUNDS					
Fixed Assets:					
Gross Block		5,608.45		3,763.36	
Less: Depreciation		1,286.17		1,086.23	
Net Block	4		4,322.28		2,677.13
CWIP			20,547.47		
			1,237.02		0.00
Investments:					
Current Assets, Loans and Advances:					
Inventories	6	5,574.78		3,440.07	
Sundry Debtors	7	22,429.24		18,174.16	
Cash and Bank Balances	8	4,082.56		2,712.82	
Loans and Advances	9	13,190.14		634.60	
		45,276.72		24,961.65	
Less: Current liabilities & Provisions					
Liabilities	10	3,136.60		4,899.94	
Provisions		1,337.38		1,096.32	
		4,473.98		5,996.26	
Net Current Assets			40,802.74		18,965.39
Misc.Exps.N/W/OFF			415.75		461.95
Significant Accounting Policies and Notes on Accounts	16				
Total			67,325.26		22,104.47

As per our report of even date
FOR SATYANARAYANA & CO.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD


J.JAGANNADHA RAO
Partner
M.No:6239


DINESH KUMAR
MANAGING DIRECTOR


V.VISWESWARA RAO
DIRECTOR (FINANCE)


K. VASUDEVA RAO
EXECUTIVE DIRECTOR


K. SATEESH GUPTA
COMPANY SECRETARY

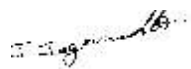
Place : Hyderabad
Date : 27/09/2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE 2008

Rs. in lakhs

	Schedule	2007-2008		2006-2007	
INCOME					
Sale of Products (Net of Taxes and Duties)	11		65,401.52		52,314.34
Other Income	12		222.51		142.02
Gain in Forex Fluctuation			28.99		76.33
			65,653.02		52,532.69
EXPENDITURE					
Cost of Materials	13	54,382.94		45,573.45	
Interest & Finance Charges	14	2,595.80		1,393.84	
Administrative & Selling Expenses	15	3,807.24		2,842.61	
Depreciation	4	213.40		161.99	
			60,999.38		49,971.89
Profit Before Tax			4,653.64		2,560.80
Provision for Income Tax			575.00		504.73
Provision for FBT			26.59		16.06
Less/Add: Deferred Tax Liability/(Asset)			37.72		22.32
Net Profit available for Appropriation:			4,014.33		2,017.69
APPROPRIATIONS:					
1) Transfer to General Reserve			200.72		0.00
2) Provision for Dividend and tax there on			329.67		165.35
Balance Carried Forward :			3,483.94		1,852.34
Earnings per Share			21.37		13.91
Significant Accounting Policies and Notes on Accounts	16				

As per our report of even date
FOR SATYANARAYANA & CO.
Chartered Accountants


J. JAGANNADHA RAO
Partner
M.No:6239


DINESH KUMAR
MANAGING DIRECTOR


V. VISWESWARA RAO
DIRECTOR (FINANCE)


K. VASUDEVA RAO
EXECUTIVE DIRECTOR


K. SATEESH GUPTA
COMPANY SECRETARY

Place : Hyderabad
Date : 27/09/2008

SCHEDULES TO BALANCE SHEET AS AT 30.06.2008

Rs. in lakhs

SCHEDULE-1	As at 30.06.2008		As at 30.06.2007	
SHARE CAPITAL				
AUTHORISED :				
3,00,00,000 Equity Shares of Rs.10/- each		3,000.00		2,000.00
ISSUED,SUBSCRIBED & PAIDUP				
1,87,85,452 equity shares of Rs.10/- each fully paid		1,878.54		1,450.14
		1,878.54		1,450.14
SCHEDULE-2				
RESERVES AND SURPLUS				
Capital Reserve		4.89		4.89
General Reserve				
Opening Bl	536.01		536.01	
Add : Transfer from P&L A/c	200.72	736.73	0.00	536.01
Share Premium Account		18,286.00		9,150.91
Profit & Loss Account				
Balance at the beginning of the year	4,183.52		2,331.18	
Add: Profit/ (Loss) for the year	3,483.94		1,852.34	
Balance at the end of the year		7,667.46		4,183.52
		26,695.08		13,875.33
SCHEDULE-3				
SECURED LOANS				
1) TERM LOAN :				
a)IDBI	400.00		740.00	
b)Vijaya Bank	119.12		238.91	
2)SHORTTERMLOAN/DEMANDLOAN:				
a) IDBI	2,000.00			
b)BOI	4,000.00			
C) Interest accrued & due	--		16.54	
		6,519.12		995.45
3) WORKING CAPITAL LOANS:				
a) Canara Bank	3,364.57		1,696.13	
b) Federal Bank	1,463.03		695.69	
c) Vijaya Bank	1,448.85		1,295.01	
d) State Bank of Hyd	856.69		376.76	
e) Indian Overseas Bank	(0.71)		879.28	
f) IDBI	7,992.79		400.00	
g) SBI	6,892.28			
h)ICICI	484.84	22,502.34		5,342.87
HIRE PURCHASE LOANS(Net)				
ICICI Bank Ltd	98.63		94.28	
HDFC Bank Ltd	10.28	108.91	-	94.28
		29,130.37		6,432.60

DEPRECIATION SCHEDULE

SCHEDULE - 4

FIXED ASSETS													Rs. in lakhs	
Sl. No.	Description of the Asset	As at 01.07.07	GROSS BLOCK			DEPRECIATION				NET BLOCK				
			Addition	Adjs.	As at 30.06.08	As at 01.07.07	Depn for the year	Deletion	As at 30.06.08	As at 30.06.08	As at 30.06.07			
1	LAND	151.95	1,002.65	0	1,154.60	0	0.00	0	0	0	1,154.60	151.95		
2	Buildings	724.80	138.49	0	863.29	103.84	26.48	0	130.32	732.97	620.96			
3	Plant and Machinery	2,338.71	552.69	1.98	2,889.42	846.35	131.26	0.49	977.12	1,912.30	1,492.37			
4	Computers	80.26	18.62	0	98.88	69.36	14.06	0	83.42	15.46	10.90			
5	Vehicles	233.98	105.35	39.46	299.87	36.83	25.31	12.98	49.16	250.71	197.15			
6	Furniture & Fixtures	194.50	44.04	0	238.54	18.81	13.08		31.89	206.65	175.69			
7	Office Equipment	39.16	24.69	0	63.85	11.05	3.21		14.26	49.59	28.11			
	Total	3,763.36	1,886.53	41.44	5,608.45	1,086.23	213.40	13.47	1,286.17	4,322.28	2,677.13			
	Previous Year	3,034.75	774.49	45.89	3,763.36	937.19	161.99	12.95	1,086.23	2,677.13	2,097.56			

SCHEDULES TO BALANCE SHEET AS AT 30.06.08

Rs. in lakhs

	As at 30.06.2008	As at 30.06.2007
SCHEDULE-5		
(i) Investment in Shares of :		
(a) Khandoba Distilleries Ltd	4.99	0.00
(b) Saptashva Solar SL -Spain	2.02	--
(c) Saptashva Solar Ltd	5.00	--
(ii) Application money paid to M/s Khandoba Distilleries Ltd - pending allotment of Shares	1,225.01	--
	1,237.02	0.00
SCHEDULE-6		
INVENTORIES (As certified by Management) (At Cost or Market Value whichever is lower)		
Stocks In Transit -Raw material	1,030.49	0.00
Raw material, Stores & Spares, Consumables etc.	4,187.43	2,842.68
Work-in-process	184.49	293.46
Finished goods	172.37	303.93
	5,574.78	3,440.07
SCHEDULE-7		
SUNDRY DEBTORS Unsecured & considered good :		
Debts outstanding for a period Exceeding 6 months	3,611.36	1,976.17
Other Debts	18,817.88	16,197.99
	22,429.24	18,174.16
SCHEDULE - 8		
CASH AND BANK BALANCES		
(i) Cash on hand	14.09	2.73
(ii) Balances with Scheduled Banks		
(a) Remittance in Transit	384.34	0.00
(b) in Current Account	2,665.45	23.07
(c) in Deposit Account	1,017.72	2,687.02
(iii) Unclaimed Dividend Balance (2006-07)	0.96	0.00
	4,082.56	2,712.82

SCHEDULES TO BALANCE SHEET AS AT 30.06.08

Rs. in lakhs

SCHEDULE - 9	As at 30.06.2008		As at 30.06.2007	
LOANS & ADVANCES :				
(Unsecured - considered good)				
Advances - recoverable in cash		359.10		220.67
or in kind or for value to be received		12,724.07		341.47
Advance to Suppliers- Rawmaterial		106.97		72.46
Deposits		13,190.14		634.60
SCHEDULE - 10				
CURRENT LIABILITIES :				
- Sundry Creditors - Trade	2,468.82		4,802.10	
- Other Liabilities	238.58		91.84	
- Interest accrued but not due	428.24		6.00	
- Unclaimed Dividend Balance (2006-07)	0.96		0.00	
		3,136.60		4,899.94
- Provisions				
1) Provision for Income Tax		1,007.71		1,096.32
2) Provision for Dividend & Tax thereon		329.67		0.00
		4,473.98		5,996.26

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDING 30TH JUNE 2008

Rs. in lakhs

SCHEDULE - 11	Year ending 30.06.2008		Year ending 30.06.2007	
SALE OF PRODUCTS				
(1) Domestic Sales				
TELECOM DIVISION	29,104.35		43,563.07	
ENERGY DIVISION	9,986.08	3,9090.43	9,206.75	52,769.82
(2) Export Sales				
TELECOM DIVISION	0.00	0.00	210.96	
ENERGY DIVISION	26,560.95	26,560.95	0.00	210.96
		65,651.38		52,980.78
Less: Taxes and Duties				
Excise Duty (NET)	29.33		76.44	
Sales tax (NET)	220.53		590.00	
		249.86		666.44
		65,401.52		52,314.34
SCHEDULE - 12				
OTHER INCOME				
Interest received		198.44		141.26
Miscellaneous Income		24.07		0.76
		222.51		142.02

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDING 30-06-08

Rs. in lakhs

SCHEDULE - 13	Year ending 30.06.2008		Year ending 30.06.2007	
COST OF MATERIALS				
Raw Materials Consumed		54,133.39		45,618.62
Stores and Spares Consumed		9.01		3.90
Finished Goods & WIP				
Opening Stock				
a) Finished Goods	303.93		91.07	
b) Work in process	293.46		457.25	
	597.39		548.32	
Closing Stock				
a) Finished Goods	172.37		303.93	
b) Work in process	184.49		293.46	
	356.86		597.39	
(Increase)/Decrease in Finsihed Goods & WIP		240.53		(49.07)
Total Material Cost		54,382.93		45,573.45
SCHEDULE - 14				
INTEREST & FINANCIAL EXPENSES				
Interest-				
on Term Loans		44.95		70.33
on Working Capital Loans		1,012.58		554.12
on Hire-Purchase Loans		9.35		5.82
Bank charges & other Fin.exp		1,528.92		763.57
		2,595.80		1,393.84
SCHEDULE - 15				
ADMINISTRATION & SELLING EXPENSES				
Power & Fuel		90.93		53.94
Salaries ,Wages & benefits to employees		724.01		505.88
Repairs and Maintenance				
a) Machinery	14.65		3.65	
b) Others	52.10	66.75	24.39	28.04
Directors Remuneration		282.76		233.00
Travelling and Conveyance		249.20		139.80
Telephone & Telex		35.17		29.49
Vehicle Maintenance		14.09		8.19
Insurance		110.27		49.28
Printing & Stationery		64.83		56.82
Donations		8.28		48.00
Rent		63.85		27.97
General Expenses		560.18		220.45
Auditor's Fees		1.69		1.12
Rates and Taxes		20.70		13.14
Technical Consultation & Professional Charges		98.91		50.05
Subscriptions		10.49		1.20
Selling Expenses		1,393.95		1,367.62
Loss on sale of Assets		11.19		8.62
		3,807.25		2,842.61

SCHEDULE 16

Significant Accounting policies and Notes on Accounts

A. Significant Accounting Policies

1.1 Accrual system of accounting

The Accounts have been prepared and presented under the historical cost convention method on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the accounting standards issued by Institute of Chartered Accountants of India (ICAI) to the extent applicable.

1.2 Fixed Assets:

Fixed Assets are stated at cost of acquisition inclusive of freight, duties taxes and incidental expenses relating to acquisition, installation, erection and commissioning less depreciation.

1.3 Inventories:

Raw material, stores and spare parts and components are valued on weighted average basis at net landed cost. Work in progress in valued at Works Cost. Finished Goods are valued at Cost or Market Value whichever is lower. In all the above cases necessary adjustments are made in respect of non-moving, slow moving, damaged and unserviceable goods.

1.4 Depreciation:

Depreciation is provided on Straight Line Method on the original value of Assets at the rates specified in Schedule XIV to the Companies Act 1956. Depreciation on Assets bought / sold during the year is charged at applicable rates on monthly basis depending upon the month of financial year which the Asset is put to use / sold.

1.5 Revenue recognition:

The Company recognizes sales at the point of dispatch of goods to the customers

1.6 Foreign Currencies:

Exports and imports are accounted at exchange rate prevailing on the date of negotiation of documents And /or on the Balance sheet date where such transactions are not covered by forward contract. Gain or losses arising out of fluctuation in exchange rates are accounted on the basis of actual realization or payment.

1.7 Contingent Liabilities:

Financial effect of contingent liabilities is disclosed based on information available up to the date on which financial statement is approved. However where a reasonable estimate of financial effect be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

B. NOTES TO ACCOUNTS

1. Contingent Liabilities etc:

(Rs. In Lakhs)

S.No.	PARTICULARS	2007-08	2006-07
a)	Guarantee / Counter Guarantees given on sale contracts	3,637.63	2551.35
b)	Letter of Credits by banks	17,517.32	5595.79
c)	Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for amounting to	20,360.27	NIL

2. Secured Loans:

Term Loans from IDBI:

(A) Term Loan:

Secured by mortgage and first charges on immovable properties, both present and future Situated at Plot No.198 A&B, IDA Cherlapally, Hyderabad and personal guarantee of Mr.Dinesh Kumar and Mr.Aneesh Mittal

(B) Corporate Loan

Secured by

- i) First pari-passu charges on Fixed Assets of Unexpanded Profile & Smgs Divisions of the Company.
- ii) Extension of pledge on the equity shares already pledged by the promoters with IDBI to secure earlier loans.
- iii) Unconditional and irrevocable Personal guarantees of Mr.Dinesh Kumar & Mr.Aneesh Mittal.

Term Loan from Vijaya Bank:

Secured by mortgage and first charges on the fixed assets of Ethanol Division situated at Plot No.B 8-10, MIDC, Kushnoor, Nanded, Maharashtra and personal guarantees of Mr.Dinesh Kumar, Mr. Aneesh Mittal, and Ms.Ritulal Kumar.

Short Term Loan from IDBI Bank & Bank of India:

Short Term loan is Secured by mortgage and first charges on lease hold rights on land admeasuring 2,02,350 sq.meters approximately and fixed assets, both present and future situated at survey nos. 50,66,68,69,70,84,85,86 & 87 situated at Fabcity, Raviryal village, Maheswaram Mandal, Ranga Reddy District, Andhra Pradesh and personal guarantee of Mr. Dinesh Kumar, Ms. Ritulal Kumar and Mr. Aneesh Mittal.

Working capital Loans

Secured by

- i) Hypothecation of all tangible, movable properties and assets, both present and future including raw materials, goods in process, finished goods, and book debts.
- ii) Personal guarantee of Mr.Dinesh Kumar, Mr. Aneesh Mittal and Ms.Ritulal Kumar.
- iii) Second charges on immovable properties, both present and future situated at SMPS Division at Plot No.198 A&B, IDA Cherlapally, Hyderabad and
- iv) First charge on immovable properties, both present and future situated at Shed Nos. 30, 31 & 32, IDA, Mallapur, and Hyderabad.
- v) Secured by second charge on the fixed assets of Ethanol Division situated at Plot No.B 8-10, MIDC, Kushnoor, Nanded, Maharashtra.

Hire Purchase Loans:

Secured by hypothecation of specific vehicles

3. Earnings in Foreign Currency: (Rs.Lakhs)

PARTICULARS	2007-08	2006-07
FOB Value of exports realized during the year	9,325.70	210.96

4. Expenditure in Foreign Currency

S.No.	PARTICULARS	2007-08	2006-07
i)	Travelling expenditure	84.24	41.33
ii)	Import of Raw Material CIF value	27,982.33	10,299.07

5. Managerial Remuneration

S.No.	PARTICULARS	2007-08	2006-07
i)	Salary to Managing Director	150.00	150.00
ii)	Contribution to Provident Fund for MD	0.09	0.09
iii)	Salary to Whole time Director	129.00	79.98
iv)	Contribution to Provident Fund for Whole time Directors	0.37	0.25

6. Remuneration to Auditors:

PARTICULARS	2007-08	2006-07
Audit Fees	1.68	1.12

7. Deferred Tax Liability:

PARTICULARS	2007-08	2006-07
(on account of Depreciation)	384.12	346.40

8. Value of Imports, Indigenous Raw Material, Spare Parts and Components consumed and percentage to the total consumption:

S.No.	PARTICULARS	2007-08		2006-07	
		%	Rs.Lakhs	%	Rs.Lakhs
i)	Indigenous	53.43	29,054.61	66.55	30,326.65
ii)	Imported	46.57	25,328.33	33.45	15,246.81
		100.00	54,382.94	100.00	45,573.46

9. Capacities and Production:

S.No	ITEM CLASS OF GOODS	Units	CAPACITY LICENCED	PRODUCTION INSTALLED	2007-08	2006-07
i)	Cable Jointing Kits	Nos	- N.A.-	500,000	558	16,299
ii)	SMPS	Nos	- N.A.-	2,880	424	499
iii)	Solar Modules	MW	- N.A.-	180	15	0.3
iv)	CDMA Phones	Nos	- N.A.	3,000,000	357,324	761,578
v)	Ethanol	BL	- N.A.	45,000,000	40,356,640	36,311,364

10. Consumption of major Raw Material during the year:

S.No	Particulars	2007-08	2006-07
1	ENERGY: SPV	20,782.55	16.63
	ETHANOL	8,196.77	7,966.23
2	TELECOM : CDMA	23,287.68	34,579.28
	SMPS	2,092.74	2,970.01
3	OTHERS	23.20	41.30
	TOTAL	54,382.94	45,573.45

Note: Quantity wise breakup for all above items has not been provided as these products are dealt in various sizes, models etc.

11. Opening and Closing stocks of finished Goods:

S.No		2007-08				2006-07			
		Opening Qty	Rs. in Lakhs	Closing Qty	Rs. in Lakhs	Opening Qty	Rs. in Lakhs	Closing Qty	Rs. in Lakhs
i.	Kits	-	-	-	-	2,839	11.83	-	-
ii.	CDMA	-	-	1007	49.48	-	-	-	-
iii.	Solar Modules	1,100	290.17	357	94.18	48	1.24	1,100	290.17
iv.	Ethanol	65,253	13.77	136068	28.71	369689	78.00	65,253	13.77
			303.94		172.37		91.07		303.94

12. Foreign Currency Convertible Bonds:

Pursuant to the approval accorded by the members on 26.09.2007, the Company had made allotment of Foreign Currency Convertible Bonds (FCCB) of Us\$ 40 Million in October, 2007 having maturity period of 5 Years and one day. FCCBs are convertible in to Equity shares of the Company at the price of Rs.260 per share. The FCCBs, if fully converted in to Equity shares, will result in increase of Capital of the Company by approximately 61, 21,538 equity shares of Rs.10/- each.

Out of Us\$ 40 Million FCCBs, the Bond holders requested for conversion of Us\$ 19.76 Million FCCBs. On conversion the company issued and allotted 30, 24,036 equity shares of Rs.10/- each at a premium of Rs.250/- per share. The outstanding balance of FCCBs as on 30.06.2008 is Us\$ 20.24 Million.

13. WARRANTS:

Pursuant to the approval accorded by the members on 26.09.2007, the Company has issued and allotted 52, 50,000 Warrants to the Promoters and others in October, 2007. The Warrants shall be convertible in to equity shares with in 18 months. The warrants, if fully converted in to Equity shares, will result in increase of Capital of the Company by 52, 50,000 equity shares of Rs.10/- each.

Out of the above, 12, 60,000 Warrants were converted and the Company issued and allotted 12, 60,000 equity shares of Rs.10/- each @ premium of Rs.125/- each.

14. Liability on Account of Gratuity, Bonus and Leave encashment on 30.06.2008 has not been ascertained and provided on accrual basis.

15. RELATED PARTIES DISCLOSURES

Related party disclosure as required by AS-18 of the Institute of Chartered Accountants of India is given below:

Relationships: There are no transactions with any related parties excepting the Investment in Subsidiaries as state under Investments.


16. There are no dues to any SSI units

17. There are no dues to Micro, Small and Medium enterprises under Development Act, 2006, exceeding 30 days.

18. Balance appearing under Sundry Creditors. Loans and advances and Debtors are subject to Confirmation and / or reconciliation, if any.

19. Previous year figures have been regrouped/ reclassified wherever necessary.

As per our report of even date
FOR SATYANARAYANA & CO.
Chartered Accountants


J.JAGANNADHA RAO
Partner
M.No:6239


DINESH KUMAR
MANAGING DIRECTOR


V.VISWESWARA RAO
DIRECTOR (FINANCE)


K.VASUDEVA RAO
EXECUTIVE DIRECTOR


K. SATEESH GUPTA
COMPANY SECRETARY

Place : Hyderabad
Date : 27/09/2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON 30TH JUNE 2008

A. Cash Flow From Operations :	(Rs.Lakhs)	
1 Net Profit : before interest and tax		7275.96
Add/(Less) Adjustments for:		
2 Loss on Sale of Fixed Assets		11.19
3 Depreciation added back		199.94
Operating Profit before working capital changes		7487.09
4 Increase in Trade Receivables	-4255.08	
5 Increase in Inventories	-2134.70	
6 Increase in Other receivables	-12555.54	
7 Increase in Trade payable	-1522.28	
8 Increase in Working Capital Borrowings	17159.47	-3308.13
Cash Generated from Operations:		4178.96
9 Direct Taxes - paid		575.00
10 FBT - paid		26.59
11 Transfer to General Reserve		200.72
Net cash Flow from Operations	(A)	3376.65
B. Cash Flow from Investing Activities		
11 Loans to Companies		0.00
12 Purchase of Fixed Assets (Incl.CWIP) (net of sale)		22392.56
13 Sale of Assets Investments		0.00
Net Cash used in investing activities	(B)	23629.58
C. Cash Flow from Financing Activities		
14 Interest paid		2595.80
15 Proceeds from Term Loans & HP Loans (net of payments)		-14236.80
16 Proceeds from Share Capital		-967.05
17 Proceeds from Share Premium		-9135.09
18 Deferred Tax Asset:		37.72
19 Transfer to General Reserve		-200.72
20 Dividend Provided		281.78
21 Dividend Tax Provided		47.89
22 Miscellaneous Expenses N/W/Off		-46.19
Net Cash from Financing Activities	(C)	-21622.66
D. Net Increase/Decrease in Cash & Cash equivalents (A- B- C):	(D)	1369.74
E. Opening Balance	(E)	2712.82
F. Closing Balance (D + E)		4082.56

Note: Negative Figures shown as (-) indicates Cash-in & Positive Figures as Cash -Out
As per Our Report of even date annexed

FOR SATYANARAYANA & CO.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

J.JAGANNADHA RAO
Partner
M.No:6239

DINESH KUMAR
MANAGING DIRECTOR

V.VISWESWARA RAO
DIRECTOR (FINANCE)

K.VASUDEVA RAO
EXECUTIVE DIRECTOR

K. SATEESH GUPTA
COMPANY SECRETARY

Place : Hyderabad
Date : 27/09/2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

Rs. in lakhs

1	Registration Details Registration No. State Code Balance Sheet Date	5844 1 30-Jun-08
2	Capital raised during the year Public Issue Bonus Issue Rights Issue Private Placements	428.40 Nil Nil Nil
3	Position of Mobilisation and Deployment of Funds Total Liabilities Total Assets Sources of funds Paid up Capital Share Premium Reserves and surplus Secured Loans Un-Secured Loans Application Funds Net Fixed Assets Investments Net Current Assets Misc. Expenditure Accumulated Losses	67325.26 67325.26 1878.54 18286.00 9331.84 29130.37 8698.50 24869.75 1237.02 40802.74 415.75
4	Performance of the Company Total Income Total Expenditure Profit Before Tax Profit After Current Tax & FBT Profit After Deferred Tax Profit After Interim Dividend & Tax on Dividend Earning Per Share Dividend Rate % (Recommended)	65653.02 60999.39 4653.64 4052.05 4014.33 4014.33 21.37 15.00
5	Generic Names of principal Products/Services of the company Item Code No. Product Description : Protection Modules for MDF in Telecom Equipment by using Gas Discharges Tubes Item Code No. Product Description : Sleeves Item Code No. Product Description : Solar Power Generating Systems. Item Code No. Product Description : Swith Mode Power Supply Power Plants -100Amps Item Code No. Product Description : CDMA Mobile Handsets Item Code No. Product Description : Ethanol	8547 8541 3689 7590 3655 2200

SEGMENT INFORMATION FOR THE YEAR ENDED JUNE 30, 2008
INFORMATION ABOUT PRIMARY BUSINESS SEGMENTS

Rs. Lakhs

	CDMA HANDSETS	JKITS & OFC	SPV	SMPS	ETHANOL	OTHERS	TOTAL
REVENUE							
1) Sales	26564.88	70.19		2469.27	9986.08	0	39090.42
2) Exports			26560.95				26560.95
Total Segment Revenue	26564.88	70.19	26560.95	2469.27	9986.08	0	65651.37
3) Profit before Interest and Depreciation	1,691.74	(71.39)	3,868.57	195.56	1,100.06		6,784.54
4) Interest Expenses	988.15	1.94	1,119.64	106.98	379.09	-	2,595.80
5) Depreciation	81.24	0.16	92.04	8.79	31.17		213.40
6) Exceptional Items Loss on Sale of Assets	-	-	-	-	-	11.19	11.19
7) Provision for Taxes	164.31	-	-	50.00	125.00	300.00	639.31
8) PROFIT AFTER TAXES	612.49	34.14	2,620.93	72.68	674.09	-	4,014.33
9) Secured Loans							
(a) Term Loans	400.00	0.00	6,000.00	0.00	119.12		6,519.12
(b) Working Capital Loans	7,475.48	0.00	13,184.02	0.00	1,842.84		22,502.34
(c) HP Loans			108.91				108.91
Total Secured Loans	7,875.48	0.00	19,292.93	0.00	1,961.96	0.00	29,130.37
10) Deferred Tax Liability	384.12	0.00	0.00	0.00	0.00	0.00	384.12
OTHER INFORMATION							
11) Segmental Assets							
(a) Fixed Assets	448.15	1,264.59	23,007.32	596.85	839.00	0.00	26,155.91
(b) Accumulated Depreciation	168.13	697.06	91.78	184.15	145.05	0	1,286.17
12) Current Assets							
(a) Inventories including Goods in Transit	461.87	35.96	4,090.83	475.77	510.35	0	5,574.78
(b) Sundry Debtors	8,208.03	17.86	10,182.32	0.00	4,021.02	0.00	2,2429.23
(c) Cash and Bank Balances	524.55	1.25	3540.06	14.09	1.65	0.96	4,082.56
(d) Loans and Advances	466.08	0.00	12724.07	0.00	0.00	0.00	13,190.15
Total Current Assets	9,660.53	55.07	30,537.28	489.86	4,533.02	0.96	45,276.72
Segmental Liabilities							
13) Current Liabilities	322.75	3,1.30	1,627.97	201.82	951.80	0.00	3,135.64
14) Provisions	532.71	0.00	300.00	50.00	125.00	330.63	1,338.34
Total Current Liabilities & Provisions	855.46	31.30	1,927.97	251.82	1,076.80	330.63	4,473.98
15) Misc.Exp/N/W.off						415.75	415.75

Statement pursuant to Section 212(3) of the companies Act, 1956 related to Subsidiary Companies for the year ended 30th June, 2008

S. No.	Particulars	Financial Year	Shareholding		The net aggregate of profit / (loss) of the subsidiary of the above financial year so far as they concern the members of the Company and is not dealt with in the accounts of the Company	Change in the holding company's interest in the subsidiaries between the end of financial year of the subsidiary and the end of the holding company's financial year	Material changes which occurred between the end of the aforesaid financial year of the subsidiaries and the end of the holding company's financial year in respect:
			Number of Shares	%			
1	Khandoba Distilleries Ltd	30-06-08	49,850	99.70%	NA	NA	As the financial year of both the holding and subsidiary companies coincides, there are no particulars to furnish
2	Saptashva Solar Limited	30-06-08	50,000	100%	NA	NA	-do-
3	Saptashva Solar S.L.	31-12-08	3,006	100%	NA	NA	Not applicable as the financial year of the subsidiary has not completed



DIRECTORS' REPORT

To the Members of
Khandoba Distilleries Ltd

Your Directors have pleasure in presenting the 1st Annual Report of the Company together with the Audited statement of accounts for the period from 18th April, 2007 (being the incorporation date) to 30th June, 2008.

About the Company

Your company was incorporated on 18th April, 2007 and obtained a certificate of commencement of business on 30th April, 2007 from the Registrar of Companies, Pune, Maharashtra.

Statutory Meeting

In pursuance of Section 165 of the Companies Act, 1956, a Statutory Meeting was convened on 27th October, 2007 at the Registered Office of the company and members have approved the Statutory Report.

Business operations

Your company has commenced establishment of a manufacturing unit and the details are as follows:

Project

Your company has commenced the project to establish a manufacturing unit to manufacture alcohol of all kinds including (ENA- Extra Neutral Alcohol) and industrial alcohol (SDS-Special Denatured Spirit). The capacity of this plant is 150,000 liters of alcohol per day.

Location

The project is located at Maharashtra Industrial Development corporation, Themburni, Sholapur (Dt), Maharashtra.

License to do activity

Manufacturing of alcohol from molasses has been obtained from state Government of Maharashtra and all other statutory licenses have been obtained in relation to the project including the all important Central Pollution Board clearance to construct.

Turnkey project

The order has been placed on KBK Chem-Engineering Pvt Ltd to execute the project on turnkey basis.

Work in progress

Civil construction is under progress. Major equipments have been ordered by KBK and are in various stages of progress. We estimate the molasses tanks to be ready and in time for the coming crushing season starting Nov '08.

Commencement of Commercial production

Your company expected to commence commercial production during the first quarter of 2009.

Dividend

Being the 1st year of incorporation and the company has not commenced the commercial production, your directors express their inability to recommend any dividend during the year.

Future Plans

The plant is expected to release about 100 MT of CO₂ per day due to the distillation process. With a view to take advantage of this situation, the company intend to embark on the possibilities of creating bio-diesel from algae which require CO₂ in a big way to grow. The pilot plant has been bought from Netherlands and is currently under implementation.

Extra-Ordinary General Meeting

During the year an Extra Ordinary General Meeting was held on 31st May, 2008 to approve Increase of authorized capital, Alteration of Articles of Association, Issue of shares on preferential basis, to fix the Borrowing limits under Section 293(1)(d) etc.

Directors

During the year under review, Mr. Swapnil Jijaba Bhingardev and Mr. Jijaba Tukaram Bhingardev, the first Directors were resigned on 11th February, 2008. Mr.V.Visweswara Rao and Mrs.Ritu Lal Kumar were appointed as Additional Directors at the Board meetings held on 1st September, 2007 and 11th February, 2008 respectively.

Resolutions seeking approval of members for the appointment of the Mr.V.Visweswara Rao and Mrs.Ritu Lal Kumar as Directors of the Company have been incorporated in the Notice of the Annual General Meeting along with brief details about them.

Particulars of employees

During the year under review, none of the employees were in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Auditors

M/s. Kumar & Giri, First Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-



appointment. The Company has received a certificate to the effect that their appointment if made, will be within the prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to the Director's Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the Financial Year ended on 30th June, 2008, the applicable accounting standards have been followed;
- (ii) appropriate accounting policies have been selected and applied them consistently and have made judgment 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 ended 30th June, 2008.
- (iii) proper and sufficient care had been taken by the Board of Directors 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; and
- (iv) that the directors had prepared the annual accounts for the financial year ended on 30th June, 2008 on a going concern basis.

Research and Development

The Company has not spent any money on Research and Development Activity during the year.

Technology Absorption, Adaptation and Innovation

The Company's business demands constant absorption and adaptation of emerging technologies to stay competitive in the dynamic business environment. Your Company is constantly absorbing and adapting and developing new technologies.

Foreign Exchange Earnings and Outgo

(Rs. in Lakhs)

Item	2007-08
Foreign Exchange Earnings	NIL
Foreign Exchange Outgo	
• CIF value of Import of Capital Goods	NIL
• Other expenditure	NIL

Acknowledgements

Your directors take this opportunity to express their appreciation to Government Departments, Financial Institutions, Bankers and employees concerned and place on record their appreciation for the sincere efforts put by them.

On behalf of the Board of Directors,
of Khandoba Distilleries Limited

Dinesh Kumar
Managing Director

V.Visweswara Rao
Director

Place : Hyderabad
Date : 27th September, 2008



KHANDOBA DISTILLERIES LIMITED

AUDITOR'S REPORT

To
The Members of
M/S KHANDOBA DISTILLERIES LIMITED.
PUNE

- 1) We have audited the attached Balance Sheet of M/S Khandoba Distilleries Limited, Pune as on 30th June 2008 and the annexed Cash Flow Statement for the year ended on that date.
- 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 the management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) Further on our comments in the 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 purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet referred to in this report are in agreement with the Books of Account.
 - d) In our opinion the Balance sheet comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the information and explanations received from the Directors of the Company, none of the Directors are prima-facie disqualified from being appointed as Directors of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on 30th June 2008
 - f) In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet read together with the notes thereon, given the information required by the Companies Act, 1956 in the manner so required and give true and fair view:
 - i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as on 30th June, 2008 and
 - ii) In so far as it relates to the Cash Flow Statement of the cash flows for the year ended on that date.

For KUMAR & GIRI
Chartered Accountants

J. BHADRA KUMAR
Partner

Place : Hyderabad
Date : 27/09/2008



KHANDOBA DISTILLERIES LIMITED

KHANDOBA DISTILLERIES LIMITED
C/o. S.No.132 B/13,10-KASTURKUNJ,C-202,SHIVAJI NAGAR,PUNE-411 007
BALANCE SHEET AS AT 30th JUNE 2008

	Schedule	As at 30.06.08	
		Rs.	
SOURCES OF FUNDS			
Share Holders Funds:			
Share Capital	1		500,000
Share application money			122,501,500
Loan Funds:			
Total			123,001,500
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	2	17,560,600	
Less: Depreciation		0	
Net Block			17,560,600
CWIP			102,062,338
Current Assets, Loans and Advances:			
Cash and Bank Balances	3	620,215	
Loans and Advances	4	70,924	
		691,139	
Less: Current liabilities & Provisions			
Liabilities	5	41,475	
Provisions	6	5,000	
		46,475	
Net Current Assets			644,664
Misc.Exps.N/W/OFF			2,733,898
Significant Accounting Policies and Notes on Accounts			
Total			123,001,500

As per our report of even date
FOR KUMAR & GIRI
Chartered Accountants

J.BHADRA KUMAR
Partner
M.No:25480

V.VISWESWARA RAO
Director

DINESH KUMAR
Managing Director

Place : Hyderabad
Date : 27/09/2008



SCHEDULES TO BALANCE SHEET AS AT 30.06.2008
Rs.

SCHEDULE-1	As at 30.06.2008
SHARE CAPITAL	
AUTHORISED :	
Equity Shares of Rs.10/- each	
ISSUED, SUBSCRIBED & PAIDUP	500,000
	500,000



SCHEDULE - 2

Rs.												
FIXED ASSETS												
Sl. No.	Description of the Asset	As at 01.07.07	GROSS BLOCK			DEPRECIATION				NET BLOCK		
			Addition	Adjs.	As at 30.06.08	As at 01.07.07	Depn for the year	Deletion	As at 30.06.08	As at 30.06.08	As at 30.06.07	
1	LAND	0	17,560,600	0	17,560,600	0	0	0	0	0	0	0
2	Buildings	0	0	0	0	0	0	0	0	0	0	0
3	Plant and Machinery	0	0	0	0	0	0	0	0	0	0	0
4	Computers	0	0	0	0	0	0	0	0	0	0	0
5	Vehicles	0	0	0	0	0	0	0	0	0	0	0
6	Furniture & Fixtures	0	0	0	0	0	0	0	0	0	0	0
7	Office Equipment	0	0	0	0	0	0	0	0	0	0	0
	Total	0	17,560,600	0	17,560,600	0	0	0	0	0	17,560,600	0
	Previous Year	0	0	0	0	0	0	0	0	0	0	0



SCHEDULES TO BALANCE SHEET AS AT 30.06.08

Rs.

SCHEDULE-3	As at 30.06.2008
CASH AND BANK BALANCES	
Cash on hand	600
Balances with Scheduled Banks in Current Account	619,615
	620,215

SCHEDULES TO BALANCE SHEET AS AT 30.06.08

Rs.

SCHEDULE - 4	As at 30.06.2008
LOANS AND ADVANCES	Rs.
(Unsecured - considered good)	
Advances - recoverable in cash or in kind or for value to be received	31,124
Deposits	39,800
	70,924

Rs.

SCHEDULE - 5	As at 30.06.2008
CURRENT LIABILITIES :	
- Sundry Creditors - Trade	41,475
	41,475

Rs.

SCHEDULE - 6	As at 30.06.2008
PROVISIONS:	
Provision for Audit fee	5,000
	5,000



Significant Accounting policies and Notes on Accounts Significant Accounting Policies

- 1.1 Accrual system of accounting
The Accounts have been prepared and presented under the historical cost convention method on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the accounting standards issued by Institute of Chartered Accountants of India (ICAI) to the extent applicable.
- 1.2 Fixed Assets:
Fixed Assets are stated at cost of acquisition inclusive of freight, duties taxes and incidental expenses relating to acquisition, installation, erection and commissioning less depreciation.
- 1.3 Inventories:
Raw material, stores and spare parts and components are valued on weighted average basis at net landed cost. Work in progress in valued at Works Cost. Finished Goods are valued at Cost or Market Value whichever is lower. In all the above cases necessary adjustments are made in respect of non-moving, slow moving, damaged and unserviceable goods.
- 1.4 Depreciation:
Depreciation is provided on Straight Line Method on the original value of Assets at the rates specified in Schedule XIV to the Companies Act 1956. Depreciation on Assets bought / sold during the year is charged at applicable rates on monthly basis depending upon the month of financial year which the Asset is put to use / sold.
- 1.5 Revenue recognition:
The Company recognizes sales at the point of dispatch of goods to the customers
- 1.6 Foreign Currencies:
Exports and imports are accounted at exchange rate prevailing on the date of negotiation of documents And /or on the Balance sheet date where such transactions are not covered by forward contract. Gain or losses arising out of fluctuation in exchange rates are accounted on the basis of actual realization or payment.
- 1.7 Contingent Liabilities:
Financial effect of contingent liabilities is disclosed based on information available up to the date on which financial statement is approved. However where a reasonable estimate of financial effect be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

As per our report of even date
FOR KUMAR & GIRI
Chartered Accountants

For KHANDOBA DISTILLERIES LIMITED

J.BHADRA KUMAR
Partner
M.No:25480

V.VISWESWARA RAO
Director

DINESH KUMAR
Managing Director

Place : Hyderabad
Date : 27/09/2008

DIRECTORS' REPORT

To the Members of
Saptashva Solar Ltd

Your Directors have pleasure in presenting the 1st Annual Report of the Company together with the Audited statement of accounts for the period from 18th July, 2007 (being the incorporation date) to 30th June, 2008.

About the Company

Your company was incorporated on 18th July, 2007 and obtained a certificate of commencement of business on 26th September, 2007 from the Registrar of Companies, Andhra Pradesh.

Statutory Meeting:

In pursuance of Section 165 of the Companies Act, 1956, a Statutory Meeting was convened on 19th February, 2008 at the Registered Office of the company and members have approved the Statutory Report.

Dividend

Being the 1st year of incorporation and the company has not commenced the commercial production, your directors express their inability to recommend dividend during the year.

Business operations

Your company is working on the feasibility of establishment of solar power generation plant in India.

Extra-Ordinary General Meeting

During the year an Extra Ordinary General Meeting was held on 28th February, 2008 to approve Increase of authorized capital to Rs.5 Crores, Alteration of Articles of Association, Issue of shares on preferential basis, to fix the Borrowing limits under Section 293(1)(d) etc.

Directors

During the year, Mr.Rajiv Garg, Director retire by rotation and being eligible offered himself for re-appointment.

Particulars of employees

During the year under review, none of the employees were in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Auditors

M/s. Kumar & Giri, First Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a certificate to the effect that their appointment if made, will be with in the prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to the Director's Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the Financial Year ended on 30th June, 2008, the applicable accounting standards have been followed;
- (ii) appropriate accounting policies have been selected and applied them consistently and have made judgment 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 on 30th June, 2008;
- (iii) proper and sufficient care had been taken by the Board of Directors 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; and
- (iv) that the directors had prepared the annual accounts for the financial year ended on 30th June, 2008 on a going concern basis.

**Research and Development**

The Company has not spent any money on Research and Development Activity during the year.

Technology Absorption, Adaptation and Innovation

The Company's business demands constant absorption and adaptation of emerging technologies to stay competitive in the dynamic business environment. Your Company is constantly absorbing and adapting and developing new technologies.

Foreign Exchange Earnings and Outgo

(Rs. in Lakhs)

Item	2007-08
Foreign Exchange Earnings	NIL
Foreign Exchange Outgo	
• CIF value of Import of Capital Goods	NIL
• Other expenditure	NIL

Acknowledgements

Your directors take this opportunity to express their appreciation to Government Departments, Financial Institutions, Bankers and employees concerned and place on record their appreciation for the sincere efforts put by them.

On behalf of the Board of Directors,
of Saptashva Solar Limited


Dinesh Kumar
Director


Ritu Lal Kumar
Director

Place: Hyderabad
Date: 27th September, 2008



AUDITOR'S REPORT

To
The Members of
M/S SAPTASHVA SOLAR LIMITED.
HYDERABAD

- 1) We have audited the attached Balance Sheet of M/S Saptashva Solar Limited, Hyderabad as on 30th June 2008 and the annexed Cash Flow Statement for the year ended on that date.
- 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 the management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) Further on our comments in the 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 purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet referred to in this report are in agreement with the Books of Account.
 - d) In our opinion the Balance sheet comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the information and explanations received from the Directors of the Company, none of the Directors are prima-facie disqualified from being appointed as Directors of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on 30th June 2008
 - f) In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet read together with the notes thereon, given the information required by the Companies Act, 1956 in the manner so required and give true and fair view:
 - i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as on 30th June, 2008 and
 - ii) In so far as it relates to the Cash Flow Statement of the cash flows for the year ended on that date.

For KUMAR & GIRI
Chartered Accountants

J. BHADRA KUMAR
Partner

Place : Hyderabad
Date : 27/09/2008



SAPTASHVA SOLAR LIMITED

SAPTASHVA SOLAR LTD
C2,POOJA PLAZA, VIKRAMPURI,SECUNDERABAD- 500 009
BALANCE SHEET AS AT 30th JUNE 2008

		As at 30.06.08 In Rs.	
SOURCES OF FUNDS			
Share Holders Funds:			
AUTHORISED CAPITAL:			
5,000,000 Equity Shares of Rs.10/- each			50,000,000
Issued Subscribed & Paid up Capital			
50,000 Equity Shares of Rs.10/- each			500,000
Total			500,000
APPLICATION OF FUNDS			
Current Assets, Loans and Advances:			
Cash and Bank Balances		10,000	
Less: Current liabilities & Provisions			
Liabilities	15,013		
Provisions	5,000	20,013	
Net Current Assets			(10,013)
Misc.Exps.N/W/OFF			510,013
Total			500,000

As per our report of even date
FOR KUMAR & GIRI
Chartered Accountants

J.BHADRA KUMAR
Partner
M.No:25480

For SAPTASHVA SOLAR LIMITED

RITU LAL KUMAR
Director

DINESH KUMAR
Managing Director

Place : Hyderabad
Date : 27/09/2008



Significant Accounting policies and Notes on Accounts Significant Accounting Policies

1.1 Accrual system of accounting

The Accounts have been prepared and presented under the historical cost convention method on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the accounting standards issued by Institute of Chartered Accountants of India (ICAI) to the extent applicable.

1.2 Fixed Assets:

Fixed Assets are stated at cost of acquisition inclusive of freight, duties taxes and incidental expenses relating to acquisition, installation, erection and commissioning less depreciation.

1.3 Depreciation:

Depreciation is provided on Straight Line Method on the original value of Assets at the rates specified in Schedule XIV to the Companies Act 1956. Depreciation on Assets bought / sold during the year is charged at applicable rates on monthly basis depending upon the month of financial year which the Asset is put to use / sold.

1.4 Foreign Currencies:

Exports and imports are accounted at exchange rate prevailing on the date of negotiation of documents And /or on the Balance sheet date where such transactions are not covered by forward contract. Gain or losses arising out of fluctuation in exchange rates are accounted on the basis of actual realization or payment.

1.5 Contingent Liabilities:

Financial effect of contingent liabilities is disclosed based on information available up to the date on which financial statement is approved. However where a reasonable estimate of financial effect be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

As per our report of even date
FOR KUMAR & GIRI
Chartered Accountants

J. BHADRA KUMAR
Partner
M.No:25480

RITU LAL KUMAR
Director

DINESH KUMAR
Managing Director

Place : Hyderabad
Date : 27/09/08

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XL TELECOM & ENERGY LIMITED
(formerly XL Telecom Limited)

Regd. Office: C2, Pooja Plaza, Vikrampuri, Secunderabad 500 009
Ph: +91 40 27883333 Fax: +91 40 27883344

PROXY FORM

Regd. folio No DP ID Client ID

I / Webeing a Member / Members of the above
named Company hereby appointofor failing him
.....oras my / our proxy to vote for me / us on my /
our behalf at the Twenty Second Annual General Meeting of the Company to be held on Wednesday, the 24th
December, 2008 at 11.00 a.m. at Premises of the Company's Plant at Plot No. 198/A, I.D.A., Cherlapally,
Hyderabad - 500051 and at any adjournment thereof.

Signed thisday of 2008

Note: This form in order to be effective should be duly stamped, completed and signed and
must be deposited to the registered office of the Company, not less than 48 hours before the
meeting

Affix
0.15ps.
Stamp



XL TELECOM & ENERGY LIMITED
(formerly XL Telecom Limited)

Regd. Office: C2, Pooja Plaza, Vikrampuri, Secunderabad 500 009
Ph: +91 40 27883333 Fax: +91 40 27883344

ATTENDANCE SLIP

Regd. folio No DP ID Client ID

I certify that I am a Registered Shareholder / Proxy for the Registered Shareholder of the company,
I hereby record my presence in the Twenty Second Annual General Meeting of the Company to be held on 24th
December, 2008 at 11.00 a.m. at Premises of the Company's Plant at Plot No. 198/A, I.D.A., Cherlapally, Hyderabad -
500051 and at any adjournment thereof.

.....
Member's / Proxy's Name
(in Block Letters)

.....
Member's / Proxy's Name
Signature

Note: Please fill in this attendance slip and hand it over at the entrance of the Hall.

BOOK POST

IB&W Communications

If undelivered, please return to



The Company Secretary
XL Telecom & Energy Limited
(Formerly XL Telecom Limited)
C2, Pooja Plaza, Vikrampuri
Secunderabad - 500 009, Andhra Pradesh.