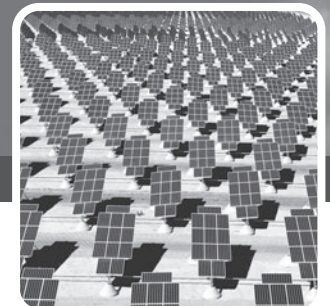




The Silent Performer

# *23rd Annual Report*

## *2008-09*



**XL TELECOM & ENERGY LTD.**  
[www.xltelenergy.com](http://www.xltelenergy.com)

## 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.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. Dhanunjaya Kumar Alla	Alternate Director to Mr. Rajiv Garg

Mr.K.Sateesh Gupta      Company Secretary

**Auditors**      M/s. Satyanarayana & Company  
Chartered Accountants  
Secunderabad

**Bankers**      State Bank of India  
Canara Bank  
IDBI Bank Limited  
The Federal Bank Limited  
Vijaya Bank  
State Bank of Hyderabad  
ICICI Bank Limited  
Bank of India  
State Bank of Bikaner & Jaipur  
State Bank of Mysore

**Registered Office**      C2, Pooja Plaza, VikramPuri  
Secunderabad – 500 009, Andhra Pradesh

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### FACTORY

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

## 23<sup>rd</sup> ANNUAL REPORT 2008-09

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## NOTICE

Notice is hereby given that the 23<sup>rd</sup> Annual General Meeting of the members of XL TELECOM & ENERGY LIMITED will be held on Wednesday, the 26<sup>th</sup> May, 2010 at 10.00 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 31<sup>st</sup> December 2009, 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 appoint a Director in place of Mr.Aneesh Mittal, Director, who retires by rotation and being eligible offers himself for re-appointment
3. To appoint a Director in place of Mrs.Ritu Lal Kumar, Director, who retires by rotation and being eligible offers herself for re-appointment
4. To appoint a Director in place of Mr.V.Visweswara Rao, Director, who retires by rotation and being eligible offers himself for re-appointment
5. 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 to fix their remuneration.

### SPECIAL BUSINESS

6. 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 16 & 94 of the Companies Act, 1956 (subject to the statutory modifications, enactments thereof for the time being in force) the Authorised Share Capital of the Company be and is hereby increased from the existing Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores only) Equity Shares of Rs. 10/- (Rupees Ten only) each to Rs.150,00,00,000/- (Rupees One hundred Fifty Crores only) divided into 5,00,00,000 (Five Crores only) Equity Shares of Rs. 10/- (Rupees Ten only) each aggregating to Rs.50,00,00,000 (Rupees Fifty Crores only) ranking pari-passu in all respects with the existing equity shares of the Company and 10,00,00,000 (Ten Crores only) preference shares of Rs.10/- (Rupees Ten only) each aggregating to Rs.100,00,00,000 (Rupees One hundred crores only) and the existing Clause V of the Memorandum of Association of the Company be substituted with the following new Clause V thereof:

- V. The Authorised Share Capital of the Company is Rs. 150,00,00,000/- (Rupees One hundred Fifty Crores only) divided into 5,00,00,000 (Five Crores only) Equity Shares of Rs. 10/- (Rupees Ten only) each aggregating to Rs.50,00,00,000 (Rupees Fifty Crores only) and 10,00,00,000 (Ten Crores only) preference shares, whether cumulative or non-cumulative, of Rs.10/- (Rupees Ten only) each aggregating to Rs.100,00,00,000 (Rupees One hundred crores only) and with a power to increase or reduce the capital of the company and to sub-divide, consolidate the shares in the capital for the time being into several classes and to attached thereto respectively such rights as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights in such manner as may for the time being be provided in the Articles of Association of the Company.

RESOLVED FURTHER THAT the Managing Director or any other Director of the Company be and are hereby authorised to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution."

7. To consider and if thought fit to pass, with or without modification (s), the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956 the Articles of Association of the Company be and is hereby altered by substituting the following new Article 3 in place of the existing Article 3 thereof:

3. The Authorised Share Capital of the Company is Rs.150,00,00,000/- (Rupees One Hundred Fifty Crores only) divided into 5,00,00,000 (Five Crores only) Equity shares of Rs. 10/- (Rupees Ten only) each and 10,00,00,000 (Ten Crores only) preference shares of Rs.10/- (Rupees Ten only) each whether Cumulative or Non-cumulative."

8. To consider, and if thought fit, to pass, with or without modifications, the following resolution as Special Resolution.  
"RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and relevant provisions of the Memorandum and Articles of Association of the Company, and pursuant to the provisions the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("Regulations") as in force and subject to all other applicable rules, regulations and guidelines of the Securities and Exchange Board of India ("SEBI"), the applicable provisions of Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, the Listing Agreements entered into by the Company with Stock Exchanges where the shares of the Company are listed and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, and subject to the approval, consent, permission and/or sanction of the Ministry of Finance and Ministry of Industry (Foreign Investment Promotion Board/ Secretariat for Industrial Assistance) of the Government of India, Reserve Bank of India, Securities & Exchange Board of India (SEBI) and all other appropriate and/or concerned authorities, institutions or bodies and subject to such conditions and modifications as may be prescribed by any of them in granting such approval, consent, permission or sanction, the Board of Directors (hereinafter referred to as the "Board", which term shall be deemed to include any committee which the Board may have constituted or may hereafter constitute) be and is hereby

authorized on behalf of the Company to issue, offer and allot in international offerings, in one or more foreign markets, Foreign Currency Convertible Bonds(FCCBs) and/or Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) and/or any securities convertible into equity shares at the option of the Company and/or holder of the securities and/or securities linked to equity shares and/or any other instruments or securities representing equity shares and/or Foreign Currency Convertible Bonds or Convertible Securities or securities linked to equity shares or securities with equity shares/fully convertible debentures/partly convertible debentures or any securities other than warrants, which are convertible or exchangeable with equity shares at a later date, to Qualified Institutional Buyers ("QIBs") under the Regulations or a combination of the foregoing (hereinafter referred to as the "Securities") subscribed to in foreign currency(ies) or Indian currency in case of QIP for cash or stock swap or for other valuable consideration including strategic alliances, business(es) or a combination thereof, to Foreign Investors (whether Institutions and/or Incorporated Bodies and/or Individuals and whether or not such investors are members of the Company) through Public Issue(s), Private Placement(s), Preferential Allotment(s), which upon conversion of all Securities so issued or allotted could give rise to the issue of an amount (inclusive of such premium as may be determined) up to US \$ 100 million (US Dollar One Hundred million only) or equivalent Indian Rupees in case of QIP and such issue and allotment to be made at such time or times, in one or more tranches, at such price or prices, on such terms and conditions including security, rate of interest and in such manner as the Board may, in its absolute discretion think fit or deemed appropriate, wherever necessary in consultation with the Lead Manager(s)/ Investment Banker(s)/Advisers and/or the Underwriters, subject to guidelines of the Reserve Bank of India(RBI), Regulations of Securities and Exchange Board of India(SEBI) and Ministry of Finance, and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment.

RESOLVED FURTHER THAT in case of any equity linked issue/offering, including without limitation, any GDR/ADR/FCCB offering, the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion, redemption or cancellation of any such Securities referred to above or as may be in accordance with the terms of issue/offering in respect of such Securities and such equity shares shall rank pari passu with the existing equity shares of the Company in all respects except provided otherwise under the terms of issue/offering and in the offer document and/or prospectus and/or offer letter and/or offering circular and/or listing particulars.

RESOLVED FURTHER THAT the Company and/or any agency or body authorized by the Company may issue depository receipts representing the underlying equity shares or other securities issued by the Company, in registered form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations, and under the forms and practices prevalent in the international markets including filing any registration statement and any amendment thereto with the respective regulatory authorities.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of equity shares or securities or instruments or securities representing the same, as described above, the Board and/or other designated officers of the Company be and are hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as they may at their discretion deem necessary or desirable for such purpose, including without limitation, filing a Registration Statement and other documents with the respective regulatory authorities, listing the securities on overseas stock exchanges such as Luxembourg and/or London and/or NASDAQ and/or New York Stock Exchange(NYSE) and/or Singapore Stock Exchange and/or any of the other overseas stock exchanges or Indian Stock Exchanges in case of issue of shares or other securities through QIP route, and the entering into and executing all such arrangements/ agreement(s) with any Lead Manager(s)/ Investment Banker(s)/ Underwriter(s)/ Guarantor(s)/ Depository(ies)/ Custodian(s) and all such agents as may be involved or concerned in such offering of securities and to remunerate all such agents including by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue of securities and other expenses, if any".

RESOLVED FURTHER THAT the relevant date for determining the pricing of the Securities is 30 days prior to the date of the Annual General Meeting at which the approval of the shareholders in terms of Section 81(1A) of the Companies Act, 1956 is obtained.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Securities as may be required, including issue and allotment of equity shares upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the offer, all such equity shares ranking pari passu and inter-se with the then existing equity shares of the Company in all respects.

RESOLVED FURTHER THAT such of the Securities and / or securities representing the same and / or equity shares to be issued, that are not subscribed to, may be disposed off by the Board, to such persons and in such manner and on such terms, as the Board / Committee may in its absolute discretion think fit as permissible under applicable law.

RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of securities and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of directors or Managing Director or Director (s) or Company Secretary or any other officer or officers of the Company to give effect to the aforesaid resolutions."

9. To consider, and if thought fit, to pass, with or without modifications, the following resolution as Special Resolution



“RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 read with the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the regulations/rules/guidelines issued by the Securities and Exchange Board of India (SEBI), Listing Agreement entered into with the Stock Exchanges and subject to such approvals, consents, permissions and sanctions of all other appropriate and / or concerned authorities and departments, if any, and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “Board” which term shall be deemed to include any Committee constituted / to be constituted by the Board to exercise its powers conferred by this Resolution), which the Board be and is hereby authorised to accept, if it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to the Board to offer, issue, allot and deliver 50,00,000 (Fifty Lakhs only) convertible warrants on preferential basis in one or more tranches, convertible into 50,00,000 (Fifty Lakhs only) equity shares (one Equity Share for one warrant issued) of the Company of the face value of Rs.10/- each to the following persons:

S.No.	Name of the proposed Allottee	No. of Warrants to be allotted
1	Sree Sahasya Enterprises Pvt Ltd	50,00,000
	Total	50,00,000

for cash which shall upon conversion rank pari-passu with the existing equity shares of the Company, in such form and manner and upon such terms and conditions as the Board may in its absolute discretion deem fit, at a price which shall not be less than the price as on the relevant date determined in accordance with Regulation 76 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

RESOLVED FURTHER THAT the ‘Relevant Date’ for the purpose of determining the issue price of warrants, in pursuance of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, is 26<sup>th</sup> April, 2010 i.e., 30 days prior to the date of the General Meeting at which the approval of the shareholders in terms of Section 81(1A) of the Companies Act, 1956 is obtained.

RESOLVED FURTHER THAT-

- each warrant be convertible into one equity share can be exercised at any time within a period of 18 months from the date of issue of such Warrants and on such other terms and conditions, subject to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as may be applicable, from time to time.
- the aforementioned allottees shall have to pay a minimum 25% of the warrant offer price as application money towards issue of warrants.
- The amount paid on issue of warrants shall be forfeited if the warrants are not exercised within a period of 18 months from the date of allotment of warrants.
- Equity Shares to be issued and allotted by the Company on exercising of the option against the warrants shall rank pari passu in all respects with the existing fully paid-up Equity Shares of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to this resolution and accept any alteration(s) or amendment(s) or corrections as they may deem fit and appropriate and give such directions/instructions as may be necessary to settle any questions, difficulties or doubts that may arise in regard to the offer, issue or allotment of the said securities and with a power to change the number of warrants hereby created, issued and offered to the person (s) referred above and within the limit mentioned above and also to seek listing of such securities at the Stock Exchanges where the existing securities are listed.”

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

“RESOLVED THAT pursuant to the provisions of Section 80, 81, 81(1A) and all other provisions, if any, of the Companies Act, 1956 and the rules made thereunder and the enabling provisions of the Memorandum and Articles of the Association of the Company and the Listing agreement entered into by the Company with the Stock exchange where the Securities of the Company are listed and subject, wherever required, to any other approval of the Central Government, Financial Institutions, appropriate authorities, if any, and in compliance with the terms and conditions of letter of approval issued by Corporate Debt Restructuring (CDR) Cell, the consent of the members be and is hereby accorded to the Board of Directors of the Company to issue Cumulative Redeemable Preference Shares of Rs.10/- each, either at par or at premium and in such numbers as the Board may decide from time to time for a sum not exceeding Rs.100 Crores (Rupees One Hundred Crores only), in one or more, tranches, and to offer such shares on a private placement basis to Financial Institutions /Banks, as the Board may deem fit whether they are holders of Equity Shares of the Company or not and on such terms and conditions including the rate of dividend, period of redemption, etc., as the Board may in its absolute discretion decided, in the best interest of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to agree and to make such modification (s) and alteration (s) from time to time as it deems fit and to take all such steps as it may deem necessary, desirable or expedient and to resolve all questions of doubts and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion shall deem fit without being required to seek any fresh approval of the members of the Company and the decision of the Board shall be final and conclusive.”

11. To consider, and if thought fit, to pass, with or without modifications, the following resolution as Special Resolution

“RESOLVED THAT pursuant to the provisions of Sections 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, Listing Agreement (s), entered by the Company with the Stock Exchanges where the securities of the Company listed and prior approval of the Central Government, consent of the Company be and is hereby accorded for the re-appointment of Mr. Dinesh Kumar as the Managing Director of the Company for a further period of three (3) years with effect from 1<sup>st</sup> June, 2010 on the existing remuneration (which was approved by the Remuneration Committee) and other terms and conditions which are as follows:

PERIOD : Three (3) years

SALARY : Rs.10,00,000/- (Rupees Ten Lakhs only) per month

PERQUISITES:

CATEGORY - A

Following perquisites and / or allowances given in Category A will be allowed in addition to the salary, restricted to an amount of Rs 30,00,000/- (Rupees Thirty Lacs only) per annum.

(i) House Rent Allowance:

Maximum of Rs.2,00,000/- (Rupees Two Lacs only) per month

(ii) Medical Re-imburement:

Reimbursement of Medical expenses incurred by the Managing Director for self and his family members at a ceiling of one month's salary in a year or three months salary over a period of three years.

(iii) Leave Travel Concession:

For self and family once in a year incurred in accordance with any rules specified by the Company

(iv) Club Fees:

Club fees shall be reimbursable subject to a maximum of two clubs. However, this will not include admission and life membership fees.

(v) Personal Accident Insurance:

Premium not exceeding Rs.20,000/- (Rupees Twenty thousand only) per annum

(vi) Any other perquisites or allowances for self and family as per the policies of the Company within the above overall ceiling.

The following perquisites referred to in the Category B and C shall not be considered and included for computation of the ceiling on perquisites.

CATEGORY – B

(a). Contribution to Provident Fund, Superannuation Fund or Annuity Fund will be as per the rules of the Company. The same will be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1962.

(b). The Managing Director shall be entitled to Gratuity at half a month's salary for each completed year of service.

(c). Earned leave on full pay and allowance as per rules of the Company but not exceeding one (1) month leave for every eleven (11) months. Encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY - C

(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 the Managing Director

(c). Managing Director shall not be eligible for any sitting fee for attending any meeting of the Board / Committee meeting.

RESOLVED FURTHER THAT the above remuneration shall be allowed and paid as a minimum remuneration to the Mr. Dinesh Kumar, Managing Director during the tenure of his appointment notwithstanding the absence or inadequacy of profits during any Financial Year during his tenure of office.

12. To consider, and if thought fit, to pass, with or without modifications, the following resolution as Special Resolution

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 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. V. Visweswara Rao as a Whole Time Director with a designation as Director (Finance) of the Company for a period of three years with effect from 28<sup>th</sup> April, 2010 on the existing remuneration (which was approved by the Remuneration Committee) and other terms and conditions which are as follows:

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

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.V.Visweswara Rao

RESOLVED FURTHER THAT the above remuneration shall be allowed and paid as the minimum remuneration to Mr.V.Visweswara Rao, Director (Finance) notwithstanding the absence or inadequacy of the profits in any Financial Year during the term of his office."

13. To consider, and if thought fit, to pass, with or without modifications, the following resolution as Special Resolution

"RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 read with the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the regulations/rules/guidelines issued by the Securities and Exchange Board of India (SEBI), Listing Agreement entered into with the Stock Exchanges and subject to such approvals, consents, permissions and sanctions of all other appropriate and / or concerned authorities and departments, if any, and in addition to the resolution passed by the members at the annual general meeting held on 26<sup>th</sup> September, 2007 and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "Board" which term shall be deemed to include any Committee constituted / to be constituted by the Board to exercise its powers conferred by this Resolution), which the Board be and is hereby authorised to accept, if it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to confirm and ratify the issue and allotment of 50,000 (Fifty thousand only) equity shares of Rs.10/- each at a premium of Rs.125/- per equity share issued on conversion of warrants on preferential allotment basis to Mr.K.Vasudeva Rao.

RESOLVED FURTHER THAT issue price of the aforementioned equity shares shall not be less than the price arrived on the Relevant Date determined in accordance with Regulation 76 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and if the price so arrived is more than the allotment price referred above, the aforementioned allottee shall bring the differential amount.

RESOLVED FURTHER THAT the 'Relevant Date' for the purpose of determining the issue price in pursuance of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, is 26<sup>th</sup> April, 2010 i.e., 30 days prior to the date of the General Meeting at which the approval of the shareholders in terms of Section 81(1A) of the Companies Act, 1956 is obtained.

RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in this regard as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and are hereby authorized to do all such acts, deeds and things as may be necessary to give effect to this resolution and accept any alteration(s) or amendment(s) or corrections as they may deem fit and appropriate and give such directions/instructions as may be necessary to settle any questions, difficulties or doubts that may arise in regard to the offer, issue or allotment of the said securities and with a power to change the number of warrants hereby created, issued and offered to the person (s) referred above and within the limit mentioned above and also to seek listing of such securities at the Stock Exchanges where the existing securities are listed."

14. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution

"RESOLVED THAT pursuant to Section 23 and other applicable provisions, if any, of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) it is hereby reported that more than 50% of the Company's peak net worth during the immediately preceding four financial years has been eroded and that the Board of Directors of the Company are hereby authorized to do all such acts, deeds and things as may be required under the provisions of the SICA.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of directors or Managing Director or Director (s) or Company Secretary or any other officer or officers of the Company to give effect to the aforesaid resolutions."

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

Place: Secunderabad

Date: 21<sup>st</sup> April, 2010

**DINESH KUMAR**  
MANAGING DIRECTOR



## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The instrument appointing the proxy, in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Member / proxy should bring the attendance slip sent herewith, duly filed in, for attending the meeting.
4. Register of Members/Register of Beneficiaries and Transfer Books of the Company will remain closed from Saturday, the 22<sup>nd</sup> May, 2010 to Wednesday, the 26<sup>th</sup> May, 2010 (both days inclusive).
5. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business set out above, is annexed hereto.
6. Members are requested to address all their correspondence including change of address, mandates 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. Additional information on Directors being re-appointed as required under Clause 49 (IV) (G) of the listing agreement entered with the Stock Exchanges is given below:

At the ensuing 23<sup>rd</sup> Annual General Meeting, Mr. Aneesh Mittal and Mrs. Ritu Lal Kumar and MR. V. Visweswara Rao, Directors, retire by rotation and being eligible offers themselves for re-appointment.

**Mr. Aneesh Mittal**, aged 48 years is the Whole-time Director of the company and by qualification is a B.com Graduate. He has over 17 years of experience in the field of General Management. He is rendering valuable services from the inception of the Company in production and assembly of cable jointing kits and other telecom products. He is not holding directorships of other companies.

**Mrs. Ritulal Kumar**, aged 45 years is a Graduate by qualification. Smt. Ritu Lal Kumar has been associated with the Company since its inception and with her experience in finance and accounts has been instrumental in computerising the accounts and finance. Earlier she was on the Board and resigned on 25th July, 2002. To benefit from her experience, again she has been inducted as an Additional Director in the Board Meeting held on 21<sup>st</sup> September, 2002. She is a director of SoftProjex (India) Ltd, Khandoba Distilleries Ltd, Sree Sahasya Enterprises Pvt Ltd and Sree Sahasya Entertainments Pvt Ltd.

**Mr. V. Visweswara Rao**, aged 51 years has been heading the Finance & Accounts functions of the company for past 11 years. He has worked with various companies before joining with the Company and has hands on exposure in the fields of Finance, Accounts and Administration. He has more than 27 years experience to his credit and with his rich experience in the Finance and Accounts, he has been successfully handling the functions. His vast exposure and experience will be an added advantage to the Company. He is a Director of Khandoba Distilleries Ltd. He is a member of Audit Committee of Khandoba Distilleries Ltd.

### EXPLANATORY STATEMENT

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

#### **Item # 6 & 7: Increase of Authorised Share Capital of the Company and consequent changes in the Memorandum and Articles of Association of the Company.**

The Authorised Share Capital of the Company at present stands at Rs.30 Crores divided into 3,00,00,000 Equity Shares of Rs. 10/- each. With the growing expansion of the Company's business and to meet the fund requirements of the Company and in consideration of issue cumulative redeemable preference shares to the Banks/financial institutions as per the CDR letter of approval, Board of Directors found that it is desirable to increase the authorised capital of the Company to Rs.150 Crores consisting Rs.50 Crores of Equity shares of which will rank *pari passu* in all respects with the existing equity shares in the Company and Rs.100 Crores cumulative redeemable preference shares. The proposed increase of the authorised capital of the Company requires approval of the members by way of an Ordinary Resolution in the general meeting pursuant to Sections 16 & 94 of the Companies Act, 1956

Consequent upon the increase in authorised capital of the Company, Articles of Association of the Company needs to be altered. Hence it is proposed to alter the Articles of Association of the Company as provided in the above resolution. Alteration of Articles of Association requires the approval of members by way of Special Resolution pursuant to Section 31 of the Companies Act, 1956. The aforementioned resolutions are submitted to the meeting for members' approval. Board recommends that the resolution be passed.

None of the Directors is concerned or interested in the proposed resolution

#### **Item # 8: ISSUE OF FCCBs / GDRs / ADRs / CONVERTIBLE SECURITIES/SHARES**

Your company proposed raise funds to meet its growth requirements for investment in solar power projects, repayment of debts,

acquisitions, investment in existing and/or new subsidiaries, long term working capital requirements, to strengthen its financial position and for other corporate purposes is required to generate long term resources by issue of FCCBs/GDRs / ADRs / or other securities in the international market to the extent of USD 100 Million or equivalent Indian rupees through QIP or Private Equity.

Such issue and allotment of Securities shall be governed by Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000 (including any statutory modification or re-enactment thereof, for the time being in force), Section 81 and any other applicable provisions of the Companies Act, 1956, any provisions of all other applicable laws or rules and regulations.

The detailed terms and conditions for the offer will be determined in consultation with the Advisors, Lead Managers, Underwriters and such other authority or authorities and agencies as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors. However, the pricing of GDRs/ADRs/ FCCBs/QIP issues shall be made at a price not less than the higher of the following two averages and subject to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;
- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during two weeks preceding the relevant date.

The relevant date means the date thirty days prior to the date of the General Meeting i.e. 26<sup>th</sup> April, 2010 and in respect of QIPs, the relevant date is as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. Securities issued pursuant to the international offering(s) will be listed either on Luxembourg Stock Exchange and / or London Stock Exchange and/or Singapore Stock Exchange and / or other Exchange(s) outside India and may be represented by Securities outside India.

As the pricing of the offering will be decided at a later stage, the exact number of securities or shares to be issued will depend upon the price so decided. For the aforesaid reasons, an enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalise the terms of the issue.

The Special Resolution seeks to give the Board powers to issue Securities in one or more tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies, individuals or otherwise as the Board may at its absolute discretion deem fit. Section 81(1) of the Companies Act, 1956 and Listing Agreement provides, inter alia, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in a general meeting decide otherwise.

The said Special Resolution, if passed, shall have the effect of allowing the Board on behalf of the Company to offer, issue and allot the Securities otherwise than on pro-rata basis to the existing shareholders. Accordingly consent of the shareholders is being sought pursuant to the provisions of Section 81 of the Companies Act, 1956, Articles of Association of the Company and other applicable provisions.

None of the Directors are concerned or interested in the above resolution.

#### **ITEM # 9: ISSUE OF SHARE WARRANTS**

Your Company plans to issue convertible warrants to finance its general corporate purposes. In view of this, it is proposed to create, offer, issue and allot 50,00,000 (Fifty Lakhs only) warrants and each warrant convertible into one Equity share of Rs. 10/- each fully paid to Sree Sahasya Enterprises Private Limited on preferential allotment basis:

The information as required under Regulation 73 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for the preferential issue is as under:

##### **a) Object of Issue**

The object of the proposed preferential offer is to augment resources for general corporate purposes of the company.

##### **b) Proposal of the Promoters/Directors/Key Management persons to subscribe to the offer:**

Sree Sahasya Enterprises Private Limited, a promoter group Company are intending to subscribe for the warrants to the extent of 50,00,000 to be converted into equity shares within 18 months from the date of issue.

##### **c) Shareholding pattern before and after issue of warrants to be converted into equity shares within 18 months from the date of the allotment of the warrants**

S.No	Category	Pre – Issue		Post – Issue (Assuming all warrants converted into Equity Shares)	
		No. of shares held	% of holding	No. of shares held	% of holding
<b>A</b>	<b>Shareholding of Promoters and Promoter Group</b>				
1	Indian Promoters	4524113	21.78	9524113	36.95*
	Sub-Total (A)	4524113	21.78	9524113	36.95
<b>B</b>	<b>Public Shareholding</b>				
1	Institutions				
a.	Financial Institutions / Banks	424524	2.04	424524	1.65
b.	FIs	2678752	12.89	2678752	10.39
	Sub-Total (B1)	3103276	14.93	3103276	12.04
2	Non-Institutions				
a.	Private Corporate Bodies	4159154	20.02	4159154	16.19
b.	Indian Public	8432944	40.59	8432944	32.72
c.	NRIs	464380	2.24	464380	1.80
d.	Clearing Members & others	91083	0.44	91083	0.35
	Sub-Total (B2)	13147561	63.29	13147561	51.01
	Sub-Total (B = B1+B2)	16250837	78.22	16250837	63.05
C	Shares held by Custodians and against Depository Receipts, FCCBs, etc.,				
	<b>Grand Total (A+B+C)</b>	<b>20774950</b>	<b>100.00</b>	<b>25774950</b>	<b>100.00</b>

Notes:

- i) \*The above table has been prepared on the basis of the shareholding pattern as on 16<sup>th</sup> April, 2010.
- ii) \*The Post-issue shareholding pattern in the above table has been prepared on the basis that the proposed allottee would have subscribed to and been allotted 50,00,000 warrants to be converted into equity shares within 18 months from the date of the allotment of the warrants of the Company. In the event for any reason, they does not or are unable to subscribe to and/or is not allotted the warrants, the shareholding pattern in the above table would undergo corresponding changes.
- iii) The post-issue shareholding pattern has been prepared without considering the conversion portion of existing FCCBs convertible securities into Equity shares. The post issue shareholding of Promoters will undergo corresponding change.

**d) Proposed time within which the allotment shall be completed**

The Allotment of the warrants shall be completed within 15 days from the date of the General Meeting provided that where the allotment on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval.

**e) Identity of proposed allottee (s) of warrants and the percentage of the post issue capital that may be held by him on conversion of the warrants into shares**

The proposed 50,00,000 warrants are proposed to be issued to Sree Sahasya Enterprises Private Ltd, a promoter group company in the ratio mentioned in the aforementioned resolution.

The identity of the proposed allottee and its relation with the promoters are as under:

Name of the proposed allottee	Relation, if any, with the promoters or person in control of the Company
1. Sree Sahasya Enterprises Pvt Ltd	Promoter Group Company

The percentage of the holding, post conversion of warrants into equity shares to the proposed allottees:

S.No.	Name of the Allottee	Total Shares held Pre- Issue Total Share Capital of the Company	% of Pre-issue holdings to the conversion of warrants	Total Shares held after the of Warrants to the Total Capital of the Company	% of holdings after conversion of
1.	Sree Sahasya Enterprises Pvt Ltd	1100000	5.29%	6100,000	23.67

**Note: The above holdings after conversion of warrants has been prepared without considering the equity shares to be issued on conversion of outstanding FCCBs.**

#### **Change in the Composition of the Board of Directors and Control of the Company**

There will not be any change in the composition of the Board of Directors and control of the Company on account of the proposed preferential allotment but there will be a corresponding change in the shareholding pattern as well as voting rights consequent to the preferential allotment.

#### **f) Non transferability of the Securities**

The securities issued and allotted on a preferential basis hereunder will be subject to lock-in as per the provisions of 78 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. The securities issued and allotted on a preferential basis to persons other than promoters/promoters group will be subject to lock-in for a period of one year from the date of their allotment.

A copy of the certificate of the Statutory Auditor of the company for pricing of warrant as per the SEBI guidelines shall be placed before the shareholders at the meeting.

The Relevant Date for the purpose of determining the issue price of the warrants 26<sup>th</sup> April, 2010 which is 30 days prior to the date of the General Meeting.

As per Section 81 (1A) of the Companies Act 1956, approval of the shareholders in the General Meeting is required for the issue of the shares by way of preferential allotment as stated in the resolution. Hence consent of the shareholders by way of special resolution is being sought for the issue of such warrants on preferential basis.

The Board recommends the resolution for approval.

None of the Directors except Mr.Dinesh Kumar, Mrs.Ritu Lal Kumar, Mr.Aneesh Mittal, Directors is concerned or interested in the resolution.

#### **10. Issue of cumulative redeemable Preference shares**

As per the terms and conditions of debt restructuring by Corporate Debt Restructuring (CDR) Cell, the company is required to issue cumulative redeemable preference shares of the company to the Banks from time to time not exceeding Rs.100 Crores towards the interest due and accrued to the Banks on short term loan, working capital term loan and term loans (credit facilities). The cumulative redeemable preference shares will be issued by converting the interest due and accrued on these credit facilities from the cut-off date i.e. 30.06.2009 for a period of one and half years till 31.12.2010. Hence, the proposed issue will not involve any cash inflow to the company. In terms of Section 81 of the Companies Act, 1956, when the Company proposes to increase the issued capital of the Company by allotment of further securities, such further securities shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in a General Meeting decide otherwise. As the Cumulative Redeemable Preference Shares are proposed to be offered and issued on a preferential / private placement basis, approval of members in general meeting by way of Special Resolution is required.

The Board of Directors recommends the resolution for your approval in the best interest of the Company.

None of the Directors is in any way concerned or interested in the above resolution.

#### **11. Re-appointment of Mr.Dinesh Kumar, Managing Director**

The existing tenure of appointment of Mr. Dinesh Kumar as the Managing Director expires on 31<sup>st</sup> May, 2010. Mr. Dinesh Kumar, Managing Director has since his tenure as Managing Director, steered the Company with total dedication, hard work and effective leadership into diversified activities, resulting in the profitable growth of the Company's operations. The Company's core business was the

manufacture and supply of jointing kits for DoT. However with the stiff competition and the emergence of the wireless technology, the cable industry has taken a severe beating during the past ten years. Further, the company focused into the manufacturing of SPV modules for export. The Company always kept its spirit high both in words and action due to the untiring efforts of Mr. Dinesh Kumar. His timely decisions to diversify into related products keeping in tune with the solar industry requirements have had the Company marching ahead towards growth and development.

Mr. Dinesh Kumar's firm determination, commitment, hard work and his long-term vision facilitated the Company to attract major investment in the Company through private placement and successful completion of Initial Public Offer. The Company has raised funds to the tune of Rs.59.37 Crores by IPO and listed itself in the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited on 28<sup>th</sup> December, 2006 and raised USD 40 million FCCBs in 2007.

Considering his immense contribution and efforts to build up a competent team of management, the Board of Directors felt it appropriate to avail the services of Mr. Dinesh Kumar, Managing Director for a further period of 3 years without any change in the existing remuneration as mentioned in the above resolution. The Remuneration Committee of the Company has already approved the proposed remuneration package.

The existing remuneration package which was earlier approved by the Central Government is valid till 31<sup>st</sup> May, 2010. Renewal of existing remuneration for a further period of 3 years requires the prior approval of Central Government apart from the approval of members by Special Resolution by virtue of Section 269, 309, 310 read with Schedule XIII to the Companies Act, 1956. Hence the above resolution is submitted to the meeting for members' approval.

The Directors namely Mr. Ritu Lal Kumar and Mr. Aneesh Mittal are considered to be interested or concerned either directly or indirectly in the proposed resolution.

Statement required as per Section II(C) of Part II of Schedule XIII to the Companies Act, 1956 is as follows:

**I. General Information:**

**(1) Nature of industry**

XL Telecom & Energy Ltd (XL) is a Two Decade old fast growing established 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.

**(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	2008-09 (18 months ended on 31 <sup>st</sup> December, 2009)	2007-08 12 months ended (on 30 <sup>th</sup> June, 2008)	2006-07 (12 months ended on 30 <sup>th</sup> June, 2007)
Income from Operations (Gross)	42570.78	65401.51	52314.34
Profit/Loss Before Interest, Depreciation & tax	-5250.05	7462.84	41163.63
Profit /Loss after Tax	-29583.38	4014.33	2017.69

**(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	2008-09 (18 months ended on 31 <sup>st</sup> December, 2009)	2007-08 12 months ended (on 30 <sup>th</sup> June, 2008)	2006-07 (12 months ended on 30 <sup>th</sup> June, 2007)
FOB value of goods exported	35031.12	9325.70	210.96

**(5) Foreign investments or collaborators, if any.**

Foreign investments in the Company as on 31<sup>st</sup> December, 2009 are 21,10,944 equity shares. These shares are held by FIIs and NRIs.

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 Axsetel Inc., California in 2005 to manufacture and deal in FWP with CDMA technology in Indian market.

**II. Information about the appointee:**

**(1) Background details**

Mr. Dinesh Kumar has done a Master degree in Business Administration (MBA) from Delhi University. He has been associated with the Telecom and Solar Industry for the past 18 years and has in-depth knowledge of various telecom and solar products. He has been inducted on the Board of the Company as an Additional Director with effect from 15<sup>th</sup> December, 1998. Subsequently Board has elevated him to the office of Deputy Managing Director in their meeting held on 22<sup>nd</sup> April, 1999 and further elevated to the office of Managing Director with effect from 9<sup>th</sup> October, 2000. He has been again re-appointed as the Managing Director of the Company for a further period of 3 years in the Extra-ordinary General Meeting held on 7<sup>th</sup> May, 2004 with effect from 1<sup>st</sup> June, 2004 and further re-appointed as the Managing Director of the company for a further period of 3 years at the Extra-ordinary General Meeting held on 28<sup>th</sup> February 2007 w.e.f. 1<sup>st</sup> June, 2007.

**(2) Past remuneration :** Presently he is drawing same total remuneration as proposed.

**(3) Recognition or awards:** Nil

**(4) Job profile and his suitability**

Mr. Dinesh Kumar, Managing Director has been taking care of production, technical and administration and other operational affairs of the Company. Since his tenure as Managing Director, he has steered the Company with total dedication, hard work and effective leadership into diversified activities, resulting in the profitable growth of the Company's operations. During the period of slowdown of the cable industry, XL Telecom Limited always kept its spirit high both in words and in action due to the untiring efforts of Mr. Dinesh Kumar.

**(5) Remuneration proposed**

(Rs. in Lakhs)

S.No.	Item of Remuneration	Present Remuneration (per annum)	Proposed Remuneration (per annum)
1	Salary @ Rs.10 lakhs per month	1,20,00,000/-	1,20,00,000/-
2	Allowances / Perquisites	30,00,000/-	30,00,000/-
	Total	1,50,00,000/-	1,50,00,000/-

**(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 a maximum remuneration of Rs. 25.00 Lakhs per month.

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

Except Smt. Ritu Lal Kumar Mr. Aneesh Mittal who are his relative and on the Board, Mr. Dinesh Kumar does not have any other pecuniary relationship directly or indirectly with the Company or with any other managerial personnel.

**III. Other information:**

**(1) Reasons for inadequate profits**

During the year company has suffered huge mark to market loss on the unsold stock of Solar Photovoltaic inventory which was held due to cancellation of export order. The cancellation of export order is on account of unexpected withdrawal of subsidies by the Spanish Government for the Solar Power Sector. There has been significant delay in disposal of this inventory due to prevailing global economic recession.

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

In addition to company's focus on selling Solar Photovoltaic Modules in Spanish market, company has initiated efforts to enter into other emerging markets abroad like Italy, USA, South Africa and other countries. In addition, company is also focusing on providing an end-to-end solution to customers for setting up of solar power generation plants both in domestic and overseas markets thereby the company will be working on production of solar cells from wafers to supply solar power to the grid / utility companies thus enhancing the spectrum of opportunities for growth and stabilization.

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

Keeping in view of continuing effect of global economic recession and time taking for the recovery of Solar Photovoltaic market, the company has conservatively estimated a turnover of Rs.191 Crores by December, 2010 and a Net loss of Rs.108 Crores mainly on account of necessity to liquidate the existing stocks. Accordingly, these projections were built into the CDR package and the same were duly approved by the CDR Empowered Group and all the Lenders

**12. Re-appointment of Mr.V.Visweswara Rao, Director (Finance)**

The existing tenure of appointment of Mr.V.Visweswara Rao as Director (Finance) expires on 27<sup>th</sup> April, 2010. . He has been working with the Company for over a period of 11 years and held various positions in the Company like General Manager, Vice President and Senior Vice President before joining the Board. He has more than 27 years experience to his credit and with his rich experience in the Finance and Accounts, he has been successfully handling the functions.

Considering his immense contribution and efforts, Board of Directors felt it appropriate to avail the services of Mr.V.Visweswara Rao for a further period of 3 years without any change in the existing remuneration as mentioned in the above resolution. The Remuneration Committee of the Company has already approved the proposed remuneration package. Such re-appointment requires approval of members by way of Special Resolution as per Schedule XIII of the Companies Act, 1956. Hence the above resolution is submitted to the meeting for members' approval.



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

Statement required as per Section II of Part II of Schedule XIII to the Companies Act, 1956 is as follows:

**I. General Information:**

**(1) Nature of industry**

XL Telecom & Energy Ltd (XL) is a Two Decade old fast growing established 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.

**(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	2008-09 (18 months ended on 31 <sup>st</sup> December, 2009)	2007-08 12 months ended (on 30 <sup>th</sup> June, 2008)	2006-07 (12 months ended on 30 <sup>th</sup> June, 2007)
Income from Operations (Gross)	42570.78	65401.51	52314.34
Profit/Loss Before Interest, Depreciation & tax	-5250.05	7462.84	41163.63
Profit /Loss after Tax	-29583.38	4014.33	2017.69

**(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	2008-09 (18 months ended on 31 <sup>st</sup> December, 2009)	2007-08 12 months ended (on 30 <sup>th</sup> June, 2008)	2006-07 (12 months ended on 30 <sup>th</sup> June, 2007)
FOB value of goods exported	35031.12	9325.70	210.96

**(5) Foreign investments or collaborators, if any.**

Foreign investments in the Company as on 31<sup>st</sup> December, 2009 are 21,10,944 equity shares. These shares are held by FIIs and NRIs.

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 Axissetel Inc., California in 2005 to manufacture and deal in FWP with CDMA technology in Indian market.

**II. Information about the appointee:**

**(1) Background details**

Mr.V.Visweswara Rao has done Masters degree in Commerce and having experience in Finance & Accounts for about 27 years. He has been working with the Company for over a period of 11 years and held various positions in the Company like General Manager, Vice President and Senior Vice President before joining the Board. He has worked with various companies before joining XL Telecom & Energy Ltd.

**(2) Past remuneration** Presently he is drawing same total remuneration as proposed.

**(3) Recognition or awards** Nil

**(4) Job profile and his suitability**

Mr.V.Visweswara Rao has been heading the Finance & Accounts functions of the company for past 11 years. He has worked with various companies before joining with the Company and has hands on exposure in the fields of Finance, Accounts and Administration. He has more than 27 years experience to his credit and with his rich experience in the Finance and Accounts, he has been successfully handling the functions. 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

During the year company has suffered huge mark to market loss on the unsold stock of Solar Photovoltaic inventory which was held due to cancellation of export order. The cancellation of export order is on account of unexpected withdrawal of subsidies by the Spanish Government for the Solar Power Sector. There has been significant delay in disposal of this inventory due to prevailing global economic recession.

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

In addition to company's focus on selling Solar Photovoltaic Modules in Spanish market, company has initiated efforts to enter into other emerging markets abroad like Italy, USA, South Africa and other countries. In addition, company is also focusing on providing an end-to-end solution to customers for setting up of solar power generation plants both in domestic and overseas markets thereby the company will be working on production of solar cells from wafers to supply solar power to the grid / utility companies thus enhancing the spectrum of opportunities for growth and stabilization.

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

Keeping in view of continuing effect of global economic recession and time taking for the recovery of Solar Photovoltaic market, the company has conservatively estimated a turnover of Rs.191 Crores by December, 2010 and a Net loss of Rs.108 Crores mainly on account of necessity to liquidate the existing stocks. Accordingly, these projections were built into the CDR package and the same were duly approved by the CDR Empowered Group and all the Lenders

### 13. Ratification of allotment of equity shares on conversion of warrants issued on preferential basis

With the consent of the members at the 21<sup>st</sup> Annual General Meeting, company allotted 52,50,000 convertible warrants of Rs.10/- each at a price of Rs.135/- per warrant to promoters, promoter group and others on preferential basis. Mr.K.Vasudeva Rao, to whom the company allotted 50,000 equity shares on conversion of warrants. In view of non compliance of no trading requirement for the six months period by the said allottee as required under the erstwhile SEBI (DIP) Guidelines, the Bombay Stock Exchange Ltd has not granted listing approval and advised the company to seek fresh approval/ratification from the members.

The information as required under Regulation 73 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for the preferential issue is as under:

#### a) Object of Issue

The said warrants were issued and allotted is to augment resources for general corporate purposes of the company. There is no fresh issue of securities.

#### b) proposal of the Promoters/Directors/Key Management persons to subscribe to the offer:

The said 50,000 warrants were issued to a director of the company and the same were converted into equity shares.

#### c) Shareholding pattern before and after issue of warrants to be converted into equity shares within 18 months from the date of the allotment of the warrants

S.No.	Name of the Allottee	Total Shares held Pre- Issue	% of Pre-issue holdings to the Total Share Capital of the Company	Total Shares held after the conversion of warrants	% of holdings after conversion of Warrants to the Total Capital of the Company
<b>A</b>	<b>Shareholding of Promoters and Promoter Group</b>				
1	Indian Promoters	4524113	21.83	4524113	21.78
2	Foreign Promoters				
	Sub-Total (A)	4524113	21.83	4524113	21.78
<b>B</b>	<b>Public Shareholding</b>				
3	Institutions				
a.	Financial Institutions / Banks	424524	2.05	424524	2.04
b.	FIs	2678752	12.92	2678752	12.89
	Sub-Total (B1)	3103276	14.97	3103276	14.93
4	Non-Institutions				
a.	Private Corporate Bodies	4159154	20.07	4159154	20.02
b.	Indian Public	8382944	40.45	8432944	40.59
c.	NRIs	464380	2.24	464380	2.24
d.	Clearing Members & others	91083	0.44	91083	0.44
	Sub-Total (B2)	13097561	63.20	13147561	63.29
	Sub-Total (B = B1+B2)	16200837	78.17	16250837	78.22
C	Shares held by Custodians and against Depository Receipts, FCCBs, etc.,				
	<b>Grand Total (A+B+C)</b>	<b>20724950</b>	<b>100.00</b>	<b>20774950</b>	<b>100.00</b>

Notes:

i) The above table has been prepared on the basis of the shareholding pattern as on 16<sup>th</sup> April, 2010. The pre-issue shareholding pattern in the above table has been prepared on the assumption that the said 50,000 shares were not allotted and the post shareholding pattern has been shown considering the allotment of 50,000 equity shares on conversion of warrants.

**d) Proposed time within which the allotment shall be completed**

As the said 50,000 warrants were allotted in 2007 on receipt of the approval of the stock exchanges and the same were converted into equity shares in 2008 and hence it is not applicable.

**e) Identity of proposed allottee (s) of warrants and the percentage of the post issue capital that may be held by him on conversion of the warrants into shares**

The 50,000 warrants were allotted to Mr.K.Vasudeva Rao, a director of the company.

The percentage of the holding, post conversion of warrants into equity shares to the proposed allottees:

S.No.	Name of the Allottee	Total Shares held Pre- Issue	% of Pre-issue holdings to the Total Share Capital of the Company	Total Shares held after the conversion of warrants	% of holdings after conversion of Warrants to the Total Capital of the Company
1	Mr.K.Vasudeva Rao	980	0.01	50980	0.25

**Change in the Composition of the Board of Directors and Control of the Company**

There will not be any change in the composition of the Board of Directors and control of the Company on account of the proposed preferential allotment but there will be a corresponding change in the shareholding pattern as well as voting rights consequent to the preferential allotment.

**f) Non transferability of the Securities**

The said 50,000 warrants were converted into 50,000 equity shares and complied with the lock in provisions of the erstwhile SEBI (DIP) Guidelines.

A copy of the certificate of the Statutory Auditor of the company for pricing of warrant as per the SEBI guidelines shall be placed before the shareholders at the meeting.

The Relevant Date for the purpose of determining the issue price of the warrants 26<sup>th</sup> April, 2010 which is 30 days prior to the date of the General Meeting.

Approval and ratification of the shareholders in the General Meeting is required to confirm issue of the shares on conversion of warrants. Hence consent of the shareholders by way of special resolution is being sought.

The Board recommends the resolution for approval.

None of the Directors except Mr.K.Vasudeva Rao, Director is concerned or interested in the resolution.

**14. Erosion of more than 50% of Company's peak net worth during immediately preceding four financial years**

As accumulated losses of the company as on 31<sup>st</sup> December 2009 have resulted in erosion of more than fifty percent of its peak net worth during the immediately preceding four financial years in terms of the provisions of Section 23 of The Sick Industrial Companies (Special Provisions) Act, 1985, the Report of the Directors on erosion of net worth of the Company is being sent with this notice. Shareholders are requested to kindly consider and adopt the Report.

None of the Directors of the Company are concerned or interested in the Resolution

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

Place: Secunderabad  
Date: 21<sup>st</sup> April, 2010

**DINESH KUMAR**  
MANAGING DIRECTOR

**Directors Report on Erosion of net worth of the Company**

The Board of Directors in compliance of Section 23(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 present their Report to the Shareholders of the company for consideration of fact of erosion of fifty percent or more of the company's peak net worth during the immediately preceding four financial years along with the cause for such erosion.

During the year the Company had an order for the supply of Solar Photovoltaic to the Spanish Companies and on account of the financial recession which hit the globe in 2009, and more severely the European markets, the Spanish Government withdrew the subsidies for the Solar Power Sector as a result of which the Spanish Companies cancelled the order and the Company was left with the unsold stock of Solar Photovoltaic inventory. Further Foreign exchange fluctuation losses and the high interest burden for carrying the inventories added to the loss of the Company. The peak net worth during the immediately preceding four financial years is Rs.31921.31 lacs and the accumulated losses during the year Rs.29583.38 lacs and resulted in erosion of more than 50%.

Place: Secunderabad  
Date : 21.04.2010

**DINESH KUMAR**  
MANAGING DIRECTOR

**V.VISWESWARA RAO**  
DIRECTOR (FINANCE)

## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twenty Third Annual Report of the Company together with the Audited statement of accounts for the 18 months period ended 31<sup>st</sup> December 2009.

### Financial Results

Rs in Lakhs

Particulars	31 <sup>st</sup> Dec, 2009 (18 months)	30th June, 2008 (12 months)
Income from Operations	42944.98	65,651.37
Less: Duties and Taxes	374.20	249.85
Net Income from Operations	42570.78	654,01.51
Other Income	169.28	222.51
Profit(+)/Loss(-) Before depreciation, Interest and Tax	-5250.05	7,462.84
Interest & Financial Charges	10354.47	2,595.80
Depreciation	395.05	213.40
Extraordinary items	12807.96	0.00
Profit(+)/Loss(-) Before Tax	-28807.53	4,653.64
Provision for Income Tax	326.72	575.00
Provision for Fringe Benefit Tax	31.47	26.59
Deferred Tax	390.12	37.72
Prior period adjustments	27.55	0.00
Profit(+)/Loss(-) After Tax	-29583.38	4014.33
Dividend (%)	0.00	15%
Equity Capital (Rs.)	207749500	187854520
Earnings per Share (Rs.)	-142.40	21.37

During the year, your Company has achieved Rs.42944.98 lacs revenues for the year compared to previous year revenues of Rs. 65651.37 lacs. The company has incurred a loss of Rs.29583.38 lacs as against a profit of Rs.4014.33 lacs for the previous year. The losses among other reasons, are mainly due to Mark-to-Market losses on inventories, foreign currency exchange fluctuation losses and due to high interest burden for carrying the inventories and new project initiatives.

The decline in revenue is mainly due to the global economic recession coupled with the sluggish demand for solar photovoltaic power solar farms.

### Segment wise revenues of your company are as under:

Rs in Lakhs

Segment wise revenue	2008-2009 (18 months)	2007-08 (12 months)
<b>I. Telecom</b>	<b>2566.56</b>	<b>29,104.35</b>
<b>II. Energy</b>	<b>40378.42</b>	<b>36,547.02</b>
Total revenues	42,944.98	65,651.37

### Dividend

Due to non availability of surplus, your Directors do not recommend any dividend for the year 2008-09.

### Corporate Debt Restructuring

During the year the company has approached CDR Cell for restructuring of credit facilities in view of the defaults in debt and interest obligations by the company due to global sluggish demand. CDR Cell has approved the restructuring package and the details are mentioned at point No.B – 1 of Schedule 14 to the notes to accounts.

### Foreign Currency Convertible Bonds

Pursuant to the approval accorded by the members on 26<sup>th</sup> September, 2007, the 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 said FCCBs are convertible by Bondholders into equity shares at any time on or after 29<sup>th</sup> October, 2007 upto the close of the business on 22<sup>nd</sup> October, 2012. During the year, conversion price of the FCCBs has been reset to Rs.160/- per equity shares from Rs.260/- per equity share. During the year the company issued and allotted 19,89,498 equity shares of Rs.10/- each at a premium of Rs.150/- per share on conversion USD 8.00 million FCCBs. The outstanding balance of FCCBs as on 31<sup>st</sup> December 2009 is USD 12.24 million.

### Subsidiary companies

The information as required under Section 212 of the Companies Act, 1956 is attached to this Annual Report. As required under the Listing Agreements with the Stock Exchanges, a Consolidated Financial Statement of the Company is attached. The company has submitted the application to the Central Government under Section 212(8) of the Companies Act, 1956 for the exemption from attaching the balance sheet, Profit & Loss A/c and Directors Report and other documents as required.

### Certifications

During the year, your company accredited with UL certification to enter into US Markets.

### 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 31<sup>st</sup> December 2009, 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 31<sup>st</sup> December 2009 and of the loss 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 31<sup>st</sup> December 2009 on a 'going concern' basis.

### Directors

During the year, Mr.Dhanunjaya Kumar Alla was appointed as alternate Director to Mr.Rajiv Garg on 30<sup>th</sup> April, 2010. During the year, Mr.Naresh Chand Singhal has resigned from the Board w.e.f.22<sup>nd</sup> October 2009.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr.Aneesh Mittal, Mrs.Ritula Kumar and Mr.V.Visweswara Rao Directors retire by rotation at the ensuing 23<sup>rd</sup> Annual General Meeting and being eligible have offered themselves for re-appointment.

### Auditors

M/s. Satyanarayana & Co, Chartered Accountants, 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

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is as follows:

Name	Designation Nature of Duties	Remuneration (Gross)	Qualifications	Date of Commencement of Employment	Age in years	Last Employment
Mr.Dinesh Kumar	Managing Director	2,25,00,000	MBA	22.04.1999	46 Years	Business
Mr.K.Vasudeva Rao	Executive Director	54,00,000	B.Sc., CA	23.02.2005	48 years	Goldstone Technologies Ltd
Mr.V.Visweswara Rao	Director (Finance)	54,00,000	M.Com.	04.09.1999	51 Years	Deccan Granites Ltd
Mr.Aneesh Mittal	Whole Time Director	36,00,000	B.Com	01.04.1987	48 Years	Business
Mr.Pramod Kumar Jain	Whole Time Director	46,50,000	M.Tech.	04.03.2002	44 Years	Lucent Technologies Pte Ltd
Mr.Ramu M V	General Manager - Solar	8,70,544	M.Sc (Electronics)	24.08.2009	62 years	TATA BP Solar, Bangalore

Notes: -

- i) Gross Remuneration shown above is subject to tax and comprises Salary, HRA and other Allowances inclusive of salary due and payable.
- ii) They have adequate experience to discharge the responsibility assigned to him.
- iii) Mr.Dinesh Kumar and Mr.Aneesh Mittal are relatives of Mrs.Ritu Lal Kumar, Director of the Company.

#### **Explanations to qualifications in Auditors Report**

- a. The company has not provided for the amount of the gratuity liability as per Accounting Standard-15.  
Company's response: As per the company's present accounting policy, Gratuity liability is accounted for on cash basis. However the board has decided to change the policy to conform to AS-15 which will be reflected in the accounts of ensuing period.
- b. The balances appearing under secured loans are arrived at after providing for interest at a lower rate than the original rates. The interest for the period is calculated based on the concessional rates of interest that are to be charged as per the Corporate Debt Restructuring (CDR) Scheme approved by the lenders to the company on 30th December'2009. However the said CDR package is yet to be implemented and the secured lenders have not restated the interest rates as per the CDR package as on date. The provision of interest as per the rates approved under CDR as against original contacted rates has an impact of reduction in secured loan by Rs.2197.11 lakhs and understatement of loss to the same extent.  
Company's response: The company has accounted for the interest based on the CDR Scheme approved on 23<sup>rd</sup> January 2010 and the Master Restructuring Agreement (MRA) executed with the lenders.
- c. We are unable to comment on the carrying value of the investment in one of the subsidiary companies viz. Khandoba Distilleries Limited pending implementation of the project.  
Company's response: The realizable value of the investment would be determined as per the CDR Scheme referred to above Deposits.
- d. The Balances appearing under unsecured loans, sundry creditors, capital WIP, sundry debtors and loans and advances are subject to confirmation and reconciliation. We find no provision has been made in books for doubtful debts.  
Company's response: Company has circulated letters for the balances appearing in unsecured loans, sundry creditors, capital WIP, sundry debtors and loans and advances for confirmation of balances. Company has received confirmations from some of the parties and the same are in agreement with the balances as per the company's books.
- e. The Company is not regular in depositing with appropriate authorities the undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it excepting income tax dues for the Asst Year 2007-08, 2008-09 amounting to Rs.1486 lacs, provident fund dues to the tune of Rs.15.31 lacs and the TDS of Rs.119.53 lacs.  
Company's response: Unpaid statutory dues pending as on 31<sup>st</sup> December 2009 will be discharged on a priority basis through the CDR mechanism.

#### **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  
of **XL TELECOM & ENERGY LIMITED**

Place: Secunderabad  
Date: 21<sup>st</sup> April, 2010

**DINESH KUMAR**  
MANAGING DIRECTOR

**V. VISWESWARA RAO**  
DIRECTOR (FINANCE)



**ANNEXURE TO DIRECTORS' REPORT**

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

**(I). CONSERVATION OF ENERGY:**

a) Energy Conservation Measures taken

Adequate measures have been taken to conserve the energy. 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. Lakhs 2008-2009 (18 months)	Rs. Lakhs 2007-2008 (12 months)
<u>Earnings</u>		
- FOB Value of exports realized	35031.12	9325.70
<u>Expenditure</u>		
- Traveling	64.36	84.24
- Import of Raw Materials (C.I.F. value)	70006.31	27982.33

## REPORT ON CORPORATE GOVERNANCE

### *A brief statement on company's philosophy on code of governance*

XL Telecom & Energy Limited is committed to conduct its business in a manner that exemplifies growth in shareholder value through ever improving performance, manufacture of quality products through world-class manufacturing facilities. The Company has set a goal for attaining the highest standard of good governance, meticulously pursue it and thereby maximize value for its shareholders, customers, employees and public at large. During the financial year ended December 31, 2009, the Company has duly addressed the requirements of guidelines pertaining to Corporate Governance, as stipulated under the Listing Agreement with Stock Exchanges.

### **BOARD OF DIRECTORS**

- i. The Company has 10 directors with a Non-Executive Chairman. The Board consists of Four Executive and Five Non-Executive Directors & One Alternate Director. Four Non-Executive Directors and alternate director are independent i.e. they do not have any material pecuniary relationship with the Company, its promoters or its management, which may affect the independence of the judgment of the Director. The composition of the Board is in conformity with Clause 49 of the listing agreement entered into with Stock Exchanges.
- 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 December 31, 2009 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.

The Board members possess requisite skills, experience and expertise required to take decisions, which are in the best interest of the Company.

Name of the Director	Categories	No. of Board Meetings during the months period		Whether attended last AGM held on 30th March 2009	Directorship in other Companies		No. of Committees held in other Public Limited Companies	
		Held	Attended		Chairman	Member	Chairman	Member
Mr. R. Srinivasan Chairman	Independent Non- Executive	10	10	Yes	---	7	3	5
Mr. N.C. Singhal *	Independent Non- Executive	9	3	Yes	2	7	4	1
Mr. Rajiv Garg	Independent Non- Executive	10	1	No	--	2	--	1
Mr. Ashok Kumar Goyal	Independent Non- Executive	10	2	No	2	7	4	1
Mr .Wolfgang Knop	Independent Non- Executive	10	2	Yes	--	--	--	--
Mr. Dinesh Kumar Managing Director	Promoter, Executive Non Independent	10	10	Yes	--	3	1	--
Mr. K Vasudeva Rao	Non- Independent Executive	10	8	yes	--	--	--	--
Mr. V. Visweswara Rao	Non- Independent Executive	10	10	Yes	--	1	--	1
Mr. Aneesh Mittal	Non-Independent Executive Promoter	10	8	Yes	--	--	--	--
Mr . Pramod kumar Jain	Non-Independent Executive	10	6	Yes	--	--	--	--
Mr. Dhanunjaya Kumar Alla **	Non- Executive Independent Director	4	3	N/A	--	--	--	--
Mrs. Ritu Lal Kumar	Non-Independent Non Executive Promoter	10	4	Yes	---	3	---	--

\* Ceased to be a Director w.e.f 22nd October 2009

\*\* Appointed as alternate Director to Mr. Rajiv Garg w.e.f: 30th April 2009

- iv. During the 18 months extended financial period the Board of Directors met 10 times and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:  
26th July 2008, 22nd September 2008, 27th September 2008, 31st October 2008, 31st January 2009, 30th March 2009, 30th April 2009, 30th July 2009, 9th October 2009 & 30th October 2009.
- 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.

**AUDIT COMMITTEE:**

During the year, the Audit Committee of the Company has been reconstituted as on 25th February 2010, which deals in all matters relating to financial reporting and internal controls. The scope of the Audit Committee and terms of reference have been defined by the Board of Directors in accordance clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956 which among others, includes:

- 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.

The Audit Committee specifically reviews the un-audited quarterly financial results before these are submitted to the Board for approval. Minutes of each Audit Committee meeting are placed before the Board for information.

**Composition and Attendance**

All members of the Audit Committee including the Chairman of the committee, Dr.R.Srinivasan, are Non-Executive Independent Directors. All the members of the committee have adequate financial and accounting knowledge.

During the year, the Committee met Seven times viz. on 22nd September 2008, 27th September 2008, 31st October 2008, 31st January 2009, 30th April 2009, 30th July 2009, 30th October 2009.

The necessary quorum was present at all the meetings.

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 2008-09	
		Held	Attended
Dr R.Srinivasan, Chairman	Non Executive Chairman	7	7
Mr. Rajiv Garg	Independent Director	7	1
Mr. Ashok Kumar Goyal	Independent Director	7	2
Mr. K.Vasudeva Rao *	Executive Director	7	5
Mr.Dhanunjaya Kumar Alla **	Alternate Director	7	2
Mr.N.C.Singhal***	Independent Director	2	1

\*Ceased to be a member of Audit Committee w.e.f 25<sup>th</sup> February 2010

\*\* Appointed as alternate director to Mr. Rajiv Garg w.e.f. 30<sup>th</sup> April 2009

\*\*\* Ceased to be a member of Audit Committee w.e.f 22<sup>nd</sup> October 2009

**REMUNERATION COMMITTEE:**

- i. The Company has reconstituted its Remuneration Committee as on 25th February 2010. The scope of the Remuneration committee has been defined by the Board of Directors in accordance clause 49 of the Listing Agreement, which among others, includes:
  - 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.
- ii. Composition and Attendance

The committee has Four Directors, all of whom are Non-Executive Independent Directors. The Chairman of the committee, Dr. R Srinivasan, is a Non-Executive Director. Two Remuneration Committee meetings were held during year 2008-09 on 22nd September, 2008 and 27th September, 2008

Name	Category	No. of Meetings during the year 2008-09	
		Held	Attended
Dr R.Srinivasan, Chairman	Non Executive Director	2	2
Mr. Ashok Kumar Goyal	Independent Director	2	1
Mr. Wolfgang Werner Knop	Independent Director	2	0
Mr.Dhanunjaya Kumar Alla *	Alternate Director	0	0

\* Mr.Dhanunjaya Kumar Alla, Alternate Director to Mr. Rajiv Garg has been appointed as member w.e.f. 25<sup>th</sup> February 2010

iii. The company does not have any Employee Stock option Scheme.

iv. **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.

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

vi. Details of remuneration for the period ended 31.12.2009

a. Non-Executive Directors

Name	Sitting Fees (Rs.)
Dr. R.Srinivasan	1,67,500
Mr.Naresh Chand Singhal	30,000
Mr. Rajiv Garg	10,000
Mrs.Ritu Lal Kumar	40,000
Mr.Ashok Kumar Goyal	25,000
Mr.Dhanunjaya Kumar Alla	45,000

b. Managing Director & Executive Directors

Name	Salary	Perquisites & Allowances
Mr. Dinesh Kumar	18000000	4500000
Mr. K.Vasudeva Rao	3600000	1800000
Mr. V.Visweswara Rao	3600000	1800000
Mr. Aneesh Mittal	2700000	900000
Mr. Pramod Kumar Jain	3600000	1350000

**Shareholders / Investors Grievance Committee:**

i. The Company has reconstituted Shareholders/Investors Grievance committee on 25th February 2010.

ii. The committee constituted for redressing shareholders/investors complaints like transfer of shares, non-receipt of annual report, non-receipt of declared dividend and others. The committee when meets reviews all investor grievances and ensure that these are redressed within a period of 7-10 days from the date of receipt of complaint, except those that are constrained by legal impediments/procedural issues.

iii. Also to look into the approval of transfer/transmission /demat/remat of shares, issue of duplicate, split-up, consolidation, renewal of share certificate.

iv. Four meetings of the Shareholders / Investors Grievances Committee were held during the year on 15th May 2009, 27th July 2009, 25th August 2009 and 13th November 2009.

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 2008-09	
		Held	Attended
Mr. Dhanunjaya Kumar Alla, Chairman *	Independent Director	2	—
Mr. Dinesh Kumar	Managing Director	4	4
Mr. K.Vasudeva Rao	Executive Director	4	4
Mr.Rajiv Garg	Independent Director	4	0

\* Mr.Dhanunjaya Kumar Alla, Alternate Director to Mr. Rajiv Garg has been appointed as member w.e.f. 25<sup>th</sup> February 2010

**Name, designation and address of Compliance Officer:**

Mr. K.Sateesh Gupta  
Company Secretary  
XL Telecom & Energy Ltd  
C2, Pooja Plaza, Vikrampur  
Secunderabad – 500 009  
Tel: 040 27775568 Fax: 040 27840081  
Email: [satish@xlteleenergy.com](mailto:satish@xlteleenergy.com)

Opening Balance	Received during the year	Resolved during the year	Closing Balance
NIL	54	54	NIL

**MANAGEMENT COMMITTEE**

- Management Committee of Directors is constituted 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. Generally, the Committee meets every month to review business opportunities & handling day to day operations.
- 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.
- Seventeen meetings of the Management Committee were held during the year on 12th July 2008, 27th September 2008, 7th October 2008, 11th October 2008, 10th November 2008, 26th December 2008, 12th January 2009, 2nd March 2009, 23rd April 2009, 27th June 2009, 29th June 2009, 30th June 2009, 27th July 2009, 24th August 2009, 25th August 2009, 15th September 2009, 13th October 2009.
- 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	17	17
Mr. K.Vasudeva Rao	Executive Director	17	17
Mr. V.Visweswara Rao	Director (Finance)	17	17

**GENERAL BODY MEETINGS:**

i. Location and time, wherelast three AGMs held:

Year	Date & Time	Venue	Special Resolutions
2007-08	30 th March 2009	Plot No. 198/A. IDA Chelapally, Hyderabad - 500051	1) Authorization to borrow funds of the Company 2) Mortgage, Charge and/or hypothecate the assets of the Company 3) Re-appointment of and revision in payment of remuneration to Mr. K. Vasudeva Rao, whole Time Director 4) Re-appointment of Mr. Pramod Kumar Jain as a Director as well as Whole Time Director
2007-08	24th December 2008	Plot No. 198/A. IDA Chelapally, Hyderabad - 500051	Adjourned due to lack of quorum
2006-07	26th Sepember 2007 at 11.00 A.M	Plot No. 198/A. IDA Chelapally, Hyderabad - 500051	1) U/s 31 of the Companies Act, 1956 to alter the capital clause of the Artilces 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	16th December 2006 at 12.00 Noon	Plot No. 198/A. IDA Chelapally, Hyderabad - 500051	U/s 16,17 & 18 of the Companies Act, 1956 alteration of Main Objects of the Company

ii. No Postal Ballot was conducted during the year.

**DISCLOSURES**

- i. During the year, there were no transactions of material nature of the Company with the Promoters, Directors, Management, their relatives, or subsidiaries of the Company etc. that had potential conflict with the interest of the Company at large.
- ii. The related party transactions with the subsidiary/group companies have been disclosed in the Annual Accounts.
- iii. There were no instances of non-compliances by the Company, penalties, and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to the capital markets.
- 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.xlteleenergy.com](http://www.xlteleenergy.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 2008-09."

Secunderabad  
15<sup>th</sup> April 2010

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 31st December 2009 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.
- ix. The details of the shares/convertible warrants held by the Non Executive Director as on 31st December 2009:

Name of the Non-Executive Director	No. of Equity Shares	No. of Convertible warrants
Mr. Rajiv Garg	7,000	NIL

- 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.

#### COMMUNICATION TO SHAREHOLDERS

- (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.xltelenergy.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.

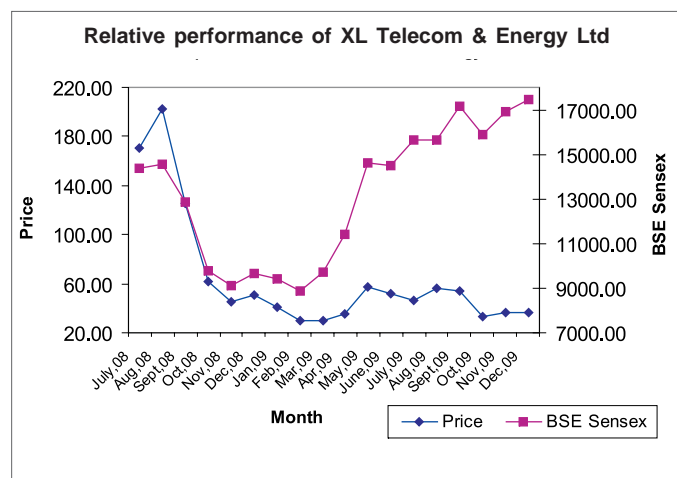
#### GENERAL SHAREHOLDERS' INFORMATION

- (i) The Annual General Meeting:
  - Date & Time : 26th May, 2010 at 10.00 A.M.
  - Venue : Plot No. 198/A, IDA, Cherlapally, Hyderabad - 500 051
- (ii) Financial year ending : December 31, 2010
- (iii) Date of Book Closure : 22<sup>nd</sup> May, 2010 to 26<sup>th</sup> May, 2010 (Both days inclusive)
- iv) 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 31<sup>st</sup> March, 2010.
  2. Zero Coupon Foreign Currency Convertible Bonds (FCCBs) are listed at Singapore Exchange Securities Trading Limited (SGX-ST)
- v) Stock Code / Symbol :
  - for equity shares
  - BSE : 532788 & XLTELENE
  - NSE : XLTELENE
  - ISIN for FCCBs
  - Singapore Stock Exchange : XS0325291861

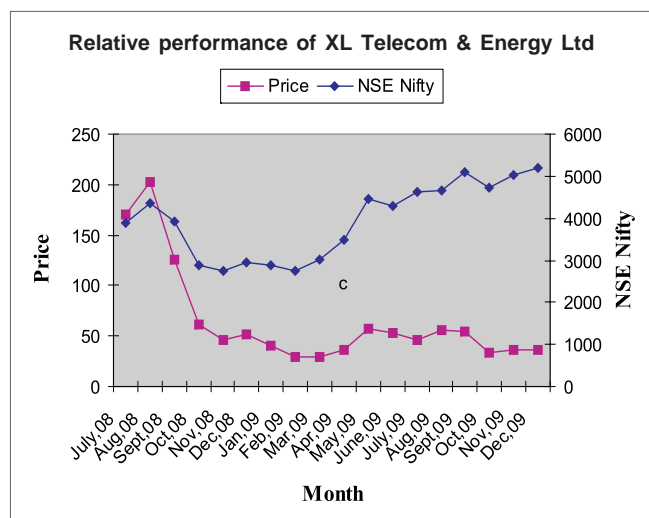
vi) Market Price Data : High, Low during each month in last financial year

Month	BSE		NSE	
	High	Low	High	Low
July, 2008	222.00	164.00	4075.4	3878.2
August, 2008	232.00	166.10	4368.8	4230.6
September, 2008	215.40	109.50	3966.85	3715.05
October, 2008	143.80	52.50	2921.35	2696.3
November, 2008	72.25	45.55	2779	2690.3
December, 2008	59.85	43.50	3002.65	2937.35
January, 2009	60.80	35.70	2881	2774.1
February, 2009	39.50	29.30	2787.2	2708.45
March, 2009	33.55	25.80	3054.3	2966.4
April, 2009	45.05	29.65	3486.4	3366.7
May, 2009	59.20	34.10	4488.05	4340.75
June, 2009	73.90	49.10	4426.75	4267.35
July, 2009	58.50	40.30	4669.75	4571.6
August, 2009	56.05	41.20	4730.85	4635
September, 2009	61.35	51.10	5087.6	5004.35
October, 2009	55.50	33.35	4853.65	4687.5
November, 2009	43.35	27.10	5066.35	4942.25
December, 2009	40.30	35.00	5221.85	5168.75

vii) Stock Performance in comparison to board-based indices - BSE Sensex



Stock Performance in comparison to board-based indices - NSE Sensex



viii) Registrar and Transfer Agents

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](mailto:bsshyd@bigshareonline.com), Website: [www.bigshareonline.com](http://www.bigshareonline.com)

**ix) 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.

All requests received by the Company/RTA for Dematerialisation/ Rematerialisation/ transfer are disposed off expeditiously. Share Certificates duly endorsed are issued /transferred to all those shareholders, who opt for shares in the physical form

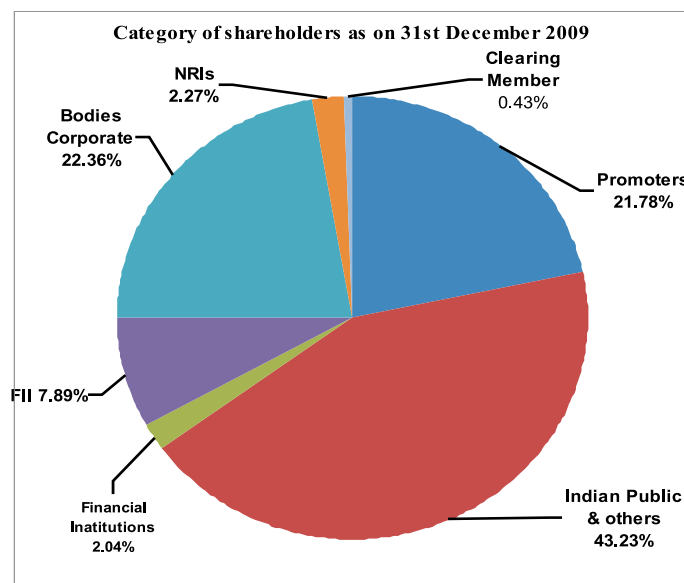
**x) Distribution of sharholding**

a. Distributio of sharholding as on 31st December, 2009 :

Range (in Rupees)	No. of shareholders	% of shareholders	No. of shares (Rs)	% of Shareholding
1 - 5000	22010	87.05	27792290	13.38
5001 - 10000	1662	6.57	13544070	6.52
10001 - 20000	834	3.30	12840300	6.18
20001 - 30000	250	0.99	6425590	3.09
30001 - 40000	119	0.47	4272000	2.06
40001 - 50000	100	0.39	4765280	2.29
50001 - 100000	158	0.62	11812010	5.69
Above 100000	152	0.60	126297960	60.79
<b>Total</b>	<b>25285</b>	<b>100.00</b>	<b>207749500</b>	<b>100.00</b>

b. Categories of Shareholders as on 31st December 2009

Category	No. of Shares	Percentage
Promoters	4524113	21.78
Indian Public & others	8980469	43.23
Financial Institutions	424524	2.04
Foreign Institutional Investors	1638606	7.89
Bodies Corporate	4645034	22.36
NRIs	472338	2.27
Clearing Member	89866	0.43
<b>Grand Total</b>	<b>20774950</b>	<b>100</b>



**x) 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 2,07,74,950 equity shares, 1,96,42,169 equity shares constituting 94.55% of total equity share capital are held in dematerialized form with NSDL and CDSL as on 31<sup>st</sup> December 2009.

**xi) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

As on 31st December 2009, the following are the outstanding convertible Zero Coupon Foreign Currency Convertible Bonds (FCCBs): USD 12,240,000.

If the FCCBs are fully converted, will result in increase of 30,43,935 equity shares of the Company. Further, Company did not have any outstanding GDRs/ADRs/warrants as on 31st December 2009.

**xii) Unclaimed shares in the public issue:**

In compliance with clause 5A of the listing agreement, shares issued pursuant to the public issues which remain unclaimed and are lying in the escrow account were transferred to "XL Telecom & Energy Limited Unclaimed securities Suspense Account". The details of which are as follows:

S.No	Description	No. of Shareholders	No. of shares
1.	Aggregate No. of Shareholders & Shares beginning of the year 01.07.2008	8	366
2.	No. of shareholders who approached for transfer of shares from suspense account during the year	2	93
3.	No. of shareholders and shares transferred from suspense account during the year	2	93
4.	No. of shareholders and shares outstanding at the end of year 31.12.2009	6	273

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

**WHERE WE OPERATE**

The XL group operates across 3 continents, and our products and services are available in more than 4 countries and focused on European countries and USA.

**PLANT & LOCATIONS IN INDIA**

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

**ADDRESS FOR CORRESPONDENCE**

**REGISTERED OFFICE**

C2, Pooja Plaza, Vikrampur  
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 18 months period ended December 31<sup>st</sup> 2009, 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,  
April 19, 2010

## MANAGEMENT DISCUSSION & ANALYSIS

### Forward looking Statements

Statements in this management discussion and analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downward trend in the domestic industry, monsoon, rise in input costs, exchange rate fluctuations, and significant changes in political and economic environment in India, environment standards, tax laws, litigation and labour relations.

### Solar Industry - Global Scenario:

Growth in the solar Photovoltaic sector in the year 2009 is lesser than the annual growth of the last 5 years due to sluggish demand coupled with global economic recession. Yearly growth rates of the SPV installations over the last five years were on average more than 40%, where as the growth rate for the year 2009 is 20%.

Looking forward, the industry will return to high growth in 2010 and also over the next 5 years. Even in the slowest growth scenario, the global market will be 2.5 times its current size by 2014. Under the Production Led scenario, the fastest growing forecast, annual industry revenues approach \$100 billion by 2014. Source: Solar Buzz

According to iSuppli forecast, the demand for the solar installations will rise to 13.6 GW in 2010 up 92.9% as against 7.0 GW in 2009. Further the demand will increase to 20.3 GW in 2011, nearly triple the installations in 2009.

### Indian Scenario:

In a response to the economic crisis, most of the G20 countries have designed economic recovery packages which include "green stimulus" measures. India also participated through its National Action Plan on Climate Change on June 30, 2008. The National Solar Mission is a major initiative of the Government of India and State Governments to promote ecologically sustainable growth while addressing India's energy security challenge. It will also constitute a major contribution by India to the global effort to meet the challenges of climate change.

The National Action Plan on Climate Change also points out: "India is a tropical country, where sunshine is available for longer hours per day and in great intensity. Solar energy, therefore, has great potential as future energy source. It also has the advantage of permitting the decentralized distribution of energy, thereby empowering people at the grassroots level". Based on this vision a National Solar Mission is being launched under the brand name "Solar India".

### To achieve this, the Mission targets are:

- To create an enabling policy framework for the deployment of 20,000 MW of solar power by 2022.
- To ramp up capacity of grid-connected solar power generation to 1000 MW within three years – by 2013; an additional 3000 MW by

2017 through the mandatory use of the renewable purchase obligation by utilities backed with a preferential tariff. This capacity can be more than doubled – reaching 10,000 MW installed power by 2017 or more, based on the enhanced and enabled international finance and technology transfer. The ambitious target for 2022 of 20,000 MW or more, will be dependent on the ‘learning’ of the first two phases, which if successful, could lead to conditions of grid-competitive solar power.

- To promote programmes for off grid applications, reaching 1000 MW by 2017 and 2000 MW by 2022.
- To achieve 15 million sq. meters solar thermal collector area by 2017 and 20 million by 2022.
- To deploy 20 million solar lighting systems for rural areas by 2022.

#### **Potential for Solar Power in India:**

India, due to its geo-physical location, receives solar energy equivalent to nearly 5,000 trillion kWh/year which is equivalent to 600 GW. This is far more than the total energy consumption of the country today. But India produces a very negligible amount of solar energy - a mere 0.2 percent compared to other energy resources. Further, entire electricity generation is using Solar Photovoltaic (SPV) technology as power generation using solar thermal technology is still in the experimental stages. Currently, India has less than 3 MW of grid connected solar PV capacity.

#### **Outlook**

XL has been focusing in the NON CONVENTIONAL ENERGY sector since 1994 and has recently refocused on Export Market of Solar Panels of higher Capacity for niche Grid Connected Segment. XL has been investing heavily for last 18 months its efforts to get orders from Europe and emerging US Market for its products. XL is focusing emerging Grid Connected Solar Solutions, which is growing at a fast pace recently as against the conventional Stand alone Solar Power Systems.

The company is very well positioned to capitalize on growth opportunities in the converged global and Indian solar market supported with its SPV module manufacturing facility of 190 MW p.a. During the year, the company's 100% subsidiary in Europe has commenced the commercial operations of its solar power generation plant with a capacity of 1.6 MW.

Further, the establishment of Solar Cell Manufacturing facility and expansion of SPV module manufacturing facility are in advanced stage of completion and expected to commence commercial production in the current financial year.

#### **Telecom:**

For the last 2 years while the overall telecom growth in mobile segment is still robust but the CDMA mobile additions is fast declining and few operators who were exclusively focusing in CDMA segment like TATA Indicom, Reliance Communications have also diverted their focus to GSM segment and hence there is a flat negative growth in the CDMA phase.

#### **Outlook:**

In Telecom segment, the company has focused and manufacturing facilities for the CDMA mobile and desktop handsets.

#### **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**

The Company for the year has recorded total revenue of Rs.42740.06 lacs as against Rs.65653.02 lacs for the previous year. The Company has incurred a loss after tax for the year Rs.-29583.38 lacs as against a profit Rs. 4014.33 lacs for the previous year.

#### **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 570 employees on its rolls as on December 31, 2009.



## AUDITORS' REPORT

To,  
The Members of XL Telecom & Energy Limited  
Secunderabad.

1. We have audited the attached Balance Sheet of M/s. XL Telecom & Energy Limited (Formerly XL Telecom Limited), C2, Pooja plaza, Vikrampuri, Secunderabad – 500 009 as at 31<sup>st</sup> December'2009, and Profit and Loss Account and Cash Flow Statement for the period 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-20 under Schedule 14.
  - b) Reference is invited to Note No. B-21 under Schedule 14.
  - c) **The company has not determined and provided for the amount of the gratuity liability for the employees on an accrual basis as at 31<sup>st</sup> December'2009 which is required to be determined and provided for as per the requirements of the Accounting Standard-15 on Employee Benefits issued by the Institute of Chartered Accountants of India and also as per the provisions of the section 209 of the Companies Act'1956 relating to preparation of books of account on accrual basis. In the absence of the value of such provision for gratuity, we are unable to determine quantum of such non provision and its impact on the understatement of the loss for the period ended 31<sup>st</sup> December'2009.**
  - d) **The balances appearing under secured loans (other than the hire purchase loans) are arrived at after providing for interest at a lower rate than the original contracted rates. The interest for the period is calculated based on the concessional rates of interest that are to be charged as per the Corporate Debt Restructuring (CDR) Scheme approved by the lenders to the company on 30<sup>th</sup> December'2009. However the said CDR package is yet to be implemented and the secured lenders have not restated the interest rates as per the CDR package as on date. The provision of interest as per the rates approved under CDR as against original contracted rates has an impact of reduction in secured loan by Rs.2197.11 lakhs and understatement of loss to the same extent.**
  - e) **We are unable to comment on the carrying value of the investment in one of the subsidiary companies viz. Khandoba Distilleries Limited in view of the non implementation of the project being executed in the said company and also the stipulations made by the secured lenders of the company as part of the Corporate Debt Restructuring Scheme requiring the company to dispose of the said project being implemented.**
  - f) **The balances appearing under sundry debtors and loans and advances are subject to confirmation and reconciliation. We find no provision has been made in books for doubtful debts.**
5. Subject to our qualifications mentioned Paragraphs (3) and (4) 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 appears from our examination of those books excepting in relation to the Accounting Standard-14 on Employee Benefits.
  - 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 in relation to Accounting Standard 15 on Employee Benefits.
  - e) On the basis of written representations received from the directors, as on 31<sup>st</sup> December 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> December 2009 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 excepting in relation to Accounting Standard 15 on Employee Benefits.
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December 2009,
    - (ii) in the case of the Profit and Loss Account, of the loss for the period ended on that date and
    - (iii) in case of the Cash Flow Statement, of the cash flows for the period ended on that date.

**For Satyanarayana & Co.**  
Chartered Accountants

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

Place: Secunderabad  
Date: 31-03-2010

**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) The process of physical verification of fixed assets has been started by the Company during the year and it is in progress.  
 (c) During the year, the company has not disposed off any fixed assets except some old vehicles.
- (ii) (a) The inventory has been physically verified by the management during the year. 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 of 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. Reference is invited to Note No. 18 under Notes to accounts under Schedule 14.
- (iii) According to the information and explanations given to us, the Company has not taken 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. However, reference is invited to note no B-17 of Schedule 14 regarding monies advanced / equity invested.
- (iv) In our opinion and according to the information and explanations given to us, the internal control procedures needs to be strengthened and streamlined so as to be 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.
- (v) According to the information and explanation given to us, we are of the opinion that the transaction that need to be entered into the register maintained under section 301 of the Companies Act 1956 have been so entered.
- (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) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) **The company is not regular in depositing with appropriate authorities the undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it excepting income tax dues for the Asst. year 2007-08, 2008-09 amounting to Rs.1486 lakhs, provident fund dues to the tune of Rs.15.31 lakhs and the tax deducted at source of Rs.119.53 lakhs.**  
 (b) **According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.**
- (x) In our opinion the, the accumulated losses of the company are more than fifty percent of its net worth. The company incurred a cash loss of Rs.28343.19 lakh during the current accounting year. There are no cash losses during the immediately preceding accounting year.
- (xi) The company has defaulted in the repayment of the dues to Banks and financial institutions. Subsequently the company approached for the restructuring of the payment of interest and principle dues under Corporate Debt Restructuring Scheme. The working capital banker and term lenders have approved a package of restructuring under CDR scheme on 30<sup>th</sup> December 2009. As per the terms of restructuring detailed in schedule14, paragraph B.1 to notes on accounts, the interest and principle dues the company are either funded or deferred as at 31<sup>st</sup> December 2009.
- (xii) In our opinion and according to information and explanation given to us, 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. Therefore the clause 4(xiii) is not applicable to the company.
- (xiv) In our opinion and according to the information and explanation given to us, the company is not dealing in or trading in shares and securities. In the case of the investments held by the company, the same are in the name of the company.
- (xv) According to the information and explanation given to us, the company has not given guarantees for the loans taken by others to Banks or Financial Institutions excepting corporate guarantee to M/s.Softprojex (India) Ltd.
- (xvi) In our opinion and according to the information and explanation given to us 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 no funds raised on short-term basis have been used for long-term investment. However, the borrowings made by the company for the working capital purposes is converted into long term loans by the lenders under Corporate Debt Restructuring Package granted considering the losses suffered by the company.
- (xviii) The company has converted part of the FCCBs into equity shares during the year. Further an amount of Rs.5,38,65,000 received as money towards the warrants from the parties covered in the register maintained under section 301 of the Companies Act 1956 during the earlier period is forfeited during the year. Reference is invited to note no. B-4 and B-5 under Schedule 14 of the Annual Accounts.
- (xix) The clause 4(xix) of the Companies (Audit Report) Order 2003 relating to the creation of the security for the Debentures is not applicable to the company as no debentures are raised by the company.
- (xx) The company has not raised any money by way of public issue during the year.  
 (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year that caused the financial statements to be materially misstated.

**For Satyanarayana & Co.**  
Chartered Accountants

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

Place: Secunderabad  
Date: 31-03-2010

**BALANCE SHEET AS AT DECEMBER 31, 2009**

*Rs. in Lakhs*

	Schedule No.	As at December 31, 2009 (for 18 months period)	As at June 30, 2008 (for 12 months period)
<b>SOURCES OF FUNDS</b>			
<b>Share Holders Funds:</b>			
Share Capital	1	2,077.50	1,878.54
Share application money		—	538.65
Reserves & Surplus	2	22,550.52	26,695.08
<b>Loan Funds:</b>			
Secured Loans	3	87,748.50	29,130.37
Un-Secured Loans - FCCB		5,740.44	8,698.50
Deferred Tax Liability		774.23	384.12
<b>Total Source of Funds</b>		<b>118,891.18</b>	<b>67,325.26</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	4	6,043.33	5,608.45
Less: Depreciation		1,680.21	1,286.17
Net Block		<b>4,363.12</b>	<b>4,322.28</b>
Capital Work in Progress		35,582.86	20,547.47
		<b>39,945.98</b>	<b>24,869.75</b>
<b>Investments</b>	5	4,186.00	1,237.02
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	6	23,353.76	5,574.78
Sundry Debtors		22,343.46	22,429.24
Cash and Bank Balances		924.49	4,082.56
Loans and Advances		9,968.17	13,190.14
		<b>56,589.88</b>	<b>45,276.72</b>
<b>Less: Current liabilities &amp; Provisions</b>			
Current Liabilities	7	2,606.72	3,136.60
Provisions		1,486.34	1,337.38
		<b>4,093.06</b>	<b>4,473.98</b>
Net Current Assets		<b>52,496.82</b>	<b>40,802.74</b>
<b>Profit &amp; Loss Account</b>	2	21,915.92	—
(Balance at the end of the year)			
<b>Misc. Expenditure</b>		346.46	415.75
(to the extent not written off or adjusted)			
<b>Total Application of Funds</b>		<b>118,891.18</b>	<b>67,325.26</b>
Significant Accounting Policies and Notes on Accounts	14		

As per our report of even date

For and on behalf of the Board

**FOR SATYANARAYANA & CO.**

Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No.:6239

**Dinesh Kumar**  
Managing Director

**V.Visweswara Rao**  
Director (Finance)

**K.Vasudeva Rao**  
Executive Director

Place: Secunderabad  
Date: March 31, 2010

**K. Sateesh Gupta**  
Company Secretary

**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2009**

*Rs. in Lakhs*

	Schedule No.	Period ended December 31, 2009 (18 months)	Period ended June 30, 2008 (12 months)
<b>INCOME</b>			
Net Sales	8	42,570.78	65,401.52
Other Income	9	169.28	222.51
Gain in Forex Fluctuation		—	28.99
<b>Total Income</b>		<b>42,740.06</b>	<b>65,653.02</b>
<b>EXPENDITURE</b>			
Cost of Materials Consumed	10	40,573.07	54,382.93
Manufacturing expenses	11	1,495.35	1,011.08
Administrative and Selling expenses	12	3,079.97	2,747.64
Foreign Exchange Fluctuations		2,772.44	-
Misc. Expenditure written off		69.29	48.53
Interest & Finance Charges	13	10,354.47	2,595.80
Depreciation		395.05	213.40
<b>Total Expenses</b>		<b>58,739.63</b>	<b>60,999.38</b>
<b>Profit/(Loss) Before Taxation &amp; Extraordinary items</b>		<b>(15,999.57)</b>	<b>4,653.64</b>
<b>Less : Extraordinary items</b>			
Reduction in value of inventories (MTM Loss)		12,807.96	-
<b>Profit/(Loss) Before Tax</b>		<b>(28,807.53)</b>	<b>4,653.64</b>
<b>Less : Provision for taxes</b>			
Tax expenses		326.72	575.00
Fringe Benefit tax		31.47	26.59
Deferred Tax expense		390.12	37.72
Prior period adjustments (Dividend tax)		27.55	-
<b>Net Profit/(Loss) available for Appropriation:</b>		<b>(29,583.38)</b>	<b>4,014.33</b>
<b>Less : Appropriations</b>			
Provision for Dividend & Tax there on		-	329.67
Transfer to General Reserve		-	200.72
<b>Balance carried forward to Balance Sheet</b>		<b>(29,583.38)</b>	<b>3,483.94</b>
Earnings Per Share (nominal value of share Rs.10/- each)		(142.40)	21.37
Significant Accounting Policies and Notes on Accounts	14		

As per our report of even date

For and on behalf of the Board

**FOR SATYANARAYANA & CO.**

Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No.:6239

**Dinesh Kumar**  
Managing Director

**V.Visweswara Rao**  
Director (Finance)

**K.Vasudeva Rao**  
Executive Director

Place: Secunderabad  
Date: March 31, 2010

**K. Sateesh Gupta**  
Company Secretary

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT DECEMBER 31, 2009**

*Rs. in Lakhs*

	As at December 31, 2009 (for 18 months period)	As at June 30, 2008 (for 12 months period)
<b>SCHEDULE-1 :</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED :</b>		
3,00,00,000 Equity Shares of Rs.10/- each (previous year 3,00,00,000 Equity Shares of Rs.10/- each)	3,000.00	3,000.00
	<u>3,000.00</u>	<u>3,000.00</u>
<b>ISSUED, SUBSCRIBED &amp; PAIDUP</b>		
2,07,74,950 equity shares of Rs.10/- each fully paid (previous year 1,87,85,452 equity shares of Rs. 10/- each fully paid)	2,077.50	1,878.54
- The above shares includes 53,58,846 shares of Rs.10/- each allotted as fully paid up bonus shares by capitalisation of profits in the earlier years (current year-NIL, previous year-NIL)	<u>2,077.50</u>	<u>1,878.54</u>
<b>SCHEDULE-2 :</b>		
<b>RESERVES AND SURPLUS</b>		
Capital Reserve:	543.54	4.89
Share Premium Account :		
Balance at the beginning of the year	18,286.00	9,150.91
Additions during the year	2,984.25	9,135.09
	<u>21,270.25</u>	<u>18,286.00</u>
General Reserve :		
Balance at the beginning of the year	736.73	536.01
Add : Transfer from P&L A/c during the period	-	200.72
	<u>736.73</u>	<u>736.73</u>
	<u>22,550.52</u>	<u>19,027.62</u>
<b>Profit &amp; Loss Account:</b>		
Balance at the beginning of the year	7,667.46	4,183.52
Add: Profit/ (Loss) for the year	(29,583.38)	3,483.94
Balance at the end of the year	<u>(21,915.92)</u>	<u>7,667.46</u>
<b>SCHEDULE-3 :</b>		
<b>SECURED LOANS</b>		
I)Term loans	18,831.45	6,519.12
II)Funded interest Term loans I	1,164.62	-
III)Short Term loans	33,236.77	-
IV)Working capital Term loans	24,543.89	13,184.10
V)Funded interest Term loans II	969.05	-
VI)Working capital borrowings	8,964.36	9,318.24
VII)Hire Purchase loans from Banks	38.36	108.91
	<u>87,748.50</u>	<u>29,130.37</u>

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT DECEMBER 31, 2009**

**SCHEDULE - 4 :  
FIXED ASSETS**

Rs. in Lakhs

Sl. NO.	Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As on 01.07.08	Additions	Deletions	Total as on 31.12.09	As on 01.07.08	For the Period	Deletions	Total as on 31.12.09	As on 31.12.09	As on 01.07.08
1.	Land	1,154.60	-	-	1,154.60	-	-	-	-	1,154.60	1,154.60
2.	Buildings	863.29	39.97	-	903.26	44.98	-	175.30	727.96	732.97	732.97
3.	Plant & Machinery	2,889.42	303.98	-	3,193.40	248.58	-	1,225.70	1,967.70	1,912.30	1,912.30
4.	Computers	98.88	10.00	-	108.88	25.12	-	108.54	0.34	15.46	15.46
5.	Vehicles	299.87	62.13	12.49	349.51	45.97	1.00	94.13	255.38	250.71	250.71
6.	Furniture & Fixtures	238.54	24.81	-	263.35	24.21	-	56.10	207.25	206.65	206.65
7.	Office Equipment	63.85	6.48	-	70.33	6.18	-	20.44	49.89	49.59	49.59
	<b>Total</b>	<b>5,608.45</b>	<b>447.37</b>	<b>12.49</b>	<b>6,043.33</b>	<b>395.04</b>	<b>1.00</b>	<b>1,680.21</b>	<b>4,363.12</b>	<b>4,322.28</b>	<b>4,322.28</b>
	Previous year Balance	3,763.36	1,886.53	41.44	5,608.45	213.40	13.47	1,286.17	4,322.28	2,677.13	2,677.13
	Capital Work in Progress								35,582.86	20,547.47	20,547.47



**SCHEDULES FORMING PART OF BALANCE SHEET AS AT DECEMBER 31, 2009**

*Rs. in Lakhs*

	As at December 31, 2009 (for 18 months period)	As at June 30, 2008 (for 12 months period)
<b>SCHEDULE-5 :</b>		
<b>INVESTMENTS</b>		
<b>(i) Investment in Shares of :</b>		
(a) Khandoba Distilleries Ltd - subsidiary (1,23,00,000 fully paid equity shares of Rs.10/- each)	1,230.00	4.99
(b) Saptashva Solar SL -Spain - wholly owned subsidiary (25,48,006 fully paid equity shares of Euro 1 each)	1,636.49	2.02
(c) Saptashva Solar Ltd - wholly owned subsidiary (50,000 fully paid equity shares of Rs.10/- each)	5.00	5.00
<b>(ii) Application money paid - pending allotment of Shares</b>		
(a) Khandoba Distilleries Ltd - Subsidiary	307.80	1,225.01
(b) Saptashva Solar SL -Spain - wholly owned subsidiary	1,006.71	-
	<u>4,186.00</u>	<u>1,237.02</u>
<b>SCHEDULE-6 :</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>i) Stock in hand</b>		
Stocks In Transit -Rawmaterial	-	1,030.49
Raw material, Stores & Spares, Consumables etc.	12,839.70	4,187.43
Work-in-process	7,286.54	184.49
Finished goods	3,227.52	172.37
	<u>23,353.76</u>	<u>5,574.78</u>
<b>ii) Sundry Debtors</b>		
(Unsecured, considered good)		
a) For more than six months	21,835.12	3,611.36
b) Other Debts	508.34	18,817.88
	<u>22,343.46</u>	<u>22,429.24</u>
<b>iii) Cash and Bank Balances</b>		
Cash on hand	6.30	14.09
Balances with Scheduled Banks		
(a) Remittance in Transit	-	384.34
(b) in Current Account	4.13	2,665.45
(c) in Deposit Accounts (including margin money)	910.53	1,017.72
Unclaimed Dividend Balance	3.53	0.96
	<u>924.49</u>	<u>4,082.56</u>
<b>iv) Loans and Advances</b>		
(Unsecured, considered good)		
(Recoverable in cash or in kind or for value to be received)		
a) Advance to Suppliers & expenses	9,258.82	12,777.09
b) Deposits	95.94	106.97
c) MODVAT available	222.88	149.20
d) Prepaid expenses	13.85	16.37
e) Other advances	376.68	140.51
	<u>9,968.17</u>	<u>13,190.14</u>

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT DECEMBER 31, 2009**

*Rs. in Lakhs*

	As at December 31, 2009 (for 18 months period)	As at June 30, 2008 (for 12 months period)
<b>SCHEDULE-7 :</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>i) Current Liabilities</b>		
- Sundry Creditors - Trade	1,814.15	2,468.82
- Other Liabilities	781.19	238.58
- Interest accrued but not due	7.86	428.24
- Unclaimed Dividend Balance (2006-07 and 2007-08)	3.52	0.96
	<u>2,606.72</u>	<u>3,136.60</u>
<b>ii) Provisions</b>		
1) Provision for Income Tax	1,486.34	1,007.71
2) Provision for Dividend and tax there on	-	329.67
	<u>4,093.06</u>	<u>4,473.98</u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2009**

*Rs. in Lakhs*

	Period ended December 31, 2009 (18 months)	Period ended June 30, 2008 (12 months)
<b>SCHEDULE - 8 :</b>		
<b>SALES</b>		
<b>i. Domestic Sales</b>		
Telecom Division	1,785.06	29,104.35
Energy Division	524.73	9,986.08
<b>ii) Export Sales</b>		
Telecom Division	781.50	-
Energy Division	39,853.69	26,560.95
<b>Gross Sales</b>	<u>42,944.98</u>	<u>65,651.38</u>
Less : Excise Duty & sales tax	374.20	249.86
<b>Net Sales</b>	<u>42,570.78</u>	<u>65,401.52</u>
<b>SCHEDULE - 9 :</b>		
<b>OTHER INCOME</b>		
Interest Received	150.27	198.44
Miscellaneous Income	19.01	24.07
	<u>169.28</u>	<u>222.51</u>
<b>SCHEDULE - 10 :</b>		
<b>COST OF MATERIALS CONSUMED</b>		
a) Consumption of Raw Materials	44,641.84	54,133.39
b) Consumption of Stores, Spares and other consumables	129.77	9.01
<b>c) (Increase)/Decrease in Stocks</b>		
<b>i. (Increase)/Decrease in Stocks WIP</b>		
- Opening Stock	184.49	293.46
- Closing Stock	1,327.88	184.49
	<u>(1,143.39)</u>	<u>108.97</u>
<b>ii. (Increase)/Decrease in Stocks FG</b>		
- Opening Stock	172.37	303.93
- Closing Stock	3,227.52	172.37
	<u>(3,055.15)</u>	<u>131.56</u>
Total (Increase)/Decrease in Stocks	<u>(4,198.54)</u>	<u>240.53</u>
<b>Total Cost of Material consumed (a+b+c)</b>	<u>40,573.07</u>	<u>54,382.93</u>



**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2009**

*Rs. in Lakhs*

	Period ended December 31, 2009 (18 months)	Period ended June 30, 2008 (12 months)
<b>SCHEDULE-11:</b>		
<b>Manufacturing expenses</b>		
Salaries, Wages and Bonus	892.71	405.23
Contribution to PF/ESI	39.80	17.75
Employee welfare expenses	62.59	47.62
Repair & Maintenance	148.35	116.86
Consumables & Other manufacturing expenses	345.11	414.64
Others	6.77	8.98
	<u>1,495.35</u>	<u>1,011.08</u>
<b>SCHEDULE-12:</b>		
<b>Administrative and Selling expenses</b>		
Salaries, Wages and Bonus	480.69	218.20
Contribution to PF/ESI	21.43	9.56
Employee welfare expenses	33.70	25.64
Directors remuneration	343.25	282.76
Repair & Maintenance - others	76.13	41.72
Rent 63.85		119.57
Rates & Taxes	25.41	30.30
Auditor's remuneration	2.76	1.69
Insurance	306.04	110.27
Consultancy & Professional charges	434.38	98.91
Selling Expenses	743.17	1,393.95
Printing & Stationery	35.42	64.83
Communication expenses	63.58	47.49
Travelling & Conveyance	313.44	249.20
Directors sitting fees	2.28	1.93
Donations	0.01	8.28
Loss on sale of assets / write off	5.49	11.19
Sundry Expenses	73.21	87.87
	<u>3,079.97</u>	<u>2,747.64</u>
<b>SCHEDULE-13:</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest on Term Loans	4,290.2	44.95
Interest on Working capital	3,303.10	1,012.58
Interest on Hire Purchase loans	16.98	9.35
Bank Charges	2,744.11	1,528.92
	<u>10,354.47</u>	<u>2,595.80</u>

## SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE: 14

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

##### A) SIGNIFICANT ACCOUNTING POLICIES:

##### 1) 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 The Institute of Chartered Accountants of India (ICAI) to the extent applicable.

##### 2) Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost is inclusive of duties & taxes (net of CENVAT/VAT), incidental expenses and erection / commissioning expenses.

##### 3) Depreciation:

Depreciation on Fixed Assets is provided on Straight Line Method 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 in the month the Asset is put to use / sold.

##### 4) Expenditure during construction period:

Expenditure (including Finance cost relating to borrowed funds for construction or acquisition of fixed assets) incurred on projects under implementation are treated as preoperative expenses pending allocation to the assets and are shown under "Capital Work in Progress". These expenses will be apportioned to fixed assets on commencement of commercial production.

##### 5) Investments:

Long term investments and investments in subsidiary companies are carried at cost. Provision for diminution in value is made whenever necessary in accordance with the Accounting Standards in force.

##### 6) Valuation of Inventories:

- a) Inventories are valued at the lower of weighted average cost or net realizable value. The weighted average value is calculated on the basis of net landed cost.
- b) Cost for the purpose of finished goods and material in process is computed on the basis of cost of material, labour and other related overheads.
- c) In all the cases necessary adjustments are made in respect of non-moving, slow moving, damaged and unserviceable goods.

##### 7) Foreign Exchange:

Foreign Exchange transactions are recorded at the exchange rates prevailing at the time of transactions or at contracted rates. Current assets and current liabilities are translated at values prevailing at the Balance Sheet date. Gains/losses, if any, arising thereby are recognized in the Profit and Loss account.

##### 8) Revenue Recognition:

- a) Revenue from sales is recognized when significant risk and rewards in respect of ownership of the products are transferred.
- b) Revenue from domestic sales is recognized on dispatch of products from the factory of the Company.
- c) Revenue from export sales is recognized on the basis of dates of Bill of Lading.

##### 9) Employee Retirement Benefits:

Contributions paid/payable to the defined contribution plan of Provident Fund for employees covered under the scheme are recognized in the Profit and Loss account each year. Gratuity has been provided on cash basis.

##### 10) Borrowing Costs:

Borrowing costs incurred in relation to the acquisition and construction of assets is capitalized as part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which they are incurred.

##### 11) Income Tax Expenditure:

- a) Current Tax Expense: The current charge for income tax is calculated in accordance with the tax regulations.
- b) Deferred Tax Expense: Deferred income tax reflects the impact of timing difference between accounting income and tax income for the year/ period. Deferred tax is measured based on the tax rates and the tax laws enacted at the Balance sheet date. Deferred tax asset is recognized only to the extent of certainty of realization of the asset.

c) Fringe Benefit Tax: Fringe Benefit Tax is calculated in accordance with the tax regulations.

**12) Miscellaneous Expenditure:**

Miscellaneous expenditure comprises of preliminary/ public issue expenses and deferred revenue expenditure which are amortized over a period of ten years.

**B) NOTES TO ACCOUNTS**

**1. Note on Corporate Debt Restructuring (CDR):**

The Company has approached the consortium of Banks for restructuring of debts under the CDR (Corporate Debt Restructuring) scheme of RBI. The brief details are as under:

- With a mandatory legislation change brought out by European Union in 2007 by making the compulsory usage of solar power for entire demand coupled with encouragement by way of subsidies from the local governments, the company has received export orders from Spain for supply of Solar panels during 2008.
  - With the overwhelming and unexpected response received by the Spanish government, they kept the subsidies on hold for a rework on their internal policies and this coupled with the global economic scenario in September, 2008 led to sudden cancellation of orders to the tune of 21MW, by the Spanish entrepreneurs before execution and not extending the LCs issued to the Company. This resulted in huge pile up of stocks and adding to that the subsequent reduction of the raw material prices in the international market due to global economic scenario resulted in a huge MTM loss to the Company.
  - In view of this, the Company has no other option except to seek a suitable restructuring under CDR scheme of RBI and thus the Company has approached the consortium banks for deep restructuring of our existing debts. Accordingly, our banker SBI have worked out a restructuring package and referred the same to the CDR Cell and for approval. Accordingly the same has been approved by CDR cell in their CDR EG meeting held on 30<sup>th</sup> Dec'09 on the following lines viz.,
    - o to restructuring all the outstanding debts as on 30<sup>th</sup> June'2009 to be repaid over 32 quarterly installments (on ballooning basis) commencing from quarter ending September 2011.
    - o To reduce the rate of interest applicable on all loans to 9% p.a. payable monthly for the first three years FY 2009 to FY 2011 and stepped up by 1 % every alternate year with a cap of 13% p.a. over the period of the loan to ensure minimum yield of 10.33% p.a. payable monthly.
    - o To convert future interest on STL, WCTL, TL and FITL – TL etc from 1<sup>st</sup> July'09 to 31<sup>st</sup> Dec'2010 into a CRPS facility, this will carry a dividend coupon rate of 6.75% p.a. (tax free) payable semi-annually every year from the date of issue. The CRPS will be redeemed after 12 years from 31<sup>st</sup> Dec'2012. The lenders/holders of CRPS would have a put option for redemption of 1/3<sup>rd</sup> CRPS each in 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from cut-off date i.e.30<sup>th</sup> June'2009 along with accumulated dividend. All penal and liquidated damages up to the date of implementation of scheme to be waived.
    - o Total sacrifice of all lenders connected with this restructuring has been worked out to Rs.137.73 crores in terms of economic loss and Rs.96.91 crores in terms of funding of interest for 1 ½ years thus totaling to Rs.234.64 crores. An amount of Rs.40 crores would be brought in by promoter in two equal installments in FY 2010 and FY 2011.
    - o To liquidate part of SPVM inventory to its 100% step down subsidiary "Sapthasva Solar S.r.l." for setting up of 8 MW Solar Power Plant.
    - o To sell of investments in Khandoba Distilleries Ltd (wholly owned subsidiary of XL TEL) in FY 2010.
    - o To sell of Ethanol Division of XL Telecom & Energy Ltd in FY 2010.
    - o For sale of Ethanol Division and Divestment in Khandoba Distillery Ltd, Asset Sale Committee (ASC) comprising of SBI, Canara Bank, IDBI Bank, ICICI Bank and the company may be constituted.
2. The net worth of the Company suffered substantial erosion due to the losses suffered during the period. However, considering the restructuring package granted to the Company under CDR (Corporate Debt Restructuring) scheme and also the various measures taken by the Company for increasing the net worth and the business prospects, the accounts are stated on going concern basis.
3. Previous Figures are not comparable as current year consists of 18 months period (01.07.2008 to 31.12.2009) as against the twelve month period (01.07.2007 to 30.06.2008) of previous year.

**4. 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 USD 40 Million in October 2007 having a maturity period of 5 years and one day.

Out of USD 40 million FCCBs, the Bond holders requested for conversion of USD 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 during the year 2007-08. The outstanding balance of FCCBs as on 30.06.2008 was USD 20.24 million.

Out of USD 20.24 million FCCBs, the Bond holders requested for conversion of USD 8 million FCCBs. On conversion, Company issued and allotted 19,89,498 equity shares of Rs. 10/- each at a premium of Rs. 150/- per share during the current year. The outstanding balance of FCCBs as on 31.12.2009 is USD 12.24 million.

**5. 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 are to be convertible in to equity shares with in 18 months.

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 during the year 2007-08.

During the current year, on the due date, the Company forfeited 39,90,000 share warrants, out of the 52,50,000 warrants issued during 2007-08, due to the non-payment of the balance amount for conversion. An amount of Rs.5,38,65,000/- is shown as Capital Reserve on this account.

**6. Contingent liabilities not provided for in respect of:**

(Rs. in Lakhs)

Particulars	As at 31.12.2009	As at 30.06.2008
a) Guarantee / Counter Guarantees given on sale of contracts	2007.88	3,637.63
b) Letter of credits by Banks	NIL	17,517.32
c) Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for	2476.42	20,360.27

**7. Secured Loans:**

(Rs. in Lakhs)

SI No	Particulars	As at 31.12.2009	As at 30.06.2008
	<b>A. Term Loans:</b>		
i)	Canara Bank – SPV	4310.87	-
ii)	IDBI Bank – SPV	4931.37	2000.00
iii)	Bank of India – SPV	4914.96	4000.00
iv)	State Bank of Bikaner & Jaipur – SPV	2453.69	-
v)	State Bank of Mysore – SPV	1970.56	-
vi)	IDBI corporate loan	250.00	400.00
vii)	Vijaya Bank	0.00	119.12
	<b>Total</b>	<b>18831.45</b>	<b>6519.12</b>
	<b>B. Funded interest Term loans I:</b>		
i)	Canara Bank – SPV	252.05	-
ii)	State Bank of Bikaner & Jaipur – Fabcity	170.02	-
iii)	State Bank of Mysore – Fabcity	126.38	-
iv)	IDBI – Fabcity	298.17	-
v)	Bank of India – Fabcity	318.00	-
	<b>Total</b>	<b>1164.62</b>	<b>-</b>
	<b>C. Short Term Loans:</b>		
i)	Canara Bank	8097.21	-
ii)	IDBI Bank	2893.85	-
iii)	State Bank of India	22245.71	-
	<b>Total</b>	<b>33236.77</b>	<b>-</b>
	<b>D. Working Capital Term Loans:</b>		
i)	Canara Bank – Telecom	98.01	-
ii)	Canara Bank – SPV	3965.31	-
iii)	Canara Bank – Ethanol	835.13	-
iv)	Vijaya Bank – Telecom	1546.65	-



Rs. in Lakhs

SI No	Particulars	As at 31.12.2009	As at 30.06.2008
v)	Federal Bank – Telecom	868.62	-
vi)	Federal Bank – Ethanol	392.54	-
vii)	State Bank of Hyderabad	95.13	-
viii)	IDBI Bank – SPV	1554.24	-
ix)	IDBI Bank – Telecom	585.82	-
x)	IDBI Bank – Ethanol	449.51	-
xi)	State Bank of India – SPV	13758.21	-
xii)	ICICI Bank (LC & BG dev)	384.38	-
xiii)	IDBI Bank (BG dev)	27.80	-
xiv)	Canara Bank–Export bills discounted	(17.46)	-
xv)	IDBI – Export bills discount	-	1755.61
xvi)	Federal Bank - Export bills discount	-	0.78
xvii)	IDBI – EPC	-	5384.71
xviii)	State Bank of India – EPC	-	6042.91
xix)	Canara Bank – EPC	-	0.09
	<b>Total</b>	<b>24543.89</b>	<b>13184.10</b>
	<b>E.Funded interest term loans II:</b>		
i)	Canara Bank – SPV	224.22	-
ii)	State Bank of India – SPV	744.83	-
	<b>Total</b>	<b>969.05</b>	<b>-</b>
	<b>F. Working Capital Borrowings:</b>		
i)	Canara Bank – Telecom	2637.24	2617.13
ii)	Canara Bank – Ethanol	296.24	747.36
iii)	Vijaya Bank – Telecom	1126.63	1110.44
iv)	Vijaya Bank – Ethanol	122.20	338.41
v)	Federal Bank – Telecom	1107.93	1118.92
vi)	Federal Bank – Ethanol	117.23	343.33
vii)	ICICI Bank – Telecom	390.00	363.99
viii)	ICICI Bank – Ethanol	119.79	120.85
ix)	State Bank of Hyderabad – CC	862.79	107.14
x)	State Bank of Hyderabad - Telecom	637.87	658.56
xi)	State Bank of Hyderabad - Ethanol	88.32	90.98
xii)	IDBI Bank – Telecom	679.32	650.50
xiii)	IDBI Bank – Ethanol	97.45	201.97
xiv)	State Bank of India – CC	681.45	849.36
xv)	Indian Overseas Bank – Telecom	(0.10)	(0.65)
xvi)	Indian Overseas Bank – Ethanol	-	(0.06)
	<b>Total</b>	<b>8964.36</b>	<b>9318.24</b>
	<b>G. Hire Purchase Loans:</b>		
i)	ICICI Bank	27.07	98.63
ii)	HDFC Bank	11.29	10.28
	<b>Total</b>	<b>38.36</b>	<b>108.91</b>

The above balances are arrived after considering the reduced rate of interest approved by the lenders of the Company under Corporate Debt Restructuring (CDR) scheme. As per the CDR scheme, concessional rate of interest @9% per annum as against the original contracted rates are applicable w.e.f. 01.07.2009. The Company has given effect to the interest rates considering the provisions of CDR scheme. The calculation of interest at reduced rates has an impact of reducing the interest charged to Profit & Loss Account by Rs.2197.11 lakhs.

The Company has executed the MRA agreement with the lenders and the confirmation of the balances outstanding giving effect to the reduced rate of interest is awaited from the lenders

All the loans are secured by,

- Mortgage and first charges on immovable properties, both present and future situated at Plot No. 198 A&B, IDA Cherlapally, Hyderabad
- Mortgage and first charges on the fixed assets of Ethanol Division situated at Plot No. B 8-10, MIDC, Kushnoor, Nanded, Maharashtra
- Mortgage and first charges on lease hold rights on land admeasuring 2,02,350 sq. mts. 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, Rangareddy district, Andhra Pradesh
- First charge on immovable properties, present and future situated at Shed nos. 30, 31 and 32, IDA, Mallapur, Hyderabad.
- Hypothecation of all tangible, movable properties and Assets, both present and future including raw materials, goods in process, finished goods and book debts.
- Personal guarantee of Mr. Dinesh Kumar, Mr. Aneesh Mittal and Mrs. Ritulal Kumar.
- Hire Purchase loans are secured by hypothecation of specific vehicles.

**8. Earnings in Foreign Currency :**

(Rs. in Lakhs)

Particulars	2008-09	2007-08
FOB value of exports realized during the year	35,031.12	9,325.70

**9. Expenditure in Foreign Currency:**

Particulars	2008-09	2007-08
Traveling Expenses	64.36	84.24
Import of Raw material (CIF Value)	70,006.31	27,982.33

**10. Managerial Remuneration:**

Particulars	2008-09	2007-08
Salary to Managing Director	225.00	150.00
Contribution to P.F. for Managing Director	0.14	0.09
Salary to Whole time Directors	193.50	129.00
Contribution to P.F. for Whole time Directors	0.56	0.37

**11. Remuneration to Auditors:**

Particulars	2008-09	2007-08
Audit Fee	2.76	1.68

**12. Deferred Tax Liability**

Particulars	2008-09	2007-08
Depreciation	774.23	384.12

**13. Details of Imported and Indigenous Raw Materials, Spare Parts and other Components:**

Name of the Material	2008-09		2007-08	
	%	Value	%	Value
- Imported	93.93	38,110.28	46.57	25,328.33
- Indigenous	6.07	2,462.79	53.43	29,054.60
<b>Total</b>	100.00	40,573.07	100.00	54,382.93

**14. Capacities and Production:**

Class of Goods	Units	Licensed Capacity	Installed Capacity	Production	
				2008-09	2007-08
Cable jointing kits	Nos	- N.A.-	500,000	Nil	558
SMPS	Nos	- N.A.-	2,880	258	424
Solar Modules	MW	- N.A.-	180	18	15
CDMA Phones	Nos	- N.A.-	3,000,000	6,354	357,324
Ethanol	BL	- N.A.-	45,000,000	17,10,102	40,356,640

**15. Details of Raw Material consumption:**

Particulars	2008-09	2007-08
<b>ENERGY:</b>		
- SPV	37,911.11	20,782.54
- ETHANOL	760.26	8,196.77
<b>TELECOM:</b>		
- CDMA	647.21	23,287.68
- SMPS	1,030.03	2,092.74
<b>OTHERS</b>	224.46	23.20
<b>TOTAL</b>	<b>40,573.07</b>	<b>54,382.93</b>

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

**16. Details of Finished Good Stock :**

Particulars	2008-09				2007-08			
	Op.	Value	Cl.	Value	Op.	Value	Cl.	Value
Kits	--	--	--	--	--	--	--	--
CDMA	1007	49.48	975	51.82	--	--	1007	49.48
Solar Modules	357	94.18	11445	3156.63	1100	290.17	357	94.18
Ethanol	136068	28.71	90399	19.07	65253	13.77	136068	28.71
<b>Total</b>		<b>172.37</b>		<b>3227.52</b>		<b>303.94</b>		<b>172.37</b>

**17. Related Party Transactions:**

Information relating to Related Party transactions as per Accounting Standard 18, issued by The Institute of Chartered Accountants of India, notified under Section 211(3C) of the Companies Act, 1956 is as under:

**a) Names of related parties and the nature of relationships:**

Name	Relationship
i. Khandoba Distilleries Ltd	Subsidiary Company
ii. Saptashva Solar Ltd	Wholly owned subsidiary Company
iii. Saptashva Solar SA	Wholly owned subsidiary Company
iv. Saptashva Solar SRL	Subsidiary of Saptashva Solar SA
v. Digrun Grun SL	Subsidiary of Saptashva Solar SA
vi. Apulia Solar SRL	Subsidiary of Saptashva Solar SRL
vii. Sree Sahasya Enterprises Pvt Ltd	Associate Company
viii. Sree Sahasya Entertainments Pvt Ltd	Associate Company
ix. Soft Projex (I) Ltd	Associate Company
x. Key Management Personnel:	
Shri Dinesh Kumar	Managing Director
Smt Ritu Lal Kumar	Director

**b) Transactions made during the period:  
(Amounts outstanding at the Balance Sheet date)**

*Rs. in Lakhs*

<b>Name of the Related Party</b>	<b>2008-09</b>	<b>2007-08</b>
i. Khandoba Distilleries Limited:		
- Equity Subscribed	1,230.00	4.99
- Application money pending allotment	307.80	1,225.01
- Advance for Expenses	82.98	0.41
ii. Saptashva Solar Limited:		
- Equity Subscribed	5.00	5.00
iii. Saptashva Solar S.A.:		
- Equity Subscribed	1,636.49	2.02
- Application money pending allotment	1,006.71	-
- Sales	167.69	-
iv. Saptashva Solar SRL:		
- Advance for Expenses	345.55	-
v. Digrun Grun SL:		
- Sales	8379.28	-
vi. Sree Sahasya Enterprises Pvt Ltd		
- Amounts due	308.36	-
vii. Sree Sahasya Ebtertainments Pvt Ltd		
- Amounts due	27.68	-
viii. Soft Projex (I) Ltd		
- Amounts due	565.10	505.73

18. The extraordinary item of Rs.12,807.96 lakhs in the Profit & Loss Account for the period ending 31.12.2009 represent the mark to market loss resulting in the diminution in the value of inventories.
19. The company considers business segment as the primary segment. The primary segment information is provided as Schedule-15.
20. There are no dues to Micro, small and medium enterprises under Development Act, 2006, exceeding 30 days. The micro, small and medium industries are determined to the extent such parties have been identified on the basis of the information available with the Company.
21. Balances appearing under unsecured loans, sundry creditors, Capital WIP, Loans and advances and debtors are subject to confirmation and / or reconciliation, if any.
22. 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  
Membership No.:6239

Place: Secunderabad  
Date: March 31, 2010

**Dinesh Kumar**  
Managing Director

**V.Visweswara Rao**  
Director (Finance)

**K.Vasudeva Rao**  
Executive Director

**K. Sateesh Gupta**  
Company Secretary

SEGMENT INFORMATION FOR THE PERIOD ENDED DECEMBER 31, 2009

SCHEDULE - 15 : INFORMATION ABOUT PRIMARY BUSINESS SEGMENTS

Rs. in Lakhs

	CDMA HANDSETS	JKITS & OFC	SPV	SMPS	ETHANOL	OTHERS	TOTAL
<b>REVENUE</b>							
1) Sales	958.01	40.63	51.12	740.74	473.61	31.52	2295.63
2) Exports	0.00	0.00	39867.85	781.50	0.00	0.00	40649.35
Total Segment Revenue	958.01	40.63	39918.97	1522.24	473.61	31.52	42944.98
<b>3) Profit before</b>							
<b>Interest and Depreciation</b>	-762.83	-17.82	-17505.78	-324.84	-207.70	-14.89	-18833.86
4) Interest Expenses	0.00	0.00	7519.85	2259.60	558.04	16.98	10354.47
5) Depreciation	112.64	25.87	168.09	32.22	56.23	0.00	395.05
<b>6) Exceptional Items</b>							
Loss on Sale of assets	0.00	0.00	0.00	0.00	0.00	5.49	5.49
MTM Loss	0.00	0.00	12807.96	0.00	0.00	0.00	12807.96
<b>7) Provision for Taxes</b>	0.00	0.00	0.00	0.00	0.00	0.00	775.85
<b>8) PROFIT AFTER TAXES</b>	<b>-875.47</b>	<b>-43.69</b>	<b>-25193.72</b>	<b>-2616.66</b>	<b>-821.97</b>	<b>-31.87</b>	<b>-29583.38</b>
9) Secured Loans							
(a) Term Loans	0.00	0.00	72431.95	4636.65	1677.18	0.00	78745.78
(b) Working Capital Loans	0.00	0.00	681.45	6578.89	1704.02	0.00	8964.36
(c) Hire purchase Loans	0.00	0.00	38.36	0.00	0.00	0.00	38.36
Total Secured Loans	<b>0.00</b>	<b>0.00</b>	<b>73151.76</b>	<b>11215.54</b>	<b>3381.20</b>	<b>0.00</b>	<b>87748.50</b>
10) Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00	774.23
<b>OTHER INFORMATION</b>							
<b>11) Segmental Assets</b>							
(a) Fixed Assets	501.57	1264.59	2792.51	631.26	853.40	0.00	6043.33
(b) Accumulated Depreciation	279.77	722.93	259.87	216.36	201.28	0.00	1680.21
(c) Capital WIP	0.00	0.00	35582.86	0.00	0.00	0.00	35582.86
<b>12) Current Assets</b>							
(a) Inventories	439.74	0.00	21655.98	1237.74	20.31	0.00	23353.76
including Goods in Transit							
(b) Sundry Debtors	8195.23	18.10	10140.29	455.88	3533.96	0.00	22343.46
(c) Cash and Bank Balances	0.00	0.00	494.34	430.15	0.00	0.00	924.49
(d) Loans and Advances	363.64	0.00	9467.88	60.33	76.33	0.00	9968.17
Total Current Assets	<b>8998.61</b>	<b>18.10</b>	<b>41758.49</b>	<b>2184.09</b>	<b>3630.59</b>	<b>0.00</b>	<b>56589.88</b>
<b>Segmental Liabilities</b>							
13) Current Liabilities	108.42	0.01	2209.51	223.38	61.08	4.32	2606.72
14) Provisions	0.00	0.00	0.00	0.00	0.00	0.00	1486.34
<b>Total Current Liabilities &amp; Provisions</b>	<b>108.42</b>	<b>0.01</b>	<b>2209.51</b>	<b>223.38</b>	<b>61.08</b>	<b>4.32</b>	<b>4093.06</b>
15) Misc.Exp/N/W.off	0.00	0.00	0.00	0.00	0.00	0.00	346.46

**CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2009**

		18 months ended December 31, 2009
<b>A</b>	<b>Cash Flow from Operating Activities</b>	
	Net Profit/(Loss) before tax and extra ordinary items	(28,807.53)
	Adjustments for :	
	Depreciation	395.04
	Misc. Expenditure written off	69.29
	Loss on sale of assets / write off	5.49
	Interest income	(150.27)
	Interest & Finance Charges	10,354.47
	<b>Operating Profit before Working Capital Adjustments</b>	<b>10,674.02</b>
	(Increase)/ Decrease in Inventories	(17,778.98)
	(Increase)/ Decrease in Trade and other receivables	85.78
	(Increase)/ Decrease in Loans & Advances	3,221.97
	Increase/ (Decrease) in Trade Payables & others	(380.92)
	Increase/ (Decrease) in Working Capital borrowings	11,974.96
	<b>Cash generated from operations</b>	<b>(21,010.71)</b>
	Interest on working capital borrowings	6,064.19
	Direct taxes paid	385.73
	Transfer to General Reserve	6,449.92
	<b>Net Cash from Operating Activities</b>	<b>(27,460.63)</b>
<b>B</b>	<b>Cash Flow from Investing Activities</b>	
	Purchase of Fixed Assets (net of sales)	441.37
	Capital work in Progress	15,035.39
	Purchase / (Sale) of Investments	2,948.98
	Interest Income Received	(150.27)
	<b>Net Cash used in Investing Activities</b>	<b>18,275.47</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>	
	Proceeds from issue of Share Capital including premium	3,183.20
	Proceeds from Long Term & other Borrowings	46,643.17
	Repayment of Unsecured Loans - FCCB	(2,958.06)
	Interest Paid	(4,290.28)
	Deferred Tax Asset	
	Transfer to General Reserve	
	Dividend and dividend tax provided	
	Misc expenses not written off	
	<b>Net Cash Flow from Financing Activities</b>	<b>42,578.03</b>
	<b>Net Increase /(Decrease) in Cash and Cash Equivalents</b>	<b>(3,158.07)</b>
	Cash and Cash Equivalents at the Beginning of the Year	4,082.56
	<b>Cash and Cash Equivalents at the End of the Year</b>	<b>924.49</b>

Note:

- The above cash flow statement has been prepared using the 'Indirect Method' as set out in Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our report of even date

For and on behalf of the Board

**FOR SATYANARAYANA & CO.**

Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No.:6239

**Dinesh Kumar**  
Managing Director

**V.Visweswara Rao**  
Director (Finance)

**K.Vasudeva Rao**  
Executive Director

Place: Secunderabad  
Date: March 31, 2010

**K. Sateesh Gupta**  
Company Secretary



**ANNEXURE TO THE BALANCE SHEET AS AT DECEMBER 31, 2009**

**Statement Pursuant to Section 212 of the Companies Act, 1956**

1.	Name of the Subsidiary	Khandoba Distilleries Ltd	Saptashva Solar Ltd	Saptashva Solar SA, Spain
2.	Financial Period ended	June 30, 2009	June 30, 2009	December 31, 2009
3.	Holding Company's Interest	99.998% (1,23,00,000 shares of Rs. 10/- each fully paid-up)	100% (50,000 shares of Rs Rs. 10/- each fully paid-up)	100 % (25,48,006 share of Euro 1 each each fully paid-up)
4.	The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company			
	a) dealt with or provided for in the accounts of the holding company	Nil	Nil	Nil
	b) not dealt with or provided for in the accounts of the holding company	Nil	Nil	Loss of Rs. 45.73 Lakhs
5.	The net aggregate amount of the profits or losses for the previous period of the financial years of the subsidiary so far as it concerns the members of the holding company			
	a) dealt with or provided for in the accounts of the holding company	Nil	Nil	Nil
	b) not dealt with or provided for in the accounts of the holding company	Nil	Nil	Loss of Rs. 57.19 Lakhs

As per our report of even date

**FOR SATYANARAYANA & CO.**  
Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No.:6239

Place: Secunderabad  
Date: March 31, 2010

For and on behalf of the Board

**Dinesh Kumar**  
Managing Director

**V.Visweswara Rao**  
Director (Finance)

**K.Vasudeva Rao**  
Executive Director

**K. Sateesh Gupta**  
Company Secretary

## CONSOLIDATED AUDITORS' REPORT

To

The Board of Directors of XL Telecom & Energy Limited  
Secunderabad.

1. We have audited the attached Balance Sheet of M/s. XL Telecom & Energy Limited (Formerly XL Telecom Limited), its subsidiaries of M/s. Khandoba Distilleries Limited, M/s. Saptahva Solar Limited, M/s. Saptashva Solar SA as at 31<sup>st</sup> December'2009, and Profit and Loss Account and Cash Flow Statement for the period 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. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs. 9614.73 lakhs as at 31<sup>st</sup> December, 2009 and total revenue of Rs. 917.27 lakhs for the period ended on that date. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of the group and unaudited financial statements of a consolidated entity.
5. 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.
6. 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-14 under Schedule 15.
  - b) Reference is invited to Note No. B-15 under Schedule 15 regarding confirmation of balances.
  - c) **The company has not determined and provided for the amount of the gratuity liability for the employees on an accrual basis as at 31<sup>st</sup> December'2009 which is required to be determined and provided for as per the requirements of the Accounting Standard-15 on Employee Benefits issued by the Institute of Chartered Accountants of India and also as per the provisions of the section 209 of the Companies Act'1956 relating to preparation of books of account on accrual basis. In the absence of the value of such provision for gratuity, we are unable to determine quantum of such non provision and its impact on the understatement of the loss for the period ended 31<sup>st</sup> December'2009.**
  - d) **The balances appearing under secured loans (other than the hire purchase loans) are arrived at after providing for interest at a lower rate than the original contracted rates. The interest for the period is calculated based on the concessional rates of interest that are to be charged as per the Corporate Debt Restructuring (CDR) Scheme approved by the lenders to the company on 30<sup>th</sup> December'2009. However the said CDR package is yet to be implemented and the secured lenders have not restated the interest rates as per the CDR package as on date. The provision of interest as per the rates approved under CDR as against original contracted rates has an impact of reduction in secured loan by Rs.2197.11 lakhs and understatement of loss to the same extent.**
  - e) **We are unable to comment on the carrying value of the investment in one of the subsidiary companies viz. Khandoba Distilleries Limited in view of the non implementation of the project being executed in the said company and also the stipulations made by the secured lenders of the company as part of the Corporate Debt Restructuring Scheme requiring the company to dispose of the said project being implemented.**
  - f) **The balances appearing under sundry debtors and loans and advances are subject to confirmation and reconciliation. We find no provision has been made in books for doubtful debts.**
7. Subject to our qualifications mentioned Paragraphs (5) and (6) 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 appears from our examination of those books excepting in relation to the Accounting Standard-14 on Employee Benefits .
  - 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 in relation to Accounting Standard 15 on Employee Benefits.
- e) On the basis of written representations received from the directors, as on 31<sup>st</sup> December 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> December 2009 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 excepting in relation to Accounting Standard 15 on Employee Benefits.
- (i) in the case of consolidate Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December 2009,  
(ii) in the case of the consolidated Profit and Loss Account, of the loss for the period ended on that date and  
(iii) in case of the consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

**For Satyanarayana & Co.**  
Chartered Accountants

**J. Jagannadha Rao**

Partner

(M. No 6239)

Place: Secunderabad

Date: 31-03-2010

### **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) The process of physical verification of fixed assets has been started by the Company during the year and it is in progress.  
(c) During the year, the company has not disposed off any fixed assets except some old vehicles.
- (ii) (a) The inventory has been physically verified by the management during the year. 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. Reference is invited to Note No. 12 under Notes to accounts under Schedule 15.
- (iii) According to the information and explanations given to us, the Company has not taken 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. However, reference is invited to note no B-11 of Schedule 15 regarding monies advanced / equity invested.
- (iv) In our opinion and according to the information and explanations given to us, the internal control procedures needs to be strengthened and streamlined so as to be 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.
- (v) According to the information and explanation given to us, we are of the opinion that the transaction that need to be entered into the register maintained under section 301 of the Companies Act'1956 have been so entered.
- (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) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

- (ix) (a) The company is not regular in depositing with appropriate authorities the undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it excepting income tax dues for the Asst. year 2007-08, 2008-09 amounting to Rs.1486 lakhs, provident fund dues to the tune of Rs.15.31 lakhs and the tax deducted at source of Rs.119.53 lakhs.
- (b) According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion the, the accumulated losses of the company are more than fifty percent of its net worth. The company incurred a cash loss of Rs.28343.19 lakh during the current accounting year. There are no cash losses during the immediately preceding accounting year.
- (xi) The company has defaulted in the repayment of the dues to Banks and financial institutions. Subsequently the company approached for the restructuring of the payment of interest and principle dues under Corporate Debt Restructuring Scheme. The working capital banker and term lenders have approved a package of restructuring under CDR scheme on 30<sup>th</sup> December'2009. As per the terms of restructuring detailed in schedule15, paragraph B.1 to notes on accounts, the interest and principle dues the company are either funded or deferred as at 31<sup>st</sup> December'2009.
- (xii) In our opinion and according to information and explanation given to us ,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. Therefore the clause 4(xiii) is not applicable to the company.
- (xiv) In our opinion and according to the information and explanation given to us , the company is not dealing in or trading in shares and securities. In the case of the investments held by the company, the same are in the name of the company.
- (xv) According to the information and explanation given to us, the company has not given guarantees for the loans taken by others to Banks or Financial Institutions excepting corporate guarantee to M/s.Softprojex (India) Ltd.
- (xvi) In our opinion and according to the information and explanation given to us 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 no funds raised on short-term basis have been used for long-term investment. However, the borrowings made by the company for the working capital purposes is converted into long terms loans by the lenders under Corporate Debt Restructuring Package granted considering the losses suffered by the company.
- (xviii) The company has converted part of the FCCBs into equity shares during the year. Further an amount of Rs.5,38,65,000 received as money towards the warrants from the parties covered in the register maintained under section 301 of the Companies Act'1956 during the earlier period is forfeited during the year. Reference is invited to note no. B-4 and B-5 under Schedule 15 of the Annual Accounts.
- (xix) The clause 4(xix) of the Companies (Audit Report) Order 2003 relating to the creation of the security for the Debentures is not applicable to the company as no debentures are raised by the company.
- (xx) The company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year that caused the financial statements to be materially misstated.

**For Satyanarayana & Co.**  
Chartered Accountants

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

Place: Secunderabad  
Date: 31-03-2010

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009**

*Rs. in Lakhs*

	Schedule No.	As at December 31, 2009 (for 18 months period)	As at June 30, 2008 (for 12 months period)
<b>SOURCES OF FUNDS</b>			
<b>Share Holders Funds:</b>			
Share Capital	1	2,077.51	1,878.56
Share application money		-	538.65
Reserves & Surplus	2	22,592.82	26,695.08
<b>Loan Funds:</b>			
Secured Loans	3	89,147.25	29,130.37
Un-Secured Loans	4	7,077.55	8,698.50
Deferred Tax Liability		774.23	384.12
<b>Total Source of Funds</b>		<b>121,669.36</b>	<b>67,325.27</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	5	13,003.60	5,608.45
Less: Depreciation		1,953.92	1,286.17
Net Block		<b>11,049.68</b>	<b>4,322.28</b>
Capital Work in Progress		38,511.04	21,743.70
		<b>49,560.71</b>	<b>26,065.98</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	6	23,353.76	5,574.78
Sundry Debtors		19,258.95	22,429.24
Cash and Bank Balances		931.09	4,088.86
Loans and Advances		11,458.48	13,192.87
		<b>55,002.29</b>	<b>45,285.75</b>
<b>Less: Current liabilities &amp; Provisions</b>			
Current Liabilities	7	3,843.76	3,137.26
Provisions		1,486.48	1,337.38
		<b>5,330.24</b>	<b>4,474.64</b>
Net Current Assets		<b>49,672.05</b>	<b>40,811.11</b>
<b>Profit &amp; Loss Account</b> (Balance at the end of the year)	2	21,697.46	-
<b>Misc. Expenditure</b> (to the extent not written off or adjusted)	14	739.14	448.19
<b>Total Application of Funds</b>		<b>121,669.36</b>	<b>67,325.27</b>
Significant Accounting Policies and Notes on Accounts	15		

As per our report of even date

For and on behalf of the Board

**FOR SATYANARAYANA & CO.**

Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No.:6239

**Dinesh Kumar**  
Managing Director

**V.Visweswara Rao**  
Director (Finance)

**K.Vasudeva Rao**  
Executive Director

Place: Secunderabad  
Date: March 31, 2010

**K. Sateesh Gupta**  
Company Secretary

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2009**

*Rs. in Lakhs*

	Schedule No.	Period ended December 31, 2009 (18 months)	Period ended June 30, 2008 (12 months)
<b>INCOME</b>			
Net Sales	8	43,462.35	65,401.52
Other Income	9	194.98	222.51
Gain in Forex Fluctuation		-	28.99
<b>Total Income</b>		<b>43,657.33</b>	<b>65,653.02</b>
<b>EXPENDITURE</b>			
Cost of Materials Consumed	10	40,695.63	54,382.93
Manufacturing expenses	11	1,555.00	1,011.08
Administrative and Selling expenses	12	3,435.86	2,747.64
Foreign Exchange Fluctuations		2,772.44	-
Misc. Expenditure written off		69.29	48.53
Interest & Finance Charges	13	10,391.48	2,595.80
Depreciation		669.27	213.40
<b>Total Expenses</b>		<b>59,588.98</b>	<b>60,999.38</b>
<b>Profit/(Loss) Before Taxation &amp; Extraordinary items</b>		<b>(15,931.65)</b>	<b>4,653.64</b>
Less : Extraordinary items			
MTM Loss		12,807.96	-
Foreign currency translation adjustment		269.23	-
<b>Profit/(Loss) Before Tax</b>		<b>(28,470.38)</b>	<b>4,653.64</b>
<b>Less : Provision for taxes</b>			
Tax expenses		402.24	575.00
Fringe Benefit tax		31.47	26.59
Deferred Tax expense		390.12	37.72
Prior period adjustments (Dividend tax)		28.42	-
<b>Net Profit/(Loss) available for Appropriation:</b>		<b>(29,322.62)</b>	<b>4,014.33</b>
<b>Less : Appropriations</b>			
Provision for Dividend & Tax there on		-	329.67
Transfer to General Reserve		42.30	200.72
<b>Balance carried forward to Balance Sheet</b>		<b>(29,364.92)</b>	<b>3,483.94</b>
Earnings Per Share (nominal value of share Rs.10/- each)		(141.14)	21.37
Significant Accounting Policies and Notes on Accounts	15		

As per our report of even date

For and on behalf of the Board

**FOR SATYANARAYANA & CO.**

Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No.:6239

**Dinesh Kumar**  
Managing Director

**V.Visweswara Rao**  
Director (Finance)

**K.Vasudeva Rao**  
Executive Director

Place: Secunderabad  
Date: March 31, 2010

**K. Sateesh Gupta**  
Company Secretary





**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009**

*Rs. in Lakhs*

	As at December 31, 2009 (for 18 months period)	As at June 30, 2008 (for 12 months period)
<b>SCHEDULE-1 :</b>		
<b>SHARE CAPITAL</b>		
AUTHORISED :	3,000.00	3,000.00
3,00,00,000 Equity Shares of Rs.10/- each (previous year 3,00,00,000 Equity Shares of Rs.10/- each)	<u>3,000.00</u>	<u>3,000.00</u>
ISSUED,SUBSCRIBED & PAIDUP		
2,07,74,950 equity shares of Rs.10/- each fully paid (Previous year 1,87,85,452 equity shares of Rs. 10/- each fully paid)	2,077.49	1,878.54
Minority interest in M/s.Khandoba distilleries Ltd 150 equity shares of Rs.10/- each fully paid (previous year 150 shares of Rs.10/- each fully paid)	0.02	0.02
- The above shares includes 53,58,846 shares of Rs.10/- each allotted as fully paid up bonus shares by capitalisation of profits in the earliear years (current year-NIL, previous year-NIL)	<u>2,077.51</u>	<u>1,878.56</u>
<b>SCHEDULE-2 :</b>		
<b>RESERVES AND SURPLUS</b>		
Capital Reserve	543.54	4.89
Share Premium Account :		
Balance at the beginning of the year	18,286.00	9,150.91
Additions during the year	2,984.25	9,135.09
	<u>21,270.25</u>	<u>18,286.00</u>
General Reserve :		
Opening BI	736.73	536.01
Add : Transfer from P&L A/c	42.30	200.72
	<u>779.03</u>	<u>736.72</u>
	<u>22,592.82</u>	<u>19,027.61</u>
Profit & Loss Account:		
Balance at the beginning of the year	7,667.46	4,183.52
Add: Profit/ (Loss) for the year	(29,364.92)	3,483.94
Balance at the end of the year	<u>(21,697.46)</u>	<u>7,667.46</u>
<b>SCHEDULE-3 :</b>		
<b>SECURED LOANS</b>		
I) Term loans	20,181.45	6,519.12
II) Funded interest Term loans I	1,164.62	-
III) Short Term loans	33,236.77	-
IV) Working capital Term loans	24,543.89	13,184.10
V) Funded interest Term loans II	969.05	-
VI) Working capital borrowings	8,964.36	9,318.24
VII) Hire Purchase loans from Banks	38.36	108.91
VIII) Interest accrued and due	48.75	-
	<u>89,147.25</u>	<u>29,130.37</u>
<b>SCHEDULE-4 :</b>		
<b>UNSECURED LOANS</b>		
Un-Secured Loans - FCCB	5,740.44	8,698.50
L Trade SRL	604.34	-
Saptashva Solar SA	275.07	-
Others	457.70	-
	<u>7,077.55</u>	<u>8,698.50</u>



SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009

**SCHEDULE - 5 :  
FIXED ASSETS**

Rs. in Lakhs

Sl. NO.	Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As on 01.07.08	Additions	Deletions	Total as on 31.12.09	As on 01.07.08	For the Period	Deletions	Total as on 31.12.09	As on 31.12.09	As on 01.07.08
1.	Land	1,154.60	134.39	-	1,288.99	-	-	-	-	1,288.99	1,154.60
2.	Buildings	863.29	39.97	-	903.26	44.98	-	175.30	-	727.96	732.97
3.	Plant & Machinery	2,889.42	7,128.94	-	10,018.36	522.27	-	1,499.39	-	8,518.97	1,912.30
4.	Computers	98.88	10.38	-	109.26	25.12	-	108.54	-	0.72	15.46
5.	Vehicles	299.87	62.67	12.49	350.05	45.99	1.00	94.15	1.00	255.90	250.71
6.	Furniture & Fixtures	238.54	24.81	-	263.35	24.21	-	56.10	-	207.25	206.65
7.	Office Equipment	63.85	6.48	-	70.33	6.18	-	20.44	-	49.89	49.59
	<b>Total</b>	<b>5,608.45</b>	<b>7,407.64</b>	<b>12.49</b>	<b>13,003.60</b>	<b>668.75</b>	<b>1.00</b>	<b>1,953.92</b>	<b>1.00</b>	<b>11,049.68</b>	<b>4,322.28</b>
	Previous year Balance	3,763.36	1,886.53	41.44	5,608.45	213.40	13.47	1,286.17		4,322.28	2,677.13
	Capital Work in Progress									<b>38,511.04</b>	21,743.70

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009**

*Rs. in Lakhs*

	As at December 31, 2009 (for 18 months period)	As at June 30, 2008 (for 12 months period)
<b>SCHEDULE-6 :</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>i) Stock in hand</b>		
Stocks In Transit -Rawmaterial	-	1,030.49
Raw material, Stores & Spares, Consumables etc.	12,839.70	4,187.43
Work-in-process	7,286.54	184.49
Finished goods	3,227.52	172.37
	<u>23,353.76</u>	<u>5,574.78</u>
<b>ii) Sundry Debtors</b>		
(Unsecured, considered good)		
a) For more than six months	18,517.43	3,611.36
b) Other Debts	741.52	18,817.88
	<u>19,258.95</u>	<u>22,429.24</u>
<b>iii) Cash and Bank Balances</b>		
Cash on hand	6.31	14.19
Balances with Scheduled Banks		
(a) Remittance in Transit	-	384.34
(b) in Current Account	10.73	2,671.65
(c) in Deposit Accounts (including margin money)	910.53	1,017.72
Unclaimed Dividend Balance	3.53	0.96
	<u>931.09</u>	<u>4,088.86</u>
<b>iv) Loans and Advances</b>		
(Unsecured, considered good)		
(Recoverable in cash or in kind or for value to be received)		
a) Advance to Suppliers	8,849.65	12,777.09
b) Deposits	118.92	107.37
c) MODVAT available	341.77	149.20
d) Prepaid expenses	123.50	16.37
e) Other advances	2,024.64	142.84
	<u>11,458.48</u>	<u>13,192.87</u>
<b>SCHEDULE-7 :</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>i) Current Liabilities</b>		
- Sundry Creditors - Trade	2,448.58	2,468.82
- Other Liabilities	1,383.80	239.24
- Interest accrued but not due	7.86	428.24
- Unclaimed Dividend Balance (2006-07 and 2007-08)	3.52	0.96
	<u>3,843.76</u>	<u>3,137.26</u>
<b>ii) Provisions</b>		
1) Provision for Income Tax	1,486.48	1,007.71
2) Provision for Dividend and tax there on	-	329.67
	<u>5,330.24</u>	<u>4,474.64</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE PERIOD ENDED DECEMBER 31, 2009**

*Rs. in Lakhs*

	Period ended December 31, 2009 (18 months)	Period ended June 30, 2008 (12 months)
<b>SCHEDULE - 8 :</b>		
<b>SALES</b>		
<b>i. Domestic Sales</b>		
Telecom Division	1,785.06	29,104.35
Energy Division	1,416.30	9,986.08
<b>ii) Export Sales</b>		
Telecom Division	781.50	-
Energy Division	39,853.69	26,560.95
<b>Gross Sales</b>	<u>43,836.55</u>	<u>65,651.38</u>
Less : Excise Duty & sales tax	374.20	249.86
<b>Net Sales</b>	<u>43,462.35</u>	<u>65,401.52</u>
<b>SCHEDULE - 9 :</b>		
<b>OTHER INCOME</b>		
Interest Received	175.97	198.44
Miscellaneous Income	19.01	24.07
	<u>194.98</u>	<u>222.51</u>
<b>SCHEDULE - 10 :</b>		
<b>COST OF MATERIALS CONSUMED</b>		
a) Consumption of Raw Materials	44,764.40	54,133.39
b) Consumption of Stores, Spares and other consumables	129.77	9.01
c) (Increase)/Decrease in Stocks		
i. (Increase)/Decrease in Stocks WIP		
- Opening Stock	184.49	293.46
- Closing Stock	1,327.88	184.49
	<u>(1,143.39)</u>	<u>108.97</u>
ii. (Increase)/Decrease in Stocks FG		
- Opening Stock	172.37	303.93
- Closing Stock	3,227.52	172.37
	<u>(3,055.15)</u>	<u>131.56</u>
Total (Increase)/Decrease in Stocks	<u>(4,198.54)</u>	<u>240.53</u>
<b>Total Cost of Material consumed (a+b+c)</b>	<u>40,695.63</u>	<u>54,382.93</u>
<b>SCHEDULE-11:</b>		
<b>MANUFACTURING EXPENSES</b>		
Salaries, Wages and Bonus	892.71	405.23
Contribution to PF/ESI	39.80	17.75
Employee welfare expenses	62.59	47.62
Repair & Maintenance	208.00	116.86
Consumables & Other manufacturing expenses	345.11	414.64
Others	6.77	8.98
	<u>1,555.00</u>	<u>1,011.08</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE PERIOD ENDED DECEMBER 31, 2009**

*Rs. in Lakhs*

	Period ended December 31, 2009 (18 months)	Period ended June 30, 2008 (12 months)
<b>SCHEDULE-12:</b>		
<b>ADMINISTRATIVE AND SELLING EXPENSES</b>		
Salaries, Wages and Bonus	494.23	218.20
Contribution to PF/ESI	21.43	9.56
Employee welfare expenses	34.07	25.64
Directors remuneration	343.25	282.76
Repair & Maintenance - others	178.00	41.72
Rent	143.49	63.85
Rates & Taxes	54.77	30.30
Auditor's remuneration	2.76	1.69
Insurance	306.04	110.27
Consultancy & Professional charges	462.58	98.91
Selling Expenses	823.33	1,393.95
Printing & Stationery	35.84	64.83
Communication expenses	73.51	47.49
Travelling & Conveyance	322.84	249.20
Directors sitting fees	2.28	1.93
Donations	0.01	8.28
Loss on sale of assets / write off	5.49	11.19
Sundry Expenses	131.95	87.87
	<u><b>3,435.86</b></u>	<u><b>2,747.64</b></u>
<b>SCHEDULE-13:</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest on Term Loans	4,290.28	44.95
Interest on Working capital	3,303.10	1,012.58
Interest on Hire Purchase loans	16.98	9.35
Interest on Other loans	2,762.75	1,528.92
Bank Charges	18.37	-
	<u><b>10,391.48</b></u>	<u><b>2,595.80</b></u>
<b>SCHEDULE-14:</b>		
<b>MISCELLANEOUS EXPENSES</b>		
(to the extent not written off or adjusted)		
<b>Preliminary Expenses</b>	<u>0.67</u>	<u>0.67</u>
<b>Total</b>	<u><b>0.67</b></u>	<u><b>0.67</b></u>
<b>Preoperative Expenses</b>		
Administrative Expenses		
Audit Fees	0.38	0.10
Communication Expenses	0.18	-
Conveyance & Travelling	3.38	0.05
Electricity Charges	8.12	-
Staff Welfare	0.07	-
Office Maintenance	15.51	-
Other Administrative Expenses	8.48	5.67
Printing & Stationery	0.79	-
Professional & Consultancy Charges	10.91	18.02
Rent, Rates & Taxes	14.51	7.92
Sitting Fee for Directors	0.10	-
Vehicle Maintenance	0.07	-
Fringe Benefit Tax	0.14	-
Depreciation	0.03	-
Financial Charges	-	-
Bank Charges	0.59	0.01
Interest on Term Loans	262.02	-
Other Financial Charges	51.99	-
<b>Total</b>	<u><b>377.26</b></u>	<u><b>31.77</b></u>
Fee for increase of Authorised Capital	14.76	-
Others	346.46	415.75
<b>Total Miscellaneous Expenditure</b>	<u><b>739.14</b></u>	<u><b>448.19</b></u>

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE: 15 -

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

##### A) SIGNIFICANT ACCOUNTING POLICIES:

###### 1) 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 The Institute of Chartered Accountants of India (ICAI) to the extent applicable.

###### 2) Principles of consolidation:

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down on the accounting standards on Consolidated Financial Statements by the ICAI. The financial statements of the parent company, XL Telecom & Energy Limited and the subsidiary companies, Khandoba Distilleries Ltd, Saptashva Solar Ltd, Saptashva Solar SA, Spain have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gains / losses. Exchange differences resulting from the difference due to transactions of foreign currency assets and liabilities in subsidiary company is disclosed as foreign currency translation adjustment. The consolidated financial statements are prepared applying uniform accounting policies for like transactions and other events in similar circumstances in use at the parent and subsidiary company.

###### 3) Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost is inclusive of duties & taxes (net of CENVAT/VAT), incidental expenses and erection / commissioning expenses.

###### 4) Depreciation:

Depreciation on Fixed Assets is provided on Straight Line Method 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 in the month the Asset is put to use / sold.

###### 5) Expenditure during construction period:

Expenditure (including Finance cost relating to borrowed funds for construction or acquisition of fixed assets) incurred on projects under implementation are treated as preoperative expenses pending allocation to the assets and are shown under "Capital Work in Progress". These expenses will be apportioned to fixed assets on commencement of commercial production.

###### 6) Investments:

Long term investments and investments in subsidiary companies are carried at cost. Provision for diminution in value is made whenever necessary in accordance with the Accounting Standards in force.

###### 7) Valuation of Inventories:

- a) Inventories are valued at the lower of weighted average cost or net realizable value. The weighted average value is calculated on the basis of net landed cost.
- b) Cost for the purpose of finished goods and material in process is computed on the basis of cost of material, labour and other related overheads.
- c) In all the cases necessary adjustments are made in respect of non-moving, slow moving, damaged and unserviceable goods.

###### 8) Foreign Exchange:

Foreign Exchange transactions are recorded at the exchange rates prevailing at the time of transactions or at contracted rates. Current assets and current liabilities are translated at values prevailing at the Balance Sheet date. Gains/losses, if any, arising thereby are recognized in the Profit and Loss account.

###### 9) Revenue Recognition:

- a) Revenue from sales is recognized when significant risk and rewards in respect of ownership of the products are transferred.
- b) Revenue from domestic sales is recognized on dispatch of products from the factory of the Company.
- c) Revenue from export sales is recognized on the basis of dates of Bill of Lading.

###### 10) Employee Retirement Benefits:

Contributions paid/payable to the defined contribution plan of Provident Fund for employees covered under the scheme are recognized in the Profit and Loss account each year. Gratuity has been provided on cash basis.

###### 11) Borrowing Costs:

Borrowing costs incurred in relation to the acquisition and construction of assets is capitalized as part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which they are incurred.

## 12) Income Tax Expenditure:

- a) Current Tax Expense: The current charge for income tax is calculated in accordance with the tax regulations.
- b) Deferred Tax Expense: Deferred income tax reflects the impact of timing difference between accounting income and tax income for the year/ period. Deferred tax is measured based on the tax rates and the tax laws enacted at the Balance sheet date. Deferred tax asset is recognized only to the extent of certainty of realization of the asset.
- c) Fringe Benefit Tax: Fringe Benefit Tax is calculated in accordance with the tax regulations.

## 13) Miscellaneous Expenditure:

Miscellaneous expenditure comprises of preliminary/ public issue expenses and deferred revenue expenditure which are amortized over a period of ten years.

## B) NOTES TO ACCOUNTS

### 1. Note on Corporate Debt Restructuring (CDR):

The Company has approached the consortium of Banks for restructuring of debts under the CDR (Corporate Debt Restructuring) scheme of RBI. The brief details are as under:

- With a mandatory legislation change brought out by European Union in 2007 by making the compulsory usage of solar power for entire demand coupled with encouragement by way of subsidies from the local governments, the company has received export orders from Spain for supply of Solar panels during 2008.
  - With the overwhelming and unexpected response received by the Spanish government, they kept the subsidies on hold for a rework on their internal policies and this coupled with the global economic scenario in September, 2008 led to sudden cancellation of orders to the tune of 21MW, by the Spanish entrepreneurs before execution and not extending the LCs issued to the Company. This resulted in huge pile up of stocks and adding to that the subsequent reduction of the raw material prices in the international market due to global economic scenario resulted in a huge MTM loss to the Company.
  - In view of this, the Company has no other option except to seek a suitable restructuring under CDR scheme of RBI and thus the Company has approached the consortium banks for deep restructuring of our existing debts. Accordingly, our banker SBI have worked out a restructuring package and referred the same to the CDR Cell and for approval. Accordingly the same has been approved by CDR cell in their CDR EG meeting held on 30<sup>th</sup> Dec'09 on the following lines viz.,
    - o to restructuring all the outstanding debts as on 30<sup>th</sup> June'2009 to be repaid over 32 quarterly installments (on ballooning basis) commencing from quarter ending September 2011.
    - o To reduce the rate of interest applicable on all loans to 9% p.a. payable monthly for the first three years FY 2009 to FY 2011 and stepped up by 1 % every alternate year with a cap of 13% p.a. over the period of the loan to ensure minimum yield of 10.33% p.a. payable monthly.
    - o To convert future interest on STL, WCTL, TL and FITL – TL etc from 1<sup>st</sup> July'09 to 31<sup>st</sup> Dec'2010 into a CRPS facility, this will carry a dividend coupon rate of 6.75% p.a. (tax free) payable semi-annually every year from the date of issue. The CRPS will be redeemed after 12 years from 31<sup>st</sup> Dec'2012. The lenders/holders of CRPS would have a put option for redemption of 1/3<sup>rd</sup> CRPS each in 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year from cut-off date i.e.30<sup>th</sup> June'2009 along with accumulated dividend. All penal and liquidated damages up to the date of implementation of scheme to be waived.
    - o Total sacrifice of all lenders connected with this restructuring has been worked out to Rs.137.73 crores in terms of economic loss and Rs.96.91 crores in terms of funding of interest for 1 ½ years thus totaling to Rs.234.64 crores. An amount of Rs.40 crores would be brought in by promoter in two equal installments in FY 2010 and FY 2011.
    - o To liquidate part of SPVM inventory to its 100% step down subsidiary "Sapthasva Solar S.r.l." for setting up of 8 MW Solar Power Plant.
    - o To sell of investments in Khandoba Distilleries Ltd (wholly owned subsidiary of XL TEL) in FY 2010.
    - o To sell of Ethanol Division of XL Telecom & Energy Ltd in FY 2010.
    - o For sale of Ethanol Division and Divestment in Khandoba Distillery Ltd, Asset Sale Committee (ASC) comprising of SBI, Canara Bank, IDBI Bank, ICICI Bank and the company may be constituted.
2. The net worth of the Company suffered substantial erosion due to the losses suffered during the period. However, considering the restructuring package granted to the Company under CDR (Corporate Debt Restructuring) scheme and also the various measures taken by the Company for increasing the net worth and the business prospects, the accounts are stated on going concern basis.
  3. Previous Figures are not comparable as current year consists of 18 months period (01.07.2008 to 31.12.2009) as against the twelve month period (01.07.2007 to 30.06.2008) of previous year.
  4. **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 USD 40 Million in October 2007 having a maturity period of 5 years and one day.



Out of USD 40 million FCCBs, the Bond holders requested for conversion of USD 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 during the year 2007-08. The outstanding balance of FCCBs as on 30.06.2008 was USD 20.24 million.

Out of USD 20.24 million FCCBs, the Bond holders requested for conversion of USD 8 million FCCBs. On conversion, Company issued and allotted 19,89,498 equity shares of Rs. 10/- each at a premium of Rs. 150/- per share during the current year. The outstanding balance of FCCBs as on 31.12.2009 is USD 12.24 million.

#### 5. 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 are to be convertible in to equity shares with in 18 months.

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 during the year 2007-08.

During the current year, on the due date, the Company forfeited 39,90,000 share warrants, out of the 52,50,000 warrants issued during 2007-08, due to the non-payment of the balance amount for conversion. An amount of Rs.5,38,65,000/- is shown as Capital Reserve on this account.

#### 6. Contingent liabilities not provided for in respect of:

*Rs. in Lakhs*

Particulars	As at 31.12.2009	As at 30.06.2008
a) Guarantee / Counter Guarantees given on sale of contracts	2007.88	3,637.63
b) Letter of credits by Banks	NIL	17,517.32
c) Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for	8,336.42	20,360.27

#### 7. Secured Loans:

*Rs. in Lakhs*

SI No	Particulars	As at 31.12.2009	As at 30.06.2008
	<b>A. Term Loans:</b>		
i)	Canara Bank – SPV	4310.87	-
ii)	IDBI Bank – SPV	4931.37	2000.00
iii)	Bank of India – SPV	4914.96	4000.00
iv)	State Bank of Bikaner & Jaipur – SPV	2453.69	-
v)	State Bank of Mysore – SPV	1970.56	-
vi)	IDBI corporate loan	250.00	400.00
vii)	Vijaya Bank	0.00	119.12
	<b>Total</b>	<b>18831.45</b>	<b>6519.12</b>
	<b>B. Funded interest Term loans I:</b>		
i)	Canara Bank – SPV	252.05	-
ii)	State Bank of Bikaner & Jaipur – Fabcity	170.02	-
iii)	State Bank of Mysore – Fabcity	126.38	-
iv)	IDBI – Fabcity	298.17	-
v)	Bank of India – Fabcity	318.00	-
	<b>Total</b>	<b>1164.62</b>	<b>-</b>
	<b>C. Short Term Loans:</b>		
i)	Canara Bank	8097.21	-
ii)	IDBI Bank	2893.85	-
iii)	State Bank of India	22245.71	-
	<b>Total</b>	<b>33236.77</b>	<b>-</b>
	<b>D. Working Capital Term Loans:</b>		
i)	Canara Bank – Telecom	98.01	-
ii)	Canara Bank – SPV	3965.31	-
iii)	Canara Bank – Ethanol	835.13	-
iv)	Vijaya Bank – Telecom	1546.65	-

Rs. in Lakhs

SI No	Particulars	As at 31.12.2009	As at 30.06.2008
v)	Federal Bank – Telecom	868.62	-
vi)	Federal Bank – Ethanol	392.54	-
vii)	State Bank of Hyderabad	95.13	-
viii)	IDBI Bank – SPV	1554.24	-
ix)	IDBI Bank – Telecom	585.82	-
x)	IDBI Bank – Ethanol	449.51	-
xi)	State Bank of India – SPV	13758.21	-
xii)	ICICI Bank (LC & BG dev)	384.38	-
xiii)	IDBI Bank (BG dev)	27.80	-
xiv)	Canara Bank–Export bills discounted	(17.46)	-
xv)	IDBI – Export bills discount	-	1755.61
xvi)	Federal Bank - Export bills discount	-	0.78
xvii)	IDBI – EPC	-	5384.71
xviii)	State Bank of India – EPC	-	6042.91
xix)	Canara Bank – EPC	-	0.09
	<b>Total</b>	<b>24543.89</b>	<b>13184.10</b>
	<b>E.Funded interest term loans II:</b>		
i)	Canara Bank – SPV	224.22	-
ii)	State Bank of India – SPV	744.83	-
	<b>Total</b>	<b>969.05</b>	<b>-</b>
	<b>F. Working Capital Borrowings:</b>		
i)	Canara Bank – Telecom	2637.24	2617.13
ii)	Canara Bank – Ethanol	296.24	747.36
iii)	Vijaya Bank – Telecom	1126.63	1110.44
iv)	Vijaya Bank – Ethanol	122.20	338.41
v)	Federal Bank – Telecom	1107.93	1118.92
vi)	Federal Bank – Ethanol	117.23	343.33
vii)	ICICI Bank – Telecom	390.00	363.99
viii)	ICICI Bank – Ethanol	119.79	120.85
ix)	State Bank of Hyderabad – CC	862.79	107.14
x)	State Bank of Hyderabad - Telecom	637.87	658.56
xi)	State Bank of Hyderabad - Ethanol	88.32	90.98
xii)	IDBI Bank – Telecom	679.32	650.50
xiii)	IDBI Bank – Ethanol	97.45	201.97
xiv)	State Bank of India – CC	681.45	849.36
xv)	Indian Overseas Bank – Telecom	(0.10)	(0.65)
xvi)	Indian Overseas Bank – Ethanol		(0.06)
	<b>Total</b>	<b>8964.36</b>	<b>9318.24</b>
	<b>G. Hire Purchase Loans:</b>		
i)	ICICI Bank	27.07	98.63
ii)	HDFC Bank	11.29	10.28
	<b>Total</b>	<b>38.36</b>	<b>108.91</b>

The above balances are arrived after considering the reduced rate of interest approved by the lenders of the Company under Corporate Debt Restructuring (CDR) scheme. As per the CDR scheme, concessional rate of interest @9% per annum as against the original contracted rates are applicable w.e.f. 01.07.2009. The Company has given effect to the interest rates considering the provisions of CDR scheme. The calculation of interest at reduced rates has an impact of reducing the interest charged to Profit & Loss Account by Rs.2197.11 lakhs.

The Company has executed the MRA agreement with the lenders and the confirmation of the balances outstanding giving effect to the reduced rate of interest is awaited from the lenders.

All the loans are secured by,

- Mortgage and first charges on immovable properties, both present and future situated at Plot No. 198 A&B, IDA Cherlapally, Hyderabad
- Mortgage and first charges on the fixed assets of Ethanol Division situated at Plot No. B 8-10, MIDC, Kushnour, Nanded, Maharashtra
- Mortgage and first charges on lease hold rights on land admeasuring 2,02,350 sq. mts. 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, Rangareddy district, Andhra Pradesh
- First charge on immovable properties, present and future situated at Shed nos. 30, 31 and 32, IDA, Mallapur, Hyderabad.
- Hypothecation of all tangible, movable properties and Assets, both present and future including raw materials, goods in process, finished goods and book debts.
- Personal guarantee of Mr. Dinesh Kumar, Mr. Aneesh Mittal and Mrs. Ritulal Kumar.
- Hire Purchase loans are secured by hypothecation of specific vehicles.

**8. Remuneration to Auditors:**

Rs in Lakhs

Particulars	2008-09	2007-08
Audit Fee	2.76	1.68

**9. Managerial Remuneration:**

Particulars	2008-09	2007-08
Salary to Managing Director	225.00	150.00
Contribution to P.F. for Managing Director	0.14	0.09
Salary to Whole time Directors	193.50	129.00
Contribution to P.F. for Whole time Directors	0.56	0.37

**10. Deferred Tax Liability:**

Particulars	2008-09	2007-08
Depreciation	774.23	384.12

**11. Related Party Transactions:**

Information relating to Related Party transactions as per Accounting Standard 18, issued by The Institute of Chartered Accountants of India, notified under Section 211(3C) of the Companies Act, 1956 is as under:

**a) Names of related parties and the nature of relationships:**

Name	Relationship
i. Khandoba Distilleries Ltd	Subsidiary Company
ii. Saptashva Solar Ltd	Wholly owned subsidiary Company
iii. Saptashva Solar SA	Wholly owned subsidiary Company
iv. Saptashva Solar SRL	Subsidiary of Saptashva Solar SA
v. Digrun Grun SL	Subsidiary of Saptashva Solar SA
vi. Apulia Solar SRL	Subsidiary of Saptashva Solar SRL
vii. Sree Sahasya Enterprises Pvt Ltd	Associate Company
viii. Sree Sahasya Entertainments Pvt Ltd	Associate Company
ix. Soft Projex (I) Ltd	Associate Company
x. Key Management Personnel:	
Shri Dinesh Kumar	Managing Director
Smt Ritu Lal Kumar	Director

**b) Transactions made during the period:  
(Amounts outstanding at the Balance Sheet date)**

*Rs. in Lakhs*

<b>Name of the Related Party</b>	<b>2008-09</b>	<b>2007-08</b>
i. Khandoba Distilleries Limited:		
- Equity Subscribed	1,230.00	4.99
- Application money pending allotment	307.80	1,225.01
- Advance for Expenses	82.98	0.41
ii. Saptashva Solar Limited:		
- Equity Subscribed	5.00	5.00
iii. Saptashva Solar S.A.:		
- Equity Subscribed	1,636.49	2.02
- Application money pending allotment	1,006.71	-
- Sales	167.69	-
iv. Saptashva Solar SRL:		
- Advance for Expenses	345.55	-
v. Digrun Grun SL:		
- Sales	8379.28	-
vi. Sree Sahasya Enterprises Pvt Ltd		
- Amounts due	308.36	-
vii. Sree Sahasya Ebtertainments Pvt Ltd		
- Amounts due	27.68	-
viii. Soft Projex (I) Ltd		
- Amounts due	565.10	505.73

12. The extraordinary item of Rs.12,807.96 lakhs in the Profit & Loss Account for the period ending 31.12.2009 represent the mark to market loss resulting in the diminution in the value of inventories.
13. The company considers business segment as the primary segment. The primary segment information is provided as Schedule-15.
14. There are no dues to Micro, small and medium enterprises under Development Act, 2006, exceeding 30 days. The micro, small and medium industries are determined to the extent such parties have been identified on the basis of the information available with the Company.
15. Balances appearing under unsecured loans, sundry creditors, Capital WIP, Loans and advances and debtors are subject to confirmation and / or reconciliation, if any.
16. Previous year figures have been regrouped / reclassified wherever necessary.

**As per our report of even date**

**For and on behalf of the Board**

**FOR SATYANARAYANA & CO.**

Chartered Accountants

**J. Jagannadha Rao**

Partner

Membership No.:6239

**Dinesh Kumar**

Managing Director

**V.Visweswara Rao**

Director (Finance)

**K.Vasudeva Rao**

Executive Director

Place: Secunderabad

Date: March 31, 2010

**K. Sateesh Gupta**

Company Secretary

**CONSOLOATED CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2009**

*Rs. in Lakhs*

		18 months ended December 31, 2009
<b>A Cash Flow from Operating Activities</b>		
Net Profit/(Loss) before tax and extra ordinary items		(15,931.65)
Adjustments for :		
Depreciation	668.75	
Misc. Expenditure written off	69.29	
Loss on sale of assets / write off	5.49	
Interest income	(175.97)	
Interest & Finance Charges	10,391.48	
	<u>10,391.48</u>	<u>10,959.04</u>
<b>Operating Profit before Working Capital Adjustments</b>		<b>(4,972.61)</b>
(Increase)/ Decrease in Inventories		(17,778.97)
(Increase)/ Decrease in Trade and other receivables		3,170.30
(Increase)/ Decrease in Loans & Advances		1,734.40
Increase/ (Decrease) in Trade Payables & others		855.60
Increase/ (Decrease) in Working Capital borrowings		11,974.97
		<u>(5,016.33)</u>
<b>Cash generated from operations</b>		
Interest Paid	6,101.20	
Direct taxes paid	462.12	
Transfer to General Reserve	42.30	
	<u>42.30</u>	<u>6,605.62</u>
Cash flow before extraordinary items		<b>(11,621.94)</b>
Reduction in value of inventories (MTM Loss)		12,807.96
		<u>(24,429.90)</u>
<b>Net Cash from Operating Activities</b>		
<b>B Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets (net of sales)	7,401.63	
Capital work in Progress	16,767.34	
Purchase / (Sale) of Investments	-	
Interest Income Received	(175.97)	
	<u>(175.97)</u>	<u>23,993.00</u>
<b>Net Cash used in Investing Activities</b>		
<b>C Cash Flow from Financing Activities</b>		
Proceeds from issue of Share Capital including premium	3,183.21	
Proceeds from Long Term & other Borrowings	47,993.17	
Repayment of Unsecured Loans	(1,620.95)	
Interest Paid	(4,290.28)	
Deferred Tax Expenses		
		<u>45,265.14</u>
<b>Net Cash Flow from Financing Activities</b>		<b>(3,157.77)</b>
<b>Net Increase /(Decrease) in Cash and Cash Equivalents</b>		<b>4,088.86</b>
Cash and Cash Equivalents at the Beginning of the Year		4,088.86
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>931.09</b>

Note:

- The above cash flow statement has been prepared using the 'Indirect Method' as set out in Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our report of even date

For and on behalf of the Board

**FOR SATYANARAYANA & CO.**

Chartered Accountants

**J. Jagannadha Rao**

Partner

Membership No.:6239

**Dinesh Kumar**

Managing Director

**V.Visweswara Rao**

Director (Finance)

**K.Vasudeva Rao**

Executive Director

Place: Secunderabad

Date: March 31, 2010

**K. Sateesh Gupta**

Company Secretary

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

### 1. Registration Details

Registration No.           State Code

Balance Sheet Date

### II. Capital Raised during the year

Rs. in Lakhs

Public Issue           Rights Issue

Bonus Issue           Private Placement

### III. Position of Mobilisation & Deployment of Funds

Rs. in Lakhs

Total Liabilities            Total Assets

#### Sources of Funds

Paid-up Capital           Reserves & Surplus

Secured Loans           Unsecured Loans

Share Application Money           Deferred Tax Liability

#### Application of Funds

Net Fixed Assets           Investments

Net Current Assets           Profit & Loss Account

Mis Expenditure

### IV. Performance of Company

Rs. in Lakhs

Turnover           Total Expenditure

Profit/(Loss) before Tax            Profit/(Loss) after Tax

Earnings Per Share in Rs.

### V. Generic Names of two Principal Products / Services of the Company (As per monetary terms)

Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="7"/>	Product Description	Protection module for MDF in telecom equipment
Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="1"/>	Product Description	Sleeves
Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="9"/>	Product Description	Solar Power Generating Systems
Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="0"/>	Product Description	Switch mode power supply power plants - 100 amps
Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="5"/>	Product Description	CDMA Mobile Handsets
Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/>	Product Description	Ethanol



**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/We ..... being a Member / Members of the above name Company hereby appoint ..... of ..... or failing him ..... or ..... as my / our proxy to vote for me / us on my / our behalf at the Twenty Third Annual General Meeting of the Company to be held on **Wednesday, the 26<sup>th</sup> May, 2010 at 10.00 AM at Premises of the Company's Plant at Plot No. 198/A, I.D.A., Cherlapally, Hyderabad - 500051 and at any adjournment thereof.**

Signed this ..... day of ..... 2010

Affix  
0.15 ps  
stamp

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.



**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 Third Annual General Meeting of the Company to be held on Wednesday, the 26<sup>th</sup> May, 2010 at 10.00 AM 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 Member  
(In BLOCK LETTERS)

Member's / Proxy's Member  
Signature

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



BOOK POST

*If Undelivered, Please return to :*



**XL TELECOM & ENERGY LIMITED**  
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C2, Pooja Plaza, Vikrampuri  
Secunderabad – 500 009