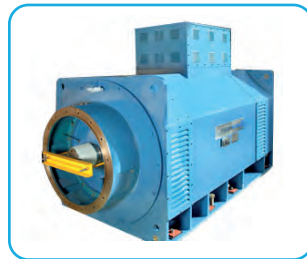


ANNUAL 2013 REPORT

P O W E R I N G A H E A D . . .



NEW DEVELOPMENTS...



Gas Generator



Vertical Hydro Generators



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Corporate Information

BOARD OF DIRECTORS

Mr. Mohib N. Khericha
Chairman

Mr. Nikhil Kumar
Managing Director

Mr. Hitoshi Matsuo
Whole Time Director

Mr. Tadao Kuwashima
Director - Technical

Mr. Salil Baldev Taneja
Director (upto May 17, 2013)

Mrs. Nandita Lakshmanan
Director

Dr. Arjun Kalyanpur
Director

Mr. Nitin Bagamane
Director

REGISTERED OFFICE & PLANT

27, 28 & 29 KIADB Industrial Area
Dabaspet, Nelamangala Taluk
Bangalore, Karnataka - 562 111
Phone: + 091-080-22995700
Fax: + 9180 7734439

CITY OFFICE

"RMJ Mandoth Towers"
#37, 7th Cross, Vasanthnagar
Bangalore - 560 052
Phone: +091-080-22017800
Fax: +91-80-22017850

JAPAN BRANCH OFFICE

Towa Building
4th Floor, 3-3 Kitashinagawa
3 Chome, Shinagawa-KU.
Tokyo-140-0001. Japan
Tel No.: 0081-3-5783-5380
Fax No.: 0081-3-5783-5381

WEB SITE

www.tdps.co.in

INVESTORS GRIEVANCE REDRESSAL E MAIL ID

investor.relations@TDPS.co.in

STATUTORY AUDITORS

B.K. Ramadhyani & Co.
Chartered Accountants
4B, Chitrapur Bhavan
No.68, 8th Main, 15th Cross
Malleswaram
Bangalore - 560 055

BANKERS

Bank of Baroda
Corporate Financial Services Branch,
Branch No. 72, 1st Floor
Nitesh Lexington Avenue
Brigade Road, Bangalore - 560025

Standard Chartered Bank
Raheja Towers, 26/27,
M. G. Road
Bangalore - 560001

CHIEF FINANCIAL OFFICER

Mr. K. G. Prabhakar

COMPANY SECRETARY

Mr. N. Srivatsa



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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the audited Financial Statements of the Company for the year ended March 31, 2013.

The Company's working has resulted in:

	For the year ended March 31, 2013 (Rs. in Lakhs)	For the year ended March 31, 2012 (Rs. in Lakhs)
Revenue from operations & other Income	44,963.46	64,089.41
Operating Profit (EBITDA)	6,951.54	8,939.25
Finance cost	341.50	656.79
Depreciation & amortization	1,225.38	899.87
Profit before Tax (PBT)	5,384.66	7,382.59
Tax expense	1,817.22	2,400.77
Profit after Tax (PAT)	3,567.44	4,981.81
Add: Surplus brought forward from the Previous Year	15,959.34	12,086.39
Available for appropriation	19,526.78	17,068.20
Appropriations		
Provision for Dividends and Tax thereon	747.14	723.92
Transfer to General Reserves	307.67	384.94
Surplus carried to Balance Sheet	18,471.97	15,959.34

OPERATIONS

The highlights of the Company's performance for the year are as under:

- Revenue from operations and other income was lower by 30% at Rs 44,963.46 Lakhs (Rs. 64,089.41 Lakhs)
- 273 (308) Generators of various ranges up to 52 MW were manufactured.
- Earnings Before interest, tax, depreciation & amortization (EBITDA) lower by 22.71% at Rs. 6,951.54 Lakhs (Rs. 8,939.25 Lakhs)
- Profit after tax decreased by 29 % to Rs. 3,567.44 Lakhs (Rs. 4,981.82 Lakhs)

The negative macroeconomic environment including slowdown of the economy, liquidity contraction, rising interest rates and the resulting slowdown in investment, resulted in lower order book and revenues.

Expected improvements in markets during the last quarter January to March 2013 were belied. It is expected that the capex cycle will revive if there is a cut in the interest rates by the Reserve Bank of India. The pending orders as of March 2013 is about Rs. 31,500 Lakhs which is expected to improve significantly on the back of both domestic and overseas orders resulting from successful qualification as vendors to large overseas electrical equipment manufacturers which will enable the company to sustain its top line and maintain margins in the financial year 2013-14.

Manufacture of new generation generators

During the year, the Company, has commenced construction of a manufacturing facility in close proximity to the existing facility, which will manufacture new generation generators with a capacity of 54 to 200 MW. The manufacturing facility is expected to be completed during December 2013 and is expected to be commissioned in the last quarter of this financial year.

DIVIDENDS

Your Directors have recommended a dividend of Rs. 2.00 per equity share for the financial year ended March 31, 2013 amounting to Rs. 664.75 Lakhs subject to approval of the shareholders at the Annual General meeting. This dividend payout is based on Company's policy to pay sustainable dividends and meet long term growth objectives out of internal cash accruals.

DIRECTORS' REPORT (contd.)

MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to clause 49 of the listing agreement with the stock exchanges, the Management Discussion & Analysis report covering operations, performance and outlook of the company is annexed as **Annexure-III**.

UTILISATION OF IPO PROCEEDS

The shareholders of the Company at the Annual general meeting held on July 12, 2012, approved that the IPO proceeds relating to certain objects of issue may be utilized for objects other than the said objects, including setting up of a new manufacturing facility for manufacture of advanced AC generators-2pole. The company has commenced deployment of the funds accordingly in setting up a manufacturing facility near the current facility. The following is the statement of utilization of the IPO proceeds:

(Rs. in Lakhs)

Sl. No.	Objects	IPO Proceeds (Total estimated cost)	Unutilized as of June 30, 2012 & Transfer to Object No. 6 (Refer Note below)	Utilization as of 31.3.2013	Balance to be utilized
1	2	3	4	5	6
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
1	Finance the expansion of our manufacturing plant in Dabaspet	10,273.60	—	10,095.62	177.98
2	Construction of a project office in Bangalore city	2,890.90	2,890.90*	—	—
3	Repayment of debt	3,280.70	539.13#	2,741.57##	—
4	Funding working capital requirements of our Company	4,000.00	4,000.00*	—	—
5	General corporate purposes	2,254.80	863.98#	1,390.82##	—
6	Finance our manufacturing facility for 2 Pole generators ranging from 55 MW to 200 MW	—	8,294.01**	2,257.95	6,036.06
	Total of Sl. No. 1 to 5	22,700.00		16,485.96	6,214.04@

Note:

- @ The balance in the IPO proceeds have been in the interim invested in term deposit with nationalized Bank.
- * Amount completely un-utilized as on June 30, 2012.
- # Amount representing savings from stated objects transferred to 6.
- ## Amounts utilized as of June 30, 2012.
- ** Total of 2 to 5 in column 4.

SUBSIDIARIES

During the year ended March 31, 2013, the performance of the Company's wholly owned subsidiary DF Power Systems Private Limited was impacted due to the weakness in order inflow resulting in lower revenues and profits for the year ended March 31, 2013. The Gross Profit for the year under report is Rs. 1,393.25 Lakhs as against Rs. 2,609.11 Lakhs in the previous year and the net profit is Rs. 922.42 Lakhs as compared to Rs.1,732.31 Lakhs for the previous year.

The directors of the subsidiary company have recommended a dividend of Rs 3.00 per share for the financial year ended March 31, 2013 amounting to Rs. 180.00 Lakhs subject to approval of the shareholders at its Annual General meeting.

US Subsidiary

A wholly owned subsidiary in the name TD Power Systems (USA) Inc. has been incorporated on February 20, 2013 as a Delaware corporation in the United States of America (USA). The operations of the company shall be located at Richfield, OHIO which is strategically located to the major industrial areas as well as the highways network.

Japan Subsidiary

A wholly owned subsidiary in the name TD Power Systems Japan Limited has been incorporated on March 19, 2013 in Tokyo, Japan.

Both the US and Japan subsidiaries are yet to commence business operations.

DIRECTORS' REPORT (contd.)

GREEN INITIATIVE

The Ministry of Corporate Affairs, Government of India has vide circular no 2/2011 dated February 8, 2011 granted a general exemption to Companies under section 212(8) of the Companies Act, 1956 (the Act) from attaching the documents referred to in section 212(1) of the Act pertaining to its subsidiaries subject to approval of the Board of Directors of the company and furnishing certain information in the Annual Report.

The Board of Directors at its meeting held on May 22 2013 passed necessary resolution for complying with all the conditions enabling circulation of the Annual Report of the Company without attaching Annual accounts of the Company's subsidiaries. Accordingly, the Annual Report of the Company does not contain the individual financial statements of the subsidiary but contains the audited consolidated financial statements of the Company and the said subsidiary. The Annual Accounts of the Subsidiary Company, along with the related information are available for inspection at the Company's registered office during the business hours on any working day and copies of the same will be made available on request.

The disclosure of information relating to subsidiaries under Section 212(8) of Companies Act, 1956 pursuant to the said circular has been attached with the Consolidated Balance Sheet of the Company.

A statement referred to in Clause (e) of sub section 1 of Section 212 of the Act disclosing the Company's interest in subsidiaries is attached.

CONSOLIDATED FINANCIAL STATEMENTS

As required in terms of the Listing Agreement with the Stock Exchanges, the consolidated Financial Statements of the Company prepared as per Accounting standard AS21 consolidating the company's accounts with its subsidiaries forms part of this Annual Report.

DIRECTORS

Mr Hitoshi Matsuo ceased to be the Managing Director of the Company on completion of his term on September 30 2012. The Board of Directors place on record it's appreciation of Mr. Matsuo's invaluable contribution to the company's growth since inception. With a view to develop the overseas markets including Japan which has become imperative to participate in the emerging opportunities in Japan, South East Asia and other parts of the world, it was thought necessary to continue to avail the services of Mr. Hitoshi Matsuo, who has spearheaded the growth of the Japan branch since its inception in 1999. Accordingly, Mr Hitoshi Matsuo has been appointed as a Whole-time Director, designated as Director – International, to be located at Tokyo, Japan, for a further period of 2 (two) years from October 1, 2012 to September 30, 2014.

Mr. Nikhil Kumar, Joint Managing Director has been redesignated as Managing Director effective October 1, 2012 in place of Mr. Hitoshi Matsuo.

Mr. Salil Baldev Taneja has resigned as Director of the company effective May 17, 2013 owing to professional pre occupation.

Mr. Nithin Bagamane and Mr. Mohib N. Khericha, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Board of Directors of the Company commends their respective re-appointments.

A brief resume of the Directors proposed to be re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is included in the Annual Report as **Annexure-IV**. The certificate from Mr. Sudhir V. Hulyalkar, Practicing Company Secretary, Bangalore, confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges forms part of the said report.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

Information as required under section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 has been given in **Annexure-I** to this report.

DIRECTORS' REPORT (contd.)

PARTICULARS OF EMPLOYEES

During the period under review, the statement of employees who were in receipt of remuneration requiring disclosure in terms of Section 217(2A) of the Companies Act, 1956 has been given in **Annexure-II** to this report.

AUDITORS

The Statutory Auditors M/s. B. K. Ramadhyani & Co., Chartered Accountants, Bangalore, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. A certificate has been received from them to the effect that their reappointment, if made, would be within the prescribed limit under Section 224(1B) of the Companies Act, 1956.

COST AUDITORS

The Company is covered by Cost Audit requirements w.e.f. April 1, 2012 (FY 2013) under the heading "Engineering Machinery (including electrical & electronic products)" in terms of order of the Ministry of Corporate Affairs (MCA) dated January 24, 2012. Accordingly, pursuant to Section 233B of the Companies Act, 1956 read with the directions issued by the Ministry of Corporate Affairs M/s. Rao, Murthy & Associates, Cost Accountants, Bangalore have been appointed as Cost Auditors for the Financial year ended March 31, 2013 to conduct the audit of its manufacturing operations (manufacture of generators).

As required in terms of the Companies (Cost Accounting Records) Rules 2011, the Cost compliance report for the financial year ended March 31, 2012 duly certified by a Cost Accountant has been filed with the Ministry of Corporate Affairs within the due date on December 13, 2012.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the companies Act 1956 with respect to Directors' responsibility statement, it is hereby confirmed:

- that in the preparation of the accounts for the financial year ended 31st March 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- that the Directors have selected such accounting policies and applied them consistently and made judgments and the estimates that are reasonable and prudent so as to give true and fare view of the state of affairs of the Company at the end of the financial year and are the profit or loss of the Company for the year under review.
- that the Directors have 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.
- that the Directors have prepared the accounts for the financial year ended March 31, 2013 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the cooperation and continued support extended by the shareholders, suppliers, customers, technology partners, Banks and all employees of the company during the year under report.

For and on behalf of the Board of Directors

Bangalore
May 22, 2013

Mohib N. Khericha
Chairman

DIRECTORS' REPORT (contd.)

STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARIES

1	Name of Subsidiary	DF Power Systems Private Limited	TD Power Systems (USA) Inc.
2	Financial year of the Company	March 31, 2013	March 31, 2013
3	Shares of the Subsidiary held by TD Power Systems Limited on the above date: Number of shares and face value Extent of Holding	5,999,998 Equity Shares of Rs. 10.00 each 100%	10,100 of US \$ 10 each 100%
4	Net aggregate amount of profit/(loss) of the Subsidiary so far as they concern the members of TD Power Systems Limited: Dealt with in the accounts of TD Power Systems Limited for the year ended March 31, 2013 (Rupees) Not dealt with in the accounts of TD Power Systems Limited for the year ended March 31, 2013 (Rupees)	NIL 92,441,251	NIL (1,427,808)*
5	Net aggregate amount of profit/(loss) for previous financial years of the Subsidiary since it became a subsidiary so far as they concern the members of TD Power Systems Limited Dealt with in the accounts of TD Power Systems Limited for the year ended March 31, 2013 (Rupees) Not dealt with in the accounts of TD Power Systems limited for the year ended March 31, 2013 (Rupees)	Nil 491,024,773	Nil (1,427,808)*

Notes:

1. A wholly owned subsidiary has been incorporated in Japan on March 19, 2013 as TD Power Systems Japan Limited. Since the company was yet to be capitalized and operations were not commenced as on March 31, 2013, no details as above have been provided in respect of the said company.
2. * The subsidiary Company's Profit/(Loss) figures have been converted to Indian Rupees at daily average rate, where the reporting currency is other than INR.

For and on behalf of the Board of Directors

Mohib N. Khericha
Chairman

Nikhil Kumar
Managing Director

K. G. Prabhakar
Chief Financial Officer

N. Srivatsa
Company secretary

Bangalore
May 22, 2013

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - I

Statement containing particulars pursuant to the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 forming part of the Report of the Directors:

A. CONSERVATION OF ENERGY

Energy conservation measures taken

- Utilization of power based on demand. Load sharing by manual startup /stop facility at both Units.
- Load planning and DG deployment. This has avoided idle running of DG'S and resulted optimization of load leading to conservation of energy.
- Automation system of blower, conveyer and deburring operation of varnishing line available near the work station.
- Reactor bank is provided to utilize power and improve power factor at Unit 2.
- Energy audit team and supporting task force formed for Unit 1 with an object to improve power factor.
- Installed BESCO power house to cope with additional power requirements.

Additional Investments and proposals, if any, being implemented for reduction of consumption of energy

- Nil

Impact of measures (1) & (2) above for reduction of energy consumption and consequent impact on the cost of production of goods

- Significant reduction in fuel consumption and improved utilization of power.

The details relating to total energy consumption and energy consumption per unit of production is not provided since the company is not covered under the specified industry as per Schedule to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B below:

FORM B

RESEARCH AND DEVELOPMENT (R & D)

Specific areas in which R & D carried out by the company

- Research and development efforts are directed towards improving designs to lower costs and develop new products for varied applications.

Benefits derived as a result of the above R&D

- The above efforts will contribute to quality improvement, process improvement resulting in higher production, enhanced design and products capability leading to customer satisfaction. It will also enable development of in-house skills for manufacture of high precision products and help resolve critical performance problems if any.

Future plan of action

- R&D efforts will continue to be directed towards improving designs to lower costs, enhance performance parameters, meet customer specifications, and develop new products for varied applications.

Expenditure on R & D

- Since the R &D efforts are on an ongoing basis to meet various objectives as detailed above the expenditure related thereto is also incurred on an ongoing basis.

TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

Efforts, in brief, made towards technology absorption, adaptation and innovation.

- Absorption of technology for generators used for various applications and large generators is in progress.

Benefits derived as a result of the above efforts, e.g., product improvement and cost reduction.

- The above efforts have resulted in product improvement and cost reduction. This has also contributed to growth in business in various new applications.

ANNEXURE TO THE DIRECTORS' REPORT (contd.)

In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

- Technology imported Design and manufacturing technology in respect of wind and higher range and new generation generators.
- Year of import 2008 and 2011.
- Has technology been fully absorbed Technology absorption in progress.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans:

- Continuous efforts are on to add new overseas markets/customers and new products. Exports grew from 18% in 2010-11 to 31% in 2012-13. This is expected to grow to around 45% in 2013-14. Exported products to 60 countries so far including new countries in 2012-13.

Foreign Exchange earnings & outgo	(Rupees in Lakhs)
- Earnings in foreign Exchange [Value of Exports on FOB basis (Others)]	11,424.52
- Foreign Exchange outgo (Includes RMC, components, spare parts and other expenditure in Foreign currency)	4,554.93

ANNEXURE - II

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rule 1975, and forming part of the Directors' Report for the year ended March 31, 2013.

Employed for Full Year

Sl. No.	Name	Designation	Qualification	Age (years)	Date of Joining	Experience (years)	Gross Remuneration (Rs.)	Previous Employment	Designation
1	Nikhil Kumar	Managing Director	B. E.	45	01-10- 2001	22	22,115,919	Kirloskar Electric Company Limited, Bangalore	General Manager
2	Hitoshi Matsuo	Director - International	M.E.	69	01-07- 2002	46	149,88,060	Toyo Denki Seizo K.K. Japan	General Manager
3	Tadao Kuwashima	Director - Technical	B.E.	66	01-02- 2002	46	92,40,000	Toyo Denki Seizo K.K. Japan	Asst. General Manager

Note:

1. The Managing Director is not related to any Director of the Company.
2. Remuneration includes salary, commission, leave travel allowance, medical allowance and house rent as may be applicable to each of the managerial personnel.
3. There are no employees employed for a part of the financial year drawing a remuneration of Rs. 5,00,000/- per month.

For and on behalf of the Board of Directors

Bangalore
May 22, 2013

Mohib N. Khericha
Chairman

ANNEXURE TO THE DIRECTORS' REPORT (contd.)

ANNEXURE - III MANAGEMENT DISCUSSION AND ANALYSIS

Company's Business

We are one of the leading manufacturers of AC Generators with the capability to manufacture generators with output capacities ranging from 1 MW – 55 MW which is being enhanced to 200 MW. We focus on manufacturing engineered -to-order generators for our customers based across the world and have a diverse product range which includes, steam turbine generators, horizontal and vertical hydro generators, diesel engine generators, wind turbine generators, gas engine generators, gas turbine generators, high voltage motors and generators for Geo Thermal and Solar thermal applications. The company's customer base primarily comprises companies operating in the industrial sector and includes cement, steel, paper, chemical, metals, sugar co-generation, bio-mass power plants, hydro-electric power plants and Independent Power Plant companies. We cater to both conventional and renewable fuel based power plants.

The company's in-house design and development team focuses on absorption of technology available from our technology partners and evolving optimal solutions to meet the varied needs of the customers. Over the years, the company honed the capability to design products to meet exacting performance standards. The company is committed to provide high quality products that meet the expectations of both Indian and international customers

Our technology relationships with the leading power equipment manufacturers enables us to design and manufacture a complete range of generators required to cater to the renewable fuel based segment of the power generation market.

The company has a world class manufacturing facility consisting of two manufacturing units located in Dabaspet, Industrial Area on the outskirts of Bangalore equipped with advanced machinery and equipment. We have developed a reliable and quality based subcontracting and vendor network supporting our operations. The company's strong project management abilities enable it to control costs and achieve efficient operations.

In addition to manufacturing AC Generators our Company also executes Turbine Generator island projects for steam turbine power plants with output capacity up to 55 MW using a Japanese turbine combined with our generator. The scope of work of the TG island projects consists of design services, procurement and supply of equipment, assembly, installation & commissioning.

Our Subsidiary, DF Power Systems Private Limited, is in the business of Engineering, Procurement and Construction, executing Boiler-Turbine Generator island projects and the balance of plant portion for steam turbine power plants with output capacity up to 150 MW. The scope of work for the EPC Business comprises of design services, procurement and supply of equipments, assembly and installation & commissioning.

In line with our overseas market strategy, two overseas subsidiaries have been incorporated in Fiscal 2013 – one in the USA and the other in Japan, to establish presence and grow in the American, South Asian and South East Asian markets. This will also enable direct interface with existing and potential customers and OEM's which is very critical to marketing efforts in these markets.

OPPORTUNITIES AND THREATS

Opportunities

India continues to face critical power demand supply gap affecting growth. According to Government of India studies, energy requirement registered a growth of 6.5% during the year against the projected growth of 5.1% and the anticipated power supply position for the year 2013-14 indicates that, there would be energy shortage of 6.7% during 2013-14. Though the Government has initiated policy action to reduce the demand supply gap, the deficit has been growing over the years as generation capacity addition has been unable to match the rapidly growing demand. Further, where power supply is available, the quality of supply has been a major concern resulting in economic costs for the consumers. Growth and development needs are expected to further add to the demand for energy, thus exerting stress on existing energy resources. Thus, the demand supply shortfall is expected to continue to spur demand for captive power options. Industries which are power intensive such as steel, aluminum, copper, cement, engineering, sugar, chemicals, will continue to depend on CPP thus contributing significantly to the total CPP installed capacity.

Threats

The Industrial sector is the company's customer and generators manufactured by the company falls under Capital goods catering to captive and cogeneration power users. The growth and performance of the industrial sector is to a large extent

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

driven by government policy, economic buoyancy, investment climate and interest rate regime and global economic and market conditions. A difficult business environment for Industry directly affects investment climate and thus the market conditions for the company's products.

The company operates in a competitive environment. Competition in the sizes of generators that our Company currently manufactures is not fragmented but is concentrated with few players with large resources.

All our competitors in the EPC business, both from India and abroad are large companies with significant financial resources.

Outlook

From nearly double-digit growth before the global recession India's economic growth has slumped to around 5% during the last fiscal. Sliding Rupee, high interest costs, low corporate investments, high inflation and high fiscal and trade deficits continue in this fiscal which has forced a dismal growth forecast for the fiscal 2014 going forward. Measures are needed by the government to kick-start the investment cycle growth. There is no visibility of a sustained Global recovery and Eurozone economic sluggishness continues unabated affecting India's economic growth.

A failing economy, low industrial growth, unfavourable investment climate have resulted in the company's domestic order book reflecting sluggishness as in Fiscal 2013. The general weakness across all industries continues and all sectors are reflecting a great deal of uncertainty in the market for capital expenditure and capital goods. However, the company's efforts in various new developments based on technology partnerships with global leaders have enabled the company to enhance product offerings leading to significant overseas orders. Exports will contribute significantly as a growth driver for the company. The company's investments as planned for generators below 15 megawatt out of the proceeds of the initial public offer are complete. Investments for manufacture of 2 pole generators- larger generators between 59 megawatt to 200 megawatt will be completed in this fiscal -for which we have already received orders for delivery in fiscal 2015. By ensuring timely investments in enhancing both its product offerings and manufacturing facilities, the company is well prepared to harness the emerging opportunities in the power sector in India and globally. The pending orders as of March 2013 is about Rs.31,500 Lakhs which is expected to improve significantly on the back of both domestic and overseas orders resulting from successful qualification as vendors to large overseas electrical equipment manufacturers and will enable the company to sustain its top line and maintain margins in the financial year 2013-14.

The yen appreciation as well as the dismal economic conditions has resulted in lack of orders in the project business and for the fiscal 2014 the contribution from this business will be subdued.

The EPC business too is facing weakness in order inflow due to gloomy economic scenario though the order slack is not specific to your company alone. The weakness in order inflow experienced in fiscal 2012 and in first 3 quarters of fiscal 2013 will have an impact on the revenues in the fiscal 2014. The enquiries in the market are largely for small captive power projects i.e. sub 50MW range and for waste to energy projects which is divergent from traditional business of your company, i.e., 50MW and above conventional thermal power projects in BTG space. However, the initiatives taken in fiscal 2012 & fiscal 2013, including realigning the business to dynamics of market place is expected to translate into sustaining the operations in fiscal 2014 and eminently poise the company to take up surge in opportunities when the economy revives. Competition is fierce both from domestic players as well as overseas players especially from China. The depreciation of the Rupee against the US dollar also adds challenge to us in project costing as well as adversely affecting the market sentiment for imported power equipment which we offer. During the last quarter of the fiscal 2013, two significant EPC contracts were bagged totalling to about Rs.34,000 Lakhs for captive power plants to be set up for reputed corporates in South and North East of India. A strategically important order from a private sector steel giant for waste gas fired package boilers valued at about Rs.900 Lakhs was also received. The EPC order book as on March 31, 2013 stands at Rs.36,131 Lakhs. While this EPC order inflow will translate into ability to sustain operations and performance in fiscal 2014, it is expected to revive growth and performance in fiscal 2015. In order to improve the EPC order book, opportunities are being pursued in waste to energy sector in which breakthrough is expected during this fiscal. In the current fiscal the execution of the 27 MW EPC project for large cement group is expected to commence.

In view of the above, the company is hopeful of sustaining the operating performance this fiscal, as in the fiscal 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

RISKS AND CONCERNS

Economic factors

Economic buoyancy, investment climate, interest rate regime, global economic and market conditions drive growth and performance of the industrial sector which forms the company's customer base. A difficult business environment for Industry directly affects investment climate and may affect the demand for the company's products which are capital goods.

Technology and Product concentration

The company's future success will depend in part on its ability to respond to technological advances and emerging power generation industry standards and practices on a cost-effective and timely basis. Historically, the sale of steam turbine generators contributed a significant portion of our stand-alone net sales. Any radical change in the technology for steam turbine generators or the development of steam turbine generators that prove superior in quality or effectiveness to our generator could result in loss market share for the company's steam turbine generators.

Competition

The generator as well as the motor manufacturing industry is highly competitive, both in India and internationally. Competitors may be able to sell their products at prices lower than the company's, which may have an adverse effect on the company's market share and results of operations. Many competitors may be larger than the company and may benefit from greater economies of scale and operating efficiencies.

Delays in contract execution under Power Project Business

In the event that the company fails to complete a power plant project within the specified timeframe, customers are typically entitled to receive liquidated damages for the delay to the extent the delay is attributable to the company and customers may invoke the bank guarantees provided by the company in connection with the performance of the project or retain security deposits as compensation for such damages. As the company continues to undertake power plant projects of increasing size, it may be increasingly exposed to the risk of delay in the execution of power plant contracts.

Risk mitigation measures

The company recognises of the above major risks and has initiated the following measures for mitigating the above business related risks:

While historically the company caters to the domestic market predominantly, it has continued to focus exports which it proposes to grow in future on the back of certain new product initiatives undertaken in the last two fiscals. Test and prequalification process in respect of gas and wind generators meant for overseas markets have been successfully completed and have resulted in first batch of serial orders helping the company in achieving a sustainable overseas market presence beginning this fiscal.

The Company is developing a new series of generators for reducing costs in both gas turbine and steam turbine generators and continues to develop new products across all its customer bases. The manufacture of large generators with Siemens technology will commence in this fiscal as the manufacturing facility for the same will be commissioned shortly.

The diverse product range catering to steam turbine generators, horizontal hydro generators, vertical hydro generators, diesel engine generators, wind turbine generators, gas engine generators, gas turbine generators, high voltage motors and generators for Geo Thermal and Solar thermal applications enables market presence across the spectrum of generator market in India and overseas and has reduced dependence on any particular industry or market segment.

The relationships with technology licensors ensure access to future technology and support from the licensors throughout the licence term. Some of the agreements include a supply frame work terms under which the licensors purchase the generators manufactured under their licence for their domestic as well as overseas customers while some have a purchase frame work terms under which certain critical components are supplied to the company initially by the licensors. This arrangement brings in long term commitment and cooperation from the licensors.

The company continuously upgrades it's engineered to order platform and design capabilities by incorporating latest technologies in its products. Reduction in production -distribution costs and improvement in operating efficiencies are

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

continuously pursued enabling it to offer competitive prices. With technological relationships with the leading power equipment manufacturers the company also has the ability to design and manufacture a complete range of generators required to cater to the renewable fuel based segment of the power generation market. The wide portfolio of products gives the company a competitive advantage, as we can cater to all the major verticals of the power generation industry.

The company recognises the importance of its supply chain in sourcing good quality raw materials and other inputs at competitive prices with high reliability in meeting delivery timelines.

A major portion of in an EPC contract undertaken by the company comprises of sourcing and supply of Boiler Turbine generator (BTG) Package for which the company receives a performance bank guarantee from equipment suppliers based on which the company gives a bank guarantee to its customer. This back to back arrangement covers the company from any equipment performance related liquidated damages issues that may arise. In respect of the balance portion of the contract relating to erection and commissioning, the company has a well-experienced project execution team which strictly monitors the project implementation schedule. In case of delay due to unforeseen circumstances the project implementation schedule is revised in consultation with the customers.

Internal control systems and their adequacy

The Company has established adequate internal control procedures, commensurate with the nature of its business and size of its operations. To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management follows a system of accounting and controls reviewed by and internal audit process. Internal controls are evaluated by the Internal Auditors and supported by Management reviews. All audit observations and follow up actions thereon are initiated for resolution by the Finance Function and reported to the Audit Committee.

Operations Performance

A challenging economic environment marked by slowdown of the economy, liquidity contraction, rising interest rates and the resulting slowdown in investment have resulted in lower order book, revenues and profits. However, the operating and financial performance has been satisfactory and reassuring considering the severity of the economic and market conditions. The domestic market suffered unprecedented shrinkage – nearly 50% over fiscal 2012 thus enlarging competition by manifolds. The redeeming feature, in all the gloom, was that the company's efforts in overseas markets have yielded significant results and exports contributed almost 31% of the manufacturing revenues during the fiscal. Our global footprint now extends to 60 countries which will give us a wide reference list in our overseas market foray.

The yen appreciation as well as the dismal economic conditions has resulted in significantly lower revenues from this business during this fiscal 2013.

The EPC business too faced weakness in order inflow due to gloomy economic scenario and unprecedented market shrinkage on the back of high interest rates, policy hurdles and infrastructure bottle necks. The weakness in order inflow experienced in fiscal 2012 impacted the revenues in the fiscal 2013.

In view of the above, the Revenue from operations and other income was lower by 30% at Rs.44,963.46 Lakhs (Rs. 64,089.41 Lakhs), the Earnings Before interest, tax, depreciation & amortization lower by 22.71% at Rs. 6,951.54 Lakhs (Rs. 8,939.25 Lakhs) and the Profit after tax decreased by 29% to Rs. 3,567.44 Lakhs (Rs. 4,981.82 Lakhs)

Financial Review

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP). There are no material departures in adoption of the prescribed accounting standards. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments relating to the financial statements have been made on a reasonable basis, so that the financial statements reflect the form and substance of transactions in a true and fair manner, and reasonably represent the Company's state of affairs and profit for the year.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

FINANCIAL PERFORMANCE – CONSOLIDATED BASIS

The results of operations on a consolidated basis for the year ended March 31, 2013 and the previous year ended March 31, 2012 is as follows:

Particulars	Fiscal 2013		Fiscal 2012	
	(Rs. in Lakhs)	% of total income	(Rs. in Lakhs)	% of total income
Income				
Net Sales	58,706.55	95.01	103,162.54	97.88
Other Income	3,080.35	4.99	2,239.25	2.12
Total Income	61,786.90	100.0	105,401.78	100.0
Total Expenditure	55,343.61	89.57	95,545.06	90.65
Profit Before Tax	6,443.29	10.43	9,856.73	9.35
Provision for Taxation	1,750.00	2.83	3,125.00	2.96
Provision for Wealth Tax	2.41	—	2.30	—
Deferred Tax	516.74	0.84	135.30	0.13
Profit/(Loss) After Tax	4,174.14	6.76	6,594.13	6.26

Fiscal 2013 compared to Fiscal 2012

The review covers significant heads of income and expenditure only.

Income

Total income decreased by Rs. 43,614.89 Lakhs, or 41.38%, to Rs. 61,786.90 Lakhs in Fiscal 2013 from Rs. 105,401.78 Lakhs in Fiscal 2012, due to decrease in net sales.

Net sales

Net sales decreased by Rs. 44,455.99 Lakhs or 43.09% to Rs. 58,706.55 Lakhs in Fiscal 2013 from Rs. 103,162.54 Lakhs in Fiscal 2012, due to decrease in sales from our manufacturing, Project Business and EPC Business.

Net sales from our manufacturing business decreased by Rs. 10,756.66 Lakhs, or 42.09%, to Rs. 25,556.16 Lakhs in Fiscal 2013 from Rs. 36,313.70 Lakhs in Fiscal 2012, due to weak macro environment and lower order book thereon. Net sales of our manufacturing business contributed 43.53% and 30.70% of our total income in Fiscal 2013 and 2012, respectively.

Net sales from our Project Business decreased by Rs. 9,384.73 Lakhs, or 55.78%, to Rs. 16,823.65 Lakhs in Fiscal 2013 from Rs. 26,208.38 Lakhs in Fiscal 2012, due to weak macro environment and appreciation of Japanese Yen resulting in low order book. Net sales of our Project Business contributed 28.66% and 24.87% of our total income in Fiscal 2013 and 2012, respectively.

Net Sales from EPC Business decreased by Rs. 25,334.60 Lakhs, or 155.17%, to Rs. 16,326.74 Lakhs in Fiscal 2013 from Rs. 41,661.83 Lakhs in Fiscal 2012, due to low order book. Net sales of our EPC business contributed 27.81% and 40.38% of our total income in Fiscal 2013 and Fiscal 2012, respectively.

Expressed as a percentage of total income, net sales decreased to 95.01% in Fiscal 2013 from 97.88% in Fiscal 2012.

Other income

Other income contributed 4.99% and 2.12% of our total income in Fiscal 2013 and 2012, respectively.

Other income increased by Rs. 841.10 Lakhs, or 27.31%, to Rs. 3080.35 Lakhs in Fiscal 2013 from Rs. 2,239.25 Lakhs in Fiscal 2012, primarily due to an increase in the interest from banks on deposits by Rs. 547.45 Lakhs, or 20.83%, to Rs. 2628.28 Lakhs in Fiscal 2013 from Rs. 2,080.83 Lakhs in Fiscal 2012 due to a increase in the rate of interest and IPO Funds parked in bank deposits.

Expenditure

Total expenditure decreased by Rs. 40,201.44 Lakhs, or 72.64%, to Rs. 55,343.61 Lakhs in Fiscal 2013 from Rs. 95,545.06 Lakhs in Fiscal 2012 due to reduced business volumes and cost reduction initiatives.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

Consumption of raw material, stores, spare parts and components

Consumption of raw material, stores, spare parts and components expenses decreased by Rs. 6,885.19 Lakhs, or 33.72%, to Rs. 20,416.56 Lakhs in Fiscal 2013 from Rs. 27,301.75 Lakhs in Fiscal 2012, primarily due to reduced business volumes and product mix. Expressed as a percentage of total income, raw material consumed expenses increased to 33.04% in Fiscal 2013 from 25.90% in Fiscal 2012 due to product mix.

Purchases for Project Business

Our purchases for Project Business decreased by Rs. 8,258.17 Lakhs, or 86.59%, to Rs. 9,537.46 Lakhs in Fiscal 2013 from Rs. 17,795.63 Lakhs in Fiscal 2012, due to reduced business volume. Expressed as a percentage of total income, purchases for Project Business reduced to 15.44% in Fiscal 2013 from 16.88% in Fiscal 2012 due to completion of export order.

Purchases for EPC

Our purchases for EPC decreased by Rs. 22,818.28 Lakhs, or 166.62%, to Rs. 13,694.66 Lakhs in Fiscal 2013 from Rs. 36,512.94 Lakhs in Fiscal 2012, due to reduced business volumes. Expressed as a percentage of total income, purchases for EPC expenses decreased to 22.16% in Fiscal 2013 from 34.64% in Fiscal 2012 due to release of revenue on completion of contractual obligations.

Operating and other expenses

Our operating and other expenses decreased by Rs. 2,244.96 Lakhs, or 22.21%, to Rs. 10,109.58 Lakhs in Fiscal 2013 from Rs. 12,354.53 Lakhs in Fiscal 2012.

Personnel expenses through salaries, wages and bonuses decreased by Rs. 99.49 Lakhs, or 2.76%, to Rs. 3,598.30 Lakhs in Fiscal 2013 from Rs. 3,697.79 Lakhs in Fiscal 2012 due to postponement of increments.

Bank charges and Foreign Exchange Fluctuation increased by Rs. 118.66 Lakhs, or 20.93%, to Rs. 566.85 Lakhs in Fiscal 2013 from Rs. 448.19 Lakhs in Fiscal 2012 arising due to translation of accounts.

Direction charges including other expenses increased by Rs. 674.76 Lakhs, or 102.69%, to Rs. 657.09 Lakhs in Fiscal 2013 from Rs. 1,331.84 Lakhs in Fiscal 2012 due to change in remuneration policy and be within limits as prescribed under the Act.

Power and fuel expenses decreased by Rs. 138.71 Lakhs, or 22.48%, to Rs. 617.13 Lakhs in Fiscal 2013 from Rs. 755.84 Lakhs in Fiscal 2012 on account of reduction in business volumes and utilizing Grid power

Selling expenses decreased by Rs. 724.62 Lakhs, or 176.78%, to Rs. 409.89 Lakhs in Fiscal 2013 from Rs. 1,134.51 Lakhs in Fiscal 2012, on account of reduced business volumes.

Expressed as a percentage of total income, operating and other expenses increased to 16.36% in Fiscal 2013 from 11.72% in Fiscal 2012.

Interest and finance charges

Our interest and finance charges decreased by Rs. 313.71 Lakhs, or 91.44%, to Rs. 343.08 Lakhs in Fiscal 2013 from Rs. 656.79 Lakhs in Fiscal 2012, due repayment of Term Loan.

Depreciation and amortization of technical know-how

Our depreciation and amortization of technical know-how expense increased by Rs. 327.45 Lakhs, or 26.36%, to Rs. 1242.29 Lakhs in Fiscal 2013 from Rs. 914.84 Lakhs in Fiscal 2012, due to an increase in capitalisation of fixed assets.

Profit before tax and extraordinary items

Profit before tax and extraordinary items decreased by Rs. 3,413.44 Lakhs, or 52.98%, to Rs. 6,443.28 Lakhs in Fiscal 2013 from Rs. 9,856.73 Lakhs in Fiscal 2012.

Taxation

Our tax expense decreased by Rs. 993.44 Lakhs, or 43.78%, to Rs. 2,269.16 Lakhs in Fiscal 2013 from Rs. 3,262.60 Lakhs in Fiscal 2012 due to reduced profits.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

Profit / (Loss) after tax

Consequently, our profit after tax decreased by Rs. 2,420.00 Lakhs, or 57.98%, to Rs. 4,174.12 Lakhs in Fiscal 2013 from Rs. 6,594.13 Lakhs in Fiscal 2012.

Capital Expenditure

Capital expenditures represent the increase in the value of our fixed assets plus changes in capital work in progress (i.e., expenses incurred in relation to work in progress but not capitalized). Our capital expenditures in Fiscal 2012 and 2013 were Rs. 2,782.66 and Rs. 8,133.25 Lakhs, respectively. These capital expenditures were incurred primarily towards expanding our manufacturing facility.

FINANCIAL PERFORMANCE – STAND ALONE BASIS

The results of operations on a stand alone basis for the year ended March 31, 2013 and the previous year ended March 31, 2012 is as follows:

Particulars	Fiscal 2013		Fiscal 2012	
	(Rs. in Lakhs)	% of total income	(Rs. in Lakhs)	% of total income
Income				
Net Sales	42,379.81	94.26	62,521.20	98.60
Other Income	2,583.65	5.74	1,568.21	1.40
Total Income	44,963.46	100.00	64,089.41	100.00
Total Expenditure	39,578.80	88.02	56,706.82	87.33
Profit Before Tax	5,384.66	11.98	7,382.59	12.67
Provision for Taxation	1,280.00	2.85	2,250.00	3.51
Provision for Wealth Tax	2.39	—	2.30	—
Deferred Tax	534.83	1.19	148.48	0.23
Profit/(Loss) After Tax	3,567.44	7.93	4,981.81	7.77

Fiscal 2013 compared to Fiscal 2012

The review covers significant heads of income and expenditure only.

Income

Total income decreased by Rs. 19,125.95 Lakhs, or 42.54%, to Rs. 44,963.46 Lakhs in Fiscal 2013 from Rs. 64,089.41 Lakhs in Fiscal 2012, primarily due to decrease in net sales.

Net sales

Net sales decreased by Rs. 20,141.39 Lakhs, or 47.53%, to Rs. 42,379.81 Lakhs in Fiscal 2013 from Rs. 62,521.20 Lakhs in Fiscal 2012, due to decrease in sales from our manufacturing, Project Business.

Net sales from our manufacturing business decreased by Rs. 10,756.66 Lakhs, or 42.09%, to Rs. 25,556.16 Lakhs in Fiscal 2013 from Rs. 36,313.70 Lakhs in Fiscal 2012, due to weak macro environment and lower order book thereon.. Net sales of our manufacturing business contributed 60.30% and 58.08% of our total income in Fiscal 2013 and 2012, respectively.

Net sales from our Project Business decreased by Rs. 9,384.73 Lakhs, or 55.78%, to Rs. 16823.65 Lakhs in Fiscal 2013 from Rs. 26,208.38 Lakhs in Fiscal 2012, due to weak macro environment and appreciation of Japanese Yen resulting in low order book. Net sales of our Project Business contributed 39.70% and 41.92% of our total income in Fiscal 2013 and 2012, respectively.

Expressed as a percentage of total income, net sales decreased to 94.26 % in Fiscal 2013 from 98.60% in Fiscal 2012.

Other income

Other income contributed 5.74% and 1.40% of our total income in Fiscal 2013 and 2012, respectively.

Other income increased by Rs. 1015.44 Lakhs, or 39.30%, to Rs. 2,583.65 Lakhs in Fiscal 2013 from Rs. 1,568.21 Lakhs in Fiscal 2012, primarily due to an increase in interest income by Rs. 467.80 Lakhs or 26.80% to Rs. 1745.42 Lakhs from Rs. 1,277.61 Lakhs due to a increase in the rate of interest and IPO Funds parked in bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

Expenditure

Total expenditure decreased by Rs. 17,128.04 Lakhs, or 43.28%, to Rs. 39,578.80 Lakhs in Fiscal 2013 from Rs. 56,706.82 Lakhs in Fiscal 2012 due to reduced volumes and cost reduction initiatives.

Consumption of raw material, stores, spare parts and components

Consumption of raw material, stores, spare parts and components expenses decreased by Rs. 6,885.19 Lakhs, or 33.72%, to Rs. 20,416.56 Lakhs in Fiscal 2013 from Rs. 27,301.75 Lakhs in Fiscal 2012, primarily due to reduced business volumes and product mix. Expressed as a percentage of total income, raw material consumed expenses increased to 45.41% in Fiscal 2013 from 42.60% in Fiscal 2012 due to product mix.

Purchases for Project Business

Our purchases for Project Business decreased by Rs. 8,258.17 Lakhs, or 86.59%, to Rs. 9,537.46 Lakhs in Fiscal 2013 from Rs. 17,795.63 Lakhs in Fiscal 2012, due to reduced volume. Expressed as a percentage of total income, purchases for Project Business reduced to 21.21% in Fiscal 2013 from 27.77% in Fiscal 2012 due to completion of export order.

Operating and other expenses

Our operating and other expenses decreased by Rs. 1,987.85 Lakhs, or 24.67%, to Rs. 8,057.90 Lakhs in Fiscal 2013 from Rs. 10,045.76 Lakhs in Fiscal 2012.

Personnel expenses through salaries, wages and bonuses decreased by Rs. 97.71 Lakhs, or 3.55%, to Rs. 2,749.25 Lakhs in Fiscal 2013 from Rs. 2,651.54 Lakhs in Fiscal 2012 due to postponement of increments.

Bank charges and Foreign Exchange Fluctuation increased by Rs. 8.84 Lakhs, or 2.16%, to Rs. 409.15 Lakhs in Fiscal 2013 from Rs. 400.31 Lakhs in Fiscal 2012 due to translation of accounts. which was offset by foreign exchange gains.

Direction charges including other expenses increased by Rs. 670.75 Lakhs, or 110.82%, to Rs. 605.25 Lakhs in Fiscal 2013 from Rs. 1,276.00 Lakhs in Fiscal 2012 due to change in remuneration policy and be within limits as prescribed under the Act.

Power and fuel expenses decreased by Rs. 141.14 Lakhs, or 23.47%, to Rs. 601.27 Lakhs in Fiscal 2013 from Rs. 742.41 Lakhs in Fiscal 2012 on account of reduction in business volumes and utilizing Grid power

Selling expenses decreased by Rs. 723.98 Lakhs, or 178.13%, to Rs. 406.43 Lakhs in Fiscal 2013 from Rs. 1,130.41 Lakhs in Fiscal 2012, on account of reduced business volumes.

Expressed as a percentage of total income, operating and other expenses increased to 17.92% in Fiscal 2013 from 15.67% in Fiscal 2012.

Interest and finance charges

Our interest and finance charges decreased by Rs. 315.29 Lakhs, or 92.33%, to Rs. 341.50 Lakhs in Fiscal 2013 from Rs. 656.79 Lakhs in Fiscal 2012, due repayment of Term Loan.

Depreciation and amortization of technical know-how

Our depreciation and amortization of technical know-how expense increased by Rs. 325.52 Lakhs, or 26.56%, to Rs. 1,225.38 Lakhs in Fiscal 2013 from Rs. 899.87 Lakhs in Fiscal 2012, due to an increase in capitalisation of fixed assets.

Profit before tax and extraordinary items

Profit before tax and extraordinary items decreased by Rs. 1,997.93 Lakhs, or 37.10%, to Rs. 5,384.66 Lakhs in Fiscal 2013 from Rs. 7,382.59 Lakhs in Fiscal 2012.

Taxation

Our tax expense decreased by Rs. 583.55 Lakhs, or 32.11%, to Rs. 1,817.22 Lakhs in Fiscal 2013 from Rs. 2,400.77 Lakhs in Fiscal 2012 due to reduced profits.

Profit/(Loss) after tax

Consequently, our profit after tax decreased by Rs. 1,414.38 Lakhs, or 39.65%, to Rs. 3,567.44 Lakhs in Fiscal 2013 from Rs. 4,981.81 Lakhs in Fiscal 2012.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

Capital Expenditure

Capital expenditures represent the increase in the value of our fixed assets plus changes in capital work in progress (i.e., expenses incurred in relation to work in progress but not capitalized). Our capital expenditures in Fiscal 2012 and 2013 were Rs. 2,757.97 and Rs. 8,101.69 Lakhs, respectively. These capital expenditures were incurred primarily towards expanding our manufacturing facility.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

As on March 31, 2013, the total strength of employees stood at 753 including our subsidiary company. A wage agreement is in place governing the wage and productivity expectations from the employees.

Employee relations continue to remain peaceful and cordial. The company recognizes that its workforce is critical to the Company's success and therefore, is committed to maintaining and developing the overall knowledge of the workforce. Your Company continues to reinforce the Code of Business Conduct across functions/workforce. To enhance communications and create a congenial environment the organizational leadership and the shop employees of the company have significantly invested time and effort.

The Company's leadership engages affirmatively in employee developmental and engagement activities like

- Celebration of National days and festivals
- Involvement in the 'Corporate Responsibility' initiatives
- Active participation of work force in Safety initiatives
- Communication through In-house news letter informing the employees about various milestone activities of the company.
- Leadership, development programs, training programs, training under license agreements, Campus Hiring activities if any, etc.)

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing the company's plans, estimates and projections may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results may materially differ from those expressed or implied in the report.

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ANNEXURE TO THE DIRECTORS' REPORT (contd.)

ANNEXURE - IV

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY

Your Company is committed to and continues to practice good Corporate Governance to enrich the value for stakeholders. The Company's Code of Business Conduct and Ethics is an extension of our values and reflects our steadfast commitment to ethical business practices and regulatory compliances.

CODE OF CONDUCT

The Code of Conduct for all the employees including Senior Management and the Directors is posted on the Company's website. Further, all the Board members and senior management personnel (as per Clause 49 of the Listing Agreement) have affirmed their compliance with the Code of Conduct. A declaration to this effect signed by the Managing Director forms part of this report.

We believe, we have complied with the requirements of corporate governance contained in the Listing Agreement, particularly those relating to composition of Board of Directors, constitution of committees such as an Audit Committee, Shareholder Grievance Committee and Remuneration Committee.

The operations of the Company are conducted under the supervision and Directions of the Board within the framework set by the Companies Act, 1956, its Articles of Association, SEBI Guidelines, and the Listing Agreements with the stock exchanges.

BOARD OF DIRECTORS

Composition

The Board of Directors (Board) is constituted in compliance with the Companies Act and the Listing Agreement with the Stock Exchanges. The Board is entrusted with the ultimate responsibility of the direction and management of the general affairs and performance of the Company. The operations of the Company are conducted under the supervision and Directions of the Board and closely monitors performance of the Company and management approves plans reviews strategy and ensures statutory compliance with high quality financial reporting.

The composition of the Board as on March 31, 2013 comprised of eight Directors consisting of the Non-Executive Chairman, Managing Director and Whole Time Director, all of them being our individual promoters, executive Director and four independent Directors. The positions of the Chairman of the Board and the Managing Director (Chief Executive Officer) of the Company are held by separate individuals. The Chairman of the Board is a non-executive non independent Director.

Composition & Category of directors, attendance at Board Meetings & Annual general meeting, membership of other Boards/Committees as on March 31, 2013:

Name	Category	Board meetings during the year	Board meetings attended	Attendance at AGM	Directorship in other companies*		Chairmanship/ Committee membership of other companies**	
					Chairman	Director	Chairman	Member
Mr. Mohib N. Khericha	Non-Executive Chairman	5	5	Yes	—	5	3	4
Mr. Nikhil Kumar	Managing Director	5	5	Yes				
Mr. Hitoshi Matsuo	Director	5	4	Yes	—	—	—	1
Mr. Tadao Kuwashima	Director	5	4	No	—	—	—	—
Mr. Salil Baldev Taneja##	Independent Director	5	2	No	—	3	—	—
Ms. Nandita Lakshmanan	Independent Director	5	4	Yes	—	—	—	—
Dr. Arjun Kalyanpur	Independent Director	5	2	Yes	—	—	—	—
Mr. Nitin Bagamane	Independent Director	5	5	Yes	—	3	—	—

Mr. Salil B. Taneja has resigned as Director of the Company with effect from May 17, 2013, owing to professional preoccupation and business travel. Due to his resignation the number of independent directors on the Board of Directors has been currently reduced to three as against the requirement of four independent directors. Efforts are on to fill this vacancy to comply with Clause 49 of the listing agreement.

CORPORATE GOVERNANCE REPORT (contd.)

- * Excludes Private Limited Companies, Foreign Companies, Proprietorships and Section 25 companies.
- ** Includes Audit Committee and Share Allotment, Transfers and Investor Grievance Committee.
- None of the directors of the the Board is a member of the Board of more than fifteen companies or a member of more than 10 Board committees or a chairman of more than 5 such committees.
- Excepting Mr. Mohib N. Khericha who holds 1,846,860 Equity Shares of the Company, no other Non-Executive director holds shares of the Company

Board Meetings

During the financial year ended March 31, 2013, 5 Board meetings were held on May 23, 2012, July 12, 2012, August 8, 2012, November 7, 2012, and February 6, 2013. The maximum interval between any two meetings was well within the maximum period of four months. The attendance of each of the directors at the Board Meeting(s) is given in the table above.

Non-executive Directors' Compensation

Non-executive Directors are paid sitting fees for attending Board/Committee Meetings and no commission/share of profit is paid to them. The details of sitting fees paid to them are disclosed under Details of remuneration in page 23 of this report.

Profile of Directors being re-appointed as required under Clause 49 of the listing agreement (under Section 255 - 256 of the Companies Act, 1956)

Name	Mr. Mohib N. Khericha	
Qualifications	B. Com. from Gujarat University. And also a fellow member of the Institute of Chartered Accountants of India.	
Date of Appointment	February 22, 2000	
Expertise in specific Functional areas	He has over 40 years of work experience in capital structuring, restructuring, financial management and loan syndication before venturing into merchant banking in the year 1994. He is on board of various public limited and private limited companies as an Independent Director. Currently, he is the Managing Director of Chartered Capital And Investment Limited, a listed company which is into Investment Banking Services.	
Directorships held		
Sl. No.	Company	Designation
1	M/s Chartered Capital and Investment Limited	Managing Director
2	M/s Photoquip (India) Ltd.	Director
3	M/s Mazada Limited	Director
4	M/s Chartered Logistics Limited	Director
5	M/s Kirloskar Power Build Gears Limited	Director
6	M/s DF Power Systems Private Limited	Director
7	M/s Ravindu Motors Private Limited	Director
8	M/s Vijay Farms Private Limited	Director
9	M/s Sapphire Finman Services Private Limited	Director
10	M/s Vijayjyothi Investments & Agencies Pvt. Ltd.	Director
11	M/s Sri Vijayadurga Investments & Agencies Pvt. Ltd.	Director
12	M/s Abhiman Trading Company Pvt. Ltd.	Director
13	M/s Vijay Kirti Investments & Agencies Pvt. Ltd.	Director
14	M/s Vimrai Investments Pvt. Ltd.	Director
15	M/s TD Power Systems (USA) Inc.	Director
16	M/s TD Power Systems Japan Limited	Director

CORPORATE GOVERNANCE REPORT (contd.)

Membership of Committees			
Sl. No.	Company	Committee	Chairman/Member
1	M/s Chartered Capital and Investment Ltd.	Investor's Grievance Committee	Member
2	M/s Mazada Limited	Audit Committee	Chairman
3	M/s Mazada Limited	Remuneration Committee	Member
4	M/s Photoquip India Limited	Investor's Grievance Committee	Chairman
5	M/s Photoquip India Limited	Audit Committee	Chairman
6	M/s Photoquip India Limited	Remuneration Committee	Member
7	M/s DF Power Systems Pvt. Ltd.	Audit Committee	Member
Number of shares held in the Company		1,846,860	
Name		Mr. Nitin Bagamane	
Qualifications		B.A. from St. Joseph College of Arts and Science, Bangalore	
Date of Appointment		January 13, 2011	
Expertise in specific Functional areas		He has over 20 years of work experience in business and industry. He is associated with manufacture and export of granite products as well as real estate and construction activities for the past twenty years. Currently, he manages a Special Economic Zone for IT activity consisting of 125 Acres in Bangalore.	
Directorships held			
Sl. No.	Company	Designation	
1	M/s Tanglin Developments Limited	Director	
2	M/s Giri Vidhyuth (India) Limited	Director	
3	M/s Kesar Marble and Granite Limited	Director	
4	M/s Tanglin Retail Reality Developments Private Limited	Director	
5	M/s Alps Granites Private Limited	Managing Director	
6	M/s Alps Stone Private Limited	Director	
7	M/s Rajagiri and Sankhan Estates Private Limited	Director	
8	M/s Elephanta Business Consultancy Services Private Limited	Director	
9	M/s Kurkenmutty Estates Private Limited	Director	
10	M/s Fountain Real Estates & Developers Pvt. Ltd.	Director	
11	M/s DF Power Systems Private Limited	Director	
Membership of Committees		Nil	
No. of shares held in the Company		Nil	

BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee consists of four independent directors and a non-independent director who is the Chairman of the Board. The Audit committee is headed by Mr. Nithin Bagamane an Independent Director as Chairman, and Dr. Arjun Kalyanpur, Mr. Salil Baldev Taneja, Ms. Nandita Lakshmanan and Mr. Mohib N. Khericha as members of the committee. Mr. Salil B. Taneja has resigned as Director of the Company with effect from 17th May 2013, owing to professional preoccupation and business travel.

All the current members of the Committee are have relevant experience in financial matters and a member of committee Mr. Mohib N. Khericha is a member of the Institute of Chartered Accountants of India. The Chairman of the Audit Committee Mr. Nithin Bagamane attended the 13th Annual General Meeting held on Thursday, July 12, 2012.

CORPORATE GOVERNANCE REPORT (contd.)

The Audit committee met 4 times during the financial year ended March 31, 2013 on May 23, 2012, August 8, 2012, November 7, 2012, and February 06, 2013. Particulars of attendance by the members of the Committee during the year ended March 31, 2013 are as follows:

Date of meeting	Members present
May 23, 2012	Mr. Nithin Bagamane, Mr. Mohib N. Khericha and Mr. Salil Baldev Taneja
August 8, 2012	Mr. Nithin Bagamane, Mr. Mohib N. Khericha and Mr. Salil Baldev Taneja
November 7, 2012	Mr. Nithin Bagamane, Mr. Mohib N. Khericha, Dr. Arjun Kalyanpur and Ms. Nandita Lakshmanan
February 06, 2013	Mr. Nithin Bagamane, Mr. Mohib N. Khericha, and Ms. Nandita Lakshmanan

The Company Secretary is the Secretary of the Audit Committee.

The meetings of the Audit Committee are also attended by the Managing Director; whole time Directors and the Chief Financial Officer. The Statutory Auditors have attended all four meetings as special invitees.

The Audit Committee is mandated to oversee and supervise the company's internal control aspects and financial reporting process including the following functions:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- recommending the appointment, re-appointment, and replacement of the statutory auditor and the fixation of audit fee and approval of payments for any other services rendered by them
- Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval with particular reference to the matters specified in the listing agreement;
- Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;
- Discussion with internal auditors any significant findings and follow up thereon;
- Review of management discussion and analysis of financial condition and results of operations, statements of significant related party transactions submitted by management, management letters/letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses, and the appointment, removal and terms of remuneration of the internal auditor; and
- The audit committee also reviews inter alia related party transactions and the financial statements, minutes of Board meeting and audit committee meetings of the Company's unlisted wholly owned subsidiary and all significant transactions and arrangements entered into by the said subsidiary.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Dr. Arjun Kalyanpur as the Chairman, and Mr. Salil Baldev Taneja, Ms. Nandita Lakshmanan and Mr. Mohib N. Khericha as members of the committee. Mr. Salil B. Taneja has resigned as Director of the Company with effect from May 17, 2013, owing to professional preoccupation and business travel. The Company Secretary acts as the Secretary to the Remuneration Committee.

The role of the Remuneration committee is includes the following:

- Determine on behalf of the Board and the shareholders the company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payments;
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

During the financial year 2012-2013 the Committee met on July 12, 2012 and excepting one member all the other members of the committee attended the meeting.

CORPORATE GOVERNANCE REPORT (contd.)

Details of remuneration to all the Directors

Name	Salary Rs.	PF Contribution Rs.	LTA + Medical/ Ex-gratia Rs.	Commission Rs.	Sitting fee Rs.	Total remuneration Rs.
Mr. Mohib N. Khericha	Nil	Nil	Nil	Nil	200,000	200,000
Mr. Nikhil Kumar	14,520,000	1,742,400	2,420,000	4,395,919	Nil	23,078,319
Mr. Hitoshi Matsuo	12,025,548	721,530	Nil	2,962,512	Nil	15,709,590
Mr. Tadao Kuwashima	9,240,000	1,108,800	Nil	Nil	Nil	10,348,800
Mr. Salil Baldev Taneja	Nil	Nil	Nil	Nil	80,000	80,000
Mr. Nitin Bagamane	Nil	Nil	Nil	Nil	1,80,000	1,80,000
Ms. Nandita Lakshmanan	Nil	Nil	Nil	Nil	1,40,000	1,40,000
Dr. Arjun Kalyanpur	Nil	Nil	Nil	Nil	80,000	80,000

SHARE ALLOTMENT, TRANSFERS AND INVESTOR GRIEVANCE COMMITTEE

The Share Allotment, Transfers and Investor Grievance Committee consists of Mr. Salil Baldev Taneja as the Chairman, Dr. Arjun Kalyanpur, Ms. Nandita Lakshmanan and Mr. Mohib N. Khericha as members of the committee. However Mr. Salil B. Taneja has resigned as Director of the Company with effect from May 17, 2013, owing to professional preoccupation and business travel.

The role of the committee includes the following:

- Investor relations and redressal of shareholders grievances in general and relating to non-receipt of dividends, interest, non-receipt of balance sheet etc.
- Reference to statutory and regulatory authorities for investors grievances; and
- Dematerialisation/rematerialisation and transfer and transmission of company's shares
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

The Company Secretary is the Compliance Officer.

During the financial year ended March 31, 2013 no complaints have been received or pending from the shareholders. The committee has not met during financial year ended March 31, 2013.

SHAREHOLDER INFORMATION

GENERAL BODY MEETINGS

Details of last 3 Annual General Meetings and summary of Special Resolutions passed therein:

Financial Year ended	Date & Time	Venue	Special Resolutions passed
March 31, 2010	June 25, 2010 11.30 am	#27, 28 & 29, KIADB Industrial Area, Dabaspet, Nelamangala Taluk, Bangalore - 562 111.	Nil
March 31, 2011	June 25, 2011 11.00 am	#27, 28 & 29, KIADB Industrial Area, Dabaspet, Nelamangala Taluk, Bangalore - 562 111.	Remuneration, other perquisites and benefits be paid to the Managing Director, for the period January 17, 2011 to March 31, 2011 (being the period from the date of conversion as Public Limited Company to the end of the financial year 2011) and for the period April 1, 2011 to March 31, 2012 in terms of the agreement dated March 25, 2008.

CORPORATE GOVERNANCE REPORT (contd.)

Financial Year ended	Date & Time	Venue	Special Resolutions passed
March 31, 2011	June 25, 2011 11.00 am	#27, 28 & 29, KIADB Industrial Area, Dabaspet, Nelamangala Taluk, Bangalore - 562 111.	<p>Re-appointment of Joint Managing Director of the Company for a period of 5 (five) years wef. January 17, 2011 i.e. up to January 16, 2016 and the Remuneration (including salary, commission, other perquisites and benefits) to be paid for the period January 17, 2011 to March 31, 2011 (being the period from the date of conversion as Public Limited Company to the end of the financial year 2011) and for the period April 1, 2011 to January 16, 2014.</p> <p>Remuneration, other perquisites and benefits be paid to Director-Technical wef. April 1 2010 including for the period January 17 2011 to March 31 2011 (being the period from the date of conversion as public limited Company to the end of the financial year 2011) and for the period April 1 2011 to August 31 2012 in terms of the letter dated July 2 2009 revised vide letter dated August 2 2010:</p> <p>Re-appointment of Managing Director of the Company for a further period from April 1, 2012 to September 30, 2012.</p>
March 31, 2012	July 12, 2012 10.30 am	The Capitol, Raj Bhavan Road, Bangalore -560001	Vary and or revise (amount or schedule of deployment) the utilization of the proceeds from the Initial Public Offering ('IPO') of Equity Shares made in pursuance of the said Prospectus and or to utilize the proceeds from the IPO including but not limited to allocation intended for certain purposes into objects otherwise than stated in the Prospectus, as the case may be.

POSTAL BALLOT

During the year, two special resolutions relating to the appointment/reappointment and remuneration of wholtime directors were passed through the Postal Ballot process pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2011, which was conducted by Mr. Sudhir Hulyalkar, Practicing Company Secretary, Bangalore in terms of the Board resolution dated November 07, 2012. The details of voting pattern are as follows:

Physical voting

Total number of postal ballot forms received	81		
Number of invalid postal ballot forms received	1		
Number of valid postal ballot forms received	80		
Votes polled	25,585,936		
Details of Votes polled:	Resolution 1	Resolution 2	% of paid up capital
Votes cast in favour of the resolution	25,585,645	25,585,645	76.98%
Votes cast against the resolution	291	291	0.0008%

Electronic voting

Total Votes casted	38		
Number of invalid votes casted	Nil		
Number of valid votes casted	38		
Details of E- Voting casted:	Resolution 1	Resolution 2	% of paid up capital
Votes cast in favour of the resolution	36	36	94.74%
Votes cast against the resolution	2	2	5.26%

CORPORATE GOVERNANCE REPORT (contd.)

Summary of Votes casted through both the modes

Votes cast	Resolution 1	Resolution 2	% of paid up capital
In favour of the resolution	25,585,681	25,585,681	99.999%
Against the resolution	293	293	0.001%

SUBSIDIARY COMPANY

Indian Subsidiary

DF Power Systems Private Limited (DFPS) is a material non-Listed Indian Subsidiary as defined under Clause 49 of the Listing Agreement. Mr. Nithin Bagamane, an Independent Director of the Company has been appointed as Director of DFPS on July 12, 2012.

The Board monitors performance of the subsidiary company, inter alia, as follows:

- All minutes of Board meetings of DFPS are placed before the Company's Board meetings regularly.
- The Audit Committee of the Company reviews the financial statements of DFPS.
- A statement containing all significant transactions and arrangements entered into by DFPS is placed before the Company's Board.

Overseas Subsidiaries

US Subsidiary

The US subsidiary in the name TD Power Systems (USA) Inc. has been incorporated on February 20, 2013 as a Delaware Corporation and the principal place of business of the Company located at Richfield, Ohio, USA.

Japan Subsidiary

The Japanese subsidiary in the name TD Power Systems Japan Limited has been incorporated on March 19, 2013 and principal place of business of the company located at Tokyo, Japan.

DISCLOSURES

The Board has received disclosures from Key Managerial Personnel relating to material, financial and commercial transaction, where they and/or their relatives have personal interest. The Audit Committee is briefed on all related party transactions undertaken by the Company and there are no materially significant related party transactions of the Company, which have potential conflict with the interest of the Company at large; however, transactions with related parties as per requirements of Accounting Standard -18 are disclosed under Notes to the financial statements in this Annual Report.

The Company has complied with the requirements of the Listing Agreements of the Stock Exchanges as well as regulations and guidelines of SEBI and other Statutory Authority on all matters relating to capital markets. There have been no instances of any penalties or strictures imposed on the Company on any matter relating to the capital market, either by Stock Exchanges, SEBI or any statutory authority during the last three years.

The requisite certificate from the Managing Director and the Chief Financial Officer were placed before the Board meeting for consideration and a copy of the same is attached to this report.

Company is in the process of incorporating a risk assessment and minimization system.

The Company has adopted and complied with mandatory requirements as per Clause 49 of the Listing Agreement. Some of the non-mandatory requirements have also been complied with as follows.

Non-mandatory Requirements of Clause 49

- Remuneration Committee: The Company has set up a Remuneration Committee as detailed above
- Audit Qualification: There is no Audit Qualification by the auditors in their report for the year ended March 31, 2013.
- Whistle Blower Policy: While the company has not implemented a formal Whistle Blower policy, employees are encouraged to report to the management on any matter concerning unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct.

CORPORATE GOVERNANCE REPORT (contd.)

MEANS OF COMMUNICATION

Quarterly/Yearly Results

Pursuant to provisions of the Listing Agreements, periodical financial results of the Company are being published in widely circulated English newspaper (Business Standard) and vernacular Kannada newspaper (Vijaya Karnataka).

Financial results, duly approved by the Board, are forwarded to the Stock Exchanges (BSE & NSE) and also displayed on Company's Website www.tdps.co.in. Along with the financial results, other information as per the listing agreement such as Annual Report, Shareholding Pattern, and official news/press releases are being uploaded on website: <http://listing.bseindia.com> submit compliance and on www.connect2nse.com/LISTING/ under NSE Electronic Application Processing System (NEAPS) and also on companies website www.tdps.co.in.

The Company conducts earning calls after the board meeting to discuss financial results of the Company for the quarter, half year and year end.

GENERAL SHAREHOLDER INFORMATION

Fourteenth Annual General Meeting is scheduled to be held:

On: Friday, September 20, 2013, at 11.00 AM

At: The Chancery Pavilion, 135, Residency Road, Bangalore - 560 025, India.

Financial year

A twelve-month period starting from April 1, 2013 to March 31, 2014.

Date of Book closure

The Companies Register of Members and Share Transfer Book's will remain closed from September 13, 2013 to September 20, 2013 (both days inclusive) for the purpose of Annual General Meeting.

Dividend Payment Date

The dividend, as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting will be paid within the statutory period of 30 days, to those shareholders whose names appear on the Company's Register of Members as on September 20, 2013.

Listing on Stock Exchanges

The Equity Shares of the Company are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

Stock Code

BSE Ltd.	533553
National Stock Exchange of India Limited	TDPOWERSYS
ISIN No.	INE419M01019

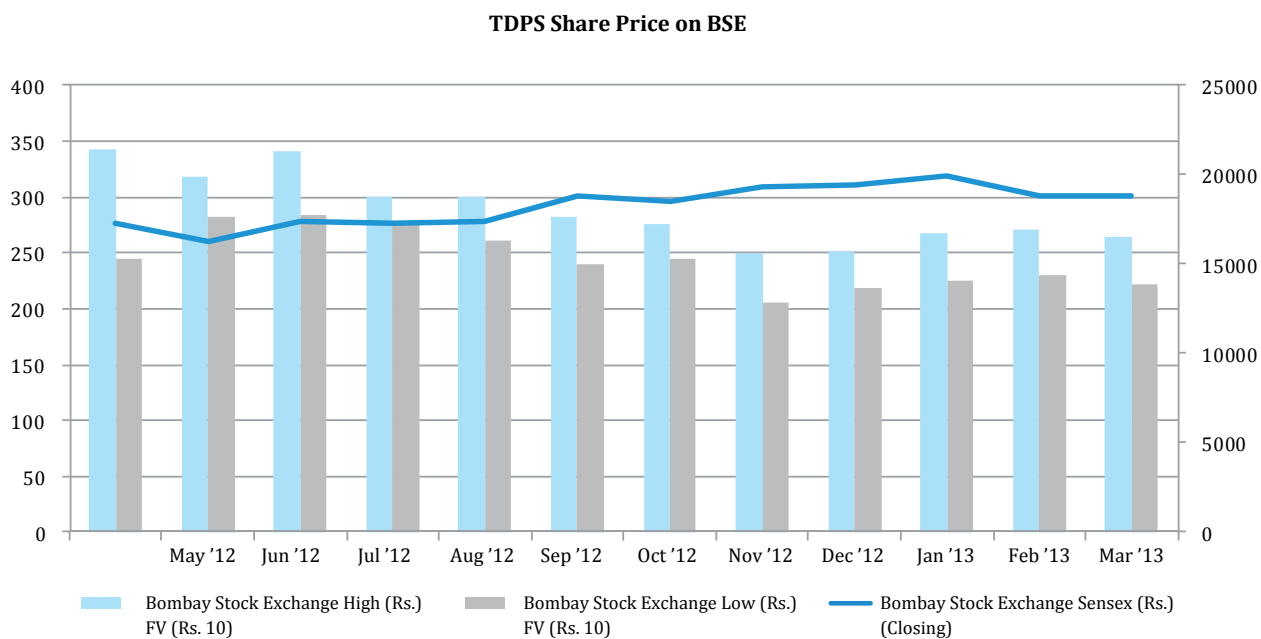
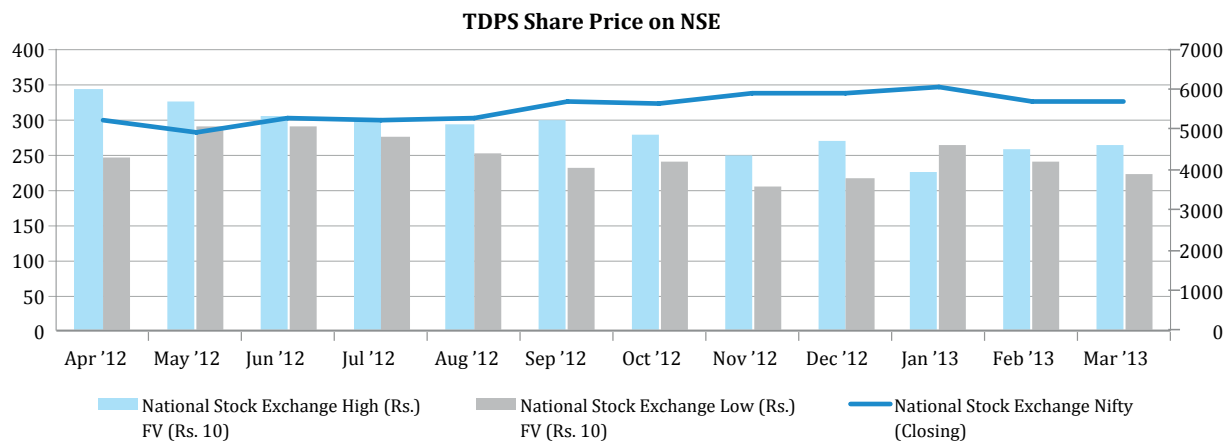
Market Price Data: High, Low, close, volume during each month in last financial year

A summary containing monthly high/low/close and total volume of share prices at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) is as under

Month	On BSE				On NSE			
	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (Nos.)
April 2012	341.90	245.30	291.60	271,358	341.80	245.00	298.00	641,343
May 2012	318.80	282.00	300.00	13,156	324.50	290.05	301.80	105,965
June 2012	341.10	283.50	295.70	9,157	306.00	289.00	295.50	97,362
July 2012	300.00	276.00	290.40	3,603	301.95	275.00	290.00	31,330
August 2012	300.00	261.15	275.35	11,577	293.80	252.35	274.05	16,239
September 2012	281.70	239.95	266.50	22,494	299.95	232.00	272.50	22,927
October 2012	276.00	244.00	244.90	10,386	278.00	238.65	243.10	42,704
November 2012	250.00	205.50	225.20	94,634	249.00	203.70	222.50	141,618
December 2012	252.00	219.00	224.00	15,383	270.00	217.00	226.40	445,808
January 2013	266.90	225.00	260.00	534,348	264.00	225.00	250.00	744,851
February 2013	270.00	230.00	251.20	45,050	258.90	240.70	250.00	27,431
March 2013	264.90	222.65	253.35	31,734	264.70	222.00	252.45	53,553

CORPORATE GOVERNANCE REPORT (contd.)

Performance in comparison to broad-based indices such as NSE Nifty & BSE Sensex.



Registrar and Transfer Agents (RTA)

Link Intime India Private Limited
 C-13, Pannalal Silk Mills Compound
 L. B. S. Marg, Bhandup (West)
 Mumbai - 400 078
 Telephone No. 022- 25963838

Share Transfer System

The Company has appointed Link Intime India Private Limited, as Registrars and Share Transfer Agents. Share transfers in physical form are registered on a weekly basis and returned within a period of fifteen days provided all the documents are valid and complete in all respects. The authority to approve the share transfer / transmission lies with the Board through the Share Allotment, Transfers and Investor Grievance Committee of Directors. However, no share transfers have been received during the period.

CORPORATE GOVERNANCE REPORT (contd.)

Shareholding pattern as on March 31, 2013

Sl. No.	Category	Number of Shares	% of Holding
(A)	PROMOTERS & PROMOTER GROUP		
1	Promoters		
	Individual (Indian Nationals)	6,985,524	21.02
	Individual (Foreign National)	4,235,254	12.74
	Body Corporate	6,026,433	18.13
2	Promoters Group	3,682,175	11.08
	Total A (A1 + A2)	20,929,386	62.97
(B)	PUBLIC SHAREHOLDING		
	Mutual Funds /UTI	1,554,421	4.68
	Financial Institutions /Banks	6,731	0.02
	Foreign Institutional Investors	6,099,461	18.35
	Bodies Corporate	2,882,182	8.67
	Individuals	1,743,849	5.25
	Others	21,558	0.06
	Total B	12,308,202	37.03
(C)	GRAND TOTAL (A + B)	33,237,588	100.00

Distribution of shareholding as on March 31, 2013

Sl. No.	Shareholding of Nominal Shares	Share Holders	Percentage of total Share Holders	Total Shares	Percentage of Paid up Capital
1	1 to 5000	981	83.3475	688,450	0.2071
2	5001 to 10000	61	5.1827	461,920	0.1390
3	10001 to 20000	32	2.7188	519,230	0.1562
4	20001 to 30000	17	1.4444	465,720	0.1401
5	30001 to 40000	11	0.9346	379,780	0.1143
6	40001 to 50000	2	0.1699	95,710	0.0288
7	50001 to 100000	10	0.8496	808,710	0.2433
8	Above 100000	63	5.3526	328,956,360	98.9712
		1177	100.0000	332,375,880	100.0000

Note: The above statement of distribution of shareholding as on 31.3.2013 is as provided by the Registrar & Share Transfer Agent, Link Intime India Private Limited.

Dematerialisation of Shares and Liquidity as on March 31, 2013

Description	No. of Holders	No. of Shares	% of Equity
PHYSICAL	7	1,506,920	4.53
NSDL	823	31,654,116	95.24
CDSL	347	76,552	0.23
TOTAL	1,177	33,237,588	100

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

No outstanding GDRs/ADRs/Warrants or any Convertible instruments.

Registered Office & Plant Location

TD POWER SYSTEMS LIMITED
27, 28 & 29 KIADB Industrial Area
Dabaspeta, Nelamangala Taluk, Bangalore, Karnataka - 562 111
Ph: + 091-080-22995700 Fax: 091-080-22995718.

CORPORATE GOVERNANCE REPORT (contd.)

Compliance Officer

N. Srivatsa
Company Secretary & Compliance Officer

Address for correspondence

Shareholders/Beneficial owners are requested to correspond with the Company's RTA (Registrar & Share Transfer Agent) with respect to any query, request, information or clarification pertaining to shares and are further advised to quote their folio number, DP & Client ID number as the case may be, in all correspondence with it. In addition to the RTA, the shareholders may correspond at the following addresses:

Registered Office & Plant	City office
TD POWER SYSTEMS LIMITED # 27, 28 & 29 KIADB Industrial Area Dabaspeta, Nelamangala Taluk Bangalore, Karnataka - 562 111 Ph.: + 091-080-22995700 Fax: 091-080-22995718	TD POWER SYSTEMS LIMITED "RMJ Mandoth Towers" Floor, #37, 7 th Cross, Vasanthnagar Bangalore - 560 052 +091-080-22017800 Fax: 091-080-22017850

Information through Company's Website

Information pertaining to financial performance, shareholding pattern, compliance with corporate governance and announcements are being uploaded and can be viewed by the general public on www.tdps.co.in.

Management Discussion and Analysis report

The Management Discussion and Analysis report forms part of Directors' Report as **Annexure-III**.

COMPLIANCE

The certificate from Mr. Sudhir V. Hulyalkar Practicing Company Secretary, Bangalore, confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is as below:

Certificate on Corporate Governance

The Members

TD POWER SYSTEMS LIMITED

Bangalore

I have examined the compliance of conditions of corporate governance by TD Power Systems Limited (the Company) for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with all the mandatory conditions of Corporate Governance as stipulated in the Listing Agreement.

I state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders or investors grievance committee.

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

Bangalore
15.05.2013

Sudhir V. Hulyalkar
Company Secretary in Practice
FCS No: 6040, CP No. 6137

CORPORATE GOVERNANCE REPORT (contd.)

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification as per Clause 49 of the Listing Agreement.

The Board of Directors
TD POWER SYSTEMS LIMITED
Bangalore 562111

This is to certify that:

- a. We have reviewed Financial statements and the Cash Flow statement for the year ended 31st March 2013 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit Committee
 - i. Significant changes in internal control over financial reporting during the year;
 - ii. Significant changes in Accounting Policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Bangalore
May 22, 2013

K. G. Prabhakar
Chief Financial Officer

Nikhil Kumar
Managing Director

Declaration pursuant to Clause 49 of the Listing Agreement regarding adherence to the Code of Business Conduct and Ethics

To
The Shareholders of **TD Power Systems Limited**
Bangalore

On the basis of the written declarations received from members of the board and senior management personnel in terms of the relevant provisions of Clause 49 of the Listing Agreement, it is hereby certified that, for the year ended March 31, 2013, both the members of the board and the senior management personnel of the company have affirmed compliance with the respective provisions of the Code of Business Conduct and Ethics of the Company, as laid down by the board.

Bangalore
May 22, 2013

Nikhil Kumar
Managing Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TD POWER SYSTEMS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of TD Power Systems Limited ("the Company") which comprise of Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, and a summary of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said financial statements give the information required by the Act in the manner so required; give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013,
- in the case of Statement of Profit and Loss, of the profit for the year ended on that date, and
- in the case of Cash Flow statement, of the cash flows for the year ended on that date.

Report on other Legal and Regulatory requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Companies Act, 1956, 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, the Company has kept proper books of account as required by Law so far as appears from our examination of those books (and proper returns adequate for the purposes of our audit have been received from branches not audited by us).
 - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account (and with the returns received from branches not audited by us).
 - d. In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report comply in all material respects, with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Act.
 - e. On the basis of written representations received from Directors as on March 31, 2013 and taken on record by the Board of Directors, we report that none of the Directors of the Company, are disqualified as on that date from being appointed as a director, under clause (g) of sub-section (1) of section 274 of the Act.

INDEPENDENT AUDITORS' REPORT (contd.)

- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

Other Matters

The report on the accounts of the Japan branch office (not audited by us) audited by Mr. Mitsuo Sekino, Certified Public Accountant (Japan), has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report. Our report is not qualified in respect of this matter.

For **B. K. Ramadhyani & Co.**,
Chartered Accountants
Firm Registration No. 002878S

R. Satyanarayana Murthi
Partner
Membership No. 024248

Bangalore
May 22, 2013

ANNEXURE TO AUDITORS' REPORT

(As referred to in paragraph 1 of report on other legal and regulatory requirements of our report to the members of TD Power Systems Limited)

1. a. The Company has maintained proper records showing full particulars including quantitative details, situation of fixed assets in the fixed asset register.
b. According to the information and explanations given to us, there is a physical verification programme being done in a phased manner and at reasonable intervals. We are also informed that the Company has carried out the physical verification of fixed assets during the period of review as per the scheme of physical verification regularly followed. We are informed that no material discrepancies were noticed on such verification which needs an adjustment in the financial statements.
c. During the year, there has been no significant sale/disposal of fixed assets.
2. a. Inventory was physically verified during the year by management. In our opinion the frequency of such verification is reasonable.
b. The procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the company and nature of its business.
c. According to the information and explanations given to us, proper records of Inventories are maintained and no material discrepancies are noticed during such physical verification.
3. The company has not granted nor taken loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act and accordingly, clause (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets; and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. a. In our opinion and according to the information and explanations given to a us, the transactions made in pursuance of contract or arrangements to be entered in the register maintained under section 301 of the Companies Act, 1956, have been so entered in the register maintained.
b. According to the Company, the transactions made in pursuance of such contracts or arrangements and exceeding value of Rs. 5 Lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from public; hence in our opinion the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules made there under are not applicable. According to the company, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion, the Company has an internal audit system commensurate with the size of the business.
8. To the best of our knowledge and according to the information given to us, the Central Government has prescribed the maintenance of cost records under section 209(1)(d) of the Act for the products of the Company. We have broadly

ANNEXURE TO AUDITORS' REPORT (contd.)

reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records u/s 209(1)(d) of the Act and we are of the opinion that prima facie, the records have been maintained. We have not done detailed examination of records with a view to determining whether they are accurate and complete.

9.
 - a. According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, wealth tax, sales tax, custom duty, service tax, cess and other applicable statutory dues with the appropriate authorities. There are no arrears of outstanding statutory dues as at March 31, 2013, for a period exceeding six months. Further, short/non deduction of withholding tax has not been reckoned for this purpose.
 - b. According to information and explanations given to us, there are no outstanding disputed amount payable on account of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess other than on account of Income Tax deduction of salaries raised by the department as referred to Note 19 to Financial Statements which is under process for rectification by the department.
10. The company has no accumulated losses as on March 31, 2013. The company has not incurred cash losses during the current year or during the previous year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in the repayment of dues to bank. The Company has not taken any loan from financial institutions and also has not issued any debentures.
12. According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and accordingly, the provisions of paragraph 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society and accordingly, provisions of paragraph 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly, the provisions of paragraph 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. The Company has given corporate guarantee of Rs. 100 Crores, Rs. 162 Crores and Rs. 292 Crores in respect of facilities availed by its subsidiary M/s. DF Power Systems Private Limited to the bankers M/s. Standard Chartered Bank, M/s. ICICI Bank Limited and M/s. Bank of Baroda. The terms and conditions of the guarantee are not prima facie prejudicial to the interest of the Company.
16. The Company has not obtained any term loans during the year from the Company's bankers. Accordingly, the provisions of paragraph 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
17. 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 purposes. No long-term funds have been used to finance short-term assets except permanent working capital.
18. According to the information and explanations given to us, there was no issue of shares or other securities during the year and accordingly provisions of paragraph 4(xviii) of the Companies (Auditor's Report) Order, 2003 regarding preferential allotment are not applicable.
19. According to the information and explanations given to us, there are no debentures issued by the company during the year and accordingly, provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 regarding creation of securities are not applicable.
20. There was no public issue of capital, debenture, etc during the year and accordingly, provisions of paragraph 4(xx) of the Companies (Auditor's Report) Order, 2003 regarding end use of money are not applicable.
21. According to the information and explanations given to us, no fraud on or by the company during the year has been noticed or reported during the course of our audit.

For **B. K. Ramadhyani & Co.**,
Chartered Accountants
Firm Registration No. 002878S

R Satyanarayana Murthi
Partner
Membership No. 024248

Bangalore
May 22, 2013

BALANCE SHEET AS AT MARCH 31, 2013

	Note	Rs.	As at 31.3.2013 Rs.	Rs.	As at 31.3.2012 Rs.
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	2	332,375,880		332,375,880	
Reserves and Surplus	3	<u>4,281,501,271</u>	4,613,877,151	<u>3,999,470,936</u>	4,331,846,816
Non-current liabilities					
Long term borrowings	4	—		196,728	
Deferred tax liabilities (Net)	5	141,242,308		87,759,459	
Long term provisions	6	<u>18,705,560</u>	159,947,868	<u>29,263,850</u>	117,220,037
Current Liabilities					
Short term borrowings	7	269,932,400		342,632,951	
Trade payables	8	861,118,329		929,960,819	
Other current liabilities	9	801,243,364		1,013,237,189	
Short term provisions	10	<u>98,655,562</u>		<u>104,453,377</u>	
			2,030,949,655		2,390,284,336
Total			6,804,774,674		6,839,351,189
ASSETS					
Non-current assets					
Fixed Assets					
Tangible assets	11	1,984,061,008		1,302,341,954	
Capital work in progress	12	<u>161,750,004</u>		<u>126,421,905</u>	
		2,145,811,012		1,428,763,859	
Non-current investments	13	209,689,495		204,125,000	
Long term loans and advances	14	<u>406,869,991</u>		<u>451,662,720</u>	
			2,762,370,498		2,084,551,579
Current Assets					
Inventories	15	530,460,923		829,533,163	
Trade receivables	16	1,289,248,071		1,431,451,705	
Cash and Bank balance	17	1,814,830,893		2,025,586,362	
Short term loans and advances	18	407,864,289		468,228,380	
			4,042,404,176		4,754,799,610
Total			6,804,774,674		6,839,351,189

Summary of Accounting Policies and other explanatory information form an integral part of the Balance Sheet

1-38

In accordance with our Report attached
For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S
R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 22, 2013

For and on behalf of Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Managing Director

K G Prabhakar
Chief Financial Officer

N Srivatsa
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

	Note	Year ended 31.3.2013 Rs.	Year ended 31.3.2012 Rs.
INCOME			
Revenue from Operations	20	4,237,981,286	6,252,120,343
Other Income	21	258,364,509	156,820,903
Total Revenue		4,496,345,795	6,408,941,246
EXPENSES			
Cost of materials consumed	22	1,748,419,651	2,757,803,254
Purchases for Project Business		953,745,772	1,779,563,028
Changes in inventories of finished goods work in progress and stock in trade	23	293,236,007	(27,628,160)
		2,995,401,430	4,509,738,122
Employee benefits expense	24	417,481,557	469,190,284
Finance costs	25	34,149,525	65,678,554
Depreciation and amortization expense	26	122,538,494	89,986,507
Other expenses	27	388,308,783	536,088,986
Total Expenses		3,957,879,789	5,670,682,453
Profit before tax		538,466,006	738,258,793
Tax expense			
Current tax		128,239,290	225,229,526
Deferred tax		53,482,849	14,847,806
		181,722,139	240,077,332
Profit/(Loss) for the year		356,743,867	498,181,461
Earning per equity share	29		
Basic & Diluted		10.73	16.94
Summary of Accounting Policies and other explanatory information form an integral part of the Statement of Profit & Loss	1-38		

In accordance with our Report attached
For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S
R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 22, 2013

For and on behalf of Board of Directors

Mohib N Khericha
Chairman
Nikhil Kumar
Managing Director
K G Prabhakar
Chief Financial Officer
N Srivatsa
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	Current Year In Rs.	Previous Year In Rs.
A Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	538,466,006	738,258,793
Adjustments for		
Depreciation	122,538,494	89,986,507
(Profit) / Loss on sale of Fixed Asset	(627,032)	703,573
Dividend Income	(30,005,990)	(12,006,000)
Interest Income	(174,541,634)	(127,761,413)
Interest Payments	34,149,525	65,678,554
Provision no longer required	(40,490,159)	—
Provision for Warranty Claims	(9,159,241)	5,935,884
Exchange Fluctuation Deficit	—	—
Provision for Gratuity & Leave Encashment	2,348,642	5,634,459
	(95,787,395)	28,171,564
Operating profit before Working Capital Changes	442,678,611	766,430,357
Adjustments for		
Trade Receivables	142,203,634	(236,727,068)
Other Receivables	176,472,710	(527,524,748)
Inventories	299,072,240	(52,366,724)
Trade Payables	(2,48,769,834)	151,077,172
Cash generated from Operations	811,657,361	100,888,989
Payment of Fringe Benefit Tax	—	—
Payment of Gratuity	—	3,123,771
Direct Taxes Paid	199,555,180	245,222,371
Net Cash Flow from Operating Activities	612,102,181	(147,457,153)
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(845,497,128)	(381,782,452)
Purchase of Investments	(5,564,495)	—
Sale of Fixed Asset / Purchase of Investments	6,538,514	4,227,769
Dividend Received	30,005,990	12,006,000
Interest Received	174,541,634	127,761,413
Net Cash used in investing activities	(639,975,485)	(237,787,270)
C Cash flow from financing activities		
Proceeds from issuance of Share Capital	—	88,671,870
Share Premium	—	2,042,245,723
Long term borrowings	—	(314,254,525)
Temporary Borrowing	(46,335,515)	46,335,515
Unsecured Loans & Deposits	(3,639,727)	(253,808,955)
Working Capital borrowings	(26,365,036)	12,513,033
Interest Paid	(34,149,525)	(65,678,554)
Dividend and Tax on Dividend paid	(72,392,361)	(54,701,077)
Net Cash flow from financing activities	(182,882,164)	1,501,323,030
Net increase/decrease in cash and cash equivalents	(210,755,468)	1,116,078,607
Cash and cash equivalents at the beginning	2,025,586,362	909,507,755
Cash and cash equivalents at close	1,814,830,893	2,025,586,362
Actual Closing Cash Balance	1,814,830,893	2,025,586,362
Cash and cash equivalents at Close	1,814,830,893	2,025,586,362

Notes: Cashflows are reported using the indirect method. Cash and cash equivalents is after adjusting translation gain/loss.

In accordance with our Report attached
For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S

R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 22, 2013

For and on behalf of Board of Directors

Mohib N Khericha
Chairman

Nikhil Kumar
Managing Director

K G Prabhakar
Chief Financial Officer

N Srivatsa
Company Secretary

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED MARCH 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES

Consequent to a Special Resolution of the Members, passed at the Company's Extra Ordinary General Meeting held on 17th January 2011, the Company is converted to a Public Limited Company by altering its Articles of Association in terms of Section 31 read with Section 44 of the Companies Act 1956, and a fresh Certificate of Incorporation dated 04th February 2011 is issued by the Registrar of Companies, Karnataka.

The company has subscribed to a Wholly Owned Subsidiary in United States of America under the name M/s TD Power Systems (USA) Inc. incorporated as Delaware Corporation on 20th February 2013 located at Ohio. The company has subscribed to 100,100 share of USD 10/- each and the same is shown as nontrade investments. The transactions upto 31st March 2013 since incorporation is consolidated in terms of Accounting Standard 21.

The company has incorporated a Wholly Owned Subsidiary in Japan under the name M/s TD Power Systems (Japan) Limited on 19th March 2013 in Tokyo. The transactions upto 31st March 2013 since incorporation is consolidated in terms of Accounting Standard 21.

1.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared under historical cost convention method, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period.

1.2 Fixed Assets

Fixed assets are stated at cost of acquisition excluding vatable duties, inclusive of freight, taxes and incidental expenses relating to the acquisition and finance cost on borrowings utilized for acquisition of qualifying assets less depreciation.

1.3 Inventories

Inventories are valued at cost or net realizable value, which ever is lower. Raw materials and bought out items are valued on first in first out basis as per Accounting Standard - 2 and includes material cost, carriage inward, insurance and purchase related expenses. Cost in respect of work in progress and finished goods are based on works cost.

1.4 Depreciation

Depreciation is charged on straight line method as stipulated under section 205 (2) (b) of the Companies Act, 1956, at the rates specified in schedule XIV, prorata from the quarter of addition / deletion.

1.5 Revenue Recognition

Sale of manufactured goods is recognized on shipment to customers, and exclusive of excise duty and sales tax.

Sale of goods in case of project business is recognised on shipment to customers.

Erection and commissioning income is recognised as and when the services are performed/completed.

Interest income is recognised based on time proportion basis.

Dividend income is recognised when the right to receive the dividend is established.

1.6 Foreign currency transactions

a) Foreign currency transactions are translated into Indian rupees at the exchange rate prevailing on the date of the transaction.

b) Monetary foreign currency assets and liabilities outstanding at the end of the year are restated at the exchange rates prevailing on the reporting date. All exchange differences are accounted for in the profit and loss account.

c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

d) In respect of overseas branches, which are integral foreign operations, financial statements are translated as if the transactions are those of the Company itself.

1.7 Taxes on Income

Provision for tax is made in terms of Accounting Standard 22 for both current and deferred tax. Provision for current income tax if arises is made at the current tax rates based on assessable income. Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)
1.8 Borrowing Cost

Interest and other borrowing cost on borrowings relating to qualifying assets are capitalized up to the date such assets are ready for use. Other interest and borrowing cost are charged to Statement of Profit & Loss.

1.9 Contingent Liabilities

Financial effects of contingent liabilities are disclosed based on information available up to the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.10 Employees Benefits
Long Term Employee Benefits
a. Defined Contribution Plans:

The Company has contributed to provident fund, which is defined contribution plan. The contribution paid/ payable under the scheme is recognised during the year in which an employee renders the related service.

b. Defined Benefit Plans:

Employees gratuity and leave encashment are defined benefit plans. The present value of the obligations under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit & loss account as income or expense. Obligation is measured at present value of estimated future cash flows using a discounted rate that is determined by reference to market yields available on government bonds at the Balance Sheet date with term that matches to the liabilities.

1.11 Impairment of assets

At each balance sheet date, the management reviews the carrying amount of its assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Reversal of impairment loss, if any, is recognised immediately in the profit and loss account.

1.12 Accounting for lease
i. Operating Lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

ii. Finance Lease and Hire purchase transactions

Lease rentals are charged to Profit and Loss Account over the period of Lease. Depreciation is provided on the primary period of the lease.

1.13 Amortisation of Technical Know-how Fee / Licence Fee

Technical Know-how Fees will be amortised over a period of 60 months.

1.14 Investments

Non-current investments are stated at cost. Provision for diminution if any, in the value of investments is made, to recognise a decline, other than temporary. Current investments are valued at lower of cost or market value.

2 SHARE CAPITAL
Authorized

Equity shares of Rs.10/- each

Issued subscribed and fully paid up

Equity shares of Rs.10/- each

At the beginning of the year

Issued during the year

At the close of the year

Total

	As at 31.3.2013		As at 31.3.2012	
	Number	Rs.	Number	Rs.
Equity shares of Rs.10/- each	35,000,000	350,000,000	35,000,000	350,000,000
		350,000,000		350,000,000
At the beginning of the year	33,237,588	332,375,880	24,370,401	243,704,010
Issued during the year	—	—	8,867,187	88,671,870
At the close of the year	33,237,588	332,375,880	33,237,588	332,375,880
Total		332,375,880		332,375,880

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

I Other Information:

The Company has only one class of equity shares having par value of Rs.10/- each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

For the period ended 31st March 2013 (31st March 2012 Rs. 2/-) a dividend per share of Rs. 2/- has been provided for payment to Share holders subject to approval of the Annual General Meeting of the Company.

In the event of liquidation of the Company the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

II Equity shares include:

- a. Shares allotted pursuant to a contract without consideration being received in cash.

Issued to the shareholder of subsidiary company DF Power Systems Private Limited in exchange of 1700000 fully paid up equity shares of Rs. 10/- each on 19th October 2010

Shares allotted by way of bonus shares

- b. On Capitalisation out of Reserves to an extent of 16246934 Equity Shares of Rs. 10/- each on 11th January 2011.

	As at 31.3.2013		As at 31.3.2012	
	Percentage	No. of shares	Percentage	No. of shares
III Particulars of equity share holders holding more than 5% of the total paid up equity share capital				
a. Sapphire Finman Services Private Limited	18.13%	6,026,433	18.13%	6,026,433
b. Nikhil Kumar	15.46%	5,138,664	15.46%	5,138,664
c. Hitoshi Matsuo	12.74%	4,235,254	12.74%	4,235,254
d. Sofia M Khericha	6.27%	2,084,100	6.27%	2,084,100
e. Mohib N Khericha	5.56%	184,6860	5.56%	1,846,860

	As at 31.3.2013	As at 31.3.2012
	Rs.	Rs.
3 RESERVES AND SURPLUS		
Securities Premium		
As per beginning of the year	2,207,588,239	165,342,516
Add: On account of issue of shares (IPO) (Net of issue expenses*)	—	2,042,245,723
As per the end of the year	2,207,588,239	2,207,588,239
General Reserve		
As per beginning of the year	195,948,902	157,454,493
Add: Transferred from statement of Profit and Loss	30,767,004	38,494,409
As per the end of the year	226,715,906	195,948,902
Surplus i.e. balance in Statement of Profit & Loss		
As per beginning of the year	1,595,933,795	1,208,639,104
Add: Transferred from statement of Profit and Loss	356,743,867	498,181,461
Less: Transferred to General Reserve	30,767,004	38,494,409
Proposed dividend	66,475,176	66,475,176
Provision towards dividend distribution tax	8,238,356	5,917,185
As per the end of the year	1,847,197,126	1,595,933,795
Total	4,281,501,271	3,999,470,936

* Issue expenses of Rs. 1,39,082,279/- is adjusted to Share Premium Account.

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013	As at 31.3.2012
	Rs.	Rs.
4 LONG TERM BORROWINGS		
Secured Loans		
Term Loans - from Banks	186,028	3,825,755
	186,028	3,825,755
Less: Current maturities of Long Term loans	186,028	3,629,027
Net Total long term borrowings	—	196,728
Additional Information:		
Details of security for secured loans		
<i>Vehicle Loans from ICICI Bank</i>	186,028	3,825,755
Secured by specific charge on Motor Vehicles		
Terms of repayment of term loans and others		
Vehicle loans repayable in 35 Equated Monthly Installments with an interest rate of 7.75% (fixed).		
5 DEFERRED TAX LIABILITY		
Deferred tax liability		
On account of depreciation on fixed assets	149,279,844	107,479,707
Deferred tax asset		
On account of timing differences in recognition of expenditure	(8,037,536)	(19,720,248)
Net Deferred tax liability/(asset)	141,242,308	87,759,459
6 LONG TERM PROVISIONS		
Provisions for employee benefits - Leave Encashment	18,705,560	29,263,850
Total	18,705,560	29,263,850
7 SHORT TERM BORROWINGS		
Secured Loans		
Loans repayable on demand		
- from banks	269,932,400	296,297,436
- from others	—	46,335,515
Total	269,932,400	342,632,951
Additional Information:		
Details of security for secured loans		
Balance of Working Capital Loan from M/s Bank of Baroda as on 31 st March – Secured by Hypothecation of Raw Materials Goods-in-process Finished Goods and Book Debts and a charge on Fixed assets of the company.	269,932,400	296,297,436
From Bank of Tokyo Mitsubishi UFJ Limited Tokyo Japan secured by goods pending shipment.	—	46,335,515
Loans repayable on demand		
Terms of repayment of secured loans		
- from banks	269,932,400	296,297,436
Interest at 2% over base rate (floating)		
- from others	—	46,335,515

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013	As at 31.3.2012
	Rs.	Rs.
8 TRADE PAYABLES		
To Micro Small and Medium Enterprises	3,717,356	23,686,679
Others	857,400,973	906,274,140
Total	861,118,329	929,960,819
Additional Information:		
The details of amounts outstanding to Micro Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act 2006 (MSMED Act) based on the available information with the Company are as under:		
1. Principal amount due and remaining unpaid	3,717,356	23,686,679
2. Interest due on (1) above and the unpaid interest	204,682	1,412,207
3. Interest paid on all delayed payments under the MSMED Act	—	—
4. Payment made beyond the appointed day during the year	101,564,252	76,392,399
5. Interest due and payable for the period of delay other than (3) above	4,495,444	3,190,113
6. Interest accrued and remaining unpaid	4,700,126	4,602,320
7. Amount of further interest remaining due and payable in succeeding years	15,199,676	10,499,550
9 OTHER CURRENT LIABILITIES		
Current maturities of long term debt	186,028	3,629,027
Outstanding Liabilities	500,900,487	747,087,987
Duties and taxes payable	9,335,791	10,044,552
Trade advance received from customers	188,136,011	229,058,823
Earnest Money Deposit	215,000	215,000
Other liabilities	102,470,047	23,201,800
Total	801,243,364	1,013,237,189
10 SHORT TERM PROVISIONS		
Provision for warranties	21,285,310	30,444,551
Provisions for employee benefits - Leave Encashment	2,656,720	1,616,465
Proposed dividend (including dividend distribution tax)	74,713,532	72,392,361
Total	98,655,562	104,453,377

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)
11 FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK		
	As at 01.4.2012	Additions	Deletions	As at 31.3.2013	As at 01.4.2012	Additions	Withdrawals	As at 31.3.2013	As at 31.3.2013	As at 31.3.2012	
Tangible Assets											
Free Hold Land	205,597,019	43,665,148	—	249,262,167	—	—	—	—	249,262,167	205,597,019	
Lease Hold Land	—	—	—	—	—	—	—	—	—	—	
Buildings	282,406,367	393,424,525	—	675,830,892	40,608,987	15,533,209	—	56,142,196	619,688,696	241,797,380	
Plant & Machinery (*)	1,016,925,159	360,923,842	4,367,318	1,373,481,683	233,385,413	94,697,384	255,009	327,827,788	1,045,653,895	783,539,746	
Office Equipments	14,233,341	1,134,574	—	15,367,915	2,540,120	874,690	—	3,414,810	11,953,105	11,693,221	
Furniture & Fixtures	16,009,922	3,850,971	—	19,860,893	7,393,681	960,102	—	8,353,783	11,507,110	8,616,241	
Computers	40,691,038	4,675,450	336,325	45,030,163	23,603,056	5,864,500	320,307	29,147,249	15,882,914	17,087,982	
Communication Equipments	1,906,166	26,084	17,400	1,914,850	684,991	87,008	1,447	770,552	1,144,298	1,221,175	
Motor Vehicles (**)	47,056,628	2,468,435	2,219,455	47,305,608	14,267,438	4,521,601	452,254	1,833,6785	28,968,823	32,789,190	
TOTAL	1,624,825,640	810,169,029	6,940,498	2,428,054,171	322,483,686	122,538,494	1,029,017	443,993,163	1,984,061,008	1,302,341,954	
Previous Year	1,353,256,242	275,797,167	4,227,769	1,624,825,640	233,507,329	89,986,508	1,010,151	322,483,686	1,302,341,954		

Additional information:

(*) Accumulated depreciation as on 01st April 2004 under Owned Assets includes accumulated depreciation of leased asset also.

(**) Dues w.r.t Motor Vehicles under Hire Purchase Scheme from ICICI Bank Limited amounts to Rs. 186,028 (Previous Year Rs. 3,825,755)

12 CAPITAL WORK-IN-PROGRESS

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
Plant and Machinery	2,764,680	801,25,919
Building under Construction	96,878,259	44,868,648
Land	529,200	1,427,338
Total	100,172,139	126,421,905
Intangible assets under development		
Technical Know-how	61,577,865	—
Total	161,750,004	126,421,905

13 NON CURRENT INVESTMENTS

Details of Investments	Name of the Company	No. of Shares	Face Value	Currency	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
TRADE INVESTMENTS (Unquoted)						
Investments in Equity Instruments						
Subsidiaries						
Fully paid up	DF Power Systems Private Limited	5,999,998	10	INR	204,075,000	204,075,000
	TD Power Systems (USA) Inc.	10,100	10	USD	5,564,495	—
NON-TRADE INVESTMENTS (Unquoted)						
Investments in Equity Instruments						
Others						
Fully paid up	M/s. The Shamrao Vithal Co-operative Bank limited	2,000	25	INR	50,000	50,000
Total					209,689,495	204,125,000
Additional Information:						
Aggregate value of unquoted investments: Cost					209,689,495	204,125,000

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013	As at 31.3.2012
	Rs.	Rs.
14 LONG TERM LOANS AND ADVANCES		
Capital advances	238,592,935	347,986,127
Security Deposit	7,882,500	14,597,927
Advance payment of Tax (net of Provisions)	160,394,556	89,078,666
Total	406,869,991	451,662,720
<i>Additional information:</i>		
Breakup of above:		
Unsecured considered good	406,869,991	451,662,720
Total	406,869,991	451,662,720
15 INVENTORIES		
Raw materials	23,181,892	235,922,267
Work in progress	269,820,563	570,069,230
Finished goods	13,699,476	6,686,816
Stock in trade	3,263,189	1,000,197
Goods in transit: Raw materials	11,860,803	15,854,653
Total	530,460,923	829,533,163
16 TRADE RECEIVABLES		
Trade receivables exceeding six months	118,641,011	157,710,070
Others	1,170,607,060	1,273,741,635
Total	1,289,248,071	1,431,451,705
<i>Additional information:</i>		
Breakup of above:		
Secured considered good	291,813,941	411,069,764
Unsecured considered good	997,434,130	1,020,381,941
Total	1,289,248,071	1,431,451,705
17 CASH AND BANK BALANCE		
Cash and cash equivalents		
Balances with banks		
- on current accounts	66,352,618	201,832,422
- in deposit accounts less than 3 months maturity	—	90,000,000
Cash on hand	303,775	253,940
Other bank balances		
Balances with banks		
- in margin money	71,500,000	71,500,000
- in deposit accounts exceeding 3 month but not exceeding 12 months	1,676,674,500	1,662,000,000
Total	1,814,830,893	2,025,586,362

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013	As at 31.3.2012
	Rs.	Rs.
18 SHORT TERM LOANS AND ADVANCES		
Rent Deposit	2,586,925	15,402,603
Balance with Statutory/Govt. authorities	243,265,232	223,474,402
Prepaid Expenses	8,402,761	6,606,693
Trade Advance	31,886,144	133,431,429
Interest accrued on term deposits	80,466,534	59,587,467
Expenditure Tax - Japan Branch	20,945,443	27,367,092
Others	20,311,250	2,358,694
Total	407,864,289	468,228,380
Additional information:		
Breakup of above:		
Unsecured considered good	407,864,289	468,228,380
Total	407,864,290	468,228,380
19 CONTINGENT LIABILITIES AND COMMITMENTS		
(to the extent not provided for)		
Contingent Liabilities		
Claims against the Company not acknowledged as debts	19,711,242	19,711,242
Guarantees	521,904,676	647,281,816
Letters of credit	107,318,622	173,802,899
<i>The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.</i>		
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	472,196,698	306,766,388
Corporate Guarantee issued to the bankers of the subsidiary company	5,540,000,000	5,540,000,000
Outstanding Bills discounted under Letter of Credit	24,715,274	—

Department of Income Tax (TDS Circle) have issued demand notice under section 201(1)/201(1a) of the Income Tax act, based on tax payer's data reflected in the computer system of the department for Short deduction / Short payments and interest thereon, for the financial years 2006-07, 2007-08, 2008-09, 2009-2010, 2010-2011 amounting to Rs. 40,543,629/- including Rs. 10,742,443/- towards interest on such short deduction/payment under Forms 27EQ, 26Q & 24Q. The company has pursued the matter with the department during the year and the balance demand of Rs. 393,400/- is under appeal including Rs. 109,520/- towards interest on such short deduction/late payment.

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	For the year ended 31.3.2013 Rs.	For the year ended 31.3.2012 Rs.
20 REVENUE FROM OPERATIONS		
Sale of Goods		
AC Generators	2,799,966,027	3,680,080,458
AC Motors	49,783,341	39,898,832
AC Generator Spares	293,696,475	577,631,085
Power Business Inland	422,849,911	549,744,960
Power Business Overseas Branch	1,168,570,056	2,016,021,382
Total	4,734,865,810	6,863,376,717
Sale of services	117,338,875	75,655,430
Other operating revenues	37,799,798	56,012,402
Total	4,890,004,483	6,995,044,549
Less:		
Intersegmental sales	384,668,673	483,309,361
Excise duty	267,354,524	259,614,845
Total	4,237,981,286	6,252,120,343
21 OTHER INCOME		
Interest income on Bank Deposits	174,541,634	127,761,413
Dividend Income		
Long term investments	30,005,990	12,006,000
Provision no longer required withdrawn	40,490,159	—
Rental Income	12,605,955	13,001,157
Other non operating income (net of expenses directly attributable to such income)	720,771	4,052,333
Total	258,364,509	156,820,903
22 COST OF MATERIAL CONSUMED		
Consumption of raw materials	1,729,205,410	2,709,047,081
Consumption of stores and spare parts	19,214,241	48,756,173
Total	1,748,419,651	2,757,803,254
Consumption of major raw materials		
Copper (wires, strips, rods, sheet etc.)	336,799,699	508,923,364
Steel/ Laminations	326,591,000	420,079,666
Shaft Forgings	70,120,104	163,487,581
Others	995,694,607	1,616,556,470
Total	1,729,205,410	2,709,047,081
Purchases for Projects Business	953,745,772	1,779,563,028

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	For the year ended 31.3.2013 Rs.	For the year ended 31.3.2012 Rs.
23 CHANGE IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS		
Stocks at the end of the year		
Work in progress		
A C Generators	269,820,563	570,069,230
Finished goods		
A C Generators	13,699,476	6,686,816
	<u>283,520,039</u>	<u>576,756,046</u>
Less:		
Stocks at the beginning of the year		
Work in progress		
A C Generators	570,069,230	502,121,944
Finished goods		
A C Generators	6,686,816	47,005,942
	<u>576,756,046</u>	<u>549,127,886</u>
Net (Increase) / Decrease in Stock	293,236,007	(27,628,160)
24 EMPLOYEE BENEFIT EXPENSES		
Salaries and wages	274,924,791	265,153,640
Contribution to provident and other funds	19,935,252	16,483,612
Remuneration to whole time directors including contribution	49,136,709	116,857,171
Staff welfare expenses	73,484,805	70,695,861
Total	417,481,557	469,190,284
25 FINANCE COST		
Interest expense	34,149,525	65,678,554
Total	34,149,524	65,678,554
26 DEPRECIATION AND AMORTISATION		
Depreciation	122,538,494	89,986,507
Total	122,538,494	89,986,507
27 OTHER EXPENSES		
Power and fuel	60,127,124	74,241,068
Rent	29,318,726	29,285,271
Repairs and maintenance		
- Buildings	3,584,146	13,567,651
- Machinery	14,197,889	22,852,866
- Others	5,393,712	8,090,395
Insurance	7,319,646	6,953,080
Rates and taxes	2,063,195	5,639,410
Payment to the auditors		
- as auditor	1,550,000	1,800,000
- for taxation matters	550,000	550,000
- for other services	245,765	817,000
Selling expenses	40,643,184	113,041,439
Loss on sale of fixed asset (net)	—	703,573
Donations	333,000	288,000

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

OTHER EXPENSES (contd.)

	For the year ended 31.3.2013 Rs.	For the year ended 31.3.2012 Rs.
Legal and professional charges	37,485,452	39,597,218
Directors sitting fees	680,000	660,000
Travelling and Conveyance	90,571,964	86,539,998
Bank Charges	17,100,418	29,899,883
Foreign Exchange Fluctuation	23,814,685	10,131,229
Postage Telegrams and Telephones	10,369,940	8,116,733
Royalty	4,370,987	29,900,235
Software Expenses on ERP	12,720,349	24,757,954
Manufacturing Expenses	9,749,107	9,921,811
Vehicle Maintenance	5,531,538	5,229,795
Advertisement	2,893,434	5,545,028
Printing & Stationary	6,309,005	6,048,587
Subscription to Technical Associations, Journals & Magazines	1,385,517	1,910,762
Total	388,308,783	536,088,986

28 ADDITIONAL INFORMATION

Value of Imports calculated on CIF basis:

Raw Materials	229,636,404	495,070,148
Capital goods	101,419,674	74,315,527

Expenditure in foreign currency excluding expenditure at branch office:
(net of withholding tax)

Others - On Payment Basis	49,120,311	55,817,496
Capital Equipment Purchased	170,138,160	129,905,968

	Amount (Rs.)	% to total	Amount (Rs.)	% to total
Value of imported raw materials spare parts and components consumed	196,934,106	9.65	448,125,465	16.41
Value of indigenous raw materials, spare parts and components consumed	1,844,721,552	90.35	2,282,049,629	83.59
Total	2,041,655,658	100.00	2,730,175,094	100.00
Details of non-resident shareholdings				
Number of nonresident share holders	51		45	
Number of shares held by nonresident shareholders	11,791,174		10,877,713	
Earnings in foreign exchange				
Export of goods calculated on FOB basis	1,142,358,570		1,495,366,035	
Other Income	93,738		3,362,866	

29 EARNINGS PER SHARE

Profit for the year after tax expense	356,743,867	498,181,461
Weighted average number of equity shares	33,237,588	29,409,677
Earning per share	10.73	16.94

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)
30 DISCLOSURES AS PER ACCOUNTING STANDARD 15 “EMPLOYEE BENEFITS”
Defined Contribution Plan

Employer’s Contribution to Provident Fund & Pension Scheme

	For the year ended 31.3.2013 Rs.	For the year ended 31.3.2012 Rs.
Employer’s Contribution to Provident Fund & Pension Scheme	15,816,846	15,030,613

Defined Benefit Plan

The employees’ gratuity fund scheme managed by a trust is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.

	Current Year (Rs.)		Previous Year (Rs.)	
	Gratuity (Funded)	Leave (Unfunded)	Gratuity (Funded)	Leave (Unfunded)
<i>Defined Benefit obligation at beginning of the reporting period</i>	18,449,782	30,880,315	16,130,761	28,369,627
Current Service Cost	2,824,693	9,586,575	2,702,509	5,043,627
Interest Cost	1,475,983	2,305,740	1,290,461	2,411,418
Acquisition adjustment	—	—	—	—
Actuarial (gain)/ loss	(52,527)	(13,902,390)	2,146,554	(4,944,357)
Benefits Paid	(867,057)	(7,507,960)	(3,820,503)	—
<i>Defined Benefit obligation at end of the reporting period</i>	21,830,874	21,362,280	18,449,782	30,880,315
<i>Obligations At end of the period - Current</i>	3,054,570	2,656,720	1,862,347	1,616,465
<i>Obligations At end of the period - Non -Current</i>	18,776,304	18,705,560	16,587,435	29,263,850
<i>Reconciliation of opening and closing balance of fair value of plan assets:</i>				
Fair value of plan assets at beginning of the reporting period*	22,963,896	—	21,945,232	—
Acquisition adjustment	—	—	—	—
Expected return on plan assets	2,132,826	—	1,715,396	—
Employer Contribution	5,342,494	—	3,123,771	—
Benefits paid	(867,057)	—	(3,820,503)	—
Actuarial gain/(loss)	—	—	—	—
Fair value of plan assets at reporting period	29,572,159	—	22,963,896	—
<i>Reconciliation of fair value of assets and obligations:</i>				
Fair value of plan assets	29,572,159	—	22,963,896	—
Present value of obligation	(21,830,874)	—	(18,449,782)	—
Funded assets in excess of obligation of prior years	(7,741,285)	—	(4,514,114)	—
Amount recognised in Balance Sheet under liabilities	—	—	—	—
<i>Expense recognised during the year:</i>				
Current Service Cost	6,051,864	9,586,575	2,702,509	5,043,627
Interest Cost	1,475,983	2,305,740	1,290,461	2,411,418
Expected return on plan assets	(2,132,826)	—	(1,715,396)	—
Actuarial (gain)/ loss	(52,527)	(13,902,390)	2,146,554	(4,944,357)
Net Cost	5,342,494	(2,010,075)	4,424,128	2,510,688
<i>Actuarial assumptions:</i>				
Mortality Table	1994 - 96 (Ultimate)	Indian Assured Lives Mortality (2006-08) (modified) ULT	1994 - 96 (Ultimate)	1994 - 96 (Ultimate)
Discount rate (per annum)	8.00%	8.20%	8.00%	8.50%
Expected rate of return on plan assets (per annum)	8.00%	NA	8.00%	NA
Rate of escalation in salary (per annum)	7.00%	7.00%	7.00%	8.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the actuary.

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

31 SEGMENT REPORTING

The company's operation comprises of Manufacturing business & Project Business. Primary segmental reporting comprises of Manufacturing Business & Project Business Segments. Secondary Segmental reporting is based on geographical location of Activities. Under primary segment revenue and direct expenses, which relate to a particular segment and which are identifiable, are reported under that segment.

Certain expenses, which are not allocable to any specific segment, are separately disclosed at the enterprise level. Cash and bank balances in India are reported at the enterprise level as the company operates common bank accounts. Fixed assets, Liabilities, Current assets and Current liabilities relating to specific business segments are identified and reported. Those that are not identifiable are reported as common items.

Secondary segment is reported based on the geographical location of the company, viz., India and Japan. Revenues in the secondary segment are based on the sales made by the branch office. Inter-segmental purchases & sales are separately identified and reported. Fixed assets, Current Assets including Cash and Bank accounts, and Current Liabilities are identified based on the branch office to which they relate and are reported accordingly.

Primary Segment

	Current Year (Amount in Rupees)			
	Manufacturing	Project Business	Common	Total
	1	2	3	4
Segment Revenues				
External Revenues	2,940,284,566	1,682,365,393	—	4,622,649,959
Intersegment revenues	(384,668,673)	—		(384,668,673)
Total	2,555,615,893	1,682,365,393	—	4,237,981,286
Segment Results				
Profit Before Taxation and Interest	322,050,105	144,549,308	(29,809,897)	436,789,516
Less: Interest	34,058,411	60,860	30,254	34,149,525
Less: Depreciation & Amortizations	121,523,693	722,474	292,327	122,538,494
Total	166,468,001	143,765,974	(30,132,478)	280,101,497
Unallocable & Other Income (including Extraordinary items)	156,054,862	27,606,441	74,703,205	258,364,509
Less: Tax	181,722,139	—	—	181,722,139
Total Profit	140,800,724	171,372,415	44,570,728	356,743,867
	Previous Year (Amount in Rupees)			
	1	2	3	4
Segment Revenues				
External Revenues	4,114,591,607	2,620,838,097	—	6,735,429,704
Intersegment revenues	(483,309,361)	—		(4,83,309,361)
Total	3,631,282,246	2,620,838,097	—	6,252,120,343
Segment Results				
Profit Before Taxation and Interest	660,651,409	131,263,557	(54,812,015)	737,102,951
Less: Interest	65,260,838	335,776	81,940	65,678,554
Less: Depreciation & Amortizations	89,216,913	550,349	219,245	89,986,507
Total	506,173,658	130,377,432	(55,113,200)	581,437,890
Unallocable & Other Income (including Extraordinary items)	73,557,387	23,246,727	60,016,788	156,820,903
Less: Tax	240,077,332	—	—	240,077,332
Total Profit	339,653,713	153,624,160	4,903,588	498,181,461
Segment Assets - Current Period	4,022,928,829	636,135,218	1,774,271,128	6,433,335,175
Previous Year (2011-2012)	1,324,765,210	839,248,943	1,944,199,211	6,508,804,284
Segment Liabilities - Current Year	3,725,356,130	454,957,605	—	1,779,722,815
Previous Year (2011-2012)	1,388,649,363	688,265,872	—	2,076,915,235
Capital Expenditure (Net of disposal)				
Current Year	801,989,859	1,238,672	—	803,228,531
Previous Year (2011-2012)	270,138,901	1,430,497	—	271,569,398

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)
SEGMENT REPORTING (contd.)
Geographical Segment

(Amount in Rupees)

	Segment revenue by geographical Market	
	Year Ended 31.3.2013	Year Ended 31.3.2012
Sales in India	3,454,079,903	4,719,408,322
Sales overseas	1,168,570,056	2,016,021,382
Less: Inter-segmental sales	(384,668,673)	(483,309,361)
Total	4,237,981,286	6,252,120,343

Carrying amounts of geographical assets & additions to tangible & intangible fixed assets

	Carrying amounts of segment assets		Additions to fixed assets & Intangible assets	
	As at 31.3.2013	As at 31.3.2012	As at 31.3.2013	As at 31.3.2012
Located in India	6,042,536,063	6,109,055,781	801,989,860	270,138,901
Located outside India	390,799,113	399,748,503	1,238,671	1,430,497
Total	6,433,335,175	6,508,804,284	803,228,531	271,569,398

32 RELATED PARTY DISCLOSURE

Related Party	Relationship
DF Power Systems Private Limited	Subsidiary
Nikhil Kumar	Key management personnel and their Relatives.
Hitoshi Matsuo	Key management personnel and their Relatives.
Tadao Kuwashima	Key management personnel and their Relatives.
Mohib N. Khericha	Key management personnel and their Relatives.

Details of transactions

(Amount in Rupees)

Nature of transactions	Subsidiary	Key management personnel and their Relatives	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Directors Remuneration and Commission	Nikhil Kumar	23,078,319	(70,093,634)
	Hitoshi Matsuo	15,709,590	(35,865,937)
Directors Remuneration	Tadao Kuwashima	10,348,800	(10,897,600)
Directors Sitting fees	Mohib N. Khericha	200,000	(220,000)
Lease Rent Paid	Mohib N. Khericha	2,700,000	(2,400,000)
Rent received (including service tax)	DF Power Systems Private Limited	14,164,051	(14,340,275)
Management Services from		25,764,395	(20,146,748)
Amount due to Company from		—	(56,778,300)
Sale of Generators to (including taxes & duties)		—	(115,281,420)

33 OPERATING LEASE

The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs. 29,318,726/- (Previous year Rs.29,285,271/-).

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

34 WARRANTY CLAIMS

During the reporting period, the Company has made provisions towards Warranty claims, the details of the same are as under:
(Amount in Rupees)

Balance outstanding at the beginning of the reporting period	30,444,551
Provision for the reporting period	—
Utilized during the reporting period	—
Withdrawn and credited to Statement of Profit and Loss	9,159,241
Balance outstanding at the end of the reporting period	21,285,310

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
Assets (Receivables)	284,252,252	308,284,276
Liabilities (Payables)	152,494,714	201,368,309

35 FOREIGN CURRENCY EXPOSURES

Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at end of the reporting period is as follows:

Assets (Receivables)	284,252,252	308,284,276
Liabilities (Payables)	152,494,714	201,368,309

36 INITIAL PUBLIC OFFERING (IPO)

During the financial year 2011-2012 the company raised funds amounting to Rs. 2,269,999,872/- through an Initial Public Offer by filing prospectus with SEBI through a book building process. A share of the company was issued at the premium of Rs.246/- having face value of Rs.10 each. All the Issue Related Expense have been debited to Share Premium Account to Rs. 139,082,279/- and the statement of utilisation of IPO Proceeds is as follows:

(Rupees in Lakhs)					
Expenditure Items	IPO Proceeds (Total estimated cost)	Transfer to Object No. 06	Utilisation as of 31.3.2013	**Balance to be utilised	Remarks (refer note 2 below)
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Total estimated cost)
Finance the expansion of our manufacturing plant in Dabaspeta	10,273.60	—	10,095.62	177.98	
Construction of a project office in Bangalore city	2,890.90	—	—	—	Rs. 2890.90 transferred to Object No. 06**
Repayment of debt	3,280.70	—	2,741.57	—	Balance Rs. 539.13 Lakhs## transferred to Object No. 06***
Funding working capital requirements of our Company	4,000.00	—	—	—	Rs. 4000 Lakhs Transferred to Object No. 06**
General corporate purposes	2,254.80	—	1,390.82	—	Balance Rs. 863.98## transferred to Object No. 06***
Finance our manufacturing facility for 2 Pole generators ranging from 54 MW to 200 MW	—	8,294.01	2,257.95	6,036.06	
Total	22,700.00	—	16,485.96	6,214.04	

The balance of IPO proceeds has been, in the interim, invested in term deposit with nationalised Bank.

Note 1 ** are the amounts completely unutilised as on June 30, 2012

*** are the amounts utilised for stated objects as on June 30, 2012

are the amounts representing savings from stated objects transferred to 6 above vide note 2 below.

Note 2 In terms of the approval of the shareholders' at the Annual general meeting held on July 12, 2012, the IPO proceeds relating to following objects of issue may be utilized for objects other than the said objects, including setting up of a new manufacturing facility for manufacture of advanced AC generators - 2 pole. The company has commenced deployment of the funds accordingly in setting up a manufacturing facility near the current facility and shall report utilization of funds thereof periodically.

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)**37 MANAGERIAL REMUNERATION**

1. Consequent to completion of the term of appointment, Mr. Hitoshi Matsuo ceased to be the Managing Director of the Company with effect from September 30, 2012.

In terms of a resolution of the Shareholders by a postal ballot approved on August 27, 2012 and on December 22, 2012, Mr. Hitoshi Matsuo was appointed as a Whole time Director of the company designated as Director – International from October 1, 2012 for a period of 2 years, to be based in Japan, subject to approval of the Central government. Since Mr. Matsuo is a Non-Resident, an application has been made to the Central government in this regard.

2. Mr. Nikhil Kumar Joint Managing Director was re-designated as Managing director of the company effective October 1, 2012 as approved by the Company's shareholders through a postal ballot on August 27, 2012. Approval of the Central government has been received for the same in terms of Section 268 of the Companies Act, 1956.
3. Notwithstanding the shareholders' approval, agreements with the Managing director and whole time directors and the central government approval as applicable for a higher remuneration, the Board of Directors of the Company vide circular resolution dated November 19, 2012 approved in principle and finally approved at the Board meeting held on February 6, 2013 that, the remuneration payable to Mr. Nikhil Kumar, Managing Director, Mr. Hitoshi Matsuo, Whole time Director and Mr. Tadao Kuwashima, Whole time Director shall be computed in terms of Section 349 & 350 of the Companies Act, 1956 subject to however that, the total remuneration payable to all such Directors shall not exceed 10% of the net profits of the company. Accordingly, the remuneration payable to Managing & Whole time Directors for the financial year 2012-2013 is provided in the Books of Accounts of the Company.

38 PREVIOUS REPORTING YEAR

Previous reporting year's figures have been regrouped wherever required in conformity with the presentation for the current reporting period

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CONSOLIDATED FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF TD POWER SYSTEMS LIMITED

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of TD Power Systems Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date, and a summary of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said consolidated financial statements give the information required by the Act in the manner so required; give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013,
- in the case of consolidated Statement of Profit and Loss, of the profit for the year ended on that date and
- in the case of consolidated Cash Flow statement, of the cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements of certain overseas subsidiaries, referred to in note 1 to consolidated financial statements, which were incorporated by the Company during the last quarter of the year. We have relied on the representation of the management in respect of the assets and liabilities position of the said subsidiaries, not being material and no operations being commenced during the year. Our report is not qualified in respect of this matter.

The report on the accounts of the Japan branch office and Hong Kong branch office of Indian subsidiary (both not audited by us) audited by Mr. Mitsuo Sekino and M/s. Simon Chong & Co., Certified Public Accountant respectively has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report. Our report is not qualified in respect of this matter.

For **B. K. Ramadhyani & Co.,**
Chartered Accountants
Firm Registration No. 002878S

R. Satyanarayana Murthi
Partner
Membership No. 024248

Bangalore
May 22, 2013

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2013

	Note		As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
EQUITY AND LIABILITIES				
Shareholders' Funds				
Share Capital	2	332,375,880	332,375,880	
Reserves and Surplus	3	<u>4,608,448,002</u>	<u>4,265,748,674</u>	4,598,124,554
			4,940,823,882	
Non - current liabilities				
Long term borrowings	4	—	196,728	
Deferred tax liabilities (Net)	5	136,880,270	85,206,005	
Other Long term liabilities	6	132,668,817	231,795,308	
Long term provisions	7	<u>32,970,846</u>	<u>37,705,780</u>	
			302,519,933	354,903,821
Current Liabilities				
Short term borrowings	8	269,932,411	342,632,951	
Trade payables	9	1,322,569,801	1,580,820,707	
Other current liabilities	10	866,440,540	1,147,476,618	
Short term provisions	11	<u>716,894,619</u>	<u>830,174,762</u>	
			3,175,837,371	3,901,105,038
Total			<u>8,419,181,186</u>	<u>8,854,133,413</u>
ASSETS				
Non-current assets				
Fixed Assets				
Tangible assets	12	1,997,882,520	1,314,697,340	
Capital work in progress	13	<u>161,750,004</u>	<u>126,421,905</u>	
		2,159,632,524	1,441,119,245	
Non-current investments	14	50,000	50,000	
Long term loans and advances	15	<u>415,914,096</u>	<u>446,501,130</u>	
			2,575,596,620	1,887,670,375
Current Assets				
Inventories	16	530,460,923	829,533,163	
Trade receivables	17	1,778,022,629	2,401,941,361	
Cash and bank balance	18	2,904,616,752	3,022,237,251	
Short term loans and advances	19	<u>630,484,262</u>	<u>712,751,263</u>	
			5,843,584,566	6,966,463,038
Total			<u>8,419,181,186</u>	<u>8,854,133,413</u>
Summary of Accounting Policies and other explanatory information form an integral part of the Balance Sheet	1-38			

In accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S
R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 22, 2013

For and on behalf of Board of Directors

Mohib N Khericha
Chairman
Nikhil Kumar
Managing Director
K G Prabhakar
Chief Financial Officer
N Srivatsa
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

	Note	Year ended 31.3.2013 Rs.	Year ended 31.3.2012 Rs.
INCOME			
Revenue from Operations	21	5,870,654,827	10,316,253,525
Other Income	22	308,035,110	223,924,934
Total revenue		6,178,689,937	10,540,178,459
EXPENSES			
Cost of materials consumed	23	1,748,419,651	2,757,803,254
Purchases for Project Business		2,323,211,391	5,430,856,615
Changes in inventories of finished goods, work in progress and stock in trade	24	293,236,007	(27,628,160)
		4,364,867,049	8,161,031,709
Employee benefits expense	25	532,405,220	607,616,447
Finance costs	26	34,307,883	65,678,554
Depreciation and amortization expense	27	124,228,712	91,483,568
Other expenses	28	478,552,462	628,695,389
Total Expenses		5,534,361,326	9,554,505,667
Profit before tax		644,328,611	985,672,792
Tax expenses			
Current tax		175,241,476	312,729,526
Deferred tax		51,674,265	13,530,363
		226,915,741	326,259,889
Profit/(Loss) for the period		417,412,870	659,412,903
Add: Prior Period Adjustment		—	12,000,000
Profit/(Loss) for the period		417,412,870	671,412,903
Earning per equity share	30		
Basic & Diluted		12.56	22.42
Summary of Accounting Policies and other explanatory information form an integral part of the Statement of Profit & Loss	1-38		

In accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S
R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 22, 2013

For and on behalf of Board of Directors

Mohib N Khericha
Chairman
Nikhil Kumar
Managing Director
K G Prabhakar
Chief Financial Officer
N Srivatsa
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2013

	Year ended 31.3.2013 Rs.	Year ended 31.3.2012 Rs.
A Cash flow from Operating Activities		
Net Profit before tax and extraordinary items	644,328,611	985,672,791
Adjustments for		
Depreciation	124,228,710	91,483,568
(Profit) / Loss on sale of Fixed Asset	(627,033)	858,593
Dividend Income	(6,000)	(6,000)
Interest Income	(262,827,779)	(208,082,776)
Interest Payments	34,307,883	65,678,554
Provision for Warranty Claims	(9,159,241)	5,935,884
Provision no longer required	(41,943,945)	—
Provision for Gratuity & Leave Encashment	8,614,782	13,568,027
	(147,412,623)	(30,564,150)
Operating profit before Working Capital Changes	496,915,988	955,108,641
Adjustments for		
Trade Receivables	623,918,732	(362,182,201)
Other Receivables	201,370,591	(513,339,805)
Inventories	299,072,240	(52,366,724)
Future Contracts	(103,058,362)	(110,331,426)
Trade Payables	(604,893,217)	416,409,984
	19,701,283	(1,018,518,873)
Cash generated from Operations	913,325,972	(63,410,232)
Direct Taxes Paid	263,758,031	308,850,671
Net Cash Flow from Operating Activities	649,567,941	(372,260,903)
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(848,653,472)	(384,250,791)
Sale of Fixed Asset / Purchase of Investments	6,538,514	5,299,596
Dividend Received	6,000	6,000
Interest Received	262,827,779	208,082,776
Net Cash used in investing activities	(579,281,179)	(170,862,421)
C Cash flow from Financing Activities		
Proceeds from issuance of Share Capital	—	88,671,870
Share Premium	—	2,042,245,723
Long term borrowings	—	(314,254,525)
Temporary Borrowing	(46,335,515)	46,335,515
Unsecured Loans & Deposits	(3639,727)	(253,808,955)
Working Capital borrowings	(26,365,026)	12,513,033
Interest Paid	(34,307,883)	(65,678,554)
Dividend and Tax on Dividend paid	(77,259,111)	(68,694,126)
Net Cash flow from financing activities	(187,907,261)	1,487,329,981
Net increase/decrease in cash and cash equivalents	(117,620,500)	944,206,656
Cash and cash equivalents at the beginning	3022,237,252	2,078,030,595
Cash and cash equivalents at close	2,904,616,752	3,022,237,251
Actual Closing Cash Balance	2,904,616,752	3,022,237,251
Cash and cash equivalents at Close	2,904,616,752	3,022,237,251

Notes: Cashflows are reported using the indirect method.
Cash and cash equivalents is after adjusting translation gain/loss.

In accordance with our Report attached

For **B.K. RAMADHYANI & CO.**
Chartered Accountants
Firm Registration No. 002878S
R Satyanarayana Murthi
Partner - M.No. 024248

Bangalore
May 22, 2013

For and on behalf of Board of Directors

Mohib N Khericha
Chairman
Nikhil Kumar
Managing Director
K G Prabhakar
Chief Financial Officer
N Srivatsa
Company Secretary

SUMMARY OF ACCOUNTING POLICIES AND OTHE EXPLANATORY INFORMATION FOR THE YEAR ENDED MARCH 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES

Consequent to a Special Resolution of the Members, passed at the Company's Extra Ordinary General Meeting held on 17th January 2011, the Company is converted to a Public Limited Company by altering its Articles of Association in terms of Section 31 read with Section 44 of the Companies Act 1956, and a fresh Certificate of Incorporation dated 04th February 2011 is issued by the Registrar of Companies, Karnataka.

DF Power Systems Private Limited (Subsidiary Company), a company incorporated under Companies Act, 1956, is the wholly owned subsidiary of the company, w.e.f. October 1, 2010.

The company has subscribed to a Wholly Owned Subsidiary in United States of America under the name M/s TD Power Systems (USA) Inc. incorporated as Delaware Corporation on 20th February 2013 located at Ohio. The transactions upto 31st March 2013 since incorporation is consolidated in terms of AS 21.

The company has incorporated a Wholly Owned Subsidiary in Japan under the name M/s TD Power Systems (Japan) Limited on 19th March 2013 in Tokyo. The transactions upto 31st March 2013 since incorporation is consolidated in terms of AS 21.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period.

1.2 PRINCIPLES OF CONSOLIDATION

The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company.

- a) The financial statement of the Company and its subsidiary company has been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealized profits or losses have been fully eliminated.
- b) The share of equity in the subsidiary company as on the date of investment is in excess of cost of investment of the Group, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

1.3 FIXED ASSETS

Fixed assets are stated at cost of acquisition excluding vatable duties, inclusive of freight, taxes and incidental expenses relating to the acquisition and finance cost on borrowings utilized for acquisition of qualifying assets less depreciation.

1.4 INVENTORIES

Inventories are valued at cost or net realizable value, which ever is lower. Raw materials and bought out items are valued on first in first out basis as per Accounting Standard - 2 and includes material cost, carriage inward, insurance and purchase related expenses. Cost in respect of work in progress and finished goods are based on works cost.

1.5 DEPRECIATION

Depreciation is charged on straight line method as stipulated under section 205 (2) (b) of the Companies Act, 1956, at the rates specified in schedule XIV, prorata from the quarter of addition / deletion.

1.6 REVENUE RECOGNITION

Company

- a) Sale of manufactured goods is recognized on shipment to customers, and exclusive of excise duty and sales tax.
- b) Sale of goods in case of project business is recognised on shipment to customers.
- c) Erection and commissioning income is recognised as and when the services are performed/completed.
- d) Interest income is recognised based on time proportion basis.
- e) Dividend income is recognised when the right to receive the dividend is established.

Subsidiary

- a) Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the customer. Sales include goods dispatched to customers by partial shipment.
- b) Income from erection and project management services is recognized on work done based on percentage completion or the intrinsic value, reckoned at 97.5% of contract value, the balance 2.5% is recognized as income when the contract is completed.
- c) Income from engineering services rendered is recognized at realizable value based on percentage of work completed.
- d) Liquidated damages in terms of the contract is recognised on crystallization.

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

1.7 FOREIGN CURRENCY TRANSACTIONS

- a) Foreign currency transactions are translated into Indian rupees at the exchange rate prevailing on the date of the transaction.
- b) Monetary foreign currency assets and liabilities outstanding at the end of the year are restated at the exchange rates prevailing on the reporting date. All exchange differences are accounted in the Profit and Loss account.
- c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.
- d) In respect of overseas branches, which are integral foreign operations, financial statements are translated as if the transactions are those of the Company itself.

1.8 TAXES ON INCOME

Provision for tax is made in terms of AS 22 for both current and deferred tax. Provision for current income tax if arises is made at the current tax rates based on assessable income. Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

1.9 BORROWING COST

Interest and other borrowing cost on borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use. Other interest and borrowing cost are charged to Profit & Loss Account.

1.10 CONTINGENT LIABILITIES

Financial effects of contingent liabilities are disclosed based on information available up to the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.11 EMPLOYEES BENEFITS

Long Term Employee Benefits:

- a. Defined Contribution Plans:
The Company has contributed to provident funds, which is defined contribution plan. The contribution paid/ payable under the scheme is recognised during the year in which an employee renders the related service.
- b. Defined Benefit Plans:
Employees gratuity and leave encashment are defined benefit plans. The present value of the obligations under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit & loss account as income or expense. Obligation is measured at present value of estimated future cash flows using a discounted rate that is determined by reference to market yields available on government bonds at the Balance Sheet date with the term that matches to the liabilities.

1.12 IMPAIRMENT OF ASSETS

At each balance sheet date, the management reviews the carrying amount of its asset to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Reversal of impairment loss, if any, is recognised immediately in the profit and loss account.

1.13 ACCOUNTING FOR LEASE

- a) Operating Lease
Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.
- b) Finance Lease and Hire purchase transactions:
Lease rentals are charged to Profit and Loss Account over the period of Lease. Depreciation is provided on the primary period of the lease.

1.14 AMORTISATION OF TECHNICAL KNOW-HOW FEE / LICENCE FEE

Technical Know-how Fees will be amortised over a period of 60 months.

1.15 INVESTMENT

Non-current investments are stated at cost. Provision for diminution if any, in the value of investments is made, to recognise a decline, other than temporary. Current investments are valued at lower of cost or market value.

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013		As at 31.3.2012	
	Number	Rs.	Number	Rs.
2 SHARE CAPITAL				
Authorized:				
Equity shares of Rs.10/- each	35,000,000	350,000,000	35,000,000	350,000,000
		350,000,000		350,000,000
Issued, subscribed and fully paid up:				
Equity shares of Rs.10/- each				
At the beginning of the year	33,237,588	332,375,880	24,370,401	243,704,010
Issued during the year	—	—	8,867,187	88,671,870
At the close of the year	33,237,588	332,375,880	33,237,588	332,375,880
Total		332,375,880		332,375,880

I Other Information:

The Company has only one class of equity shares having par value of Rs.10/- each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

For the period ended March 31, 2013 (March 31, 2012, Rs. 2/-) a dividend per share of Rs. 2/- has been provided for payment to Share holders subject to approval at the Annual General Meeting of the Company.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

II Equity shares include

- a. Shares allotted pursuant to a contract without consideration being received in cash.
Issued to the shareholder of subsidiary company in exchange of 1,700,000 fully paid up equity shares of Rs. 10/- each on October 19, 2010
- b. Shares allotted by way of bonus shares On Capitalisation out of Reserves to an extent of 16,246,934 Equity Shares of Rs. 10/- each on January 11, 2011.

	—	—	—	—
	—	—	—	—

	As at 31.3.2013		As at 31.3.2012	
	Percentage	No. of shares	Percentage	No. of shares
III Particulars of equity share holders holding more than 5% of the total paid-up equity share capital:				
a. Sapphire Finman Services Private Limited	18.13%	6,026,433	18.13%	6,026,433
b. Nikhil Kumar	15.46%	5,138,664	15.46%	5,138,664
c. Hitoshi Matsuo	12.74%	4,235,254	12.74%	4,235,254
d. Sofia M Khericha	6.27%	2,084,100	6.27%	2,084,100
e. Mohib N Khericha	5.56%	1,846,860	5.56%	1,846,860

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013	As at 31.3.2012
	Rs.	Rs.
3 RESERVES AND SURPLUS		
Capital Reserve		
As at the beginning of the year	71,829,215	71,829,215
As at the end of the year	71,829,215	71,829,215
Securities Premium		
As at the beginning of the year	2,050,763,239	8,517,516
Add: On account of issue of shares (IPO) (Net of issue expenses*)	—	2,042,245,723
As at the end of the year	2,050,763,239	2,050,763,239
General Reserve		
As at the beginning of the year	229,913,937	174,228,128
Add: Transferred from Statement of Profit and Loss	39,830,271	55,685,809
As at the end of the year	269,744,208	229,913,937
Surplus i.e. balance in Statement of Profit & Loss		
As at the beginning of the year	1,913,242,283	1,374,774,301
Add: Transferred from Statement of Profit and Loss	417,412,872	671,412,902
Less: Transferred to General Reserve	39,830,281	55,685,809
Proposed dividend	66,475,176	66,475,176
Provision towards dividend distribution tax	8,238,356	10,783,935
As at the end of the year	2,216,111,342	1,913,242,283
Total	4,608,448,004	4,265,748,674
* Issue expense of Rs. 1,39,082,279/- is adjusted to Share Premium Account		
4 LONG TERM BORROWINGS		
Secured Loans		
Term Loans - from Banks	186,028	3,825,755
	186,028	3,825,755
Less: Current maturities of Long Term loans	186,028	3629,027
Net Total long term borrowings	—	196,728
Additional Information:		
Details of security for secured loans		
<i>Term Loans from Bank of Baroda</i>	—	—
Balance of Term Loan from M/s. Bank of Baroda as on March 31. Secured by the First charge on Land, Building, Specific Plant & Machinery, Furniture and Office Equipment, First Charge on all Current Assets of the company and Personal Guarantee of two Directors - Mr. Nikhil Kumar & Mr. Hitoshi Matsuo since waived.		
<i>Vehicle Loans from ICICI Bank</i>	186,028	3,825,755
Secured by specific charge on Motor Vehicles		
Terms of repayment of term loans and others		
Vehicle loans repayable in 35 Equated Monthly Installments with an interest rate of 7.75% (fixed).		

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
5 DEFERRED TAX LIABILITY		
Deferred tax liability		
On account of depreciation on fixed assets	150,708,388	108,428,689
Deferred tax asset		
On account of timing differences in recognition of expenditure	13,828,118	23,222,684
Net Deferred tax liability/(asset)	136,880,270	85,206,005
6 OTHER LONG TERM LIABILITIES		
Advance from Customers	132,668,817	231,795,308
Total	132,668,817	231,795,308
7 LONG TERM PROVISIONS		
Provisions for employee benefits - Leave Encashment	32,970,846	37,705,780
Total	32,970,846	37,705,780
8 SHORT TERM BORROWINGS		
Secured Loans		
Loans repayable on demand		
- from banks	269,932,411	296,297,436
- from others	—	46,335,515
Total	269,932,411	342,632,951
Additional Information:		
Details of security for secured loans		
Balance of Working Capital Loan from M/s. Bank of Baroda as on March 31 – Secured by Hypothecation of Raw Materials, Goods-in-process, Finished Goods and Book Debts and a charge on Fixed assets of the company.	269,932,411	296,297,436
From Bank of Tokyo Mitsubishi UFJ Limited, Tokyo, Japan secured by goods pending shipment	—	46,335,515
Loans repayable on demand		
Terms of repayment of secured loans		
- from banks	269,932,411	296,297,436
Interest at 2% over base rate (floating)		
- from others	—	46,335,515
Interest at 3.10% p.a.		
9 TRADE PAYABLES		
To Micro, Small and Medium Enterprises	3,830,461	35,379,281
Others	1,318,739,340	1,545,441,426
Total	1,322,569,801	1,580,820,707
Additional Information:		
The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:		
1. Principal amount due and remaining unpaid	3,830,461	35,379,281
2. Interest due on (1) above and the unpaid interest	204,682	1,412,207
3. Interest paid on all delayed payments under the MSMED Act	—	—
4. Payment made beyond the appointed day during the year	140,551,124	76,392,399
5. Interest due and payable for the period of delay other than (3) above	5,106,018	3,190,113
6. Interest accrued and remaining unpaid	5,310,700	4,602,320
7. Amount of further interest remaining due and payable in succeeding years	15,810,250	10,499,550

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
10 OTHER CURRENT LIABILITIES		
Current maturities of long term debt	186,028	3,629,027
Outstanding Liabilities	518,622,880	844,357,274
Duties and taxes payable	12,557,402	14,856,607
Trade advance received from customers	232,013,126	261,049,100
Earnest Money Deposit	215,000	215,000
Other liabilities	102,846,104	23,369,610
Total	866,440,540	1,147,476,618
11 SHORT TERM PROVISIONS		
Reserve for Future Contract	616,393,205	719,451,567
Provision for warranties	21,285,310	30,444,551
Provisions for employee benefits - Leave Encashment	4,502,572	3,019,533
Proposed dividend (including dividend distribution tax)	74,713,532	77,259,111
Total	716,894,619	830,174,762

12 FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.4.2012	Additions for the year	Deductions during the year	As at 31.3.2013	As at 01.4.2012	For the year	Deductions	As at 31.3.2013	As at 31.3.2013	As at 31.3.2012
Tangible Assets										
Free Hold Land	205,597,019	43,665,148	—	249,262,167	—	—	—	—	249,262,167	20,559,7019
Buildings	282,406,367	393,424,525	—	675,830,892	40,608,987	15,533,209	—	56,142,196	619,688,696	24,179,7380
Plant & Machinery*	1,017,826,504	360,923,842	4,367,318	1,374,383,028	233,693,334	94,751,205	255,009	328,189,530	1,046,193,498	784,133,170
Office Equipments	19,641,960	1,155,379	—	20,797,339	3,031,179	1,085,200	—	4,116,379	16,680,960	16,610,781
Furniture & Fixtures	17,069,875	3,850,971	—	20,920,846	7,819,439	1,005,753	—	8,825,192	12,095,654	9,250,436
Computers	45,366,592	6,993,910	336,325	52,024,177	25,314,232	6,838,329	320,307	31,832,254	20,191,923	20,052,360
Communication Equipments	1,906,166	26,084	17,400	1,914,850	684,991	87,008	1,447	770,552	1,144,298	1,221,175
Motor Vehicles**	51,130,319	3,285,514	2,219,455	52,196,378	15,095,300	4,928,008	452,254	19,571,054	32,625,324	360,350,19
TOTAL	1,640,944,802	813,325,373	6,940,498	2,447,329,677	326,247,462	124,228,712	1,029,017	449,447,157	1,997,882,520	1,314,697,340
Previous Year	1,367,978,890	278,265,507	5,299,595	1,640,944,802	235,953,073	91,48,3568	1,189,179	326,247,462	1,314,697,340	

* Accumulated depreciation as on 01st April 2004 under Owned Assets includes accumulated depreciation of leased asset also.
 ** Dues w.r.t Motor Vehicles under Hire Purchase Scheme from ICICI Bank Limited amounts to Rs. 186,028 (Previous Year Rs. 3,825,755)

13 CAPITAL WORK-IN-PROGRESS

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
Plant and Machinery	2,764,680	80,125,919
Building under Construction	96,878,259	44,868,648
Land	529,200	1,427,338
Total	100,172,139	126,421,905
Intangible assets under development		
Technical Know-how	61,577,865	—
Total	161,750,004	126,421,905

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
14 NON CURRENT INVESTMENTS		
Details of Investments		
Non-trade Investments (Unquoted)		
Investments in Equity Instruments		
2000 Equity Shares of Rs. 25 each fully paid up in M/s The Shamrao Vithal Co-operative Bank Limited	50,000	50,000
Total	50,000	50,000
Additional Information:		
Aggregate value of Unquoted investments at Cost	50,000	50,000
15 LONG TERM LOANS AND ADVANCES		
Capital advances	238,592,935	347,986,127
Security Deposit	9,139,844	18,850,241
Advance payment of Tax (net of Provisions)	168,181,317	79,664,762
Total	415,914,096	446,501,130
Additional information:		
Breakup of above:	415,914,096	44,6501,130
Unsecured, considered good		
Total	415,914,096	446,501,130
16 INVENTORIES		
Raw materials	231,816,892	235,922,267
Work in progress	269,820,563	570,069,230
Finished goods	13,699,476	6,686,816
Stock in trade	3,263,189	1,000,197
Goods in transit: Raw materials	11,860,803	15,854,653
Total	530,460,923	829,533,163
17 TRADE RECEIVABLES		
Trade receivables exceeding six months	330,129,902	172,955,988
Others	1,447,892,727	2,228,985,373
Total	1,778,022,629	2,401,941,361
Additional information:		
Breakup of above:		
Secured considered good	343,075,941	404,991,779
Unsecured considered good	1,434,946,688	1,996,949,582
Total	1,778,022,629	2,401,941,361
18 CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks		
- on current accounts	221,115,737	302,284,373
- in deposit accounts less than 3 months maturity	—	90,000,000
Cheques, draft on hand	—	—
Cash on hand	506,131	336,634
Other bank balances		
Balances with banks		
- in margin money	88,188,600	91,002,600
- in deposit accounts exceeding 12 months maturity	413,530,000	37,001,000
- in deposit accounts exceeding 3 month but not exceeding 12 months	2,181,276,284	2,501,612,644
Total	2,904,616,752	3,022,237,251

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013	As at 31.3.2012
	Rs.	Rs.
19 SHORT TERM LOANS AND ADVANCES		
Rent Deposit	7,094,395	15,843,103
Balance with Statutory/ Govt authorities	256,113,847	231,459,390
Prepaid Expenses	9,198,178	8,096,592
Trade Advance	193,015,852	323,407,880
Interest accrued on term deposits	122,969,513	102,231,570
Expenditure Tax - Japan Branch	20,945,443	27,367,092
Advance payment of Tax (net of Provisions)	—	—
Others	21,147,034	4,345,636
Total	630,484,262	712,751,263
Additional information:		
Breakup of above: Unsecured considered good	630,484,262	712,751,263
	630,484,262	712,751,263
20 CONTINGENT LIABILITIES AND COMMITMENTS		
(to the extent not provided for)		
Contingent Liabilities		
Claims against the Company not acknowledged as debts	19,711,242	19,711,242
Guarantees	1,433,716,847	1,773,032,538
Letters of credit	107,318,622	241,527,379
<i>The management believes based on internal assessment and / or legal advice that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly no provision for the same is considered necessary.</i>		
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	472,196,698	306,766,388
Corporate Guarantee issued to the bankers of the subsidiary company	5,540,000,000	5,540,000,000
Corporate Guarantee issued on behalf of subsidiary company	—	—
Outstanding Bills discounted under Letter of Credit	24,715,274	—
	For the year ended 31.3.2013	For the year ended 31.3.2012
	Rs.	Rs.
21 REVENUE FROM OPERATIONS		
Sale of Goods		
AC Generators	2,799,966,027	3,680,080,458
AC Motors	49,783,341	39,898,832
AC Generator Spares	293,696,475	577,631,085
Power Business Inland	422,849,911	549,744,960
Power Business Overseas Branch	1,168,570,056	2,016,021,382
Power Business Inland - EPC	1,529,615,179	4,276,464,608
Reserve for Future Contract - Add / (Less)	103,058,362	(110,331,426)
Total	6,367,539,351	11,029,509,899
Sale of services	117,338,875	75,655,430
Other operating revenues	37,799,798	56,012,402
	6,522,678,024	11,161,177,731
Less: Intersegmental sales	384,668,673	483,309,361
Intercompany	—	102,000,000
Excise duty	267,354,524	259,614,845
Total	5,870,654,827	10,316,253,525

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	For the year ended 31.3.2013 Rs.	For the year ended 31.3.2012 Rs.
22 OTHER INCOME		
Interest income on Bank Deposits	262,827,779	208,082,776
Dividend Income		
Long term investments	6,000	6,000
Provision no longer required withdrawn	41,943,945	—
Other non operating income (net of expenses directly attributable to such income)	3,257,386	15,836,158
Total	308,035,110	223,924,934
23 COST OF MATERIALS CONSUMED		
Consumption of raw materials	1,729,205,410	2,709,047,081
Consumption of stores and spare parts	19,214,241	48,756,173
Total	1,748,419,651	2,757,803,254
Consumption of major raw materials		
Copper (wires, strips, rods, sheet etc.)	336,799,699	508,923,364
Steel/Laminations	326,591,000	420,079,666
Shaft Forgings	70,120,104	163,487,581
Others	995,694,607	1,616,556,470
Total	1,729,205,410	2,709,047,081
Purchases for Projects & EPC Business	2,323,211,391	5,430,856,615
24 CHANGES IN INVENTORIES OF FINISHED GOODS WORK IN PROGRESS		
Stocks at the end of the year		
Work in progress: A C Generators	269,820,563	570,069,230
Finished goods: A C Generators	13,699,476	6,686,816
Total	283,520,039	576,756,046
Less: Stocks at the beginning of the year		
Work in progress: A C Generators	570,069,230	502,121,944
Finished goods: A C Generators	6,686,816	47,005,942
Total	576,756,046	549,127,886
Net (Increase) / Decrease in Stock	293,236,007	(27,628,160)
25 EMPLOYEE BENEFIT EXPENSES		
Salaries and wages	359,829,943	369,779,018
Contribution to provident and other funds	37,440,060	36,674,619
Remuneration to whole time directors including contributions	54,241,559	121,962,021
Staff welfare expenses	80,893,658	79,200,789
Total	532,405,220	607,616,447
26 FINANCE COSTS		
Interest expense	34,307,883	65,678,554
Total	34,307,883	65,678,554
27 DEPRECIATION AND AMORTIZATION		
Depreciation	124,228,712	91,483,568
Total	124,228,712	91,483,568

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	For the year ended 31.3.2013 Rs.	For the year ended 31.3.2012 Rs.
28 OTHER EXPENSES		
Power and fuel	61,713,474	75,584,080
Rent	36,102,204	38,002,915
Repairs and maintenance		
- Buildings	3,584,146	13,567,651
- Machinery	14,988,385	23,669,274
- Others	5,933,899	9,306,623
Insurance	7,735,187	6,953,080
Rates and taxes	3,216,738	6,035,848
Payment to the auditors		
- as auditor	2,225,000	2,500,000
- for taxation matters	700,000	700,000
- for other services	345,765	917,000
Selling expenses	40,988,962	113,450,959
Loss on sale of fixed asset (net)	—	858,593
Donations	348,060	288,000
Legal and professional charges	65,257,969	67,474,896
Directors sitting fees	1,119,552	1,080,000
Travelling and Conveyance	119,022,361	124,351,704
Bank Charges	32,870,411	34,688,053
Foreign Exchange Fluctuation	23,814,688	10,131,228
Postage Telegrams and Telephones	12,744,718	10,921,406
Royalty	4,370,987	29,900,235
Software Expenses on ERP	12,720,349	25,647,903
Manufacturing Expenses	9,749,107	9,921,811
Vehicle Maintenance	7,414,266	8,175,009
Advertisement	2,893,434	5,545,028
Printing & Stationary	7,139,720	7,013,227
Subscription to Technical Associations Journals & Magazines	1,553,080	2,010,865
Exchange Flucutation	—	—
Total	478,552,462	628,695,389
29 ADDITIONAL INFORMATION		
Value of Imports calculated on CIF basis:		
Raw Materials	229,636,404	495,070,148
Capital goods	101,419,674	74,315,527
Expenditure in foreign currency: (net of withholding tax)		
Others - On Payment Basis	50,788,509	56,086,793
Capital Equipment Purchased	170,138,160	129,905,968
Value of imported raw materials, spare parts and components consumed		
Amount	196,934,106	448,125,465
Percentage (%) to total	9.65	16.41
Value of indigenous raw materials, spare parts and components consumed		
Amount	1,844,721,552	22,82,049,629
Percentage (%) to total	90.35	83.59
Total Amount	2,041,655,658	2,730,175,094
Total Percentabe	100	100
Details of non-resident shareholdings		
Number of nonresident share holders	51	45
Number of shares held by nonresident shareholders	11,791,174	10,877,713
Earnings in foreign exchange		
Export of goods calculated on FOB basis	1,142,358,570	1,495,366,035
Other Income	93,738	3,362,866

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	For the year ended 31.3.2013 Rs.	For the year ended 31.3.2012 Rs.
30 EARNINGS PER SHARE		
Profit for the year after tax expense	417,412,872	659,412,903
Weighted average number of equity shares	33,237,588	29,409,677
Earning per share	12.56	22.42
31 DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS"		
Defined Contribution Plan		
Employer's Contribution to Provident Fund & Pension Scheme	22,670,581	22,207,219
Employer's Contribution to Superannuation Fund	—	—
Defined Benefit Plan		
The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.		

	Current Year (Rs.)		Previous Year (Rs.)	
	Gratuity (Funded)	Leave (Unfunded)	Gratuity (Funded)	Leave (Unfunded)
<i>Defined Benefit obligation at beginning of the reporting period</i>	23,546,148	39,892,934	18,417,990	30,281,057
Current Service Cost	4,256,372	11,090,223	5,584,152	8,328,280
Interest Cost	1,885,386	2,955,858	1,476,563	2,573,890
Acquisition adjustment	—	—	—	—
Actuarial (gain)/ loss	1,226,634	(7,617,434)	2,083,523	(1,290,293)
Benefits Paid	(1,426,787)	(10,236,301)	(4,016,080)	—
<i>Defined Benefit obligation at end of the reporting period</i>	29,487,753	36,085,280	23,546,148	39,892,934
<i>Obligations at end of the period - Current</i>	3,054,570	4,120,473	2,285,422	2,187,154
<i>Obligations at end of the period - Non-Current</i>	26,433,183	31,964,807	21,260,726	37,705,780
<i>Reconciliation of opening and closing balance of fair value of plan assets:</i>				
Fair value of plan assets at beginning of the reporting period*	31,618,952	—	25,345,035	—
Acquisition adjustment	—	—	—	—
Expected return on plan assets	2,885,134	—	2,200,819	—
Employer Contribution	6,293,472	—	7,941,464	—
Benefits paid	(1,426,787)	—	(4,016,080)	—
Actuarial gain/(loss)	19,743	—	147,714	—
Fair value of plan assets at reporting period	39,390,514	—	31,618,952	—
<i>Reconciliation of fair value of assets and obligations:</i>				
Fair value of plan assets	39,390,514	—	31,618,952	—
Present value of obligation	(29,487,753)	14,723,000	(13,353,416)	9,012,619
Funded assets in excess of obligation of prior years	(9,983,977)	(14,723,000)	(955,424)	(9,012,619)
Amount recognised in Balance Sheet under liabilities:	(81,216)	—	—	—
<i>Expense recognised during the year:</i>				
Current Service Cost	6167,545	11,090,223	5,584,152	8,328,280
Interest Cost	1,885,386	2,955,858	1,476,563	2,573,890
Expected return on plan assets	(2,885,134)	—	(2,200,819)	—
Actuarial (gain)/ loss	1,206,891	(7,617,434)	2,083,523	(1,290,293)
Net Cost	6,374,688	6,428,647	6,943,419	9,611,877

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)
DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS" (contd.)
Actuarial assumptions:

Mortality Table	1994 - 96 (Ultimate)	Indian Assured Lives	1994 - 96 (Ultimate)	1994 - 96 (Ultimate)
		Mortality (2006-08) (modified) ULT		
Discount rate (per annum)	8.00%	8.20%	8.00%	8.50%
Expected rate of return on plan assets (per annum)	8.00%	NA	8.00%	NA
Rate of escalation in salary (per annum)	7.00%	7.00%	7.00%	8.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the actuary.

32 SEGMENT REPORTING

The company's operation comprises of Manufacturing business & Project Business. Primary segmental reporting comprises of Manufacturing Business & Project Business Segments. Secondary Segmental reporting is based on geographical location of Activities. Under primary segment revenue and direct expenses, which relate to a particular segment and which are identifiable, are reported under that segment

Certain expenses, which are not allocable to any specific segment, are separately disclosed at the enterprise level. Cash and bank balances in India are reported at the enterprise level as the company operates common bank accounts. Fixed assets, Liabilities, Current assets and Current liabilities relating to specific business segments are identified and reported. Those that are not identifiable are reported as common items.

Secondary segment is reported based on the geographical location of the company, viz., India, Japan and Hongkong. Revenues in the secondary segment are based on the sales made by the branch office. Inter-segmental purchases & sales are separately identified and reported. Fixed assets, Current Assets including Cash and Bank accounts, and Current Liabilities are identified based on the branch office to which they relate and are reported accordingly.

	Current Year (Amount in Rupees)				
	Primary Segment			Common	Total
	Manufacturing	Project Business	EPC		
Segment Revenues					
External Revenues	2,940,284,566	1,682,365,393	1,632,673,541	—	6,255,323,500
Intersegment revenues	(384,668,673)	—	—	—	(384,668,673)
Intercompany	—	—	—	—	—
Total	2,555,615,893	1,682,365,393	1,632,673,541	—	5,870,654,827
Segment Results					
Profit Before Taxation and Interest	320,622,296	144,204,861	59,812,838	(29,809,897)	494,830,098
Less: Interest	34,058,411	60,859	158,358	30,254	34,307,883
Less: Depreciation & Amortizations	121,523,693	722,474	1,690,217	292,327	124,228,710
Total	165,040,192	143,421,528	57,964,263	(30,132,478)	336,293,505
Unallocable Expenditure					
Unallocable & Other Income (including Extraordinary items)	126,054,872	15,000,486	3,990,400	162,989,347	308,035,106
Less: Tax	181,722,139	—	—	45,193,602	226,915,741
Total Profit	109,372,925	158,422,014	61,954,663	87,663,268	417,412,870

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

SEGMENT REPORTING (contd.)

	Previous Year (Amount in Rupees)				
	Primary Segment			Common	Total
	Manufacturing	Project Business	EPC		
Segment Revenues					
External Revenues	4,114,591,607	2,620,838,097	4,166,133,182	—	10,901,562,886
Intersegment revenues	(483,309,361)	—	—	—	(483,309,361)
Intercompany	(102,000,000)	—	—	—	(102,000,000)
Total	3,529,282,246	2,620,838,097	4,166,133,182	—	10,316,253,525
Segment Results					
Profit Before Taxation and Interest	558,651,409	131,263,557	283,807,028	(54,812,013)	918,909,981
Less: Interest	65,260,838	335,776	—	81,941	65,678,555
Less: Depreciation & Amortizations	89,216,913	550,349	1,497,061	219,245	91,483,568
Total	404,173,658	130,377,432	282,309,967	(55,113,199)	761,747,857
Unallocable & Other Income (including Extraordinary items)	48,556,230	131,15,498	—	162,253,205	223,924,933
Less: Tax	240,077,332	—	—	86,182,557	326,259,889
Total Profit	212,652,556	143,492,931	282,309,967	20,957,448	659,412,902
Segment Assets - Current Year	4,015,692,037	636,135,218	720,861,566	2,884,692,362	8,257,381,183
Previous Year (2011-2012)	3,659,163,925	839,248,943	1,239,481,532	2,989,767,108	8,727,661,508
Segment Liabilities - Current Year	1,324,765,199	454,957,606	1,254,651,582	37,170,238	3,071,544,625
Previous Year (2011-2012)	1,250,164,798	688,265,872	1,717,949,177	171,593,328	3,827,973,175
Capital Expenditure (Net of disposal) - Current Year	801,989,859	1,238,672	3,156,344	—	806,384,875
Previous Year (2011-2012)	270,138,900	1,430,497	1,396,514	—	272,965,911

Geographical Segment

(Amount in Rupees)

	Segment revenue by geographical Market	
	Current Year	Previous Year
Sales of India	4,409,433,115	8,885,541,504
Sales of overseas	1,845,890,385	2,016,021,382
Less: Inter-segmental sales	(384,668,673)	(483,309,361)
Less: Inter-company	—	(102,000,000)
Total	5,870,654,827	10,316,253,525

Carrying amounts of geographical assets & additions to tangible & intangible fixed assets:

	Carrying amounts of segment assets (Amount in Rupees)		Additions to fixed assets & Intangible assets (Amount in Rupees)	
	As at 31.3.2013	As at 31.3.2012	As at 31.3.2013	As at 31.3.2012
Located in India	7,577,641,942	8,164,350,711	805,146,204	272,607,240
Located outside India	679,739,242	563,310,797	1,238,671	1,430,497
Total	8,257,381,183	8,727,661,508	806,384,875	274,037,737

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)
33 RELATED PARTIES DISCLOSURE

Name of the related party	Relationship
Nikhil Kumar	Key management personnel and their Relatives
Hitoshi Matsuo	Key management personnel and their Relatives
Tadao Kuwashima	Key management personnel and their Relatives
Mohib Khericha	Key management personnel and their Relatives
G S Raju	Key management personnel and their Relatives
Pavan Ganapati Raju	Key management personnel and their Relatives

(Amount in Rupees)

Nature of transactions	Subsidiary	Key management personnel and their Relatives		Enterprises over which key management personnel and their relatives are able to exercise significant influence
		2013	2012	
Directors Remuneration and Commission				
Nikhil Kumar	—	28,183,169	(75,198,484)	
Hitoshi Matsuo	—	15,709,590	(35,865,937)	
Tadao Kuwashima	—	10,348,800	(10,897,600)	
CEO Remuneration				
G S Raju	—	9,103,502	(5,926,593)	
Directors Sitting fees				
Mohib Khericha	—	360,000	(380,000)	
Hitoshi Matsuo	—	120,000	(80,000)	
Lease Rent Paid				
Mohib N. Khericha	—	2,700,000	(2,400,000)	
Rent Paid (including service tax)				
G S Raju	—	157,500	Nil	
Pavan Ganapati Raju	—	168,900	Nil	

34 OPERATING LEASES

The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are Rs. 36,102,204/- (Previous year Rs.38,002,915/-).

35 WARRANTY CLAIMS AND COMPENSATED LEAVE ENCASHMENT

During the year, the Company has made provisions towards Warranty claims and Compensated Leave Encashment. The details of the same are as under:

	(Amount in Rupees)	
	Warranty claims	Compensated Leave
Balance outstanding at the beginning of the year	30,444,551	—
Provision for the year	—	1,306,922
Utilized during the year	—	—
Withdrawn and credited to Statement of Profit and Loss	9,159,241	—
Balance outstanding at the end of the year	21,285,310	1,306,922

SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (contd.)

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
36 FOREIGN CURRENCY EXPOSURES		
Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at end of the reporting period is as follows:		
Assets (Receivables)	573,192,383	651,179,717
Liabilities (Payables)	373,692,945	487,007,454
37 THE DISCLOSURE AS PER REVISED AS-7 IN RESPECT OF CONTRACTS IN PROGRESS AT THE END OF YEAR		
Contract revenue	13,530,867,604	11,202,134,359
Cost incurred	12,234,619,290	10,785,326,493
Recognised profit (Less recognized losses)	1,296,248,314	416,807,866
Amount of advance received	176,545,932	263,785,586
Amount of retentions (Deferred debts)	353,565,584	656,223,311
In respect of dues from customer after appropriate netting off		
a) Gross amount due from customer for contract work as an asset	135,553,422	370,944,645
b) Gross amount due to customer for contract work as liability	—	—
Contingencies	Nil	Nil
38 Previous Year figures have been regrouped wherever required in conformity with the presentation for the current reporting period.		

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Disclosure of information relating to subsidiaries as required by the Central Government under Section 212(8) of Companies Act, 1956.

Sl. No.	Particulars	Subsidiaries			
		DF Power Systems Private Limited		TD Power Systems (USA) Inc.	
		March 31, 2013 (Rs.)	March 31, 2012 (Rs.)	March 31, 2013 (Rs.)	March 31, 2013 (US Dollar)
(a)	Share capital	60,000,000	60,000,000	55,64,495	101,000
(b)	Reserves	451,734,888	380,352,737	(1,427,808)	(25,253)
(c)	Total Assets	1,824,615,808	2,287,602,881	4,136,687	75,847
(d)	Total Liabilities	1,824,615,808	2,287,602,882	4,136,687	75,847
(e)	Details of Investment	—	—	—	—
(f)	Turnover	1,724,950,086	4,268,369,599	—	—
(g)	Profit/(Loss) before taxation	137,634,853	259,413,998	(1,427,808)	(25,253)
(h)	Provision for taxation	45,193,602	86,182,557	—	—
(l)	Profit/(Loss) after taxation	92,441,251	173,231,441	(1,427,808)	(25,253)
(j)	Proposed dividend	18,000,000	30,000,000	—	—

Note:

1. The financial Statements of subsidiaries whose reporting currency are other than INR are converted into Indian Rupees at closing exchange rates in respect of Assets Liabilities and at daily average rate in respect of revenue items.
2. The accounts of the overseas subsidiary has been prepared under Indian GAAP and consolidated in terms of AS21 issued by the Institute of Chartered Accountants of India.

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NEW FACILITIES...



Unit 2, Shop 2 for manufacture of generators below 15 MW



TD POWER SYSTEMS LIMITED

Regd. Office & Plant

27, 28 & 29, KIADB Industrial Area

Dabaspeta, Nelamangala Taluk

Bangalore-562 111, India