
Eighteenth
ANNUAL REPORT
1999-2000

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ALFA TRANSFORMERS LIMITED



Board of Directors

Dillip Kumar Das

Chairman & Managing Director

Deepak Kumar Das

Director (Finance)

S.K. Nanda

Director

Manmohan Das

Director

S.K. Patnaik

Director

R.N. Day

Nominee of The Orissa State

Financial Corporation

SECRETARIAL CONSULTANTS

Harison Associates

128A, Sahid Nagar, Bhubaneswar

BANKERS

State Bank of India,

Commercial Branch

IDCOL House (Ground Floor)

Unit-II, Ashok Nagar

Bhubaneswar - 751 001

Dist. : Khurda (Orissa)

AUDITORS

A.K. Sabat & Co.

A/348, Sahid Nagar,

Bhubaneswar - 751 007

REGISTERED OFFICE AND FACTORY

Plot No. 3337, Mancheswar Industrial Estate

Bhubaneswar - 751 010

REGISTRAR & SHARE TRANSFER AGENT

Computech International Ltd.

77/2A, Hazra Road, 5th Floor

Calcutta - 700 029



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NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Company will be held at Plot No. 3337, Mancheswar Industrial Estate, Bhubaneswar -10 on 22.09.2000 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as on 31st March 2000, the profit and loss account for the year ended on that date and the reports of the auditors and directors thereon.
2. To appoint a director in the place of Sri Santosh Kumar Patnaik who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in the place of Sri Manmohan Das who retires by rotation and being eligible offers himself for reappointment.
4. To appoint auditors who shall hold office from the conclusion of this Annual General Meeting till the conclusion of the Next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, pass with or without modification, the following resolution as a Special Resolution.
"Resolved that the consent of the company be and is hereby accorded to alter the Articles of Association of the Company pursuant to Section 31 of the Companies Act, 1956 by inserting Clause 9(A), 17(A) and 40(h), making provisions for dematerialised holding and trading of shares by the members as given below":

- 9(A) Every person holding equity shares in the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company.
- 17(A) The provisions for distinctive numbers and Share Certificate Number distinguishing each share by its Number shall not be applicable to equity shares held in the dematerialised mode.
- 40(A) Nothing contained in Sub-Clause(b) shall apply to transfer of security effected by the transferer and the transferee both of whom are entered as beneficial owner in the records of a Depository.

By Order of the Board.

Sd/-

Deepak Kumar Das
Director

Place : Bhubaneswar

Date : 29.07.2000

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the company.
2. The instrument appointing a proxy should be lodged with the Company, atleast 48 hours before the time fixed for the commencement of the Meeting.
3. The Register of members and Share Transfer Books will remain closed from 16.09.2000 to 22.09.2000 (both days inclusive) in terms of provisions of Section 154 of the Companies Act, 1956.
4. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the company to keep the information ready.
5. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
6. Members are requested to notify any change in their address immediately to Computech International Ltd., 77/2A, Hazra Road, 4th Floor, Calcutta-700 029, the Registrar and share transfer agent of the Company.

EXPLANATORY STATEMENT

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

ITEM NO. 5

Your Company has been included among the scrips for compulsory dematerialised trading by all class of investors from the 27th November 2000, as notified by SEBI vide its circular dated 29th May, 2000. Your Directors are taking all necessary steps to enlist the equity shares in both the depositories, i.e. CDSL and NSDL at the earliest possible time.

Dematerialised trading is governed by the Depository Act, 1996, which has also brought about necessary amendments in the Companies Act, 1956 for holding and trading all shares in the electronic mode. Section 9(1) of the Depository Act 1996 provides that all securities held by a depository shall be dematerialised and shall be in a fungible form. Accordingly, the required clauses are being inserted in the given resolution so as to enable dematerialised trading to be carried out by the members.

Your Directors recommend that the resolution be passed.

None of the Directors are interested in the said resolution.



REPORT OF THE DIRECTORS TO SHAREHOLDERS

Your Directors have pleasure in presenting their Eighteenth Annual Report together with the audited accounts for the year ended 31st March 2000.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	1999-2000	1998-1999
Gross Sales	633.29	704.59
Other income	91.27	126.35
Profit (Loss) before interest and depreciation	54.40	58.39
Interest	55.68	64.93
Depreciation	13.89	13.72
Profit before taxes	(15.17)	(20.27)
Provision for taxation	0.37	NIL
Profit after tax	(15.54)	(20.27)

OPERATIONS

The operations of the Company during the period has been adversely affected by the Super Cyclone during October 1999. Damages sustained on raw materials and loss of production had tightened the liquidity status of the company in the aftermath of the cyclone. Lack of finances from banks also affected the production plans, thus, reducing the turnover during the financial year 1999-2000.

FUTURE PROSPECTS

Your Directors have pleasure in informing you that your company has received increased export orders during the first half of the financial year 2000-2001 amounting to Rs 2.6 crores compared to annual exports of Rs 1.6 crores during the previous year. Your Directors are hopeful that if the Government addresses the power reforms effectively, The same shall provide the much required impetus to the growth of the transformer industry.

SHARES DEMATERIALISATION

Your Directors have pleasure in informing that Equity Shares of the Company shall be shortly available for trading in the dematerialisation mode Your Company has been included among the scrips for compulsory dematerialised trading by all class of investors from the 27th November 2000, as notified by SEBI vide its Circular dated 29th May 2000. Your Directors are taking all necessary steps to enlist the Equity Shares in both the depositories i.e. CDSL & NSDL at the earliest possible time.

AUDITORS OBSERVATION

Replies to the comments of the Statutory Auditors of the Company as required under Section 217 of the Companies Act, 1956 are contained in the Addendum to the Directors' Report.

DIRECTORS

Shri Manmohan Das and Shri Santosh Kumar Patnaik, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

LISTING

The Company is currently listed in the Bhubaneswar Stock Exchange, the Mumbai Stock Exchange and the Calcutta Stock Exchange.

**AUDITORS**

M/S A.K. Sabat & Co., Chartered Accountants, Bhubaneswar retire at the ensuing Annual General Meeting and have given their consent for re-appointment. The Company has received a certificate from them to the effect that appointment if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

TECHNOLOGY ABSORPTION, ENERGY CONSERVATION, FOREIGN EXCHANGE EARNING AND OUTGO

The Additional particulars as required by the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are contained in annexure "A" to this report.

PARTICULARS OF EMPLOYEES

None of the employees of the Company has been in receipt of remuneration exceeding the amounts envisaged by Section 217 (2A) of the Companies Act, 1956.

Y2K COMPLIANCE

Your Directors wish to state that the Company had a very smooth transition to the year 2000 without being affected by the Y2K problem.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the valuable assistance and support received from State Bank of India, OSFC and IPICOL during the year under review.

Your Directors also wish to acknowledge the dedicated and sincere efforts put in by all the employees of the Company.

FOR AND ON BEHALF OF THE BOARD

DILLIP KUMAR DAS

(CHAIRMAN)

Place : Bhubaneswar

Dated : 29.7.2000

ANNEXURE "A" TO THE DIRECTORS' REPORT

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the period ended 31st March 2000.

A.	Conservation of Energy	:	Nothing to Report
B.	Technology Absorption	:	Nothing to Report
C.	Foreign Exchange Earnings and outgo	:	Nothing to Report
	Activities relating to exports, development of new export markets for products and services and export plan.		
	Total Foreign Exchange used and earned	:	Expenditure: Rs.12.63 lakhs
		:	Earning-Rs. 143.82 lakhs

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

DILLIP KUMAR DAS

(CHAIRMAN)

Bhubaneswar

Date : 29.7.2000



ADDENDUM TO THE DIRECTOR'S REPORT

(Replies to comments of Statutory Auditors)

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Para 1 (XVII)
Provident Fund and Employees State Insurance dues have not been deposited within the prescribed statutory time limits during the year with the appropriate authorities.</p> | <p>The Provident Fund and Employees State Insurance dues have since been deposited with the appropriate authorities.</p> |
| <p>2. Para 2.4.1
Inclusion of element of MODVAT paid on purchase of raw materials and components for the purpose of valuation of inventories has resulted in lower loss of 1.37 lakhs for the year.</p> | <p>This method of valuation is in line with principles enunciated under Section 145A of the Income Tax Act. However, in accordance with accounting standard (AS2) the valuation policy is being changed from the financial year 2000-2001.</p> |
| <p>3. Para 2.4.2
No Provision has been created for leave salary on actuarial valuation</p> | <p>Provision amounting to Rs. 42,853/- has been made based on unavailed leave balance as per actual basis. Actuarial valuation shall be taken up after examining its feasibility of implementation.</p> |
| <p>4. Para 2.5 (a)
Liquidated damages amounting to Rs.25.86 lakhs has not been provided pending settlement with the parties.</p> | <p>The Amount is not acknowledged as debt. The same are considered as contingent liability in terms of accounting policy 1 (i)</p> |
| <p>5. Para 2.5 (b)
Non-creation of provision pertaining to intercorporate deposit along with accrued interest therein amounting to Rs. 13.34 lakhs being doubtful of recovery.</p> | <p>The Company has initiated legal action for recovery of the amounts due and is hopeful of recovery of the amount.</p> |



AUDITORS' REPORT

To

The Members
Alfa Transformers Limited

We have audited the attached Balance Sheet of ALFA TRANSFORMERS LIMITED as at 31st March, 2000 and the annexed Profit & Loss Account for the year ended on that date and we report as follows :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board and on the basis of such checks as considered appropriate we enclose in the Annexure a statement on the matters specified in the said Order.
2. Further to our comments in the Annexure referred in Paragraph 1 above, we report that :
 - 2.1. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of audit.
 - 2.2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - 2.3. The Balance Sheet and the Profit & Loss Account dealt with by this report, are in agreement with the books of account.
 - 2.4. In our opinion, the Profit & Loss Account and the Balance Sheet have been drawn up in accordance with Accounting Standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956 except:
 - 2.4.1 Inclusion of element of MODVAT paid on purchase of raw materials and components, for the purpose of valuation of inventories (AS-2) (Refer Note No. 7 of Schedule 15), which has resulted in a lower loss of Rs. 1.37 lakhs for the year.
 - 2.4.2 Non creation of provision for leave salary on actuarial valuation (AS-15).
 - 2.5. (a) Liquidated damages amounting to Rs. 25.86 lakhs has not been provided pending settlement with the parties (Refer Note No. 4(ii) of the Schedule 15).
 - (b) Non creation of provision pertaining to Inter Corporate Deposit along with accrued interest thereon amounting to Rs. 13.34 lakhs being doubtful of recovery (Refer Paragraph 1(ix) above).
 - (c) Valuation of inventory including the element of MODVAT paid on purchase of raw materials and components as against the procedure of excluding the same from valuation of inventory required under Accounting Standard 2 issued by Institute of Chartered Accountants of India, resulting in a lower loss of Rs. 1.37 lakhs for the year. (Refer Paragraph 2.41 above).
 - (d) Non creation of any provision for possible loss pertaining to damaged Raw Materials and Semi Finished Goods pending ascertainment of usability and cost of repairs of such materials. (Refer Note No. 8 of Schedule 15).

Without considering item 2.5(d) above, the effect of which could not be determined had the observations made by us in 2.5(a), 2.5(b) and 2.5(c) above been considered, the loss for the year would have been Rs. 56.11 lakhs as against the reported loss of Rs. 15.54 lakhs; carry forward loss would have been Rs. 96.24 lakhs as against Rs. 55.67 lakhs; Sundry Debtors, Loans & Advances and Inventories as on 31.3.2000 would have been Rs. 224.65 lakhs, Rs. 137.98 lakhs & Rs. 328.91 lakhs respectively; Inventories as on 1.4.99 would have been Rs.413.95 lakhs and Contingent Liabilities as on 31.3.2000 would have been Rs. 301.18 lakhs.



2.6. The said accounts, in our opinion and to the best of our information and according to the explanations given to us, subject to Paragraph 2.5 above and read with accounting policies and notes appearing in Schedule 15 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

(i) in the case of Balance Sheet of the state of affairs of the Company as at 31st Marh., 2000

and

(ii) in the case of Profit and Loss Account, of the LOSS of the Company for the year ended on that date.

FOR A.K. SABAT & CO.
CHARTERED ACCOUNTANTS

Bhubaneswar
Date : 28.06.2000

(S. CHAND)
PARTNER

ANNEXURE TO THE AUDITORS REPORT

REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets which have been physically verified by the Management at reasonable intervals and no discrepancies were noticed on such verification.
- (ii) The Fixed Assets have been revalued during the previous year by an external valuer and the accounting effect thereof has been given - Refer Note No. 1(B)(ii), 1(C)(ii), 1C(vi) and 5 of Schedule 15.
- (iii) The stock of finished goods, stores, spare parts, raw materials and components have been physically verified by the Management at reasonable intervals.
- (iv) The procedures followed by the Management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (v) The discrepancies noticed on physical verification of stocks as compared to the book records were not material and have been properly dealt in with the books of accounts.
- (vi) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and the basis of valuation is same as in the preceding year.
- (vii) The Company has not taken any loans from Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act or from Companies under the same management as defined in Section 370 (IB) of the Companies Act, 1956 except a loan from a Company under the same management and in which Directors are interested where the terms are not prima facie prejudicial to the interest of the Company.
- (viii) The Company has not granted any loans to Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to Companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
- (ix) The parties including employees to whom loans and advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable except in case of one intercorporate deposit where principal of Rs. 7,22,833/- and interest of Rs.6,11,027/- remain unpaid and no provision made there against as referred in Note No.4(iii) of Schedule 15.



- (x) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
- (xi) In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of Companies Act, 1956 and aggregating during the year Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market price for such goods, materials or services as available with the Company or the prices at which transactions for similar goods as services have been made with other parties.
- (xii) As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials, components and finished goods and adequate provision has been made in the accounts for the loss arising on the items so determined.
- (xiii) The Company has not accepted deposits from the public and as such, the provisions of Section 58A of the Companies Act, 1956 and rules framed thereunder have no application to the Company.
- (xiv) In our opinion, the Company has maintained reasonable records for the sale and disposal of scrap. The Company does not have any by-product.
- (xv) In our opinion, the Company has an internal audit system which is commensurate with its size and nature of its business.
- (xvi) We are informed that maintenance of cost records has not been prescribed by the Central Government under Section 209(1) of the Companies Act, 1956 in respect of the products manufactured by the Company.
- (xvii) According to the records of the Company as examined by us, Provident Fund and Employees State Insurance dues have not been deposited within prescribed statutory time limits during the year with the appropriate authorities.
- (xviii) There are no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at 31st March, 2000 which are outstanding for a period of more than six months from the date they became payable.
- (xix) In our opinion and according to the information and explanations given to us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (xx) The Company is not a sick Industrial Company within the meaning of clause (0) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (xxi) In respect of its service activities as explained to us :
- The Company has a reasonable system of recording receipts, issue and consumption of materials and stores commensurate with its size and nature of its business
 - The Company has a system which provides for reasonable allocation of materials and man-hours to the relative jobs commensurate with its size and nature of its business.
 - There is a reasonable system for authorisation at proper levels and adequate system of internal control commensurate with the size of the Company and the nature of its business on issue of stores and allocation of stores from labour to jobs.

FOR A.K. SABAT & CO.
CHARTERED ACCOUNTANTS

(S. CHAND)
PARTNER

Bhubaneswar
Date : 28.06.2000