

Nineteenth Annual Report
2000-2001

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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

B.N.R. Patnaik
Director
Nominee of IPICOL

R.N. Dey
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 19th Annual General Meeting of the Company will be held at Plot No. 3337, Mancheswar Industrial Estate, Bhubaneswar -10 on Saturday, the 22nd day of September 2001 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 2001, 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 S. K. Nanda, who retires by rotation and being eligible offers himself for reappointment.
3. 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.

By Order of the Board.

Sd/-

Deepak Kumar Das
Director

Place : Bhubaneswar
Date : 27.07.2001

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. 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 15th September 2001 to 22nd September 2001 (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.

REPORT OF THE DIRECTORS TO SHAREHOLDERS

Your Directors have pleasure in presenting their Nineteenth Annual Report together with the audited accounts for the year ended 31st March 2001.

FINANCIAL RESULTS

	(Rs. In lakhs)	
	2000-2001	1999-2000
Sales & Other income	677.34	724.57
Less : Expenditure	635.97	671.35
Profit before interest & depreciation	41.37	53.22
Interest	49.02	55.69
Depreciation	14.11	13.89
Profit before taxes	(21.77)	(16.36)
Provision for taxation	—	0.37
Profit after tax	(24.34)	(15.54)



FINANCIAL PERFORMANCE

During the year under review, the volume of sales has increased to 866 finished transformers compared to 662 in the previous year. However, your company has been affected by the phenomenon of low realisation values and declining margins prevailing in the Transformer Industry, resulting in a decline in the gross profits. Most of the transformer manufacturers have been adversely affected by the poor financial conditions of the State Electricity Boards resulting in delayed realisation of the dues and consequent losses.

In order to improve the overall profitability, your Directors have decided to focus on the repairs and maintenance sector of the Transformer industry, which offers better margins compared to the manufacturing activity. Your Directors have also decided to shift the marketing efforts from the domestic market to the export markets. Sustained efforts in promoting the exports have started showing results, and your company has been able to bag export orders worth over USD 330000 in the current financial year.

Your Directors are hopeful that the shift in the strategy of the company will result in improved performance during the current financial year.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors wish to state as follows :

1. In the preparation of the annual accounts, the applicable accounting standards had been followed, along with proper explanation relating to material departures.
2. The directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year.
3. 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.
4. The Directors have prepared annual accounts on going concern basis.

DIVIDEND

In view of absence of profits, your Board regrets its inability to recommend any dividend.

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

Mr. S.K. Nanda, Directors retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

Mr. S.K. Patnaik resigned as a director with effect from 30th October 2000.

Mr. B.N.R. Patnaik has been appointed as a nominee director of IPICOL with effect from 22nd September 2000.

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

Details regarding Technology absorption, Energy conservation, Foreign exchange earnings and outgo are given separately in Annexure-A to the report.

PERSONNEL

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.

CORPORATE GOVERNANCE

As per the schedule of Implementation of the code of Corporate Governance issued by SEBI and Clause 49 of the Listing Agreement, your company is required to implement the code by the financial year ending 31st March 2003. Your Directors have already initiated the process of compliance with the Corporate Governance Code and are confident of implementing it within the deadlines set by the Listing Agreement.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the co-operation received from State Bank of India, IPICOL and Orissa State Financial Corporation, Cuttack.

Your Directors also wish to place on record their appreciation of co-operation from the employees at all levels.

FOR AND ON BEHALF OF THE BOARD

Place : Bhubaneswar
Dated : 27.7.2001

DILLIP KUMAR DAS
(CHAIRMAN)

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 2001.

A.	Conservation of Energy	:	Nothing to Report
B.	Technology Absorption	:	Nothing to Report
C.	Foreign Exchange Earnings and outgo	:	
	Total Foreign Exchange used and earned	:	Expenditure : Rs.0.36 lakhs
		:	Earning : Rs.63.88 lakhs

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Bhubaneswar
Date : 27.7.2001

DILLIP KUMAR DAS
(CHAIRMAN)



ADDENDUM TO THE DIRECTOR'S REPORT

(Replies to comments of Statutory Auditors)

- | | |
|---|--|
| <p>1. Para 2.4.2
 Provision for leave salary has been created on estimate basis but not actuarially as envisaged in Accounting Standard (AS-15).</p> | <p>Provision amounting to Rs. 47,253/- 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>2. Para 2.6 (a)
 Liquidated damages amounting to Rs. 25.86 lakhs has not been provided pending settlement with the parties.</p> | <p>The same are considered as contingent liability in terms of accounting policy J.</p> |
| <p>3. Para 2.6 (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 filed a suit against the party and your Directors do not consider the amount as doubtful of recovery. Provision, if needed will be made, based on the outcome of the case, in the subsequent years.</p> |
| <p>4. Para 2.6 (c)
 In absence of availability of any Balance Sheet of Taloja Conductors Pvt. Ltd. auditors are unable to opine on the diminution if any, in the value of investments of Rs.150000/- made by the company.</p> | <p>The concerned Company has been requested to furnish the Balance Sheet as soon as it is ready.</p> |



AUDITORS' REPORT

To

The Members
Alfa Transformers Limited

We have examined the attached Balance Sheet of ALFA TRANSFORMERS LIMITED as at 31st March, 2001 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 Balance Sheet and the Profit & Loss Account 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 Creation of provision for leave salary on estimate basis but not actuarially as envisaged in Accounting Standard (AS-15) issued by the Institute of Chartered Accountants of India. (Refer Accounting Policy I(I) of Schedule 15).
 - 2.5. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2001 from being appointed as a director in terms of Clause (g) of Sub-Section (I) of Section 274 of the Companies Act, 1956.
 - 2.6. (a) Liquidated damages and other recoveries deducted in earlier year by S. Debtors amounting to Rs. 25.86 lakhs has not been provided pending settlement with the parties (Refer Note No. 4(ii) (a) & (b) of 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 Note No. 4(iii) of Schedule 15).
 - (c) In absence of availability of any Balance Sheet of Talaja Conductors Pvt. Ltd. We are unable to opine on the diminution if any, in the value of investments of Rs. 1,50,000/- made by the Company.

Without considering the effect of 2.4.1 and 2.6(c) above, the effect of which are not ascertained and considering 2.6 (a) & 2.6 (b), the loss for the year would have been the same Rs. 24.34 lakhs as reported (excluding Rs. 39.20 lakhs already reported in earlier years); carry forward loss would have been Rs. 119.21 lakhs as against Rs. 80.01 lakhs; S. Debtors and Loans & Advances as on 31.03.2001 would have been Rs. 215.87 lakhs & Rs. 69.73 lakhs respectively and Contingent Liabilities would have been Rs. 276.71 lakhs.
- 2.7. 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, 2001

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 : 25.06.2001

(A.K. SABAT)
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 during the year and no discrepancies were noticed on such verification.
- (ii) The Fixed Assets have been revalued during the previous year ended 31st March 1999 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 except for the exclusion of CENVAT from the definition of cost & inclusion of excise duty payable on complete manufacture of Finished goods in cost. (Refer Note No. 5(a) & 5(b) of Schedule 15).
- (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.
- (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
 - (a) one intercorporate deposit where principal amount 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 and
 - (b) advances of Rs. 4.01 lakhs given to Noble Conductors Limited for which no terms and conditions of recovery has been stipulated and for which adequate provision has been made in the books of accounts.



- (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 generally 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, 2001 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 practices.
- (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 :
- (a) 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
 - (b) 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.
 - (c) 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

(A.K. SABAT)
PARTNER

Bhubaneswar
Date : 25.06.2001