

ANNUAL REPORT '97

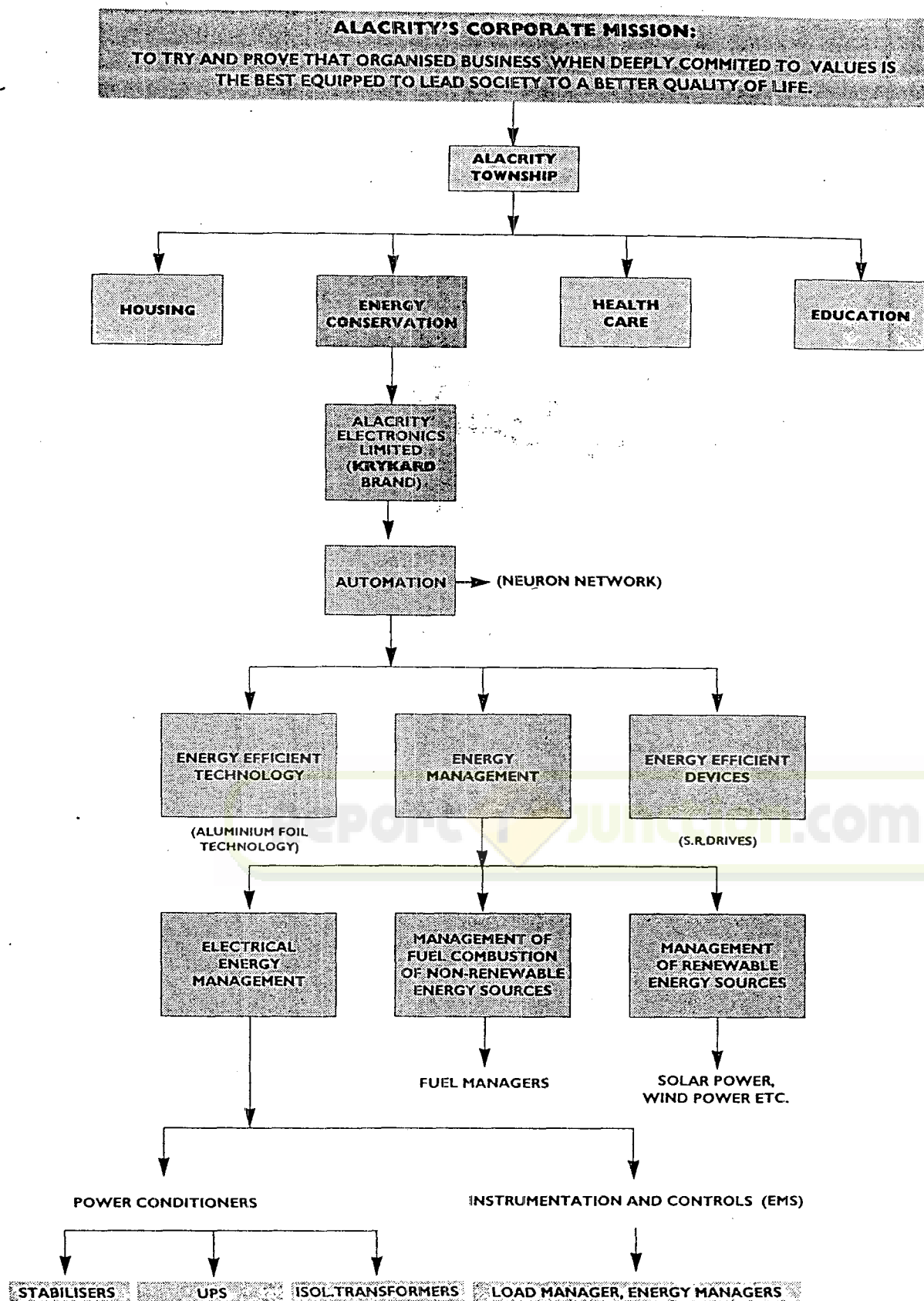


REPORT
MAKING ENERGY
MANAGEMENT PAY-
THE ALACRITY WAY

ALACRITY

ELECTRONICS LIMITED

MD	<input checked="" type="checkbox"/>	BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>	DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>	DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>	AC	<input checked="" type="checkbox"/>
ACM	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



Board of Directors

AMOL KARNAD Chairman
 DILIP D. DHARMASTHAL Managing Director
 VIJAY NAGASWAMI Director
 GIRISH PUNJA Director
 T. A. SUBRAMANIAN Additional Director

Top Management Team

N. JAYA PRAKASH Senior Vice President (R & D)
 KANAGARAJ ALEXANDER Vice President (Technology Development)
 VIJAY KUMTA Vice President (Marketing)
 R. CHANDRASEKHAR Vice President (Product Development)
 A.S. DINESH Senior Vice President (Control)

Company Secretary

RAJI N

Bankers

UNION BANK OF INDIA

Auditor

RAJAN VERGHESE CHACKO Chartered Accountant Chennai.

Registered Office

'ATANDRA', 15, Thirumalai Road, T.Nagar, Chennai 600 017

Factory

49&50, Ranganathan Street, Karapakkam, Chennai - 600 096.

CONTENTS

3	17
Notice	Profit and Loss Account
5	18
Directors' Report	Schedules to the Balance Sheet
12	22
Auditor's Report	Schedules to the Profit and Loss Account
14	26
Accounting Policies	Notes on Accounts
16	31
Balance Sheet	Balance Sheet Abstract and Company's General Business Profile
33	
Cash Flow Statement	

Branches

BANGALORE

No.85, 6th Main Road, Between 9th & 11th Cross, Malleswaram,
Bangalore - 560 003.

BARODA

No 16, Raj Nagar, Duplex Behind Arunachal, Next to Samata
Apartments, Subhanpura, Baroda - 390 007

CHENNAI

No. 12-B Valmiki Street, T.Nagar, Chennai - 600 017

COCHIN

G- 142, Panampilly Nagar, Cochin - 682 036

COIMBATORE

196, Ambika Layout, New Siddapudhur, Coimbatore - 641 044

MUMBAI

E-2/202, Mahi-Building, Lokgram, Kalyan (East), Mumbai - 421 306

PUNE

A-7, Suryalok Nagari, Survey No. 106, Off Pune-Sholapur Road,
Hadapsar, Pune - 411 013

SECUNDERABAD

Plot No. 163, Road No. 1, West Marredpally, Secunderabad - 500 026

The logo for Report Junction.com is centered on the page. It features the word "Report" in a grey sans-serif font, followed by a yellow diamond icon containing a black circular arrow pointing clockwise. To the right of the icon is the word "junction.com" in a green sans-serif font. The entire logo is enclosed within a light green rounded rectangular border.

NOTICE

ALACRITY ELECTRONICS LIMITED

15, Thirumalai Road, T. Nagar, Chennai: 600 017

NOTICE is hereby given that the FIFTH ANNUAL GENERAL MEETING of ALACRITY ELECTRONICS LIMITED will be held at 11.00 A.M. on Friday, the 26th September, 1997, at the MUSIC ACADEMY, 306, T.T.K. Road, Chennai 600 014 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 1997, the Balance Sheet as at that date, together with the reports of the Directors and the Auditor.
2. To appoint a Director in place of Mr. Amol Karnad who retires by rotation and offers himself for re-appointment.
3. To appoint an auditor and fix his remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:
"RESOLVED that Major T A Subramanian who was appointed as an Additional Director of the Company and who ceases to hold office under Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Place: Chennai
Date: 24th July, 1997

By order of the Board,
RAJIN
Company Secretary



NOTICE

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member.
2. A form of proxy and admission slip is enclosed. The completed proxy forms must be deposited with the Company at its Registered Office not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16/09/97 to 25/09/97 (both days inclusive).
4. Members are requested to notify any change in their address to the Company.
5. Members are requested to bring their copies of the Annual Report to the meeting. In view of the high cost of printing, additional copies of the Annual report will not be distributed at the meeting.
6. Admission restricted to members or proxies only.
7. Members who have queries on the accounts of the Company are requested to send the same to the Company at the earliest, to enable gathering of data needed for the replies.
8. Members/Proxy holders are requested to produce the admission slips at the entrance of the meeting hall.

Explanatory statement under Section 173(2) of the Companies Act, 1956 .

Item no 4:

The Resolution for appointment of Major T A Subramanian, a retired Army Officer who also has wide experience in companies like Bharat Radiators, Bombay and Shriram Fibres Limited, Chennai, as an Additional Director of the Company was placed before the meeting of your Board of Directors held on 21st May, 1997 and recorded. Major T A Subramanian will be retiring at the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose Major T A Subramanian's appointment as a Director along with a deposit of Rs.500/-. The Board considers it desirable that the Company should continue to avail itself of his services.

The Board of Directors commends this resolution to the Members for their approval.

Except Major T A Subramanian, no other Director is interested in the resolution.



Place: Chennai

Date: 24th July, 1997

By order of the Board,

RAJI N

Company Secretary

DIRECTORS' REPORT

We take great pleasure in presenting this, the Fifth Annual Report of your Company for the year ended March 31, 1997 together with the Audited Accounts.

FINANCIAL RESULTS

Members will recall that in the letter dated May 8, 1996 addressed to them by the Managing Director, he had projected a profit before tax for the year of more than Rs. 150 lacs. While this confidence was sustained in the last Directors' Report prepared during the early part of the second quarter, the situation had changed dramatically by the time of the Fourth Annual General Meeting. Members who attended that meeting will remember that extraordinary reversal of market and sales trends in the second quarter had compelled your Company to reduce its expectation of profit before tax for the year to Rs. 50 lacs. The constraints identified then - such as the unpredictability of the primary share market which resulted in many industrial projects being delayed and consequently, the demand for your Company's products becoming sluggish; general liquidity crunch and high interest rates - continued to plague the market in the third and fourth quarters of the year. Under these conditions, your Company's actual profit before tax for the year of Rs. 35 lacs and growth in sales turnover of 10.2% viewed against the overall industrial growth rate of 6.7% and the growth rate of 8% for the manufacturing sector, may perhaps be termed satisfactory.

	1996-97	1995-96
	(Rs. in Lacs.)	
Profit before depreciation and tax	55.87	33.85
Less : Depreciation	20.76	14.72
Profit before tax	35.11	19.13
Less: Provision for tax	10.14	13.20
Profit after tax	24.97	5.93
Appropriations :		
Transfer to General Reserve	2.00	Nil
Dividend	Nil	Nil
	22.97	5.93
Add: Balance brought forward from previous year	39.93	34.00
Tax Provision of earlier year reversed	1.00	Nil
Balance carried to the Balance sheet	63.90	39.93

Power Conditioners

In the business of Power Conditioners, your Company achieved an overall increase of 11.9% over the previous year's turnover.

1. Stabilisers :

Home Office (HO) segment of the Information Technology (IT) market opened up as manufacturers of personal computers (PC) reduced prices sharply by bringing down power consumption of the PCs, thereby making them affordable to individuals. As a result, your Company's Reactance Controlled Stabiliser (RCS), mainly

DIRECTORS' REPORT

D

targeted for the Corporate Customer segment, became overpriced for the HO segment. And the demand for RCS fell noticeably by June '96.

Your Company then decided to launch a new stabiliser which could cater to the HO application thereby tapping this segment of the market as well. Your Company's Product Development team was able to develop this new stabiliser called the Electronic Servo Stabiliser (ESS) within 6 months. Thus, by Dec. '96 ESS was introduced in the market. Your Company was of the firm belief that the protection it provided for PCs used in HO application and its affordability to the buyer together would make ESS the most appropriate power conditioner in the market. The belief was confirmed when the sale of ESS went up, enabling your Company to re-establish its share in the IT market, offsetting the fall in RCS sales.

In the single phase and three phase stabiliser fields, your Company continued to maintain its market share in the south. To obviate the deleterious impact of fluff on the air cooled stabilisers in the textile mills, totally enclosed oil cooled stabilisers were introduced. The enhanced reliability of these stabilisers enabled your Company to achieve healthy volumes in this segment which otherwise remained sluggish throughout the year. Extension of the range of these stabilisers to a rating of 150 kVA opened up a new market segment of industries requiring protection of large loads.

The overall percentage of contribution from stabilisers was higher for the year 96-97 as a result of the various steps listed below :

- * Use of aluminium foil transformers and variacs in stabilisers.
- * Extension of stabiliser range up to 150 kVA rating.
- * Value-Engineering of products to reduce input costs.
- * Control on prices to increase the average sale price of stabilisers.

2. Uninterrupted Power Supply Systems (UPS) :

The UPS was launched during the year 96-97 and your Company started executing orders received from users of computers in commercial operations.

3. Isolation Transformers :

Customers in need of protection for their sensitive machines, continued to order Aluminium Foil wound Isolation Transformers manufactured by your Company, as these transformers provide adequate protection at an attractive price.

Instrumentation & Controls (EMS)

The optimism displayed in last year's report on the growth prospects of the EMS business was based on the fact that your Company's energy meters are particularly useful for control of energy costs in new industrial ventures that consume large quanta of electrical energy. However, promotion of many new projects got deferred for reasons delineated earlier and specially due to unpredictability in tapping funds from the primary market. This constrained the demand for meters in the Load Manager Series and the meters ordered for new projects were not lifted for want of funds. The forecast of a 100% increase over last year's volume could not therefore be realised.

Your Company therefore decided to shift the emphasis onto the sale of meters in existing industries, where they would improve the quality of information required by the industry for meaningful energy management. This shift enabled your Company to substantially improve the volumes sold in this segment and at the same time, by reducing the vulnerable dependence of the EMS range on new projects being promoted, has reinforced the optimism for the future. Sales of the versatile PLM Energy helped the business to achieve a higher percentage of contribution than last year.

A similar process was applied to sell analysers in the Fuel Manager series as well.

The turnover for these products for 96-97 was marginally (6%) lower than last year's.

DIRECTORS' REPORT

Aluminium Foil Winding Machines

Production of Aluminium Foil Winding machines commenced during the last quarter of the year 96-97 and your Company was able to effect delivery of machines to customers. With this development your Company has established a new product line with a potential for a good market.

After Sales Service

Your Company offers a 'No Questions Asked Guarantee' for a period of one year on all its products, to indemnify customers from problems faced in their use. The guarantee is honoured by the Company's well trained service network staff, committed to satisfy the service needs of customers. The resultant satisfaction of customers, has not only brought up repeat orders for the Company's products but also created a demand for the continuation of these services beyond the guarantee period. Contracts entered into for such services beyond the guarantee period have earned an income of Rs.52 lacs for the year.

Automation

A prototype of Building Automation was installed in Alacrity's registered office to automate rooms of an entire floor. Lights, fans and airconditioners are switched on automatically whenever an individual enters the room and are also switched off automatically when there is none in the room. This is an important development in the automation of energy management for residential and commercial complexes.

CURRENT YEAR'S TRENDS

Your Company's efforts to make a reasonable forecast of sales and profit have been considerably vitiated by the wildly fluctuating market conditions. Nevertheless, your Company's faith in the growing compatibility of its business and product strategy to a still unpredictable market remains unaffected and just one good year of reasonably favourable market conditions would place it firmly on the track of growth and dividends. The developments described below, therefore, could well mark the turning point for the current year and the future.

Power Conditioners :

1. Stabilisers :

Electronic Servo Stabiliser (ESS) :

As this product has established itself in the Home Office segment of the IT market, the sales strategy will be to,

- increase dealer operations in South
- have OEM tie-ups with the manufacturers of PCs and
- introduce ESS in the West.

Demand for this product in the current year is expected to double that of last year. Vendors for manufacturing ESS have already been developed to overcome capacity constraints in the Company's factory.

Servo Controlled Voltage Stabilisers (SCVS):

Existing dealer network for ESS will be utilised to sell the higher ratings of SCVS, to further increase the market share of this product in the south. Dealers have been appointed in other key cities of India to cover important market segments of the country's industrial base. The extension of the SCVS's range upto 150 kVA will enable your Company to cover stabilisation needs for group-loads.

The increase in turnover is expected to be around 30% over the previous year.

DIRECTORS' REPORT**2. Uninterrupted Power Supply Systems (UPS) :**

Priority for this year will be to consolidate sales of UPS for its use in LAN systems. Volumes established in this year will be the basis for future projections. Your Company has plans to introduce a UPS for the Home Office application in the current year.

3. Isolation Transformers :

Isolation Transformers are usually ordered along with stabilisers for applications such as CNC machines and base stations for cellular phones. Therefore, the business of Isolation Transformers will become a part of the stabiliser business and a common process will be applied for the sale of these products.

Instrumentation & Controls (EMS) :

In the current year, the sales focus will continue to be on existing industries. Due to the efforts already made, market awareness for the Company's products is very high. To cover the entire Indian market for energy management, six major dealers outside South India have been appointed.

A team of your Company's top management visited Italy this month and signed an agreement for increased business cooperation with the Company's Italian trading partner, El Control Energy. With this agreement, El Control has offered the Company a facility to calibrate PLM Energy, a product from the Load Manager series of meters. The Company will use this facility to start the process of indigenisation of PLM Energy and hence reduce its price to the customer.

An upgraded version of PLM Energy will be released in the market this year, to substantially enhance the utility of this meter and improve its market penetration.

Your Company has plans to start manufacturing digital panel meters designed by its R&D. The product will be launched in the market by November '97.

Sales process for gas analysers in the Fuel Manager series will be to intensify the activity of selling analysers directly to customers, to increase the efficiency of fuel combustion in boilers. Branches have already been manned by a well trained staff to develop markets. The Company is in the process of appointing dealers to increase the geographical coverage of these products.

An increase in turnover of 50% is envisaged for the products in energy management, in the current year.

Aluminium Foil Winding Machines :

Consolidation of markets for these machines will be the main focus for this year. The sales turnover for the current year has been fixed optimistically at Rs. 50 Lacs, based on the flow of enquiries being received.

After Sales service :

The present installed base of over 60,000 Nos. of stabilisers and about 2000 Nos. of meters and analysers offers scope for a substantial increase in revenue accruals from service contracts, in the current year. The increase is envisaged to be around 40% over last year.

Design Centre :

The prototype of building automation installed in Alacrity's registered office, will be tested under all operating conditions by the Design Centre. The technology used has features such as,

- * intelligent nodes to monitor and control electrical and physical parameters
- * ability to network information using a unique protocol and
- * provision to choose the medium of communication.

The Design Centre will endeavour to develop products for the market during the course of the current year.