

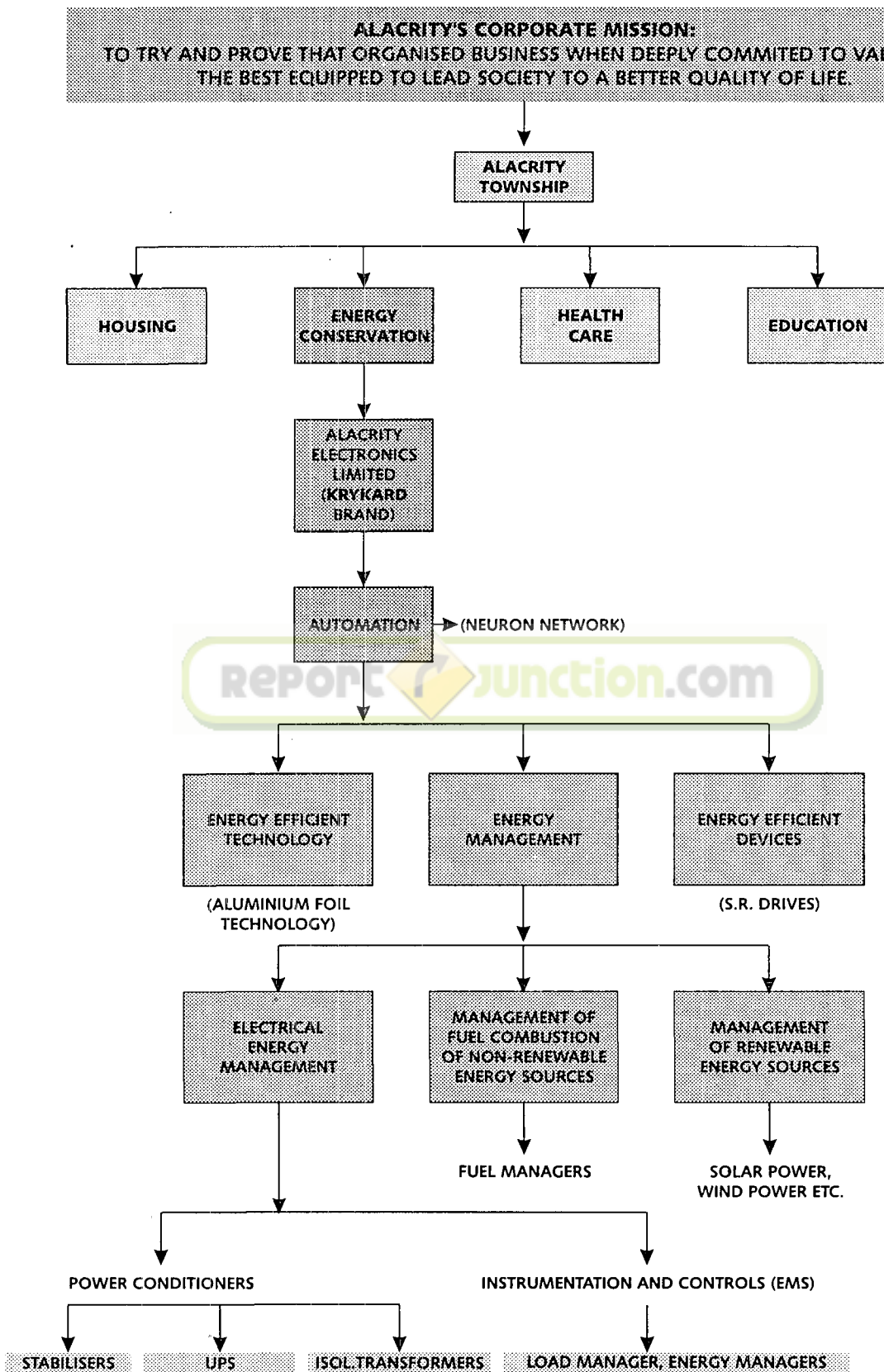
ALACRITY ELECTRONICS
LIMITED



MAKING ENERGY
MANAGEMENT PAY -
THE ALACRITY WAY

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ANNUAL REPORT '98



Board of Directors

AMOL KARNAD Chairman

DILIP D DHARMASTHAL Managing Director

VIJAY NAGASWAMI Director

GRISH PUNJA Director

T.A. SUBRAMANIAN Director

Top Management Team

VIJAY KUMTA President

N.JAYA PRABASH Senior Vice President (R & D)

KANAGARAJ ALEXANDER Vice President (Technology Development)

R. CHANDRASEKHAR Vice President (Product Development)

SUDESH KUMTA Vice President (Business Development)

B. HARIKRISHNAN Vice President (Marketing)

Company Secretary

RAJINI

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, Karaipakkam, Chennai - 600 098

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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 (NAVI MUMBAI)

107, The Great Eastern Summit-B, Plot No. 66, Sector 15,
CBD Belapur, Navi Mumbai - 400 614.

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.

NOTICE

ALACRITY ELECTRONICS LIMITED
15, Thirumalai Road, T.Nagar, Chennai 600 017

NOTICE is hereby given that the SIXTH ANNUAL GENERAL MEETING of ALACRITY ELECTRONICS LIMITED will be held at 11.00 A.M on Monday the 21st SEPTEMBER, 1998, at the MUSIC ACADEMY, 306 T.T.K.Road, Chennai -14 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 1998, 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. Girish Punja who retires by rotation and offers himself for re-appointment.
3. To appoint an auditor and fix his remuneration.

Place : Chennai

Date : 29th July, 1998

By order of the Board

RAJI N

Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and the 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 16/09/98 to 21/09/98 (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.
9. The unpaid dividend for the financial year 1994-95 is due for transfer to the General Revenue Account of the Central Government on 16.11.98. All shareholders who have not encashed their dividend warrants for this year are requested to encash the same before this date after getting them revalidated by the Company. After the said date, dividend claims will have to be made only to the Registrar of Companies.

Place : Chennai

Date : 29th July, 1998

By order of the Board

RAJI N

Company Secretary

DIRECTORS' REPORT

We take great pleasure in presenting this, the Sixth Annual Report of your Company for the year ended March 31, 1998 together with the audited accounts.

FINANCIAL RESULTS

In our last report, we had stated that just one good year with reasonably favourable market conditions would place your Company firmly on the track of growth and dividends. The year under review did not prove to be such a year, what with the Industrial Growth Rate sliding sharply from 7% in 1996-97 to around 4.5% in 1997-98 and the demand for your Company's products experiencing wide fluctuations. These factors notwithstanding, strict adherence to the business strategy to develop, market and service its products, enabled your Company to achieve a very satisfactory turnover of Rs 1170 lacs, an increase of around 10% over the previous financial year.

	1997-98 Rs. lacs	1996-97 Rs. lacs
Profit before depreciation and tax	60.06	55.87
Less : Depreciation	22.09	20.76
Profit before tax	37.97	35.11
Less : Provision for tax	18.00	10.14
Profit after tax	19.97	24.97
Appropriations :		
Transfer to General Reserve	2.00	2.00
Dividend	Nil	Nil
	17.97	22.97
Add : Balance brought forward from previous year	63.90	39.93
Tax Provision of earlier year reversed	Nil	1.00
Balance carried to Balance sheet	81.87	63.90

Power Conditioners

In the business of Power Conditioners, your Company achieved an overall increase of 12.8% over the previous year's turnover. If this was achieved in spite of wide fluctuations in the market it was only because of the systematic manner in which this business stream has been consolidated in the five years since your Company was launched. This process has included: -

- Continuous extension of the stabiliser range: Today your Company offers stabilisers from 250 VA single-phase stabilisers upto 150 kVA three-phase oil cooled stabilisers.
- Introduction of Integrated Power Supply systems (IPS): Earlier on your Company had plans to introduce UPS systems in the market. Even as they provided a back-up for power, the UPS systems had the limitation of not providing comprehensive protection to the PC. In order to get over this limitation, we combined the attributes of a stabiliser with those of a good back-up system for power and developed the IPS.

DIRECTORS' REPORT

- Introducing products such as Harmonic Filters and Isolation Transformers, to improve quality of power.
- Value engineering efforts such as development and use of Aluminium Foil Transformers.
- Backward integration to reduce costs of production.
- Deeper penetration of markets wherein your Company's products had already created a niche for themselves.

With well established branches covering the South and the West to market and service our products and a sound dealer network in these regions, this business should continue to grow steadily.

1. Stabilisers:

The ESS (Electronic Servo Stabiliser), which was introduced in the previous year and targeted at the Home Office segment of the Information Technology market, experienced good demand throughout the year. The combined sales of ESS and RCS (Reactance Controlled Stabiliser) registered a growth in turnover of around 22% over the previous year.

The commercial and the industrial markets for stabilisers (SCVS) & transformers (Isolation & Step up Transformers) did moderately well in spite of wide fluctuations in demand. Perseverance of your Company's strategy and the goodwill enjoyed by its products enabled a moderate growth in turnover of around 7%. Considering the fact that the Industrial Electronics segment of the industry has been going through a very bad phase, the overall achievement can be considered as very satisfactory.

2. Integrated Power supply Systems (IPS):

The IPS made an impressive entry into the market during the year, achieving a turnover of over Rs 18 lacs. The acceptance of the product in the market is the culmination of the process used for setting up a new product line; it has taken us over three years to do so. For the future, this development holds prospects for substantial business growth.

Instrumentation & Controls (I & C)

The growth of this business is largely dependent on new projects being launched every year and in the efforts of the Company to sensitise industry on the vital role of qualitative information in effective energy management. The year 1997-98 failed to see the launch of any major projects due to liquidity constraints in the capital markets. Orders bagged in the previous year also could not be executed for the same reason. Though these factors contributed to a marginal (4%) drop in the turnover as compared to the previous year, margins realised increased by 17%. This achievement was possible due to the following steps: -

- Targeting existing industries by making them aware of the quality of information that your Company's "Load Managers" provide and the tremendous scope for energy savings that they offer.
- Standardising the utilisation of the Load Managers in diverse industries through networking and software support, thereby enabling greater geographical spread of sales through dealers.

DIRECTORS' REPORT

- Indigenisation of the PLM Energy range of meters by setting up calibration and production facilities for this product.
- Introduction of new products such as NANO VIP PLUS, a hand-held analyser that substantially enhances the quality of information by measuring harmonics present in electrical power.
- Consolidating markets for controllers with products such as the Power Factor Regulator, which enable any user to optimise demand and consequently effect energy management.
- Upgrading quality of service, which would provide an effective back up for all our products in this range. Members would recall that your Company's Italian trading partner - El Control Energy, supplies all the products being marketed in this business.
- Creating infrastructure for the Fuel Manager series of products to cover markets across the country by appointing dealers, located in and around industrial centers.

Aluminium Foil Winding Machines

Machines delivered in the previous year had to undergo some more changes after their performance was observed in the field. Making these changes completed the customisation that was required by the market. The present range of machines would be catering to the manufacturers of small and medium sized transformers. Only one machine was sold during the year, as the entire period was required for observing the performance of these machines and making necessary improvements. Aluminium Foil Transformers being frontier products, even if the time frames for the development of a reliable, enduring and user friendly winding machine have repeatedly misbehaved, the efforts have been path-breaking in nature and now completed, are expected to pay back substantially in terms of future volumes and margins.

After Sales Service

The quality of service provided by your Company for its products has enabled the targeted growth rate of over 40% in the revenue accruing from service contracts. The projections in this segment remained unaffected for the year, as the customer base relating to service contracts was carried forward intact from the previous year.

CURRENT YEAR'S TRENDS

The market has continued to be sluggish in the current year as well and in the context of the threats of economic sanctions by the developed countries, the outlook for industrial growth for the rest of the year appears to be none too bright. Your Company is however well placed to survive this phase, given its strong hold on its market share. To offset any uncertain demand conditions in the market, your Company's focus in the current year would be not only to retain its existing market share, but also to increase it by introducing new products in those markets showing healthy growth trends and tapping new market segments.

Major activities planned for the current financial year are :-

Power Conditioners

- Release of the new 'Home ESS' stabiliser to target the Home Office (HO) segment: Home ESS would be the most appropriate protection equipment for a single PC application and would suit the affordability of individual buyers. The ESS would be sold entirely through our dealer network.

DIRECTORS' REPORT

- Introduction of 'Office ESS': This stabiliser would adequately protect PCs in small and medium commercial establishments and would be able to provide protection to two PCs and a printer at a time.
- Expansion of the IPS range to provide back up power for PCs: The present IPS can provide back up power for about 15 minutes to a single PC and a printer. The new products in this range would be able to provide power back up for an extended period of time, to suit the needs of a server in a LAN environment.
- Expansion of the Oil-Cooled Stabiliser range: The present capacity of the Aluminium foil winding machine, which is being used for in-house production of Aluminium foil transformers (AFT), would be extended to wind transformers for use in stabilisers of ratings upto 500 kVA. This would help in extending the range of three-phase oil-cooled stabilisers, for their use in the application of group loads in industry. Attempts would be further made to incorporate designs in these stabilisers that would enhance their role in energy conservation.
- Achieve backward integration by developing new motors for stabilisers: For quite sometime, your Company's Product Development team has been attempting to develop a motor which would work on the principles of switched reluctance. Once its use in the stabiliser is established, its application would be extended to drives.

Instrumentation and Controls (I & C)

- Continue to keep focus on the use of meters in the acquisition of quality data for meaningful energy management, in existing industries.
- Indigenise products in the range of Power Factor Regulators: The benefits that have accrued by way of increased margins by indigenising meters in the PLM Energy series have encouraged us to extend this to other products in this business.
- Introduce new products in the PLM Energy series to automate control by integrating data from the Data Acquisition Systems with the actuation of relays.
- Release meters, which would be developed by the Company's R&D and manufactured locally: Modified versions of these meters would be introduced in the stabilisers to enhance their role in energy conservation.
- Release meters, which would be developed by the Company's R&D and manufactured locally: Modified versions of these meters would be introduced in the stabilisers to enhance their role in energy conservation.
- Promote sales of products from the Fuel Manager series in the country.

After Sales Service

- The competence of our service group would be continuously upgraded to enable them to efficiently service the new products being added to the Company's business lines. To provide services in distant cities and smaller towns, After Sales Service would be handed over to dealers as a franchise outlet. The Company's R&D Center at Bangalore would do this upgrading.

DIRECTORS' REPORT**Building Automation**

- The Design Center of your Company, which has been involved in developing highly sophisticated automation systems, has successfully tested its first prototype of Building Automation and is now ready to produce this system for application in the automation of commercial establishments and individual homes. This system would be further enhanced to meet the requirements of factory automation.
- The market for Building Automation would be large commercial establishments and software parks. Your Company is in the process of generating enquiries from such establishments and it would be heartening for the members to know that an enquiry from a well established software company is already with us and efforts are on to standardise our offer to suit such requirements.

Aluminium Foil winding Machines

- These machines in their modified form would be sold to the transformer manufacturers in the southern and western regions of the country. Dealers would be appointed to penetrate the market within a short period of time.

General

- To develop the business operations of your Company as defined by the business strategy, integration of key functions of the Company would be under focus.
- To integrate the business operations of the Company, a MIS system is in the process of being introduced. Such a system for inventory control has been already made operational.
- Your Company's R&D has obtained a recognition as a In-house R&D unit from the Department of Scientific & Industrial Research - New Delhi.

DIVIDEND

The Board has not recommended any dividend for the year under review.

PUBLIC DEPOSITS

Your Company has neither invited nor accepted any deposits from the Public.

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

The activities of the Company involve very little use of energy, electrical or otherwise and hence, no particulars are presented under this head. Disclosures relating to R & D, Technology absorption and foreign exchange earnings and outgo are furnished in Annexure - A, annexed to this report.

PARTICULARS OF EMPLOYEES

None of the personnel in the Company was in receipt of remuneration in excess of the limits prescribed in section 217(2A) of the Companies Act, 1956 during the period under report.