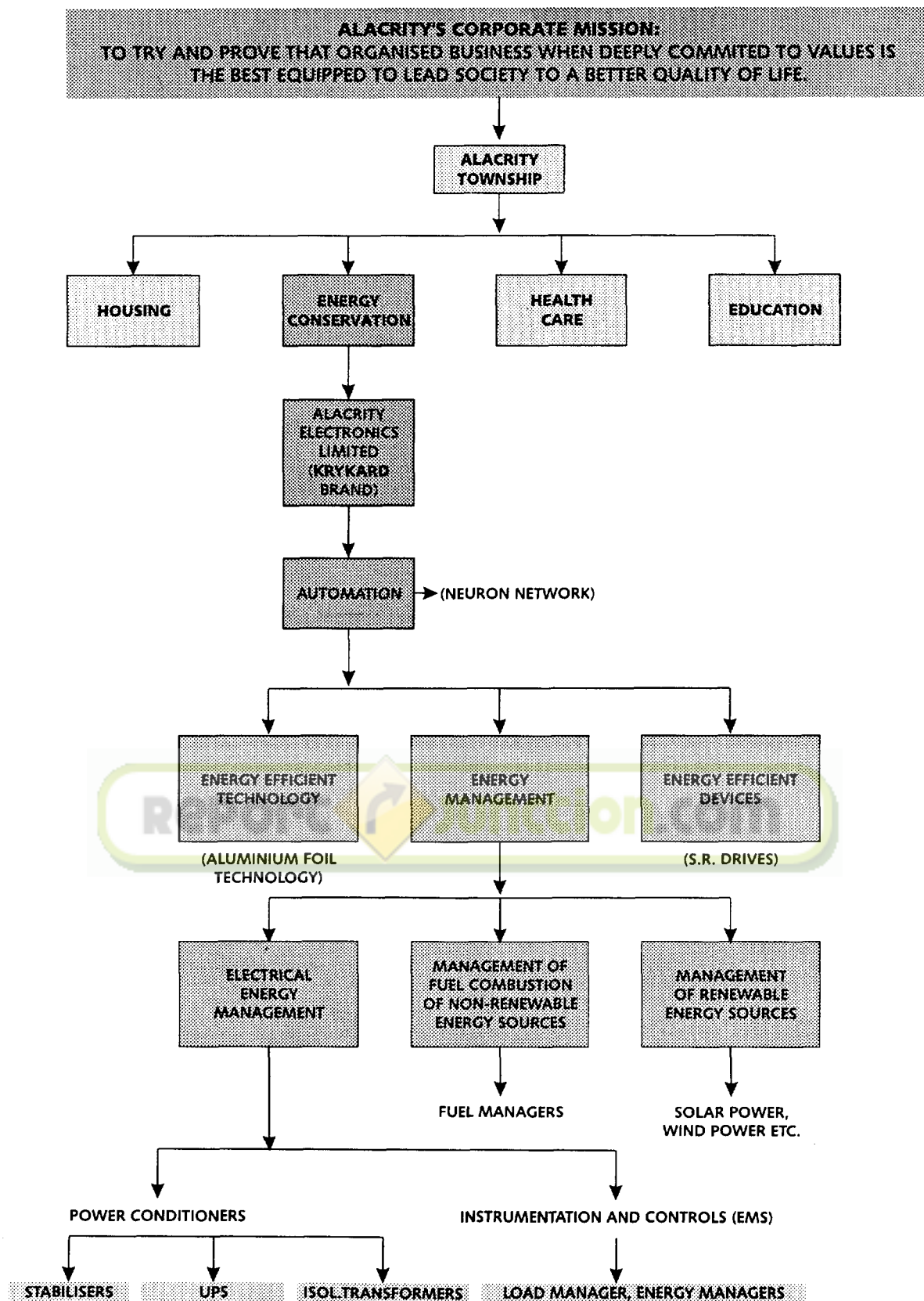


ANNUAL REPORT '99



MAKING ENERGY
MANAGEMENT PAY -
THE ALACRITY WAY

ALACRITY
ELECTRONICS LIMITED



Board of Directors

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

Top Management Team

VIJAY KUMTA President
N JAYA PRAKASH 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

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. Tel: 825 1771 Fax: 825 9406

Email: maa.habib@alacrity.sprintpg.ams.vsnl.net.in Web: www.alacrity.org

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Design & Product Development Centre

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

Research & Development Centre

85, 6th Main Road, Between 9th & 11th Cross, Malleswaram, Bangalore 560 003.

Factory

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

Branches

Bangalore

85, 6th Main Road, Between 9th & 11th Cross, Malleswaram, Bangalore 560 003.

Baroda

First Floor, A-52 Nutan Maheshwarnagar Society, Subhanpura, Baroda 390 007.

Chennai

12-B, Valmiki Street, T.Nagar, Chennai 600 017.

Cochin

G - 68, 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 Seventh Annual General Meeting of ALACRITY ELECTRONICS LIMITED will be held at 11.00 A.M. on Monday, the 27th September, 1999, 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 1999, the Balance Sheet as at that date, together with the reports of the Directors and the Auditor.
2. To declare a dividend.
3. To appoint a Director in place of Major T A Subramanian who retires by rotation and offers himself for re-appointment.
4. To appoint an auditor and fix his remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

"RESOLVED that Mr. Vivekanand A Vinekar 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."

6. To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

"RESOLVED that pursuant to Sections 269, 198, 309, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the approval of the Company be and is hereby accorded to the Board of Directors' resolution dated 26th July, 1999 for re-appointment of Mr. Dilip D Dharmasthal as Managing Director of the Company for a further period of 5 years with effect from 1st December, 1999 on the same terms and conditions as approved at the Shareholders meeting held on 28th September, 1995, with liberty to the Board to vary the terms and conditions of the said appointment within the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory or other modifications that may hereafter be made thereto by the Central Government and as may be agreed between the Board of Directors and Mr. Dilip D Dharmasthal."

NOTICE

7. To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

"RESOLVED that pursuant to Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) the approval of the Company be and is hereby accorded to the Board of Directors' resolution dated 26th July, 1999 for disposal of the Company's Factory premises situated at 49 & 50, Ranganathan Street, Karapakkam, Chennai 600 096 and invest the sale proceeds which may result from such sale in any manner as may be found profitable for the Company."

By order of the Board

Chennai

RAJIN

July 26, 1999

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 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 the Share Transfer Books of the Company will remain closed from 16/09/1999 to 27/09/1999 (both days inclusive).
4. Members are requested to notify any change in their address to the Company.
5. Payment of dividend, if declared, will be made on or after 27th October, 1999 to those members whose names appear in the Register of Members of the Company on 27th September, 1999.
6. Members are requested to furnish their bank account number, name and address of their bank to enable the Company to remit the dividend directly to their bank account and thereby avoid loss/misuse of dividend warrant.
7. Members are requested to bring the 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.
8. Admission restricted to members or proxies only.
9. Anticipating a few questions on the Accounts, we are enclosing explanatory notes for the same. Members who have further queries or who require further clarifications to any of the enclosed questions are requested to send the same to the Company at the earliest, to enable gathering of data needed for the replies.
10. 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.5:

Mr. Vivekanand A Vinekar, a Mechanical-cum-Electrical-cum-Chemical Engineer with more than 40 years of experience as Engineer/Consultant, who is presently an expert consultant to various companies, was appointed as an Additional Director by the Board on 26th July, 1999. He shall be vacating office at the ensuing Annual General Meeting. The Company has received a notice as per Section 257 of the Companies Act, 1956 proposing the appointment of Mr. Vivekanand A Vinekar 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.

NOTICE

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

Except Mr. Vivekanand A Vinekar, no other Director is interested in the resolution.

Item no.6:

At their meeting held on 26th July, 1999, the Board of Directors re-appointed Mr. Dilip D Dharmasthal as the Managing Director of the Company for a further period of 5 years with effect from 1st December, 1999. The terms and conditions governing Mr. Dilip D Dharmasthal's re-appointment shall be the same as approved by the shareholders at the Annual General Meeting held on 28th September, 1995 which is reproduced hereunder:

1. Remuneration: Nil
2. The Company shall reimburse travelling and all other expenses incurred by him for the business of the Company.

Except Mr. Dilip D Dharmasthal, no other Director is interested in this resolution.

The Shareholders are requested to treat this as an abstract required under Section 302 of the Companies Act, 1956.

Item no.7:

Your Company's plans for expanding the Factory buildings in its present location were considerably delayed due to difficulties experienced in getting the requisite clearances. The present factory land is located on the banks of a lake, which is classified as Coastal Regulation Zone. Members may recall the reference to this in the Directors' Report of 1997. Although most of the clearances have since been obtained, considering the rate of expansion of the Company's business and the plans for diversification, the Board feels it would be advantageous to dispose of the present factory premises and build an integrated factory at an alternate location. Such disposal will be effected at a time and in a manner that the main activities of the Company are not affected in any way. As the above act requires shareholders' approval under Section 293(1)(a) of the Companies Act, 1956, this resolution is placed before you.

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

None of the Directors are concerned or interested in the said resolution.

Chennai
July 26, 1999

By order of the Board
RAJIN
Company Secretary

DIRECTORS' REPORT

We take great pleasure in presenting this, the Seventh Annual Report of your Company for the year ended March 31, 1999 together with the audited accounts.

FINANCIAL RESULTS

We commenced operations in the beginning of the year on a cautious note, as the market conditions had been very sluggish. But by adhering to the strategy of consolidating markets for existing products and introducing new products to the market, we achieved a turnover of Rs 1555 lacs, which is almost 32% higher than that achieved in the previous year. This performance has to be viewed in the light of the fact that the Index of Industrial Production registered a growth of 3.8% only.

	1998-99 Rs. lacs	1997-98 Rs. lacs
Profit before depreciation and tax	94.61	60.06
Less : Depreciation	18.13	22.09
Profit before tax	76.48	37.97
Less : Provision for tax	28.65	18.00
Profit after tax	47.83	19.97
Appropriations :		
Income Tax short provision of earlier year	2.18	Nil
Transfer to General Reserve	10.00	2.00
Dividend	26.00	Nil
Tax on Dividend	2.86	Nil
	6.79	17.97
Add : Balance brought forward from previous year	81.87	63.90
Balance carried to Balance sheet	88.66	81.87

DIVIDEND

The Board is pleased to recommend a dividend of 8%, which would absorb Rs.26 Lacs before providing for dividend tax and surcharge.

THE YEAR IN REVIEW

Power Conditioners

- In spite of the intense competition persisting in the Home Office and copier markets, the two new versions of the Electronic Servo Stabiliser (ESS) viz., the Home-ESS and the Office-ESS were both well received in their respective markets and the targets for the year were comfortably achieved.
- The Integrated Power Supply system (IPS), which was introduced to the market in the previous year, continued to have a very good demand and with the breakthrough made in terms of large orders from Corporate Groups, volumes grew by almost 300% over the last financial year. This development has substantially contributed to your Company's turnover and profits.

DIRECTORS' REPORT

- The markets for three-phase stabilisers were severely affected by the recession, but the expansion of the range of these stabilisers to 500 kVA and consolidation of markets in West and North India have enabled your Company to achieve the targets set for the financial year.
- A new Automatic Voltage Stabiliser (AVS), specifically meant for protection of Window Air Conditioners, was introduced during the last quarter of the financial year and has been well received by the market.
- Throughout the year, development work has been carried out on new stabiliser motors that would operate on the principles of switched reluctance. Prototypes would be made in the current year.

The overall sales volume in the business of Power Conditioners was 28% higher than in the previous year.

Instrumentation & Controls (I&C)

Our focus on the use of our meters for the acquisition of quality data for meaningful energy management in the existing industries has not only helped in achieving our targets, but also in adding substantial value to the system of networked meters. This value addition made the system capable of having a two-way data transmission facility between a centrally located command station and distantly located meters, at speeds that can enable on-line controls. The technology developed by us for automation was used for this purpose. This is a major step taken by your Company towards the implementation of automation in industries.

The pursuit of our efforts mentioned above along with the indigenisation of our Power Factor Regulators and the release of new products in the PLM Energy series enabled a sales volume, which was 28% higher than that of the previous year.

The sale of products in the Fuel Manager series was not very significant as their markets were severely constrained by the demand recession.

After Sales Service

The revenue targets were achieved comfortably and reflected a growth of 24% over the previous year's. The support of this service continued to consolidate your Company's brand KRYKARD in the market and contributed significantly to the impressive growth in the overall business.

Aluminium Foil Winding Machines

The modifications required to make these sophisticated microprocessor based machines user friendly have been completed and the machines put to use satisfactorily at the customer's end. Dealers, who were appointed in Chennai, Mumbai, Pune and Bangalore, have agreed to keep these machines in stock with them to demonstrate the functions of this machine and facilitate their delivery to prospective customers. We have also extended the range of these machines to wind foils for applications such as chokes and contactors. Thus orders from dealers and orders for the new applications enabled your Company to achieve sales worth around Rs.150 lacs.

DIRECTORS' REPORT

CURRENT YEAR'S TRENDS

While some specific sectors of the industry viz. Automobile, Information Technology and Consumer Goods have shown a perceptible upturn in their output, most other industries viz. Textile, Capital Goods and other project-based sectors of the industry are yet to show signs of recovery. Nevertheless, your Company's wide range of products that caters to almost all the sectors is well placed to improve its results in the current year.

Following are the activities planned for the current year:

Power Conditioners

- Both the Home-ESS and the Office-ESS have reached the peak of their sales target in South India. The consolidation of this market will continue throughout this year. Efforts will be made to enhance the acceptance of these products in other parts of the country.
- Currently the ESS is available in ratings up to 2 kVA. Attempts will be made to extend this range to 10 kVA.
- The dealer network for the AVS would be substantially strengthened in the current year to try and achieve a sales turnover of atleast Rs 150 lacs.
- The IPS will be further Value-Engineered to suit the changing trends in the Home Office (HO) segment and with the introduction of this new model, we expect to achieve a target, atleast 100% higher than last year's.
- Development of inverters to provide back-up power in homes during power failure will be undertaken during the current year.
- The entire range of three-phase stabilisers now conforms to a very high standard of quality and is well accepted in all the industrial sectors across the country. Efforts, which are already on, will continue in the current year to enhance the role of these stabilisers in achieving energy conservation. The range of these stabilisers would be extended to the rating of 1000 kVA (1 MVA).
- Scope for the export of our single-phase and three-phase stabilisers would be explored.

Instrumentation & Controls (I&C)

The process of indigenisation of meters bought from Elcontrol has helped this business in several ways. It has,

1. Made the range of Digital Panel Meters suitable for applications in India.
2. Kept the cost of these meters within control inspite of fluctuations in the exchange rate and changes in the import duty structure.
3. Created a facility for manufacturing meters of a very high quality for industrial applications.

With the above advantages and the experience gained through commissioning and servicing sophisticated network of meters, we are well placed to launch Digital Panel Meters, designed and manufactured by us. The work on this project, which has progressed substantially, will be completed in the course of the current year. With the launch of these meters, the business of I&C will receive a tremendous boost in sales.