

ALACRITY ELECTRONICS LIMITED

Annual Report - 2003



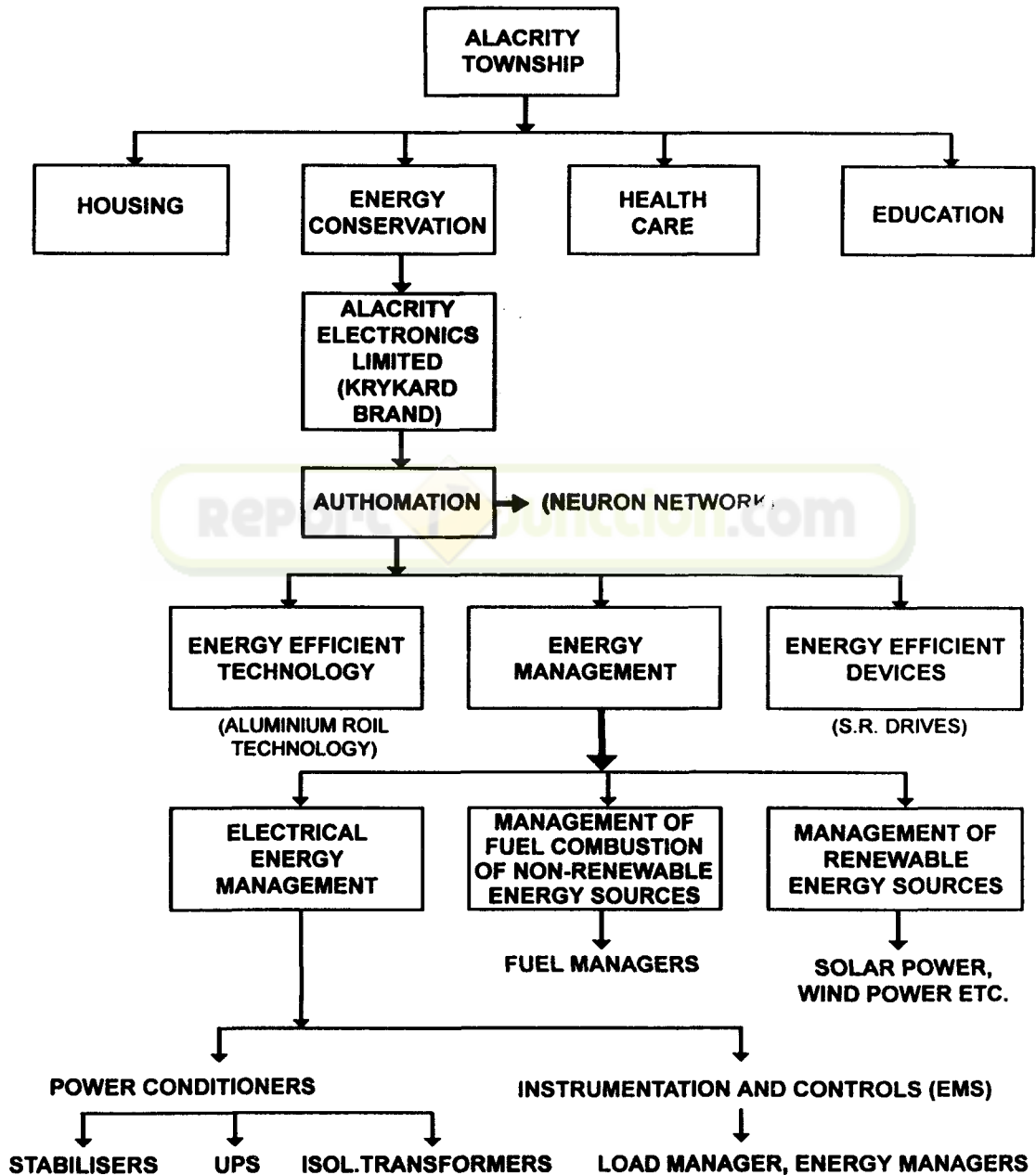
Making Energy
Management Pay -
The Alacrity Way

ALACRITY

No wealth or power greater than our dignity and integrity

ALACRITY'S CORPORATE MISSION:

TO TRY AND PROVE THAT ORGANISED BUSINESS WHEN DEEPLY COMMITTED TO VALUES IS THE BEST EQUIPPED TO LEAD SOCIETY TO A BETTER QUALITY OF LIFE.



Board of Directors

AMOL KARNAD Chairman

DILIP DHARMASTHAL Managing Director

ULHAS GOKARN Director

Top Management Team

KANAGARAJ ALEXANDER Vice President (Technology Development)

R.CHANDRASEKHAR Vice President (Product Development)

SUDESH KUMTA Vice President (Business Development)

B.HARIKRISHNAN Vice President (Marketing)

Bankers

CANARA BANK

Auditor

RAJAN VERGHESE CHACKO Chartered Accountant, Chennai

Registered Office

"Atandra", 25, Thirumalai Road, T. Nagar, Chennai 600 017. Tel: 52123432 / 3435 / 3436

E-mail: shares@alacritymail.com Web: alacritygroup.com

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Factory, Research & Development, Design & Product Development Centre

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

BRANCHES

Bangalore

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

Coimbatore

Plot No. 3&4, Anna Nagar 1st Street, Ganapathy, Coimbatore 641 006.

Secunderabad

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



NOTICE

ALACRITY ELECTRONICS LIMITED

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

NOTICE is hereby given that the Eleventh Annual General Meeting of ALACRITY ELECTRONICS LIMITED will be held at 10.00 A.M. on Thursday, the 27th May, 2004, at Senthil Thirumana Mandabam, 6, Gurusamy Nagar Extn., Sembakkam, Chennai 601 302 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Profit and Loss Account for the year ended 31st December 2003, 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 being eligible 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 modification the following Ordinary Resolution:
"RESOLVED that Mr. Ulhas Gokarn 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 Director of the Company, liable to retire by rotation".
5. To consider and, if thought fit, to pass with or without modification the following Special Resolution:

"RESOLVED that pursuant to the applicable provisions of the Securities and Exchange Board of India) Delisting of Securities) Guidelines, 2003 and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and the Rules framed thereunder, Listing Agreement and all other applicable rules, regulations and guidelines and subject to the approvals, consents, permissions or sanctions of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company is listed and any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any such authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from The Hyderabad Stock Exchange Limited and Coimbatore Stock Exchange Limited at such time as the Board may decide".

"RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be and hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard".

Chennai - 17
30th April, 2004

By order of the Board,
Dilip Dharmasthal
Managing Director

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 18/05/2004 to 27/05/2004 (both days inclusive).
4. Members are requested to notify any change in their address to the Company.
5. 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.
6. Consequent upon the amendment to Section 205A of the Companies Act, 1956, and insertion of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years shall henceforth be transferred to the Investor Education and Protection Fund. Accordingly, the unclaimed dividend for the financial year end 31st March 1999 will be deposited by the Company into the Investor Education and Protection Fund upon expiry of the prescribed period of seven years after which the shareholders will not have any claim over their dividends. Hence shareholders who have not yet claimed their dividend for these years are requested to claim the same before the respective statutory period is over.
7. Admission restricted to members or proxies only.
8. Members who have queries on 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.
9. Members/Proxy holders are requested to produce their 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 Mr. Ulhas Gokarn, who has served Alacrity Foundations in various capacities and has been the General Manager – Personnel & Administration, as an additional director of the Company was placed before the meeting of your Board of Directors held on 30th October 2003 and recorded. Mr. Ulhas Gokarn 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 Mr. Ulhas Gokarn'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 Mr. Ulhas Gokarn, no other Director is interested in the resolution.

Item no. 5:

The shares of the Company has been listed on four Stock Exchanges, viz. Madras Stock Exchange Limited (MSE), The Stock Exchange Mumbai (BSE), The Hyderabad Stock Exchange Limited (HSE) and Coimbatore Stock Exchange Limited (CSE) for over a period of ten years. The volume of trading of the Company's equity shares on HSE and CSE are not significant. The listing fees paid to HSE and

NOTES

CSE does not offer commensurate benefits to the Company of investors. Delisting of the shares on these stock exchanges will also contribute to reduction of administrative cost / efforts of the Company. It is therefore proposed that the shares of the Company be delisted from HSE and CSE, whereas the shares be continued on MSE and BSE.

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

None of the Directors is concerned or interested in this resolution.



DIRECTORS' REPORT

We are presenting this, the Eleventh Annual report of your Company for the financial year ended 31st December, 2003 together with audited accounts.

FINANCIAL RESULTS

The liquidity position continued to be extremely tight. With the delays in salaries continuing, the employees who had formed a union decided to go on strike, which lasted for almost a month. Quite a few employees from the branches, especially Bangalore, Hyderabad, Mumbai and Pune, left the services of the Company completely crippling the operations of these branches. Obsolete stock of around Rs 90 lacs was written off. All these developments resulted in a turnover much lower than expected in all the product lines of the Company, resulting in a loss of Rs 281.12 lacs.

	Year ended 31.12.2003 (Rs.Lacs)	Period ended 31.12.2002 (Rs.Lacs)
Profit /(Loss) before depreciation and tax	(269.70)	(51.35)
Less: Depreciation	8.12	13.21
Profit after tax	(277.82)	(64.56)
Less: Income tax provision for earlier years	3.30	Nil
	(281.12)	(64.56)
Add: Balance brought forward from previous year	(10.29)	54.27
	(291.41)	(10.29)
Less: Transfer from General Reserve	22.00	Nil
Balance carried to Balance Sheet	(269.41)	(10.29)

DIVIDEND

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

THE YEAR UNDER REVIEW

Servo Controlled Voltage Stabilisers (SCVS) and Isolation Transformers

The arrangement with dealers and vendors, who had come forward to invest in the working capital of these products, was put in place by April 2003. They were appointed

DIRECTORS' REPORT

as Licensed Manufacturers (LMs) and agreements were signed to give them the license to manufacture these products. Under this arrangement, the LM procures raw materials, produces stabilisers and isolation transformers and bills them directly to the customer. Alacrity's role in this is to provide the manufacturing expertise by way of trained workers, collect orders, organise installation of the equipment, control receivables and provide after sales service. For these services, the LMs pay us a fee as a percentage of the value at which the product is being billed. With the LM scheme in place, the manufacturing activities were completely transferred to the units operated by the LMs, thus bringing a temporary suspension of such activities within the Company from April 2003.

As this arrangement took longer than expected to settle down, this delay coupled with the strike in the month of October that lasted for over three weeks had an instant and consequential affect on the productivity and output of the LMs. It was during this strike that quite a few employees and some members of the senior management team from the branches left the services of the Company, and sales in the branches were set back as a result.

The strike was resolved through a negotiated process wherein the unpaid salaries, bonus etc. were treated as arrears meant to be paid when the Company's position improved. Also, assurances of regular payment of salaries in the months to come were given. Workers on their part co-operated and started work.

Inspite of the negative fall-out of the strike, most of the long standing employees both from the operations as well as from the management team were able to see that their collective experience and the good prospects the business had could eventually pull the business out of the red. And, with this optimism, they stayed back with a greater conviction to turn the Company around.

Uninterrupted Power Supply (UPS)

M/s n-Logue, a company promoted by IIT Chennai, is in the business of providing communication kiosks in the villages of India, by using the technology of Wireless in Local Loop (WLL corDECT), patented by IIT Chennai. This project envisages setting up of kiosks in the villages to provide services for both Internet and telephony using this technology. These services will connect villages to larger towns and cities of the country enabling the villagers to obtain critical information for their livelihood, health-care and education. M/s n-Logue has a plan of setting up almost one million (10 Lac) kiosks, each requiring an UPS, throughout the villages of India over a period of 5 years.

DIRECTORS' REPORT

Impressed by the commitment shown by our Design team, seen in the work they had put in since the year 1999 to develop a unique UPS, and the solutions we were able to offer to serve the needs of the kiosk (not experienced by them with any other vendor of theirs for UPS), M/s n-Logue signed an agreement with us in April 2003, making us their exclusive vendor for this UPS system. This translates into a business of almost Rs 700 crores for Alacrity's UPS in a period of 5 years. Later in the year, on seeing the progress our design team had made, M/s n-Logue gave us a Letter of Intent in June 2003 for supply of 3000 units of UPS over a period of 6 months.

As it was necessary to substantially upgrade our UPS system, for most part of the year our design and development team was engaged in studying the quality of power and the duration of its availability in the villages. The process of fine tuning the design was still going on towards the end of the financial year and therefore no sale was possible in this period.

The total sales turnover for the products of Power Conditioner business was around Rs 408 lacs. As this sale was due to the billing done by the LMs, the income by way of fee being paid to Alacrity was Rs 142 lacs.

Instrumentation and Controls (I&C)

Due to the reasons stated above the turnover of this business was much lower than expected. The sale of panel meters and portable power and energy analysers resulted in a sales turnover of Rs 102 lacs. This was a direct income for Alacrity as these meters were billed directly by us to the customer. Keeping in mind the fact that the markets of energy management systems were getting competitive and the customer was increasingly getting cost-conscious, an indigenous vendor for meters, M/s Trinity Engineering, was identified to develop, manufacture and supply meters to us. Efforts to develop this vendor were on towards the end of the financial year.

Building and Industrial Automation

The order to automate the switching functions of the power supply systems of an eye hospital was successfully completed. The process to sell more such systems was on towards the end of the period under review.