

67 TH ANNUAL REPORT 2013-14

Powered by Trust™

CONTENTS

Letter from the Executive Director	02
Directors Report	05
Corporate Governance Report	09
Management Discussion and Analysis Report	23
Business Trends	25
Auditors' Report	28
Balance Sheet	32
Profit and Loss Account	33
Cash Flow Statement	34
Notes to the Financial Statements	35

Letter from the Executive Director

Dear Shareholders,

The financial year 2013 – 2014 has drawn to a close, but many questions regarding the power and infrastructure sectors remain unanswered. The “NaMo” government has the hope of the nation riding on its shoulders. We must however understand that all changes brought about by this new regime will need time. There will be a gestation period before any changes translate into increased demand for our products.

The past year has seen us work hard on operational efficiencies and cutting costs. However, there is a point beyond which cost cutting can hurt the scalability and day to day operations of the company. We recognize this and have tried innovative approaches to boost sales and keep morale high. Our prime focus this year will be on driving top line growth. We have chalked out an aggressive Business Development plan which will aim to strengthen our sales and marketing functions. This augers well with our push towards increasing business volume from the private sector for some of our divisions. We are in the process of implementing an Employee Engagement program which will help keep our people motivated through these trying times.

The Transformer division has bagged its largest export order from a large government utility in the Middle East. However there is much more to be done in this area and efforts are on to gain various approvals that will enable increased access to export markets. We now have a separate vertical in the Transformer division that will target the business from industry. While the order book is healthy, prices and profitability continue to be a cause for concern. The Motor business too has focused on market penetration and leveraging the supply chain. These efforts have fructified into market share increases. We also continue to make inroads into the project and OEM business with some marquee orders coming our way.

In the Projects business we continue to cherry pick and de-risk ourselves by quoting for very specific projects. Although we have a large enquiry base, we have witnessed a constant delay in finalization of substations. Among our achievements this year has been the completion of a switchyard for the largest solar power plant in Asia. The Drives division has registered an impressive 35% growth over the corresponding first quarter of last year. Our portfolio of automation

solutions is now impressive and we are looking at appointing solution partners across India and neighboring countries to increase our market reach. The servo drives market is growing at a rapid rate and we are exploring various opportunities in this space. The Elevator Systems division has been a pioneer in the gearless machines market. We have registered a 25% year on year growth as this technology gains acceptance. The division is currently pursuing the challenging opportunity of supplying to major elevator manufacturers.

The Modi government has made an effort to bring in accountability by uniting the frequently warring camps of Power, Coal and Renewable Energy under a single head. This should boost smoother functioning of these ministries. We look forward to policy changes that will help to unleash the potential of the power sector which has so far been unrealized.



Shome Danani
Executive Director



DIRECTORS

Mr. Bansi S. Mehta (Chairman)

Mr. Nikhil J. Danani
(Vice Chairman & Managing Director)

Mr. Nakul P. Mehta
(Vice Chairman & Managing Director)

Mr. Shome N. Danani
(Executive Director)

Mr. Prakash V. Mehta

Mr. Anand J. Danani

Mr. Sanjiv N. Shah

Mr. Jairaj C. Thacker

Mr. Ravishanker Prasad
(Appointed as Additional Director
w.e.f. 22nd January, 2014)

REGISTERED OFFICE

Electric Mansion, 6th Floor,
Appasaheb Marathe Marg, Prabhadevi,
Mumbai 400 025.
Tel. No. : 022-24306237
Fax No. : 022-24370624

WORKS

No. 2, MIDC,
Thane Belapur Road, Airoli,
Navi Mumbai 400 708
Maharashtra
Tel. No. : 022-27637200
Fax No. : 022-27637443

AUDITORS

M/s Dalal & Shah

SOLICITORS

M/s Malvi Ranchoddas & Co.

BANKERS

Bank of India
IDBI Bank Limited
Citibank N.A.
Standard Chartered Bank
HDFC Bank Ltd.

REGIONAL OFFICES**Northern Regional Office**

1st Floor, 7-B Rajindra Park,
Pusa Road,
New Delhi 110 060.
Tel. No. : 011-25816931/6932/6933
Fax No. : 011-25816940

Western Regional Offices

Swastik Chambers, 5th Floor,
Junction of Sion Trombay Road and C.S.T. Road,
Chembur, Mumbai 400 071.
Tel. No. : 022-61457200
Fax No. : 022-61457255

No. 2, MIDC,
Thane Belapur Road, Airoli,
Navi Mumbai 400 708.
Maharashtra.
Tel. No. : 022-27637200
Fax No. : 022-27637443

Eastern Regional Office

Mansarowar, 2nd Floor,
3B, Camac Street,
Kolkata 700 016.
Tel. No. : 033-22172382
Fax No. : 033-22172467

Southern Regional Office

Ramanashree Chambers,
37, Lady Curzon Road,
Bangalore 560 001.
Tel. No. : 080-25592646
Fax No. : 080-25592823

REGISTRAR & SHARE TRANSFER AGENTS**Link Intime India Pvt. Ltd.**

C-13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (W),
Mumbai 400 078.
Tel. No. : 022-25963838
Fax No. : 022-25946969

REPORT OF THE DIRECTORS TO THE MEMBERS

The Directors are pleased to present their 67th Annual Report on the business and operations of the Company together with the Audited Accounts for the financial year ended 31st March, 2014.

The Indian economy continued to be sluggish during the year under review and this has adversely impacted the businesses of your Company. Investments in infrastructure and manufacturing will be the key for revival of our business prospects. We expect the macro-economic situation to improve steadily going ahead and are building internal capabilities to leverage on that.

During the year under review there was continued emphasis on improving customer reach, diversification of customer and geographical mix while keeping strong focus on cost control. Concurrently, important steps have been taken to prepare your Company for the next phase of growth and expansion. The higher voltage motor facility inaugurated last year has successfully delivered its first export order. This is an important milestone as we establish our capabilities in the market place. The Drives and Elevators Systems businesses also continue to grow profitably as they scale up. Both the businesses have very good traction in the market and continue to see healthy growth.

FINANCIAL PERFORMANCE

	Year Ended 31st March 2014 (Rs. In Lakhs)	Year Ended 31st March 2013 (Rs in lakhs)
Income from Sales & Service	53748.76	59401.25
Less: Excise Duty	5100.61	5148.52
	48648.15	54252.73
Other Income	1814.98	1745.34
	50463.13	55998.07
Profit before Interest, Finance Charges, Depreciation, Exceptional Items and Tax	1061.50	1492.66
Less: Interest & Finance Charges	1309.55	1242.06
Less: Depreciation	1094.07	1069.93
Profit before Exceptional Item and Tax	(1342.12)	(819.33)
Add : Exceptional Item	-	-
Profit before Tax	(1342.12)	(819.33)
Less: Provision for Taxes	(144.20)	(329.83)
Profit after Tax	(1197.92)	(489.50)

Short (-) / Excess Provision of tax for earlier years	68.53	2.67
Profit after Taxation	(1129.39)	(486.83)
Add: Profit brought forward from previous year	6171.29	6823.42
Profit available for appropriation	5041.90	6336.59
APPROPRIATION		
Proposed Equity Dividend	-	141.29
Tax on Proposed Equity Dividend	-	24.01
General Reserve	-	-
Profit Carried Forward	5041.90	6171.29

Previous year's figures have been regrouped for comparison purposes with current year's presentation wherever necessary.

DIVIDEND

In view of the net loss during the financial year 2013-2014, the Directors have not recommended payment of dividend for the year ended 31st March, 2014.

OPERATIONS

Income from Sales and Service for the Company reduced from Rs. 59401 lakhs in the previous year to Rs. 53749 lakhs, a drop of 10%. Revenues of the Power Systems remained under pressure due to sluggish market demand and delay in customer project execution timelines.

The Company incurred a loss before exceptional items and tax of Rs.1342 lakhs as against a loss before exceptional items and tax of Rs. 819 lakhs in the previous year mainly due to pressure on margins in the Industrial Systems segment.

FINANCE

In spite of tight money market conditions, adverse liquidity and substantial erosion in profitability, the focus of the Company on the efficient management of short-term and long-term funds through rigorous monitoring of deployment towards working capital, a comprehensive evaluation and execution process for capital expenditure, and prudent deployment of surplus funds helped it generate positive cash flow from operations. Although the Company incurred interest and finance costs of Rs.1309.55 lakhs, it also earned income of Rs.1413.29 lakhs from deployment of surplus funds and treasury operations.

The Company's free reserves as on 31st March, 2014 decreased by Rs.1129.39 lakhs to Rs. 29513.27 lakhs.

As on 31st March, 2014, the Company had Fixed Deposits aggregating to Rs. 2160.90 lakhs. Out of the Fixed Deposits which matured for payment prior to 31st March, 2014, 54 deposits aggregating to Rs. 11.63 lakhs were neither renewed nor claimed till 31st March, 2014. Of these, 10 deposits aggregating to Rs. 1.80 lakhs have since been refunded on receipt of requests from the deposit holders. The balance 44 deposits aggregating to Rs. 9.83 lakhs have been neither claimed nor renewed till date of this report, in spite of the Company's intimation to the deposit holders. There has been no default or delay in meeting any maturity payment obligations.

During the year Rs. 5.41 lakhs was transferred to the Investor Education and Protection Fund.

HUMAN RESOURCES AND EMPLOYEE RELATIONS

There is an ongoing emphasis on building a progressive Human Resources culture within the organisation. Structured initiatives to nurture talent and create a working environment that fosters motivation, team-work and result-orientation continue to be addressed.

The long term wage agreement with the Union was signed on January 15, 2014 and the same will be valid up to December 31, 2014. Employee Relations across the Company continued to be cordial, and issues were settled amicably. Productivity levels continued to be subject to continuous monitoring.

Employee strength as on March 31, 2014 was 1436 as compared to 1362 in the previous year.

CORPORATE GOVERNANCE:

A separate report on Corporate Governance along with Auditor's Certificate on its compliance, is set out in Annexure "A".

MANAGEMENT DISCUSSION AND ANALYSIS (MDA) REPORT:

A separate report on MDA forms part of the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- a) In the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- b) The Directors have selected such accounting policies and applied them consistently and made judgments 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 31st March, 2014, and the profit and loss for that period;
- c) The Directors have taken proper and sufficient care for maintenance of adequate accounting records in

accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;

- d) The Directors have prepared Annual Accounts on a going concern basis;
- e) The Directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and are operated effectively and;
- f) The Directors have devised proper systems to ensure compliance with the processes of all applicable laws and that such systems were adequate and operating effectively.

DIRECTORS:

During the year, Mr. Jaisingh R. Danani, Director on the Board of the Company and who was a Managing Director of the Company for 35 years until 1990, passed away on August 5, 2013.

Mr. Mukul Harkison Dass who joined the Board on August 29, 1972 also passed away on June 14, 2013.

The Company has suffered an irreparable loss due to their demise and the Board of Directors place on record their appreciation for the immense contribution, valuable guidance and commitment rendered by Mr. Jaisingh R. Danani and Mr. Mukul Harkison Dass during their tenure as Directors.

During the year, Mr. Harish Chandra Mishra resigned from the Board w.e.f. July 25, 2013. The Board of Directors place on record their appreciation for the invaluable advice and guidance given by Mr. Harish Chandra Mishra during his association with the Company.

Mr. Ravishanker Prasad was appointed as an Additional Director with effect from January 22, 2014 and holds office up to the date of the forthcoming Annual General Meeting. Notice has been received under Section 160 of the Companies Act, 2013 from a member proposing his candidature for office of Director and such appointment has been proposed at Item No. 5 of the Notice dated July 25, 2014.

Ms. Mahnaz A. Curmally was appointed as an Additional Director with effect from July 25, 2014 and holds office upto the date of the forthcoming Annual General Meeting. Notice has been received under Section 160 of the Companies Act, 2013 from a member proposing her candidature for office of Director and such appointment has been proposed at Item No. 4 of the Notice dated July 25, 2014.

Mr. Anand J Danani retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Mr. Prakash V Mehta, Mr. Sanjiv N. Shah and Mr. Jairaj C. Thacker, Non-executive Directors of the Company have submitted declaration under Section 149(7) of the Companies Act, 2013 confirming that they meet the criteria

of independence prescribed for Independent Directors as stipulated under Section 149(6) of the said Act.

Notices have been received from members under Section 160 of the Companies Act, 2013 proposing their appointment as Independent Directors. The Independent Directors are proposed to be appointed for a period of 5 years from the date of the ensuing meeting and they shall not retire by rotation.

Notice has been received under Section 160 of the Companies Act, 2013 from a member proposing the candidature of Mr. Rajeshwar R. Bajaaj as an Independent Director who has also confirmed that he meets the criteria of independence prescribed for Independent Directors as stipulated under Section 149(6) of the said Act and such appointment has been proposed at Item No. 9 of the Notice dated July 25, 2014.

Information on the Directors eligible for reappointment/appointment as required under Clause 49 of the Listing Agreement with Stock Exchanges is disclosed in the profiles of the Directors under Item Nos. 4 to 9 forming part of the Notice dated July 25, 2014 circulated along with the Annual Report 2013-14.

AUDITORS:

The Company's auditors, M/s. Dalal & Shah, bearing Firm Registration No. 102021W, hold office till the date of the ensuing Annual General Meeting and, being eligible, are recommended for reappointment. The Company has received a confirmation from M/s. Dalal & Shah to the effect that their appointment, if made at the ensuing Annual General Meeting would be in terms of Section 139 and 141 of the Companies Act, 2013 and rules made thereunder. The Board on the recommendation of the Audit Committee proposes to appoint M/s. Dalal & Shah as Statutory Auditors of the Company for a period of 3 years from the conclusion of the ensuing Annual General Meeting, subject to ratification by members of the Company at each Annual General Meeting. This item of business is covered under Item No. 3 of the accompanying Notice dated July 25, 2014.

COST AUDITORS:

M/s. P. M. Nanabhoy & Co. an independent firm of Cost Accountants having an arm's length relationship with the Company and who are free from any disqualification as specified under Section 141(3) have been appointed by the Board as Cost Auditors of the Company, for electric motors, power transformers, drives and elevator system products for the Financial Year ending 31st March, 2015, subject to the approval of the Central Government at a remuneration of Rs. 72,000/- which is subject to approval by members. Their appointment is in accordance with the limits specified in Section 141 (3) (g) of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES:

The information required under Section 217 (2A) of the Companies Act, 1956, read with Company's (Particulars of Employees) Rules, 1975, and forming part of this Report, are annexed to this Report. However, as per the provisions of Section 219 (1)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all Shareholders of the Company, excluding the Statement of Particulars of Employees. Any shareholder interested in the Particulars of Employees, may write to the Company Secretary at the Registered Office of the Company for a copy of the Statement.

Additional information as required by Department of Companies Affairs is presented on Page No. 8 of this Annual Report.

COMPANIES ACT, 2013

The Companies Act, 2013 was notified in the Official Gazette of the Government of India on August 29, 2013. On September 12, 2013 the Ministry of Corporate Affairs (MCA) notified 98 sections and on March 27, 2014, the MCA notified another 198 sections, which were deemed to come into force with effect from April 1, 2014.

The MCA vide Circular No. 08/2014 dated April 4, 2014 clarified that the financial statements and the documents required to be attached thereto, the auditors' and directors' report in respect of the financial year under reference shall continue to be governed by the relevant provisions of the Companies Act, 1956, schedules and rules made thereunder.

The Company has accordingly prepared this balance sheet, statement of profit and loss, the schedules and notes thereto and the Directors' Report in accordance with the relevant provisions of the Companies Act, 1956, schedules and rules made thereunder.

The Company has taken cognizance of the new legislation and shall comply with the provisions of the Companies Act, 2013, as applicable.

ACKNOWLEDGEMENTS:

The Directors would like to accept and convey their sincere appreciation to all employees of the Company for their continued hard work, dedication and commitment to the Company. The Directors also acknowledge and are grateful to the Bankers, Government Authorities, Shareholders, Vendors and other Stake-Holders for their continued support, confidence and co-operation in the performance of the Company.

For and on behalf of the Board of Directors

Bansi S. Mehta
Chairman

Date: July 25, 2014

ADDITIONAL INFORMATION

[In terms of Section 217 (1)(e) of the Companies Act, 1956 and Companies' (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988]

A. Conservation of Energy :

1) Measures:

- Maintained 1000kVAR Capacitor bank in Transformer Plant and installed 300 KVAR capacitor bank in sub-station and achieved power factor of 0.99
- Installed Magnetic Induction Lamps of 150 Watts in place of 250 Watts Metal Halide lamps and 55 Watts in place of 150 Watts Metal Halide lamps in T2 Plant and new Motor Finished Goods Godown
- Replacement of 36Wx2 tube light fixtures by 15Wx2 LED fixtures
- Replacement of conventional ballast for Metal Halide lamps by electronic ballast is in progress
- Installed timers for automatic switching on and switching off exhaust fans and lights in toilets
- Installed Remote Switching ON-OFF system to avoid idle running of compressors on no load condition
- Motion controlled sensors installed in Painting Booth
- Regenerative Test Plant installed
- Converted electric heating ovens to Piped Natural Gas (Thermopac) heating.

2) Impact of Measures:

- Savings of 4% to 5% in monthly billing by improving power factor
- Energy savings of approx. 30% in lighting, 10% in Cranes & 5% in Ovens, and 40% in compressed air consumption and testing units

3) Measures Planned : Energy Savings:

- Replacement of Metal Halide Lamps with Magnetic Induction Lamps in Shop floor
- Replacement of existing motors by energy efficient motors
- Replacement of conventional reciprocating compressor off chilling plants by lobe (screw) compressors

B. Technology, Absorption, Adaptation, and Innovation:

1) Efforts made:

- Upgraded existing Vapour Phased Drying Plant with latest technology to improve Drying Quality and to save energy

- Installed new turbo air ventilator in Transformer T1 Plant to reduce heat impact during summer
- SCADA operated regenerative test plant with 4 No. Bed installed for testing IE2 motor up to 22KW
- Kone cranes installed in Finished Goods Godown with overload monitoring mechanism
- 2 nos. Dry type painting booth installed in motor plant

2) Benefits derived:

- Increase in manufacturing and testing capacity
- Increase in manufacturing capacity
- Quality Improvement
- Better pollution control
- Compatibility for testing motors as per new ISI5999 Part II Sec 1 with actual measurement of losses
- Equipment availability and reliability improved

3) Technology imported during the last five years:

The Company has entered into a Technology Transfer Agreement with M/s. Permanent Magnets S.A. Spain, for manufacture and sale of Gearless Permanent Magnet Synchronous Motors.

The Company has also entered into a 10 year Technical Assistance & Licence Agreement to manufacture and sell products designated as "KEB Combivert" (Drives) in India, Sri Lanka, Nepal and Bangladesh with technical information and assistance from M/s. Karl E. Brinkmann, GmbH, Germany

C. Foreign Exchange earnings and outgo:

1) Export Activities :

The Company has directly exported Motors, Transformers and Hoist machines to the international customers. Transformers have also been sold as deemed export to internationally aided projects. These orders were obtained against international competition.

2) Foreign Exchange earned :

	Rs. in Lakhs
- Deemed Exports	2536.20
- Direct Exports	1102.93
3) Foreign Exchange used :	2676.20

CORPORATE GOVERNANCE REPORT- ANNEXURE A

1. Company's Philosophy on Corporate Governance:

We believe that Corporate Governance is the product of culture and the mindset of the Management of the Company and meets or exceeds the demands of the regulatory authorities. Focus and practice of corporate governance in the Company, since its inception, is based on the principle of transparency and fairness, accountability and responsibility, disclosures and compliance in all dealings of the Company. Requirement of revised Clause 49 of the Listing Agreement with Stock Exchanges, Code of Conduct on Prevention of Insider trading and also a Code of Conduct for Directors and Senior Management personnel is adhered to regularly.

2. Board of Directors & Board Meetings:**a. Composition :**

The Board consists of nine (9) Directors, out of which four (4) are Independent, two (2) are Non-Executive and three (3) are Executive Directors. The Chairman is an Independent Director. He is not a promoter nor related to promoters or to persons occupying management positions at Board level or at one level below the Board. The Non-Executive Directors account for 66% of the Board's strength against the minimum requirement of 50% as per the Listing Agreement. Independent Directors constitute 44 % of the total strength of the Board as against one third (33.33%) required when the Chairman is a Non Executive Director. The Non-Executive Directors are all eminent professionals with experience in overall management, finance and law and have a wide range of skills and experience. The day to day operations of the Company are overseen by three Executive Directors, Mr. Nikhil J. Danani, Mr. Nakul P. Mehta (both Managing Directors), and Mr. Shome N. Danani (Executive Director).

During the year Mr. Harish Chandra Mishra resigned from the Board w.e.f. 25th July, 2013. Mr. Ravishanker Prasad was appointed as an Additional Director w.e.f 22nd January, 2014 who holds office as such upto the date of this ensuing Annual General Meeting.

Notice has been received under Section 160 of the Companies Act, 2013 proposing the candidature of Mr. Ravishanker Prasad to be appointed as Director on the Board and the same is proposed at item no.5 of the Notice of Annual General Meeting dated 25th July, 2014.

Mr. Nikhil J. Danani, Mr. Shome N. Danani and Mr. Anand J. Danani are related to each other. None of the other Directors are related to any other Director.

b. Board Meetings:

In the Financial Year 2013-2014, five (5) Board of Directors' meetings were held on the following dates:

- | | |
|--------------------------------|-----------------------------------|
| 1. 17 th May, 2013 | 4. 17 th October, 2013 |
| 2. 28 th June, 2013 | 5. 22 nd January, 2014 |
| 3. 25 th July, 2013 | |