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BILPOWER LIMITED

Annual Report 2004-2005

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Power Behind Power

BOARD OF DIRECTORS	Shri Naresh Choudhary Shri Rajendra Choudhary Shri Abhishek Choudhary Shri Anuj Govindhari Chaudhary
REGISTERED OFFICE	201-204, Vikas Chambers, 2nd Floor, Junction of Link & Marve Road, Malad (West), Mumbai - 400 064 Tel : (91 22) 2888 5929 / 2888 7597 Fax : (91 22) 2881 1225 Email : info@bilpower.com
BRANCH OFFICES / UNITS	
Baroda Office	19, R.C. Patel Industrial Estate, Akota, Baroda - 390 020 (Gujarat). Phone : (0265) 2344 773 / 2310 437 Fax : (0265) 2339 629
Baroda Unit	446 , G.I.D.C. Industrial Estate, POR, Ramangamdi, Baroda - 391 243. Phone : (0265) 2830 824 Telefax : (0265) 2830 929
Export Unit	447, G.I.D.C. Industrial Estate, POR, Ramangamdi, Baroda - 391 243.
Karad Unit	Unit No. 4&5, Survey No. 2 / 2 / 2 Madhuban Dam Road, Village - Karad Silvassa, D & NH. Phone : (0260) 2646 836
Sales Depot	R - 707, T.T.C. Industrial Area, Rabale, Thane - 400 701
AUDITORS	M/s Ashok Bansal & Co. Chartered Accountants 26, Kakad Corner, Kondivita Lane, J.B. Nagar Andheri (East), Mumbai - 400 059
REGISTRARS & SHARE TRANSFER AGENTS FOR PHYSICAL & ELECTRONIC SHARES	M/s. System Support Services 209, Shivai Industrial Estate, Next to Parke Davis, Saki Naka, Andheri Kurla Road, Mumbai - 400 072. Phone : (91 22) 2850 0835
BANKERS	CENTRAL BANK OF INDIA Corporate Finance Branch MMO Building, 1st Floor, M. G. Road, Fort, Mumbai - 400 023.

DIRECTORS' REPORT

The Directors have pleasure in presenting their 16th Annual Report together with Audited Accounts for the financial year ended 31st March 2005.

FINANCIAL RESULTS

(Rs. In Lacs)

PARTICULARS	2004-2005	2003-2004
Gross Turnover & Other Income	5916.60	4186.70
Profit before Interest, Depreciation & Taxation	534.29	259.31
Interest	53.98	65.71
Profit before Depreciation & Taxation	480.31	193.60
Depreciation	14.70	13.38
Less : Provision for Taxation (Including Deferred Tax)	50.56	10.63
Profit for the year	415.05	169.59
Add : Surplus brought forward From previous Year	706.93	565.54
Profit available for Appropriations	1121.98	735.13
Appropriations		
Proposed Dividend	50.01	25.00
Tax on Proposed Dividend	7.01	3.20
Surplus Carried to Balance Sheet	1064.96	706.93

DIVIDEND

Keeping in view the Company's policy to enhance shareholders' interest, the Directors recommend a dividend of 10% for the financial year ended on 31st March 2005, against 5% declared and paid for 2003-04.

OPERATIONS REVIEW

Your Company's performance for the year 2004-05 was encouraging with substantial improvement in margins. Your Company has made significant strides in its operational as well as financial performance. We are committed to make Bilpower benchmarked to international standards of quality, operational performance, efficiency and customer care.

You will be happy to learn that your Company has achieved rapid transformation in its performance in its quest for the most admired company in the Industry. The Highlights of our performance for the year 2004-05 are:

- The Total Income of the Company for the year 2004-05 increased to Rs. 5916.60 Lacs against Rs. 4186.70 Lacs in the corresponding previous financial year, registering a growth of 41.32%

- Net Profit for the year recorded an increase of 144.74% to Rs. 415.05 Lacs from Rs. 169.59 Lacs in the previous financial year

- EPS (Earning Per Share) for the year is Rs. 8.30 against Rs. 3.39 in the corresponding previous financial year, an increase of 144.84%

Bilpower aims at a leadership role in manufacturing best quality laminations and stampings in India to keep in pace with major regulatory changes and reforms in the Domestic Power Sector.

The existing unit at Amli, have been disposed off during the year and new unit have been established at Karad at Gala No C 5 being a rental premises.

DIRECTORS

Mr. Abhishek Choudhary, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Brief resume of the above director, nature of his expertise, specific functional areas and names of the other companies in which he holds directorship and membership / chairmanship of Committees of the Board and his shareholding in the Company, as stipulated under Clause 49 of the Listing Agreement, is given in the Report on Corporate Governance elsewhere in the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies (Amendment) Act, 2000, with respect to Directors responsibility statement, it is hereby confirmed that

A. In the preparation of Annual Accounts for the financial year 2004-05, the applicable Accounting Standards have been followed along with proper explanations relating to material departures, if any, and that there are no material discrepancies;

B. The Directors have selected such Accounting Policies and applied them consistently and made prudent judgments & estimates that are reasonable so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and the Profit of the Company for the Accounting Year ended on that date;

C The Directors have taken proper & sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956, for safeguarding the assets of the Company and for preventing & detecting fraud and other irregularities;

D The Directors have prepared the Annual Accounts for the financial year 2004-05, on "going concern basis". The above statements have been noted by Audit committee in its meeting held on 27th June 2005

ALLOTMENT OF WARRANTS AND EQUITY SHARES

The company has allotted warrants convertible in to equity shares to the extent the equity shares arising out of the conversion of warrants do not exceed 5100000 equity shares of Rs.10/- each on preferential basis to the promoters and other parties. Opinion in the matter has been obtained from external legal counsel, Mr. Rajendra Mishra, Advocate High Court. He has opined that the allotment of warrants and equity shares was **Void ab initio** and therefore any action including exercise of option available with the said warrants was void, inoperative and will have no legal effect and accordingly the company has refunded the amounts received from respective applicants forthwith. Salient extracts from the said opinion are reproduced as under -

"Your Board of Directors in its meeting held on 28th February 2005 approved issuance of warrants convertible in to equity shares to the extent the equity shares arising out of the conversion of warrants do not exceed 5100000 equity shares of Rs.10/- each on preferential basis to the promoters and other parties.

Your company had fixed 11th March 2005 as relevant date in accordance with the provisions of Chapter VIII of Disclosure and Investor Protection guidelines of Securities & Exchange Board of India for the purpose of Price determination. The shareholders' resolutions was passed at the extra ordinary general meeting held on 11th April 2005, whereas issue of warrants convertible in equity shares was permitted to the parties listed in Notice.

The parties specified in Notice as allottees have brought in amounts as per requirement. The Board of Directors have allotted the warrants in their meeting held on 26th April 2005 and in the same meeting 1700000 equity shares were allotted against conversion of 1700000 warrants held by parties in the promoter group.

Clause 13 3.1 (f) (of SEBI (DIP) Guidelines, 2000) which governs preferential allotment provides that no listed company shall make preferential issue of equity shares, warrants, PCD, FCD or any other financial instrument convertible into or exchanged with equity share at a later date, to any person unless the entire shareholding, if any of such person in the company is held in the dematerialized form.

Clause 13.3.1 (h) further provides that where shares / warrants / convertible instruments are issued on preferential basis, the shareholders who have sold their shares during six months prior to the relevant date shall not be eligible for allotment of shares on preferential basis.

In the instant case, your company has allotted the warrants convertible into equity shares and also converted a part of warrants in to equity shares to the parties who have sold their shares in the past six months prior to date of allotment, thereby rendering themselves ineligible for allotment. Your company has also allotted warrants convertible in to equity shares and converted part of the warrants into equity shares to persons who are holding some of the shares in non dematerialized form. Thereby, rendering themselves ineligible for allotment.

Therefore, allotment of warrants and equity shares arising out of conversion of warrants is inoperative, void and can not be acted upon. In fact, the authority in terms of resolutions passed in the members meeting held on 11th April 2005 was no longer available to your company to authorize you to issue shares pursuant to that resolutions.

In my opinion the instant case is one of the irregular allotment that may not be capable of rectification. It is in fact a case of issue and allotment of warrants and equity shares arising out of conversion of warrants being void ab initio in view of financial instrument being allotted to persons not eligible for allotment as per SEBI guidelines and hence without authority. The SEBI guidelines specifically provide for the compliance with various clauses of Chapter XIII of SEBI (DIP) Guidelines which governs preferential allotment of financial instrument and non compliance with the guidelines will render the allotment void ab initio and can not be operative. In short, the original resolution passed in the EOGM held on 11th April 2005 is invalid as it contains the names of persons / parties who can not be allottees as per various applicable provisions of SEBI (DIP) guidelines and allotment of financial instrument under such resolution is void not valid and can not be operative."

IMPACT ON FINANCIAL STATEMENT

Consequently, there is no impact on the company's balance sheet as at 31st March 2005.

AUDITORS

Shareholders are requested to appoint Statutory Auditors for the current year and authorize the Board to fix their remuneration. The retiring Auditors, M/s. Ashok Bansal & Co., Chartered Accountants, offer themselves for re-appointment as Auditors of the Company. Your Directors have recommended the re-appointment of M/s. Ashok Bansal & Co., Chartered Accountants, as Statutory Auditors of the Company.

The Company has received the certificate from abovementioned firm of Chartered Accountants, confirming that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such an appointment, within the meaning of Sub-sections (3) and (4) of Section 226 of the Companies Act, 1956.

AUDITORS' REPORT

Comments on the remarks in Auditors Report are as under:

i. Due to small strength of staff the actuarial valuation etc. is not warranted as per AS - 15.

ii. In view of the day to day involvement of the Directors in the business of the Company and policy of proper checks and controls, expenditure on formal Internal Audit is not warranted.

Other remarks in the Auditors' Report are self explanatory and therefore do not call for any further explanation Under Section 217 (3) of the Companies Act, 1956.

TAX PROVISIONS

The Company has made adequate provisions, as required, under the provisions of Income Tax Act, 1961.

FIXED DEPOSITS

During the Year ended on 31st March 2005, the Company has not accepted any Fixed Deposits from Public under Section 58 A of the Companies Act, 1956.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion and Analysis of financial conditions and results of operation of the Company for the year under review as required under Clause 49 of the Listing Agreement is attached to this Report as Annexure I.

CORPORATE GOVERNANCE

The Company has been proactive in following the good corporate governance practices. The Company has ensured that the requirements of Corporate Governance as per Clause 49 of the Listing Agreement executed with the Stock Exchange, Mumbai are duly complied with. A separate Report on Corporate Governance is given elsewhere in the Annual Report. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is given in Annexure II.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE

In view of the nature of business of the Company, which is labour intensive, the information required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in Report of the Board of Directors) Rules, 1988, with respect to conservation of Energy, Technology outgo is not given as electricity purchased and consumption per unit of production is negligible.

During the year under consideration, the Company has used **Foreign Exchange** equivalent to Rs. 6,48,58,387/- (previous year 6,40,21,566/-) and earned Foreign Exchange equivalent to Rs. 1,73,93,167/- (Previous Year 1,99,93,816.87).

HUMAN RESOURCES

Industrial relations were cordial in all the divisions throughout the year under review. Information in accordance with Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, is not applicable as none of the employees is drawing a Salary of Rs. 2.00 Lac per month and / or Rs. 24.00 Lac per annum.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from Bankers, Financial Institutions, Government Departments, Shareholders and other Business Associates for their continued support towards the conduct of operations of the Company efficiently.

We take this opportunity to place on record our warm appreciation for the employees at all levels for their dedicated services and valuable contributions towards the growth of the Company.

For **Bilpower Limited**

Naresh Choudhary
Managing Director

Place : Mumbai
Date : 4th August, 2005

Annexure I to the Directors' Report

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The corner stone of Company's business is manufacturing, marketing and catering to the requirements of Power Equipment and Engineering Sector. The Company also manufacture Stampings, again addressing the Electrical & Motor Industry.

1. OVERVIEW

The financial statements have been prepared in compliance with the requirement of respective laws to the extent applicable and as per Generally Accepted Accounting Principles in India. The Management accepts the responsibility for the integrity and objectivity of these financial statements as well as for various estimates and judgments therein. The judgments and assumptions are made on prudent and reasonable basis, in order that the financial statements reflect the business affairs and profits for the year in a true and correct manner.

2. OVERALL REVIEW

Creation of world class power infrastructure is a pre-requisite for sustained development of the economy. The Power Engineering Equipment Industry has entered into growth phase as it is directly linked with the Power Sector. Government of India and various State Governments have taken major steps and initiatives to improve the power scenario. Government of India is committed to bring reforms in Power Sector and enactment of Electricity Act,2003, APDRP Scheme, Tripartite Agreement to settle losses of State Electricity Boards are some of the steps which will open up the sector for huge investment.

The Government has set itself vision of "Power for all by 2012". During the 10th & 11th plan, a total capacity addition of 1,13,000 MW is envisaged, entailing an investment of Rs. 5750 billion in power generation, transmission and distribution.

In the year 2004-05, the economic conditions improved in domestic markets. Bilpower, which essentially operates in power engineering equipment segment, saw huge demand of its products from transformer manufacturers. The demand is sustainable and growing as market for CRGO Steel and its products is expanding but the supplies are limited. The prices of CRGO Steel have firmed up substantially in the international markets and it had consequent impact in Indian front as well.

Grain Oriented Steel (also known as CRGO & CRNGO Steel or Electrical Steel), the lifeline of the Company, is used as the core raw material in Power Generation, Transmission and Distribution Equipments. In view of the same, the demand for CRGO Steel (Electrical Steel) shall be in the range of Rs. 850 - 1000 Billion in the 10 years.

The Management believes that the Company is entering into a long and strong earning period of the Industry. Bilpower is positioned to take maximum benefits from this upswing to deliver substantially more value to its shareholders over a period of time.

3. FINANCIAL ANALYSIS

Your Company's performance for the year 2004-05 was encouraging with substantial improvement in margins. An overview of the financial performance is already given in the Directors' Report and a brief is given in this report as well. The Audit Committee constituted by the Board of Directors periodically reviews the financial performance and reporting systems. The Highlights of our performance for the year 2004-05 are :

- The Total Income of the Company for year 2004-05 increased to Rs. 5916.60 Lacs against Rs. 4186.70 Lacs in the corresponding previous financial year, registering a growth of 41.32%
- Net Profit for the year recorded an increase of 144.74% to Rs. 415.05 Lacs from Rs. 169.59 Lacs in the previous financial year

- EPS (Earning Per Share) for the year is Rs. 8.30 against Rs. 3.39 in the corresponding previous financial year, an increase of 144.84%

- A dividend of 10% has been proposed, subject to the approval of the shareholders against 5% declared and paid during the year 2003-04. The corresponding dividend payout for the year will be Rs 57.02 Lac including tax on dividend.

- The Company's net worth on 31st March 2005 was at Rs. 1565.04 Lac comprising of an Equity component of Rs. 500.08 Lac and Reserves of Rs. 1064.96 Lac.

- The gross fixed Assets were at Rs. 407.38 as on 31st March 2005 as against Rs. 397.84 Lac as at 31st March 2004, which indicates net addition of Rs. 9.54 Lac.

4. INDUSTRY SCENARIO

Power Sector - The End-user Industry For Bilpower's Products

Current Status

The Power Sector is set to grow faster than any other infrastructure sector due to series of reform measures taken by the Government of India. Some of the major steps are as under:

The Legislative Reforms

The Accelerated Power Development Reform Program (apdrp)

Under the Tenth Plan investments of Rs. 400 billion under the APDRP to be used for renovation, modernization, upgradation and strengthening of the sub-transmission and distribution network.

The Electricity Act, 2003

In a major step towards revamping power scenario in India, the Government enacted The Electricity Act in 2003. The main provisions of the act are as follows:

- **Forced Restructuring of the SEB's**
- **Delicensing Generation**
- **Private Sector Participation in Transmission and Distribution (T&D)**
- **Trading Recognized as a Distinct Activity**
- **Penal Provisions to prevent theft and pilferage of power**

The Progress So Far

a) The biggest comfort in power investments is the improving financials of SEB's by settling their carry forward losses through Tripartite Agreement between SEB's, Government of India and Reserve Bank of India. This has already started showing positive impact on the sector.

B) Various states have initiated and implemented privatization measures through the trifurcation of SEB's.

The Outlook

Despite a 47 percent shortfall in the addition to power generation capacity during the Ninth Plan, outlook for the Tenth Plan is upbeat due to the securitisation of SEB's dues.

The Tenth Plan estimates capacity addition of 41,110 MW. However, based on projects under implementation (20,000 MW) and the tenders in pipeline, the actual capacity addition is expected to be 27,466 MW (against 19,000 MW added in the previous plan).

In addition to generation, the Electricity Act, 2003 will trigger investments in transmission and distribution (T&D) as well. This is important as the under-investment in India's T&D infrastructure is estimated at over USD 3.6 billion (Rs. 160 Billion approx.). The implementation of 'open access' in distribution (up to Low Tension sub-station) should attract private investments as well.

INVESTMENT PLANS IN POWER SECTOR

The investments in generation, transmission and distribution network up to 2012 is estimated to be in the region of Rs. 5750 billion. Further, under APDRP, another Rs. 400 billion will be spent during the 10th plan on renovation, modernization and upgradation of existing network.

REQUIREMENT OF GRAIN ORIENTED STEEL (ELECTRICAL STEEL)

Laminations, Stampings and other products made out of CRGO Steel forms about 40% of the total capital cost of the equipments. Accordingly, the demand for CRGO Steel (Electrical Steel) shall be in the range of Rs. 850-1000 Billion in the next 10 years.

5. SEGMENT WISE REVIEW

Business Profile & Outlook

The Company is involved in to manufacturing of Electrical Lamination made up of CRGO (Cold Rolled Grain Oriented) Steel Sheets and Stampings (Stators & Rotors), which are exclusively used in manufacturing of distribution transformers and for rotation of power respectively. With the expansion of distribution network of Power the demand for power and distribution transformers will increase substantially which in turn will increase demand for the Company's products.

The demand in domestic market is buoyant and is likely to remain so in the next 3-5 years time span. Bilpower is set to become a dominant player. In addition to this, your Company has been evaluating the emerging business opportunities and it is in process of exploring possibilities for export of laminations and stampings.

6. RISK AND CONCERNS

Unfavourable trends in import tariffs on key raw material i.e. CRGO Steel and increase in the prices in international markets may affect the top and bottom line for the year 2005-06. However, the Company is constantly endeavoring to preempt such moves that can have significant impact on the plans and projections, besides passing on such increases in the Input cost to the end users. With the strengths viz. developed infrastructure, focus on quality, strong brand equity, business relations with domestic/global customers/suppliers and competitive pricing techniques, the Company is confident of posting decent growth in the future.

The Company continues to follow a suitable strategy to modify its risk profile by eliminating and significantly reducing key business risks.

7. ACCOUNTING POLICIES

The financial statement are prepared under the Historical Cost Convention, on the accrual basis of accounting and in accordance with the relevant provision applicable to the industry and as per the provisions of the Companies Act, 1956. The Accounting Standards except AS - 15, issued by the Institute of Chartered Accountants of India have been complied by the Company to the extent applicable.

8. ADEQUACY OF INTERNAL CONTROL SYSTEMS

Although the Company does not have any formal internal audit system, the management is following the policy of proper checks and controls, which are adequate. The Company does not have any byproduct.