



EMCO

34 th Annual Report 1999

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BOARD OF DIRECTORS

R. S. Jain

Chairman & Managing Director

M. A. Pandit

T. N. V. Ayyar

R. S. Shah

Director - Technical

S. S. Jain

Jt. Managing Director

Regional Offices

Mumbai

41 / 43, Nariman House,
Police Court Lane,
4th Floor, Fort,
Mumbai 400 001.
Phone (022) 2656399/6400
Fax (022) 2622991

Delhi

Office No. E-6,
2nd Floor, J-Block Market,
Saket, New Delhi 110 017
Phone : (011) 6852239 / 6963575
Fax : (011) 6963574

Calcutta

90-A, Purna Mitra Place (Swiss Park),
Tollygunge, Calcutta 700 033.
Phone : (033) 417 2477
Fax : (033) 417 5749

Chennai

57, Iyam Perumal Street,
2nd Floor, Royapettah,
Chennai 600 014.
Phone : (044) 821 6639 / 40
Fax : (044) 821 6773

Branch Offices

Secunderbad - 500 003
Phone : (040) 781 9279
Bangalore - 560 068
Phone : (080) 668 6209

Company Secretary

T. S. Dadlani

Auditors

P. Raj & Co.
Chartered Accountants

Solicitors

Shah, Desai, Doijode &
Phatarphekar

Bankers

Dena Bank
The Sakura Bank Ltd.
ANZ Grindlays Bank
HDFC Bank Ltd.

Head Office

Plot No. F-5, Road No. 28,
Wagle Industrial Estate,
Thane 400 604.
Phone (022) 5830517-24
Fax (022) 5820571/5830527
E-Mail : corporate@emcoindia.com
Website : <http://www.emcoindia.com>

Registered Office

N-104, MIDC Area,
Jalgaon 425 003, Maharashtra.
Phone : (0257) 210362 / 210872
Fax : (0257) 210098.

Works at

Plot No. F-5, Road No. 28,
Wagle Industrial Estate,
Thane 400 604.
N-104, MIDC Area,
Jalgaon 425 003,
Maharashtra.

Report Junction



DIRECTORS' REPORT

Dear Emco Family Members,

The Directors have pleasure in presenting their 34th Annual Report and Audited Statement of Accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS :

	Current Year 1998-99	(Rs. In Lacs) Previous Year 1997-98
GROSS REVENUE	10684.13	10034.37
Profit Before Taxation	355.31	406.21
Add: Balance brought forward from last year	528.52	522.46
	883.83	928.67
Less: Provision for Tax to be deducted	37.31	43.00
Excess Provision written back	2.24	--
Profit available for appropriation	848.76	885.67
Appropriations:		
General Reserve	50.00	50.00
Debenture Redemption Reserve	132.39	132.39
Proposed Dividend	95.32	158.87
Tax on Dividend	9.53	15.89
Balance retained in Profit & Loss Account	561.52	528.52
	848.76	885.67

2. DIVIDEND :

The Directors have recommended a dividend, subject to your approval, at 30% (Rs. 3/- per share) for the year ended 31st March, 1999. The total outlay on dividend payment will be Rs. 95.32 lacs. However, your company will be liable for tax on distribution of this dividend @ 10%. The necessary liability of Rs. 9.53 lacs has been provided for, alongwith the amount of proposed dividend.

3. NAME CHANGE :

During the year your Company's name was changed from Emco Transformers Limited to Emco Limited, in keeping with the diversification of your Company in synergic products. The word 'Transformer' has been dropped from the Company's name, so as to position your Company correctly and not be perceived as a Transformer Company only.



4. REVIEW OF OPERATIONS :

During the year, the political uncertainty added to the economic slowdown, which in turn had a great impact on the infrastructure sector, particularly the Power Sector. Projects were delayed, decision were not taken and things were left for yet another day, under the wait and watch approach adopted by various decision makers.

However, at Emco, it was a mixed year, while our main business, Transformers faced tremendous competition, our decision to diversify synergically a couple of years back, appears to be a step in the right direction.

- **REVIEW OF OPERATIONS DIVISION WISE :**

Your Company has four divisions - Transformers, Contracts, Meters & SCADA Division.

- **TRANSFORMERS DIVISION :**

This is the largest division of your Company. Due to the deferment in addition of Power plant capacities and the financial state of the Electricity Boards, purchasing was substantially reduced. This made the manufactures cut margin to book capacities. Though our production was higher in MVA terms the price realisation per MVA, was down compared to last year. We do not foresee a change in the business scenario of the transformer industry for the next financial year also.

- **CONTRACT DIVISION :**

The year started with a bang, with a large order from one of the largest fertilizer company for building their 132 kV switchyard. This was followed by some other Substation orders. Your Company also made in-roads with a number of new clients, which had earlier not used our other products. In all a strong team was built this year, for future work in the T&D Sector.

- **ELECTRONIC ENERGY METERS DIVISION :**

Your Company received a major order for supply 1,20,000 single phase electronic meters to MSEB. Many new tenders were floated for Electronic Meters, which generally confirmed the shifting of various State Electricity Board from the out-dated Electromechanical Meters to Electronic Meters. Your Company already has the largest market share in this segment. Further we have now also developed Polyphase Meters which has opened a new market of the Industrial Sector for your Company. In addition, we are in the process of executing a pilot project from Tata Electric Company for automatic Meters Reading, a first of its kind in the country. Generally this Division holds a good prospects for your company in the future.

- **SCADA DIVISION :**

This division is involved in Distribution Automation and Rural Automation Projects. It received a major order for around Rs. 30.00 Crores from Siemens, for automating 48 Substations of BSES. Here your company works with Ge-Harris of USA/Canada. This project is to be executed over 3 years. This is one of the biggest distribution automation projects in the Country. With this your company would be in a unique position to execute many such other projects which are expected to come up in the country. This is a very promising business for your company.

5. DIRECTORS :

Mr. Bhaskar Sen, Executive Director resigned in the month of August, 1998 Board takes this opportunity to place on record its sincere appreciation of service rendered by Mr. Bhaskar Sen during his tenure as Executive Director of your Company.

Mr. M. A. Pandit and Mr. T.N.Y. Ayyar retires by rotation and being eligible offers themselves for reappointment.

**6. PARTICULARS OF EMPLOYEES :**

Details are required under sub-section 2A of section 217 of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 are given in the statement annexed at "A" hereto and form a part of this report.

7. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Information as required under the provision of Section 217(1)(e) of the Companies Act, 1956 read with the companies (Disclosure of particulars in the Report of Directors) Rules, 1988 is given in the statement annexed at "B" hereto and form part of this report.

8. AUDITORS' REMARK :

Directors have taken the note of point No. 15 appearing in the notes on account in the audit report. The provision of Rs. 41,04,085/- have not been made out of abandon caution, in order to keep the claim of Company live against liquidators of the Company and avoid any consequential legal implications.

9. ISO 9001 :

During the year, your Company obtained ISO 9001 re-certification for Transformers Division from BVQI and also at the time of writing of this report, the Meters Division obtained ISO 9001, from BVQI.

10. ACKNOWLEDGEMENT :

Industrial relations remained harmonious during the year and Directors would like to record their appreciation of the whole hearted support from all sections of the Customers, Financial Institutions, Bankers, Suppliers, Shareholders and Employees.

11. AUDITORS

Your Company's auditors, M/s. P. Raj & Co., Chartered Accounts, Mumbai retire at the ensuring Annual General Meeting and being have given their consent to act as Auditors for FY 1999-2000. Members are requested to re-appoint them as Auditors.

For and on behalf of the Board

R. S. Jain

Chairman & Managing Director

Place : Thane

Dated : 3rd June, 1999

ANNEXURE "A" TO DIRECTORS' REPORT

INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Sr. No.	Name	Designation	Qualification	Age	Experience	Date of Commencement of Employment	Remuneration	Name of last employer, Post held and period
EMPLOYMENT THROUGHOUT THE YEAR								
1.	Rajesh S. Jain	Chairman & Managing Director	B.E. (Elect)	34	9	29.06.1990	14,36,768	First
2.	Shailesh S. Jain	Jt. Managing Director	B.E. (Chem)	33	6	19.10.1993	12,24,289	First
3.	R. S. Shah	Director - Technical	B.Sc. (Ele.Engg)	54	29	01.04.1994	6,84,856	Bharat Heavy Electricals Ltd., Dy.G.M. 24 yrs.
4.	J. Sundar Rao	President - Meters & SCADA Divisions	B.E.(Electronics & Communication)	52	29	25.09.1996	6,40,233	Scada System (I) Pvt. Ltd., Chief Executive Officer 7 yrs.
5.	N. Magesh	President - Business Development	Diploma (Mktg. Mgt.)	44	22	08.12.1997	8,66,207	Linus Consultants, Proprietor 4 yrs.
6.	M. L. Jain	Vice President - Testing	B.E.(Elec.Engg) M. Tech	53	28	26.06.1996	5,34,243	Bharat Heavy Electricals Ltd., Sr. D.G.M. 25 yrs.
EMPLOYMENT FOR PART OF THE YEAR								
7.	Bhaskar Sen	Executive Director	BME	58	35	02.11.1996	3,94,583	GEC-Naini Business Unit Head 21 yrs.
8.	R. L. Bhardwaj	Vice President - Mkt.	B.E.	53	29	18.05.1998	6,19,320	Siemens Ltd., Executive Vice-President 28 yrs.
9.	T.M.Sivaramkrishnan	President	B.E.(Mech.)	57	33	13.06.1996	1,48,215	Gujarat Prime Movers, Chief Executive 4 yrs.

Notes :

1. Remuneration received includes salaries, ex-gratia payment, commission, medical expenses, leave travel assistance, house rent allowance and value of perquisites etc., and Company's contribution to provident, superannuation and gratuity funds.
2. Others terms and conditions of the employments are subject to rules and regulations of the Company in force from time to time.
3. None of the above employees are relatives of any Director of the Company, except Mr. Rajesh S. Jain and Mr. Shailesh S. Jain who are brothers.



ANNEXURE "B" TO DIRECTORS' REPORT

CONVERSION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

(A) CONVERSION OF ENERGY

(I) Energy Conversion Measures taken during 1998-99 :

1. Energy Audit completed and were implemented its suggestions.
2. Air conditioning and lighting loads were rationalised, which resulted in saving of energy.
3. Separate Energy Team is working to identify and implement the Ideas of Energy.
4. Slogans are displayed to save energy.
5. Power Factor is being maintained nearer to Unity.
6. Over rated pumps replaced by pumping optimum capacity.
7. Shop floor lights had rationalised to reduce energy consumption.
8. Automatic Max.Demand controller Installed and Max.Demand surrendered to MSEB, which resulted savings in M.D.charges.

II) Proposals being implemented for reduction of energy consumption :

1. Identifying other areas to reduce energy consumption.
2. Identifying machines for efficient use and energy conservation.

III) Impact of measures (I) and (II) above for reduction of energy consumption and consequent Impact on cost of production of goods :

The measures taken by the Company have resulted in reduction of Energy bill by 33% in the FY1998-99. Monitoring of energy consumption is being done regularly to keep strict control and to effect further reduction in energy cost by plugging any inadequacy in the system.

(B) TECHNOLOGY ABSORPTION

(a) Research & Development (R & D)

(i) Specific areas in which R & D carried out by the Company:

1. Studies for control of stray losses
2. Studies on generation of gases in oil under low thermal stresses & its influence on life of transformer Phase - I completed.
3. Establishment of thermal calibration facilities.

(ii) Benefits derived as a result of above R & D :

1. Development of know-how and know-why for design improvement.
2. Development of analysis tool for low energy thermal faults during Temp. - rise test.
3. Upgradation of in-house facilities for calibration of OTIs, WTIs & other temperature measuring devices.



(iii) Future plan of action :

1. Continuation of studies on Project No. (i)/2 above
2. Studies on noise level behaviour of transformer & development of measures to control the noise level.
3. Study of behaviour of electrical properties of oil under low temperature stresses.

(iv) Expenditure of R&D :

a) Capital	:	1.20
b) Recurring	:	0.20
c) Total	:	1.40
d) Total R&D expenditure as % of total turnover	:	0.01%

(b) Technology Absorption, Adoption and Innovation :

Imported Technology :

Sr. Technology Imported No.	Year of Import	Has Technology been fully absorbed	Reasons for non-absorption and future plan action
a) Transformer upto 132KV	1982	Fully absorbed	N. A.
b) Transformer upto 220KV	1989	Fully absorbed	N. A.
c) 315 MVA, 400KV/220/33KV Auto transformer	1998	Fully absorbed	N. A.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- (i) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans :

In addition to achieving deemed export of Rs. 1345.89 lacs, the Company has also made direct exports of Rs. 364.21 lacs. Exports has been taken as a thrust area by the top management.

- (ii) Total foreign exchange used and earned :

Total foreign exchange used	:	Rs.1438.52 lacs
Total foreign exchange earned	:	Rs.1710.10 lacs



AUDITORS' REPORT

To the Members,

We report that we have audited the attached Balance Sheet of EMCO LIMITED as at 31st March, 1999 and the relative Profit and Loss Account for the year ended on that date annexed hereto :-

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure on the matters specified in the paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of the books of account;
 - c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance sheet and the Profit and Loss Account complies with the mandatory accounting standards referred in Section 211 (3C) of the Companies Act, 1956;
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Note No.15 in respect of non-provision of overdue Intercompany Deposit of Rs. 41,04,085/-, and read together with the other notes thereon, give the information required by the Companies Act, 1956 and also give a true and fair view;
 - I. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999; and
 - II. in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **P. RAJ & CO.**
Chartered Accountants

P. S. Shah
Proprietor

Place : Mumbai
Dated : 3rd June, 1999