

EMCO LIMITED

39th ANNUAL REPORT 2004



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Board of Directors

Rajesh S. Jain

Chairman & Managing Director

Shailesh S. Jain

Jt. Managing Director

R. S. Shah

Director – Technical

T.N.V. Ayyar

Bheru Choudhary

Vinod Chandsarkar (upto 16-01-2004)

S. V. Deo (from 22-03-2004)

Report Junction.com

Company Secretary

Priti Alkari

Auditors

P. RAJ & CO.

Chartered Accountants

Solicitors

Mahimtura & Company

Bankers

Dena Bank

Bank of India

State Bank of Hyderabad

Vijaya Bank

ING Vysya Bank Ltd.

The Federal Bank Ltd.

Sumitomo Mitsui

Banking Corporation

Head Office

Plot No. F-5, Road No. 28,

Wagle Industrial Estate,

Thane - 400 604.

Phone : (022) 25830517-24

Fax : (022) 25820571

E-Mail : emco@emcoindia.com

Website : <http://www.emcoindia.com>

Registered Office

N-104, MIDC Area,

Jalgaon - 425 003,

Maharashtra.

Phone : (0257) 2272462/2272572

Fax : (0257) 2272598

Works at

Plot No. F-5, Road No. 28,

Wagle Industrial Estate,

Thane - 400 604.

Unit I

N-104, MIDC Area,

Jalgaon - 425 003,

Maharashtra.

Unit II

Gat No. 114, Umala,

Nr. Kanhari Phata,

Taluka & District - Jalgaon,

Maharashtra.

Phone : (0257) 2350505

Survey No. 57/2,

Sanjay Industrial Estate Building No. 3,

Gala No. 1 to 8, Waghdhara Road,

Dadra - 396 230, (Union Territory),

Dadra & Nagar Haveli.

Phone : (0260) 2668177-78-80

Fax No. : (0260) 2668176

Directors' Report

Your Directors take pleasure in presenting their 39th annual report on the business and operations of the Company and the statement of accounts for the year ended 31st March 2004.

Financial Results:

During the year the performance of the Company resulted in the following:

(Rs. In Lacs)

	Current Year 2003-04	Previous Year 2002-03
Total Income	17,216.93	14,453.02
Profit Before Taxation	492.13	318.06
Less: Provision for Tax – Current	38.50	25.10
Deferred	51.18	32.08
Less: Deferred Tax for earlier year	—	—
Add: Balance brought forward from previous year	973.93	924.37
	1,376.38	1,185.25
Appropriations:		
General Reserve	5.00	5.00
Debenture Redemption Reserve	50.00	175.00
Proposed Dividend @ Re. 1/- per Share	58.07	27.69
Tax on Dividend	7.44	3.63
Balance carried forward to P&L A/c	1,255.87	973.93
Total Appropriations	1,376.38	1,185.25

Dividend:

In view of the better overall performance, your Directors are pleased to recommend for your approval a higher dividend of 10% for the year ended 31st March 2004 as compared to 5% declared for the previous year, aggregating to Rs. 65.51 lacs inclusive of tax on distribution of dividend.

Performance Review:

Your Company's performance improved during the financial year. Turnover was higher by 19% from Rs. 14,453 lacs to Rs. 17,217 lacs. Net Profit is higher by 55% from Rs. 318 lacs to Rs. 492 lacs. Order book position is higher by 150% from Rs. 10,200 lacs to Rs. 25,600 lacs.

Your Company's focus continues to be on improving operational efficiencies in every sphere of its business operations.

Expansion:

The Board of Directors have approved setting up of a new unit at Jalgaon for manufacturing of Small Distribution Transformers up to 500 kVA primarily used in rural electrification & HVDS system. The unit is expected to be commissioned by the end of 2nd Quarter of 2004. With the setting up of this state of art facility your Company would be addressing a large market segment which is currently not served by your Company.

Subsidiary:

Pursuant to your approval in the Extraordinary General Meeting dated 22nd November 2003, on a petition made by the Company, the Honourable High Court of Judicature at Mumbai vide its order dated 6th May 2004 and sealed on 23rd June 2004, has sanctioned the scheme of arrangement under Section 391 to 394 and such other applicable provisions of the Companies Act 1956, between Emco Limited and verticalbiz.com (India) Limited a wholly owned subsidiary of the Company engaged in the business of developing internet portals and software for electrical industry, whereby erstwhile verticalbiz.com (India) Limited has been amalgamated with the Company. Certified copy of the order of the Honourable High Court has been filed with the Registrar of Companies on 29th June 2004, making the amalgamation effective from the appointed date, i.e., 1st April 2003. As the Company has no other subsidiaries, the information required to be given under Section 212 of the Companies Act 1956, is no more applicable.

Award:

Your Company has won an award for 'Second Best Industrial Safety Performance for 2002' in the large Engineering Sector instituted by Thane Manufacturers' Association (TMA) and Director of Industrial Safety & Health, Government of Maharashtra.

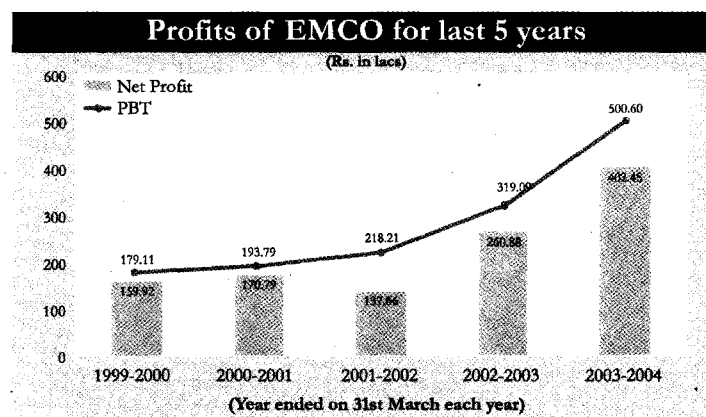
Fixed Deposits:

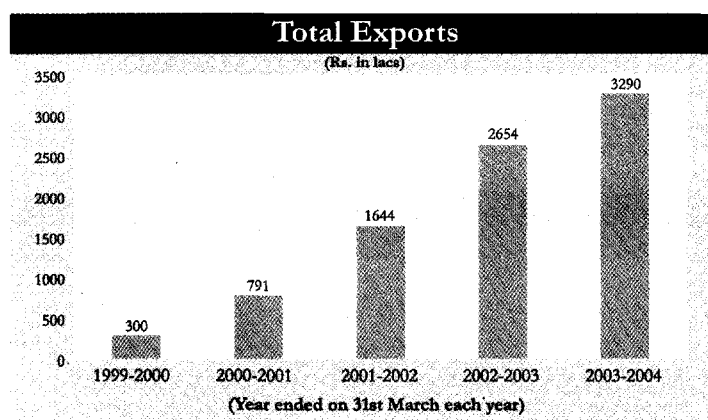
The Company has not accepted any deposits during the year.

Directors:

In accordance with the Articles of Association of the Company, Shri R. S. Shah and Shri T.N.V Ayyar retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri S.V. Deo was appointed as an Additional Director w.e.f. 22nd March 2004. The Company has received Notice under Section 257 of the Companies Act, 1956 proposing appointment of Shri S.V. Deo as Director, subject to retirement by rotation.





Shri Vinod Chandsarkar resigned from the Board w.e.f. 16th January 2004. The Board place on record its gratitude and appreciation for his immense contribution and involvement in the Company's operations during his tenure as Director.

Management Discussion and Analysis Report:

The Management Discussion and Analysis Report forms part of the Directors' Report and is annexed thereto.

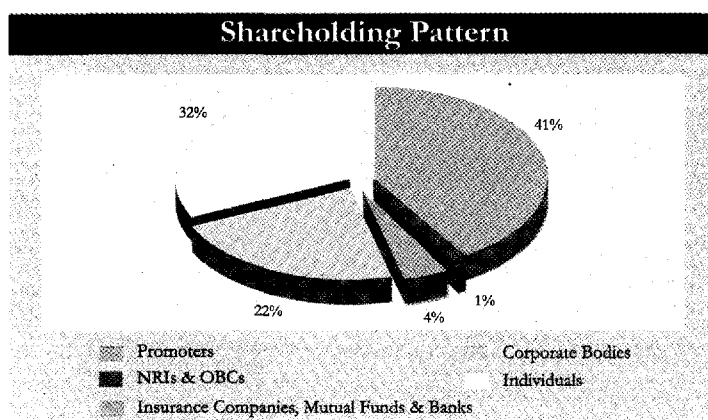
Corporate Governance:

A detailed report on Corporate Governance along with the Auditors' certificate on its compliance, forms part of this report.

Directors' Responsibility Statement:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed;

- (i) that in the preparation of the accounts for the financial year ended on 31st March 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 and of the profit of the Company for the year under review;



- (iii) that the Directors have taken proper and 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 and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the accounts for the financial year ended on 31st March 2004 on a 'going concern' basis.

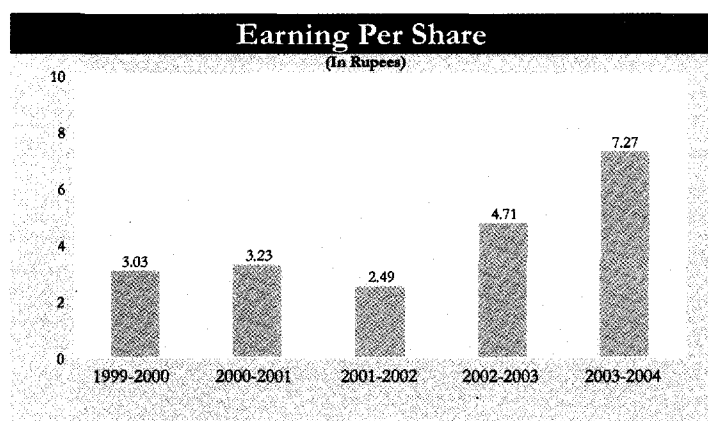
Employees Stock Option Scheme (ESOS):

Your Company has always worked on the idea that its greatest strength is its human resources and it is this resource, which makes your Company a force to reckon with in the highly competitive environment. To recognise the same the Company had offered to employees, Stock Options on 19th May 2000 & 6th August 2002. Details of options are as under:

Sr. No.	Description	Details
1.	Total number of options at the beginning of the year	57500 options
	Options granted during the Year	Nil
2.	The pricing formula	At the fair market value as on date of grant.
3.	Options vested	57500 options
4.	Options exercised	Nil
5.	Options lapsed	11500 options
6.	Options in force at the end of the year	46000 options
7.	Employee-wise details of options granted	
(i)	Senior managerial personnel	No. of options
	Shri R. S. Shah	6000
	Shri M. L. Jain	5000
	Shri A. K. Goel	4000
(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of total options granted during that year	No.
(iii)	Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	No.
8.	Details of Dilution on Earning Per Share (EPS) pursuant to grant of stock options.	Refer Clause 7 of Schedule 14 of the Financial Statements forming part of this Annual Report.

Particulars of Employees:

The Company has not paid any remuneration attracting the provisions of the Companies (Particulars of the Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956. Hence, no information is required to be appended to this report in this regard.



Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Information as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to and forms part of this report.

Cost Accounting Records:

The Company has maintained the cost accounting records for the year ended 31st March 2004 in respect of manufacture of power transformers pursuant to the Cost Accounting Records (Engineering Industries) Amendment Rules, 2001.

Auditors:

The Company's Statutory Auditors, M/s. P. Raj & Co., Chartered Accountants hold office up to the conclusion of the forthcoming 39th Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Your Directors recommend their re-appointment for your approval.

Acknowledgement:

Your Directors would like to express their grateful appreciation for the assistance, support and co-operation received from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the devoted services of the employees of the Company for its success.

For and on behalf of the Board

Place: Thane
Date : 30th June 2004.

S. S. Jain
Jt. Managing Director

R. S. Shah
Director – Technical

Annexure to Directors' Report

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

(A) Conservation Of Energy:

I. Energy Conservation Measures taken during 2003-2004:

1. Energy optimization measures continue to be pursued during the year and energy saving devices were used wherever possible and based on techno economic evaluation.
2. Separate Energy Conservation Team is working to identify and implement the ideas of Energy savings.
3. Slogans are displayed to increase awareness among the employees to save Energy.
4. Power Factor in production is being maintained close to unity.
5. Maximum demand of electricity is controlled by installing the "Maximum Demand Controller", which has resulted in energy savings.

II. Proposals being implemented for reduction of energy consumption:

1. Areas being identified to reduce energy consumption.
2. Identifying machines for efficient use and energy conservation.
3. Conversion of water-cooled condenser to air-cooled condenser of Chilling Plant.
4. Water cooling pipeline arrangement installed on Package Air Conditioner unit, which are in direct contact with sunlight.

III. Impact of measures (I) & (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 consumption in the financial year 2003-04.

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. Installation of new Impulse Generator Test System of 2600 kVp capacity to enhance impulse-testing facility up to 765 kV grade transformers.
2. Use of advanced design software program for validation of transformer designs for short circuit and transient withstand capabilities.

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

1. In-house testing facility while saving costs on one hand, increasing the quality of product testing.
2. Self sufficiency in fulfillment of contractual requirements.
3. Enhancement of product reliability in service.

(iii) Future plan of action:

1. Automation of electrical and mechanical design activities through:
 - a. Enhancement of 3D MCAD
 - b. Implementation of PDM Link for data base management
 - c. Development of new software program for electrical design
2. Skill up-gradation of mechanical design team through PLP (Precision Learning Program).
3. Implementation of software program for electrical design validation.
4. Development of electronic device for noise level control in transformer.

(iv) Expenditure on R & D:

a. Capital	Rs. 67.00 lacs
b. Recurring	Rs. 1.60 lacs
c. Total	Rs. 68.60 lacs
d. Total R&D expenditure as % of total turnover	0.40%

(b) Technology Absorption, Adoption and Innovation:

There is on going effort to refine technologies and processes resulting in enhancement of overall quality and productivity.

(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:

The Company's activities and initiatives relating to exports are contained in the Management Discussion & Analysis Report.

- (ii) Total foreign exchange used and earned:

Total foreign exchange expended	Rs. 2,379.98 lacs
Total foreign exchange earned	Rs. 3,290.32 lacs

For and on behalf of the Board

Place: Thane
Date : 30th June 2004.

S. S. Jain
Jt. Managing Director

R. S. Shah
Director – Technical