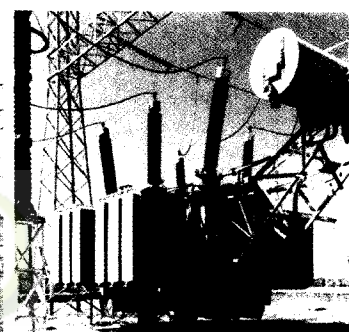
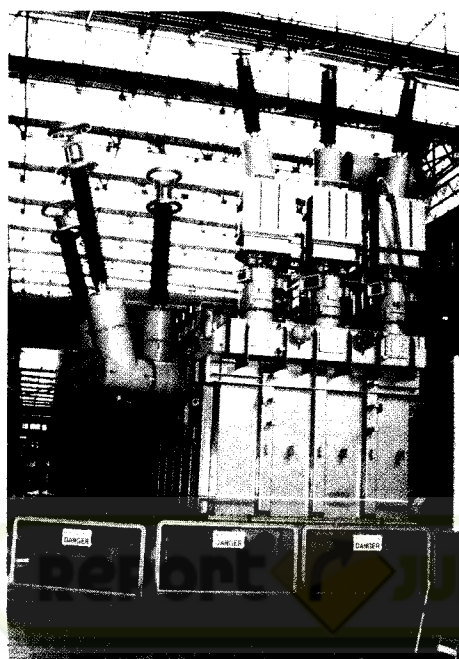
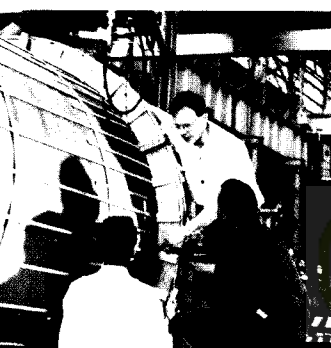


EMCO

EMCO LIMITED



40TH ANNUAL REPORT 2005

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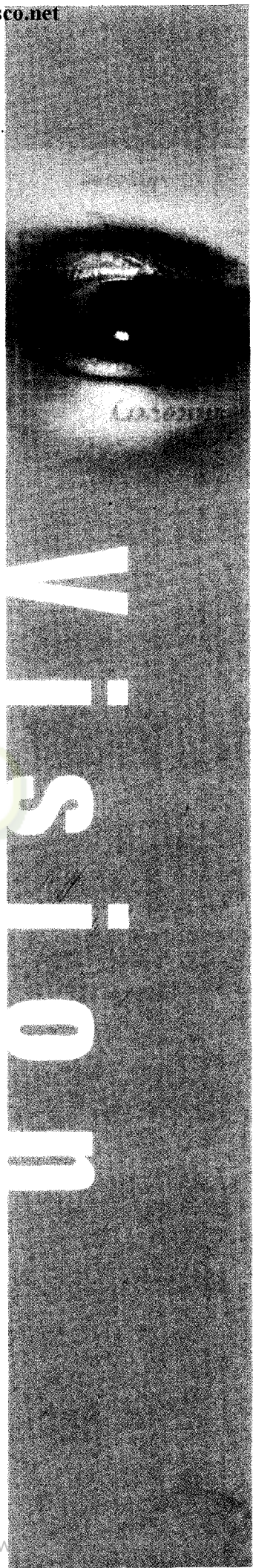
*reliability and be a*

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*company through*

*To build a world class*

vision



# Values

- *Customer Centric*
- *Reliability*
- *Ownership*
- *Result Orientation*
- *Trust & Integrity*
- *Openness & Transparency*

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## Board of Directors

**Rajesh S. Jain**

Chairman & Managing Director

**Shailesh S. Jain**

Managing Director

**R. S. Shah**

Director - Technical

**S.V. Deo**

**T.N.V. Ayyar**

**Bheru Choudhary**

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### Company Secretary

Priti Alkari

### Registered Office

N-104, MIDC Area  
Jalgaon - 425 003,  
Maharashtra.

Phone : (0257) 2272462/2272572

Fax : (0257) 2272598

### Power Transformer Plant

Plot No. F-5, Road No. 28,  
Wagle Industrial Estate,  
Thane - 400 604.

### Industrial Transformer Plant

N-104, MIDC Area,  
Jalgaon - 425 003,  
Maharashtra

### Auditors

P. Raj & Co.

Chartered Accountants

### 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](mailto:emco@emcoindia.com)

Website : [www.emcoindia.com](http://www.emcoindia.com)

### Distribution Transformer Plant

Gat No. 114, Umala,  
Nr. Kanhari Phata,  
Taluka & District - Jalgaon,  
Maharashtra  
Phone : (0257) 2350505

### Bankers

Dena Bank

Bank of India

State Bank of Hyderabad

Vijaya Bank

ING Vysya Bank Limited

The Federal Bank Limited

Andhra Bank

Union Bank of India

### Meter Plant - I

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

### Registrar & Transfer Agent

Intime Spectrum Registry Ltd.,  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W),  
Mumbai - 400 078.

### Solicitors

IC Legal

### Meter Plant - II

Plot No. F-5, Road No. 28,  
Wagle Industrial Estate,  
Thane - 400 604.

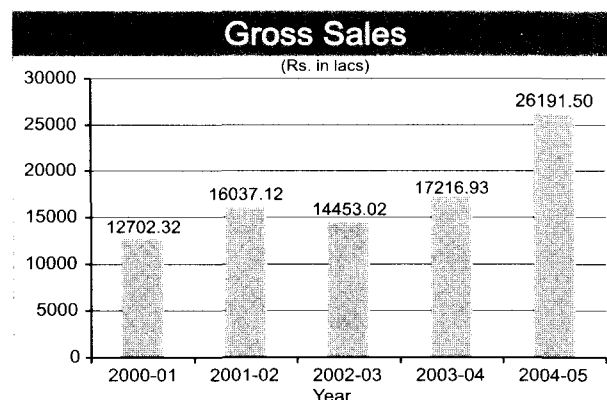
40<sup>th</sup> Annual Report 2005

## DIRECTORS' REPORT

To,

The Members of EMCO Limited,

Your Directors take pleasure in presenting their 40th annual report on the business and operations of the Company and statement of accounts for the year ended 31st March 2005.

**Financial Results:**

During the year the performance of the Company was as under:

|  | Current Year<br>2004-2005 | Previous Year<br>2003-2004 |
|--|---------------------------|----------------------------|
| <b>TOTAL INCOME</b>  | <b>26191.50</b>           | <b>17216.93</b>            |
| Profit Before Taxation                                       | <b>1205.76</b>            | 492.13                     |
| <b>Less:</b> Provision for Tax - Current                     | <b>330.00</b>             | 38.50                      |
| Deferred   | <b>(84.84)</b>            | 51.18                      |
| <b>Less:</b> Adjustment for Impairment Loss of Earlier Years | <b>698.99</b>             | -                          |
| <b>Add:</b> Balance Brought Forward from Previous Year       | <b>1229.83</b>            | 973.93                     |
| Balance Available for Appropriation                          | <b>1491.44</b>            | 1376.38                    |
| <b>APPROPRIATIONS:</b>                                       |                           |                            |
| General Reserve  | <b>75.00</b>              | 5.00                       |
| Debenture Redemption Reserve                                 | -                         | 50.00                      |
| Proposed Dividend  | <b>147.26</b>             | 58.07                      |
| Tax on Dividend  | <b>20.65</b>              | 7.44                       |
| Balance Carried Forward to P & L A/c                         | <b>1248.53</b>            | 1255.87                    |
| <b>TOTAL APPROPRIATION</b>                                   | <b>1491.44</b>            | <b>1376.38</b>             |

**Dividend:**

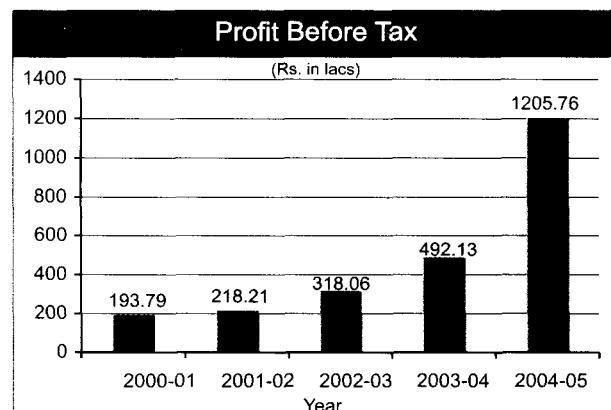
In view of improved performance, your Directors are pleased to recommend for your approval, a dividend of 20% (Previous Year 10%) for the year ended 31st March 2005, aggregating to Rs.167.91 Lacs (Previous Year Rs. 65.51 Lacs), inclusive of tax on distribution of dividend.

**Review of Operations:**

Your Company has achieved significant growth during the year under review. The total revenue of the Company has increased to Rs.26191.50 Lacs from Rs.17216.93 Lacs in the previous year, registering a rise of 52%. Profit before taxation has increased to Rs.1205.76 Lacs from Rs.492.13 Lacs of the previous year, registering a rise of 145%. The detail review of the operation, performance and future outlook is given in Management Discussion and Analysis.

**New Unit:**

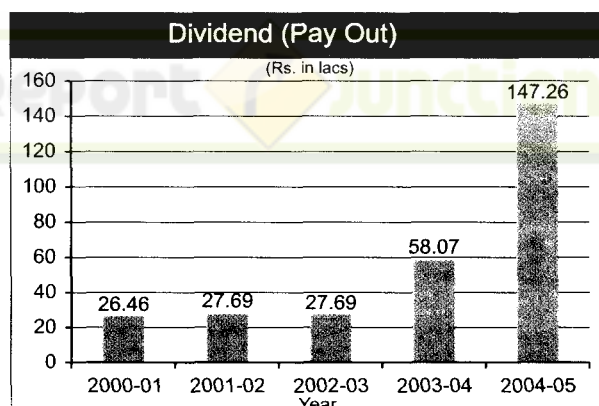
The Company's new unit at Jalgaon for manufacturing of small Distribution Transformers upto 500 kVA which is primarily used in rural electrification and HVDS system, has been successfully commissioned.

**Fixed Deposits:**

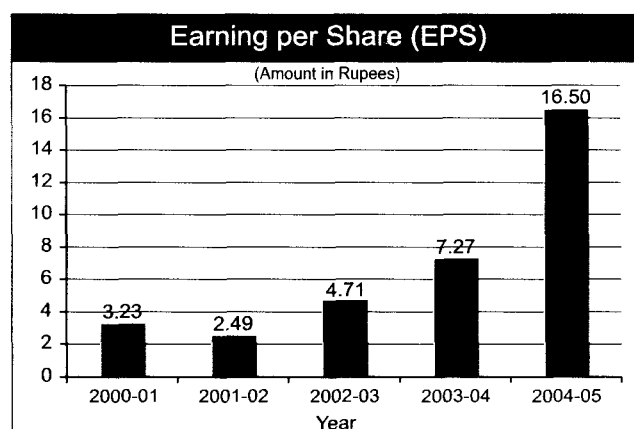
The Company has not accepted any deposits during the year.

**Preferential Allotment of Shares:**

During the year, the Company has allotted 2,70,000 equity shares of Rs.10/- each at a premium of Rs. 85/- per share to the promoters of the Company viz. Mr. Rajesh Jain and Mr. Shailesh Jain, on exercise of Part A of the warrants allotted to them pursuant to the special resolution passed by the Members at an Extra-ordinary General Meeting of the Company held on 9th March 2004. The Company has received total sum of Rs.256.50 Lacs out of which Rs.27.00 Lacs was towards share capital and Rs. 229.50 Lacs was towards Share Premium. There were no projections made while raising the funds but the funds has been utilised for the purpose as approved by the members at the time of the issue of warrants, i.e. augmenting the long-term working capital requirements of the Company.

**Preferential Issue of Warrants:**

Pursuant to approval of Members at the Extra-ordinary General Meeting of the Company held on 29th March 2005, the Company has allotted 3,00,000 warrants on 11th April 2005, on preferential basis to Mr. Shailesh Jain, a Promoter and Managing Director of the Company, entitling him to apply for and acquire 3,00,000 equity shares of Rs.10/- each at a price of Rs.285/- per share (inclusive of premium) in the Company within 18 months from the date of allotment of warrants. The Company has received 10% of share price i.e.



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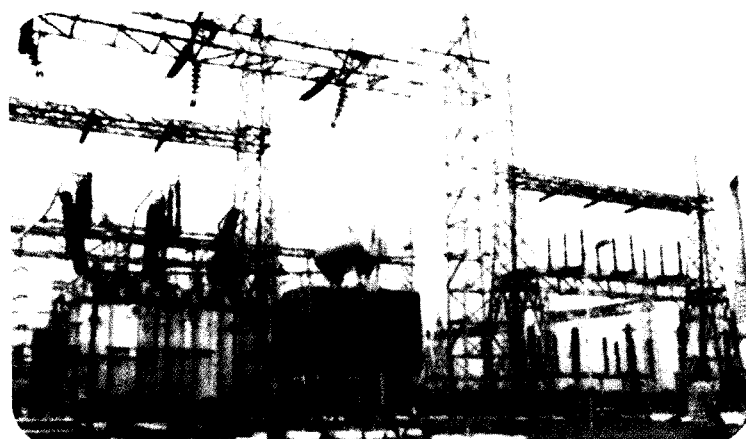


132 kV substation built by the Company for a customer in Andhra Pradesh

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The Company's new Transformer plant at Jalgaon



220 kV substation built by the Company for a customer in Tamil Nadu



Rs.28.50 per share, on allotment of above warrants. Further, there were no projections made while raising the funds but the funds has been utilised for the purpose as approved by the members at the time of the issue of warrants, i.e. enhancing financial resources for the long term working capital margins as well as capital expenditure.

#### Issue of Global Depository Receipts (GDRs):

Pursuant to your approval at an Extra-ordinary General Meeting held on 29th March 2005, your Company has floated a GDR issue of US\$ 10 Million on 20th June 2005. Your Directors are glad to inform you that, the issue of the Company's GDR was oversubscribed. The Company closed the issue at US\$ 8 per GDR. The said GDRs will be listed on the Luxembourg Stock Exchange. Each GDR represent one equity share in the Company, resulting into allotment of 12,50,000 equity shares of Rs.10/- each at a premium of Rs.338.24 per share underlying GDR.

#### Directors:

In accordance with the Articles of Association of the Company, Mr. Bheru Choudhary retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year, there has been no change in the Board of Directors of the Company.

#### Management Discussion and Analysis:

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

#### Corporate Governance:

A detailed report on Corporate Governance is separately attached together with Auditors' certificate on its compliance.

#### Audit Committee:

The Company has in place committee of its Directors known as "Audit Committee". The Composition of committee is given in the Corporate Governance section of this Annual 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 2005, 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 or loss 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 2005 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. Details of options are as under:

| Sr. No. | Description   | Details                                       |
|---------|---|---|
| 1.      | Total number of options at the beginning of the year  | 46000 options                                 |
| 2.      | Options granted during the year   | Nil   |
| 3.      | The pricing formula   | At the fair market value as on date of grant. |
| 4.      | Options vested  | 45000 options                                 |
| 5.      | Options exercised during the year   | 35500 options                                 |
| 6.      | Total No. of Shares arising as a result of exercise of option   | 35500 Shares                                  |
| 7.      | Options lapsed  | 4000 options                                  |
| 8.      | Variation of terms of option  | No variations made.                           |
| 9.      | Money realised by exercise of option  | Rs.16,54,100/-                                |
| 10.     | Options in force at the end of the year   | 5500 options                                  |
| 11.     | Total Option at the end of the year   | 6500 options                                  |
| 12.     | Employee-wise details of options granted during the year.   |   |
|         | (i) Senior managerial personnel   | Nil   |
|         | (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year | Nil   |

## 40<sup>th</sup> Annual Report 2005

- (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. Nil
13. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20. Rs. 15.75 per Share
14. Where the Company has calculated the employee compensation cost using the intrinsic value of the stock option, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the option, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed. Not Applicable
15. Weighted average exercise prices and weighted average fair values of option shall be disclosed separately for option whose exercise price either equals or exceeds or is less than the market price of the stock. Not Applicable
16. A description of the method and significant assumptions used to estimate the fair values of options, including the following weighted average information: Not Applicable
- Risk Free Interest Rate
  - Expected Life
  - Expected volatility
  - Expected Dividends
  - The Price of the underlying share in market at the time of option granted.

### Particulars of Employees:

As required by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 the names and other particulars of employees are set out in the annexure to the Directors' Report.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & 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:

Your Company is required to maintain cost accounting records in respect of manufacture of power transformers pursuant to the Cost Accounting Records (Engineering Industries) Amendment Rules, 2001. The Company has complied with the above requirement for the year ended 31st March 2005.

### Auditors:

The Company's Auditors, M/s. P. Raj & Co., Chartered Accountants hold office up to the conclusion of the forthcoming 40th Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received letter from them giving their consent to act as Auditors of the Company and stating 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.

### Insurance:

All the assets of the Company are adequately insured.

### Awards and Achievement:

Your Company has received following awards / achievements during the year 2004-05.

- In the 5th PTC Users World Conference held at Mumbai from 13-20 August 2004, in which the paper submitted by EMCO Ltd. was adjudged as outstanding in the category of 'Automating Transformer Product Development Process' among 600 entries. EMCO has got a runner up award of Rs.10,000/- and a memento for the great presentation.
- In recognition of EMCO's EXPORT PERFORMANCE during the year 2003-04, Thane Manufacturers' Association (TMA), Thane has awarded to the Company, the "Certificate of Merit" at their 41st Annual General Meeting held on 23rd December 2004 at TMA House, Thane.

### 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 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  
of EMCO Limited  
Sd/-

**Rajesh Jain**  
Chairman

Place : Thane  
Date : 25th June 2005