

Easun Reyrolle Limited



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Annual Report 1998-99



Idol of Lord Ganesha in the factory premises



Easun Reyrolle Limited

24th Annual Report 1998-99

Chairman : Hari Eswaran

Directors : Y S Das
W S Jones
Paula Bell
S Ramani
S Subrahmanyam
R Venkataraman

Chief Executive : J D N Sharma

Secretary &
General Manager - Finance : K N Nagesha Rao

Auditors : Brahmayya & Co.
Chartered Accountants
156, Thambu Chetty Street
Chennai 600 001

R Subramanian & Co.
Chartered Accountants
36, Krishnaswamy Iyer Avenue
Luz, Chennai 600 004

Registered Office : "Temple Tower", 6th Floor
476, Anna Salai, Nandanam
Chennai 600 035

Factories : 1. Plot No.98 Sipcot Industrial Complex
Hosur 635 126
Dharmapuri District, Tamil Nadu

2. 17/3, Arakere Village
Bannargetta Road
Bangalore 560 076

Bankers : Indian Overseas Bank



Easun Reyrolle Limited

Registered Office: "Temple Tower" 6th Floor, 476 Anna Salai, Nandanam, Chennai - 600 035

Notice to Shareholders

NOTICE is hereby given that the Twentyfourth Annual General Meeting of the Members of Easun Reyrolle Limited will be held on Wednesday, the 28th day of July, 1999 at 3.00 p.m. at Hotel Ambassador Pallava, 53 Montiech Road, Chennai- 600 008 to transact the following business :

Ordinary Business

1. To consider and adopt the Directors' Report, the Audited Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at 31st March, 1999 and the Auditors' Report thereon.
2. To declare dividend
3. To appoint a Director in place of Dr W S Jones who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr Hari Eswaran who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Brahmayya & Co and M/s R Subramanian & Co the retiring Auditors are eligible for re-appointment.

By Order of the Board
for Easun Reyrolle Limited

Place : Chennai
Date : 28th May, 1999.

K N Nagesha Rao
Secretary and General Manager-Finance

Notes:

1. **Any Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy need not be a member.** A Proxy so appointed shall not have any right to speak at the Meeting. The Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th July, 1999 to 28th July, 1999 (both days inclusive).
3. The dividend, if any, declared at the Meeting will be payable on and after 28th July, 1999 to those Members whose names appear on the Register of Members of the Company on 16th July, 1999.
4. Members are requested to advice, indicating their Folio Numbers, the change in their address, if any.



Directors' Report to Shareholders

Your Directors have pleasure in submitting the Twentyfourth Annual Report together with the Audited Profit and Loss Accounts for the year ended 31st March 1999 and the Balance Sheet as at 31st March, 1999.

Summary of Financial Results

Financial results of the Company for the year under review is summarised below:

[Rupees in lacs]

Particulars	For the year ended	
	31st March, 1999	31st March, 1998
Sales turnover and other Income	2,953	3,183
Profit before tax	52	734
Less: Provision for Income-tax	5	250
Profit after tax	47	484
Less: Extraordinary item - Finance Charges	35	-
Add: Profit brought from the previous year	79	71
Appropriation	91	555
Dividend	31	69
Dividend-tax	4	7
Transfer to General Reserve	-	400
Balance carried forward to Balance Sheet	56	79

Dividend

Your Directors recommend payment of dividend on Equity Shares at the rate of 10% for the year ended 31st March, 1999.

Operations

The year witnessed continued slowdown in economic activity and in particular in the Power Sector due to delay in restructuring of Electricity Boards and inadequate funding of power projects.

In 1997-98, the general perception was that the slowdown would be short-lived and consequently, your Company decided to utilise its capacity and carry unsold finished goods. However, perceiving that the slowdown could last longer, your Company, in 1998-99, decided to limit production in line with sales enabling it to reduce finished goods. Thus, sharp reduction in production and capacity utilisation in 1998-99 as compared to the previous year's, resulted in considerable drop in profits.

Another contributing factor for lower profit was lower unit realisation due to severe competitive conditions eroding margins.

During the year under review, your Company has improved its export performance. Compared to export turnover of Rs.71 lacs achieved during the year 1997-98 the export turnover of the Company was higher at Rs.376 lacs during the year 1998-99.

The performance of the Bangalore factory was satisfactory.

The Wind Mills of your Company erected near Kanyakumari are generating power satisfactorily and their operations continue to be in line with expectations.

Prospects

The unraveling of the structural rigidities of the Power Sector while still painfully slow, has witnessed important legislative steps enabling private sector entry into Power Transmission, creation of Electricity Regulatory Commission at Centre and at some of the States. This process

is expected to gather pace after the political atmosphere becomes more settled during the coming year. Consequently, investments into this sector and funds availability is expected to improve significantly in the coming years.

Your Company continued its efforts to strengthen its competitive edge and succeeded in broadening its product range and in developing new products with latest technologies.

Your Directors expect that, with the reduced finished goods, improved order inflows during the last quarter of 1998-99 and improved order backlog position, the coming year will witness improved capacity utilisation and performance.

Y2K Preparedness

The Company has taken effective steps and has made substantial progress to make its IT Systems Year-2000-compliant. The total expenditure estimated towards this program is Rs. 40 lacs. It is expected that the system would be fully Y2K compliant by 30th September, 1999.

Take-over of Rolls-Royce Transmission and Distribution business by VA Tech AG, Austria:

The electrical transmission and distribution business of Rolls-Royce was acquired by VA Technologie AG and its subsidiary Elin Energieversorgung GmbH of Austria in October, 1998. This acquisition includes the business of our Collaborators, Reyrolle Limited. VA Tech/Elin is a technology-based engineering group based in Austria. A global player with a sound brand image, VA Tech/Elin lists power transmission and distribution as one of its core business. Your Directors consider this development as a further opportunity to enhance the Company's capabilities in power protection, control and automation.

Directors

Consequent to his leaving VA Tech Reyrolle Ltd., UK, Mr. David Whitley, who was on the Board of your Company for over two years, tendered his resignation as Director with effect from 27th May, 1999. Your Directors place on record their appreciation of the valuable services rendered by Mr David Whitley.

Dr W S Jones and Mr Hari Eswaran retire by rotation at the ensuing Annual General Meeting and are eligible for re-election.

Auditors

Your Company's Auditors M/s Brahmayya & Co., and M/s R Subramanian & Co., retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

Information on Conservation of Energy, Technology Absorption, etc.

Statement showing particulars of Conservation of Energy, Technology Absorption, etc. in terms of Section 217 (1A) of Companies Act, 1956 are shown in Annexure I in this Report.

Particulars of Employees

Particulars of Employees as required in terms of Section 217 (2A) of Companies Act, 1956 and Rules made thereunder are shown in Annexure II which forms part of this Report.

General

The Directors wish to thank the customers, bankers, financial institutions, suppliers and shareholders for the continued support. They also thank the employees of your Company for their services to the Company.

Place : Chennai
Date : 28th May, 1999

By order of the Board
for Easun Reyrolle Limited
Hari Eswaran
Chairman



Annexure to Director's Report for the year ended 31st March, 1999

Annexure - I

Information pursuant to the 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

A. Conservation of Energy

- | | | |
|--|---|--|
| a. Energy conservation | } | The company is continuously identifying areas where energy can be saved and appropriate measures are being taken to optimise conservation of energy. |
| b. Additional Investments and proposals if any, being implemented for reduction of consumption of energy | } | |
| c. Impact of the measures at (a) and consumption and consequent impact of the cost of production of goods. | } | |
| d. Total energy conservation | } | |
| | | Disclosure requirement is not applicable to the Company |

B. Technology Absorption

i) Research and Development

- | | |
|--|---|
| 1. Specific areas in which R & D carried out by the Company | a) Development of various types of microprocessor-based relays.
b) Development of sub-station control systems.
c) Development of Power System Simulation Programmes |
| 2. Benefits derived as a result of the above efforts | Keep pace with changing technology |
| 3. Future plan of action | Develop more products for the distribution segments |
| 4. Expenditure on R & D | |
| a. Capital | NIL |
| b. Recurring | Rs. 15,98,397 |
| c. Total | Rs. 15,98,397 |
| d. Total R & D expenditure as a percentage of total turnover | 0.55 % |