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Easun Reyrolle Limited

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Easun Reyrolle Limited

30th Annual Report, 2004-2005



Chairman : Hari Eswaran

Directors : Alexander John Ramsay
W S Jones
Martin Bell
Raj H Eswaran
S Ramani

Chief Executive : J D N Sharma

Secretary and Chief

Financial Officer : 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
672, Anna Salai, Nandanam
Chennai 600 035, Tamil Nadu

Factories : 1. Plot No.98 Sipcot Industrial Complex
Hosur 635 126
Krishnagiri District, Tamil Nadu
2. 17/3, Arakere Village
Bannerghatta Road, Bangalore 560 076
3. Switchgear Division
Post Box No.9, Ernavur
Chennai 600 057, Tamil Nadu
4. Technology Development Centre
29th Main, BTM Layout, 2nd Stage
Bangalore 560 076, Karnataka

Bankers : State Bank of India

Registrars and Transfer Agents : Integrated Enterprises (India) Limited
2nd floor, "Kences Towers"
No.1, Ramakrishna Street
North Usman Road, T Nagar
Chennai 600 017
Telephone No: 28140801 to 28140803
email: sureshababu@iepindia.com



Easun Reyrolle Limited

Registered Office : "Temple Tower" 6th Floor, 672 Anna Salai, Nandanam, Chennai 600 035

Notice to Shareholders

Notice is hereby given that the Thirtieth Annual General Meeting of the Members of Easun Reyrolle Limited will be held on Wednesday, the 21st day of September, 2005 at 3.00 p.m. at Hotel Ambassador Pallava, 53, Montieth 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, 2005 and the Balance Sheet as at 31st March, 2005 and the Auditors' Report thereon
2. To declare Dividend
3. To appoint a Director in place of Mr. Hari Eswaran, who retires by rotation and is eligible for re-appointment
4. To appoint a Director in place of Dr S Ramani 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 : 18th May, 2005

K N Nagesha Rao
Secretary and Chief Financial Officer

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. Documents relating to any of the items mentioned in the Notice are open for inspection at the Registered Office of the Company of any working day during business hours.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 8th September, 2005 to 21st September, 2005 (both days inclusive).
4. The dividend, if any, declared at the Meeting will be payable on and after 21st September, 2005 to those Members whose names appear on the Register of Members of the Company on 8th September, 2005.



5. Members are requested to advise, indicating their Folio Numbers, Client ID and DP ID, the change in their address, if any, to our Registrar and Transfer Agents, Integrated Enterprises (India) Limited, 2nd floor, "Kences Towers", No.1, Ramakrishna Street, North Usman Road, T Nagar, Chennai 600 017, Telephone No.044 28140801.
6. Members/Proxies should fill in the Attendance Slip for attending the meeting. Members are requested to bring their copy of Annual Report to the Meeting.

With respect to payment of dividend, the Company provides the facility of Electronic Clearing Service (ECS) to all Shareholders, holding shares in electronic form and residing in the following places: Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.

The Company has also made arrangements for payment of dividend by way of Dividend Warrants to shareholders who hold shares in physical form through 174 Branches of UTI Bank Limited situated in the length and breadth of the Country.

By Order of the Board
for Easun Reyrolle Limited

Place : Chennai

Date : 18th May, 2005

K N Nagesha Rao

Secretary and Chief Financial Officer

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Directors' Report to Shareholders

The Directors have pleasure in submitting their report for the year ended 31st March, 2005.

Financial Results

The Financial Results of your Company is given below :

[Rupees in lacs]

Particulars	For the year ended	
	31st March, 2005	31st March, 2004
Net Sales and other Income	5,227	4,194
Profit before Interest and Depreciation	788	560
Less: Interest	100	86
Profit before Depreciation	688	474
Depreciation	150	70
Profit before tax	538	404
Less: Prior period items	-	2
Less: Provision for taxation	200	133
Add: Deferred tax asset	19	5
Profit after tax	357	274
Add: Profit brought from previous year	86	59
Appropriation		
Dividend on Equity Shares	102	86
Tax on Dividend	14	11
General Reserve	250	150
Balance carried forward to Balance Sheet	77	86

Dividend

The Directors recommend a Dividend of Rs.3.25 per Equity Share (@32.5%) for the year 2004-05 (previous year Rs.2.75 per Equity Share). The total amount of Dividend out go for the financial year would be Rs.116.19 lacs including dividend Distribution Tax of Rs.14.29 lacs.

Silver Jubilee:

Having commenced its commercial operations in July 1980, your Company would be celebrating its Silver Jubilee during the financial year 2005-06. Starting as a producer of electro-mechanical discrete Relays, the Company has taken many steps to be able to meet the raising customers' expectations in terms of service, flexibility and technology. This has resulted not only in graduating to static and then multi-function numerical protective Relays, but also continuously expand the range of offerings from the Company to its wide customer base. The Company today has emerged as a strong and independent solution provider in the areas of power system protection, control, automation, metering and switching segments, offering its customers in India and abroad, the state-of-the-art technology and efficient customer support. The Directors take this opportunity to place on record their appreciation of the support, help and co-operation received by the Company from its customers, bankers, financial institutions, suppliers as well as employees at all levels in bringing up the Company to its present strong position.



Operating Results

The financial year 2004-05 was another successful year for the Company with its total revenue reaching Rs.5,227 lacs. The Company has achieved year-on-year growth in sales revenue by 25%. During the current year, Gross Profit (Rs.538 lacs) and Net Profit (Rs.357 lacs) have improved by 33% and 30% respectively compared to the previous year. It is heartening to note that this improvement in profits have been achieved even after absorbing the amortisation costs for acquisition of Switchgear business.

Management Discussion and Analysis

A) Industry Environment:

In spite of deficient monsoon, financial year 2004-05 witnessed a GDP growth of 6.5%. The industrial growth during the period was an impressive 9.2% and power generation registered a 5.2% growth. The Government announced policy formulations aimed at accelerated development of power sector, ensuring supply of electricity to all areas and protecting the interests of consumers and other stakeholders. Government also launched the National Rural Electricity Infrastructure and Household Electrification Programmes to provide access to electricity to all rural households in five years. Accelerated investments are taking place in the Transmission and Distribution sector. The financial health of many State Electricity Boards has also improved. The APDRP programme has fuelled the growth cycle in the Distribution sector and it is targeted to have atleast one Substation in every village. At the Transmission and Subtransmission level, automation of Substations is becoming increasingly popular. These factors augur well for the Company's business as the company is well poised to meet the diversified demands arising out of these opportunities.

However, the pace of unbundling of the State owned power utilities is still slow and the repeated extension of the deadlines in this regard is a major cause for concern. It is hoped that there will be no major review of Electricity Act, 2003 and consequent reversal of sound policy directions contained therein.

Steep rise in global oil prices resulting in higher inflation coupled with substantial rise in the prices of critical inputs like steel, copper, aluminum could have a major impact on the investment budgets of the utilities and perhaps also on the bottom lines of the equipment manufacturers. Subject to these cautionary remarks, it is expected that the power sector will continue to remain in good health in the medium term.

B) Operations of the Company

Your Company has positioned to take advantage of the growth in the power sector as it is able to offer a wide range of technically and commercially competitive products, systems and solutions to the customers. Presently, the Company can provide "One Touch Access" to meet the diverse needs of its customers. This can be seen from the healthy growth in the order book of the Company. The Company is making adequate investments in acquiring the latest technologies as well as related businesses so as to continue to provide integrated solutions to its customers.

Towards this goal, the Company acquired, effective from 15th January 2005, business interest of Switchgear Division of Eswaran and Sons Engineers Limited, Chennai, a leading manufacturer of Switchgears for nearly five decades. This is the first instance the Company embarking upon growth through an inorganic route. This acquisition is complementary to the current business segments and helps the company to move up the value chain.

The Company entered into a licensing agreement with its technical collaborators, VA TECH ACP Limited, U.K., for manufacture of latest generation of Numeric Relays. It has also joined hands with the collaborators to develop certain protocol software. The Company commenced a separate 'Development Centre' during the year in order to consolidate and strengthen its position as a total solution provider.



Thus, in our business where the technology and customer need are constantly evolving, the Company is actively taking all necessary steps to maintain and improve its market access and expects continued growth and prosperity.

Repayment of Loans to Institutions:

During the year under review, your Company cleared all the term loan liabilities to financial institutions. Other than Interest-free Sales Tax Loan, the Company has become free of long term debt for the first time since its inception.

System of Internal Control:

The Company has adequate system of internal control to ensure that the financial and other records are *reliable for preparing financial statements*. *Internal audit of the Company's records is done by a firm of Chartered Accountants, P Chandrasekar and Company.*

Corporate Governance

The Board of Directors supports the broad principles of corporate governance, transparency and disclosure towards increasing value for stakeholders. The Company recently adopted a Code of Conduct for Board of Directors and the Senior Management Personnel. The report on the Corporate Governance for the year ended 31st March 2005 in line with the Listing Agreement with Stock Exchanges has been prepared and the same is annexed as **Annexure – I** to this Directors' Report.

Offer of Equity Shares on Preferential Basis

During the year under review, at the request of Power Ventures Holdings (India) Private Limited, an investment company, the Directors decided to offer them upto 1,95,312 Equity Shares of the Company on preferential basis. *These Equity Shares were to be offered in terms of Guidelines of Securities and Exchange Board of India and subject to approval by shareholders of the Company.* Accordingly, the Company convened an Extraordinary General Meeting on 10th February 2005 to obtain necessary approval from the shareholders. *However, the Extraordinary General Meeting held on 10th February 2005 was adjourned consequent to stay of proceedings issued by a local court in Chennai.* The Company challenged the injunction order and the court has since vacated the stay petition. Necessary arrangements are being made to reconvene the General Meeting to obtain necessary consent of the shareholders to issue Equity Shares on preferential basis as above proposed.

Human Resources:

The Company continues its focus on building high level of competencies and expertise in its human resources and in providing challenging and satisfying atmosphere for the professionals to work together. The Company continues to attract excellent talent, which is the key for delivering total solutions to its customers. The Company is constantly reviewing its HR activities and policies to be in tune with the changing environment. Company had 255 permanent employees on its roll as on 31st March 2005.

Directors

In accordance with the provisions of the Articles of Association of the Company, Mr Hari Eswaran and Dr S Ramani retire in the forthcoming Annual General Meeting. Both Mr Hari Eswaran and Dr S Ramani are eligible for re-election as Directors.

Directors Responsibility Statement

Your Directors confirm that:

- (i) in the preparation of the annual accounts for the financial year ended 31st March 2005, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are 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) the Directors had 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 for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a 'going concern' basis.

Statutory Auditors

The Statutory Auditors of the Company are M/s. Brahmayya & Co. Chartered Accountants and M/s. R Subramanian & Co. Chartered Accountants, Chennai. They hold office upto the conclusion of the forthcoming Annual General Meeting and have offered themselves for reappointment. There are no observations, qualifications or adverse remarks by the Statutory Auditors on the accounts of the Company for the year ended 31st March 2005 requiring comments from the Directors.

Disclosure of Particulars

The relevant disclosures and information on the Conservation of Energy, Technology Absorption, Inflow and Outflow of Foreign Exchange are furnished in **Annexure - II** forming part of this report.

General

The particulars on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo, pursuant to Sec 217(1)(e) of the Companies Act, 1956, are given in Annexure - II, which forms part of this Report.

There are no employees of the Company covered under the provisions of Section 217(2A) of the Companies Act, 1956.

The Directors thank State Bank of India for their continued support. They also thank employees of the Company for the services and for their co-operation in maintaining cordial relationship.

On behalf of the Board of Directors

Place : Chennai
Date : 18th May, 2005

Hari Eswaran
Chairman



Annexure to Director's Report for the year ended 31st March, 2005

Annexure – I

Corporate Governance Disclosure

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the following report.

1. Company's philosophy on code of governance

The philosophy of the Company on Corporate Governance is to attain highest level of transparency, responsibility, accountability and equity in all facets of its operations.

The Company believes that all its actions must serve the underlying goal of enhancing shareholders' value over a sustained period of time.

2. Board of Directors :

During March, 2005 the Directors adopted a "Code of Conduct" for all Board Members and Senior Management of the Company. This code of Conduct is posted on the website of the Company.

Board of Directors consists of six Directors. The following table gives particulars of Directors, their attendance at the Board Meetings and Annual General Meetings and particulars of Directorships, etc. held in other Companies.

Sl. No	Name	Category	Attendance particulars		Member of Directorship / Committee membership / Chairmanship		
			Board Meetings	Last Annual General Meeting	Member of Directorship	Committee membership	Chairmanship
1	Mr. Hari Eswaran	Promoter Director (Chairman)	8 of 8	Attended	2	Nil	4
2	Dr. W S Jones	Independent Director	3 of 8	Not Attended	Nil	Nil	Nil
3	Mr. Raj H Eswaran	Promoter Director	8 of 8	Attended	6	Nil	Nil
4	Dr. S Ramani	Independent Director	7 of 8	Attended	1	Nil	2
5	Mr. Martin Bell	Promoter Director	3 of 8	Attended	1	Nil	Nil
6	Mr Alexander John Ramsay	Promoter Director	2 of 8	Attended	1	Nil	Nil

Note : All the Directors on the Board are non-executive Directors.

Mr. Hari Eswaran and Dr S Ramani retire by rotation and are eligible for reappointment. The brief background of Mr Hari Eswaran and Dr S Ramani, are furnished below.

Brief Background of Directors being re-appointed

a) Mr Hari Eswaran

Mr Hari Eswaran, 68 years, is one of the founder – Directors of Easun Reyrolle Ltd. Presently, he is non-executive Chairman on the Company's Board. He is a Fellow of the Institution of Electrical Engineering, U.K. Mr Hari Eswaran, a pioneer in the electrical engineering industry, has been associated with various industry and trade associations. He is the past Chairman of the following bodies;