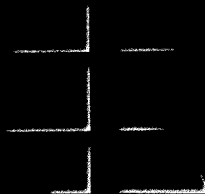
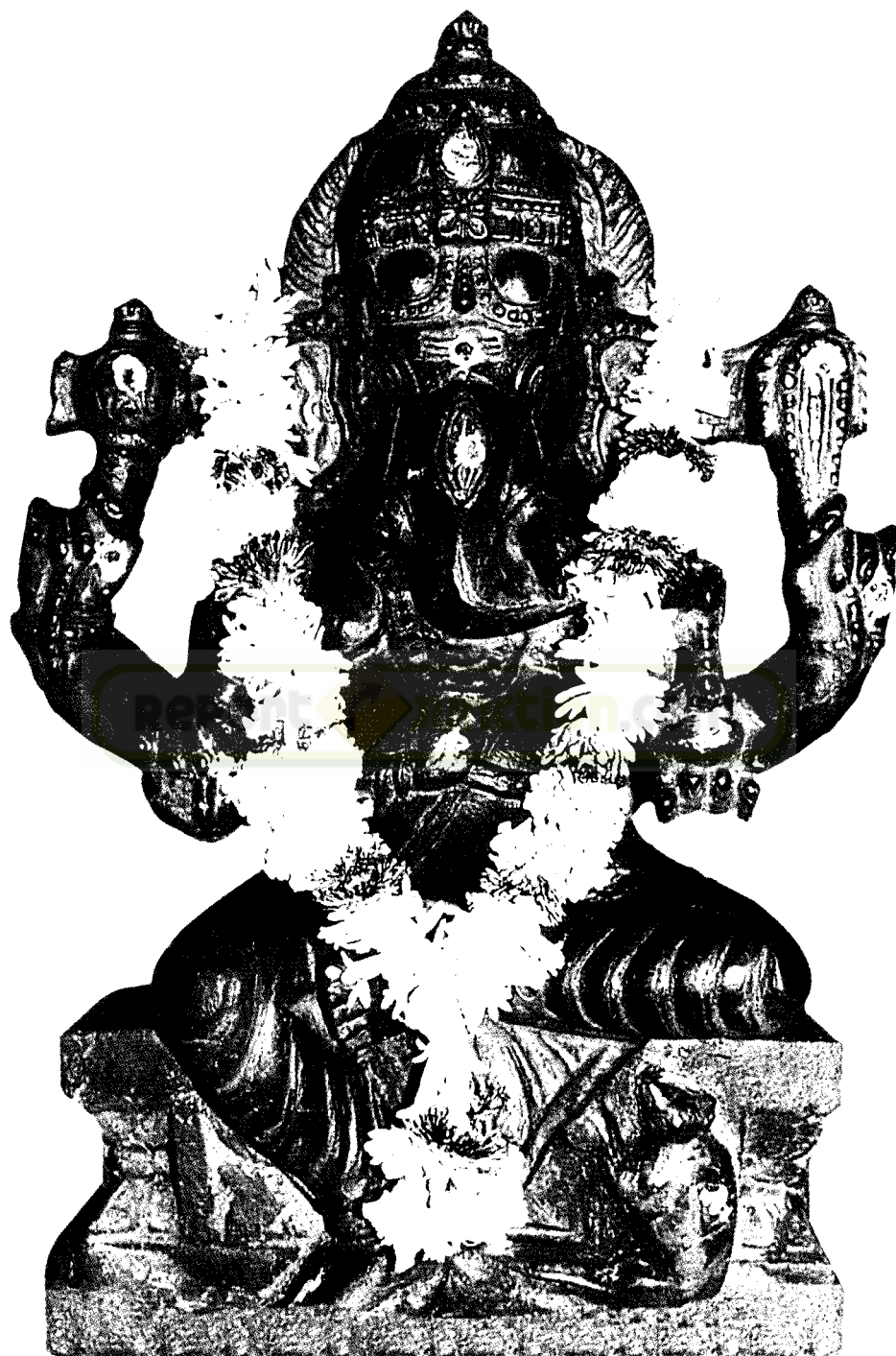


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Easun Reyrolle Limited

31st Annual Report 2005 - 2006





Easun Reyrolle Limited

31st Annual Report, 2005-2006

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 Bannerhatta 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 2 nd floor, "Kences Towers" No.1, Ramakrishna Street North Usman Road, T Nagar Chennai 600 017 Telephone No: 28140801 to 28140803 email: sureshbabu@iepinidia.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 Thirtyfirst Annual General Meeting of the Members of Easun Reyrolle Limited will be held on Monday, the 25th day of September, 2006 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 2006, the Balance Sheet as at 31st March, 2006 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. Raj H 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.

Special Business:

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as **Special Resolution**:

Resolved that pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulation), Act, 1956 and the Rules framed thereunder, Listing Agreement with Stock Exchanges, and all other applicable rules, regulations and guidelines and subject to the approval of stock exchanges where the shares of the Company are listed and any other appropriate authority, or regulators as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from Madras Stock Exchange Limited (MSE) and Vadodara Stock Exchange Limited (VSE) at such time as the Board may decide.

Resolved further that for the purpose of giving effect to this resolution, the Board or any Committee thereof be authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.

**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 relevant Explanatory Statement pursuant to sections 173 of the Companies Act, 1856 is annexed hereto.
3. 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.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 12th September, 2006 to 25th September, 2006 (both days inclusive).
5. The dividend, if any, declared at the Meeting will be payable on and after 25th September, 2006 to those Members whose names appear on the Register of Members of the Company on 12th September, 2006.
6. 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.
7. 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.
8. 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 all Branches of UTI Bank Ltd., situated across the Country.

By Order of the Board
for Easun Reyrolle Limited

Place : Chennai
Date : 28th July 2006

K N Nagesha Rao
Secretary and Chief Financial Officer



Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

Item No.6 – Delisting of Securities from Madras Stock Exchange Limited and Vadodara Stock Exchange Limited

The shares of the Company are presently listed on the National Stock Exchange of India Ltd., Mumbai (NSE), Madras Stock Exchange Ltd., Chennai (MSE) and Vadodara Stock Exchange Ltd., Vadodara (VSE). Recently, the Company got its Equity Shares admitted for trading on Bombay Stock Exchange Ltd., Mumbai (BSE).

The shares of the Company are not presently traded on MSE and VSE. The entire trading of the Company's shares is done only at NSE and BSE. These exchanges have nation-wide trading terminals and therefore provide full liquidity to shareholders and investors. The shares of the Company would continue to be listed on the National Stock Exchange of India Ltd., and Bombay Stock Exchange Ltd., Mumbai. In view of this, the delisting of the Company's shares from MSE and VSE will not have any adverse impact on the investors.

In line with SEBI Regulations, the approval of the members by way of a special resolution is required for enabling voluntary delisting of its securities from a stock exchange. Accordingly, the approval of the shareholders is solicited.

None of the directors of the Company is in any way concerned or interested in the resolution. The Board recommends the resolution for approval of shareholders.

By Order of the Board
for Easun Reyrolle Limited

Place : Chennai
Date : 28th July 2006

K N Nagesha Rao
Secretary and Chief Financial Officer



Director's Report to Shareholders

Dear Shareholders,

Your Directors are pleased to present the 31st Annual Report of Easun Reyrolle Limited together with the Audited Financial Statement and the Auditors' Report thereon.

Financial Results

The financial highlights of the financial year 2005-06 are as follows:

(Rupees in lacs)

Sl. No.	Particulars	for the year ended	
		31 st March 2006	31 st March 2005
01	Total Revenue	10,817	5,233
02	Total Expenditure	8,356	4,445
03	Profit before Interest, Depreciation and Tax	2,461	788
04	Interest	136	100
05	Depreciation	254	150
06	Profit before Tax	2,071	538
07	Income Tax	763	181
08	Profit after tax	1,308	357
09	Surplus brought forward from the previous year	77	86
10	Profit available for appropriation	1,385	443
11	Appropriation		
	Dividend on Equity Shares	250	102
	Tax on Dividend	35	14
	General Reserve	1,000	250
	Balance in Profit and Loss Account	100	77

Dividend

During the year under review the Directors declared and paid an interim dividend @ 15% on the equity capital for the year ended 31st March, 2006. They are pleased to recommend a further 60% as final dividend, making for a total dividend of 75% for the year (32.5% last year).

Silver Jubilee Year

The financial year 2005-06, which is the Silver Jubilee year of your Company's Operation has indeed proved to be a momentous year, having crossed the Rs.100 Crore revenue mark for the first time in the Company's history. Your Company has established itself as a leading player not only in its conventional business areas of Relay Products and Relay and Control Panels but also made its mark in the new business areas like Substation Automation Business, Energy Meters and Metering Solutions and Medium Voltage Switchgear. During its Silver Jubilee Year, your Company has also announced its foray into new business areas like turnkey projects and City SCADA (SCADA DA / DMS projects). Your Directors are confident that the new business areas are now poised for significant growth in short and medium terms and the new initiatives announced in the current year would consolidate the growth of the Company in the years to come.



Management Discussion and Analysis

a) Operational and Financial Performance

Financial results during the year under review have proved to be highly satisfactory with total revenue reaching Rs.108 crores which is more than double compared to the previous financial years. The profit before tax has grown up by 385%, at Rs. 2,071 lacs and the profit after tax by 366% at Rs.1,308 lacs in comparison with last years figures. The above results were achieved after absorbing significantly higher depreciation due to increased capital expenditure. Your Directors are particularly pleased that the significant growth achieved in the current year is a result of healthy growth pattern across its various business areas.

It is heartening to note that the Company's improved turnover as well as healthy order book are driven by significant growth in the volumes of business for the established products namely Relay Products and Relay and Control Panels. However, significant contributions have also been made from newly acquired Switchgear Business. The Automation Business as well as the Metering Business have established their potential during the current year and are poised for growth in the years to come. While the Company's established businesses continue to grow with the market, the share of the new businesses is poised for significant increase. Thus, the Company has positioned itself to take advantage of the buoyancy in the market. Further, in order to ensure that the growth momentum is maintained for the future, the Company has entered into new business areas like City SCADA and Turnkey Projects. Your Company expects to receive significant orders in these areas during the financial years 2006-08.

b) Industry Structure and Development

During the period 2005-06, the country witnessed impressive GDP growth of 8.2%. The industrial growth during this period was close to 10%. The economic growth of the country in the recent years has firmly established India as one of the fastest growing economies in the world. Focus on agriculture, which is one of the main plans of the current government, along with sustained growth of the industrial and the services sectors are likely to ensure a balanced and sustained growth of the country's economy in the future.

In order to sustain such rapid growth, infrastructure bottlenecks continue to be a major cause for worry. While sectors like telecom, roads, airports etc. have received attention and are in various stages of progress, power sector continues to struggle to find firm structural foundation. Though the Electricity Act, 2003 and unbundling of the state utilities have given initial fillip to the power sector, these efforts need to be sustained through further in depth power sector reforms. The Government has been extending investment support through APRDP Scheme and Rural Electrification Scheme, which helped T&D network of Electricity Board/Utilities. However, Government has not taken effective steps towards structural reforms of Electricity Boards by relieving them from the subsidy burden and make their operations efficient, transparent and economically viable. It is hoped that various Governments at the State and Central levels are alive to the critical need for further reforms in the power sector.

However, there are many a silver linings in the trends in power sector with substantial investments in generation, transmission and distribution segments. There has been considerable improvement in addition to power generation capacity in India over the years as can be seen from the tabulation below:-



Generation Capacity Addition	
Year	Total (MW)
2002-03	2,650
2003-04	3,951
2004-05	6,250
2005-06	8,500 *
2006-07	10,000 **
2007-08	12,000

* estimate

** target

Thus, during 2005-06 the country has achieved power generation capacity addition of 8,500 MW which is a record till date. Based on the ground realities, the future projections of 12,500 MW per year are now more realistic than the earlier official estimates. This would in turn mean that the total investment in generation, transmission and distribution would be of the order of Rs.120,000 crores per year. With substantially more emphasis being given to distribution of power, it is hoped that both availability and quality of power delivered to the customer would improve significantly in terms of reliability and availability of power. One more heartening feature is the acceptance of need for automation in both transmission and distribution segments, with a large number of state utilities moving from the question of *"why the automation is needed"* to *"how the automation can be accomplished"*.

c) Outlook

The main challenge for your Company is to ensure adequate investments in the areas of technology, human resources, and of course, in the world-class infrastructure within the Company. This would enable the Company to not only take advantage of the boom conditions prevailing in the Indian market but also to explore significant export opportunities that are becoming available.

The new plant for Medium Voltage Switchgear being built in Hosur with an investment of more than Rs.850 lacs, modernisation and capacity expansion of the existing facilities with an investment of Rs.350 lacs, significant ramping up of the technical manpower, establishment of Technology Development Centre at Bangalore and establishment of separate export division are all steps in this direction. Thus, your company hopes to address the available opportunities in the power sector both in India and outside of India to ensure that the growth momentum is kept up.

d) Risks, Opportunities and Threats

Given the rapid economic growth projected for the country in the coming years even the projected massive investment of Rs.120,000 crores per year is likely to fall short of the requirements and it is forecast that the demand for power will continue to outstrip supply for a long time. This would also mean that over next few years the utilities will have to look at capacity additions in the range of 15,000 MW to 20,000 MW per year to be achieved as early as possible. Considering that our neighbouring country China is already implementing a program to add 30,000 MW per year over the next ten years, the need for massive investment in power sector in our country in the foreseeable future can only be accelerating. This would mean that, barring unforeseen circumstances, the buoyancy currently being witnessed in the power sector is likely to be sustained over a long period.

Power has now come to be recognised as a service to be provided at a reasonable cost to the consumer and only when the consumers pay a reasonable rate can resources be found



for capital investments necessary for expansion and modernisation ensuring the reliability and availability of power. While there is general political awareness and to some extent acceptance of these fundamentals, some forces still hark back to free power policies which have played havoc with the industry in the past. Indian power sector, after a long gap, has been building up capacities in the recent past and any slow down in power sector investments would severely effect the industry profitability. Continued high levels of oil prices, drastic increase in the price of input materials like steel and copper and general inflationary trends are also significant threats for well being of the power sector industries.

e) Human Resources

Your Company recognises that nurturing and recruiting the best talent is vital to the long term success of the organisation. To bring about world-class business practice and culture, your Company provides continuous training and opportunities for learning and development to its employees.

The Company maintained a cordial relationship with employees throughout the year. The total employee strength of the Company at the end of the financial year was 283 as against 255 at the end of previous financial year.

f) Internal Control System and Risk Management

The Company maintains an internal control system with suitable monitoring procedure. M/s P Chandrashekar and Co., Chartered Accountants are appointed to carryout internal audit. The Audit Committee reviews the findings of the Internal Auditors as well as the responses of the Operating Management.

The Company has adopted a policy on Risk Management, which serves as guidance and tool to minimise risks associated with business. A Committee comprising of senior executives has been constituted to manage operational risks who meet at constant intervals. The Audit Committee would oversee the risk management activities.

Capital Structure

During the year 2005-06, the Company raised Rs.301 lacs by issue of 1,95,312 Equity Shares by way of preferential offer. This issue was fully utilised to meet the cost of acquisition of a Switchgear business.

Directors

In accordance with the provisions of the Articles of Association of the Company, Mr Raj H Eswaran, Director and Dr W S Jones, Director are retiring at the Annual General Meeting and they are eligible themselves for re-appointment.

Directors Responsibility Statement

Your directors confirm that

- a) in the preparation of the annual accounts for the financial year ended 31st March, 2006 the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b) 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;