



Easun Reyrolle Limited

33rd Annual Report, 2007-2008

Chairman	:	Hari Eswaran
Directors	:	W S Jones Raj H Eswaran S Ramani
Chief Executive	:	J D N Sharma
Secretary and VP (Corporate Finance)	:	K N Nagesha Rao
Auditors	:	Brahmayya & Co. Chartered Accountants 48, Masilamani Road, Balaji Nagar Royapettah, Chennai - 600014 : R Subramanian & Co. Chartered Accountants 36, Krishnaswamy Iyer Avenue Luz, Chennai - 600004
Registered Office	:	“Temple Tower”, 6th Floor 672, Anna Salai, Nandanam Chennai - 600035
Corporate Office & Technology Development Centre	:	389, “Rasu Kumaki”, Hulimavu Bannerghatta Road Bangalore - 560076, Karnataka
Factories	:	1. Plot No.98, Sipcot Industrial Complex Hosur - 635126 Krishnagiri District, Tamil Nadu 2. 17/3, Arakere Village Bannerghatta Road, Bangalore - 560076
Bankers	:	State Bank of India
Registrars and Transfer Agents	:	Integrated Enterprises (India) Limited 2nd Floor, “Kences Towers” No.1, Ramakrishna Street North Usman Road Chennai - 600017



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Board of Directors & Executive Management Board



Right to left

Dr W S Jones, Raj H Eswaran, Dr S Ramani, JDN Sharma, Hari Eswaran, K N Nagesha Rao,
S Ravichander, G Premnath and George Punnoose



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 Thirtythird Annual General Meeting of the Members of Easun Reyrolle Limited will be held on Monday, the 29th day of September, 2008 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, 2008 and the Balance Sheet as at 31st March, 2008 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.

By Order of the Board
for **Easun Reyrolle Limited**

Place : Chennai
Date : 31st July, 2008

K N Nagesha Rao
Secretary and VP (Corporate 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. Members holding shares in physical form are requested to communicate change in their addresses, if any, to our Registrar and Share Transfer Agents, Integrated Enterprises (India) Limited, 2nd Floor, "Kences Towers", No.1, Ramakrishna Street, North Usman Road, T Nagar, Chennai – 600 017, Telephone No.044-28140801-803
3. Members holding shares in demat form may inform the change in address or other particulars to their Depository Participants.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 18th September, 2008 to 29th September, 2008 (both days inclusive).
5. The dividend, if any, declared at the Meeting will be payable on and after 29th September, 2008 to those Members whose names appear on the Register of Members of the Company on 18th September, 2008.
6. Members / Proxies are requested to bring the Attendance Slip with them duly filled in and hand over the same at the entrance of the Meeting Hall. Members are requested to bring their copy of Annual Report to the Meeting.
7. 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.
8. 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 HDFC Bank situated in the length and breadth of the Country.

By Order of the Board Directors

Place : Chennai
Date : 31st July, 2008

K N Nagesha Rao
Secretary and VP (Corporate Finance)



Director's Report to Shareholders

Dear Shareholders,

Your Directors have pleasure in presenting the Thirty-third Annual Report of the Company along with Audited Accounts for year ended 31st March 2008.

Financial Highlights

The assets and liabilities of wholly owned subsidiary, ERL International Pte Ltd., Singapore and its consolidated operating results have been incorporated in the Company's books. The financial performance of the Company, therefore, includes the financial results of the above subsidiary for the year ended March 31, 2008 and is summarized below :

(Rupees in lacs)

Sl. No.	Particulars	For the year ended	
		31 st March, 2008	31 st March, 2007
01	Total Income, net of excise	20,762	13,521
02	Profit before Tax	3,363	2,657
03	Tax on profits	835	890
04	Net Profit	2,528	1767
05	Surplus brought forward from previous year	202	100
06	Profit available for appropriation	2,730	1867
07	Dividend (including tax on distributed profits)	715	465
08	Transfer to General Reserve	1,500	1,200
09	Profit carried forward to Balance Sheet	515	202

Dividend

The Directors have recommended a final dividend of 125% at Rs.2.50 per share. The total dividend to our Shareholders for 2007-08 stands at Rs.3 per share, (including the interim dividend at Re.0.50 paid), making total dividend of 150% for the year (120% previous year).

Management Discussions and Analysis

Performance

The Company has achieved significant milestones as well as business growth during the financial year 2007-08. The consolidated revenue of the Company (including that of foreign subsidiary) increased to Rs.207.62 crores as against Rs.135.21 crores in the previous year, a growth of 54%. On standalone basis, the Indian operations realized revenue of Rs.189.52 crores showing a growth of 40% compared to the previous year. On consolidated basis Gross profit of the Company grew by 27% at Rs.33.63 crores and the net profit of the Company has grown by 43% at Rs 25.28 crores.

During the period the Company's business in the new areas of Automation, Metering Solutions, Switchgear and Projects have grown significantly while the protection business continues to grow at a rate faster than the market growth.

Fund Raising through GDR, FCCB and Equity Share Issues

In December, 2007 / January, 2008 the Company raised a total sum of US\$ 57.5 million through



issue of GDRs (US\$ 22.5 million) and FCCBs (US\$ 35 million). During the current financial year, the Company's promoters, Mr Hari Eswaran and associates contributed Rs.10.87 crores by exercising option to convert 1,82,944 warrants allotted to them during 2006-07.

This fund raising is to enable Easun Reyrolle to establish a global footprint and to achieve the following objectives.

1. To acquire technologies that will enable the Company to offer globally relevant state of the art technologies in its businesses.
2. To acquire routes to market and grow the same utilizing the combined strengths of all Easun Reyrolle entities.
3. To take advantage of the vast opportunities for growth in targeted markets.

The Company is vigorously pursuing these objectives.

Industry Structure and Developments:

Over all, the country has shown reasonable growth during the last financial year. While during the first-half of last financial year the country showed impressive economic growth, some infirmities crept into the economy in general and into the Power Sector in particular during the last quarter of the year and these infirmities are continuing currently. High inflation, steep oil prices, high interest rates have had significant impact slowing down the economic growth prospects in the current financial year. To a certain extent, funding for the power sector has also suffered during the period. Funding through international lending institutions like World Bank, ADB, etc., gained conspicuous prominence again after a gap of a few years. Consequently, while this funding is being negotiated, the decision making process has considerably slowed down.

However, the utilities and the Government are still determined to go ahead with the addition of close to 1,00,000 MW. during the 11th five-year plan and it is hoped that the current slow down witnessed in the power sector is of a relatively short duration. The investment in Distribution sector has remained relatively unaffected and it is hoped the transmission sector will pickup steam towards the end of the current financial year 2008-09.

Outlook, Opportunities, risks and threads:

In the area of Protection and Automation, the Company continues to enjoy a strong position and is offering the state of the art products to its customers and continues its developmental efforts to remain in the forefront of technology. Market for Automatic Meter Reading (AMR) Solutions is growing rapidly and your Company is well positioned to take advantage of the same. Having entered the medium voltage Switchgear in 2006, the Company has witnessed rapid growth in this business area. The Company has successfully type tested new generation of Switchgear Products and the same will be introduced into the market in the current financial year, thereby further strengthening its position in this important area of business. The substation project business is also witnessing rapid growth and the Company is expanding its Project locations all over India in the current financial year. The Order book growth is strong and satisfactory. The Company also hopes to make progress in its global business through expanding its subsidiary operations and also through fresh acquisitions.

Research and Development:

During the current year, the company expanded its development efforts and established a new



facility for its Technology Development Centre at Hulimavu, Bangalore. This Centre provides integrated Research and Development facilities for all its current and future businesses. It is expected that this facility will provide added impetus in offering world class technologies to our customers.

Human Resources :

The company has put in place various initiatives to ensure that it is equipped with well qualified and highly motivated human resources to meet the growth objectives in India as well as globally.

It has also successfully concluded a long term wage agreement at its Hosur unit and Directors are happy to report the continued excellent relationship with the workforce.

Internal Control Framework

The Company has a well-established framework of internal controls in operation, including suitable monitoring procedures. An independent internal audit function reviews the Company's financial and operating controls. All significant audit observations and follow-up actions are reported to the Audit Committee. Audit Committee reviews the adequacy and effectiveness of the internal control system as well as company's risk management policies.

Subsidiaries

Establishment of Subsidiary at Singapore

During December 2007 your Company established a wholly owned subsidiary, ERL International Pte Ltd. This subsidiary has been incorporated as a special purpose vehicle to -

- a) channelize the investment in overseas business acquisitions and
- b) to fulfill the objectives shown in paragraph "Fund Raising through GDR, FCCB and Equity Share Issues" above.

Disinvestment of Equity in ERL Phase Power Technologies in favour of wholly owned Subsidiary, ERL International Pte Ltd. Singapore

With a view to consolidate and route all the overseas investments through the special purpose vehicle established as above, during the year, your Company disinvested 100% equity in ERL Phase Power Technologies Limited, Canada in favour of wholly owned subsidiary, ERL International Pte Ltd, Singapore.

Annual Reports of Subsidiaries

The Company has obtained exemption under Section 212 of the Companies Act, 1956, from annexing to this Report, the Annual Reports of the subsidiaries for the year ended 31st March 2007. However, if any Member of the Company or its subsidiaries so desires, the Company will make available, the Annual Accounts and the related detailed information of the subsidiaries to them, on request. The same will also be available for inspection at the Registered Office of the Company and of its subsidiaries, during working hours upto the date of the Annual General Meeting. The details of each subsidiary with respect to capital, reserves, total assets, total liabilities, details of investment (except in case of investment in subsidiaries), turnover, profit before tax, provision for tax, profit after tax and proposed dividend are furnished



in the accompanying Annual Report. Consolidation of Accounts as required by Accounting Standards AS-21 and AS-23 of the Institute of Chartered Accountants of India, the financial statements of the Company reflecting the consolidation of the Accounts of the Company, and its subsidiary are annexed to this Report.

Corporate Governance:

Your Company is committed to the ideologies of good corporate governance and taken adequate steps to ensure compliance of requirement of Listing Agreements with Stock Exchanges. A separate report on Corporate Governance along with certificate of compliance from the Auditors are annexed and forming part to this Report.

Delisting on Madras Stock Exchange

Pursuant to the approval granted by the Members of the Company, the Equity Shares of your Company were delisted from the Madras Stock Exchange, Chennai effective from 11th June, 2008. Equity Shares of your Company are now listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Global Depository Shares (GDSs) and FCCBs issued by the Company are listed on the Singapore Stock Exchange.

Directors' Responsibility Statement:

Pursuant to Section 217(2)(AA) of the Companies Act, 1956, your Directors confirm that:

- a) in the preparation of the annual accounts for the financial year ended 31st March, 2008 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b) they have 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;
- c) they 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 for preventing and detecting fraud and other irregularities;
- d) they have prepared the annual accounts on a 'going concern' basis.

Retirement of Directors by Rotation

Two of your Directors, viz., Dr W S Jones and Mr Raj H Eswaran retire by rotation, and are eligible for re-appointment.

Statutory Auditors:

M/s Brahmayya & Co., Chennai and R Subramanian & Co., Chennai, Statutory Auditors of the Company retire and offer themselves for re-appointment as Statutory Auditors of the Company pursuant to Section 224 of the Companies Act, 1956.



Particulars of Employees:

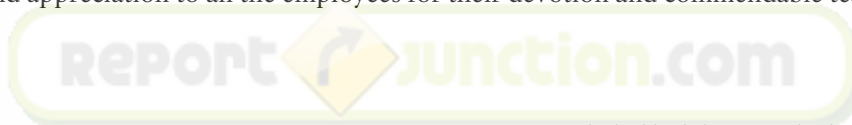
Information is required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this Report and Accounts are being sent to all the Members of the Company excluding the Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956. Any Member interested in obtaining a copy of the said Statement may write to the Company Secretary at the Registered Office of the Company, and the same will be sent by post.

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

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure - II, forming part of this report.

Acknowledgement:

Your Directors take this opportunity to thank all investors, clients, vendors, banks, regulatory and government authorities and stock exchanges for their continued support. They express their thanks and appreciation to all the employees for their devotion and commendable teamwork.



On behalf of the Board of Directors

Place : Chennai
Date : 31st July, 2008

Hari Eswaran
Chairman



Annexure to Directors' Report for the year ended 31st March, 2008

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.

The Company's "Code of Conduct" for all Board Members and Senior Management of the Company is posted on the web site of the Company.

2. Board of 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.

SI 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)	11 of 11	Attended	1	Nil	5
2	Dr. W S Jones	Independent Director	6 of 11	Not Attended	2	1	Nil
3	Mr. Raj H Eswaran	Promoter Director	9 of 11	Attended	7	Nil	Nil
4	Dr. S Ramani	Independent Director	7 of 11	Attended	Niln	Nil	Nil

No. of Board Meetings held during the financial year 2007-08 : 11

Dates of Board Meetings held during the Financial Year 2007-08							
1	30/05/2007	4	22/08/2007	7	05/12/2007	10	23/01/2008
2	25/06/2007	5	29/10/2007	8	12/12/2007	11	25/03/2008
3	30/07/2007	6	30/11/2007	9	03/01/2008	-	-

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