

35th Annual Report
2009-2010

EASUN REYROLLE LIMITED





Easun Reyrolle Limited

35th Annual Report, 2009-2010

Chairman	:	Hari Eswaran
Directors	:	W S Jones Raj H Eswaran Rakesh Garg S Ramani (Up to 11.09.2009)
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 – 600 014
	:	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
Corporate Office & Development Centre	:	389, “Rasu Kumaki”, Hulimavu, Bannerghatta Road, Bangalore 560 076, Karnataka
Factories	:	1. Plot No.98, Sipcot Industrial Complex, Hosur – 635 126 Krishnagiri Dt., Tamilnadu 2. 17/3, Arakere Village, Bannerghatta Road, Bangalore – 560 076
Bankers	:	State Bank of India ICICI Bank Limited
Registrar and Transfer Agents	:	Integrated Enterprises (India) Ltd. 2 nd Floor, “Kences Towers” No.1, Ramakrishna Street, North Usman Road, Chennai – 600 017

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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 Thirtyfifth Annual General Meeting of the Members of Easun Reyrolle Limited will be held on Wednesday, the 29th day of September, 2010 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 Audited Profit and Loss Account for the year ended 31st March, 2010, the Balance Sheet as at 31st March, 2010 and the reports of Board of Directors and Auditors 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 : 21st August, 2010

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. Relevant documents referred to in the Notice are open for inspection by the members at the Registered Office of the Company on all working days during the business hours up to the date of the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th September, 2010 to 29th September, 2010 (both days inclusive).
6. The dividend, if any, declared at the Meeting will be payable on and after 29th September, 2010 to those Members whose names appear on the Register of Members of the Company on 16th September, 2010.
7. 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.
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, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.
9. 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

Place : Chennai
Date : 21st August, 2010

K N Nagesha Rao
Secretary and VP (Corporate Finance)

Financial highlights for 10 years

[Rupees in lacs]

Sl. No.	Particulars	Year ended 31 st March									
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
1	Sales & Other Income	26,289	17,232	20,762	13,521	10,817	5,233	4,194	3,855	3,610	3,274
2	Operating Expenditure	25,262	15,863	16,606	10,393	8,356	4,445	3,636	3,405	3,434	2,898
3	Earning/Profit before interest, depreciation and tax (EBIDTA)	1,027	1,369	4,156	3,128	2,461	788	558	450	176	376
4	Less: Interest	604	489	408	194	136	100	86	151	184	221
5	Less: Depreciation	766	514	385	277	254	150	70	68	70	66
6	Profit / (Loss) before Exceptional Items	(343)	366	3,363	2,657	2,071	538	402	231	(78)	89
7	Exceptional Items	5,955	-	-	-	-	-	-	-	-	-
8	Profit / (Loss) before tax	5,612	366	3,363	2,657	2,071	538	402	231	(78)	89
9	Less: Current tax	1,120	96	805	830	715	200	133	20	-	20
10	Less: Deferred tax - Liability(Asset)	(19)	18	6	22	21	-19	(5)	18	(26)	-
11	Less: Fringe benefit tax	-	24	24	38	27	-	-	-	-	-
12	Profit / (Loss) after tax	4,511	228	2,528	1,767	1,308	357	274	193	(52)	69
13	(Less) / Add : Share of minority interest	(15)	43	-	-	-	-	-	-	-	-
14	Net profit / (Loss) after share in minority interest	4,496	271	2,528	1,767	1,308	357	274	193	(52)	69
15	Add: Balance brought forward	649	1,114	202	100	77	86	59	37	89	60
16	Profit available for appropriation	5,145	1,385	2,730	1,867	1,385	443	333	230	37	129
17	Less: Dividend on equity shares (including Dividend Tax)	972	486	716	465	285	116	97	71	-	34
18	Less: Transfer to General Reserve	4,000	250	1,500	1,200	1,000	250	150	100	-	5
19	Surplus carried to balance sheet	173	649	515	202	100	77	86	59	37	89

Note : From the financial year 2007-08 the Company expanded its operations through overseas subsidiaries. Accordingly from the financial year 2007-08 the financial highlights shown are after consolidating the accounts of all subsidiary companies.

Directors' Report

To the Members

Your Directors are pleased to present the Annual Report along with the Audited Financial Statements for the period from 1st April 2009 to 31st March 2010.

1. Financial Results

Highlight of Financial Results for the year are as under:

[Rupees in lacs]

Particulars	2009-10		2008-09	
	Standalone	Consolidated	Standalone	Consolidated
Sales	21,585	25,717	13,840	16,042
Other Income	388	572	804	1,190
Total Income	21,973	26,289	14,644	17,232
Total Expenditure	20,217	25,262	12,912	15,863
Profit before depreciation, interest and Exceptional Items	1,756	1,027	1,732	1,369
Depreciation	455	766	364	514
Interest	581	604	467	488
Profit / (Loss) before Exceptional Items	720	(343)	901	366
Exceptional Items				
(i) Surplus on FCCB Buyback	6,113	6,113	-	-
(ii) Net Foreign Exchange Fluctuation	(158)	(158)	-	-
Profit before Tax	6,674	5,612	901	366
Provision for Taxation	1,084	1,101	148	138
Adjustment for Minority Interest	-	(15)	-	43
Net Profit	5,590	4,496	753	271
Add: Balance Brought forward	184	649	167	1,113
Profit available for Appropriation	5,774	5,145	920	1,385
Less: Proposed dividend on equity shares	831	831	415	415
Less: Tax on dividends	141	141	71	71
Less: Transfer to General Reserve	4,000	4,000	250	250
Surplus carried to Balance Sheet	802	173	184	649

2. Dividend

Based on the Company's performance, the Directors are pleased to recommend for approval of the members a dividend of Rs.4 per share (200% on the par value of Rs.2) for the financial year, out of which Rs.3 per Equity Shares is one-time special dividend on account of exceptional items. The total cash outflow of dividend including dividend tax on equity shares of the company for the year 2009-10 would aggregate to Rs.972 lacs.

3. Performance:

During the year under review, the Company has achieved consolidated revenue at Rs.25,717 lacs compared to previous year's revenue of Rs.16,042 lacs. The profit after tax including extraordinary items is Rs.4,496 lacs compared to Rs.271 lacs for the previous year. The Earnings before interest and Depreciation (EBIDTA) from the consolidated operations, excluding other income is Rs.455 lacs as compared to Rs.209 lacs the previous year. As a result of the significant investments made in the subsidiary companies, the other income has dropped to Rs.572 lacs from Rs.1,190 lacs in the earlier year and also resulted increased depreciation and interest costs, leading to a loss of Rs.343 lacs in consolidated accounts as against a profit of Rs.366 lacs during the last year.

4. Management Discussions and Analysis

(i) Industry Environment and outlook for the future:

The first half of the year 2009-10 continued to remain sluggish. The actual addition to the capacity in Power Generation continued to be substantially below the budget, as was the case with the projected investments in transmission and distribution segments. However, during the second half of the year there was general improvement in the industry sentiment and the Government has initiated a serious effort to catch up on the lost time and maximize the capacity addition and investments during the balance of the current five-year plan.

The improving trend witnessed particularly in the last quarter of 2009-10 is continuing in the current financial year 2010-11. The projects under the revised APDRP Scheme (RAPDRP), Part-A, got off the ground and during the financial year 2010-11 many of the Projects are likely to be decided. Part-B of the RAPDRP Scheme, with substantially heavy investment outlays, would come on stream towards the last quarter of 2010-11 and projects decisions would be completed during 2011-12. Greater emphasis on Transmission and Distribution investment (other than through RAPDRP Scheme) is also expected during the period 2010 to 2012. Thus overall outlook for the electrical industry in India has turned significantly brighter. Globally also, significant investments are slated in improving the operational efficiency and grid stability, curtailing Transmission and Distribution losses, and demand management under "Smart Grids" programme particularly in North America and Europe. These initiatives are expected to provide significant business opportunities to your Company.

(ii) Operations:

The Indian Operations of the Company have grown significantly compared to the previous year, both in terms of Sales as well as Profits. Since major improvement in the industry environment was seen in the last quarter of 2009-10, and the order book of the Company is satisfactory, further improvement is expected during the year 2010-11. However, anticipating this increased demand, additional capacities have been created which is still putting pressure on the bottom line. ERLPhase, Canada and ERL Marketing International, Sharjah have gathered significant steam during the year 2009-10. The Company continued to make substantial investment in ERLPhase during this year. As a result of this investment, coupled with significant investments made in India towards R&D efforts, a completely new range of Protection, Control and Automation Products, with state-of-the-art technology and conforming to global standards, are expected to be available to the market during 2nd half of 2010-11. This development will enhance your Company's competitive advantage in the Indian and global markets.

The Company has also made substantial investments in Switchcraft Europe GmbH in Germany towards development of an exciting new range of Medium Voltage Switchgear Products including "Solid Insulated Switchgear". This product has won the award for "The Best Product" displayed by either an Indian or International Exhibitor, during the prestigious Elecrama Exhibition at Mumbai in January, 2010. The new range of Products from Switchcraft are expected to enter the market from the last quarter of 2010-11 and are expected to gain traction during 2011-12.

ERL Marketing International FZE (ERLMINT) has also made significant progress in establishing ERL brand in Middle East, West Asia, Africa, Far East, South East Asia and SAARC Countries. ERLMINT is expected to contribute substantial business from these areas during 2010-11 and thereafter.

With a view to cater to the expected demand growth in India and globally through its various subsidiaries and keeping in mind the competitive advantage India enjoys in the field of engineering and manufacturing, your Company has decided to establish a Global Manufacturing Facility (GMF) with the projected investment of Rs.120 crores over a period of three years. This facility will have world class manufacturing facilities and is being established on 16.5 acres at Harohalli, near Bangalore.

(iii) New Global Identity:

With a view to propagate a unified Global Identity across all its Companies, a new global identity has been launched and the same is reflected on the Cover of this Annual Report. All products of the Company will carry this identity irrespective of the place of manufacture and the new Logo will be the common global corporate identity of your Company.

5. Repurchase of Foreign Currency Convertible Bonds (FCCBs).

During the year, the Company has, in line with the guidelines of Reserve Bank of India, bought back 310 Zero Coupon FCCBs each of US\$ 1,00,000 aggregating to Rs.159.22 crore (US \$ 31 million). This reduction of debts raised for projects / investments has resulted in surplus of Rs.61.13 Crores, which is non-recurring and not forming part of regular operational income and hence reflected as exceptional item. Consequent upon such buy back and cancellation, the Company's obligations to convert the said Bonds into Shares, (if so claimed by the Bondholders) and / or to redeem the same in foreign currency, has come to an end *vis-à-vis* the cancelled Bonds. The amount of now outstanding FCCBs is only US\$ 4 million.

6. Subsidiary Companies and Consolidated Financial Statements:

In compliance with the Listing Agreement, a consolidated financial statement of the Company and all its subsidiaries is enclosed. The Consolidated Financial Statement has been prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India.

The Company has obtained from Central Government exemption under Section 212 of the Companies Act, 1956, from attaching to its Balance Sheet, the individual detailed Annual Reports of its subsidiary companies. A statement containing brief financial information of the Company's subsidiaries for the year ended 31st March, 2010 is included in the Annual Report. The Annual Accounts of the subsidiary companies and the related detailed information will be made available to the holding and subsidiary companies investors seeking such information at any point of time. The Annual Accounts of the subsidiary companies will also be kept for inspection by any investor at the Company's Head Office and that of the subsidiary companies concerned. The Company shall furnish a hard copy of details of accounts of subsidiaries to any Shareholder on demand.

7. Human Resource Development

Management of human resources is a key element of your Company's strategy to drive growth and organizational competitiveness. Your Company continues to lay strong emphasis on training both at the induction level and through refresher programs. On the industrial relations front, your Company has had a cordial relationship with its employees and union. Your Company had a total employee strength of 428 as at 31st March 2010.

8. Fixed Deposit

The Company has not accepted any public deposit and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.