

36TH
ANNUAL REPORT
2010-2011



EASUN REYROLLE LIMITED



Easun Reyrolle Limited

36th Annual Report, 2010-2011

Chairman : Hari Eswaran

Directors : W S Jones
Raj H Eswaran
Rakesh Garg

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 & : 389, “Rasu Kumaki”, Hulimavu,
Development Centre Bannergatta Road,
Bangalore 560 076, Karnataka

Factories : 1. Plot No.98,
Sipcot Industrial Complex,
Hosur – 635 126,
Krishnagiri Dt., Tamilnadu

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

Registrar and Transfer Agents : Integrated Enterprises (India) Ltd.
2nd 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 Thirty sixth Annual General Meeting of the Members of Easun Reyrolle Limited will be held on Monday, the 29th day of August, 2011 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, 2011, the Balance Sheet as at 31st March, 2011 and the reports of Board of Directors and Auditors 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 Mr Rakesh Garg 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: 25th July, 2011

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, E-mail - corpserv@iepindia.com.
3. Members holding shares in demat form may inform the change in address or other particulars to their Depository Participants.
4. Members are also requested to immediately notify their email IDs to their respective DPs or the RTA or to the Company, as the case may be, to enable the Company to send all notices and documents through electronic mode in view of the Government's recent green initiative regarding the service of various documents by electronic mode instead of in physical mode.
5. 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.
6. The Register of Members and the Share Transfer Books of the Company will remain closed from 23rd August, 2011 to 29th August, 2011 (both days inclusive).
7. The dividend, if any, declared at the Meeting will be payable on and after 29th August, 2011 to those Members whose names appear on the Register of Members of the Company on 23rd August, 2011.
8. 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.
9. 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
10. 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: 25th July, 2011

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									
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
1.	Sales & Other Income	30,255	26,289	17,232	20,762	13,521	10,817	5,233	4,194	3,855	3,610
2.	Operating Expenditure	28,581	25,262	15,863	16,606	10,393	8,356	4,445	3,636	3,405	3,434
3.	Earning/Profit before interest, depreciation and tax (EBIDTA)	1,674	1,027	1,369	4,156	3,128	2,461	788	558	450	176
4.	Less: Interest	909	604	489	408	194	136	100	86	151	184
5.	Less: Depreciation	1,081	766	514	385	277	254	150	70	68	70
6.	Profit/(Loss) before tax	(316)	(343)	366	3,363	2,657	2,071	538	402	231	(78)
7.	Exceptional Items	-	5,955	-	-	-	-	-	-	-	-
8.	Less: Current tax	222	1,101	96	805	830	715	200	133	20	-
9.	Less: Deferred tax	183	-	18	6	22	21	(19)	(5)	18	(26)
10.	Less: Fringe benefit tax	-	-	24	24	38	27	-	-	-	-
11.	Profit/(Loss) after tax	(722)	4,511	228	2,528	1,767	1,308	357	274	193	(52)
12.	(Less)/Add : Share of minority interest	-	15	43	-	-	-	-	-	-	-
13.	Net Profit/(Loss) after share in minority interest	(722)	4,496	271	2,528	1,767	1,308	357	274	193	(52)
14.	Add: Balance brought forward	173	649	1,114	202	100	77	86	59	37	89
15.	Profit/(Loss) available for appropriation	(549)	5,145	1,385	2,730	1,867	1,385	443	333	230	37
16.	Less: Proposed dividend on equity shares	249	831	415	510	333	200	102	86	63	-
17.	Less: Interim dividend on equity Shares	-	-	-	102	67	50	-	11	-	-
18.	Less: Tax on dividends	41	141	71	104	65	35	14	-	8	-
19.	Less: Transfer to General Reserve	100	4,000	250	1,500	1,200	1,000	250	150	100	-
20.	Surplus carried to balance sheet	(939)	173	649	515	202	100	77	86	59	37

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 2010 to 31st March 2011.

1. Financial Results

Highlight of Financial Results for the year are as under:

[Rupees in lacs]

Particulars	2010 - 11		2009 - 10	
	Standalone	Consolidated	Standalone	Consolidated
Sales	26,833	29,761	21,585	25,717
Other Income	150	494	388	572
Total Income	26,983	30,255	21,973	26,289
Total Expenditure	24,556	28,581	20,217	25,262
Profit/(Loss) before depreciation, interest and Exceptional Items	2,427	1,674	1,756	1,027
Depreciation	468	1,082	455	766
Interest	812	909	581	604
Profit/(Loss) before Exceptional Items	1,147	(317)	720	(343)
Exceptional Items	-	-	-	-
(i) Surplus on FCCB Buyback	-	-	6,113	6,113
(ii) Net Foreign Exchange Fluctuation	-	-	(158)	(158)
Profit/(Loss) before Tax	1,147	(317)	6,674	5,612
Provision for Taxation	312	405	1,084	1,101
Adjustment for Minority Interest	-	-	-	(15)
Net Profit/(Loss)	835	(722)	5,590	4,496

2. Dividend

Directors are pleased to recommend a dividend of Rs.1.20 per equity share of the face value of Rs.2 for the year ended 31st March, 2011 (Previous year Rs.4 per share, including Rs.3 per share as one-time special dividend on account of exceptional items). This dividend, subject to the approval at the AGM on August 29th 2011 will be paid to the shareholders whose names appear on the Register of Members as on 23rd August 2011. The dividend will absorb Rs.291 lacs including dividend tax.

3. Performance:

During the year under review, the Company has achieved revenue on consolidated basis at Rs.303 Crores compared to previous year's revenue of Rs.263 Crores. The pre-tax loss (without considering the exceptional items) was reduced from Rs.3.43 crores during 2009-10 to Rs.3.17 crores during 2010-11.

4. Management Discussions and Analysis

(i) Industry Environment and outlook for the future:

During the year 2010 - 11 electrical equipment industry has experienced sustained growth momentum with a growth rate of approximately 14%. The overall outlook for the industry future continues to be healthy.

While the general picture is thus fairly rosy, there are a number of factors that continue to cause concern; addressed in a focused manner, can brighten the picture even further. The large gap between the budgeted capacity addition during the fifth plan and the reality till date indicates that the shortfall in the planned capacity addition will be substantial. Same is the case with respect to investments in transmission and distribution sector through RAPDRP Schemes as well as other initiatives. 2011 - 12 being the last year of the fifth-five-year-plan is expected to see the usual last minute efforts to reduce this gap resulting in increased opportunities. However, what is required is sustained level of high investment in these areas if India were to address its power needs efficiently and eliminate the scourge of power shortages in the near future.

International markets for power system equipment which your Company is addressing also show sustained growth, with the utilities in USA increasing their spend under various government initiatives and various countries in Europe particularly Eastern Europe and Russia drawing up plans for substantial increase in their investments in modernization of power sector. Green initiatives across the Western Europe are also a cause for optimism. African market, in the long term has a huge potential for growth.

Thus the overall outlook for various products, systems, solutions and projects in which your company is engaged in remains healthy. However, substantial capacity additions and fairly large gap between the plans and achievements with respect to capacity additions and other investments in this sector, particularly in India, would also mean continued pressure on margins.

(ii) Overall Company strategy:

Since its inception as a joint venture, the company had an arrangement of receiving its technology from its JV partner and addressing primarily the Indian market. Since 2003 the company started branching out into lines of business other than those of its JV and developing its own technology for these business lines.

Exit of its the then JV partner from the company in 2006 gave your company the freedom and an opportunity to grow in the global markets and at the same time the challenge of self reliance in the field of technology was posed. Your company accepted this challenge of ensuring that all its product lines offer the state-of-the-art-technology acceptable across the global markets and consequently the opportunity of being able to address the global markets for its rapid and sustained growth.

Towards this your company has invested significantly in acquiring and strengthening high technology companies in Canada and in Germany and in establishing significant R&D facilities in India. This strategy has now enabled the company to be able to offer, starting from the year 2011-12, an array of new products and technologies in the global markets, which will propel the growth of the company in the future.

In parallel, the company has put in place a strategy of backward integration to capture the value chain in the manufacturing activity through significant investments in world class manufacturing facilities – mainly in India for basic manufacturing and in other countries in local manufacturing as appropriate. This will not only allow us to offer competitive products across the global markets but will also help in improving margins.

The twin strategies of ownership of state-of-the-art-technology and the related IPs in all its core activities and capturing significant parts of the value chain will be the foundation of your company's march towards sustained and rapid growth in the future.

(iii) Operations:

During the year 2010-11, the Indian operations of the Company have grown satisfactorily both in terms of sales as well as profits. Sales have shown a growth of 24% which is ahead of the market growth and the profits from ordinary operations (without considering the exceptional items) at EBITDA

level have grown by 50% over the year 2009-10. The growth of order book is also generally satisfactory though the Company has consciously stayed away from low profitability opportunities particularly in the area of Turnkey projects. Considering the healthy order book and the expected growth of the industry in the coming year, your company expects to grow significantly during the year 2011-12.

The Company's international operations continue to gain strengths as the Company is gradually moving from investment phase into market realization phase. Thus the Company's Canadian operations at ERLPhase have shown a 20% increase in order input, its international sales and marketing operations at ERLMINT has doubled its Order intake and Switchcraft Europe GmbH in Germany has seen the first orders from the European markets. As these subsidiaries in Canada and Germany complete their new product introduction, which have been somewhat delayed, during 2011-12 the international operations are expected to show considerable growth during 2011-12 and sustained growth at higher levels thereafter.

In order to counter the pressures on the margins and to be able to cater to the expected growth in global demand through its various international operations, the Company has initiated major investments in manufacturing and backward integration with a new manufacturing base at Harohalli, near Bangalore. The first phase of the investment is likely to be completed and the commercial production of the same will be commenced during the second half of the current financial year. This coupled with growth of the business and various other actions being taken by your Company to reduce costs, would address the issues concerning the pressure on the margins and the results from the same can be expected from the year 2012-13 onwards.

5. Subsidiary Companies and Consolidated Financial Statements:

There has been no material change in the nature of the business of the subsidiaries.

Consolidated Accounts in accordance with the requirements of Accounting Standards AS 21 (read with AS 23) issued by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries are annexed to this Annual Report. A statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiaries in India and abroad, is attached to this Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any Member of the Company/its subsidiaries seeking such information. Annual Accounts of the subsidiary companies will also be available for inspection by any Member of the Company/its subsidiaries at the Registered Office of the Company.

6. Human Resource Development

During the year under review, a number of HR and training initiatives were taken to supplement the Company's effort towards business sustainability and growth. On the industrial relations front, your Company has a cordial relationship with its employees and union.

The total number of employees as at 31st March 2011 was 432.

7. Employee Stock Option Scheme:

The Company introduced an Employee Stock Option Scheme for the benefit of its executives effective from 29th September 2010.

Details of the stock options granted under the Employee Stock Option Scheme, 2009 are disclosed in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and set out in Annexure A of this Report

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.