38TH ANNUAL REPORT

2012-2013

ERL

EASUN REYROLLE LIMITED

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Easun Reyrolle Limited

38th Annual Report, 2012-2013

Chairman	:	Hari Eswaran
Managing Director	:	Raj H Eswaran
Directors	:	W S Jones Rakesh Garg J D N Sharma M Raman
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 3. Plot No.147/148 Harohalli Industrial Area, 2nd Phase Madamaranahalli Village Harohalli Hobli, Kanakapura Taluk, Ramnagara Dt., Karnataka
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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38th Annual Report – 2012-13

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

Notice to Shareholders

Notice is hereby given that the Thirtyeighth Annual General Meeting of the Members of Easun Reyrolle Limited will be held on Thursday, 26th September, 2013 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, 2013, the Balance Sheet as at 31st March, 2013 and the reports of Board of Directors and Auditors thereon
2. To appoint a Director in place of Mr Rakesh Garg who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr JDN Sharma who retires by rotation and is eligible for re-appointment.
4. 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

5. To appoint a Director in place of Mr M Raman who was appointed as Additional Director by the Board. He is eligible for re-appointment. The Company has received a notice in writing from a member signifying his intention to propose the candidature of Mr. M Raman as Director of the Company.

By Order of the Board

for Easun Reyrolle Limited

Place : Chennai

Date : 27th June, 2013

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@integratedindia.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 19th September, 2013 to 26th September, 2013 (both days inclusive).

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.

By order of the Board

For Easun Reyrolle Limited

Place: Chennai
Date: 27th June, 2013

K N Nagesha Rao
Secretary and VP (Corporate Finance)

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

The following Explanatory Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice of the Annual General Meeting of the Company to be held on Thursday, 26th September, 2013 at 3.00 p.m. at Hotel Ambassador Pallava, 53, Montieth Road, Chennai – 600 008.

Item No.5 – Appointment of Mr. M Raman as Director of the Company

Pursuant to Article 95 of Articles of Association of the Company, on 9th May, 2013, Board of Directors appointed Mr. M Raman as Additional Director of the Company. Mr Raman holds office as Director up to the date of ensuing Annual General Meeting and is eligible for reappointment.

Mr Raman, aged 62 years, has last served the Government of India as the Secretary in the Ministry of Chemicals and Petrochemicals and retired during 2011. Mr Raman has in-depth practical experience of more than 2 decades in policy formulation, monitoring and implementation at the Government vis-a-vis industrial development and infrastructure sector. Presently, Mr Raman has been on the board of the following companies as independent Director:

1. National Fertilizers Limited, Noida (U.P)
2. National Commodity & Derivatives Exchange Limited, Mumbai
3. Cochin Shipyard Ltd, Cochin

The background of Mr Raman is furnished in the Corporate Governance disclosure accompanying the Directors' Report.

The Company has received a notice in writing from a member proposing Mr Raman's candidature under Section 257 of the Companies Act, 1956 for being appointed as Director from the date of the ensuing Annual General Meeting.

Your Directors are of the opinion that it would be in the interest of the Company to appoint Mr Raman as Director and accordingly commend the Resolution for approval of the Shareholders.

Except Mr Raman none of the other Directors of the Company is in any way concerned or interested in the Resolution.

Financial Highlights for 10 years

[Rupees in lacs]

Sl. No.	Particulars	Year ended 31st March									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
1	Sales & Other Income	31,397	34,522	30,255	26,289	17,232	20,762	13,521	10,817	5,233	4,194
2	Operating Expenditure	26,921	31,277	28,581	25,262	15,863	16,606	10,393	8,356	4,445	3,636
3	Earning/Profit before interest, depreciation and tax (EBIDTA)	4,476	3,244	1,674	1,027	1,369	4,156	3,128	2,461	788	558
4	Less: Interest	2,342	2,208	909	604	489	408	194	136	100	86
5	Less: Depreciation	2,302	1,464	1081	766	514	385	277	254	150	70
6	Profit before tax	(168)	(427)	(316)	(343)	366	3,363	2,657	2,071	538	402
7	Exceptional Items	-	-	-	5,955	-	-	-	-	-	-
8	Less: Current tax	42	162	222	1,101	96	805	830	715	200	133
9	Less: Deferred tax	147	136	183	-	18	6	22	21	(19)	(5)
10	Less: Fringe benefit tax	-	-	-	-	24	24	38	27	-	-
11	Profit after tax	(357)	(725)	(722)	4,511	228	2,528	1,767	1,308	357	274
12	(Less) / Add : Share of minority interest	-	(24)	-	15	43	-	-	-	-	-
13	Net profit after share in minority interest	(357)	(701)	(722)	4,496	271	2,528	1,767	1,308	357	274
14	Add: Balance brought forward	(1,787)	(939)	173	649	1,114	202	100	77	86	59
15	Profit available for appropriation	(2,144)	(1,639)	(549)	5,145	1,385	2,730	1,867	1,385	443	333
16	Less: Proposed dividend on equity shares	-	42	249	831	415	510	333	200	102	86
17	Less: Interim dividend on equity shares	-	-	-	-	-	102	67	50	-	11
18	Less: Tax on dividends	-	7	41	141	71	104	65	35	14	-
19	Less: Transfer to General Reserve	-	100	100	4,000	250	1,500	1,200	1,000	250	150
20	Surplus carried to balance sheet	(2,144)	(1,788)	(939)	173	649	515	202	100	77	86

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

The Directors' of your Company present the 38th Annual Report with the Statement of the audited accounts for the financial year ended 31st March, 2013.

1. Financial Performance

The standalone and consolidated audited financial results for the year ended 31st March, 2013 are as follows:

[Rupees in lacs]

Particulars	Standalone		Consolidated	
	2012-2013	2011-2012	2012-2013	2011-2012
Sales and other income	24,467	29,602	31,397	34,522
Earnings before interest Depreciation and tax (EBIDTA)	3,076	3,340	4,476	3,244
Depreciation	717	521	2,302	1,464
Interest	2,159	1,805	2,342	2,208
Profit/(Loss) before tax and Exceptional Items	200	1,014	(168)	(427)
Exceptional Items	–	–	–	–
Profit/(Loss) before Tax	200	1,014	(168)	(427)
Provision for Taxation	187	84	189	294
Share of Loss / Profit of Associates	–	–	–	–
Net Profit / (Loss)	12	930	(357)	(701)

Your Company achieved turnover of Rs 244.67 crores during the financial year 2012-13 against previous year's figure of Rs 296.02 crores. The Company's performance appears satisfactory, viewed in the context of current economic scenario and the slower off-takes experienced in the electrical T&D Sector.

2. Dividend

The Company's cash generation is inadequate to support a reasonable dividend at this juncture, therefore the Directors with regret have to recommend that the Company do not pay any dividend for the financial year 2012-13.

3. Operations Review

The performance of your Company on a standalone basis and of the various operating subsidiaries is as follows:

Particulars	Easun Reyrolle India Limited, (Rs. In lacs)		ERLPhase Power Technologies Ltd.,Canada ('000 USD)		ERL Marketing Int. FZE Sharjah ('000 USD)		Switchcraft Europe GmbH, Germany ('000 Euro)	
	12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12
Sales	22,045	29,602	7,508	8,200	1,115	6,011	349	715
EBIDTA	3,076	3,340	1,323	347	(340)	179	759	(849)
PBT	200	1,014	(736)	192	(372)	77	53	(2,151)
PAT	12	930	(736)	192	(372)	77	51	(2,471)

Note: Effective from 1st April, 2012, considering the reduced business opportunity, the Company suspended operations of Switchcraft Limited, Hong Kong.

4. Management Discussions and Analysis

The Indian economy due to India centric problems has slowed down and in particular the electrical equipment manufacturing sector has suffered due to

- The poor financial health of our ultimate customers who are largely the Utilities
- Reforms required to be implemented in power production sector by the Central and State Governments

These factors impacted your Company's operations both in terms of improving revenue and profits.

Despite the above adversities, it is heartening that your Company's order book is healthy. Effort of your company to develop and acquire latest technologies has commenced yielding returns. During the year, your Company through its subsidiary Switchcraft Europe GmbH, Germany has won a prestigious order from Energex Limited, Australia for the supply Secondary Switchgear (Ring Main Units). The order is valued at around US$ 84 million to be executed over 7 years. Key components for the Ring Main Units are to be manufactured in the new state-of-the-art facility in Harohalli, Karnataka setup recently at the cost of around Rs.80 Crores and in the manufacturing facilities available at German Subsidiary, Switchcraft Europe GmbH. Your Company also won substantial of export contracts in the Middle East & African Region for the supply of Ring Main Units and sophisticated Power Protections Systems manufactured by its Canadian Subsidiary, ERL Phase Power Technologies Ltd.

The steps taken by your Company in conjunction with subsidiaries to develop and bring to the markets products suitable for the Global & Indian market is starting to bear fruit; first substantial orders have been received and the Company would commence order execution during this financial year. Directors strongly believe that our strategy will stand the Company in good stead in years to come. It is heartening to note that the Company's international operations are becoming cash positive from the first quarter of current financial year 2013-14. Directors are expecting this trend to continue and that the subsidiaries would contribute to the Company's bottom line in years to come.

To ease the liquidity position of the Company and its subsidiaries, the promoters have been advancing money for over two years.

In pursuance to approval given by Shareholders, Company is completing formalities to raise around Rs. 50 crores by issue of equity shares to the existing shareholders on Rights Basis.

To improve margins, your Company has since been selective in accepting orders. Effective steps are being taken to improve operational efficiency and cut costs.

5. Subsidiary Companies and Consolidated Financial Statements:

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

In accordance with the Statement of Accounting Standard on Consolidated Financial Statements (AS21) issued by the Institute of Chartered Accountants of India, Financial Statements of Company's subsidiaries have been considered in the accompanying Consolidated Financial Statements of the Company. As per guidance given in the circular issued by Ministry of Corporate Affairs, the Board of Directors has consented for sending annual financial accounts of the Company without attaching the Balance Sheets of the subsidiary companies. Shareholders who wish to have a copy of the full report and accounts of the subsidiary companies will be provided on receipt of a written request from them. The above documents will also be available for inspection by any shareholder at the registered office of the Company as well as registered office of the subsidiary company, on any working day during the business hours.

6. Human Resource Development

The Company's industrial relations remained peaceful at all factories and establishments during the financial year. The Company is continuously improving employees skill sets through training and personality development programs.

Employee strength as on 31st March, 2013 was 385 as compared to 398 as at the end of previous financial year.