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ELANTAS Beck India Ltd.

Annual Report 2009

ELANTAS
Electrical Insulation

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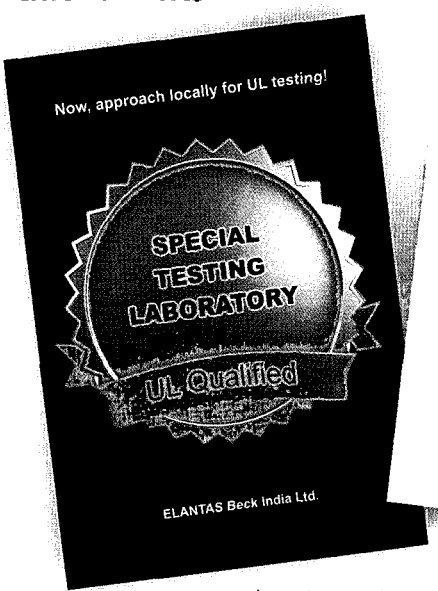
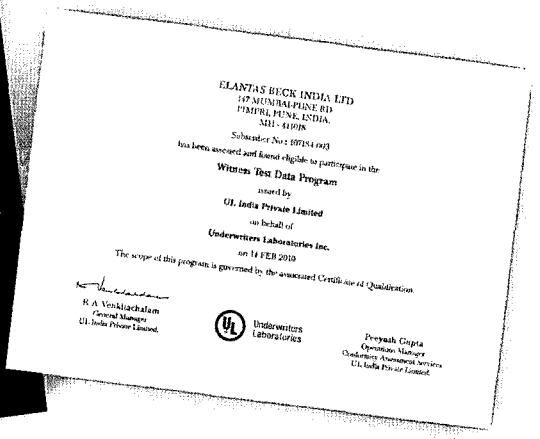
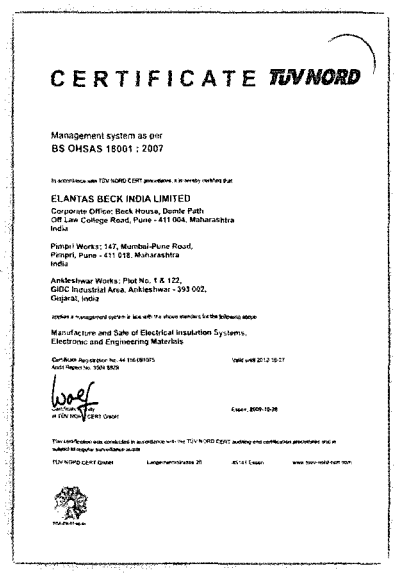
ELANTAS
Electrical Insulation

Achievements







Underwriters Laboratories (UL) qualifies Special Testing Laboratory of ELANTAS Beck India for Testing to UL Standards

Occupational Health & Safety Standard (OHSAS) Certification

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ELANTAS Beck India
now offers
more than 75 products
for
Casting, Potting & Encapsulating applications
in Electrical and Electronics Industries

With effect from 15 September, 2009 ELANTAS Beck India Ltd. acquired the Casting & Potting Compounds Business of Shimo Resins Pvt. Ltd. With this acquisition, the company broadened and consolidated the Epoxy and Polyurethane Systems Business for Casting, Potting and Encapsulating applications in Electrical & Electronics Industries.

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Board of Directors

Dr. Matthias Wolfgruber
Chairman

Dr. Wolfgang Schütt

Mr. Ravindra Kulkarni

Mr. Pradeep Mallick

Mr. Suresh Talwar

Mr. Prashant Deshpande
(Alternate to Dr. Matthias Wolfgruber)

Mr. Sharadkumar Shetye
(Alternate to Dr. Wolfgang Schütt)

Mr. Rajeev Bhide
Managing Director

Mr. Martin Babilas (resigned w.e.f. 23 March 2009)

Dr. Guido Forstbach (resigned w.e.f. 23 March 2009)

Executive Management

Mr. Rajeev Bhide
Managing Director

Mr. Prashant Deshpande
Director- Marketing

Mr. Sharadkumar Shetye
Director- Manufacturing

Mr. Sanjay Kulkarni
General Manager - Finance & Materials

Company Secretary & Head-Legal
Mr. Shirish Dabir

Registered Office & Corporate Office
'Beck House', Damle Path,
Off Law College Road,
Pune 411 004

Works
147, Mumbai-Pune Road,
Pimpri, Pune 411 018

Plot No. 1 (A, B & C) & 122,
GIDC Industrial Area,
Ankleshwar 393 002

Regional Offices
Bangalore, Kolkata, New Delhi

website
http://www.elantas.com/beck-india

Auditors
BSR & Co.
Chartered Accountants
703, Godrej Castlemaine,
Next to Ruby Hall Clinic,
Bund Garden Road,
Pune 411001.

Internal Auditors
Mahajan & Aibara
1 Chawla House,
62 Woodhouse Road, Colaba,
Mumbai 400 005.

Solicitors
Talwar Thakore & Associates
3rd Floor, Kalpataru Heritage,
127 M.G. Road, Fort,
Mumbai 400 001.

Bankers
The Bank of Nova Scotia
HDFC Bank Ltd.
Bank of Baroda

Registrars & Share Transfer Agents
Sharepro Services (India) Pvt. Ltd.
Sam Hita Warehousing Complex,
Warehouse No 52 & 53, Plot No 13AB,
2nd Floor, Sakinaka, Andheri (East),
Mumbai 400 072.

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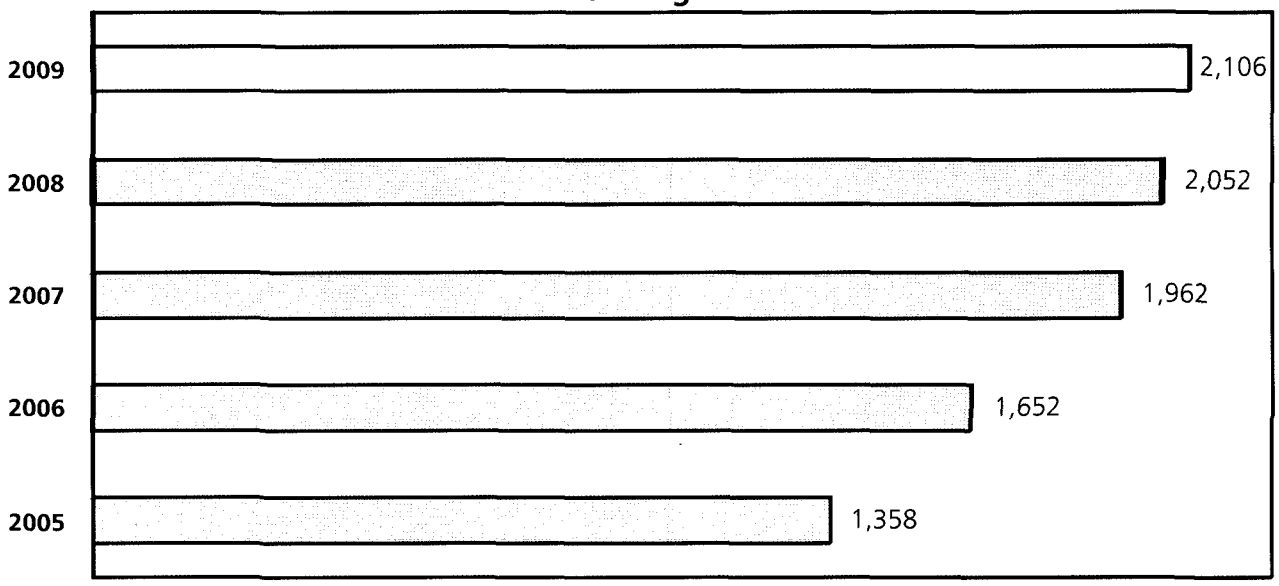
Sales growth



Gross sales Rs. Million

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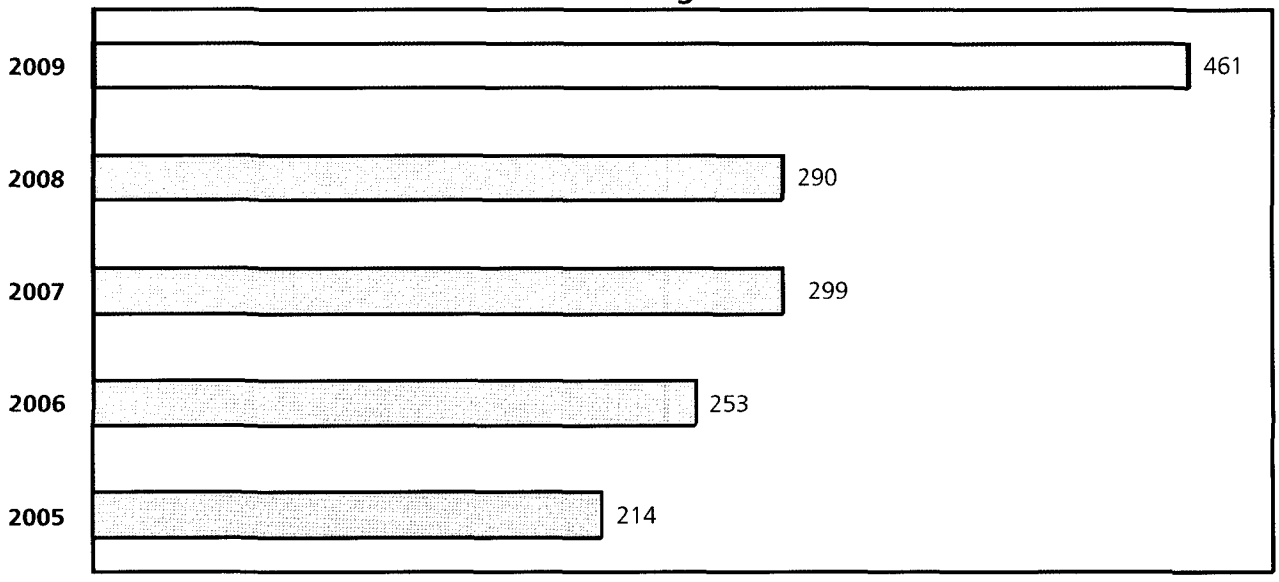
Profit growth



PBT Rs. Million

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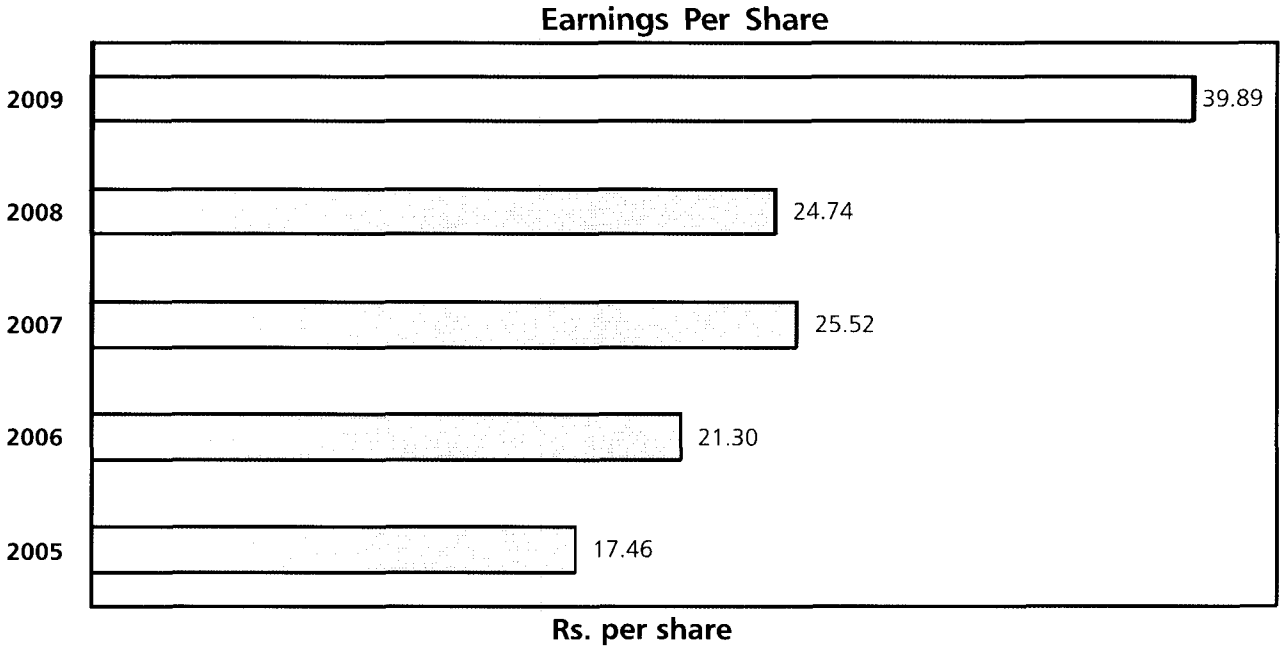

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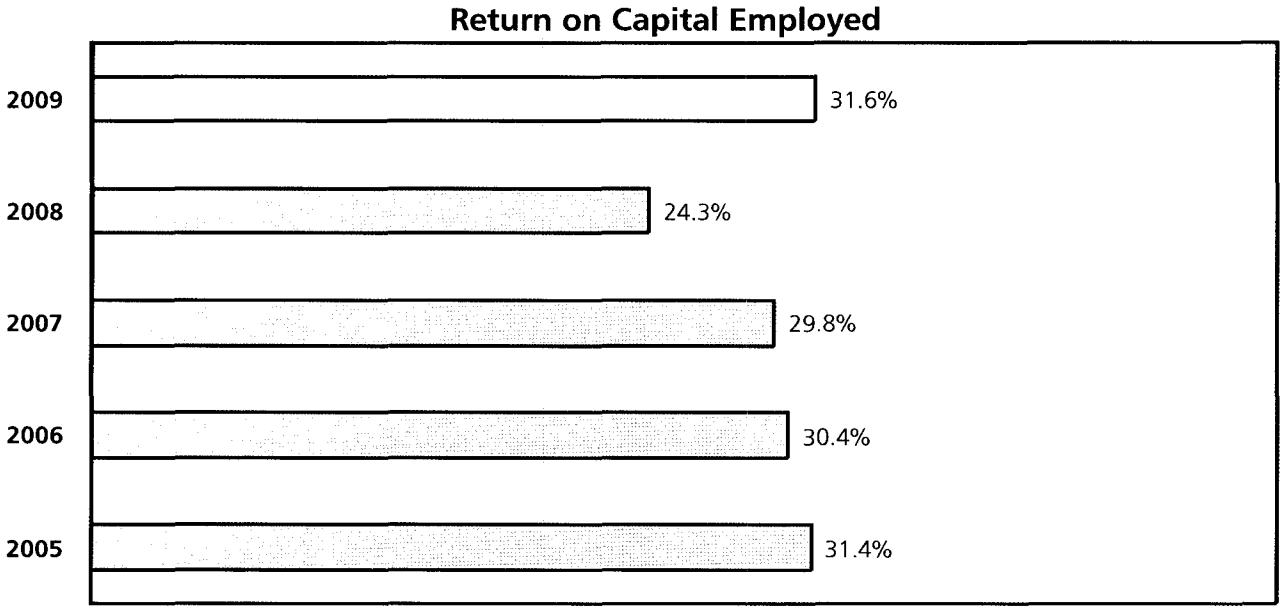

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Directors' Report

To the Members,

The Directors have pleasure in presenting the Fifty-fourth Annual Report and the Audited Accounts for the financial year ended 31 December 2009.

Financial Highlights (Rs. Million)

	Year ended 31.12.2009	Year ended 31.12.2008
Income from operations	**2,015.66**	1,866.41
Profit before Interest, Depreciation & Tax	**498.06**	322.12
Depreciation	**36.83**	32.12
Interest	**0.31**	0.31
Profit Before Tax	**460.92**	289.69
Provision for tax	**144.72**	93.55
Net Profit	**316.20**	196.14
Profit & Loss Account brought forward	**586.33**	446.90
Profit Available for appropriation	**902.53**	643.04
Appropriations:		
Proposed dividend	**35.68**	31.71
Tax on Dividend distributed	**6.06**	5.39
Transfer to General Reserve	**31.62**	19.61
Carried to Profit & Loss Account	**829.17**	586.33
	902.53	643.04

Performance

The sales performance at Rs.1949 million for the year ended 31 December 2009 registered a 7.7% growth over the sales performance at Rs.1810 million for the previous year ended 31 December 2008. In terms of sales quantity, the tonnage sold during the year ended 31 December 2009 has increased by 9.2% over the previous year.

The aforementioned growth in sales coupled with an overall improvement in other operational parameters has resulted in a significant increase in Profit Before Tax.

Acquisition of Know-how

During the year under review, the Company acquired from Shimo Resins Private Limited, technical knowhow and the business intangibles in the field of manufacturing filled epoxy and polyurethane resins, hardeners and catalysts used in casting, potting, encapsulating and sealing applications often used in the electrical and electronic component industry.

The absorption and integration of the technology and other business intangibles acquired is well under way and will be fully completed during the year. This will strengthen the knowledge base in resin technology and enable the Company to offer a broader product range to a wider range of customers.

Dividend

The Directors are pleased to recommend a higher dividend of Rs. 4.50 per equity share, for the year ended 31 December 2009, in view of the improved performance of the Company for the said year.

Directors

During the year under review, Mr. Martin Babilas and Dr. Guido Forstbach resigned from the position of the Directors of the Company with effect from 23 March 2009.

Mr. Suresh Talwar resigned as Alternate Director to Dr. Matthias Wolfgruber with effect from 23 March 2009 and was appointed as Additional Director with effect from that date. In the Annual General Meeting held on 1 June 2009, Mr. Suresh Talwar was appointed as a Director of the Company whose period of office was liable to determination by retirement of directors by rotation.

Mr. Prashant Deshpande resigned as Alternate Director to Dr. Wolfgang Schütt with effect from 23 March 2009 and was appointed as Alternate Director to Dr. Matthias Wolfgruber from that date.

Mr. Sharadkumar Shetye ceased to be an Alternate Director to Dr. Guido Forstbach with effect from 23 March 2009 and was appointed as Alternate Director to Dr. Wolfgang Schütt from that date.

Dr. Matthias Wolfgruber and Dr. Wolfgang Schütt retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

As per the requirement under the Listing Agreement, particulars of Directors seeking re-appointment at the ensuing Annual General Meeting form part of the Notice of the meeting.

None of the Directors is disqualified from being appointed as or holding office as Directors, as stipulated under Section 274 of the Companies Act, 1956.

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Corporate Governance

The Company is committed to sound corporate governance practices. Good corporate governance, it considers, not only enhances investor trust and confidence but also contributes towards improving the image of the Company in the eyes of employees, suppliers and customers etc. helping it gain a distinct competitive advantage.

Pursuant to Clause 49 of the Listing Agreement, the Management Discussion and Analysis Report, Report on Corporate Governance and the Auditors' Certificate regarding compliance of the same form an integral part of this Annual Report.

Listing on Bombay Stock Exchange

The Company's shares are listed on the Bombay Stock Exchange Limited (BSE).

During the year, based on the decision taken and communicated by its Promoter viz. ELANTAS GmbH, Germany, the Company approached BSE for delisting its share from the exchange in accordance with the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ("Regulations"), and received its in-principle approval.

Subsequently, bids were invited from public shareholders to participate in the bid process by Reverse Book Building Method in pursuance of the Regulations and the bid process ended on 15 January 2010. However, since the total number of equity shares tendered in the reverse book building process was less than the minimum number of equity shares required to be tendered for the Delisting Offer to be successful, the Delisting Offer failed.

The Company thus continues to remain listed on BSE.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, after due inquiry and on the basis of the information received from the operating management and relying upon the report of the Auditors regarding compliance with the Accounting Standards, the Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed, along with appropriate explanations relating to material departures.
2. the accounting policies have been consistently applied, and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31 December 2009, and the profit for the year ended on that date.
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

Fixed Deposits

During the year under review, the Company has not accepted any Fixed Deposits. Deposits amounting to Rs.3,000 which were lying unclaimed / unpaid for a period of seven years from the date it became due for payment, have been transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government, on 13 April 2009. As at 31 December 2009, the amount of deposits remaining unclaimed is Nil.

Cost Audit

Dhananjay V Joshi & Associates, Cost Accountants, have been re-appointed for the year 2010 to conduct an audit of the cost accounting records maintained by the Company in respect of Synthetic Resins and Varnishes.

Auditors

The Auditors, BSR & Co., Chartered Accountants, Mumbai, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee recommends the re-appointment of BSR & Co., as Auditors of the Company for the year 2010. The Company has received a letter from retiring Auditors to the effect that their appointment, if carried out, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

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

Information as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, is given in Annexure A to this report.

Particulars of Employees

Information to be provided under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is given in Annexure B forming part of this report.

Industrial Relations

During the year under review, industrial relations continued to be cordial.

The Board wishes to place on record its appreciation to all employees of the Company for their continued contribution to the performance of the Company.

For and on behalf of the Board

Pune	Suresh Talwar	Rajeev Bhide
16 February 2010	Director	Managing Director

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Annexure A to the Directors' Report

A. CONSERVATION OF ENERGY:

(a) **Following measures were taken to conserve energy:**

- Use of Air operated double diaphragm pumps and barrel pumps for liquid charging at Pimpri and Ankleshwar.
- Use of sophisticated process instrumentation & automation for mixing vessels at Pimpri and Ankleshwar.
- Installation of energy efficient variable frequency drives for mixers and reactors at Pimpri.
- Energy efficient augmentation of manufacturing infrastructure for capacity expansion by extension of the existing Resin Plant at Ankleshwar.
- Installation of an energy efficient Screw Air compressor to replace an existing reciprocating compressor in Nitrogen plant at Ankleshwar.
- Installation and commissioning of a fuel efficient, emissions eco-compliant Diesel Generating set at Ankleshwar.
- Completion of installation of a Goods Lift / Freight Elevator for handling solid / powder material from Warehouse to Resin Plant at Ankleshwar.

(b) **Additional investments and proposals being implemented for reduction of consumption of energy:**

- Installation of Process Instrumentation & automation for mixing vessels at Pimpri.
- Installation of a pneumatic charging system for greater efficiency and occupational safety in handling of fillers/powders at Pimpri.
- Installation of Energy efficient pumps as a result of conducting energy audit of high power drives at Pimpri.
- Creation of additional infrastructure to enable the efficient processing of the electrical compounds and resins business acquired recently, at Pimpri and Ankleshwar.
- Installation of new, energy efficient equipments to augment wire enamel, varnishes and resin processing capacities in a cost effective manner at Ankleshwar.
- Modernization and expansion of in-plant process Instrumentation & automation for new manufacturing equipments, at Ankleshwar.
- Replacement of the existing Boilers as per the Indian Boiler Act (Amendment in 2007) and IBR regulation.
- Installation of a new, energy efficient cooling tower at recovery cell.
- Modification and conversion of an existing reactor-mixer combination for energy efficient and cost effective manufacture of varnishes and alkyd resins.
- Installation of Solar Powered LED Lighting System at selected places.
- Installation of additional energy efficient Booster pump at surface level tank.

(c) **Impact of (a), (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:**

- Cost effective manufacturing including savings due to reduction in overall energy consumption per Metric Ton of production especially through reduced electricity and fuel consumption

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(d) Total energy consumption and energy consumption per unit of production:

	Year ended 31 December 2009	Year ended 31 December 2008
a. POWER & FUEL CONSUMPTION		
1) Electricity		
a) Purchased Unit (KWH in lakh)		
Total KWH	**21.98**	20.65
Total amount (Rs. lakh)	**123.59**	107.38
Rate / KWH (Rs.)	**5.62**	5.20
b) Own generation		
i) Through Diesel generator		
Units (KWH in lakh)	**1.95**	2.73
Units per litre of Diesel Oil	**3.23**	3.32
Cost / Unit (Rs.)	**11.34**	11.69
ii) Through Steam turbine / generator		
Units (KWH)	-	-
Units per litre of fuel oil / gas	-	-
Cost / Unit (Rs.)	-	-
2) Coal		
Quantity (Tonnes)	-	-
Total amount (Rs. lakh)	-	-
Average Rate (Rs. / MT)	-	-
3) Furnace Oil (LDO)		
Quantity (KL)	**242.52**	251.40
Total amount (Rs. lakh)	**86.05**	100.17
Average Rate (Rs. / KL)	**35,482**	39,845
4) Natural Gas		
Quantity (KM3)	**399.41**	401.48
Total amount (Rs. lakh)	**54.71**	50.34
Rate (Rs./ KM3)	**13,697**	12,540
b. CONSUMPTION PER M.T. OF PRODUCTION		
Products : Wire Enamels, Impregnating Varnishes & Synthetic Resins		
Electricity (KWH)	**175.78**	181.06
Furnace Oil in Litres (LDO)	**17.82**	19.47
Coal	-	-
Natural Gas	**29.35**	31.09
Others	-	-

B TECHNOLOGY ABSORPTION

1. **Specific areas in which R & D was carried out by the Company:**

Research and Development Centre (R&D Centre) was engaged in the development of new synthetic insulation materials for the electrical industries, absorption of imported technology for certain wire enamels and development of more eco friendly wire enamels based on less toxic raw materials. Further development of coatings for the construction industry with focus on certain specific properties was also carried out. R&D Centre recently completed the task of technology transfer related to introduction of various Shimo Resin Products.

The efforts towards participating in training programme for M.Tech. students from local institutes on subjects which are complimentary to our type of business, were continued. A poster presentation was made at UDCT, Jalgaon, on the use of BYK Nano additives in wire enamels and varnishes.

2. **Benefits derived as a result of the above R & D:**

Some of the new products introduced and process improvements conducted were:

- Eco-friendly and less toxic variants of wire enamel products.

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- A new modified anhydride hardener for epoxy insulating system.
- Two new products in wire enamel range were introduced viz. polyester for high speed enameling and Formvar resin for oil filled transformers.
- Bilateral exchange of technology with the Global R&D network of ELANTAS aimed at knowledge sharing, problem solving and customer satisfaction.
- Cost reduction and process improvement in manufacturing.

3. Future plan of action:

- Continue development work on less toxic and ROHS compliant wire enamels and varnishes.
- Adapt new product from group companies under technology transfer to cater to local demand potential.
- Initiate new projects as part of global R&D initiatives for the benefit of local and global customers.
- New drive to consolidate the Company's position in the polyester wire enamel and compounds segment.
- More interaction and collaboration with the local institutes working in the research areas complimentary to the Company's type of business.
- New project under responsible care initiative for introduction of new software for preparing MSDS.

4. Expenditure on R & D

(Rs. Lakh)

	Year ended 31.12.2009	Year ended 31.12.2008
(a) Capital	**511.24**	8.75
(b) Recurring	**258.90**	184.03
(c) Total	**770.14**	192.78
(d) Total R & D expenditure as a percentage of total turnover	**3.66**	0.94

5. Technology absorption, adaptation & innovation:

The technology received from our collaborators in respect of new product is modified to suit customers' needs.

Information regarding technology imported during the last five years:

	Technology imported	Year of Import	Has the Technology been fully absorbed	If not, when to be absorbed
1.	Know-how for manufacture of insulating varnishes from Sanmar Specialty Chemicals-Intec Polymer Division.	2007	Yes	-
2.	Absorption of technology from Shimo Resins Pvt. Ltd.	2009	No	2010

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information regarding foreign exchange earnings and outgo is contained in Note Nos. 26 & 24 respectively to the financial statements.

Annexure B to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 forming part of the Directors' Report for the year ended 31 December 2009.

Name	Designation	Remuneration Subject to tax (Rs.)	Qualification	Age & Experience (Years)	Date of Commencement of employment	Last employment held, Designation and Organization
Mr. Rajeev Bhide	Managing Director	4,970,006	B.Com., F.C.A., Post Graduation D.M.M.	52/29	01.03.2000	Vice-President-Finance. International Computers (India) Ltd., Pune.
Mr. Prashant Deshpande	Director- Marketing	4,287,504	B.E. (Elec.), M.B.A. P.G.- Power Systems	65/44	01.04.1986	Div. Marketing Manager. Crompton Greaves Ltd., Nasik.
Mr. Sharadkumar Shetye	Director-Manufacturing	3,917,010	B.Tech.(Chemical Engg.) D.B.M., M.M.S	61/39	20.10.1971	-

Notes:

1. The nature of employment is contractual.
2. Other terms and conditions: as per Company's rules.
3. Gross remuneration includes allowances, Company's contribution to provident and superannuation funds, provision for medical entitlement as per Company's rules. The monetary value of perquisites is calculated as per Income Tax Act / Rules and does not include provisions for leave encashment, premium for gratuity and group insurance.

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