

FOURTEENTH

ANNUAL

REPORT

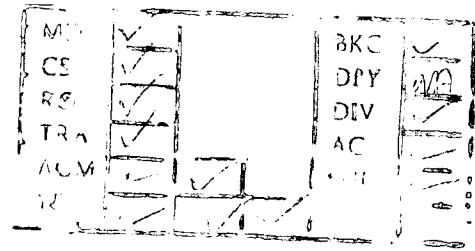
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REARX
(INDIA) LIMITED

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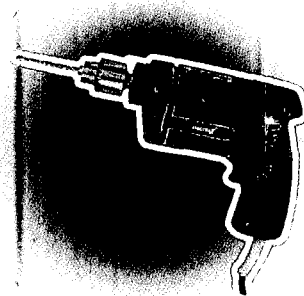


ELECTREX
(INDIA) LIMITED



Report Junction

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B O A R D O F D I R E C T O R S

Anant V. Hegde	—	Chairman & Managing Director
Achut V. Hegde	—	Executive Director
D. V. Sathe	—	Director
Ajit V. Hegde	—	Director
G. N. Lakhshmi pathi	—	Director
Rajee R	—	Director (Nominee of CVCF)
P. M. Chitrabhanu	—	Director (Nominee of IFCl)

GENERAL MANAGER & SECRETARY

M. Chandrappa

AUDITORS

S. K. Loonker & Company

Chartered Accountants

11/31, Botawala Bldg., Horniman Circle, Fort, Mumbai 400 023.

BANKERS

Canara Bank

The United Western Bank Ltd.

The Fuji Bank, Ltd.

REGD. OFFICE & FACTORY

21-D1, 2nd Phase, Peenya Industrial Area, Bangalore 560 058.

ADMN. OFFICE

1103, Dalamal Tower, Nariman Point, Mumbai 400 021.

Notice To Shareholders



Notice is hereby given that the Fourteenth Annual General Meeting of the members of Electrex (India) Limited will be held at Atria Hotel, No. 1, Palace Road, Bangalore 560 001 at 3.30 p.m. on Friday the 26th September 1997 to transact the following business.

Ordinary Business. (1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 1997 and the Profit & Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon. (2) To declare a Dividend. (3) To appoint a Director in the place of Shri Achut V. Hegde, who retires by rotation under Article 90 of the Articles of Association of the Company and who being eligible, offers himself for re-appointment. (4) To appoint a Director in the place of Shri D. V. Sathe who retires by rotation under Article 90 of the Articles of Association of the Company and who being eligible offers himself for re-appointment. (5) To appoint Auditors and fix their remuneration. The retiring Auditors M/s. S K Loonker & Co., Chartered Accountants are eligible for re-appointment.

Special Business. (6) To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :

"RESOLVED that the Authorised Capital of the Company be increased from Rs. 25,00,00,000 divided into 1,50,00,000 Equity Shares of Rs. 10/- each and 10,00,000 Preference Shares of Rs. 100/- each to Rs. 40,00,00,000 (Rupees Forty Crores) divided into 1,50,00,000 (One Crore and Fifty Lakhs) Equity Shares of Rs. 10/- each (Rupees Ten Only) and 25,00,000 (Twenty Five Lakhs) Preference Shares of Rs. 100/- each (Rupees One Hundred Only)"

(7) To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :

"RESOLVED that Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the existing clause and substituting therefor the following

The Share Capital of the Company is Rs. 40,00,00,000 (Rupees Forty Crores) divided into 1,50,00,000 (One Crore and Fifty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 25,00,000 (Twenty Five Lakhs) Preference Shares of Rs. 100/- (Rupees One Hundred Only) each with the power to increase, reduce or alter the same in accordance with the provisions of the Companies Act, 1956."

(8) To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :

"RESOLVED that Article 3 of the Articles of Association of the Company be altered to read as under.

The Share Capital of the Company is Rs. 40,00,00,000 (Rupees Forty Crores) divided into 1,50,00,000 (One Crore and Fifty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 25,00,000 (Twenty Five Lakhs) Preference Shares of Rs. 100/- (Rupees One Hundred Only) each."

(9) To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED that in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof, from time to time in force and enabling provisions in the Memorandum and Articles of Association of the Company and subject to the approval of the Reserve Bank of India (RBI) and such other appropriate authorities and such other approvals as may be necessary and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board the consent of the Company be and is hereby accorded to the Board to issue and allot such no. of Cumulative Non-Convertible Preference Shares of the face value of Rs. 100/- each of an aggregate amount not exceeding Rs. 15 crores with or without warrants as the Board at its sole discretion may at any time or times hereafter decide to the Members of the Company, the Indian Public, Non Resident Indians, Overseas Corporate Bodies, Foreign Institutional Investors, Bodies Corporate and/or to such other persons/entities/institutions whether members of the Company or not through Public Issue, Right Issue, Private Placement, Preferential Allotment. Conversion of loans or otherwise and for general corporate purposes including capital expenditure, working capital requirements, as the Board may deem fit in one or more tranches at such price or prices, as the Board or Committee thereof may in its absolute discretion think fit, on such terms and conditions including the number of Shares to be issued, rate of dividend, redemption period, manner of redemption etc.

RESOLVED further that for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue allotment and utilisation of the proceeds of issue of the Securities and further to do all such acts, deeds, matters and things and to finalise and execute all documents and writings as may be necessary, desirable or expedient as it may deem fit."

(10) To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :

"RESOLVED that in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof and enabling provisions in the Articles of Association of the Company and subject to such approvals, permissions and consents as may be necessary and subject to such terms and conditions and modifications as may be necessary by the Board of Directors of the Company (hereinafter referred to as the "Board") or as may be prescribed or made in granting such consents and approvals and which may be agreed to by the Board and/or duly authorised Committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board/Committee for issue and allot, not more than 40,00,000 Equity Shares to the existing Shareholders, Indian Public, Foreign Institutional Investors duly registered with the Securities and Exchange Board of India (SEBI), Foreign Collaborators, Mutual Funds (including offshore Mutual Fund) duly registered with SEBI, Asset Management Companies, Foreign Direct Investors, Banks, Non-resident Indians, Overseas Corporate Bodies, Financial Institutions, Bodies Corporate and/or to such other persons/entities/institutions which the Board may deem fit whether shareholders or not through Public Issue, Right Issue or Private Placement basis or by combination of the above modes in one or more tranches, at such price and at such ratio as the Board in its absolute discretion deem fit, however keeping in mind the terms and conditions as prescribed/may be prescribed by the SEBI or the Reserve Bank of India (RBI) and also subject to the guidelines issued/may be issued by SEBI and RBI governing private placement of shares.

FURTHER resolved that the additional equity shares so allotted shall rank pari passu with the existing equity shares of the Company except that they shall rank for dividend pro rata from the date of allotment.

FURTHER resolved that the Board/Committee be and is hereby authorised to issue and allot substantial no. of equity shares proposed for issue to Foreign Direct Investors/Overseas Corporate Bodies to any one or a few of them as may be determined by the Board/Committee if such allotment is expedient and is in the best interest of the Company.

FURTHER resolved that for the purpose of giving effect to the above resolution, the Board/Committee be and is hereby authorised to do all such things and acts as may be necessary and expedient and to settle any matter that may arise in connection therewith."

By order of the Board

Bangalore
23rd August, 1997

M Chandrappa
General Manager & Secretary



Notice To Shareholders

**Notes**

- ① A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the Company.
- ② The Register of Members and the Share Transfer Books of the Company will remain closed from 12th September 1997 to 26th September 1997 (both days inclusive). The dividend warrants will be issued to the Members whose names appear in the Register of Members on 26th September 1997.
- ③ As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Amendment Rules, 1988 the unpaid/unclaimed dividends for the financial year ended 31 st March 1994 will be transferred to the General Revenue Account of the Central Government during October 1997.
- ④ Explanatory statement pursuant to Section 173(2) of the Companies Act. 1956 in respect of item no. 6 to 10 is annexed hereto.

ANNEXURE TO NOTICE

As required by Sn. 173 of the Companies Act, 1956, the following Explanatory Statement set out the material facts relating to the Special Business under items No. 6 to 10 of the Notice dated 23rd August 1997.

Items No. 6, 7 & 8

The present Authorised Share Capital of the Company is Rs. 25,00,00,000 divided into 1,50,00,000 Equity Shares of Rs. 10/- each and 10,00,000 Preference Shares of Rs. 100/- each. It is found necessary to increase the capital base to meet the growing requirement of the business of the Company especially in the context of the proposed issue of Preference Shares. It is thereof proposed to increase the Share Capital of the Company to Rs. 40,00,00,000 (Rupees Forty Crores) divided into 1,50,00,000 (One Crore and Fifty Lakhs) Equity Shares of Rs. 10/- each (Rupees Ten Only) and 25,00,000 (Twenty Five Lakhs) Preference Shares of Rs. 100/- each (Rupees One Hundred Only) as set out in Resolution No. 6. Consequently Clause V of the Memorandum of Association and Article 3 of the Articles of Association relating to the Share Capital require to be amended as set out in Resolution Nos. 7 and 8.

The Directors commend the resolution to the Shareholders for their approval.

Item No. 9

At the Extra-Ordinary General Meeting held on 16-06-1997, the approval of the Shareholders had been obtained to issue Cumulative Non-convertible Preference Shares of the face value of Rs. 100 each aggregating to an amount not exceeding Rs. 10 crores through public issue, right issue, private placement, preferential allotment, conversion of loans etc. Out of this the Company has so far been able to issue 6,00,000 15% Cumulative Non-Convertible Preference Shares of Rs. 100/- each leaving a balance of 4,00,000 no. of Preference Shares for further issue.

The Company is confident of raising substantial funds by issue of Preference Shares as the response from the domestic Institutional Investors is very positive. The approval of the Shareholders is therefore sought for further issue of Cumulative Non-Convertible Preference Shares of the face value of Rs. 100/- each of an aggregate amount not exceeding Rs. 15 crores. The fund so raised is proposed to be utilised for repayment of high cost debt and for general corporate purposes including investment in balancing plant and machinery and to provide margin towards working capital requirement etc.

Your Directors commend the Special Resolution for your approval.

The Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of shares which may be allotted to them in the proposed issue.

Item No. 10

At the Extra Ordinary General Meeting held on 16th June 1997 approval of the shareholders had been obtained to issue and allot not more than 30,38,850 equity shares to the existing Shareholders, Public, Foreign Institutional Investors, Foreign Collaborators, Mutual Fund, Overseas Corporate Bodies, Financial Institutions, Bodies Corporate etc, through Public Issue, Right Issue or Private Placement basis. The Company has so far issued 18,00,000 Equity Shares of Rs. 10/- each at a Premium of Rs. 50/- per Share in terms of SEBI guidelines. As the issue of further equity shares on private placement basis may not materialise before 16th September 1997 i.e within three months from date of the said General Meeting fresh approval of the shareholders is again sought empowering the Board to issue and allot not more than 40,00,000 equity shares to the above entities and by any or combination of the above modes.

As regards pricing of the shares on private placement basis in terms of the existing guidelines, issue of shares can be made at a price not less than the higher of the following :

- a) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the six months preceding the relevant date.
- b) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

The relevant date for this purpose mean the date 30 days prior to the date of this General Meeting.

Your Directors commend the Special Resolution for your approval.

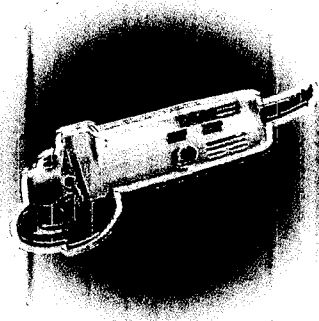
The Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of shares that may be subscribed by them in the proposed issue.



HIGHLIGHTS OF PERFORMANCE

	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
Income	5362.87	3594.73	2567.73	1430.79	853.88	434.75
Profit before tax	745.33	715.97	601.44	352.75	170.08	72.51
Profit after tax	685.33	665.97	570.94	302.75	150.08	59.51
Assets :						
Fixed Assets	6010.51	3585.07	2649.87	1433.12	429.11	185.18
Net Current Assets	3610.14	2713.18	1799.57	932.82	462.93	340.23
Miscellaneous						
Expenditure	356.15	233.16	98.60	110.93	—	0.04
	9976.80	6531.41	4548.04	2476.87	892.04	525.45
Financed By						
Shareholder Fund						
Equity	607.31	499.69	499.51	486.37	300.00	101.47
Reserves & Surplus	3284.95	2081.88	1590.10	1126.53	164.86	63.18
	3892.26	2581.57	2089.61	1612.90	464.86	164.65
Loan Funds	6084.54	3949.84	2458.43	863.97	427.18	360.80
	9976.80	6531.41	4548.04	2476.87	892.04	525.45
Earning Per Share	12.92*	13.32	11.43	9.25*	5.00	5.86
Dividend (%)	38	35	32	30	26	24

* Annualised



C H A I R M A N ' S S P E E C H

Dear Shareholder,

It is my great pleasure to welcome you all to the 14th Annual General Meeting of your Company. Power tools industry has undergone seesaw changes in India in recent years, and I would like to share with you today my thoughts on what the past was for us, how the present is and what the future holds for us.

THE PAST

When your Company entered into power tools business about a decade ago, the power tool industry was in a nascent stage. The market was then characterised by a limited number of manufacturers, old designs and outdated technology, limited product range, small volume production, high prices and poor after sales service.

Your Company saw a business opportunity in such a scenario and persued a carefully planned strategy which has helped your Company to emerge as **INDIA'S NO.1 POWER TOOL MANUFACTURING COMPANY**. The three most important factors to succeed in this industry are : **▲ Technology** **▲ Brand Name** **▲ Resources**

Your Company was fortunate to get a collaboration with the world leaders in this line - Hitachi Koki of Japan. This gave the strength of the cutting edge of power tool technology and internationally famous brand support. The resources for the project and continuous expansions over the years came from many quarters - you the valuable shareholders, financial institutions, banks, NBFCs and our collaborators Hitachi Koki. The result of a good blend of all these inputs is evident in many facets of our operations :

- Our current manufacturing infrastructure is probably by far the best a power tool manufacturer can boast of - fully integrated from CAD/CAM to Toolroom to Moulding/ Die Casting to Machine/Gear Shop to Motors to Conveyorised Assembly Line.
- The conscious decision of "Make" rather than "Buy" has helped the Company to achieve high level of in-house production, maintain high quality standards and cut down rejection levels.
- A focused, quality driven management has delivered sales growth of 1130% and profit growth of 1050% between 1991-92 and 1996-97.
- Created a niche market for a speciality product like MARBLE CUTTER and went about building volume production to a level difficult for others to match. The total number of marble cutters produced and sold by your Company in a year is more than the total



number of all other competitors put together !

- Gave the dealers and end users the satisfaction of good quality, service and extremely competitive prices by establishing many fine showrooms in the country with great emphasis on style, decor and customer comfort.

All these have reflected in the continuous growth and performance of your Company over the years. For the year just concluded, your Company has achieved a sales turnover of Rs.5323 lacs as compared to Rs.3561 lacs of the previous year, an impressive growth of 49%.

It would be wrong if I say that these achievements have come without any hiccups. As all of you are aware, the subdued capital market conditions had been a major deterrent in raising the resources required for the expansion and the Company had to opt for more of a debt route rather than equity for funding this expansion. But for this, the bottom line would have been much better. In my several meetings with financial analysts and prospective investors, it is usually pointed out that the Company has taken recourse to a higher debt than equity and wonder if a little financial restructuring could be done soon. Although the Company is within the permitted ratios, I do agree that there is scope for improvement on this front and all endeavors will be made in the current year in this direction.

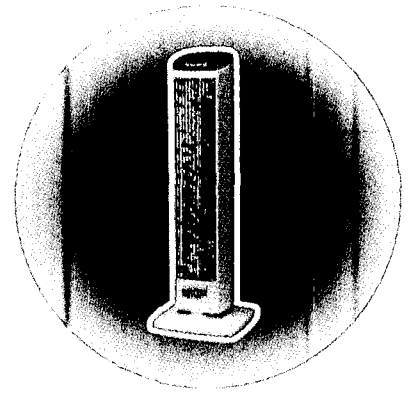
Having dwelt on the past, I would now like to brief you on how I see the present and the future.

THE PRESENT

All the disadvantages of the power tool industry which were evident when your Company first entered this line and which have been referred to by me earlier, have now given way to a very vibrant, competitive and expanded market. All the internationally famous brands are here. Import restrictions have been removed. Tariffs are falling. Over the next few years I foresee a major change happening in this industry. Companies will need brand strength to survive. Volume is going to matter. Quality and range of tools will be the key issues.

The obvious question then would be - How should your Company re-organise itself to face the competition ? We plan to consolidate our position in the Indian power tool industry through a combination of strategy in the areas of manufacturing, marketing and financial restructuring.

- By adopting two brand strategy of Hitachi and Electrex.
- Aim for volume. Go for economy of scale in production which will give your company



the strength to go for the kill in pricing its products and create entry barriers.

We have set a target of crossing 1,00,000 tools production in the current year, a first by any Indian company !

- Keep up sustained investment in manufacturing facilities to launch newer products.
- Strengthen marketing network by establishing country-wide sales and service centres.

THE FUTURE

It is said that the future belongs to those who dare to dream and the present belongs to those who convert these dreams to reality. From the smallest of electro-mechanical tools to an aircraft, the two major driving forces are either an Electric Motor or an Engine. The long term objective of your Company is to master these two technologies which along with the in-house tool room capability will be the breeding ground for launching a variety of newer and better electro mechanical tools and appliances. Through our collaboration with **HITACHI KOKI CO., LTD. - JAPAN**, Electrex has the ability to make Electric Motors of the highest quality. I am glad to inform the members that your Company has signed a Memorandum of Understanding (MOU) with another Japanese giant - **FUJI HEAVY INDUSTRIES LTD. (FHI)** - the makers of Subaru Cars and Robin Generators for establishing a new company - **ELECTREX ROBIN INDUSTRIES LTD.** - with the objective of marketing and manufacturing Robin Generators/Engines in India.

While your Company does not want to lose sight of its core competence i.e. manufacturing of power tools, it should also not lose good business opportunities to forge new alliances with world leaders in allied product lines.

For us, power tools, engines and generators go hand in hand and complement one another - in making better use of our technical talent, expertise, manufacturing and marketing infrastructure. I am sure that the combined strength of Electric Motor and Engine technology alongwith the aid of in-house toolroom facility will stand in good stead in introducing newer and innovative tools and appliances in the shortest time possible - giving more value addition to everyone associated with our business.

Bangalore

August 12, 1997

CHAIRMAN