



SEVENTEENTH

ANNUAL REPORT

1999- 2000

ELECTREX

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BOARD OF DIRECTORS :

ANANT V. HEGDE

ACHUT V. HEGDE

D.V. SATHE

AJIT V. HEGDE

G.N. LAKSHMIPATHI

NIMISH SHAH

J. MASAND

- Chairman & Managing Director

- Executive Director

- Whole Time Director

- Director

- Director

- Director

- Director

COMPANY SECRETARY

M. CHANDRAPPA

AUDITORS :

T.R. CHADHA & COMPANY

Chartered Accountants

106, Nirman Kendra,

Dr. E. Moses Road,

Mahalaxmi,

Mumbai - 400 011.

BANKERS

Canara Bank

The Fuji Bank Ltd.

The United Western Bank Ltd.

SBI Commercial and International Bank Ltd.

Bank of Maharashtra

Nedungadi Bank Ltd.

REGD. OFFICE :

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

FACTORY :

1. 21-D1, Peenya Industrial Area, 2nd Phase, Bangalore - 560 058.

2. Plot No. A-21, Industrial Estate, Thattanchavady, Pondicherry - 605 009.

ADMN. OFFICE :

503-504, Raheja Chambers, Nariman Point, Mumbai - 400 021.



HIGHLIGHTS OF PERFORMANCE

(Rs. in Lac)

	1999-2000 (18 Months)	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
Income	3693.17	8785.39	7559.53	5362.87	3594.73	2567.73	1430.79	853.88	434.75
Profit/(Loss) Before Tax	(6766.43)	(9002.73)	639.04	745.33	715.97	601.44	352.75	170.08	72.51
Profit/(Loss) After Tax	(6766.43)	(9002.73)	572.04	685.33	665.97	570.94	302.75	150.08	59.51
Assets									
Fixed Assets	13252.68	14449.37	8470.39	6010.51	3585.07	2649.87	1433.12	429.11	185.18
Net Current Assets	(3496.92)	(1775.01)	6813.33	3610.14	2713.18	1799.57	932.82	462.93	340.23
Miscellaneous Expenditure	431.12	471.13	531.15	356.15	233.16	98.60	110.93	-	0.04
Profit & Loss Account	14063.43	7359.08	-	-	-	-	-	-	-
	24250.31	20504.58	15814.87	9976.80	6531.41	4548.04	2476.87	892.04	525.45
Financed By									
Shareholder Fund									
Equity	945.93	945.93	787.31	607.31	499.69	499.51	486.37	300.00	101.47
Preference	2201.00	2201.00	1975.00	-	-	-	-	-	-
Reserves & Surplus	-	-	4475.36	3284.95	2081.88	1590.10	1126.53	164.86	63.18
	3146.93	3146.93	7237.67	3892.26	2581.57	2089.61	1612.90	464.86	164.65
Loan Funds	21103.38	17357.66	8577.20	6084.54	3949.84	2458.43	863.97	427.18	360.80
	24250.31	20504.58	15814.87	9976.80	6531.41	4548.04	2476.87	892.04	525.45

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DIRECTORS' REPORT

Your Directors herewith present the 17th Annual Report and the Audited Statement of Accounts for the financial year ended 30th September 2000.

Financial Results

(Rs. in Lac)

Particulars	Current Year (12 months)	Previous Period (18 months)
Sales & Other Income	3693.17	8785.39
Profit/(Loss) before Interest & Depreciation	(349.05)	(1085.18)
Finance Charges	5180.93	6061.29
Depreciation	1236.43	1856.26
Profit/(Loss) before Tax	(6766.41)	(9002.73)
Profit/(Loss) after Tax	(6766.41)	(9002.73)
Balance brought forward from previous period	(10880.45)	1429.86
Provision for Dividend Reversed	-	281.63
Prior period adjustments (Net)	62.09	(3589.21)
Balance carried forward to Balance Sheet	(17349.77)	(10880.45)

Performance

During the year your Company has achieved a turnover of Rs. 3693.17 Lac resulting into net loss of Rs. 6766.43 Lac. The loss is mainly attributable to continued higher interest burden and depreciation. The liquidity of the Company continues to be under pressure and as such Company is not able to achieve optimum production capacity though there persists ample demand for the product of the Company.

Your Directors have pleasure in informing you that your Company has successfully launched a few new models with in-house efforts. These products have good market potential and will help to improve substantially the Company's future performance.

As informed to you in the previous Directors' report that in view of the dismal financial performance, the net worth of the Company has completely eroded and as such reference has been made to the Board for Industrial and Financial Reconstruction (BIFR) under section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. Our reference has been registered by the BIFR on January 31, 2000 as case no. 49/2000. At its first hearing held on July 18, 2000, the BIFR has appointed the Industrial Finance Corporation of India Ltd as the Operating Agency (OA) under section 16(2) of the Act to prepare and submit a comprehensive report covering the various objections of the creditors and its impact on the sickness of the Company.

The BIFR has ordered that the Special Investigative Auditors (SIA) already appointed by Canara Bank should be asked to carry out further detailed audit of the Company's accounts. The SIA have submitted their report and the OA is in the process of preparing the report to call for the joint meeting of the secured lenders.

Dividend

As the Company has continued to incur loss, your Directors are not in a position to recommend any dividend.

Fixed Deposits :

The Company has not been able to make repayment of principal deposits and payment of interest due to adverse liquidity position. As on September 30, 2000, the total overdue amount for the payment is Rs. 915.94 Lac that includes overdue interest liability of Rs. 58.39 Lac. The Company Law Board (CLB) on a batch of applications filed with it had directed the Company to repay the deposit aggregating to Rs. 26.37 Lac to 202 applicants. In view of its registration with BIFR, Company has filed an appeal in the High Court of Karnataka and obtained a stay on the Order of the CLB. In disposing another batch of 423 applications, the CLB has directed that the Company shall repay the deposits together with up-to-date interest in accordance with the Scheme which may be sanctioned by the BIFR.

Legal cases

The cases filed against the Company and Directors under section 138 of the Negotiable Instruments Act, 1881 for dishonour of cheques are at various stages of hearing. The winding up petitions filed by creditors under section 433 of the Companies Act, 1956 in the High Court of Karnataka have been stayed in view of the applicability of section 22 of the SICA, 1985.

ELECTREX**Directors**

- a. Shri G.N. Lakshmipathi, Director who retires from the Board by rotation and being eligible offers himself for re-appointment.
- b. Shri Jaidev Masand, Director who retires from the Board by rotation and being eligible offers himself for re-appointment.
- c. Shri D S Lodha, Whole-time Director resigned with effect from September 2, 2000. Your Directors would like to place on record their appreciation for the contribution made by him during his tenure on the Board of the Company.

AUDITORS' REPORT

- a. The Auditors have observed in Para 2.5 of their report that the Directors are disqualified for appointment under clause (g) of sub-section (1) of Sec. 274 of the Companies Act, 1956. We are however advised that the provisions of Sec. 274 (1) (g) will have application after one year from the date of commencement of the Companies (Amendment) Act, 2000. Accordingly the Directors are not disqualified from being re-appointed at the ensuing Annual General Meeting.
- b. The Auditors in Para 3 of their report have made certain observations on Note No. 7, 10, 11, and 12 of Schedule-S which may please be referred for more details, as the same are self explanatory.

Debenture Redemption Reserve

In view of the inadequacy of profit, no reserve has been created.

Auditors

M/s. T. R. Chadha & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Particulars of Employees

A Statement containing the particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with relevant Rules made thereunder, has been given in the Annexure, which forms part of this Report.

Directors' Responsibility Statement.

In terms of Section 217 (2AA) of the Companies Act, 1956 inserted by the Companies (Amendment) Act, 2000, your Directors report that

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) the Directors have prepared the annual accounts on a going concern basis.

Personnel

The Board wishes to thank the employees at all levels for their valuable contribution and continued commitment to the Company.

Other Information

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished - as Annexure to this Report.

Acknowledgement

The Directors wish to place on record their sincere appreciation yet again for the continued co-operation the Company has received from the Financial Institutions and Banks as well as from the Customers, Dealers and Suppliers of the Company.

FOR AND ON BEHALF OF THE BOARD

BANGALORE
MARCH 22, 2001

ANANT HEGDE
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE TO THE DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the financial year ended 30th September, 2000.

A. CONSERVATION OF ENERGY :

The Manufacturing process has been effectively designed to optimise energy conservation. Successful efforts have been made to increase the general level of awareness to conserve energy among all section of employees.

B. TECHNOLOGY/ABSORPTION FORM :

I) Research and Development : Company has a design and development section which is constantly involved in designing and developing new and improved products.

II) Technology Absorption, Adoption and Innovation : The Company has absorbed the technology obtained from foreign collaborations. Further the Company has taken steps to adopt and introduce innovation in its products.

PARTICULARS OF EMPLOYEES

Statement of particulars of employees pursuant to section 217(2A) of the Companies Act, 1956 and forming part of the Directors' Report for the financial year ended 30th September, 2000.

Sr. No.	Name	Designation	Remuneration (in Rs.)	Qualification	Total Experience (in years)	Date of commencement of employment	Age (in years)	Particulars of previous employment
1	Anant V. Hegde	Chairman & Managing Director	8,72,880	M.Com, PGDM	20	October 13, 1986	44	
2	Achut V. Hegde	Executive Director	7,42,979	B.Com, LLB, ACA, AICWA, ACS	14	October 13, 1986	40	
3	D.S. Lodha*	Whole Time Director	12,58,500	B.Sc, ACA	22	February 26, 1999	49	Director, Rajendra Steels Limited
4	D.V. Sathe	Whole Time Director	64,960	B.Com	12	September 1, 2000	42	Vice-President (Marketing) Hitachi Koki India Ltd

*Resigned on September 2, 2000

- Note** 1) Remuneration as shown above includes Salary, Bonus, Company's contribution to Provident Fund, Medical Reimbursement and other perquisites.
- 2) Shri Anant V Hegde, Shri Achut V. Hegde and Shri D. V. Sathe are related to each other.
- 3) Conditions of employment are contractual / governed by the Company rules.

ELECTREX

T.R. CHADHA & CO.
CHARTERED ACCOUNTANTS

106, Nirman Kendra
Dr. E. Moses Road
Mahalaxmi
Mumbai - 400 011

AUDITORS' REPORT

To
 The Members of ELECTREX (INDIA) LIMITED

We have audited the attached Balance Sheet of M/s Electrex (India) Limited as at September 30, 2000 and the Profit & Loss Account for the year ended on that date annexed thereto and report that:

1. As required by Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we state that:
 - 2.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - 2.2 In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
 - 2.3 The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of accounts.
 - 2.4 In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - 2.5 *The Directors of the Company are disqualified from being appointed as Directors under clause(g) of sub-section (1) of Section 274 of the Companies Act, 1956.*
3. Attention is invited to the following Para of the Notes of the Accounts:
 - 3.1 *Note No. 7 of Schedule - S with regard to non-reconciliation / confirmation of various debit and credit balances outstanding as on 30.9.2000 and the resultant impact thereof.*
 - 3.2 *Note No. 10 of Schedule - S with regard to provision of interest in many cases on amounts borrowed from NBFCs/ Private parties in earlier years on adhoc basis.*
 - 3.3 *Note No. 11 of Schedule - S with regard to preparation of accounts on going concern basis inspite of having the net worth fully eroded as on 30.9.2000.*
 - 3.4 *Note No. 12 of Schedule - S with regard to various legal suits filed by the lenders/ parties against the Company and the promoter Directors. We are not in a position to comment on the outcome of these cases and the resultant impact of the same on the accounts of the Company.*
 - 3.5 *We further report that the effect of the observations given by us in Para 3.1 to Para 3.4 above could not be determined and accordingly we are not in a position to comment on the same.*
4. In our opinion and to the best of our information and according to the explanations given to us, *subject to our comments in Paragraph 3 above*, the said Balance Sheet and Profit & Loss Account read together with the Significant Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:-
 - (i) Insofar as it relates to the Balance Sheet, of the state of affairs of the Company as at 30th September, 2000 and
 - (ii) Insofar as it relates to the Profit and Loss Account, of the loss of the Company for the year ended on the date.

For, T. R. Chadha & Co.
 Chartered Accountants

(Vikas Kumar)
 Partner

Bangalore, March 22, 2001

Annexure to the Auditors' Report referred to in paragraph (1) of our report of even date on the Accounts of ELECTREX (INDIA) LTD as at September 30, 2000.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. *However, the details with regard to the purchase of assets along with the dates and name of supplier are not available with the Company as the records in this regard are stated to be destroyed in fire.* However, the approved valuer appointed by the bankers has valued the fixed assets of the Company. The management has carried out physical verification of all the fixed assets and as explained to us, no significant discrepancies were noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. The stock of finished goods, stores, spare parts and raw materials has been physically verified by the management at reasonable intervals.
4. In our opinion and on the basis of information and explanations given to us, the procedure of physical verification of stocks followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stock and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of accounts.
6. On the basis of examination of stock records, we are of the opinion that the valuation of stocks is fair and proper, in accordance with the normally accepted accounting principles. *In view of the revision in Accounting Standard - 2 on Valuation of Inventories, the Company has changed its method of valuation of raw materials and work-in-progress to cost or net realizable whichever is lower as compared to cost, which was applied in the previous years. This has resulted into increase in the losses by Rs.206.74 Lac in the current year.*
7. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 are prime facie not prejudicial to the interest of the Company. In terms of sub-section (6) of section 370 of the Companies Act, 1956, the provisions of the section are not applicable to companies on and after the commencement of the Companies (Amendment) Act, 1999.
8. An amount of Rs. 493.76 Lac (Previous Period Rs.493.24 Lac) is outstanding as recoverable from Electrex Robin Industries Limited as on 30.9.2000, a Company in which the Directors are interested. *No interest has been charged from this company and the details with regard to the terms and conditions of such advance are not available and accordingly we are not in a position to comment as to whether the same is prejudicial to the interest of the Company or not.* The Company has informed that this amount mainly represents investment in this Company as part of a joint venture. Apart from the trade advances, the Company has not granted any loans to companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and / or the companies under the same management except as given above.
9. On the basis of information and explanations given to us during the course of audit, in respect of loans and advances in the nature of loans given by the Company, including to employees, the parties are generally repaying the principal amount(s) as stipulated or re-stipulated and are also regular in the payment of interest, wherever applicable *(Except as referred to in Para 8 above).*
10. In our opinion and according to the information and explanations given to us, there are internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of materials, stores, spare parts, plant & machinery and other assets, and for the sale of goods. *However, the same needs to be strengthened considering the losses made by the Company.*