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Elpro International Ltd.

39th Annual Report 2001-2002

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Inside view
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BOARD OF DIRECTORS

Mr. R. K. Dabriwala - *Chairman*
Mr. K. M. Chinnappa
Mr. R. N. Dass
Mr. S. K. Bagla
Dr. S. Ramachandran
Mr. S. Dabriwala - *Wholetime Director*

KEY MANAGEMENT EXECUTIVES

Mr. Anil Poddar - *Chief Corporate Officer*
Mr. N. Subramanian - *VP (SMC division)*

AUDITORS

M/s A. F. Ferguson & Co.
Chartered Accountants

SOLICITORS

M/s Kanga & Co.

COMPANY SECRETARY

Mr. P. K. Rajagopal

BANKS

Bank of India
The United Western Bank Limited
State Bank of Hyderabad
Bank of Baroda
Central Bank of India

SHARE TRANSFER AGENT

Sharex (India) Private Limited
17/B, Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai 400 001

REGISTERED OFFICE

Nirmal, 17th Floor,
Nariman Point,
Mumbai 400 021

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ELPR NOTICE

Notice is hereby given that 39th Annual General Meeting of the Company will be held on December 16, 2002, at 10.30 A.M at Walchand Hirachand Hall, Indian Merchants' Chamber, Churchgate, Mumbai- 400 020 to transact following business :

Ordinary Business :

1. To consider and adopt Balance Sheet as at 31st March, 2002, Profit and Loss account for the year ended on that date and the Report of the Auditors and Directors thereon.
2. To declare dividend for financial year ended March 31, 2002.
3. To consider and, if thought fit, pass following ordinary resolution for re-appointment of retiring director:
"Mr. K.M.Chinnappa be and is hereby appointed as a Director"
4. To consider and, if thought fit, pass following ordinary resolution for re-appointment of retiring director:
"Mr. R.K.Dabriwala be and is hereby appointed as a Director"
5. To consider and, if thought fit, pass following ordinary resolution for re-appointment of retiring director:
"Mr. R.N.Dass be and is hereby appointed as a Director"
6. To consider and, if thought fit, pass following ordinary resolution for re-appointment of retiring director:
"Mr. S.K.Bagla be and is hereby appointed as a Director"
7. To consider and, if thought fit, pass following ordinary resolution for re-appointment of retiring director:
"Dr. S. Ramachandran be and is hereby appointed as a Director"
8. To appoint Auditors and fix their remuneration. The retiring auditors M/s A.F.Ferguson & Co., Chartered Accountants, are eligible for reappointment.

Special Business :

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution :
"RESOLVED THAT, an amount of Rs. 32,000/- paid to Mr. Surbhit Dabriwala, Wholetime Director during the year 2001-02, though within the total limits of managerial remuneration of Rs.1,50,000/- p.m. in terms of section II of Part II of Schedule XIII to the Companies Act, 1956, approved by members on September 28, 2001, by resolution no.5 but not covered by perquisites (i) to (xiii) as stated in the resolution no.5 passed in the meeting of members held on September 28, 1999, be and is hereby ratified."
10. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution :
"RESOLVED THAT, in supersession of resolution no.6 passed in the 38th Annual General Meeting of the Company held on September 28, 2001, the aggregate of salary, perquisites and any other allowances paid to Mr. Surbhit Dabriwala, Wholetime Director, subject to provisions of section II of Part II of Schedules XIII to the Companies Act, 1956, be the minimum remuneration in case of loss or inadequacy of profits in any financial year."
11. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution :
"RESOLVED THAT, pursuant to section 293(1)(a) of the Companies Act, 1956, consent be and is hereby accorded for development and/ or utilization of a portion of immovable property of the Company at Chinchwadgaon, including sheds for better purposes including sale, lease etc. thereof and the Board of Directors be and is hereby authorized to do all such acts, deeds and things for and on behalf of the Company as the board may deem fit in this behalf".

By order of the Board,

Place : Kolkata

Date : November 15, 2002

Notes :

P. K. Rajagopal
Financial Controller & Company Secretary

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER.
2. Explanatory Statement u/s 173(2) of the Companies Act, 1956, in respect of special business is enclosed.
3. Register of Members and Share Transfer Books will remain closed from Thursday December 5, to Monday December 16, 2002 (both days inclusive)

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

RESUME OF DIRECTORS

Mr. K.M.Chinnappa

Former Chairman and presently on the Board of Elpro International Limited and holding directorship & committee membership of two companies. He is closely associated with the house of TATAs, the largest Industrial house in India. Mr. Chinnappa has been with TATA for over 40 years and has held senior management positions within and outside TATA group.

Mr. R.K.Dabriwala

Harvard alumni holding several senior management positions. He is committee member of the Indian Chamber of Commerce and holding directorship of fourteen companies and committee membership in one company.

Mr. R.N.Dass

A science graduate started his career in 1945 with GE in Lahore. He has been associated with GE for over 50 years and has held several key positions, which includes heading sales and marketing of industrial products and medical equipments. He is presently holding directorship in two companies and committee membership of two companies. He was President of IGE(India)Ltd. for ten years.

Mr. S.K.Bagla

Presently Chairman and Managing Director of M/s Hanuman Tea Company Limited., and Vice President of Rotary Club of Calcutta. He was formerly President of East India Jute and Hessian Exchange Limited and Bengal National Chamber of Commerce and Industry and holding directorship of twelve companies and committee membership of two companies.

Dr. S.Ramachandran

An academician, a teacher by profession and prolific writer on the subject of management. He was past President of Delhi Management Association, past Vice President of All India Management Association. He is currently a management consultant to several prominent companies and a visiting faculty to management institutes and holding directorship and committee membership in one another company. He has over 32 years of experience in marketing and is presently Assistant Governor of Rotary International, Delhi.

Business 9 :

Please refer note no.9 to the accounts. Though ceiling for minimum remuneration was fixed by the members in their meeting held on September 28,2001, and the total payments during the year is within the said limits but as the items of perquisites stated in the resolution was item no. (i) to (vii) when the resolution passed by the members in their meeting held on September 28,1999, the perquisites were listed in item (i) to (xiii). The said error is sought to be rectified by this resolution.

Except Mr. Surbhit Dabriwala and Mr. R.K.Dabriwala, none of the directors is concerned or interested in this resolution.

Business 10 :

Though resolution no.6 was passed in 38th Annual General Meeting fixing minimum remuneration of Rs:1,50,000/- p.m., the absence of words other allowances and exclusion of certain perquisites listed which has caused the earlier resolution no. 5 which gives the impression of apparent payment in excess of limit as stated in notes no.9 to accounts. To avoid such recurrence in future, this amendment is proposed. This amendment is not enhancing the overall minimum remuneration in terms of provision of Schedule XIII to the Companies Act, 1956. Your Board recommend your approval to this resolution.

Except Mr. Surbhit Dabriwala and Mr. R.K.Dabriwala, none of the directors is concerned or interested in this resolution.

Business 11 :

Consequent to discontinuance of certain business and no plans for utilisation of a portion of the total immovable properties available with Company at Chinchwadgaon, the same could be put to use for better purposes by developing the same which could also improve , the resource mobilisation for the existing activities of the Company and or income of the Company and therefore it was thought expedient to sale , lease or otherwise dispose of portion of total immovable property at Chinchwadgaon. Pursuant to section 293(1)(a) of the Companies Act, 1956. this resolution is therefore proposed for your approval to enable the Board of the Directors to carry out the objective.

None of the directors is concerned or interested in this resolution.

By order of the Board,

Place : Kolkata

Date : November 15, 2002

P. K. Rajagopal

Financial Controller & Company Secretary

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39th Annual Report

DIRECTORS' REPORT

Your Board presents this Thirty Ninth Annual Report together with the audited statements of account for the year ended on March 31, 2002, for your approval.

1. Financial Results :

(Rs. in Lacs)

Particulars	Year ended 31.03.2002	Year ended 31.03.2001
Gross sales	5630	4839
Profit after tax	92	115
Excess provision of tax for earlier years written back	8	—
Profit of the previous years	564	528
Transfer from Investment Allowance Reserve	—	9
Transfer from Voluntary Retirement Reserve	200	—
Profit available for appropriation	864	651
Transfer to General Reserve	200	9
Dividend and tax thereon	36	78
Profit carried to Balance Sheet	628	564

2. Operations :

While Sales & Other Income for the current year increased by 9% to Rs. 5,748.15 Lacs, against Rs. 5263.12 Lacs for the previous year, operating and net profit for the year was almost same as compared to previous year.

Pursuant to introduction of Accounting Standard on " Taxes on Income " (AS-22), net deferred tax liability of Rs. 63 Lacs as on 31st March, 2001, has been adjusted from the general reserve and deferred tax liability of Rs. 6.00 Lacs been provided during the year.

3. Dividend :

Your Directors recommends a dividend of Rs.1 per share on 3,556,677 equity shares of Rs.10 each involving outgo of Rs. 36 Lacs (apprx) for the financial year ended March 31, 2002. In terms of provisions of Income Tax Act, 1961, deduction of tax at source will not be made for dividend upto Rs. 2 500/-

4. Disc Project :

State of art technology Export Oriented Unit got commissioned during the year 2001-02 and management is undertaking its efforts for increased exports.

5. Investments :

a) Elpro Packaging Limited :

Elpro Packaging Limited has maintained operations during the year and management is in the process of searching out different markets and alternative business model. As your Directors stated in previous year report that issue of revival of packaging business would be reviewed after the fifth year of its control.

b) Elpro Finance Limited :

Due to sluggishness in secondary market, Finance business has not performed during the year very well. Your Directors are constantly reviewing for restructuring of the Finance business.

c) Insurance :

Considering potential of growth in insurance business due to liberalization of insurance business and private participation, your Directors has newly contributed to the extent of 2% of the equity share capital of MetLife India Insurance Company Private Limited, a joint venture between MetLife, Inc., USA and other Indian Shareholders.

d) Your company promoted, dot com portal companies has not performed well during the year except the insurance portal wherein efforts for rendering one window insurance service is being worked out.

In order to have better control, your company during the year converted the inter corporate deposits totaling to Rs. 1,606.16 Lacs placed with different companies over the last four years into 9% Cumulative/ Non-Cumulative Redeemable Preference shares of Rs.10/- and Rs. 100/- each.

6. Sec 217 Compliance :

Earning and outgo in foreign exchange during the year under report were Rs. 626 Lacs and Rs.1,025 Lacs as against Rs. 317 Lacs and Rs. 425 Lacs respectively of previous year. Increase in earnings is due to exports from Export Oriented Unit. Increase in outgo is mainly on account of import of capital equipment and related payments thereto for setting up Export Oriented Unit for manufacture of zinc oxide discs which shall increase the exports by the Company.

During the year, Company has upgraded its technology of manufacturing of Lightning Arresters by import of zinc oxide discs manufacturing plant with state of art technological features.

None of the employees of the Company employed throughout the year were in receipt of remuneration of Rs. 24,00,000/- or more per annum or employed for part of the year were in receipt of Rs. 2,00,000/- or more per month.

Energy consumption was more or less stable during the year (4623000 KWH in units, previous year 4383140 KWH in units).

Steps taken for energy conservation includes:

- (a) Changing circuits of all furnaces from contactors to solid-state relay.
- (b) Cladding to all electric furnaces with fiber glass.

Accounts have been prepared as per applicable accounting standards, on consistent policies, reasonable judgements and estimates and going concern basis. Proper and sufficient care was taken for safeguarding assets of the Company and for preventing and detecting irregularities.

7. Code of Corporate Governance :

Code of Corporate Governance is made applicable to your Company with effect from April 1, 2001, in terms of clause 49 of the Listing agreement. A separate report on Corporate Governance along with the auditor's certificate thereon is attached hereto.

8. Employee relations :

Barring the strike in the month of July, 2001, employee relations was normal during the year.

9. Directorate :

Pursuant to Article 143(3), all directors (other than Mr. Surbhit Dabriwala) retire at the annual general meeting and, being eligible, have offered for reappointment.

10. Auditors :

M/s A.F.Ferguson & Co., Chartered Accountants, retiring auditors are eligible for re-appointment and have communicated their willingness to hold the office.

11. Explanation to the Auditors Remarks :

The view of the board on the remarks by Auditors in para 4, para 5(f) and para 5(g) of their report have been clearly expressed in the relevant notes to accounts being note no. 22 to 25, 29 and 31 which are self-explanatory.

12. Acknowledgements :

Your Directors gratefully acknowledge the support extended by shareholders, banks, government agencies, employees and all other business associates and look forward to their continued support and involvement.

For and on behalf of the Board,

R. K. Dabriwala
Chairman

Date : November 15, 2002

1) Industry structure and developments :

The company is largely dependent on the performance of State Electricity Boards and utilities. About 80% of its sales are made to the government utilities, transmission and distribution companies directly or indirectly. The process of reforms in State Electricity Boards has been started. The pace of reforms is slow albeit steady. The initiation of reforms has seen reasonable inflow of World Bank funds in different State Electricity Boards and government confidence as well as commitment is on the rise. This, in general augurs well for the industry at large.

2) Opportunities and threats :

The shortage of power coupled with inadequate high voltage transmission lines and Transmission & Distribution losses have made it inevitable for the central and state governments to take expeditious actions in this sector. Various plans have been made, commitments for investment in both generation as well as transmission sector. This will present adequate opportunity for the company to expand its role in the power sector further. The company is likely to face severe pressure on prices, as has been the trend in the past.

3) Segment-wise performance :

Good demand from the power sector, company's competitiveness in terms of cost, quality and pricing enabled the company to enhance performance substantially in surge arresters and isolators, which clubbed under the heading "Electrical Equipments" segment. Same trend was also available in metal oxide varistors because of good performance of electronic energy meters clubbed under the heading "Others" segment. However, because of the shift of electro-mechanical meters to electronic meters such trend was absent in Alnico magnets. The year 2001-2002 observed substantial increase in exports of surge arresters over the preceding years. In isolators the company made significant inroads into the markets such as Zambia, Iraq, Ghana through contractors like BHEL, CGL, etc.

4) Risks and concerns & Outlook :

Since the power reforms have been identified as one of the key programmes for implementation at central and state levels government and private spending in this sector is bound to increase consistently and therefore management does not see any major risk or concern in the long run.

5) Operational performance :

The year 01-02 saw significant improvements in the operational performance of the company. While two of its major product lines, i.e., isolators and surge arresters achieved record sales and profit levels; losses were substantially reduced in others, namely metal oxide varistors and magnets. This was achieved through better operational awareness and discipline.

6) Internal Control System & its adequacy :

Company has an adequate internal control system for safeguarding assets of the Company and preventing them from unauthorized use or disposition, however management is under constant endeavor to strengthen the same further.

7) Human resource and industrial relations :

Conscious efforts were undertaken to enhance the skill and knowledge base of the company by sending both workmen as well as managerial for training overseas. A variety of other initiatives and programmes also initiated in this direction within the company. In the 100% EOU, qualified diploma and graduate engineers were recruited with a view to create consciousness about the need of technical skills within company. On the industrial relation front the overall situation was under control except for strike that took place during the year. However, even inspite of all these difficulties the company was able to achieve its annual targets. Total strength of employees was 346.

Cautionary Statement :

Statements in this "Management's Discussion and Analysis " describing the Company's projections, estimates, expectations or predictions may constitute "forward looking statements " within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

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3rd Annual Report
REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy :

Your Company has been following philosophy of good governance policies with transparency to meet its obligation to all stakeholders in balanced and accountable manner.

2. Board of Directors :

a) Composition of board :

There are presently six Directors on the board of the Company of which two are promoter Directors and four are non-executive independent Directors.

b) Attendance of each Director at Board meetings and last Annual General Meetings :

Category	Name of Director	Status	No. of Board meetings attended	Attendance at the last AGM
Promoter	Mr. R. K. Dabriwala	NED	6	Present
Promoter	Mr. S. Dabriwala	ED	5	Present
Independent	Mr. K. M. Chinnappa	NED	5	Present
Independent	Mr. R. N. Dass	NED	5	Present
Independent	Mr. S. K. Bagla	NED	6	Present
Independent	Dr. S. Ramachandran	NED	6	Present

NED- Non executive director

ED- Executive director

c) Number of other companies or committees the director of the Company is a Director/Member/Chairman:

Name of the Director	Number of other Director-ships @	Other Board Committees	
		Member	Chairman
Mr. R. K Dabriwala	14	1	None
Mr. K.M.Chinnappa	2	2	None
Mr. R.N.Dass	2	2	2
Mr. S.K.Bagla	12	2	None
Dr. S. Ramachandran	1	1	1
Mr. S. Dabriwala	8	None	None

@ includes private limited companies.

Note : Mr. S. K. Bagla is the Chairman of one other Board.

d) Details of board meeting held during 1st April ,2001 to 31st March, 2002 :

Sr. No.	Date
1	26 th April, 2001
2	26 th July, 2001
3	20 th August, 2001
4	27 th September, 2001
5	25 th October, 2001
6	25 th January, 2002

e) Number of shares held by non-executive directors as at 31st March, 2002 :

Name	No. of shares
Mr. R.K.Dabriwala	92,167
Mr. R.N.Dass	1,609
Mr. S. K. Bagla	125

3. Audit Committee :

a) Composition, No. of Meetings and Attendance :

The Audit Committee of the Company was constituted on 25th October, 2001 with three non-executive directors, which include two independent directors. The Audit Committee meetings were held on 25th October, 2001 and 25th January, 2002 Composition, name of members and attendance during 1st April, 2001 to 31st March, 2002

Name of the Director	No. of meetings attended
Mr. S.K.Bagla, Chairman	2
Mr. R.K.Dabriwala	2
Mr. R.N.Dass	2

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ELPR The senior officials of the Company and representative of Internal Auditors were invitees to the meetings of the Audit Committee.

b) **Terms of Reference :**

The terms of reference of this Committee are wide enough covering the matters specified under the Listing Agreement.

4. **Remuneration of Directors :**

The remuneration payable to the wholetime director is approved by the members at the general meeting of the Company. Remuneration to the wholetime director consists of fixed salary and perquisites.

a) **Details of remuneration paid to the wholetime director for the period 01.04.2001 to 31.03.2002.**

(Rs. in lacs)

Name of Director	Salary & Allowances	Perquisites	Terms of appointment
Mr. Surbhit Dabriwala	3.32	9.52	5 years from 01.08.1999 to 31.07.2004

Notes :-

- 1) The above excludes accrual for gratuity and leave encashment, as it is determined on the basis of actuarial valuation for the Company as a whole.
- 2) Remuneration amounting to Rs. 32,000 is subject to approval of the members in general meeting.
- 3) Company does not have a stock option scheme.
- 4) There is no notice period and no severance fees are payable by the Company.
- 5) The wholetime director is also entitled to a commission of 1% of net profits of the Company.
- b) Remuneration to non-executive directors consists of the sitting fees.

Payments made for the period 01.04.2001 to 31.03.2002

(Rupees)

Name of Director	Sitting fees
Mr. R. K Dabriwala	24000
Mr. K.M.Chinnappa	20000
Mr. R.N.Dass	42000
Mr. S.K.Bagla	24000
Dr. S. Ramachandran	24000

5. **Shareholders/Investors Grievance Committee :**

a) **Composition :**

The existing " Share Transfer Committee" was reconstituted as " Shareholders/Investors Grievance Committee" on 4th April, 2001, with Mr. R.N.Dass as Chairman and Mr. Surbhit Dabriwala as member of the committee. The Committee meets to approve transfer, transmission, consolidation, sub-division, issue of duplicate certificates, request for dematerialisation of the Company's shares, redressing of investors' complaints, etc . During the year under report, 23 meetings were held.

b) **Compliance Officer :**

Mr. P. K. Rajagopal- Financial Controller & Company Secretary

c) **Complaints :**

17 Complaints were received during the year under review. As on 31st March, 2002, 6 complaints were pending redressal. As of date, all the complaints have been solved to the satisfaction of shareholders except one complaint, which will be solved in due course of time.

d) **Pending share transfers :**

The number of share transfers received during the year under review and which are pending are Nil.