



**ELPRO INTERNATIONAL LTD.**

**43RD ANNUAL REPORT 2005-2006**

**BOARD OF DIRECTORS**

Mr. R. K. Dabriwala - *Chairman*

Mr. R. K. Choudhury

Dr. S. Ramachandran

Mr. R. A. Redkar

Mr. Sharat Anand

Mr. Surbhit Dabriwala - *Whole-time Director*

**KEY MANAGEMENT EXECUTIVES**

Mr. Madhav Srinivasan - CEO (*Pune Operation*)

Mr. Manoj Mehandru - Business Head - Realty Division

**AUDITORS**

M/s RSM & Co.

Chartered Accountants

**BANKS**

Bank of India

The United Western Bank Limited

Bank of Baroda

Central Bank of India

**SHARE TRANSFER AGENT**

Sharex Dynamic (India) Pvt. Ltd.

Unit No. 1, Luthra Ind. Premises,

Safed Pool,

Andheri Kurla Road,

Andheri (E)

Mumbai 400 072

**REGISTERED OFFICE**

"NIRMAL" 17th Floor,

Nariman Point,

Mumbai 400 021

**NOTICE OF THE 43RD ANNUAL GENERAL MEETING**

Notice is hereby given that 43<sup>rd</sup> Annual General Meeting of the Company will be held on Monday, 25<sup>th</sup> day of September, 2006, at 11.30 a.m. at Walchand Hirachand Hall, Indian Merchants' Chamber, Churchgate, Mumbai - 400 020 to transact the following business:

**Ordinary Business:**

1. To consider and adopt the Audited Balance Sheet of the company as at 31<sup>st</sup> March, 2006 and Profit and Loss account for the year ended on that date and the Report of the Auditors' and Directors' thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. R. K. Dabriwala who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R. K. Choudhury, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s RSM & Co., Chartered Accountants, as the auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

**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** Mr. Sharat Anand who was appointed as an Additional Director of the Company effective January 27, 2006 under Articles of Association of the Company and who holds office under Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."

By order of the Board of Directors

Place : Mumbai  
Date : 01.07.2006

R. A. Redkar  
Director

## NOTES:

- a. **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.** In order to become valid, the proxy forms should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
- b. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.
- c. The Register of Members and Share Transfer Books will remain closed from **15<sup>th</sup> September, 2006 to 25<sup>th</sup> September, 2006**, (both days inclusive).
- d. The dividend on Equity Shares if declared at the Annual General Meeting, will be paid on or after 25<sup>th</sup> September, 2006 to those Shareholders whose names appear on the Company's Register of Members as on the opening hours of 15<sup>th</sup> September, 2006.
- e. Pursuant to provisions of Section 205A of the Companies Act 1956, as amended, the unpaid dividends for the financial year 1998-99 and thereafter which remain unpaid / unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund constituted in terms of Section 205C of the Companies Act, 1956.
- f. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agents **M/S. Sharex Dynamic (India) Private Limited Unit No. 1, Luthra Industrial Premises, Safed Pool, Andheri Kurla Road, Andheri (East), Mumbai - 400 072.** Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 6:**

Mr. Sharat Anand was appointed as an additional director of the Company by the board of directors on 27.01.2006 to hold office upto the conclusion of this annual general meeting. Mr. Sharat Anand has a Master's degree in Business Administration from Delhi University and thereafter attended GBC Programme conducted by London Business School, UK. He has over 20 years of experience as an International Banker with extensive assignments overseas and in India. Mr. Sharat Anand has spent considerable period as the Deputy CEO and Country Treasurer of foreign banks in India. The company has received notice under Section 260 of the Companies Act, 1956 from a member of the Company proposing his candidature as a director of the company liable to retire by rotation in terms of the Articles of Association of the Company. Except Mr. Sharat Anand, none of the Directors of the Company is concerned or interested in this resolution.

By order of the Board of Directors

Place : Mumbai  
Date : 01.07.2006

R. A. Redkar  
Director

**PARTICULARS OF DIRECTORS IN TERMS OF LISTING AGREEMENT:****Mr. R. K. Dabriwala**

Harvard alumni holding several senior management positions. He is holding directorship of nine 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 management consultant to several prominent companies and a visiting faculty to management institutes and holding directorship and also Chairmanship of the three committees in Pearl Polymers Ltd. He is also a Director of M/s. Indo Asian Fusegear Ltd. He has over 30 years experience in marketing and is presently Assistant Governor of Rotary International, Delhi.

**Mr. R. K. Choudhury**

Mr. Choudhury is an Advocate with over 40 years of experience and was a senior partner of M/s Khaitan & Co., Advocates, Kolkatta. He is Chairman of four companies and director of ten other Companies.

**Mr. R. A. Redkar**

Mr. R.A. Redkar is an Engineer and has more than 38 years of experience in the Industry and represented Elpro Group for more than 15 years in various senior management positions. He is a director of six Companies and presently, he is President of IGE (India) Limited.

**Mr. Sharat Anand**

Mr. Sharat Anand has a Master's degree in Business Administration from Delhi University and thereafter attended the GBC Programme conducted by London Business School, UK and has over 20 years of experience as an International Banker with extensive assignments overseas and in India and he was a Deputy CEO and Country Treasurer for a considerable period in foreign banks in India.

By order of the Board of Directors

Place : Mumbai  
Date : 01.07.2006

R. A. Redkar  
Director

Dear Shareholders,

The Directors present the 43rd Annual Report together with the audited balance-sheet and profit and loss account for the year ended March 31, 2006.

### 1. Financial Results:

Particulars	(Rs. in Lacs)	
	Year ended 31.03.2006	Year ended 31.03.2005
<b>Gross sales &amp; services</b>	<b>6423</b>	<b>5932</b>
Profit /(Loss) Before Tax and Exceptional Items	235	149
Provision for doubtful loans, advances and diminution in the value of investments (/)written back	—	64
Excess provision for tax of earlier years written back	—	85
Provision for Taxation	18	17
MAT Credit	(18)	—
Provision for Deferred Tax	(92)	25
Fringe Benefit Tax	21	—
<b>Profit/ (loss) After Tax</b>	<b>306</b>	<b>256</b>
Profit brought forward from previous year	243	260
Profit available for appropriation	549	516
Dividend-Proposed	36	36
Dividend Tax on proposed dividend	5	5
Transfer to General Reserve	150	232
<b>Balance carried to Balance Sheet</b>	<b>358</b>	<b>243</b>

### 2. Operations:

The top-line during the year stood at Rs. 6423 Lacs as compared to Rs. 5932 Lacs in the previous year. The Company could improve the operational income by improving its performance in the international markets despite, severe competition, margin pressures. The Company continued value engineering and cost reduction efforts, which has resulted in profitability. During the year, the company has scaled-up the real estate and property development operations; and installed and commissioned a windmill of 0.8 MW in the Chitradurga District, State of Karnataka. Further, the Company has also been looking for attractive investment opportunities.

### 3. Dividend:

Your Directors are pleased to recommend a dividend of Re. 1/- per Equity Share on 35,56,677 Equity shares of Rs. 10 each for the financial year ended 31<sup>st</sup> March, 2006, which if approved at the forthcoming Annual General Meeting, will be paid to the registered members as on the book closure date.

### 4. Directors:

In accordance with Articles of Association of the Company, Mr. R. K. Dabriwala and Mr. R. K. Choudhury retire by rotation as Directors at the ensuing Annual General Meeting and are being eligible for re-appointment. Further, Mr. Sharat Anand is being proposed to the office of Director under Section 260 of the Companies Act, 1956.

The Board of Directors deeply felt, the sad demise of Mr. A. S. Kajiji, Director. The Board placed on record its appreciation of the valuable contributions made by Mr. A. S. Kajiji.

### 5. Auditors:

The auditors M/s. RSM & Co., Chartered Accountants, retire at the conclusion of the ensuing annual general meeting and are eligible for re-appointment. The Audit Committee of the Board recommends the re-appointment of M/s. RSM & Co., as Auditors for a further period of one year.

### 6. Sale of Isolator Manufacturing Division at Hyderabad:

For last couple of years, the Isolator Division has been facing severe competition in terms of input costs and margins both in domestic and international markets. Therefore the Board, keeping in view the long-term viability of the Isolator Business proposed to transfer/sell this division to those player(s) who would invest in R & D and technical support.

Under Section 293(1)(a) of the Companies Act, 1956, as amended, the shareholders have approved the proposal for sale of Isolator Division of the Company to M/s Siemens Ltd., through Postal Ballot process, result of which was declared on March 23, 2006.

The Board would like to inform that on May 3, 2006, the division has been transferred/ sold for a consideration of about Rs. 2500 lacs.

**7. Capital Reduction:**

In view of the proposed sale of Isolator Manufacturing Division located at Hyderabad and in the absence of growth opportunities in near term resulting in surplus cash flow, the Board of Directors considered the reduction of share capital in accordance with Section 100 of the Companies Act, 1956 is the only practically and economically efficient legal options available to the Company to return capital to its shareholders.

Under Section 100 of the Companies Act, 1956, as amended, the shareholders have approved capital reduction to the extent of twenty-five percent of paid-up Equity Share Capital of the Company through Postal Ballot process, result of which was declared on March 23, 2006.

**8. Personnel:**

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.

**9. Conservation of Energy, Technology Absorption etc.:****a) Conservation of Energy:**

During the year under review, the energy consumption was 2778944 (including 269275 own generation through DG) KWH in units as against 2813130 (including 437475 own generation through DG) KWH in the previous year. Steps taken for energy conservation, inter alia, include the following:

- Maintaining the power factor to unity inspite of variable load.

**b) Technology Absorption:**

During the year, the Company has imported the technology from M/S. Alpha Electro Technology of Switzerland in respect of a component used in the manufacture of Isolators.

The Company has fully absorbed this technology during the year.

**10. Foreign Exchange Earnings and Outgo:**

Earning and outgo in foreign exchange during the year under review were Rs. 1116.92 lacs and Rs. 220.10 Lacs against Rs. 1065.82 lacs and Rs. 143.07 lacs respectively in the previous year.

**11. Directors Responsibility Statement:**

As required under Section 217(2AA) of the Companies Act, 1956, it is hereby stated that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (b) we have selected such accounting policies and applied them consistently and made judgments 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;
- (c) we 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; and
- (d) we have prepared the annual accounts on a going concern basis.

**12. Code of Corporate Governance:**

In terms of clause 49 of the Listing agreement with Stock Exchanges, a separate report on Corporate Governance along with the auditors' statement thereon is attached hereto.

**13. Industrial Relations:**

Employee relations were by and large satisfactory.

**14. Explanation to the Auditors Remarks:**

The view of the Board on the remarks by the Auditors in para 4(f) of their report have been clearly expressed in the notes to accounts vide Note no. 17(a).

**15. Acknowledgements:**

Your Directors wish to place on record their sincere appreciation of the assistance and support extended by Customers, Employees, Banks, Governments, Vendors, Shareholders and others associated with the activities of the Company and look forward to their continued support.

For and on behalf of the Board of Directors

Place : Kolkata  
Date : 30.6.2006

R. K. Dabriwala  
Chairman

**1. Industry structure and developments:**

The Company is largely dependent on the performance of State Electricity Board. Despite passing of the Electricity Bill and reform process, demand situation has not improved considerably which is affecting the activity of the Company. Though the exports have shown significant improvement, it would take some more time to stabilize.

**2. Opportunities & Threats:**

New investments in power sector shall provide opportunity for better performance of the Company. Imports particularly from China is a threat on the pricing of the products of the Company.

**3. Segmentwise performance:**

Surge arrestors and Isolators, due to improvement in quality and cost control, showed reasonable performance. The Company is continuing its efforts to penetrate export market. Varistors is under margin pressure due to imports. During the year, the Company has improved business activities relating to real estate and property development operations.

Further, a windmill of 0.8 Mw was installed and commissioned in the Chitradurga District, State of Karnataka.

**4. Risks & Concerns and outlook:**

Your Company continues its efforts to produce good quality products at lower cost by taking all steps to retain the market share.

**5. Internal control system & its adequacy:**

Company has adequate internal control system for safeguarding assets of the Company and preventing them from unauthorized use or disposition. However the management is being regularly guided by the Audit Committee, which review the systems. The Company has been taking steps for further strengthening of controls.

**6. Human Resource and Industrial relations:**

Employee relations were by and large satisfactory.

**CAUTIONARY STATEMENT:**

Statements in this "Managements discussion and analysis report" 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.



**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 seven Directors on the Board of the Company of which two are Promoter Directors and four are Non-Executive who are Independent Directors.

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

Name of Director	Category	Status	No. Board Meetings attended	Attendance at the last AGM
Mr. R. K. Dabriwala	Promoter	NED	6	Present
Mr. R. K. Choudhary	Independent	NED	4	Not Present
Mr. R. A. Redkar	Independent	NED	6	Present
Dr. S. Ramchandran	Independent	NED	6	Present
Mr. S. Dabriwala	Promoter	ED	6	Present
Mr. Adil S. Kajiji #	Independent	NED	5	Present
Mr. S. K. Bagla *	Independent	NED	3	Not Present
Mr. Sharat Anand **	Independent	NED	1	Not Present

NED - Non Executive Director

ED - Executive Director

# Died in December 2005

\* Ceased as a Director w.e.f. 26<sup>th</sup> September, 2005

\*\* Appointed as an Additional Director with effect from 27<sup>th</sup> January, 2006

**c) Number of other Companies and Committees, the Director of the Company is a Director/Member/Chairman:**

Name of Director	Number of other Directorships @	Other Board Committees	
		Member	Chairman
Mr. R. K. Dabriwala	9	None	None
Mr. R. K. Choudhary	10	4	4
Mr. R. A. Redkar	6	None	None
Dr. S. Ramachandran	9	3	3
Mr. S. Dabriwala	4	None	None
Mr. Adil S. Kajiji #	6	None	None
Mr. S. K. Bagla *	2	None	None
Mr. Sharat Anand **	None	None	None

@ includes private limited companies

# Died in December 2005

\* Ceased as a Director w.e.f. 26<sup>th</sup> September, 2005

\*\* Appointed as an Additional Director with effect from 27<sup>th</sup> January, 2006

**d) Details of Board Meeting held during 1st April, 2005 to 31st March, 2006**

Sr. No.	Date
1.	29th April, 2005
2.	29th June, 2005
3.	29th July, 2005
4.	26th September, 2005
5.	27th January, 2006

e) Number of shares held by non-executive directors as at 31st March, 2006:

Name of the Director	No. of Shares
Mr. R. K. Dabriwala	54067

### 3) Audit Committee:

a) Composition, No. of Meetings and Attendance:

The Audit Committee of the Company comprised of three Independent, Non-Executive Directors. The Audit Committee meetings were held on 29<sup>th</sup> April, 2005, 29<sup>th</sup> June, 2005, 29<sup>th</sup> July, 2005, 29<sup>th</sup> October, 2005 and 27<sup>th</sup> January, 2006. The details of attendance are stated below:

Name of the Director	No. of Meetings Attended
Dr. S. Ramachandran, Chairman	5
Mr. R. A. Redkar	5
Mr. A. S. Kajiji#	1
Mr. S. K. Bagla*	3
Mr. Sharat Anand**	1

# Died in December 2005

\* Ceased as a Director w.e.f. 26<sup>th</sup> September, 2005

\*\* Appointed as an Additional Director with effect from 27<sup>th</sup> January, 2006

The senior officials of the Company and representative of 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 Committee:

a) Composition, No. of Meetings and Attendance:

The Remuneration Committee comprised of three Independent, Non-Executive Directors. The Remuneration Committee meeting was held on 29<sup>th</sup> June, 2005. The details of attendance are stated below:

Name of the Director	No. of Meetings attended
Dr. S. Ramachandran, Chairman	1
Mr. R. A. Redkar	1
Mr. A. S. Kajiji*	1
Mr. Sharat Anand#	—

\* Died in December, 2005.

# Appointed as a member of Remuneration Committee with effect from 27<sup>th</sup> January, 2006

b) Terms of Reference:

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

c) Remuneration of Directors:

The remuneration payable to the Whole-Time Director is recommended by the Remuneration Committee and then approved by the Board of Directors & members at the General Meeting of the Company. Remuneration to the Whole-Time Director consists of fixed salary and perquisites.

Details of remuneration paid to the whole-time director for the period 01.04.2005 to 31.03.2006

Name of Director	Salary & Allowances	Perquisites	Terms of appointment
Mr. Surbhit Dabriwala	Rs. 5.00 Lacs	Rs. 8.34 Lacs	26 months from 01.08.2005 to 30.09.2007

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. Company does not have a stock option scheme.
3. There is no notice period and no severance fees are payable by the company.
4. The whole-time director is also entitled to a commission of 1% of net profits of the Company.