



ELPRO INTERNATIONAL LTD.

42ND ANNUAL REPORT 2004-2005

BOARD OF DIRECTORS

Mr. R. K. Dabriwala - *Chairman*

Mr. S. K. Bagla

Mr. R. K. Choudhary

Dr. S. Ramachandran

Mr. A. S. Kajiji

Mr. R. A. Redkar

Mr. Surbhit Dabriwala - *Whole-time Director*

KEY MANAGEMENT EXECUTIVES

Mr. N. Subramanian - Sr. VP (*SMC Division, Hyderabad*)

Mr. Madhav Srinivasan - VP (*Pune Division*)

Mr. R. S. Balasubramanyam - CFO & Company Secretary

Mr. Manoj Mehendru - Business Head - Realty Division

AUDITORS

M/s RSM & Co.

Chartered Accountants

BANKS

Bank of India

The United Western Bank Limited

State Bank of Hyderabad

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 42ND ANNUAL GENERAL MEETING

Notice is hereby given that 42nd Annual General Meeting of the Company will be held on Monday 26th day of September, 2005, 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 31st March, 2005 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. Dabhiwala who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. S. Ramachandran, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. R. K. Choudhary, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. A. S. Kajji, who retires by rotation and being eligible, offers himself for re-appointment.
7. 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:

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 "RESOLVED THAT Mr. R. A. Redkar who was appointed as an Additional Director of the Company effective April 29, 2005 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."
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution
 "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956, or any amendment or modification thereof, read with Schedule XIII of the said Act, and subject to such other consents/approvals as may be required, the re-appointment of Mr. Surbhit Dabhiwala as a Whole-time Director of the Company be and is hereby approved for a further period of 26 months with effect from August 1, 2005 at the following remuneration :

a. Salary Rs. 50,000/- per month	b. Rent free furnished accommodation
c. Re-imbursement of medical expenses for self and family	d. Leave Travel Concession for Self and Family once in a year
e. Club Fees	f. Personal accident and medical insurance
g. Free gas, electricity and furnishings	h. Reimbursement of expenses on servants at residence
i. Contribution to Provident, Superannuation and Gratuity Fund as per Company Rules	j. Leave with pay as per Company's rules
k. Car with driver for use on Company's business	l. Telephone at residence for official purpose

Commission: 1% of net profit of the Company

FURTHER RESOLVED THAT aggregate of salary and perquisites mentioned at "a to l" be paid to Mr. Surbhit Dabhiwala as minimum remuneration in case of loss or inadequacy of profits in any financial year, subject to the ceiling as per Schedule XIII of the Companies Act, 1956."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL** resolution.

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article 143(3) is hereby replaced with the new Article 143(3) as under:

Article 143 (3): Directors to retire annually how determined:

At the first General Meeting of the Company all the Directors of the Company are liable to retire by rotation and at every subsequent annual general meeting, one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then, the number nearest to one-third, shall retire from office."

By order of the Board of Directors

Place: Mumbai
Date: 18.08.2005

R. S. Balasubramanyam
CFO & Company Secretary

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 **19th September, 2005 to 26th September, 2005**, (both days inclusive).
- d. The dividend on Equity Shares if declared at the Annual General Meeting, will be paid on or after 26th September, 2005 to those Shareholders whose names appear on the Company's Register of Members as on the opening hours of 19th September, 2005.
- e. Pursuant to provisions of Section 205A of the Companies Act 1956, as amended, the unpaid dividends for the financial year 1997-98 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. 8:**

Mr. R. A. Redkar was appointed as an additional director of the Company by the board of directors on 29.04.2005 to hold office upto the conclusion of this annual general meeting. 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. The company has received notice under Section 257 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. R. A. Redkar, none of the Directors of the Company is concerned or interested in this resolution.

Item No. 9:

The Members would re-call that in the previous Annual General Meeting, Mr. Surbhit Dabriwala, Whole-time Director, informed that he will seek their approval for increase in the remuneration if the performance of the company is improved. Thus, it is evident from the Annual Account that the performance of the Company has improved over previous year.

The members would further re-call that Mr. Surbhit Dabriwala was reappointed as a Whole-time Director of the Company as on August 1, 2004 for a period of 1 year and keeping in view of the significant contribution made by Mr. Surbhit Dabriwala in the areas of growth and development of the Company and also based on the recommendation of the Remuneration Committee, the Board of Directors re-appointed him for a further period of 26 months with effect from August 1, 2005 subject to the approval of the Members on such terms and conditions as set out in the resolution.

Under the provisions of Sections 198, 269, 309 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956, consent of the Members of the Company is required for the re-appointment of and fixation of remuneration payable to the Whole-time Director. The Board of Directors is of the view that the remuneration package is very reasonable commensurate with the operations of the Company. The Board accordingly, commend the resolution for approval of the Members as an ordinary resolution.

None of the Directors of the Company other than Mr. Surbhit Dabriwala and Mr. R. K. Dabriwala, Chairman, being a relative, may be deemed to be concerned or interested in the resolution.

Item No. 10:

Presently, the Article 143(3) of Articles of Association (AOA) of the Company, inter alia, provides for the retirement of all such directors as are liable to retire by rotation in the subsequent annual general meeting. Therefore, the AOA of the Company are proposed to be amended by incorporating that one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then, the number nearest to one-third, shall retire from office in the subsequent annual general meeting.

The resolution in respect of this item is proposed as a Special Resolution as per the provisions of Section 31 of the Companies Act 1956. The Directors recommend the proposed amendment for your approval.

A copy of the present Articles of Association of the Company, as well as draft copy as it will appear after the proposed amendment will be open for inspection by the shareholders at the Registered office of the Company between 11.00 a.m. to 1.00 p.m. on any working day.

None of the Directors of Company is concerned or interested in the resolution.

By order of the Board of Directors

Place: Mumbai
Date: 18.08.2005

R. S. Balasubramanyam
CFO & Company Secretary



PARTICULARS OF DIRECTORS IN TERMS OF LISTING AGREEMENT:

Mr. R. K. Dabrlwala

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. Choudhary

Mr. Choudhary is an Advocate with over 40 years of experience and is a senior partner of M/s Khaitan & Co., Advocates, Kolkata. He is Chairman of 4 companies and director of 12 other Companies.

Mr. A. S. Kajiji

Mr. Adil Saifuddin Kajiji is an Advocate and Solicitor with 45 years of experience and is presently a Senior Associate with M/s. Gagrut & Co., Advocates, Solicitors and Notaries. He is a Director in four Companies and he is on the Managing Committee of Various sports clubs and educational institutions. He was also a President of Rotary Club of Bombay Mid-Town.

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 four Companies and presently, he is President of IGE (India) Limited.

Place: Mumbai
Date: 18.08.2005



By order of the Board of Directors

R. S. Balasubramanyam
CFO & Company Secretary

Dear Shareholders,

The Directors present the 42nd Annual Report together with the audited balance-sheet and profit and loss account for the year ended March 31, 2005.

1. Financial Results:

Particulars	(Rs. in Lacs)	
	Year ended 31.03.2005	Year ended 31.03.2004
Gross sales & services	5932	5733
Profit/(Loss) Before Tax and Exceptional Items	149	87
Provision for doubtful loans, advances and diminution in the value of investments ()/written back	64	(1267)
Excess provision for tax of earlier years written back	85	884
Provision for Taxation	17	—
Provision for Deferred Tax	25	(57)
Profit/(loss) After Tax	256	(239)
Profit brought forward from previous year	260	499
Profit available for appropriation	516	260
Dividend-Proposed	36	—
Dividend Tax on proposed dividend	5	—
Transfer to General Reserve	232	—
Balance carried to Balance Sheet	243	260

2. Operations:

The top-line during the year stood at Rs. 5932 lacs as compared to Rs. 5733 lacs in the previous year. The Company could improve the operational income by substantially improving its performance in the international market despite, severe competition, margin pressures and discontinuation of Magnet business. Further, during the year, the Company continued value engineering and cost reduction efforts. All these continual efforts resulted in profitability.

During the year, the company has started focusing on the real estate and property development business and plan to scale-up the operations in the immediate future. Besides, 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 31st March, 2005, which if approved at the forthcoming Annual General Meeting, will be paid to the registered members as on the book closure date.

4. Directors:

Pursuant to Article 143(3), all Directors (other than Mr. Surbhit Dabriwala) retire at the Annual General Meeting, and being eligible, have offered themselves (except Mr. S. K. Bagla) for re-appointment. Further, Mr. R. A. Redkar is being proposed to the office of Director under Section 257 of the Companies Act, 1956.

Mr. R. N. Dass, Director, resigned with effect from 29.04.2005. Further, the Company has received a letter from Mr. S. K. Bagla, Director expressing his desire not to seek re-appointment at the ensuing Annual General Meeting. The Board places on record its appreciation of the contributions made by these outgoing Directors.

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. 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.

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

During the year under review, the energy consumption was 2813130 (including 437475 own generation through DG) KWH in units as against 2713898 KWH in the previous year. The increased consumption was mainly due to severe power fluctuations/shortages resulted in increased use of DG. Steps taken for energy conservation, inter alia, include the following:

- i) Maintaining the power factor to unity inspite of variable load.
- ii) To install energy efficient lightening.

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.

8. Foreign Exchange Earnings and Outgo:

Earning and outgo in foreign exchange during the year under review were Rs. 1065.82 lacs and Rs. 143.07 lacs as against Rs. 624.55 lacs and Rs. 128.13 lacs respectively in the previous year.

9. 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 and 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.

10. 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.

11. Industrial Relations:

Employee relations were by and large satisfactory.

12. 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).

13. Acknowledgments:

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: Mumbai
Date: 18.8.2005

R. K. Dabriwala
Chairman

1. Industry structure and developments:

The Company is largely dependent on the performance of State Electricity Boards. 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. The Company discontinued its Magnet division operations, in view of continuing losses. During the year, the Company has forayed into Real Estate Segment.

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 "Management 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 five are Non-Executive 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	5	Present
Mr. R. K. Choudhary	Independent	NED	3	Not Present
Mr. R. N. Dass	Independent	NED	5	Present
Mr. S. K. Bagla	Independent	NED	5	Present
Dr. S. Ramchandran	Independent	NED	5	Present
Mr. S. Dabriwala	Promoter	ED	5	Present
Mr. Adil S. Kajiji	Independent	NED	4	Present

NED - Non Executive Director

ED - Executive Director

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	12	4	4
Mr. R. N. Dass	1	None	None
Mr. S. K. Bagla	6	None	None
Dr. S. Ramachandran	2	3	3
Mr. S. Dabriwala	10	None	None
Mr. Adil S. Kajiji	4	None	None

@ includes private limited companies

d) Details of Board Meeting held during 1st April, 2004 to 31st March, 2005

Sr. No.	Date
1	24th April, 2004
2	13th August, 2004
3	27th September, 2004
4	30th October, 2004
5	29th January, 2005

e) Number of shares held by non-executive directors as at 31st March, 2005:

Name of the Director	No. of Shares
Mr. R. K. Dabhiwala	54167
Mr. R. N. Dass	2037
Mr. S. K. Bagla	125

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 24th April, 2004, 13th August, 2004, 30th October, 2004 and 29th January, 2005, details of attendance are stated below:

Name of the Director	No. of Meetings Attended
Mr. S. K. Bagla, Chairman	4
Mr. R. N. Dass	4
Dr. S. Ramachandran	4

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 was formed during the year comprising of three Independent, Non-Executive Directors. The Remuneration Committee meeting was held on 13th August, 2004 where all the members were present.

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 remuneration committee and then approved by the Board of Directors & members at the annual 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 01.04.2004 to 31.03.2005

Name of Director	Salary & Allowances	Perquisites	Terms of appointment
Mr. Surbhit Dabhiwala	Rs. 3.81 Lacs	Rs. 7.64 Lacs	1 Year from 01.08.2004 to 31.07.2005

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.