

**Annual Report
2016-17**



Fedders Electric and Engineering Limited

(Formerly known as Fedders Lloyd Corporation Limited)

Our Vision

Corporate Purpose

Comfort in Environment

Corporate Philosophy

Reliability

Corporate Mission

Profitable Operations, Integrity in thought and action, concern for people & human values

Corporate Style

Participative Management

Corporate Goal

Leadership through Innovation

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Corporate Information

Board of Directors

Mr. Brij Raj Punj	Chairman & Managing Director
Mr. Sham Sunder Dhawan	Whole-time Director
Mr. Akhter Aziz Siddiqi	Whole-time Director & CFO <i>(Appointed as Whole-time Director w.e.f. 9th February, 2017)</i>
Mr. Arun Kumar Joshi	Independent Director
Mrs. Bindu Dogra	Independent Director
Mrs. Ritushri Sharma	Independent Director

Company Secretary & Compliance Officer

Mr. Pulkit Bhasin

Statutory Auditors

M/s. Suresh C. Mathur & Co.
Chartered Accountants, New Delhi

Secretarial Auditors

Mr. Sanjay Chugh
Practicing Company Secretary

Cost Auditors

M/s. Jain Sharma and Associates
Cost Accountants

Registrar & Share Transfer Agent

M/s. Skyline Financial Services Private Limited
D-153A, Okhla Industrial Area,
Phase-I, New Delhi-110020

Registered Office

6 and 6/1, UPSIDC Industrial Area,
Sikandrabad, District
Bulandshahr-203205, Uttar Pradesh, India

Corporate Office

159, Okhla Industrial Estate,
Phase-III, New Delhi-110020

Bankers

Axis Bank Limited
Central Bank of India
ICICI Bank Limited
Karnataka Bank Limited
Punjab National Bank
Standard Chartered Bank
State Bank of India

Manufacturing Plants

1. Plot No. 6 and 6/1, UPSIDC Industrial Area, Sikandrabad, Uttar Pradesh-203205
2. C-4, Phase-II, District Gautam Budh Nagar, Noida, Uttar Pradesh-201305
3. 836,837, Jambusar-Bharuch Road, Village-Magnad, District Bharuch, Gujarat-392150
4. Saketi Road, Industrial Area, Kala Amb, Tehsil Nahan, District Sirmor, Himachal Pradesh
5. Plot No. 24, Sector 2, IIE Pantnagar, District Udham Singh Nagar, Uttarakhand
6. Plot Nos. S-23 & S-24, Phase-III, SIPCOT Industrial Complex, Mukundarayapuram, District Vellore, Ranipet, Tamil Nadu-632405
7. Ind. Area, Park-2, Salempur, Mehdood, Near SIDCUL, Haridwar, Uttarakhand

Overseas Subsidiary

Fedders Lloyd Trading FZE
P.O. Box 331007, Ras Al Khaimah,
United Arab Emirates

Fedders Lloyd Nigeria Limited
Plot No. 1392,
Cadastral Zone B2,
Katampe District,
Abuja, Nigeria

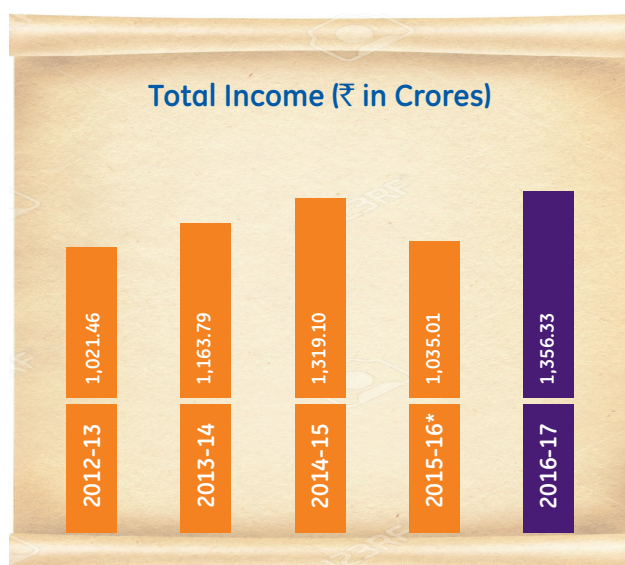
Visit us at : www.fedderselectric.com

FINANCIAL HIGHLIGHTS

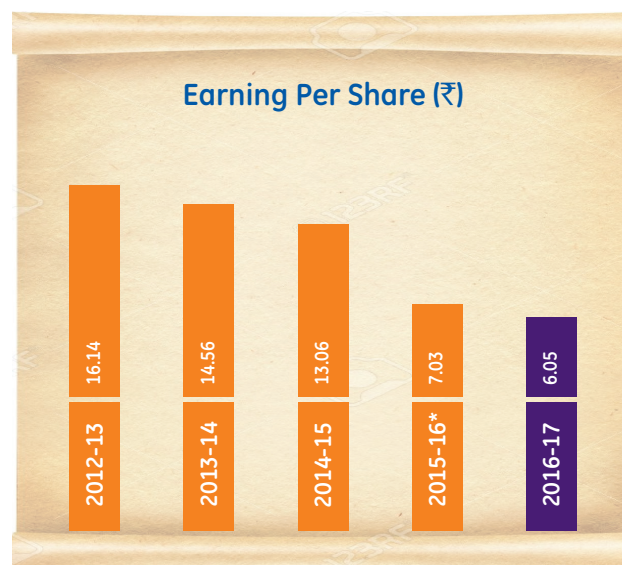
(₹ in Crores)

Particulars	2016-17	2015-16 (Nine Months Period ended 31 st March, 2016)	2014-15	2013-14	2012-13
Total Income	1,356.33	1,035.01	1,319.10	1,163.79	1,021.46
Profits before Interest, Tax, Depreciation and Amortization (EBITDA)	108.93	98.06	136.43	151.21	133.55
Profit Before Tax	31.15	39.28	59.46	64.92	61.87
Profit After Tax	20.56	21.58	40.18	44.81	49.65
Total Assets	1,198.48	1,187.26	1,204.07	1,076.21	948.20
Equity Share Capital	33.97	30.77	30.77	30.77	30.77
Reserves & Surplus	424.45	383.90	365.18	328.72	288.39
Earning Per Share (In ₹)	6.05	7.03	13.06	14.56	16.14
Dividend Per Share (In ₹)	1.00	0.75	1.00	1.00	1.00

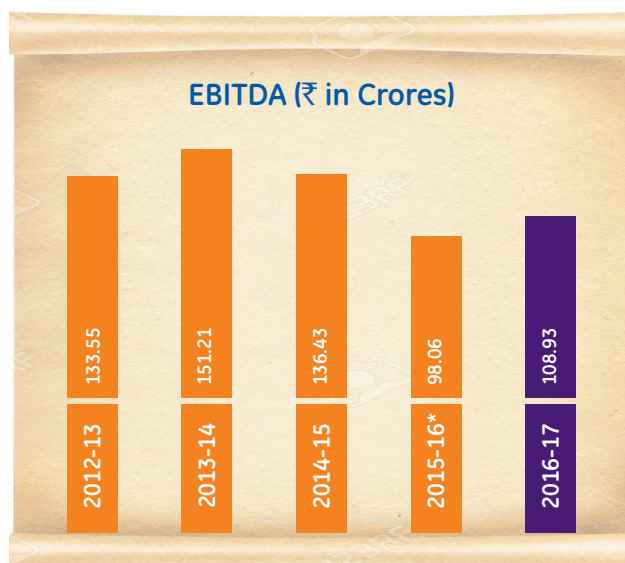
Total Income (₹ in Crores)



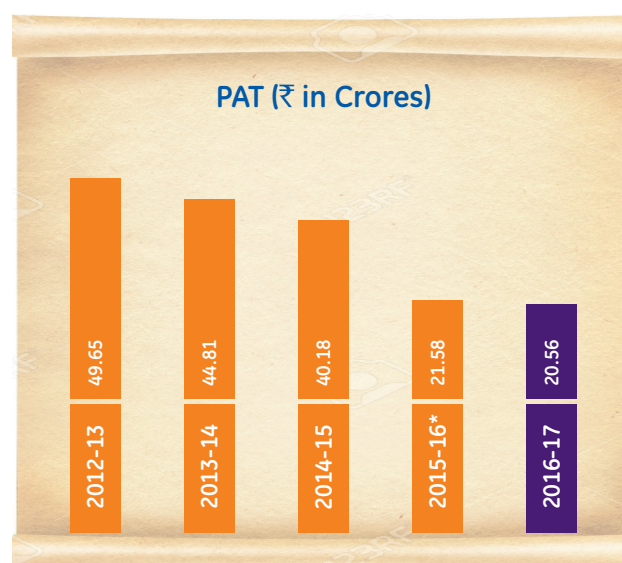
Earning Per Share (₹)



EBITDA (₹ in Crores)



PAT (₹ in Crores)

*Figures for 9 (nine) months period ended 31st March, 2016



I firmly believe that we are undergoing a transformation for the progressive growth and we will deliver to our shareholders a stronger future, based on the foundation of our past legacy.

CHAIRMAN'S MESSAGE

Dear Shareholders,

I have great pleasure in sharing with you the insights of the continued positive momentum of your Company when the performance boundaries were further stretched by another notch last year. The revival in the domestic market due to the Government's increased investments in infrastructure allowed your Company to perform moderately well in spite of the challenging domestic scenario and disappointing global economic scenario. However, the year gone by saw events as an economic cleansing as far as India's growth story is concerned. From making deadline for long awaited Goods and Service Tax (GST) to sudden shocker of Demonetization, Indian government asserted blunt to deliver time bound along with hard hitting reforms to make India's economy vigorous to attain robust economic growth. Demonetization remains the boldest reform and the government claims that it definitely will bring long-term benefits at the cost of short-term setbacks. India overtook China as the fastest growing major economy in the world amid a failing global economy; India's GDP grew further to 7.3 per cent, retaining the fastest growing economy title. Globally, the US elections, referendums in Britain and Italy, rise of populism across Europe etc. led to an increased uncertainty across the globe.

The Indian economy across the last year has demonstrated a high order of resilience and remains an island of stability amidst global volatility. Meanwhile, the Government has initiated a number of structural reforms whose positive outcomes should be tangible in long term growth. The Government's increased emphasis on infrastructure development through a number of flagship programmes has been widely welcomed. The Government has taken numerous steps to boost industrial development, capital formation and employment generation in the country. These, inter-alia, include, 'Make in India', 'Startup India' initiatives and 'Ease of Doing Business'. Steps taken to improve ease of doing business include simplification and rationalisation of existing rules and introduction of information technology, setting up of an Investor Facilitation Cell, launch of e-biz Portal and liberalising policy for industrial license for defence industries.

I am pleased to inform that your Company is highly optimistic for growth in its profitability. Despite such demanding conditions, your Company was able to clock Total Revenue of ₹ 1,356.33 Crores and recorded Net Profit of ₹ 20.56 Crores during the Financial Year ended 31st March, 2017. With a consistent view to reward our shareholders, the Board of Directors of the Company has proposed a dividend of ₹ 1.00 per share for the FY 2016-17 which is subject to your approval at the forthcoming AGM.

The Company's group entity namely LEEL Electricals Limited (Formerly Lloyd Electric & Engineering Ltd.) ("LEEL") has sold its consumer durables business along with the trade mark, brand, logo "LLOYD" and/or "Lloyd" and all intellectual property rights associated therewith to Havells India Limited ("Buyer"). Since the brand name "LLOYD" and/or "Lloyd" is also integral to and is associated with the Company's products and services, the Company sold the trade mark, brand, logo "LLOYD" and/or "Lloyd" and all intellectual property rights associated therewith to the Buyer. Pursuant to the sale of the brand name "LLOYD" and/or "Lloyd", it was pertinent to change the name of the Company by deleting the word "Lloyd" therefrom and accordingly, the Company approached the Ministry of Corporate Affairs, Government of India for change in name of the Company from "Fedders Lloyd Corporation Limited" to "Fedders Electric and Engineering Limited". To this effect, the Registrar of Companies, Uttar Pradesh, approved the name change of the Company to Fedders Electric and Engineering Limited, and issued a fresh Certificate of Incorporation on 23rd May, 2017.

The Company has 3 (three) business segments namely (i) Steel Structures & Engineering; (ii) Power Projects; and (iii) Environmental Control Systems and each of our businesses segments had an integral role in delivering the performance during the FY 2016-17.

The Steel Structures & Engineering Division of the Company has been awarded with various orders by Delhi Metro Rail Corporation Ltd. and Larsen & Toubro etc. respectively for works relating to fabrication of steel structures. However, the increase in steel prices poses challenge for the division and has resulted in decelerating performance during the FY 2016-17. Attributing to the preparedness for implementation of Goods and Service Tax by our clients, the execution of orders was also temporarily stalled during the first quarter of the FY 2017-18.

The Power Projects Division of the Company has been awarded with prestigious orders aggregating to ₹ 368.00 Crores by state utilities of Chhattisgarh and Madhya Pradesh respectively under Deen Dayal Upadhyaya Gram Jyoti Yojana ("DDUGJY"). Despite challenging and uncertain global scenario, the division continues to explore and execute business opportunities in select geographies with a view to diversify geographical concentration risks and establish itself as a global player. The Company had been supplying materials to Public Procurement & Property Disposal Service ("PPPDS") and Ethiopian Electric Power Corporation ("EEPCO") respectively in Ethiopia. However, there was a dispute on account of the aforesaid supply of materials and the arbitration proceedings are pending in the Ethiopian Court. During the year under review, the amount of ₹ 8.04 Crores has been written off as bad debts by the Company. However, the Company shall continue to pursue its legal recourse against PPPDS and EEPCO.

The Environmental Control Systems Division of the Company primarily provides the Heating, Ventilation and Air Conditioning ("HVAC") Equipment to Defence, Railways, Telecom and other specialized application segments. During the year under review, Fedders Electric and Engineering Limited became the only Indian company to provide Air Conditioning solutions for Main Battle Tank.

The domestic economy is expected to steadily improve in the current year on the back of structural reforms and supportive

monetary policy. The Government has reiterated its emphasis on infrastructure build-out in the areas of railways, transportation, urbanisation, power, affordable housing and smart cities. Increased private sector participation in the defence business also affords business opportunities for your Company. Your Company will proactively participate in all such projects as and when opportunities arise.

With the dedicated and concerted efforts of the government at centre, the power industry in India has been able to surpass many of the impediments hampering its growth in the past and is certainly going to seek improvements across the facets of generation, transmission, distribution and trading. Domestic power distribution sector holds significant business opportunities with the thrust of the Government on augmenting and strengthening grid infrastructure at both centre and state levels. Your Company is also well established in transmission & distribution projects and continues to see traction in that region.

In these exciting yet demanding times, your Company has always fulfilled its commitment to live by one of its core values – 'Care for Society.' Our Social Responsibility and Sustainability efforts continue to benefit a large base of stakeholders, because we undertake these with the same beliefs and conviction as we do our commercial activities. The thrust areas identified for this purpose include imparting quality education to underprivileged children with the special focus on the girl child education, sanitation, environment protection, conservation of natural resources, rural development, organic farming, vocational training etc. As an extension towards the noble cause of imparting education through our implementing agency Pandit Kanhaya Lal Punj Trust, I am pleased to inform you that the construction of PKLP School at Village Tauru, Haryana is nearing completion and shall be operational very soon. The school will provide free of cost education to the underprivileged children with the special focus on the girl child.

All things considered, I believe your Company has delivered another year of positive operational and financial performance. The bar is now set high but I am confident that with the growth strategies and plans in place and ably supported by a determined and passionate team, your Company will continue to excel in the coming years.

Finally, I would like to thank you for the unstinted support and unwavered confidence in the Company. I would also like to thank the government, customers, suppliers and lenders for their continued support to the Company and also to the employees and the management team for their deep level of commitment to the Company. I look forward to your continued and valuable support in taking the Company to greater and newer heights in the future.

Thanking You,

With Warm Regards,



Brij Raj Punj
Chairman & Managing Director

CORPORATE SUSTAINABILITY



“It is sustainable living that opens new avenues for a business. Establishing a relationship with nature will not just transform businesses into responsible organizations but also help them become more profitable in the long term. Utilizing the finite natural resources optimally is the first step towards creation of a sustainable society.”

Embedding sustainability, in its every operation, has been an unrelenting approach of Fedders Electric and Engineering Limited (“Fedders Electric”). The Company has, since its inception, been at the forefront of adopting sustainability initiatives while carrying out its business activities. Your Company has been practicing sustainability for over 60 years now and is committed to achieve the highest standards of corporate behavior towards everyone your Company works with, the communities it touches and the environment on which it has an impact.

Being sustainable is all about maintaining a perfect equilibrium between Environment, Economy and the Society. We attain this through an integrated, phased programme that creates long-term stakeholder value by generating Economic, Environmental and Social value. We have always strived to build a successful and sustainable business enterprise using the highest ethical standards in our workplace and our communities. As we evolve and expand our operations, the responsibilities towards the People and the Planet

grow manifold. We have been driving our sustainability and development agenda in a way that it not just meets the current needs of our society but also enables future generations to meet their own needs.

At Fedders Electric we are fully committed to performance excellence across all spheres of its business activities and more importantly giving back to the societies in which we operate. The focus areas for reporting the current year’s performance include our business performance, environmental performance, customer and employee satisfaction and community service.

Our Sustainability Model

Our contribution to a more sustainable world covers every aspect of our business, from what we develop and how we manufacture to how we deliver. At Fedders Electric, we feel that sustainability is about balancing *environmental stewardship, economic growth and social responsibility*.



Our objective is to maximize returns for our investors and stakeholders while minimizing the environmental impact of our operations and helping the communities where we operate.

1. Environmental Stewardship

At Fedders Electric, we have always been at the forefront of environmental stewardship. Environmental protection is a key component of sustainability. We believe that responsible use of energy and natural resources will be critical for our planet to survive. In order to mitigate the impact of climate change, we are committed to reducing our absolute energy consumption and CO2 emissions, while adopting clean energy, recycling waste and working towards increasing bio-diversity by involving local communities.



Our focus on the ecosystem and environmental conservation is ingrained in the way we conduct our business. We believe that effective use of resources, sound waste and water management techniques are becoming increasingly important for long term business sustainability. Therefore, we ensure that our operations are energy efficient and have low environmental impact. Through our initiatives across various material aspects – energy, water, waste, emissions and biodiversity, we have improved our performance and enhanced efficiency on various fronts.

As a continuous endeavor towards environmental sustainability, we utilize the Wind and Solar sources of energy which are clean fuel source and good alternative to replace fossil fuel as the major energy source because solar power is renewable at absolutely no cost to supply energy infinitely. Solar panels are able to harness

the energy from the sun and convert it to electricity, therefore, making it to an environment friendly resource.

2. Economic Growth



At Fedders Electric, we continue to pursue a prudent growth strategy and have taken steps to effectively manage the emerging risks and challenges. Combating the tough economic environment, Fedders Electric has taken some prudent steps to control costs and improve its bottom line. Given the fluid market situation, Fedders Electric has built greater flexibility in its manufacturing and has taken steps towards improving productivity, while keeping a strict eye on its environmental commitments.

3. Social Responsibility

Our focus on social responsibility remains unwavering. Our community outreach initiatives have been developed keeping in mind the specific needs of the communities that we operate within. On the social aspect, our Corporate Social Responsibility (CSR) initiatives address education-primarily girl child, environment, health care and disaster rehabilitation. Our aim is to make a real, positive impact on the health of our Society, including our employees and the communities in which we operate.

Through these and other initiatives detailed in this Annual Report, we look forward to continuing our investment in the communities we serve and to fulfilling our responsibilities as a responsible corporate citizen.

We view sustainability as an ongoing journey in our quest to be not merely a responsible compliant organisation, but a thoughtful-leader.

Every action at Fedders Electric is a step towards a sustainable future.

CORPORATE SOCIAL RESPONSIBILITY



Fedders Electric resonates with the philosophy that growth is the means to achieve the greater good of the greatest number. At Fedders Electric, the imperative of balancing financial, environmental and social interests predates industrywide acceptance of concepts such as 'CSR' and 'Sustainability Reporting'.

At Fedders Electric, we believe in corporate citizenship and is committed towards giving back to the society in a manner that resonates with India's national development goals. Giving back to the community is central to the culture of Fedders Electric and we strongly believe that serving local communities is not only integral to running a business successfully, but is part of our individual responsibility as citizens of the world. The Company's CSR strategy is deeply embedded in its overall business ecosystem; and is driven with the same commitment and dedication with which its day-to-day business priorities are implemented. Through focused efforts, we seek to transform and enrich the lives of the communities in which we operate.

Even before it became mandatory to invest a proportion of our annual profit into community engagement, the Company engaged in a number of programmes to raise life standards at the bottom of the country's economic pyramid. The fundamental objective is to touch and transform the lives of

the disadvantaged sections of society through need based interventions that produce measurable outcomes.

As a responsible corporate citizen, the Company has been implementing societal activities under umbrella of Pandit Kanhaya Lal Punj Trust, a philanthropic arm of the Company. The Trust is primarily engaged in developmental needs of the marginalized and underprivileged communities and apart from these core areas, as a part of long term process we do our bit to implement focused programmes on girl child welfare, primary education, organic farming, skill development and vocational training to under privileged members of our society, contribution to the well-being of the society through best possible healthcare. The Management, the Board of Directors and all the employees of Fedders Electric subscribe to the philosophy of compassionate care. This is the cornerstone of our CSR Policy.

The Company directly and through its Trust undertakes CSR activities in the following areas: