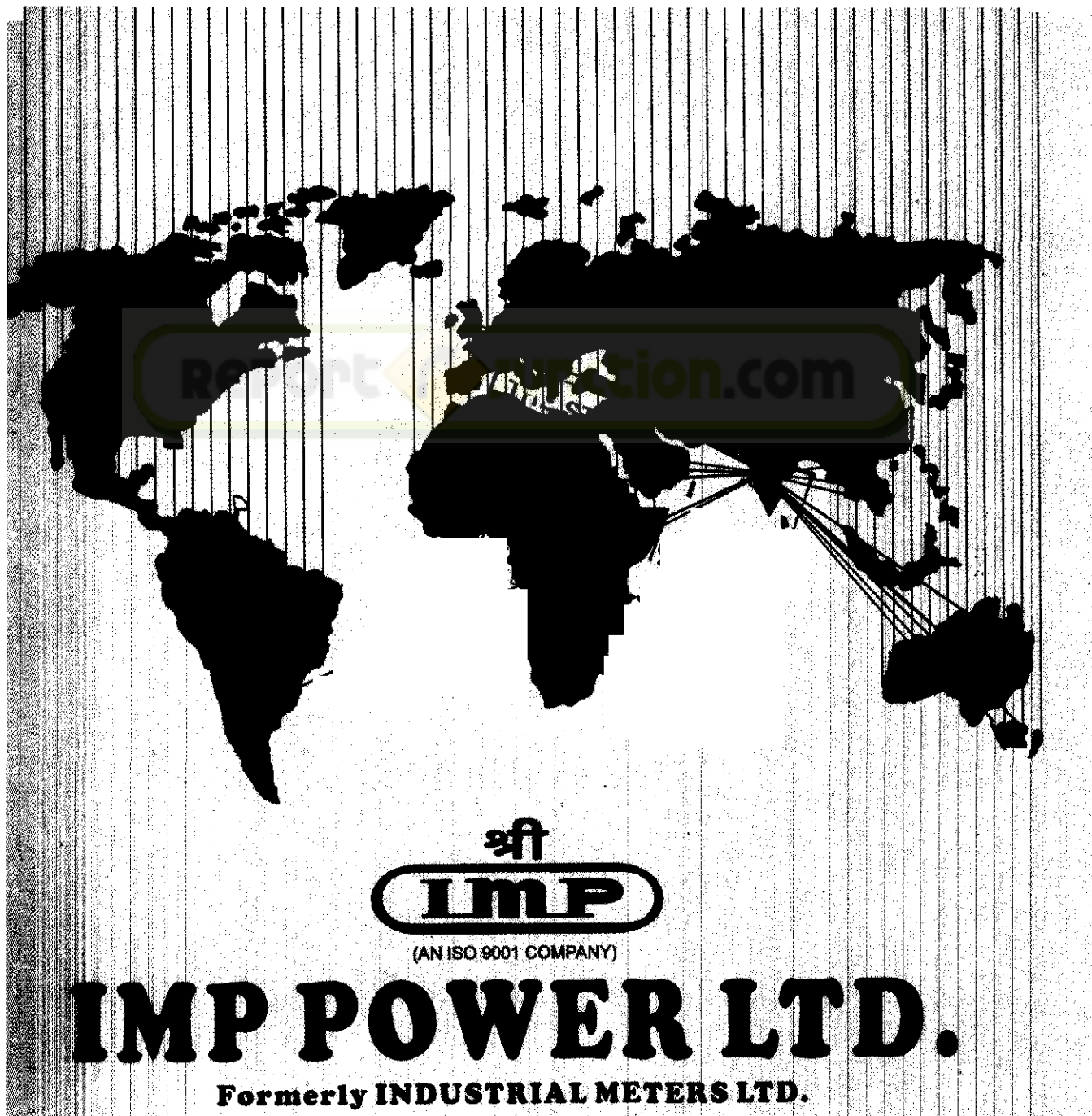


Annual Report 1998-99



**38th ANNUAL REPORT
AND
ACCOUNTS
FOR THE YEAR
1998-99**

Board of Directors

RAMNIWAS DHOOT *Chairman*

RAJENDRA SOMANI

SHIVRATAN TAPARIA

S. M. PARANDE

N. TATA RAO

AJAY DHOOT *Managing Director*

ADITYA DHOOT *Jt. Managing Director*

SANJAY C. KOTHARI *Director Finance & Company Secretary*

Bankers

STATE BANK OF HYDERABAD

Nariman Point Branch, Mumbai - 400 021

STATE BANK OF SAURASHTRA

Nariman Bhawan, 1st Floor,

Nariman Point, Mumbai - 400 021

INDUSIND BANK LIMITED

Indusind Centre, 231, S. V. Road, Bandra (W),

Mumbai - 400 050.

CENTURION BANK LIMITED

25/26, Maker Chambers III, Nariman Point,

Mumbai - 400 021.

SBI COMMERCIAL AND INTERNATIONAL BANK LIMITED

25/26, Maker Chambers III, Nariman Point,

Mumbai - 400 021.

Auditors

Rasiklal Shah & Associates

Chartered Accountants

7/8, 1st Floor, 102-A, Middle Bungalow,

Madhav Wadi, Naigaon X Road,

Dadar (CR), Mumbai - 400 014

Regd. Office & Works :

85, Govt. Industrial Estate,

Kandivali (West), Mumbai - 400 067.

Hyderabad Works :

Plot No.70, IDA (Road No.10) Mallapur,

Hyderabad - 501 507

Silvassa Works :

Umer Kuin Road, Survey No.263/2/3/2

Saily Village

Silvassa (UT of Dadra & Nagar Haveli)

Corporate Office :

"Advent", 7th Floor,

12-A, General J. Bhosale Marg,

Mumbai - 400 021.

SHARE HOLDERS/ANALYST INFORMATION

1. Registrar/Transfer Agent :

Intime Spectrum Registry Pvt. Ltd.
260, Shanti Industrial Estate,
Sarojini Naidu Road,
Mulund (W), Mumbai - 400 080.

2. Annual General Meeting :

Date : Thursday 30th September, 1999

Time : 5.00 p.m.

Venue : S. K. Somani Hall, Hindi Vidya Bhavan, 79, Marine Drive, Mumbai - 400 020.

3. Book Closure : 14th to 30th September, 1999

4. Shareholding Pattern :

	%	No. of Shares
Promoters	70.20	2,107,000
Public	29.80	8,88,600
	<u>100.00</u>	<u>2,995,600</u>

5. Distribution Schedule as on 31.3.1999

Distribution	Total Holders	% of Holders	Total Shares	Nominal Value	% To Total
1 - 500	2271	94.90	305444	3054440.00	10.20
501 - 1000	63	2.63	55900	559000.00	1.87
1001 - 2000	23	0.96	33800	338000.00	1.13
2001 - 3000	7	0.29	18,594	185940.00	0.62
3001 - 4000	4	0.17	12600	126000.00	0.42
4001 - 5000	3	0.13	14100	141000.00	0.47
5001 - 10000	4	0.17	25500	255000.00	0.85
10001 - 29,95,600	18	0.75	2529662	25296620.00	84.45
TOTAL	2393	100.00	2995600	2995600.00	100.00

6. Listing : Mumbai B1 Group, National & Ahmedabad Stock Exchange.

7. Analyst queries to :

Mr. Ajay Dhoot, Managing Director

Mr. Sanjay C. Kothari, Director Finance & Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting for your approval the Thirty Eighth Annual Report together with the audited accounts of your company for the year ended 31st March 1999.

FINANCIAL RESULTS

(Rs. in Million)
For the year ended 31st March

	<u>1999</u>	<u>1998</u>
Gross Sales	713.80	598.15
PBDIT	58.22	59.63
Depreciation	8.54	6.83
Interest	34.29	37.57
Profit before Tax	15.39	15.23
Income-tax	0.60	0.78
Profit After Tax	14.79	14.45
Balance brought forward	0.02	0.02
Profit available for appropriation	14.81	14.47
Allocated to:		
Proposed Dividend	4.99	5.39
Transfer to Debenture Redemption Reserve	—	6.94
Transfer to General Reserve	9.80	1.58
Balance carried forward	0.02	0.02

Your Directors are pleased to recommend a dividend of Rs.1.50 per share which including the tax thereon amounting to Rs.1.67 as compared to Rs.1.98 per equity share paid for the previous year. The dividend if approved would absorb Rs.49.88 lacs.

PERFORMANCE

This has been a mixed year for your company with good progress in the production of transformers contrasting with competitive pressures having an impact on our bottom line. As in the last few years the company's performance has far outstripped the industry averages. As per the statistics compiled by IEEMA transformer production for the year under review of upto 25MVA capacity slid by nearly 10% from 25351MVA to 22818MVA. In contrast, the company has managed to boost its production sharply from 1099MVA to 1632MVA, a growth of 48% thereby improving its market share. This growth has translated into our turnover growing by 20%. However the profitability could not be maintained due to the economic recession in general and particularly due to the severe pricing pressures because of both new capacity creation and a lower than expected off take by the private sector. Your company has done well comparatively. The total turnover at Rs.711 million is 20% higher and Profit after Tax at Rs.14.4 million is marginally higher by 2% as compared to the previous year. The company also had to provide for marginal taxation.

The constraints in the industry especially for Power equipment manufacturers became more acute with several power projects getting delayed and health of SEBs showing little improvement. Increase in capacities on expectations of increase in demand has put further pressure on prices with increased competition. To mitigate the delays on payments, the company has consciously diversified its customer base by preferring private sector, international institution funded orders which not only assure timely payments but also provides both direct and indirect tax relief's because of their deemed export status. The company has overcome the working capital constraint by buying materials on longer credit periods although this has had adverse effects on profits.

One of the positive features in the current year has been the receipt of 100MVA, 220/132KV class power transformer order for MSEB. With this order IMP enters into the elite 220 KV class extra high voltage manufacturing where only a few companies such as Crompton Greaves Ltd., Emco Transformers Ltd. & BHEL are present. The company is well placed in a couple of such other higher rating transformer tenders. The higher rating transformers such as the one for which we have received the order is an inter connecting transformer with the help of which 220KV & 132KV systems in a power distribution network are linked. The higher rating transformers provide better utilisation of manpower and machines. The value addition per employee for such orders would be higher, the inventory holding period lower and the realisations faster; all of which should help in the improvement of margins.

The Silvassa unit of the company has performed well and was operational for the full year. During the year we dispatched 41 numbers of 16 MVA and higher rating EHV transformers out of a total production of 675 numbers of transformers. The unit has got ISO 9001 accretion from DNV Netherlands. Your Directors feel that the competitive advantage of your company will depend primarily on strategic investments in product and process capabilities. In the short run these investments may constrain profit margin but they are essential to the creation of innovative capabilities that generate continued prosperity both for its customers and for its shareholders. Some of the measures undertaken are -

1. **Polyethylene winding unit** - in order to give to the winding section a dust free environment a specialized flooring has been applied which would greatly contribute to the final quality in line with international standards.
2. **Additional vaccum oven for enhancing production facility and setting up of an oil filtration system - on the existing system** - the new oven would augment production capacities where as the setting up of the oil filtration system to the existing system would not only ensure continuous power but also at a lower cost.
3. **Fabrication facilities** - the transformer industry needs a lot of fabrication activities, which we have further augmented at Silvassa by setting up two new sheds.
4. **Labour quarters adjacent to the factory** - in order to provide facilities so as to attract talent your company has constructed labour quarters at Silvassa.
5. **Transformers** - the company is in the process of enhancing its internal transformer testing capacities so as to meet the requirements for the manufacture of EHV & higher rating transformers.

The meter division bore the brunt of economic recession both in India and in the neighbouring countries and production was flat during the year at about 120,000 nos. Your directors are evaluating various options including diversifying into electronic meters and hope to report to you in due course on this.

FINANCE

Your company has been able to bring down its interest costs by changing its debt mix. The high cost debentures have been pre-maturely redeemed and the company has availed lower costs term loans from financial institutions and banks. The company has also resorted to foreign currency borrowings and has adopted prudent hedging strategies. Over and above the reduction in the quantum of debt and the interest rates, the company has drastically reduced its working capital requirement inspite of increase in its level of activity. Funds raised by the company through its IPO of shares are being deployed for the purpose for which it was raised.

EXPORTS

Your company substantially improved upon its export performance during the year. The major boost was from the deemed export orders from internationally funded projects where your company was able to get a major share of the business in the OECF Japan funded project for APSEB. The companies' efforts to secure more of such orders are in progress and the company has received an IBRD funded order again from APSEB in the current year. As a result of participation in such projects your company has been able to substantially improve upon its vendor approvals also. Physical exports have not been so encouraging but in the current year the company has made a break through in the Yemen market and hopes to consolidate thereon.

PERSONNEL

Your company has in January this year concluded a satisfactory wage agreement with its union for a period of four years. The company has also initiated a labour restructuring exercise whereby without effecting productivity and quality the labour strength to date has been reduced by about 85 to date and the company hopes to close its program with a reduction in its man power strength by about 120. The benefit of this restructuring would be felt from the current year onwards.

As a mark of respect to the armed forces of the country and as a small token gesture the employees of your company have decided to donate a days salary and the company has decided to make a matching contribution amounting to Rs. 1.92 Lacs.

AUDITORS

The Auditors in their report have referred to the Notes forming part of the Accounts, which are self-explanatory. Messrs. R. N. Shah & Associates, Auditors of the Company retire at the ensuing Annual General Meeting & being eligible, offer themselves for reappointment.

DIRECTORS

Mr. S. J. Taparia and Mr. Rajendra Somani will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Y2K PREPAREDNESS

The manufacturing process of your company is analogue and hence free from the Y2K bug. The accounting and other software used are Y2K compliant. The company has spent about Rs. 6.70 lacs for the same.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

The manufacturing process of the Company are not energy intensive, therefore impact of energy saving devices are insignificant. The Company has entered into a technical collaboration with Skoda ETD. s.r.o. of the Czech Republic and is in the process of absorbing the technology, no remittance on this account have been made so far. Details of foreign exchange incoming and outgoing are annexed hereto in the Notes to Accounts.

Statement pursuant to sub-section 2A of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming part of this Report is given in Annexure 1.

ACKNOWLEDGMENTS

Your Company's basic strength remains its people. The team has responded well to date & will further carry on its shoulders the added responsibility of facing the onslaught of the future & the challenges of global competition. This team is our greatest asset. Their ability to constantly add value to every business process will be their ultimate test.

Your Board would like to place on record its sincere appreciation for the wholehearted support and contributions made by all its employees, financial institutions, bankers and other business associates towards conduct of efficient operations of your Company. Finally, with your, the shareholders, continued support we welcome the challenges that lie ahead.

On behalf of the Board of Directors

Place : Mumbai
Dated : 19th June, 1999

R. R. DHOOT
Chairman

ANNEXURE 1.

(A) Particulars required under Section 217(2A) of the Companies Act 1956 and the Companies (particular of Employees) Rules, 1975 forming part of Report for the year ended 31st March, 1999.

S. No.	Name	Date of Birth	Designation	Remuneration Received including PF Contribution	Qualification & Experience	Date of Commencement of Employment	Details of Previous Employment
1.	Shri R.R. Dhoot	5.3.1941	Chairman	Rs.11,06,082	Experience in Senior management 37 years	16.08.1962	—
2.	Shri Ajay R. Dhoot	9.3.1964	Managing Director	Rs.8,16,412	B. Com 16 Yrs	14.05.1982	—

(B) Part of the Year : NIL

NOTES :

1. Remuneration as shown above includes Salary, Commission, contribution to Provident Fund and family pension fund, House Rent Allowances, Perquisites etc.
2. Nature of employment is contractual.
3. Shri R. R. Dhoot, Shri Ajay R. Dhoot, Shri Aditya R. Dhoot and Shri Rajendra Somani are related to each other.

AUDITORS' REPORT

To,
The Members of
Messrs IMP Power Limited (Formerly Industrial Meters Limited)
Mumbai.

We have audited the attached Balance Sheet of IMP POWER LIMITED (Formerly Industrial Meters Limited) as at 31st March, 1999 and also the Profit & Loss Account of the Company for the year ended on that date and annexed thereto and report that :

- (I) As required by the 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 annex hereto a Statement on the matters specified in paragraph 4 & 5 of the said order.
- (II) Further to our comments in the Annexure referred to in paragraph (I) above we state that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books.
 - (c) The said Balance Sheet and the Profit & Loss Account are in agreement with the books of account.
 - (d) In our opinion and based on the information given to us, the said Balance Sheet and Profit & Loss Account are in compliance with the Accounting Standards issued under Section 211(3-C) of the Companies Act, 1956 except to the extent mentioned in Clause III.
 - (e) Attention is drawn to Note No.17 of Schedule 22 of the Accounts regarding the steps taken by the Company in addressing the year 2000 (Y2K) problem. It may be noted that, the audit is neither intended nor designed or performed to identify or detect problems arising from the inabilities of computer hardware, software or automative processes to properly recognise dates, which involve issues, internal or external, relating to the year 2000.
- (III)
 - (i) No provision has been made in the accounts in respect of advances made to certain parties amounting to Rs.1.37 million. (Refer Note 12 of Schedule 22).
 - (ii) Purchases have been reduced to the extent of Rs.58.68 million being value of Un-utilised Advance Licences as per Note No.13 in Schedule 22.
 - (iii) The Company is providing exchange rate fluctuation on the date of repayment of foreign currency loans and not on the year end thereby overstating profits to the extent of Rs.4.01 million.

Considering the above qualifications the effect would have been as follows :

- a) Profits have been overstated by Rs.64.06 million.
 - b) Reserve & Surplus has been overstated by Rs.64.06 million.
- (IV) Subject to the above remarks in paragraph II & III, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
- (i) in the case of Balance Sheet, of the state of the affairs of the Company as at 31st March, 1999 and
 - (ii) in the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.

For **RASIKLAL SHAH & ASSOCIATES**
Chartered Accountants

Place : Mumbai
Dated : 19th June, 1999

P. R. SHAH
Partner