



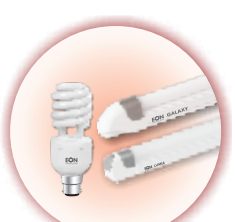
## ANNUAL REPORT 2014



**EON WIRES & CABLES**



**EON LED BULBS**



**EON LIGHTING**



**EON FANS**



**EON LITHIUM ION BATTERIES**

# From the Chairman's Desk



**“ Upgrading our products with new technologies  
has been our most potent DNA ”**

Dear Shareholders,

Warm Greetings!

The year 2013-14 has been a challenging year for the Economy as a whole and the Indian Electrical Industry in particular. The uncertainties spread all over the globe added to the economic unrest and consequently its downfall globally.

From the Indian perspective, despite this difficult environment but with visible emergence of governance, the economic environment within our country and around us has started looking warm and positive.

Sound Government at the Centre with massive majority mandate has provided India with the opportunity to look at the wider aspect of world economic operations in a practical and holistic manner.

It appeared difficult initially but we are now getting confident of the great potential of growth revival in Economy and in manufacturing activities.

We stayed true to our core philosophy of innovation in products. We have paid total attention to the interest of users of our products and technology and focused on delivering efficiency and cost effectiveness without compromising quality.

We also believe that having a global attitude supported with world-class technology will help in development of the country and its people. It will help provide growth opportunities which in turn will bring about modernization, technological initiative and upgradation. Ever increasing environmental concerns, for which we have employed the best resources and minds to conceive new designs for manufacturing energy saving products including LED Lights. Use of Lithium Ion Batteries is no longer limited to the Mobile Phones but now, in view of their outstanding qualities of quick charge and deep discharge, their demand is growing fast not only for emergency lights for homes, offices and institutional operations but also for ATMs, Telecommunication Towers, and for storing solar energy as acquired from Solar Cells. Above all Lithium Ion Batteries are in for an important role for a variety of critical needs of our Nation including use in Defense equipment and projects.

Thus, EON looks forward to consistent growth in coming years. We will continue to consolidate and build ever higher standards of customer delight through creative innovation. We aim to grow faster to scale new heights and to set new milestones.

I am grateful to our Board of Directors and our committed Engineers, Executives and employees for their unwavering support and guidance. I take this opportunity to thank all our stakeholders including our customers, shareholders and above all our Bankers, who have reposed full trust and confidence in us and have always extended their consistent support. I look forward to their continued patronage and support.

With kind and cordial regards,

**V P Mahendru**

Chairman - Managing Director

## Board of Directors

<b>Ved Prakash Mahendru</b>	Chairman & Managing Director
<b>Vivek Mahendru</b>	Executive Director
<b>Vinay Mahendru</b>	Executive Director
<b>Ramesh Chander Bansal</b>	Independent Director
<b>Ajoy Kumar Ghosh</b>	Independent Director
<b>Ranjan Sarkar</b>	Independent Director
<hr/>	
<b>K.B. Satija</b>	Vice President (Corporate Finance)
<b>Kumar Indramani</b>	Sr. Manager(Legal) & Company Secretary

### Auditors

J. C. Bhalla & Co., Chartered Accountants, New Delhi

### Bankers

State Bank of Patiala

### Corporate Office

B-88, Sector - 83  
Noida - 201305, (U.P)

### Registered Office

1048, Sector-14,  
Sonepat, Haryana - 131001

### Works:

#### Unit: I

Plot No. 10, Sector 4, SIDCUL,  
Haridwar, Uttarakhand - 249403

#### Unit: II

Plot No. 28-29, Sector 6B, SIDCUL,  
Haridwar, Uttarakhand - 249403

#### Unit: III

Plot No. 1C, Sector 7, SIDCUL,  
Haridwar, Uttarakhand - 249403

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## Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the 25<sup>th</sup> Annual Report together with Audited Accounts of your Company for the financial year ended 31<sup>st</sup> March, 2014.

### **FINANCIAL RESULTS**

The financial performance of the Company for the year ended 31<sup>st</sup> March, 2014 is summarised below:

Particulars	(₹/Crore)	
	For the year ended 31 <sup>st</sup> March, 2014	For the year ended 31 <sup>st</sup> March, 2013
Sales & other Income	142.93	164.62
Operating Profit/(Loss)(EBITDA)	(21.69)	(22.63)
Finance Costs	5.61	2.52
Depreciation and Amortisation Expense	2.98	2.46
Profit/(Loss) before Tax	(24.08)	(19.13)
Less: Tax Expenses	(0.64)	0.66
Profit/(Loss) after Tax	(23.44)	(19.79)
Profit/((Loss) for the year	(23.44)	(19.79)
Add: (a) Profit brought forward from previous year	12.00	29.50
Balance carried to Balance sheet	11.44	12.00

Your Company has achieved a turnover and other Income of ₹142.93 crores during the financial year ended the 31<sup>st</sup> March, 2014 as against ₹ 164.62 crores during the previous financial year.

### **DIVIDEND**

Constrained by planned financial investment for faster growth, your Directors do not recommend any dividend for the year under review.

### **DIRECTORS**

We thank the shareholders of the Company for their support in confirming the appointment of Shri Ranjan Sarkar as Director at the 24<sup>th</sup> AGM held on 30<sup>th</sup> September, 2013 who was appointed as Additional Director w.e.f 12<sup>th</sup> July, 2013 to act as Independent Director in compliance of Clause 49 of the Listing Agreement after the resignation of Dr. Sai Ramachandran from the Directorship of the Company w.e.f. 19<sup>th</sup> June, 2013 due to his indifferent health.

Sh. Vivek Mahendru, Director is retiring by rotation at the ensuing Annual General Meeting in terms of the provisions of Companies Act, 2013 and being eligible offer himself for re-appointment at the ensuing Annual General Meeting.

Your Board recommends his re-appointment at the ensuing Annual General Meeting.

With the enactment of the Companies Act, 2013, it is now incumbent upon every listed company to appoint Independent Directors as defined under Section 149(6) of the Companies Act, 2013.

To comply the Clause 49 of the Listing Agreement, Shri Ramesh Chander Bansal, Shri Ajoy Kumar Ghosh and Shri Ranjan Sarkar had been appointed as Directors of the Company under the provisions of erstwhile Companies Act, 1956, to act themselves as Independent Directors.

The company has received notices from the shareholders for the candidature of Shri Ramesh Chander Bansal, Shri Ajoy Kumar Ghosh and Shri Ranjan Sarkar as Independent Directors of the Company alongwith prescribed fee in terms of Section 160 of the Companies Act, 2013.

In order to give effect to the provisions of the Companies Act, 2013, the Board recommends the appointment of

Shri Ramesh Chander Bansal, Shri Ajoy Kumar Ghosh and Shri Ranjan Sarkar as Independent Directors of the Company in terms of Section 149 of the Companies Act, 2013 read with amended Clause 49 of the Listing Agreement to hold office for five(5) consecutive years with effect from 30<sup>th</sup> September, 2014, not liable to retire by rotation.

The Board also recommends the re-appointment of Shri Ved Prakash Mahendru, as Chairman & Managing Director, Shri Vivek Mahendru as Executive Director and Shri Vinay Mahendru as Executive Director, for a period of 3 (Three) years w.e.f 1<sup>st</sup> October, 2014 since their current tenure shall end on 31<sup>st</sup> July, 2015 and in terms of provision of Section 196 of the Companies Act, 2013, re-appointment of Managing Director/ Executive Directors can be made one year before the expiry of current tenure.

In accordance with the requirement of Clause 49 of the Listing Agreement, brief resume of Shri Ved Prakash Mahendru, Shri Vivek Mahendru, Shri Vinay Mahendru, Shri Ramesh Chander Bansal, Shri Ajoy Kumar Ghosh and Shri Ranjan Sarkar, giving details of their expertise areas, directorship and members of various committees are forms part of the Notice of Annual General Meeting.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provision of Section 134(5) of the Companies Act, 2013 (corresponding to Section 217(2-AA) of the Companies Act, 1956), with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i. That in the preparation of the Annual Accounts for the Financial Year ended 31<sup>st</sup> March, 2014, the applicable accounting standards have been followed and no material departures have been made from the same;
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2014 and of the profit or loss of the company for the year ended on that date;
- iii. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. That the Directors have prepared the Annual Accounts for the Financial Year ended 31<sup>st</sup> March, 2014, on a going concern basis.

### **AUDITORS**

M/s J C Bhalla & Co. , Chartered Accountants, New Delhi were appointed as the Statutory Auditors of the Company to hold office from the conclusion of the previous Annual General Meeting until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from M/s J C Bhalla & Co. to the effect that their re-appointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013 and that they are not disqualified for such re-appointment within the meaning of Section 141 of the said Act. The Board of Directors recommends the re-appointment of M/s J C Bhalla & Co. Chartered Accountants, as Statutory Auditors of the Company for the financial year 2014-2015.

### **REPORT ON CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement, a report on the Corporate Governance for the year under review along with Auditors Certificate regarding Compliance of Corporate Governance is given in Annexures - A and B and form part of this Report.

### **PARTICULARS OF EMPLOYEES**

The information as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time, forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report is being sent to the shareholders of the company excluding the aforesaid information. Any shareholder interested in obtaining the particulars, may obtain it by writing to the Company Secretary.

**PERSONNEL**

Personnel relations with all employees and workers remained cordial and harmonious throughout the year. Your Directors wish to place on record their sincere appreciation for the devoted services of all the employees and workers of the Company.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO**

Information required under Section 134(3)(m) of the Companies Act, 2013 (corresponding to Section 217(1)(e) of the Companies Act, 1956), read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998, as amended from time to time, is given in Annexure-C and forms part of Directors' Report.

**LISTING OF SHARES**

The Equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE).

**FIXED DEPOSITS**

The Company has not accepted any deposits during the year under review, within the meaning of Section 73 of the Companies Act, 2013 (corresponding to Section 58A & 58AA of the Companies Act, 1956) read with the Companies (Acceptance of Deposits) Rules, made thereunder.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

In compliance of Clause 49 of the Listing Agreement entered with the Stock Exchanges, a separate section on Management Discussion and Analysis that includes details on the state of affairs of the Company as required to be given in Directors Report forms part of this Annual Report.

**ACKNOWLEDGEMENT**

Your Directors would like to express their appreciation for the cooperation and assistance received from various Central and State Governments, Stakeholders, Banks, Valued clients and business associates. Your Directors also wish to place on record their deep sense of appreciation for the unstinting support and efforts of the employees at all levels towards the operations and growth of the Company and finally grateful to Board of Directors and members for unwavering support and guidance.

**For and on behalf of the Board of Directors,**

Place: Noida

Dated: 12<sup>th</sup> August, 2014

**(V.P. Mahendru)**

**Chairman & Managing Director**

# Management Discussion & Analysis

## COMPANY OVERVIEW

Eon Electric Limited (hereinafter “the Company”) is engaged in the business of manufacturing and marketing of electrical equipments such as Wires & Cables, Lighting products, LED Lights, Energy Efficient Fans, Water Heaters, Lithium ion Batteries and Mobile Phone Accessories.

The company continues to be committed towards making best of quality products at affordable prices through technological innovation and up gradation, modernisation, adoption of best practices, global benchmarking, value proposition, and deep commitment to customer satisfaction besides ensuring human as well as environmental safety, thus enhancing the value addition for the investors and for the society as a whole. No doubt, we will establish our capabilities beyond the Indian borders and enable our clients, enjoy the value of our products and services globally.

## Industry Structure & Development, Opportunity & threats

The Indian Power Sector is a core component of the Indian infrastructure and its expansion is essential for the success of economic liberalisation of India. This is evident from ever increasing power demand of the country's vibrant economy leading to a widening gap between the supply and demand. The Government of India has recognised the pivotal role of electric power in economic development and also the urgent and critical need to invest heavily to reduce the growing gap in power demand and supply. The massive addition in generation capacity would also bring along with it a much bigger demand for electrical equipments.

The Cable & Wires industry has shown positive trends for the past five years due to the increased activity in power sector, improved industrial climate and industry initiatives to explore export markets. The outlook of cables & wires industry continue to remain positive on the back of demand expected to be generated as per estimation in various sectors like power, real estate etc.

Today's global lighting industry is responsible for approximately 19% of electricity use and 6% of greenhouse gas emissions. In this context, LED technology has the potential to be a game changer for the industry, with well-publicized environmental and technological advantages compared to conventional lighting (e.g., 50-70% lower energy consumption, no mercury content, and significantly longer life spans).

The Indian government has developed policies to stimulate the adoption of LED lighting in the country, and is funding a number of pilot LED street-lighting projects.

The increased emphasis on power generation and new fast developing consciousness for conservation of power and energy efficiency has hastened the process of growth of demand for the Company's existing as well as innovative products like LED Lights, Energy efficient Fans, Water Heater, Lithium ion batteries etc.

Since power sector and infrastructure/real estate sector are main consumers of Company's products, any slowdown in these sectors can largely impact the demand for Company's products. Further most of the Company's products are highly competitive and also face challenge from unorganised sector which are providing cheap products with inferior quality. Hence the pricing across our business is also under risk due to competition. We have been providing and offering value added services and benefits to the customers to retain them. We are also investing towards brand building and awareness programme across our businesses to ensure adequate quality product differentiation.

**Financial Performance**

Financial performance of the Company for the year 2013 – 14 as compared to the previous year is furnished in detail in the Directors' Report.

**Segment-wise performance:****Cables & Wires**

Electrical cables & wires market is growing at a steady pace as the government is investing heavily in the infrastructure development and Power Sector.

Our Cables & Wires segment recorded a turnover of ₹ 83.25 Crores for the financial year ended 31<sup>st</sup> March, 2014 as against ₹ 111.53 Crores for the financial year ended 31<sup>st</sup> March 2013. Our focussed efforts in brand building, awareness creation for acceptance of products and market penetration through a fast growing network of channel partners has helped us to become a household name amongst its user segment.

**Lighting**

The Lighting Segment achieved a turnover of ₹ 29.26 Crores for the financial year ended 31<sup>st</sup> March 2014 as against ₹ 15.26 Crores for the year ended 31<sup>st</sup> March 2013. The Company is working on new innovative strategic plans and pursuing new creative opportunities in the areas of advance LED based energy efficient and eco- friendly lighting systems which will further augment the growth of this segment during the coming years.

**Others**

Other products i.e Electrical Fans, Water Heater, Lithium ion batteries and mobile phone accessories and switches contributed a turnover of ₹ 24.20 Crores for the financial year ended 31<sup>st</sup> March 2014 as against ₹ 29.34 Crores for the year ended 31<sup>st</sup> March 2013.

**Human Resource Development**

The Company continues to provide a platform for individual opportunities and for growth in knowledge and skills of its people. The relationship with all the employees continues to be cordial. The management acknowledges the contribution of its employees and the spirit of commitment demonstrated by them in realising the company's vision. The company has started a number of new initiatives which will further enhance the company's ability to attract and retain high caliber employees for faster growth of the Company's business.

**Research and Development**

Your company continues its efforts to integrate the R&D activities with the business needs of the company to offer safe, energy efficient, value added products and services to its customers.

**Internal control systems and their adequacy**

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and certified by Statutory as well as Internal Auditors and cover all offices, factories and key areas of business. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations including those relating to strengthening of the Company's risk management policies and systems.



## **Risks & Concern**

The Company has an elaborate process for Risk Management. The Company's Risk Management Policy is backed by strong internal control systems. The risk management framework consists of policies and procedures designed to provide reasonable assurance that objectives are met by integrating management control into the daily operations, by ensuring compliance with legal requirements and by safeguarding the integrity of the Company's financial reporting and its related disclosures. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with both Management and Audit Committee. Some of the risks relate to competitive intensity and cost volatility.

Domestic Electricals Market has very intense competition. Presence of multinational companies and import from China is increasing market competition which has resulted in price pressure in the market for all range of products. Your company has accordingly established itself as an innovative Company with a lean and efficient manufacturing and marketing network which manages your Company's supply chain. Accordingly, your Company proposes to address these risks by continuous product development, focused efforts to reduce costs, increase market share by diversifying existing product range and customer base with the addition of new strategic customers and strengthening the existing relationships.

## **Cautionary Statement**

*The statements in this report, particularly which relate to Management Discussion and Analysis Report describing the Company's objectives, plans, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied in the statement depending on the circumstances.*

## ANNEXURE "A" TO THE DIRECTORS REPORT - 2014

### CORPORATE GOVERNANCE

#### 1. Company's philosophy on the Code of Governance

Corporate Governance is a key element in improving efficiency and growth as well as enhancing investor confidence. Corporate Governance philosophy stems from our belief that our company shall go beyond adherence to regulatory framework. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy. The core values of the Company are based on integrity, emphasis on product quality and transparency in its dealings with all stakeholders. Any good corporate governance provides an appropriate framework for the Board, its committees and the executive Management to carry out the objectives that are in the interest of the Company and the Stakeholders. The Company maintains highest levels of transparency, accountability and good management practices through the adoption and monitoring of corporate strategies, goals and procedures to comply with its legal and ethical responsibilities. The Company is committed to meeting the aspirations of all of its stakeholders.

The Company is fully committed to follow the procedures and practices in conformity with Clause 49 of the Listing Agreement of the Stock Exchanges, as applicable, Your Directors present the Company's Report on Corporate Governance as under.

#### 2. Board of Directors

##### i. Composition

The Company has a combination of Executive and Non-Executive Independent Directors. The Board consists of six Directors. Your Company has Executive Chairman and half of the total number of Directors comprises of independent Directors. The number of Non-Executive Directors is not less than 50% of the total number of Directors.

None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(I)(C)(ii) across all Companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions occupied by them in other Companies.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last AGM, as also the number of Directorships and Committee position as held by them in other Public Limited Companies as on 31<sup>st</sup> March, 2014 are given below:

Name	Category	No. of Board Meetings Attended during 2013-2014	Whether attended last AGM held on 30 <sup>th</sup> September 2013	No. of Directorships in other Public Limited Companies	No. of committee positions held in other Public Limited Companies	
					Chairman	Member
Sh. V. P. Mahendru (Chairman-cum-Managing Director)	Promoter Not Independent Executive	7	Yes	--	--	--
Sh. Vinay Mahendru (Executive Director)	Promoter Not Independent Executive	7	Yes	--	--	--
Sh. Vivek Mahendru (Executive Director)	Promoter Not Independent Executive	7	Yes	--	--	--
Sh. R. C. Bansal (Director)	Independent Non-Executive	5	Yes	3	3	--
Dr. Sai Ramachandran (Director)	Independent Non-Executive	0	No	--	--	--
Sh. A. K. Ghosh (Director)	Independent Non-Executive	4	No	2	--	2
Sh. Ranjan Sarkar** (Director)	Independent Non-Executive	4	Yes	1	--	--

\* Ceased to be Director since 19th June, 2013.

\*\* Appointed as Additional Director w.e.f 12th July, 2013 by Board of Directors and regularize as Director by shareholders at their AGM held on 30th September, 2013.