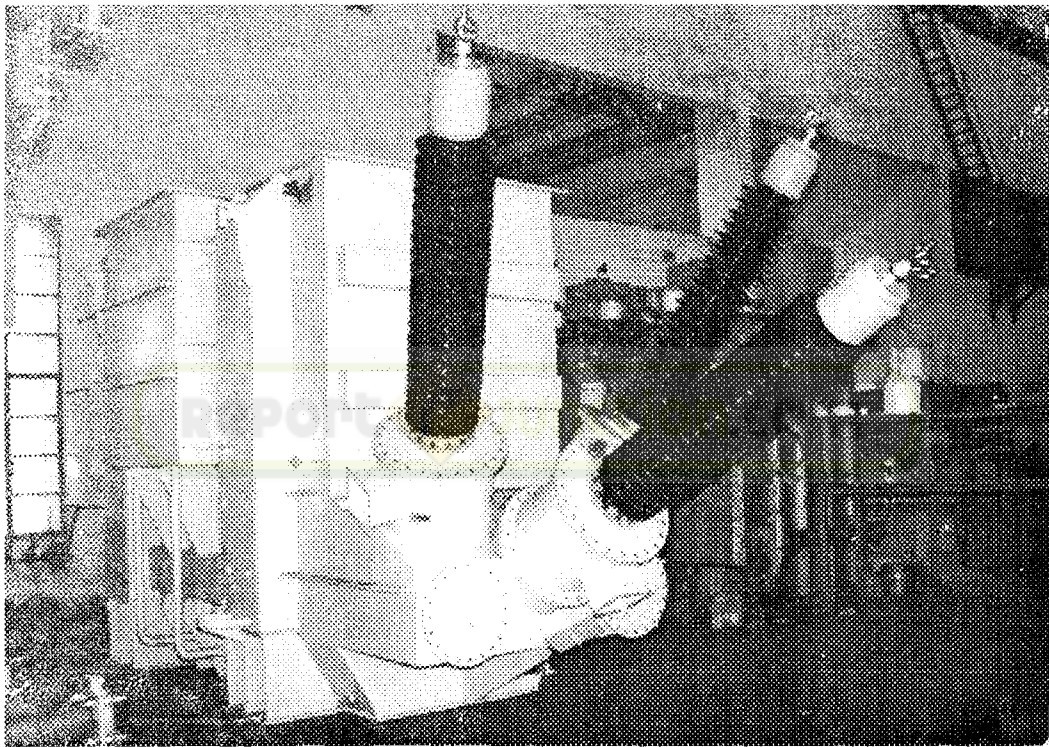


ANNUAL REPORT

2000 - 2001



INDO TECH
TRANSFORMERS LIMITED



**42 MVA / 230 KV
ONE OF THE LARGEST MOBILE TRANSFORMERS
MANUFACTURED IN THE WORLD**

BOARD OF DIRECTORS

Sri. V. SRINIVASAN
Chairman

Sri. P.E. SUBRAMANIAM
*Vice Chairman and
Managing Director*

Sri. P.S. JAGDISH
Executive Director

Sri. P.S. SHEKAR
Director - Operations

Sri. P. Velayudhan Pillai

SOLICITORS & ADVOCATES

M/s. UKKUR & UKKUR
Chennai

AUDITORS

M/s. G. BALU ASSOCIATES
*Chartered Accountants
Chennai*

REGISTERED OFFICE

JAYALAKSHMI ESTATES
1st Floor,
8, Haddows Road,
CHENNAI - 600 006.

FACTORIES

- 1) DP:14-19, Sidco Industrial Estate,
Thirumazhisai, Chennai - 602 107.
- 2) 31, V.G.P. Salai,
Saidapet, Chennai - 600 015.
- 3) Next to Premier Cotton Mills,
Kanjikode West, Palakkad - 678 623.

BANKERS

BANK OF BARODA
INDUSIND BANK LTD.

INDO TECH TRANSFORMERS LIMITED

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Ninth Annual Report of the Company together with the audited accounts for the year ended 31st March 2001.

FINANCIAL RESULTS

	Year ended 31.3.2001	Year ended 31.3.2000
	(Rs. in Lacs)	
Sales & Other Income	3450.33	2384.05
Gross Profit before Interest, Depreciation & Tax	257.55	127.69
Depreciation	67.59	66.46
Interest	139.72	126.41
Profit/(Loss)before tax	50.24	(65.18)
Provision for taxation	4.00	-
Profit/(Loss) after tax	46.24	(65.18)
Income tax of earlier year	4.07	12.98
Profit brought forward from previous year	258.50	336.66
Profit available for appropriation	300.67	258.50
Profit carried forward	300.67	258.50

* previous year's figure has been regrouped wherever necessary.

OPERATIONS

The year 2000-2001 was a continuation of the previous year, as regards industrial slow down, more particularly for the power sector, and further it witnessed unprecedented decline in the demand, coupled with global recession, which has continued for the past three years. The public sector investment in energy sector is not adequate. The State Electricity Boards have been unable to replace, upgrade and expand the systems due to their weak financial position. The expected private sector inflows have also not materialised.

In spite of all these factors and the general slump in market conditions, your company has been able to increase sales by over 45 percent and return to profit making. In view of the fierce competition amongst the manufacturers which has led to a fall in prices, the margins have dwindled. The company has successfully manufactured, tested & supplied the first 230KV class transformer during the year under review.

EXPORTS

The Company's thrust on exports continues and has resulted in physical and deemed export sales of Rs. 340.10 lacs and 256.16 lacs as against Rs.236.61 and NIL respectively during last year.

FUTURE PROSPECTS

The year under review is optimistic as far as business from State Electricity Boards, Power projects and Public utilities are concerned. The concern of the Government for infrastructure projects and investments in power sector and corrective actions being taken by State Electricity Boards is expected to generate more demand.

The present Order Book of the Company stands at Rs.2150 lacs. The Government has initiated steps to set up several new projects apart from upgrading quite a few of the existing projects. This would in turn increase the business prospects for the products manufactured by your company. Export prospects are quite encouraging. The market shows signs of picking up with enquiries from utilities being slightly on the uptrend. Several State Electricity Boards have tied up funding from multilateral international agencies like IBRD/ADB/OECF and this will generate good requirements of your company's products.

The Company expects substantial orders from State Electricity Boards for power transformers in certain tenders where the company is well placed. The company is also well placed in a tender for large quantities of medium sized power transformer called under IBRD/ World Bank funded project

The Company has developed a new line of corporate customers and the network of Distributors has been strengthened to increase the business. Continuous vigilance on input material costs and expenses are maintained. The Company is also looking for strategic alliances in the form of high value added products, technology upgrades, new markets for its products, etc.

The Directors are hopeful that the performance of the Company would improve in the current year on account of the cost control measures and the envisaged increase in demand for our products

INDO TECH TRANSFORMERS LIMITED

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The construction of the new corporate office within the Thirumazhisai complex has been almost completed and corporate cum registered office of your company will be shifted by the second quarter of the financial year thereby reducing expenditure on account of rent, communication expenses as well as increasing operational efficiency.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) 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 31st March, 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures ;
- (ii) that the directors had 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 at the end of financial year and of the profit & loss account of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and preventing and detecting fraud and other irregularities ;
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2001 on a going concern basis.

DIVIDEND

Your directors greatly regret that in view of the lower profits inspite of increased turnover and the continuing difficult business environment coupled with onerous financial obligations and to conserve reserves, they are compelled not to recommend dividend on the Equity Share Capital of the company. We seek shareholders' understanding in the matter and hope that we will soon return to the Dividend list.

FINANCE

In spite of the difficult financial situation with strict financial discipline and efficient cash management, the company has been regularly meeting all its obligations for payment of interest and term loan instalments on due dates.

DIRECTORS

Your directors record with deep regret the sad demise of Sri M.G.K. Nair on 12th March 2001. Sri. M.G.K. Nair had been a member of your Board since 1994. Your Directors record their deep appreciation of the services rendered by Sri. M.G.K. Nair and extend their heartfelt sympathies to the bereaved family.

Sri. L. Pradeep resigned from the Board of the Company with effect from 15th March, 2001 due to personal reasons. Your Directors record their appreciation of the valuable services rendered by Sri. L. Pradeep during his tenure as Director.

Sri. P. Velayudhan Pillai was appointed as an additional Director on 28th May, 2001. He holds office upto the date of the ensuing Annual General Meeting and is eligible for reappointment. The company has received notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director, subject to retirement by rotation.

Sri. V.Srinivasan and Sri. P.S. Jagdish retire by rotation and being eligible, offer themselves for re-appointment

AUDITORS

Messrs. G. Balu Associates, Chennai, Auditors of the Company, hold office until the conclusion of the ensuring Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE.

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988, the required information relating to conservation of energy, technology absorption and foreign exchange earnings & outgo is annexed.

PARTICULARS OF EMPLOYEES

There are no employees falling under the pervue of section 217(2A) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

Industrial Relations were cordial throughout the year. Emphasis on Human Resources Development continues.

ACKNOWLEDGMENT

Your Directors place on record their appreciation of the continued support received from Shareholders, Customers, Suppliers, Investors, Banks and Financial Institution and all Electricity Boards. Your Directors would also like to express their appreciation of the contribution by all employees of the company during the year.

Your Directors look forward to the future with confidence and determination.

On behalf of the Board

V. SRINIVASAN
CHAIRMAN

P.E. SUBRAMANIAM
VICE CHAIRMAN & MANAGING DIRECTOR

Chennai
28th May, 2001

ANNEXURE TO DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956

A. CONSERVATION OF ENERGY***Energy conservation :***

Your company is not a power intensive industry and hence the scope for conservation of energy is not much. However the following energy saving measures has been carried out.

- i. The company has been regularly striving to conserve use of electrical energy by energy conservation programme, by implementation of energy audit and energy conservation measures, process procedures have been optimised to reduce energy consumption per unit/rupee of production.
- ii. The fluorescent lights at the Plant has been fitted with electronic ballasts for higher efficiency and conservation of energy.
- iii. Lighting survey was carried out and some lighting points reduced.

B. TECHNOLOGY ABSORPTION***Research & Development :***

1. Specific areas in which R&D is carried out by the Company
 - a. The company has progressed substantially in introducing flame proof synthetic liquid filled transformer and the process of acceptance is in final stages. The company expects sizable business for these type of transformers.
 - b. Nomex aramid fibre as an insulation material to reduce the overall size/weight of the transformer for mobile applications. A lot of research was carried out in this area with consultation from external experts and the same was carried out on three different transformers successfully.
2. Benefits derived as a result of the above R&D :

The development and introduction of various compounds have contributed to reduction in production cost and improvement of quality.

As a result, the company has good scope in new market entry, cost reduction, better product performance and increased competitive ability and broader product profile.