

ANNUAL REPORT

2001 - 2002



INDO TECH
TRANSFORMERS LIMITED



**THE 42 MVA / 230 KV / 13.8 KV
MOBILE SUBSTATION SUPPLIED TO
FLORIDA POWER CORPN. USA**

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**

DP : 36, SIDCO Industrial Estate,

Thirumazhisai,

CHENNAI - 602 107.

WORKS1) 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 Tenth Annual Report of the Company together with the audited accounts for the year ended 31st March 2002.

FINANCIAL RESULTS

	Year ended 31.3.2002	Year ended 31.3.2001
	(Rs. in Lacs)	
Sales & Other Income	2225.66	3427.61
Gross Profit before Interest, Depreciation & Tax	69.89	257.55
Depreciation	70.77	67.59
Interest	149.06	139.72
Profit/(Loss) before tax	(149.94)	50.24
Provision for taxation	0.35	4.00
Profit/(Loss) after tax	(150.29)	46.24
Short provision of tax for earlier years	0.29	4.07
Profit brought forward from previous year	300.67	258.50
Profit available for appropriation	150.09	300.67
Profit carried forward	150.09	300.67

OPERATIONS

The year 2001-02 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 four 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.

The expected orders from State Electricity Boards were delayed thereby resulting in reduction in sales turnover by nearly 35 percent. Due to low production added with delayed payments and lower price realisation your company ended the year with a net loss of Rs.149 lacs for the year under review.

EXPORTS

The Company's thrust on exports continues and has resulted in physical and deemed export sales of Rs.100.13 lacs and Rs.20.18 lacs as against Rs.340.10 and Rs.256.16 lacs respectively during last year. The Company has tied up with a leading UK manufacturer for supply of transformers for UK as well as other developing nations in the Middle East & Africa. Supplies to this Company has commenced & orders are regularly expected. Your Company has also tied up with a leading Nigerian Company for export of transformers of smaller ratings & first lot of supplies have been since completed.

Thrust on exports to USA continues & your Company has added a few more customers for ANSI specification transformers & the year ahead looks very bright with regard to exports.

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.4900 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 has developed a new line of corporate customers and the network of distributors has been strengthened to increase the business. Continuous vigilance on the 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.

The construction of the new corporate office within the Thirumazhisai complex was completed during the second quarter of the year.

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, 2002 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, 2002 on a going concern basis.

DIVIDEND

Your Directors' regret to advise you that in view of the losses suffered by the Company and the present business environment coupled with heavy financial obligations, we are unable to recommend any dividend on the Equity Share Capital of the Company.

DIRECTORS

Sri. P. Velayudhan Pillai and Shri. P.S. Shekar retire by rotation and being eligible, offer themselves for re-appointment.

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.

AUDITORS

Messrs. G. Balu Associates, Chennai, Auditors of the Company, hold office until the conclusion of the ensuing 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 preview 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 Institutions 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 August, 2002

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.