

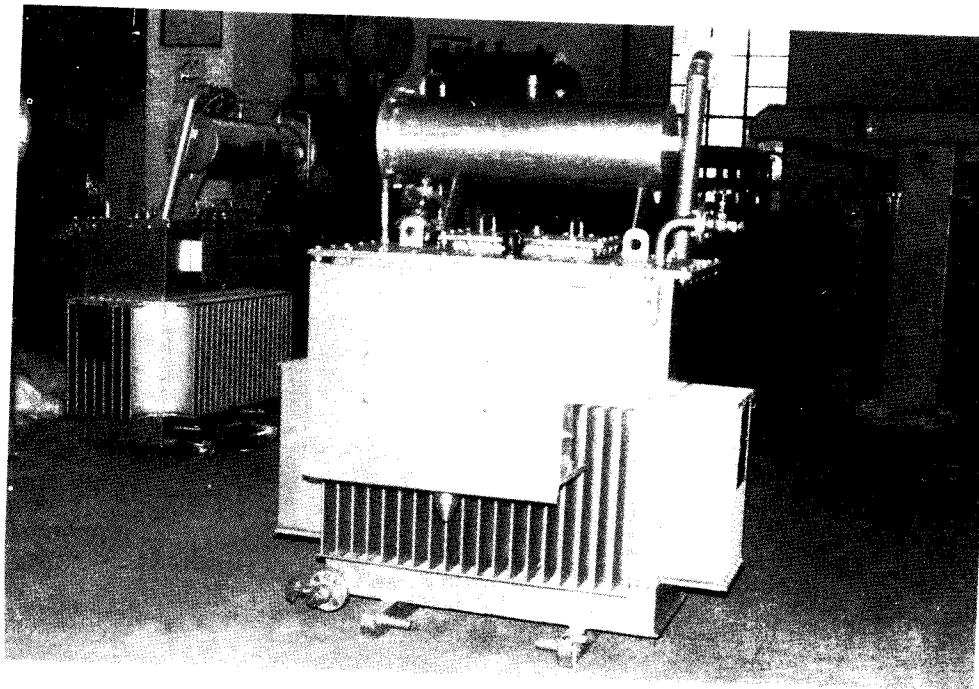
ANNUAL REPORT

2002 - 03

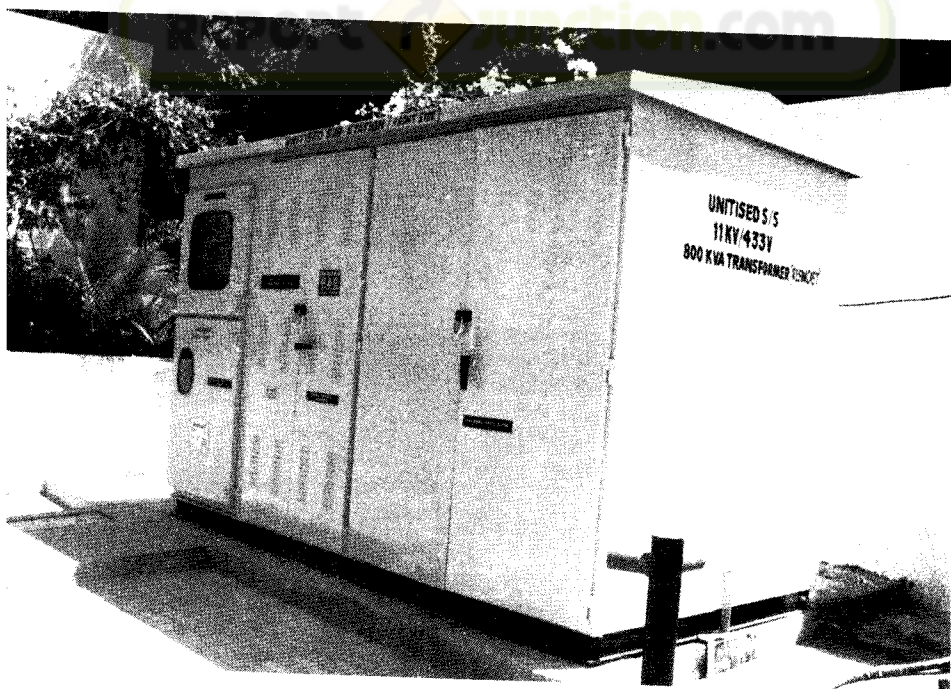
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INDO TECH
TRANSFORMERS LIMITED



300 KVA TRANSFORMER FOR EXPORT TO NIGERIA



800 KVA PACKAGE UNITISED SUBSTATION

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

Report

M/s. G. BALU ASSOCIATES

Chartered Accountants

Chennai

REGISTERED OFFICE

DP : 36, SIDCO Industrial Estate,

Thirumazhisai,

CHENNAI - 602 107.

WORKS

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 Eleventh Annual Report of the Company together with the audited accounts for the year ended 31st March 2003.

FINANCIAL RESULTS

	Year ended 31.3.2003	Year ended 31.3.2002
	(Rs. in Lacs)	
Sales & Other Income	4286.44	2251.00
Gross Profit before Interest, Depreciation & Tax	415.68	69.89
Depreciation	72.92	70.77
Interest	190.67	149.06
Profit/(Loss) before tax	152.09	(149.94)
Provision for taxation	10.95	0.35
Profit/(Loss) after tax	141.14	(150.29)
Current Year deferred tax	52.02	
Short provision of tax for earlier years	-	0.29
Profit brought forward from previous year	150.09	300.67
Profit available for appropriation	239.21	150.09
Deferred tax liability of earlier years	100.75	-
Profit carried forward	138.46	150.09

Previous year's figure has been regrouped wherever necessary.

OPERATIONS

The year 2002-03 was by far an improvement over the previous years. The power sector has started to witness a slight spurt in demand. This coupled with the increase in number of tenders has increased the share of your Company's products in the market. However, State Electricity Boards have still been unable to replace, upgrade and expand their systems due to their weak financial position.

During the year under review your Company received a large chunk of the orders from State Electricity Boards as well as increased its market share in the Industrial transformer segments in Southern India.

Due to tight financial monitoring, precision planning for various raw materials and improved profitability your company ended the year 2002-03 with the net profit of Rs.152.09 Lacs.

EXPORTS

The Company's thrust on exports continues and has resulted in physical export sales of Rs.195.49 lacs as against Rs.100.13 lacs during previous year. The Company has contracts with leading UK manufacturers as well as with other companies in the developing nations of Middle East and Africa.

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.

The Company has received an order for a 60 MVA mobile transformer (largest rating manufactured so far) for supply to a utility in the United States.

FUTURE PROSPECTS

The year 2003-04 looks optimistic as far as business from State Electricity Boards, Power Projects, Public Utilities and Industrial customers 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 Power Ministry intends to provide electricity to every village in the country by 2007 and to every home by 2010 and this will result in larger requirements of your company's products.

The present order book of the Company stands at Rs.5000 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.

Your Company has commenced bidding for complete Mobile substations and is in the process of introducing the same to the Indian Market. A lot of presentation and marketing efforts in this line of activity has commenced and your company is hopeful of breaking into the Indian Markets with the Mobile Substation concept. This mobile substation would be manufactured at Thirumazhisai works with close monitoring from your company's collaborator namely M/s. MobleSource Industries Inc: Ontario, Canada.

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.

During the year under review the company has successfully manufactured and supplied number of package substations to various customers in India. This new product line is to grow in the coming years for which your Company is well prepared.

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, 2003 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, 2003 on a going concern basis.

DIVIDEND

Your Directors' regret not to recommend any dividend for 2002-03 in order to conserve financial resources.

DIRECTORS

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

FINANCE

Your Company with strict financial discipline and efficient cash management 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 enclosed as Annexure I.

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. The wage settlement & agreement (three years) with the union at the Thirumazhisai Works was signed during the year.

SECRETARIAL COMPLIANCE

The Company has obtained Compliance Certificate from T. Murugan, Practicing Company Secretary for due compliance of Companies Act 1956 provisions for the year 2002-03. The said certificate is attached herewith as Annexure II.

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

16th May, 2003

ANNEXURE I 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 ballast 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. The Company has been developed the Package Substation and Unitised Substation suitable for Industrial clients has been developed. The Company expects sizeable business for this package substation.
 - c. A lot of R&D work has been carried out on Mobile Substation technology that has been obtained from M/s. Moblesource Industries Inc., Canada and with certain modifications to suit Indian condition has been derived. The company expects to commence supplies of this high technology product namely Mobile Substations.
2. Benefits derived as a result of the above R&D :

The development and introduction of various components 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.

Orders for complete mobile substation transformers is expected in the years to come.

3. Future plan of action :

All the above stated activities will be further accelerated and amplified to ensure conformance and further development of the overall quality of the product.

4. Technology Absorption, Adaptation and Innovation :

Please refer para B(1)

C. IMPORTED TECHNOLOGY

The Company continues to get the technology required to manufacture mobile sub-station transformers from their technical collaborator M/s Mobile Source Industries Inc., Canada. However as per the agreement no fees is being paid for the transfer of technology. The Company has started getting package substation technology for the complete mobile substation.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of the Company during the year under review was inflow Rs.199.40 lacs and outgo was Rs.55.45 lacs.
