

ANNUAL REPORT

2004 - 05

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**INDO TECH
TRANSFORMERS LIMITED**

BOARD OF DIRECTORS

Sri. P.E. SUBRAMANIAM

Chairman and

Managing Director

Sri. P.S. JAGDISH

Executive Director

Sri. P.S. SHEKAR

Director - Operations

Sri. P. Velayudhan Pillai

Sri. K. Kannan

Sri. A.P. Muthuswami I.A.S. (Retd.)

AUDITORS

M/s. G. BALU ASSOCIATES

Chartered Accountants

Chennai - 600 004.

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) VII/222, Koyyamarakkad,
Kanjikode, Palakkad - 678 621.

BANKERS

BANK OF BARODA

STATE BANK OF INDIA

INDO TECH TRANSFORMERS LIMITED

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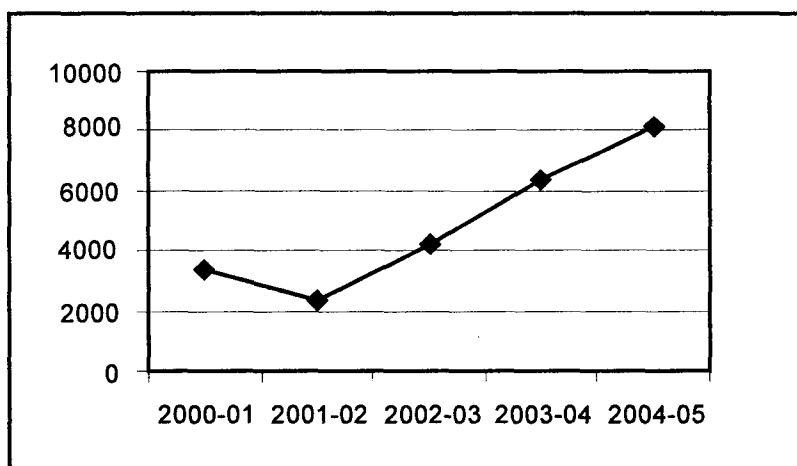
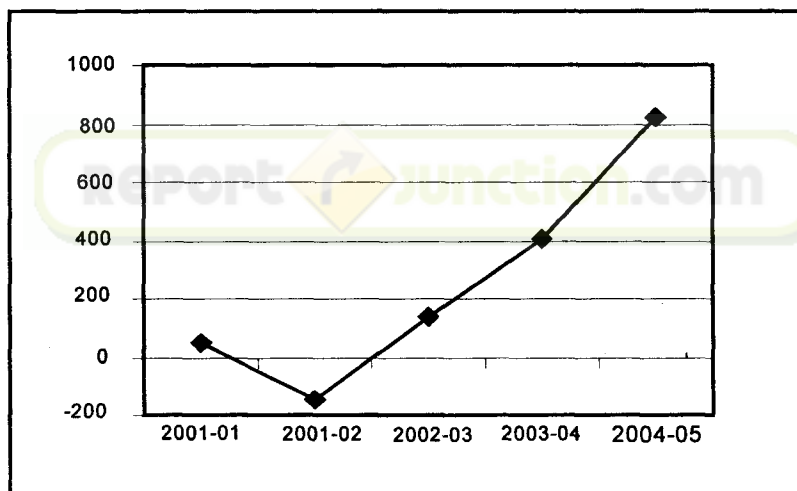
DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirteenth Annual Report of the Company together with the audited accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	Year ended 31.3.2005	Year ended 31.3.2004*
	(Rs. in Lacs)	
Sales & Other Income	8177.46	6362.44
Gross Profit before Interest, Depreciation & Tax	1229.59	684.35
Depreciation	86.04	72.98
Interest	64.79	113.99
Profit before Tax	1078.76	497.38
Provision for Taxation	280.00	90.00
Profit after Tax	798.76	407.38
Profit brought forward from previous year	431.07	138.46
Tax paid for earlier years	0.10	-
Current Year Deferred Tax	1.75	26.74
Profit available for appropriation	1227.98	519.10
Transfer to General Reserve	100.00	50.00
Proposed Dividend	56.34	33.80
Tax on Proposed Dividend	7.90	4.23
Profit carried forward	1063.74	431.07

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

SALES FOR THE LAST FIVE YEARS (Rs. in Lakhs)**PROFIT AFTER TAX FOR THE LAST FIVE YEARS (Rs. in Lakhs)****OPERATIONS**

The year 2004-05 was a continuation of the improvements as to the previous years. The power sector has continued to witness a great spurt in demand. This coupled with the increase in number of projects proposed by the government as well as requirements from industrial customers has increased the share of your Company's products in the market.

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 India.

Due to tight financial control, precision planning for various raw materials and a much improved realization of prices, your Company ended the year 2004-05 with the net profit after tax of Rs.798.76 Lacs.

INDO TECH TRANSFORMERS LIMITED

EXPORTS

The Company's export to USA and Canada continues. Export sales for the year under review was Rs.90.00 Lacs.

FUTURE PROSPECTS

The year 2005-06 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's emphasis 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 importance attached by the Government to the Power sector will result in sustained growth for the requirements of your company's products in the next couple of years.

During the year, your Company's products have been approved by a number of consultants and the acceptance of the products by numerous Industrial clients have resulted in adding new customers in addition to catering to the repeated requirements of the existing customers.

The present order book of the Company stands at Rs.9000 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 price rise of CRGO steel a major input in the last quarter of the last fiscal had resulted in increase in input costs. However the price of CRGO steel has stabilized and the availability of the material also has improved to a small extent.

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 Directors are hopeful that the performance of the company would continue to improve in the current year on account of the cost control measures and the envisaged increase in demand for the products.

AMALGAMATION OF INDO TECH ELECTRIC COMPANY LIMITED WITH YOUR COMPANY

As the members may be aware, the Company had submitted a scheme to the Honourable High Court of judicature at Madras for the amalgamation of Indo Tech Electric Company Limited with itself.

The entire proceedings of the High Court is complete and the final court order is awaited.

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, 2005 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 judgments 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 2005 on a going concern basis.

DIVIDEND

In view of the better overall performance your Directors are pleased to recommend for your consideration payment of a higher dividend of 20% for the year ended 31st March 2005 as compared to 12% declared for the previous year, aggregating to Rs.64.24 Lacs inclusive of tax on distribution of dividend.

DIRECTORS

In accordance with the Articles of Association of the Company, Sri P.S Jagdish and Sri A.P. Muthuswami, I.A.S (Retd) retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Sri V.Srinivasan, Chairman of the Company since 1994 resigned from the Board with effect from 27th September 2004 due to personal commitments. The Board regretfully accepted his resignation and place on record its deep gratitude and appreciation for his immense contribution and involvement in the Company's activities and valuable guidance over the years during his tenure as Chairman of the Board of Directors of the Company. Mr.P.E.Subramaniam was elected Chairman of the Company in addition to being the Managing Director at the meeting of the Board of Directors held on 27th September 2004.

FINANCE

Your company with strict financial discipline and efficient cash management has been regularly meeting all its obligations for payment of interest and loan installments on due dates.

AUDITORS

The Company's Statutory Auditors, M/s. G. Balu Associates, Chartered Accountants hold office upto the conclusion of the forthcoming 13th Annual General Meeting and eligible for re-appointment. 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. Your Directors recommend their re-appointment for your approval.

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

The Company has not paid any remuneration attracting the provisions of the Companies (Particulars of the Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956. Hence no information is required to be appended to this report in this regard.

INDUSTRIAL RELATIONS

Industrial relations were cordial throughout the year in all the Plants of the company, emphasis on human resources development continues.

SECRETARIAL COMPLIANCE

The Company has obtained Compliance Certificate from T.Murugan, Practicing Company Secretary for due compliance of the provisions of The Companies Act, 1956 for the year 2004-05. The said certificate is attached herewith as Annexure II.

ACKNOWLEDGMENT

Your Directors would like to express their grateful appreciation for the assistance, support and co-operation received from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the devoted services of all the employees of the Company for its success.

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

For and on behalf of the Board

P.E. SUBRAMANIAM
CHAIRMAN & MANAGING DIRECTOR

P.S. JAGDISH
DIRECTOR

Chennai
27th June, 2005

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 program, by implementation of energy audit and energy conservation measures, process procedures have been optimized 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 developing rectangular cored transformers and a proto type transformer is manufactured and ready for type tests. Once testing is complete the product will be taken up for commercial manufacturing thereby saving on material to a great extend.
 - b. The Company has developed the Package Substation and Unitized Substation suitable for Industrial Clients. The Company expects sizable business for these package substations in the years ahead.
 - 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 are 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 developments.

Open Ventilated dry type transformers in technical tie up with M/s Dupont India is being planned to be manufactured at Thirumazhisai Works. A MOU is already signed with M/s Dupont India and a state of the art plant to manufacture these dry type transformers are in the process of being established.

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 fee is being paid for the transfer of technology.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of the Company during the year under review was inflow Rs.90.00 Lacs and outgo was Rs.55.49 Lacs.
