

**Annual General Meeting on
Thursday, the 27th July 2006
at Pleasant Days (Resort),
at 11.30 A.M.**

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Board of Directors

P.E. Subramaniam
Chairman & Managing Director
P.S. Jagdish
Executive Director
P.S. Shekar
Director – Operations
A.P. Muthuswami
K. Kannan
P. Velayudhan Pillai

Company Secretary

V. Balasubramanian

Auditors

G. Balu Associates

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, VGP Salai
Saidapet, Chennai 600 015
- 3) VII/222, Koyyamarakkad
Kanjikode, Palakkad – 678 621

Registrars

Intime Spectrum Registry Limited
C-13 Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai 400 078.
Telephone : 022-2596 3838 / 2596 0320
Fax : 022-2594 6969 / 2594 0329
E-mail : isrl@intimespectrum.com
Website : www.intimespectrum.com

Bankers

State Bank of India
Bank of Baroda
Standard Chartered Bank
Citibank N.A.
Indian Bank

DIRECTORS' REPORT

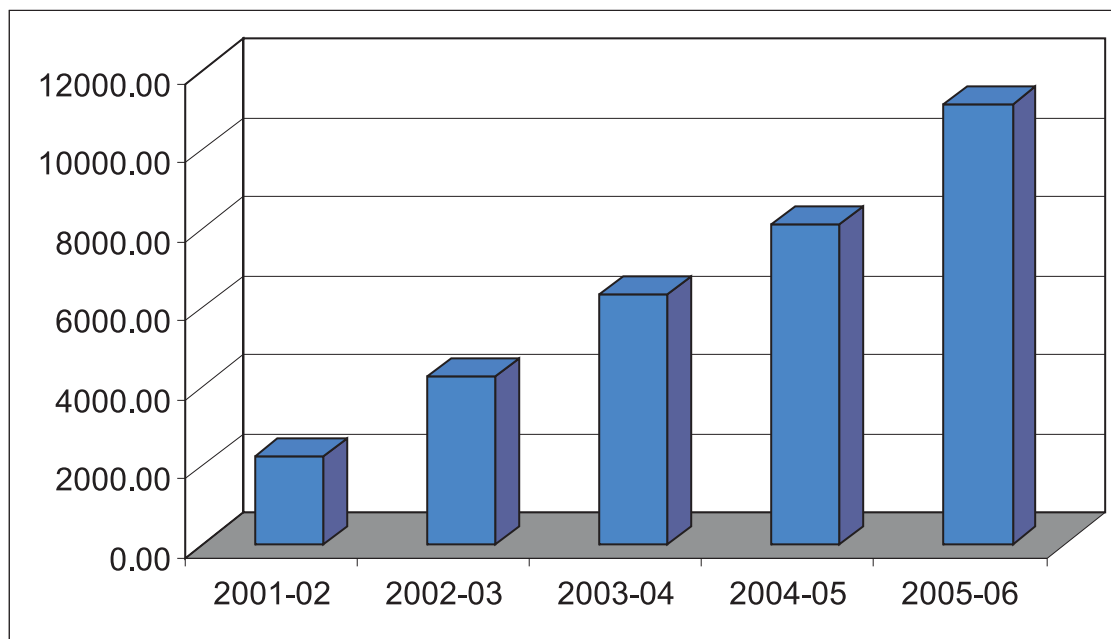
Your Directors are pleased to present their 14th Annual Report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditor's Report for the financial year ended 31st March, 2006. The Financial highlights for the year under review are given below:

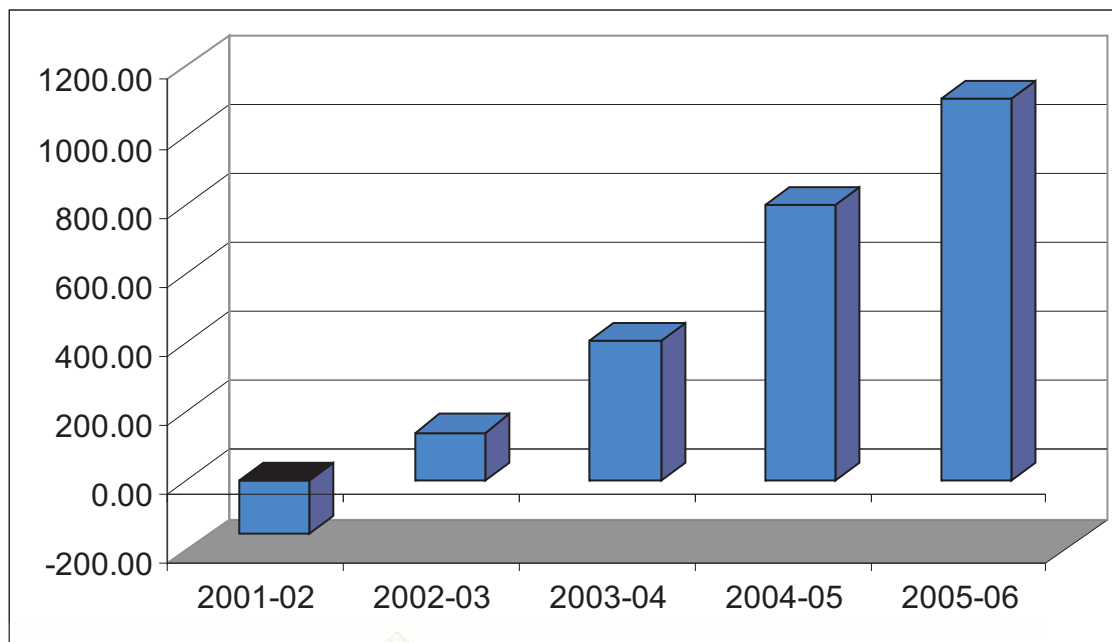
FINANCIAL RESULTS

(Rupees in Lakhs)

	Financial Year ended March 31, 2006	Financial Year ended March 31, 2005
INCOME		
Gross Sales & Other Income	11232.55	8174.73
Gross Profit before depreciation & tax	1735.80	1164.80
Depreciation	85.48	86.04
Profit before tax	1650.32	1078.76
Provision for tax inc. deferred tax and FBT	544.15	281.86
Profit after tax	1106.16	796.91
Balance of profit of earlier years	1063.74	431.07
Balance available for appropriation	2169.90	1227.98
APPROPRIATIONS		
General Reserve	110.00	100.00
Dividend	212.40	56.34
Tax on Dividend	29.79	7.90
Balance carried to Balance Sheet	1817.71	1063.74

SALES FOR THE LAST FIVE YEARS (Rs. in Lakhs)



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

Your Company has performed beyond expectations once again. Growth has been maintained in the local markets while the Company is exploring possibilities in the overseas markets. Our investments in manpower resources, technology and seeking new business areas continue to be the growth engines. The 2005-06 annual results demonstrate your Company's ability to identify, nurture and accelerate growth opportunities resulting in a strong platform for future growth.

Your Company's total revenues for the year 2005-06 was Rs.11232.55 lakhs representing a growth of 37.41%. (Rs.8174.73 lakhs for the previous year ended March 31, 2005). The Net Profit after provision for taxation for the year ended March 31, 2006 was Rs.1106.16 lakhs (Rs.796.91 lakhs for the previous year ended March 31, 2005) signifying a healthy growth of 38.81%.

The earning per share and cash earning per share for the year under review was Rs.14.34 and Rs.15.45 respectively.

Your Company's net worth continues to be strong and stood at Rs.7136.77 lakhs as on March 31, 2006 (Rs. 2392.70 lakhs in March 31, 2005), reflecting the intrinsic strength of the Company. The book value per share is Rs.67.20 signifying consistent enhancement in shareholders value.

BUSINESS OPERATIONS OVERVIEW AND OUTLOOK

The year 2006-07 looks optimistic as far as business from State Electricity Boards, Power Projects, Public Utilities, Industrial Customers and Exports are concerned. The importance given by the Government for infrastructure projects and huge investments coming up in the Power Sector is expected to generate huge demand for the products of your Company.

The Power Ministry intends to implement various projects including the mega power projects and these will result in larger requirement of your Company's products.

Your Company continues to get regular orders from State Electricity Boards, other Public Utilities, leading Turnkey Electrical Contractors as well as a range of Industrial Customers. The above will result in extending the Customer base of the Company and will enable the Company to achieve its projected growth in the years to come.

Your Company has embarked on an Expansion Plan and three Projects are being implemented concurrently, namely:

1. Relocation and Modernization of Saidapet plant into a new Distribution Transformer Plant of 750 MVA / annum at Thirumazhisai.
2. Setting up of Dry Type Transformer Plant at Thirumazhisai.
3. Setting up a new Power Transformer Plant with a Capacity of 2400 MVA/ Annum including 220 KV class of transformers at Illuppapattu Village, Kancheepuram.

The first and second Projects is expected to commence operations during the 2nd Quarter of the year 2006-07. The large Power Transformer Plant is expected to commence operations during the 1st Quarter of the year 2007-08.

The present order book of the Company stands at Rs.9600 Lakhs.

Your Company has started receiving export enquiries and is confident of meeting the requirement of various range of its transformers for its export customers in the near future.

INITIAL PUBLIC OFFER AND LISTING

Your Company came out with its Initial Public Offer (IPO) in February 2006 which received an overwhelming response and was oversubscribed 39.21 times. The Equity Shares of your Company were listed with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited on 16th March 2006 and trading commenced on the same date. The Shares continue to be actively traded on both the Stock Exchanges.

DIVIDEND

After considering the Company's profitability, cash flow, future expansion needs and the need to conserve resources, your Directors are pleased to recommend a dividend of 20% on the Paid-up Equity Share Capital of Rs.1062.00 lakhs. The total quantum of dividend, if approved by the Members, will be Rs.212.40 lakhs, while Rs.27.08 lakhs will be paid by the Company towards dividend tax, surcharge and education cess. Dividend in the hands of the shareholders will be tax-free.

AMALGAMATION

Indo Tech Electric Company Limited (ITECL) was amalgamated with your Company pursuant to the Order of the Hon'ble Madras High Court dated 30th September 2005.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. P. S. Shekar and Mr. K. Kannan, Directors retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act 1956 your Directors confirm that;

- 1) that in the preparation of the annual accounts for the financial year ended 31st March, 2006 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2) 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 the financial year 2005-06 and of the Profit & Loss Account of the Company for the year under review;
- 3) 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;
- 4) that the Directors had prepared the accounts for the financial year ended 31st March 2006 on a 'going concern basis'.

CORPORATE GOVERNANCE

Your Company continues to be committed to good corporate governance aligned with the best corporate practices. It has complied with the standards set out by SEBI and Clause 49 of the Listing Agreements of the Stock Exchanges.

A separate Report on Corporate Governance along with Auditor's Certificate on Compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is provided as a part of this Annual Report, besides the Management Discussion and Analysis.

HUMAN RESOURCES

Human capital is an extremely important and strategic resource of your Company. This resource has immensely contributed to your Company's growth over the years. Your Company honours the dignity of each employee, irrespective of position. The Board of Directors wish to express its sincere appreciation for the outstanding contribution of its employees to the operations of your Company.

None of the Employees were in receipt of remuneration prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

The Auditors of your Company, M/s. G. Balu Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Your Directors recommend their appointment for your approval.

PUBLIC DEPOSITS

Your Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information as prescribed under 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, is given in a separate annexure, which forms a part of this Report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of co-operation and support received from banks, customers, suppliers and shareholders for the continued growth and prosperity of your Company. Your Directors also wish to record their appreciation for the excellent services rendered by the Lead Manager and the Registrar in the recently concluded IPO. Your Directors look forward to the continued support of these partners in progress.

For and on behalf of the Board of Directors

INDO TECH TRANSFORMERS LIMITED

P. E. SUBRAMANIAM

Chairman & Managing Director

Chennai, June 2, 2006

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 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.
- iv. Energy expert had been invited to the Company to study in detail the present consumption and also the expected consumption of energy after the installation of new Plant and Machinery. After obtaining the detailed report from him, further conservation of Energy shall be attempted, wherever practicable.

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 prototype transformer has been manufactured. Once testing is complete the product will be taken up for commercial manufacturing thereby saving on material to a great extent.
 - 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. Detailed studies had been carried out in connection with the manufacture of 100MVA 230KV class Transformers, especially the insulation co-ordination, better utilisation of active materials etc.
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 in 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.
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 Transformer is being planned to be manufactured at Thirumazhisai. A state of the art plant to manufacture these dry type transformers is in the process of being established. Major equipments required for this manufacture have been ordered.
4. Technology Absorption, Adaptation and Innovation :

Please refer para B(1)

C. IMPORTED TECHNOLOGY

The Company's technical collaboration agreement with M/s. Moblesource Industries Inc., Canada, has expired. However, the Company continues to get orders for these Mobile Transformers from Moblesource Industries Inc., as a Supplier-Customer relationship.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of the Company during the year under review was Rs. nil and outgo was Rs.53.05 lakhs.

CORPORATE GOVERNANCE REPORT

Company's Philosophy on Corporate Governance:

The Company's philosophy is to aim at the highest levels of quality management through transparency and commitment to all the stakeholders viz. its shareholders, employees, Government, lenders and the promoters.

Board of Directors:

The Board of Directors provide the strategic direction and thrust to the operations of the Company. The Board has an Executive Chairman and five other Directors. Out of these, three members are Independent Directors. Hence, the Company complies with the listing agreement norms for Independent Directors.

Board procedures:

The Company Secretary prepares the agenda in consultation with the Chairman of the Board of Directors and the Chairman of the various committees. The agenda for the meetings of the Board and its Committees, together with the appropriate supporting documents, are circulated well in advance of the meetings. The meetings are normally held in Chennai.

Attendance at meeting:

During the year under review, the Board of Directors met 10 times on 27th April 2005, 27th June 2005, 28th July 2005, 9th August 2005, 3rd October 2005, 7th October 2005, 10th October 2005, 22nd October 2005, 23rd December 2005 and 9th March 2006.

The attendance record of the Directors at each Board meeting, and the last Annual General Meeting held on July 28, 2005 is given below:

Name of Director	Type of Director	Board Meetings Attended	AGM Attended	No. of Committee Memberships held (excl. private Cos.)	No. of outside Directorships held (excl. private Cos.)
P.E. Subramaniam Chairman & Managing Director	Promoter Director	10	Yes	Nil	1
P.S. Jagdish Executive Director	Promoter Director	10	Yes	3	1
P.S. Shekar Director – Operations	Promoter Director	10	Yes	1	1
K. Kannan	Independent Director	7	No	8	6
A.P. Muthuswami	Independent Director	9	Yes	3	Nil
P. Velayudhan Pillai	Independent Director	7	Yes	2	Nil

Audit Committee:

The Audit Committee consists of two Independent Directors and one Executive Director viz.,

Sl. No.	Name	Category of Membership
1	Mr. K. Kannan	Chairman
2	Mr. A. P. Muthuswami	Member
3	Mr. P. S. Jagdish	Member

Mr. K. Kannan is ex-Chairman & Managing Director of Bank of Baroda and has sound knowledge in the areas of Banking, Finance, Taxation and Accounts. Mr. A.P. Muthuswami is the former Chief Secretary of the Government of Tamil Nadu. Mr. P.S. Jagdish is a Wholetime Director with responsibility for Finance and Legal functions. Mr. V. Balasubramanian, Company Secretary, is the Secretary of the Audit Committee.

During the year ended 31st March 2006, only one meeting was held on 23rd December 2005. The terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreement with the stock exchanges.

The Attendance of Directors at the Audit Committee Meetings held during the year ended 31st March 2006 is given below:

Sl. No.	Members	Meetings Held	Meetings Attended
1	Mr. K. Kannan	1	1
2	Mr. A. P. Muthuswami	1	1
3	Mr. P. S. Jagdish	1	1

Shareholders/Investors Grievance and Share Transfer Committee:

The Shareholders/Investors Grievance and Share Transfer Committee consists of two Independent Directors and one Executive Director viz.,

Sl. No.	Name	Category of Membership
1	Mr. A. P. Muthuswami	Chairman
2	Mr. P. Velayudhan Pillai	Member
3	Mr. P.S. Jagdish	Member

The Committee oversees the performance of share transfer and recommends measures to improve the shareholders/investors service. No meeting of the Shareholders Grievance and Share Transfer Committee was held during the year ended 31st March 2006. Mr. V. Balasubramanian, Company Secretary, is the Compliance officer.

During the Financial Year ended 31st March 2006, a total of 161 complaints were received from the shareholders out of which 156 were resolved within the financial year. The total number of complaints pending as on date of this report is 174.

Remuneration Committee:

The Remuneration Committee comprises of three Directors viz:

Sl. No.	Name	Category of Membership
1	Mr. K. Kannan	Chairman
2	Mr. A. P. Muthuswami	Member
3	Mr. P. Velayudhan Pillai	Member

The terms of reference of the Remuneration Committee are as per the guidelines set out in the in the Listing Agreement with the stock exchanges that include determination of the Company's policy on specific remuneration packages for Directors.

The Non-executive Directors are not paid commission over and above the sitting fees. They are paid Sitting Fees of Rs.20,000/- for attending a meeting of the Board or Committee thereof. No meeting of the Remuneration Committee was held during the year ended 31st March 2006.

Details of remuneration paid to Wholetime Directors during the financial year 2005-06:

Sl. No.	Name	Designation	Salary & Allowances (Rs.)	Taxable value of perquisites (Rs.)	Commission (Rs.)
1	P.E. Subramaniam	Chairman & Managing Director	7,20,000	3,99,933	17,22,904
2	P.S. Jagdish	Executive Director	4,50,000	2,05,373	17,22,903
3	P.S. Shekar	Director-Operations	4,50,000	2,86,799	17,22,903

Details of Sitting fees paid to Non-executive Directors during the financial year 2005-06:

Sl. No.	Name	Designation	Board Meeting Fees (Rs.)	Audit Committee Fees (Rs.)	Shareholders' Grievance Committee Fees (Rs.)	Remuneration Committee Fees (Rs.)
1	K.Kannan	Independent Director	29,000/-	5,000/-	-	-
2	A.P. Muthuswami	Independent Director	36,000/-	5,000/-	-	-
3	P. Velayudhan Pillai	Independent Director	26,000/-	-	-	-

General Body Meetings:

The particulars of Annual General Meetings held during the last three years are as under:

Year	Date and Time	Venue
2005	28 th July 2005 at 9.30 A.M	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2004	27 th September 2004 at 9.30 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2003	8 th September 2003 at 9.30 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107

The particulars of Extra-Ordinary General Meetings held during the last three years are as under:

Year	Date and Time	Venue
2006	2 nd January 2006 at 11.00 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2005	10 th October 2005 at 11.00 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2004	16 th April 2004 at 1.00 P.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107

No special resolutions were passed by the Company necessitating postal ballot at any of the above meetings.

Disclosures:

- Related Party Transactions: Disclosure on transaction(s) with related party as required under Accounting Standard 18 has been incorporated in the Notes to the Accounts.