

**Annual General Meeting on  
Monday, the 30<sup>th</sup> July 2007  
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
- 4) DP:36 SIDCO Industrial Estate  
Thirumazhisai  
Chennai 602 107

**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

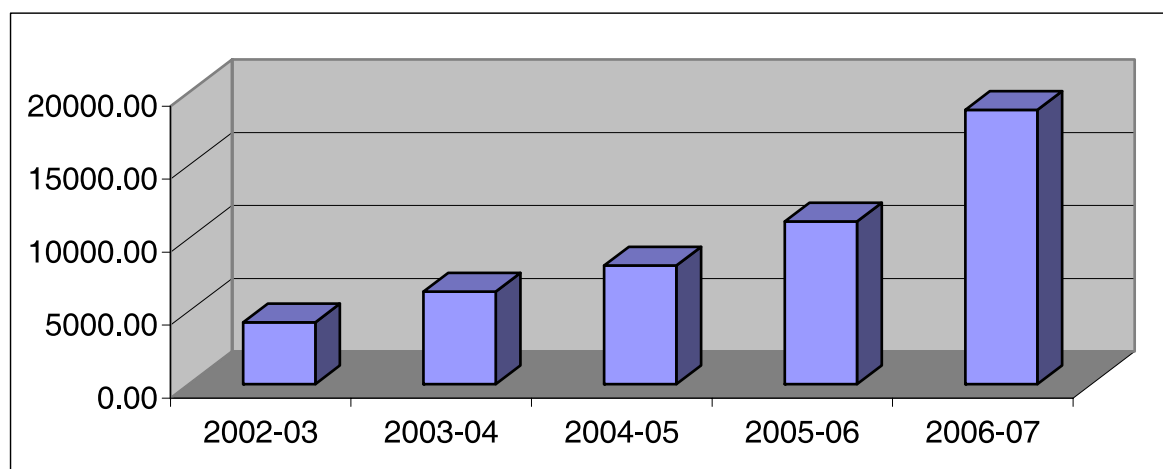
Your Directors are pleased to present their 15th Annual Report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditor's Report for the financial year ended 31st March, 2007. The Financial highlights for the year under review are given below:

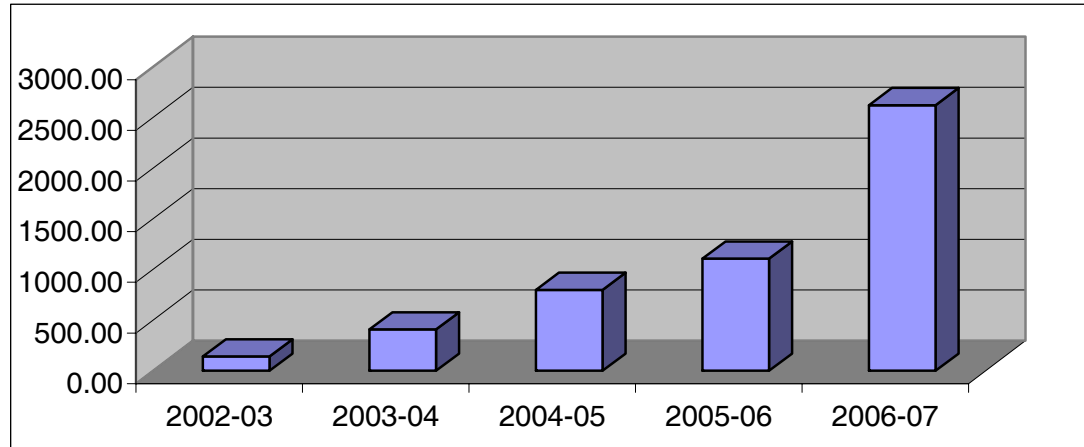
### FINANCIAL RESULTS

(Rupees in Lakhs)

	Financial Year ended March 31, 2007	Financial Year ended March 31, 2006
<b>INCOME</b>		
Gross Sales & Other Income	19115.67	11232.55
Gross Profit before depreciation & tax	4077.76	1735.80
Depreciation	113.78	85.48
Profit before tax	3963.98	1650.32
Provision for tax inc. deferred tax and FBT	1342.74	544.15
Profit after tax	2621.24	1106.16
Income tax of earlier year	72.00	—
Balance of profit of earlier years	1817.72	1063.74
Balance available for appropriation	4366.96	2169.90
<b>APPROPRIATIONS</b>		
General Reserve	500.00	110.00
Dividend	477.90	212.40
Tax on Dividend	81.22	29.79
Balance carried to Balance Sheet	3307.84	1817.71

### 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 2006-07 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 2006-07 was Rs.19115.67 lakhs representing a growth of 70.18%. (Rs.11232.55 lakhs for the previous year ended March 31, 2006). The Net Profit after provision for taxation for the year ended March 31, 2007 was Rs.2621.24 lakhs (Rs.1106.16 lakhs for the previous year ended March 31, 2006) signifying a healthy growth of 136.97%. The earning per share and cash earning per share for the year under review was Rs.24.00 and Rs.25.08 respectively.

Your Company's net worth continues to be strong and stood at Rs.9126.89 lakhs as on March 31, 2007 (Rs.7136.77 lakhs in March 31, 2006), reflecting the intrinsic strength of the Company. The book value per share is Rs.85.94 signifying consistent enhancement in shareholders value.

**BUSINESS OPERATIONS OVERVIEW AND OUTLOOK**

The year 2007-08 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 ultra 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.

**IPO FUNDS UTILISATION**

The Company had during the financial year ended March 31, 2007 utilised a sum of Rs.2329 lakhs from IPO funds and term loan of Rs.450 lakhs from Banks for Project(s) implementation. The balance IPO funds amounting to Rs.1467 lakhs has been invested in mutual funds and fixed deposits with banks.

Your Company had embarked on an Expansion Plan and two out of three Projects have been completed 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.

Production is in full swing at the Distribution Transformer Plant. The Dry Type Transformer Plant is expected to commence trial production in June 2007.

The work of setting up a new Power Transformer Plant with a Capacity of 4000 MVA/ Annum including and upto 400 KV class of transformers at Illuppapattu Village, Kancheepuram is progressing satisfactorily and is expected to be completed by September/October, 2007.

The present order book of the Company stands at Rs.17200 Lakhs.

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

## **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. A. P. Muthuswami and Mr. P. Velayudhan Pillai, 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, 2007 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 2006-07 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 2007 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 wishes to express its sincere appreciation for the outstanding contribution of its employees to the operations of your Company.

The long term Wage Agreement with the Union at the Power Transformer plant at Thirumazhisai was entered into on 17th July 2006 for a period of 4 years commencing from 1<sup>st</sup> February 2006 to 31<sup>st</sup> January 2010.

The long term Wage Agreement with the Union at the Distribution Transformer plant at Thirumazhisai was entered into on 30<sup>th</sup> May 2007 for a period of 4 years commencing from 1<sup>st</sup> January 2007 to 31<sup>st</sup> December 2010.

## **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 [Annexure "I"], which forms a part of this Report.

**PARTICULARS OF EMPLOYEES**

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of co-operation and support received from banks, customers, suppliers, registrars, shareholders and all other stake holders for the continued growth and prosperity of your Company. 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 18, 2007

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## 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. The new Distribution Plant at Thirumazhisai has been designed in such a way that during normal day shifts, the natural lighting is sufficient for all operations thereby saving on artificial lighting costs. The efficiencies of the new Air Drying Ovens, Paint Booth and Variable Drives fitted with all the winding machines installed at the new D.T plant will ensure reduction in energy costs to a great extent.
- v. The Open Ventilated Dry Type (OVDT) plant also is being set up on similar lines as above.

### 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.

A state of the art plant to manufacture Open Ventilated Dry Type Transformers at Thirumazhisai has been established and trial production is likely to commence in June 2007.
4. Technology Absorption, Adaptation and Innovation:
 

Indo Tech's agreement and M.O.U with Dupont Inc. signed on 10<sup>th</sup> August, 2006 will ensure that the Company will get the latest technology with regard to the various design and manufacturing processes for the Open Ventilated Dry Type transformers which find a lot of applications in the urban areas and other special application areas such as petrochemical and shipbuilding industry to name a few.

Also 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 still hopes to get orders for these Mobile Transformers from Moblesoure 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. 299.79 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 provides 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.

### 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 held in Chennai.

### Attendance at Board Meeting:

During the year under review, the Board of Directors met 6 times on 19<sup>th</sup> April, 2006, 2<sup>nd</sup> June, 2006, 27<sup>th</sup> July, 2006, 28<sup>th</sup> October, 2006, 20<sup>th</sup> November, 2006, 22<sup>nd</sup> January, 2007

The attendance record of the Directors at each Board meeting, and the last Annual General Meeting held on July 27, 2006 is given below:

Name of Director	Type of Director	Board Meeting 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	6	Yes	Nil	1
P.S. Jagdish Executive Director	Promoter Director	6	Yes	2	2
P.S. Shekar Director-Operations	Promoter Director	6	Yes	Nil	Nil
K. Kannan Director	Independent Director	5	No	9	8
A.P. Muthuswami Director	Independent Director	6	Yes	3	Nil
P. Velayudhan Pillai Director	Independent Director	3	Yes	2	Nil

### Brief Resume of Directors seeking re-appointment:

A brief resume of Directors seeking re-appointment at the Fifteenth Annual General Meeting is given in Annexure "A".

### 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 Wholtime Director with responsibility for Finance and Legal functions. Mr. V. Balasubramanian, Company Secretary, is the Secretary of the Audit Committee.

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 2007 is given below:

Sl. No.	Members	Meetings Held	Meetings Attended
1	Mr. K. Kannan	6	5
2	Mr. A. P. Muthuswami	6	6
3	Mr. P. S. Jagdish	6	6

#### 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. Mr. V. Balasubramanian, Company Secretary, is the Compliance officer.

During the Financial Year ended 31st March 2007, a total of 339 complaints were received from the shareholders. All these complaints were resolved within the financial year.

The Attendance of Directors at the Shareholders/Investors Grievance and Share Transfer Committee Meetings held during the year ended 31st March 2007 is given below:

Sl. No.	Members	Meetings Held	Meetings Attended
1	Mr. A. P. Muthuswami	2	2
2	Mr. P. Velayudhan Pillai	2	0
3	Mr. P. S. Jagdish	2	2

#### 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 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.

The Attendance of Directors at the Remuneration Committee Meeting held during the year ended 31st March 2007 is given below:

Sl. No.	Members	Meeting Held	Meeting Attended
1	Mr. K. Kannan	1	1
2	Mr. A. P. Muthuswami	1	1
3	Mr. P. Velayudhan Pillai	1	0

Details of remuneration paid to Wholtime Directors during the financial year 2006-07:

Sl. No.	Name	Designation	Salary & Allowances (Rs.)	Taxable value of perquisites (Rs.)	Commission (Rs.)
1	P.E. Subramaniam	Chairman & Managing Director	1270000	289844	4132525
2	P.S. Jagdish	Executive Director	780000	296802	4132525
3	P.S. Shekar	Director-Operations	780000	172247	4132524

Details of Sitting fees paid to Non-executive Directors during the financial year 2006-07:

Sl. No.	Name	Designation	Board Meeting Fees (Rs.)	Audit Committee Fees (Rs.)	Shareholders' Grievance Committee Fees (Rs.)	Remuneration Committee Fees (Rs.)	Project Monitoring Committee Fees (Rs.)
1.	K.Kannan	Independent Director	1,00,000	90,000	-	20,000	-
2	A.P. Muthuswami	Independent Director	1,20,000	1,10,000	40,000	20,000	50,000
3	P. Velayudhan Pillai	Independent Director	60,000	-	-	-	-

#### General Body Meetings:

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

Year	Date and Time	Venue
2006	27th July 2006 at 11.30 A.M	Pleasant Days Resort, Chennai-Bangalore Trunk Road Palanjur, Sembarambakkam, Chennai 602 103
2005	28 <sup>th</sup> July 2005 at 10.30 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2004	27th September 2004 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	2nd January 2006 at 11.00 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2005	10th October 2005 at 11.00 A.M.	DP-36, SIDCO Industrial Estate, Thirumazhisai, Chennai 602 107
2004	16th 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.