

**Annual General Meeting on
Wednesday, the 30th July 2008
At Pleasant Days (Resort),
At 11.30 A.M.**

CONTENTS

	Page
Company Information	02
Directors' Report	03
Report on Corporate Governance	12
Management Discussion & Analysis	19
Certification by Chief Executive Officer / Chief Financial Officer	21
Auditors' Certificate on Corporate Governance	22
Declaration on Code of Conduct	23
Auditors' Report	24
Balance Sheet	28
Profit and Loss Account	29
Schedules forming part of the Balance Sheet	30
Schedules forming part of the Profit and Loss Account	34
Significant Accounting Policies and Notes on Accounts	36
Cash Flow Statement	42
Balance Sheet Abstract	43

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) Survey No.151-243
Illuppapattu Village
Near Rajakulam
KM.64 Chennai Bangalore Highway
Kancheepuram 631 561
Tamil Nadu
- 2) DP:14-19 SIDCO Industrial
Estate, Thirumazhisai
Chennai 602 107
- 3) DP:36 SIDCO Industrial
Estate, Thirumazhisai
Chennai 602 107
- 4) 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

Bankers

Bank of Baroda
Citibank N. A.
Indian Bank
Standard Chartered Bank
State Bank of India
The Hongkong & Shanghai Banking Corporation

DIRECTORS' REPORT

Dear Members,

We are delighted to present the 16th 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, 2008.

FINANCIAL RESULTS

(Rupees in Lakhs)

	Financial Year ended March 31, 2008	Financial Year ended March 31, 2007
INCOME		
Gross Sales & Other Income	23152.95	19115.67
Gross Profit before depreciation & tax	5986.06	4077.76
Depreciation	174.44	113.78
Profit before tax	5811.62	3963.98
Provision for tax inc. deferred tax and FBT	1909.80	1342.74
Profit after tax	3901.82	2621.24
Income tax of earlier year	3.38	72.00
Balance of profit of earlier years	3307.84	1817.72
Balance available for appropriation	7206.28	4366.96
APPROPRIATIONS		
General Reserve	500.00	500.00
Dividend	637.20	477.90
Tax on Dividend	108.29	81.22
Balance carried to Balance Sheet	5960.79	3307.84

DIVIDEND

Your Company has had a consistent dividend policy of balancing the twin objectives of appropriately rewarding the share holders and retaining capital to maintain a healthy cash flow to support future growth. It has a consistent track record of moderate but steady increases in dividend declarations over the past few years with the dividend paying ratio of around 21%. In line with and in recognition of the robust performance during 2007-08, your Directors are pleased to recommend a dividend of 60% for the year ended March 31, 2008 as against 45% for the year ended March 31, 2007. The dividend shall be subject to dividend distribution tax to be paid by the company.

FINANCIAL HIGHLIGHTS

Rs. in Lacs

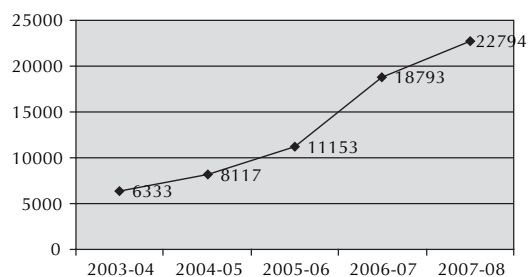
	2007-08	2006-07	2005-06	2004-05	2003-04
Gross Sales & Other Income	23153	19115	11233	8175	6363
Net Sales & Other Income	19345	15859	9352	6803	5237
Earnings before Depreciation, Interest and Tax (EBDIT)	6123	4225	1809	1230	684
Depreciation	174	114	85	86	73
Profit After Tax	3902	2621	1106	797	407
Equity Dividend %	60	45	20	20	12
Dividend Payout	637	478	212	56	34
Equity Share Capital	1062	1062	1062	282	282
Reserves and Surplus	11218	8065	6075	2111	1378
Net Worth	12280	9127	7137	2393	1660
Gross Fixed Assets	9219	4574	2041	1677	1517
Net Fixed Assets	8313	3826	1344	1063	969
Total Assets	14155	9971	7501	2786	2096

KEY INDICATORS

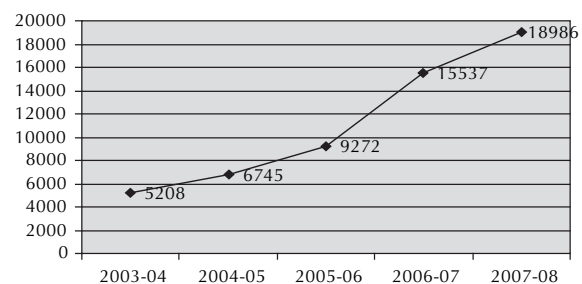
Rs. in Lacs

	2007-08	2006-07	2005-06	2004-05	2003-04
Earnings per Share - Rs.	36.71	24.00	14.34	28.29	13.51
Turnover per share - Rs.	218.00	179.99	105.77	290.21	225.89
Book value per share - Rs.	114.76	85.07	66.33	84.94	58.93
Debt : Equity Ratio	0.12:1	0.07:1	0.03:1	0.09:1	0.15:1
EBDIT / Gross Turnover %	26%	22%	16%	15%	11%
Net Profit Margin %	20%	17%	12%	12%	8%
RONW %	32%	29%	15%	33%	25%
ROCE %	28.28	26.61	15.07	33.36	21.21

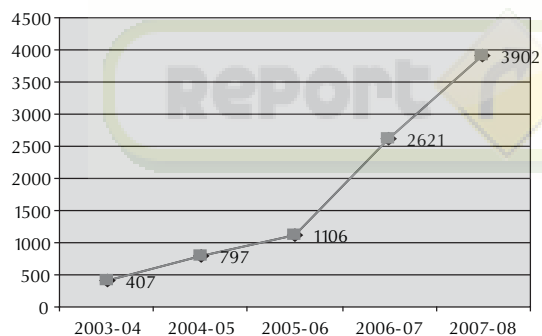
GROSS SALES (Rs. in Lacs)



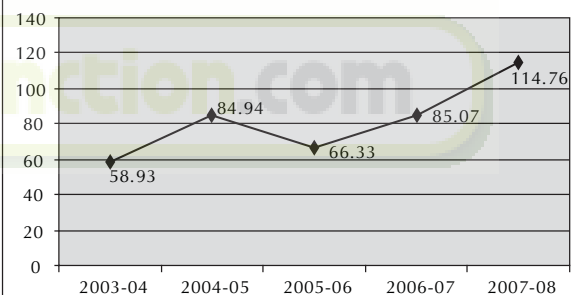
NET SALES (Rs. in Lacs)



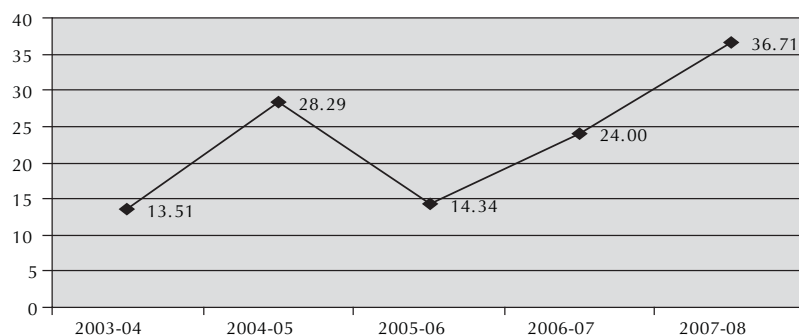
NET PROFIT (Rs. in Lacs)



BOOK VALUE PER SHARE (Rs. in Lacs)



EARNINGS PER SHARE (Rs.)



OPERATIONS AND PERFORMANCE

Your Company has performed well in spite of constraints and competition. Growth has been maintained in the local markets and the Company has been successful in procuring a few export orders. Our investments in manpower resources, technology and seeking new business areas continue to be the growth engines.

Your Company's total revenues for the year 2007-08 were Rs.23152.95 lakhs representing a growth of 21.12%. (Rs.19115.67 lakhs for the previous year ended March 31, 2007). The Net Profit after provision for taxation for the year ended March 31, 2008 was Rs.3901.83 lakhs (Rs.2621.24 lakhs for the previous year ended March 31, 2007) signifying a growth of 48.86%. The earning per share and cash earning per share for the year under review was Rs.36.71 and Rs.38.35 respectively.

Your Company's net worth continues to be strong and stood at Rs.12279.84 lakhs as on March 31, 2008 (Rs.9126.89 lakhs in March 31, 2007), reflecting the intrinsic strength of the Company. The book value per share is Rs.114.76 signifying consistent enhancement in shareholders value.

Earnings per share increased from Rs.24.00 to Rs.36.71.

LARGE POWER TRANSFORMER PLANT AT KANCHEEPURAM

The large power transformer plant at Kancheepuram has commenced manufacturing activities from February 2008 with an installed capacity of 4000 MVA. Though originally conceived with an installed capacity of 2400 MVA, it was decided to revise it to 4000 MVA to cater to anticipated demand. The plant is equipped to manufacture large power transformers upto 315 MVA (400KV Class). The Company is now having a total installed capacity of 7450 MVA.

This plant is a world class state-of-the art plant spread over 31 acres of land situated on National Highway 4 and the total built up area exceeds 110000 sq. feet. The plant has vapour phase drying ovens instead of conventional drying, using steam or electricity. The advantage is considerable saving in drying time and faster, efficient and thorough drying and increase in productivity.

Winding machines, both vertical and horizontal with variable drives are used which enables the machines to start at zero or minimum speed, avoiding jerks to the coil. Braking is also smooth. This ensures error free coil winding on the machines and also savings in energy consumed by the winding machines. The entire winding area is totally dust free with positive pressure.

The plant has a number of EOT cranes with the single largest crane of 200T capacity in addition to a number of jib cranes for the work stations.

The plant has epoxy flooring which helps in maintaining a dust free atmosphere and any oil slippage can be wiped clean and does not affect the flooring.

Metal halide lamps are used for better lighting efficiency/economy.

BUSINESS OPERATIONS OVERVIEW AND OUTLOOK

The year 2008-09 is expected to be full of opportunities as far as business from State Electricity Boards, Power Projects, Public Utilities, Industrial Customers and Exports are concerned. The Rural Electrification Programme of the Government of India to electrify all villages in the country is expected to substantially boost the demand for transformers.

The power intensive sectors like cement, metals, chemicals, oil and gas which are planning massive investments are expected to boost up the demand for transformers. Good demand is also expected from the real estate sector.

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 Company is also optimistic of securing a good volume of export orders. 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 went in for an IPO (Initial Public Offer) in February 2006. The IPO funds of Rs.37.95 crores (nett of expenses) have been fully utilized for the under-noted projects.

1. Relocation and Modernization of Saidapet plant into a new Distribution Transformer Plant of 750 MVA / annum at Thirumazhisai
2. Setting up of a Dry Type Transformer Plant at Thirumazhisai.
3. Setting up of a large Power Transformer Plant at Kancheepuram

All the projects have been completed and the Directors commend the members of the Project Monitoring Committee for their valuable contribution.

ACQUISITION OF LAND FOR CORPORATE OFFICE IN CHENNAI

Your Company has procured land and building for Rs.6.30 crores for re-locating the Corporate Office from Thirumazhisai to Chennai and is in consultation with its engineers and architects for construction of a modern office building. The construction of the building is expected to be completed by March 2009 subject to receipt of various approvals and the Corporate Office would be shifted shortly thereafter. The purpose of shifting the Corporate Office is manifold. The Corporate Office would be in the heart of the city and close to the Airport. It would be easily accessible to the Company's customers, suppliers, bankers and other stakeholders. The Company's officials would also be able to save considerable time while liaising with customers, bankers and statutory authorities since they would be located in close proximity to the Company's proposed Corporate Office. This acquisition has been financed from internal accruals.

IMPLEMENTATION OF ERP

The Company is now in the process of implementing a comprehensive ERP package (Infor LN) to better manage its systems and processes. This ERP would be implemented across the organization integrating the work of various departments, line functions, improve management information systems and enable better management control of operations and activities.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. K. Kannan, Director, retires by rotation at the forthcoming Annual General Meeting and, being eligible, offer himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- 1) in the preparation of the annual accounts for the financial year ended 31st March, 2008 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2) 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 2007-08 and of the Profit & Loss Account of the Company for the year under review;
- 3) 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) the Directors had prepared the accounts for the financial year ended 31st March 2008 on a 'going concern basis'.

CORPORATE GOVERNANCE

Your Company continues to be committed to good corporate governance aligned with the best corporate practices.

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.

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.

FIXED 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 Annexure I.

PARTICULARS OF EMPLOYEES

Particulars of employees who are in receipt of remuneration prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in Annexure II.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of co-operation and support received from employees at all levels, 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, May 30, 2008



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 have 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 has also been set up in similar lines as above.
- vi. The large Power Transformer Plant at Kancheepuram has also been set up in similar lines as above.
- vii. Sodium Vapour lamps in Thirumazhisai Power Transformer Plant have been entirely replaced with Metal Halide lamps for better efficiency/economy.
- viii. Large Power Transformer Plant at Kancheepuram

Vapour Phase Drying is an advancement on the drying method for transformer windings/coils. Instead of conventional drying, using steam or electricity, Shellsol or equivalent is used as a solvent in vapour phase drying. There is tremendous saving in drying time thus increasing productivity and the drying is more efficient and thorough.

Thermic fluid is used as the medium of heating and this thermic fluid is heated in boilers using furnace oil. When compared to conventional electric heating, this method of heating results in saving half the running cost.

Winding machines with variable drives are used which enables the machines to start at zero or minimum speed, avoiding jerks to the coil. Braking is also smooth. This ensures error free coil winding on the machines and also savings in energy consumed by the machines.

The 1600 KVA energy efficient transformer installed at the Kancheepuram Power transformer Plant has laser scribed core to minimize core loss and increase efficiency.

B. TECHNOLOGY ABSORPTION

Research & Development :

1. Specific areas in which R&D is carried out by the Company
In the OVDT plant, the consumption of varnish has been studied and accordingly the Vacuum Pressure Impregnation (VPI) Plant has been designed such that a fine coat over the coils is obtained and consumption of varnish is reduced.
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. Three new State of the art plants to manufacture Large Power Transformers at Kancheepuram; Distribution Transformers and Open Ventilated Dry Type Transformers at Thirumazhisai have been established and commercial production has commenced. Modern plant and machinery have been installed such as winding machines and vapour phase drying ovens which will enable faster processing of transformers with less energy consumption.

3. Technology Absorption, Adaptation and Innovation:

Indo Tech's agreement and M.O.U with Dupont Inc. signed on 10th 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.

The Company is in the process of locating suitable partners for technical know-how to manufacture large Power transformers at its new Kancheepuram Plant.

C. IMPORTED TECHNOLOGY

The Company is in the process of locating a foreign collaborator for collaboration to manufacture 400 KV Power Transformers.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of the Company during the year under review was nil and outgo was Rs.420.01 lakhs.

