



INDO TECH TRANSFORMERS LIMITED

**Annual Report
2009 - 10**

**Annual General Meeting on
Friday, the 23rd July 2010
At Pleasant Days (Resort),
At 12.15 P.M.**

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Board of Directors

Jorge Lozano
Chairman

Jorge Sepulveda
Director

Kishore Jayaraman
Director

Arun Bhalla
Director

Arun Srivastava
Director

M. S. Srinivasan
Director

Chief Executive Officer

Manuel Hernandez

Chief Financial Officer

S. Nagarajan

Financial Controller & Company Secretary

N. Nambi Rajan

Auditors

G. Balu Associates

Registered Office

DP:36 SIDCO Industrial Estate
Thirumazhisai
Chennai 600 124

Works

- 1) DP:14-19 SIDCO Industrial Estate,
Thirumazhisai
Chennai 602 124
- 2) DP:36 SIDCO Industrial Estate,
Thirumazhisai
Chennai 602 124
- 3) VII/222, Koyyamarakkad
Kanjikode, Palakkad 678 621
- 4) Survey No.153-210
Illuppapattu Village
Near Rajakulam
KM.64 Chennai Bangalore Highway
Kancheepuram District
Tamil Nadu

Registrars**Link Intime India Private Limited**

C-13 Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai - 400 078.
Telephone : 022-2596 3838 / 2594 6970
Fax : 022-2594 6969 / 2596 2691
E-mail : rnt.helpdesk@linkintime.co.in

Bankers

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

NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Company will be held at Pleasant Days Resort, Chennai-Bangalore Trunk Road, Palanjur, Sembarambakkam, Chennai 602103 on Friday, the 23rd July 2010 at 12.15 pm to transact the following business:-

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint Director in place of Mr. Kishore Jayaraman, who retires by rotation, being eligible offers himself for re-appointment.
3. To appoint Director in place of Mr. Arun Bhalla, who retires by rotation, being eligible offers himself for re-appointment

Special Business:

Appointment of Auditor

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s BSR and Co, Chartered Accountants and for whom the Company had received a notice under Section 225 of the Companies Act, 1956 from a member proposing their appointment as auditor, be and is hereby appointed as statutory auditor of the Company, in place of retiring auditors M/s G Balu Associates, Chartered Accountants, till the conclusion of the 19th Annual General Meeting of the Company on such remuneration and out of pocket expenses as may be decided by the Board.

By Order of the Board

Place : Chennai
Date : 14th May, 2010

N. Nambi Rajan
Financial Controller and
Company Secretary

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead and the proxy need not be a member of the Company. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Special Business to be transacted at the meeting, is annexed hereto.
3. The Register of members of the Company will remain closed from 20th July 2010 to 23rd July 2010, both days inclusive.
4. The members holding shares in the dematerialized mode are requested to intimate all changes with respect to their address, bank details, mandate, nomination, power of

attorney, etc. to their depository participant (DP). These changes will be automatically reflected in the Company's records, which will help the Company to provide efficient and better service to members.

5. The letter received from a member proposing the appointment of M/s BSR and Co, Chartered Accountants as Auditors in place of retiring auditor is available for inspection every day during business hours till the date of the forthcoming Annual General Meeting.

6. REQUEST TO SHAREHOLDERS

- i) Shareholders are advised to bring their copy of the Annual Report as copies of the Annual Report will not be distributed at the venue of the Annual General Meeting.
- ii) Shareholders may kindly note that no gift/coupon will be distributed at the Annual General Meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 4

In terms of the provisions of Sec. 225 of The Companies Act 1956, notice has been received from a member proposing the appointment of M/s BSR and Co, Chartered Accountants as auditors of the company in place of the retiring auditors, M/s G Balu Associates, Chartered Accountants.

A copy of the notice proposing the appointment and eligibility letter received from M/s BSR and Co are available for inspection of the members till the date of annual general meeting during business hours.

The Board of Directors recommends the appointment of M/s BSR and Co, Chartered Accountants, as Auditors of the company.

None of the Directors of the Company is interested or concerned in the subject.

By Order of the Board

N. Nambi Rajan
Financial Controller and
Company Secretary

Place : Chennai
Date : 14th May, 2010

Profile of Directors being re-appointed as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges

Particulars	Mr Kishore Jayaraman	Mr Arun Bhalla
Date of Birth	22 nd January 1965	23 rd May 1951
Date of Appointment	18 th May 2009	18 th May 2009
Qualification	M.E., M.B.A.	M.E., PGDM
Expertise in specific functional areas	Has more than 20 years of industry experience and is the President & CEO of GE Energy, India Region	Has more than 34 years industry experience and is the Chief Executive, Power Business Development, Shree Cement Ltd. He was the Executive Director of PTC India Limited and has also been associated with BHEL, Nelco, CGEE-Alstom, Tata Honeywell and Hyundai Unitech Electrical Transmission Limited at various levels of responsibilities in the area of Project Management, Marketing, Business Development and General Management
Directorships held	None	None
Membership of Committees	None	None

FINANCIAL HIGHLIGHTS

Rs. in Lakhs

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Gross Sales & Other Income	11182	24157	23153	19115	11233	8175
Net Sales & Other Income	10001	21100	19345	15859	9352	6803
Earnings before Depreciation, Interest and Tax (EBDIT)	(533)	6593	6123	4225	1809	1230
Depreciation	387	392	174	114	85	86
Profit After Tax	(803)	3897	3902	2621	1106	797
Equity Dividend %	—	124	60	45	20	20
Dividend Payout	—	1317	637	478	212	56
Equity Share Capital	1062	1062	1062	1062	1062	282
Reserves and Surplus	12735	13574	11218	8065	6075	2111
Net Worth	13797	14636	12280	9127	7137	2393
Gross Fixed Assets	9381	9501	9219	4574	2041	1677
Net Fixed Assets	7940	8212	8313	3826	1344	1063
Total Assets	14885	16632	14155	9971	7501	2786

KEY INDICATORS

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Earnings per Share - Rs.	(7.56)	36.69	36.71	24.00	14.34	28.29
Turnover per share - Rs.	105.29	227.47	218.00	179.99	105.77	290.21
Book value per share - Rs.	129.92	137.81	114.76	85.07	66.33	84.90
Debt : Equity Ratio	0.07:1	0.10:1	0.12:1	0.07:1	0.03:1	0.09:1
EBDIT / Gross Turnover	-5%	27%	26%	22%	16%	15%
Net Profit Margin	-8%	18%	20%	17%	12%	12%
RONW	-6%	27%	32%	29%	15%	33%
ROCE	-3%	35%	28%	27%	15%	33%

DIRECTORS' REPORT

Your Directors present the 18th 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, 2010.

FINANCIAL RESULTS (Rupees in Lakhs)

	Year ended March 31, 2010	Year ended March 31, 2009
INCOME		
Gross Sales & Other Income	11,181.65	24,157.17
Gross Profit / (Loss) before depreciation & tax	(766.65)	6,312.37
Depreciation	386.53	391.71
Profit / (Loss) before tax	(1,153.18)	5,920.66
Provision for tax inc. deferred tax and FBT	(350.13)	2,023.58
Income tax of earlier year	0.36	–
Balance of profit of earlier years	7,816.88	5,960.79
Balance available for appropriation	6,978.19	9,857.59
APPROPRIATIONS		
General Reserve	–	500.00
Dividend	–	1,316.91
Tax on Dividend	–	223.80
Balance carried to Balance Sheet	6,978.19	7,816.87

OPERATIONS AND PERFORMANCE

The year under review has been a challenging year for your Company. The cumulative effect of postponement of customer projects, cost increases, pricing pressures had a negative impact on the financials of your Company. Further, your Company was impacted by the lower order intake from Tamil Nadu Electricity Board partly due to your Company being classified as a Medium Scale Industry.

The current order backlog is Rs.95 crores. During the year, your Company was successful in securing orders for 160MVA transformers as well as concluding a rate contract with a leading T&D projects company for supply of transformers for its various projects over a two year period.

The qualifications made by the Auditors for the year ended 31st March 2009 have been resolved as below:

Sl No	Qualification	Action Taken
1	Confirmation from Customers and Vendors.	During the year, the company has sent confirmation of balance requests (responses directly to statutory auditors) to all customers and vendors as on 31-Dec-09 and has received responses which are under reconciliation.
2	Properties not registered in the Company's name.	The matter is under correspondence with SIDCO and discussions are ongoing. The Company is confident of a early resolution
3	Demand from JDJFT for non compliance of export obligations.	The Company has taken up the matter with JDGFT and is awaiting response from JDGFT
4	Signing of Accounts by Managing Director u/s 215 of the Companies Act.	No action

DIRECTORS

At the 18th Annual General Meeting Mr. Kishore Jayarman and Mr. Arun Bhalla retire by rotation and being eligible offer themselves for re-appointment.

The above re-appointments form part of Notice of the forthcoming 18th Annual General Meeting and the respective resolutions are recommended for your approval.

Profiles of these Directors as required by Clause 49 of the Listing Agreement are given in the Notice of the 18th Annual General Meeting.

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, 2010 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 2009-10 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 2010 on a 'going concern' basis.

CORPORATE GOVERNANCE

Your Company is 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.

Consequent to the change in management, your Company is in the process of identifying the right person for Manager/Managing Director.

AUDITORS

The retiring auditors of your Company, M/s. G. Balu Associates, Chartered Accountants, have expressed their desire not to be reappointed as Auditors. The Company has received a notice from one of the members proposing the appointment of BSR and Co, Chartered Accountants as the Auditors of your Company. Your Board recommends the appointment of BSR and Co, Chartered Accountants as Auditors of the Company.

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 a separate annexure [Annexure "I"], which forms part of this Report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of sec. 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975, as amended forms part of this Report. However as per the provisions of sec. 219(1)(b)(iv) of the Companies Act 1956, this Report and Accounts are being sent to all the members of the company excluding the Statement of Particulars of Employees under sec. 217(2A) of the Companies Act 1956. Any member interested in obtaining copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENTS

Your Directors express their appreciation of the continued cooperation of Governments and Government agencies, bankers, customers, suppliers and also the valuable assistance and guidance received from Xignux, General Electric Company and Prolec-GE and all the shareholders. Your Directors also wish to thank all employees for their contribution, support and continued cooperation during the year.

For and on behalf of the Board of Directors
INDO TECH TRANSFORMERS LIMITED

Jorge Lozano
Chairman

Jorge Sepulveda
Director

Place: Chennai
Date : 14th May, 2010

ANNEXURE I TO DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

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 have been carried out.

- a) 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.
- b) The fluorescent lights at the Plant have been fitted with electronic ballast for higher efficiency and conservation of energy.
- c) The design of the Distribution Transformer Plant and Open Ventilated Dry Type Transformer plant at Thirumazhisai and Large Power Transformer Plant in Kancheepuram facilitates natural lighting during normal day shifts and is adequate for most of the operations resulting in saving in lighting costs.
- d) Sodium Vapour lamps in Thirumazhisai Power Transformer Plant has been entirely replaced with Metal Halide lamps for better efficiency/economy.
- e) Large Power Transformer Plant at Kancheepuram
 - i. 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 significant saving in drying time thus increasing productivity and quality. time thus increasing productivity and quality.
 - ii. 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 significant saving in the running cost.

iii. 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.

iv. 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 Vacuum Pressure Impregnation (VPI) Plant has been designed such that a fine coat over the coils is obtained and consumption of varnish is reduced.

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.

2. Future plan of action:

All the above stated activities will be further accelerated and amplified to ensure conformance and further developments.

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.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of the Company during the year under review was Rs.105.53 lakhs and outgo was Rs.811.60 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. Management ensures that its day to day business transactions are conducted in an open and honest manner.

BOARD OF DIRECTORS:

The Board of Directors provides the strategic direction and thrust to the operations of the Company. The Board has non-whole-time Chairman and five other Directors. Out of these, three members are Independent Directors.

Except Mr. Jorge Lozano and Mr. Jorge Sepulveda, all other Directors are liable to retire by rotation.

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.

Attendance at Board Meetings, last Annual General Meeting (AGM) and number of other Directorships and Chairmanships/Memberships of Committees of each Director in various companies are stated below :

During the year under review, the Board of Directors met 4 times on 31st July, 2009, 4th Sept, 2009, 27th Oct, 2009, and 21st Jan, 2010.

Name of Directors	Type of Director	Board Meetings Attended	AGM Attended	No. of Committee Members Held	No. of other Directorships Held
Jorge Lozano	Non-Executive	3	Yes	-	-
Jorge Sepulveda	Non-Executive	3	Yes	-	-
Kishore Jayaraman	Non - Executive	4	Yes	-	-
Arun Bhalla	Independent	3	Yes	-	-
Arun Srivastava	Independent	4	Yes	-	-
M. S. Srinivasan	Independent	3	Yes	-	2

* The Directorships held by Directors as mentioned above, do not include Alternate Directorships, Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

* In accordance with Clause 49, Memberships/Chairmanships of only the Audit and Shareholders'/Investors' Grievance Committees of all Public Limited Companies [excluding Indo Tech Transformers Limited] have been considered.

BRIEF RESUME OF DIRECTORS SEEKING RE-APPOINTMENT:

A brief resume of Directors seeking re-appointment at the Eighteenth Annual General Meeting is given as part of the Notice to the Eighteenth Annual General Meeting.

AUDIT COMMITTEE:

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

Sl. No.	Name	Category of Membership
1	Mr. Arun Bhalla	Chairman
2	Mr. Arun Srivastava	Member
3	Mr. Jorge Sepulveda	Member

Mr. Arun Bhalla is the Chief Executive - Power Business Development in Shree Cements Ltd. He was formerly the Executive Director of PTC India Limited [formerly Power Trading Company of India Limited]. He has more than 34 years of industry experience and has been associated with BHEL, Nelco, CGEE-Alsthom, Tata Honeywell and Hyundai Unitech Electrical Transmission Limited at various levels of responsibilities in the area of Project Management, Marketing, Business Development and General Management.

Mr. Arun Srivastava is the former Managing Director and Chief Executive Officer of Essar Power Limited and was on their Board for more that 12 years. Earlier, he was associated with the National Thermal Power Corporation Limited (NTPC).

Mr. Jorge Sepulveda is the Chief Financial Officer of Prolec-GE Internacional, S De R.L. De C.V., Nuevo Leon, Mexico and has more than 20 years of industry experience.

Mr. N. Nambi Rajan, Company Secretary, is the Secretary of the Audit Committee.

Terms of Reference: Clause 49 of the Listing Agreement lists the role of the Audit Committee. The gist of the terms of reference is as follows:

- Oversee Company's financial reporting process and disclosures.
- Recommend appointment/removal/remuneration and payment of other fees of the statutory auditors.
- Review with the management the quarterly and annual financial statements before submission to the Board.