



Annual Report 2010 - 11

INDO TECH TRANSFORMERS LIMITED

**Annual General Meeting on
Friday, the 5th August 2011
At Pleasant Days (Resort),
At 4.00 P.M.**

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Board of Directors

Jorge Lozano - Chairman

Jorge Sepulveda

Kishore Jayaraman

Arun Bhalla

Arun Srivastava

M. S. Srinivasan

Chief Executive Officer

Manuel Hernandez

Chief Financial Officer

S. Nagarajan

Financial Controller & Company Secretary

N. Nambi Rajan

Auditors

B S R and Co

Registered OfficeDP:36 SIDCO Industrial Estate
Thirumazhisai
Chennai 600 124**Works**

- 1) DP:14-19 SIDCO Industrial Estate,
Thirumazhisai
Chennai 600 124
- 2) DP:36 SIDCO Industrial Estate,
Thirumazhisai
Chennai 600 124
- 3) Survey No.153-210
Illuppapattu Village
Near Rajakulam
KM.64 Chennai Bangalore Highway
Kancheepuram District
Tamil Nadu
- 4) VII/222, Koyyamarakkad
Kanjikode, Palakkad 678 621

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

Citibank N. A.

HDFC Bank Limited

Standard Chartered Bank

State Bank of India

The Hongkong & Shanghai Banking Corporation Limited

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Company will be held at Pleasant Days Resort, Chennai-Bangalore Trunk Road, Palanjur, Sembarambakkam, Chennai 602103 on Friday, 5th August 2011 at 4 P.M. to transact the following business:-

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011 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 Arun Kumar Srivastava, who retires by rotation, being eligible offers himself for re-appointment.
3. To appoint Director in place of Mr M S Srinivasan, who retires by rotation, being eligible offers himself for re-appointment.
4. To re-appoint M/s B S R and Co, Chartered Accountants, as Auditors of the company and to authorize the Board of Directors to fix their remuneration.

Special Business:

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

"RESOLVED THAT, subject to the provisions of sec.269 of the Companies Act 1956 read with Schedule XIII thereto, appointment of Mr Manuel Hernandez Bravo as Manager with effect from 1st December 2010, on the following terms and conditions placed and reviewed in the Board Meeting held on 12th November 2010, be and are hereby approved:

- a. Term of appointment is 5 years with effect from 1st December 2010.
- b. A consolidated salary of Rs.2,00,000 per month is payable as remuneration in terms of the provisions of sec.269 read with Schedule XIII of the Companies Act 1956. In addition to remuneration, he is eligible for perks and benefits as prescribed under Schedule XIII of the Companies Act, 1956."

By Order of the Board

N. Nambi Rajan
Financial Controller and
Company Secretary

Place : Chennai
Date : May 13, 2011

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 2nd August 2011 to 5th August 2011, 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. 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. 5**

In the Board meeting held on 12th November 2010, Board had appointed Mr Manuel Hernandez Bravo, Chief Executive Officer, as Manager under Companies Act 1956.

Mr Manuel Hernandez Bravo, aged 41 years, has more than 18 years industry experience at various levels of responsibilities in the areas of Project Management, Maintenance, Services, Engineering, Business Development & Planning, Logistics, Operations and General Management. He has been employed in the Prolec-GE group for over 13 years and earlier to that was associated with British American Tobacco. His last assignment was Operations Manager - Power Transformers and was managing a business of USD 300 million.

On acquisition of the Company by Prolec-GE, Mr Manuel Hernandez Bravo, was deputed to oversee the formalities of the take-over, subsequent running of the business with special focus on integration and transferring methods and processes from Prolec GE to the Company.

Considering the experience and professional expertise of Mr Manuel Hernandez Bravo, the Board has appointed him

as Manager of the Company, on the following terms and conditions, in its meeting held on 12th November 2010, subject to approval of shareholders in this annual general meeting:

- a. Term of appointment is 5 years with effect from 1st December 2010.
- b. A consolidated salary of Rs.2,00,000 per month is payable as remuneration in terms of the provisions of sec.269 read with Schedule XIII of the Companies Act 1956. In addition to remuneration, he is eligible for perks and benefits, as prescribed under Schedule XIII of the Companies Act, 1956.

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

By Order of the Board

N. Nambi Rajan

Finance Controller and
Company Secretary

Place : Chennai

Date : May 13, 2011

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

Name	Mr Arun Kumar Srivastava	Mr M S Srinivasan
Date of Birth	26th October 1947	21st July 1948
Date of Appointment	22nd July 2009	1st August, 2009
Qualification	B.E.(Mech.)	B.Tech., Master of Public Administration
Expertise in specific functional areas	Has more than 38 years of industry experience and was associated with Essar Power Limited as Managing Director and CEO. Prior to that he was with National Thermal Power Corporation Limited.	Has more than 2 decades of experience at senior levels in various Ministries. He is presently the Chairman of IL&FS Tamil Nadu Power Company Limited.
Directorships held	None	Chairman - IL&FS Tamil Nadu Power Company Limited
Membership of Committees*	None	None

Other than Mr Arun Kumar Srivastava and Mr M S Srinivasan, none of the other Directors are interested in their reappointment.

* 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.

FINANCIAL HIGHLIGHTS
Rs. in Lakhs

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Gross Sales & Other Income	12396	11020	24157	23153	19115	11233	8175
Net Sales & Other Income	11428	10249	21100	19345	15859	9352	6803
Earnings before Depreciation, Interest and Tax (EBDIT)	(1861)	(533)	6593	6123	4225	1809	1230
Depreciation	380	387	392	174	114	85	86
Profit After Tax	(2274)	(839)	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	1062	282
Reserves and Surplus	10446	12735	13574	11218	8065	6075	2111
Net Worth	11508	13797	14636	12280	9127	7137	2393
Gross Fixed Assets	9945	9381	9501	9219	4574	2041	1677
Net Fixed Assets	8130	7940	8212	8313	3826	1344	1063
Total Assets	12567	14885	16632	14155	9971	7501	2786

KEY INDICATORS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Earnings per Share - Rs.	(21.42)	(7.90)	36.69	36.71	24.00	14.34	28.29
Turnover per share - Rs.	116.91	103.79	227.47	218.00	179.99	105.77	290.21
Book value per share - Rs.	108.36	129.92	137.81	114.76	85.07	66.33	84.90
Debt : Equity Ratio	0.09:1	0.07:1	0.10:1	0.12:1	0.07:1	0.03:1	0.09:1
EBDIT / Gross Turnover %	-15%	-5%	27%	26%	22%	16%	15%
Net Profit Margin %	-18%	-8%	18%	20%	17%	12%	12%
RONW %	-20%	-6%	27%	32%	29%	15%	33%
ROCE %	-18%	-6%	35%	28%	27%	15%	33%

DIRECTORS' REPORT

Your Directors present the 19th 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, 2011.

FINANCIAL RESULTS (Rupees in Lakhs)

	Year ended March 31, 2011	Year ended March 31, 2010
INCOME		
Gross Sales & Other Income	12,396.45	11,019.94
Gross Profit / (Loss) before depreciation & tax	(2,012.35)	(766.65)
Depreciation	379.98	386.53
Profit / (Loss) before tax	(2,392.33)	(1,153.18)
Provision for taxes	(102.92)	(314.49)
Prior period / Extra ordinary items	(0.18)	—
Balance of profit of earlier years	6,978.19	7,816.88
Balance available for appropriation	4,688.60	6,978.19
APPROPRIATIONS		
General Reserve	—	—
Dividend	—	—
Tax on Dividend	—	—
Balance carried to Balance Sheet	4,688.60	6,978.19

OPERATIONS AND PERFORMANCE

In the year under review, your Company faced stiff challenges in getting orders due to competition. Additionally, excess capacity created in the last few years resulted in significant pricing pressures. However, your Company was successful in getting noteworthy orders from private power producers including an order for a 400kV transformer, first in the history of your Company in addition to receiving large orders for dry type transformers. As a result, the current order backlog stands at Rs.132 crores.

Your Company's performance for the year was impacted significantly due to low production levels primarily due to customers' project delays and site readiness. In addition, delays in funding of customer projects resulted in postponement of deliveries. Your Company is gearing up for growth and consequently is incurring higher fixed costs, resulting in loss for the year under review.

Your company has taken several steps to improve product quality and reduce material content ensuring compliant designs resulting in better performance of the transformer. Your Directors expect that the change in the brand of the product to **PROLEC-GE** will enable better product recognition and acceptance which will result in additional orders.

DIRECTORS

At the 19th Annual General Meeting, Mr Arun Srivastava and Mr M S Srinivasan retire by rotation and being eligible offers themselves for re-appointment.

The above re-appointments form part of Notice of the forthcoming 19th 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 attached in the Notice of the 19th 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, 2011 the applicable accounting standards have 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 2010-11 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 2011 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 part of this Annual Report, besides the Management Discussion and Analysis.

AUDITORS

M/s B S R and Co, Chartered Accountants, the retiring Auditors, have expressed their willingness to be reappointed.

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 : May 13, 2011

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) In Thirumazhisai Power Transformer Plant all lights are Metal Halide lamps which give better efficiency/economy as compared to Sodium Vapour Lamps
- 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.
 - 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.
- f) In the Thirumazhisai Plant, Electronic controllers for monitoring the demand ensures that non-critical equipment is shut off when allotted demand is reached resulting in optimum utilization of power.
- g) In the Thirumazhisai and Kanchipuram plants, usage of diesel generators curbed by availing alternate power at reduced cost.
- h) In Thirumazhisai plant, continuous monitoring of loads and usage resulting in optimizing drawdown from grid and utilizing spare generator capacity.

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.1,087.52 lakhs and outgo was Rs.1,247.97 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-wholetime 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, 14th May 2010, 23rd July, 2010, 12th November 2010 and 12th February 2011.

Name of Directors	Type of Director	Board Meetings Attended	AGM Attended	No. of Committee Memberships Held	No. of other Directorships Held
Jorge Lozano	Non-Executive	4	Yes	-	-
Jorge Sepulveda	Non-Executive	4	Yes	-	-
Kishore Jayaraman	Non - Executive	3@	No	-	-
Arun Bhalla	Independent	4	Yes	-	-
Arun Srivastava	Independent	4	Yes	-	-
M. S. Srinivasan	Independent	4	Yes	-	1

* 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.

@ Mr Kishore Jayaraman participated in two Board meeting discussions on phone.

Brief Resume of Directors seeking re-appointment:

A brief resume of Directors seeking re-appointment at the Nineteenth Annual General Meeting is given as part of the Notice to the Nineteenth 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 35 years of industry experience and has 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.

Mr. Arun Srivastava is the former Managing Director and Chief Executive Officer of Essar Power Limited and was on their Board for more than 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 21 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.
- Review with the Management, performance of the Statutory and Internal Auditors.
- Review adequacy of internal control systems, internal audit department, reporting structure and frequency.
- Discussion with internal auditors of any significant findings and follow-up thereon.