



KALPATARU POWER
TRANSMISSION LTD.



annual report
1999 - 2000



BOARD OF DIRECTORS

Chairman

Ismail M. Kanga

Managing Director

Mahendra G. Punatar

Directors

Mofatraj P. Munot

Suresh A. Gandhi

Parag M. Munot

Ajay A. Munot

Sajjan R. Mehta

Jayanti C. Shah

Bhogilal D. Shah

Company Secretary

Manoj G. Raichandani

Auditors

Kishan M. Mehta & Co., Ahmedabad

Bankers : Indian Bank, Oriental Bank of Commerce, Union Bank of India.

Factory & Registered Office : Plot No. 101, Part III, G.I.D.C. Estate, Sector 28, Gandhinagar 380 028, Gujarat, India.

Tel. No.: 91-02712-43512, 41622, Fax No.: 91-02712-45225, 43101, email : kptlg@kalpatarupower.com

Corporate Office : 111, Maker Chambers IV, Nariman Point, Mumbai – 400 021.

Tel No.: 91-22-2822888, Fax No.: 91-22-2041548

Kalpataru Power Transmission Limited
Nineteenth Annual Report and Audited Statement of Accounts
For the year ended 31 March, 2000

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SEVEN YEARS FINANCIAL HIGHLIGHTS

Rs. in millions

Operating Results	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Sales	406	622	839	1,050	1,280	1,658	1,658
Sales Growth %	233%	53.20%	34.88%	25.15%	21.90%	29.52%	0.01%
Other Income	14	3	1	5	1	11	5
Total Expenditure	361	540	688	878	1,070	1,429	1,430
Interest	13	8	35	41	49	44	40
Gross Profit after interest but before depreciation, taxation & extraordinary items	36	77	117	136	162	196	193
Depreciation	3	5	9	14	17	21	26
Profit before Tax & extraordinary items	33	72	108	122	145	174	167
Provision for diminution in value of investments	-	-	-	-	39	(1)	3
Provision for Taxation	11	24	28	29	26	27	9
Profit after Tax - (PAT)	22	48	80	93	80	149	155
Production in MTs	12,361	16,196	19,579	25,391	31,241	34,962	31,222
Financial Data & Ratios							
Equity Share Capital	29	78	109	109	109	109	109
Net Worth (excluding revaluation reserve)	49	242	322	382	424	537	650
Total Borrowings	104	66	306	369	606	700	590
Gross Fixed Assets	90	129	214	227	244	335	345
WIP - Real Estate Division	-	-	148	174	281	374	478
Debt Equity Ratio	2.13:1	0.27:1	0.95:1	0.97:1	1.43:1	1.30:1	0.91:1
Net worth per Equity Share (excluding revaluation reserve)	17.33	30.98	29.60	35.20	39.02	49.40	59.82
Earning per Equity Share	11.35*	9.38*	7.43*	8.53	7.36	13.70	14.25
Equity Dividend %	20%	25%	30%	30%	30%	30%	30%
Share Price - High/Low (52 weeks) - Rs.	N/A	N/A	93/57	47/25	43/26	53/24	54/30
Gross Profit %	8.86%	12.31%	13.91%	12.92%	12.63%	11.78%	11.64%
Profit before Tax %	8.12%	11.54%	12.89%	11.56%	11.32%	10.45%	10.02%
*Weighted Average							

DIRECTORS' REPORT

To,
THE MEMBERS,

Your Directors have pleasure in submitting the 19th ANNUAL REPORT on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31 March 2000.

FINANCIAL RESULTS	1999-2000 (Rs. in Millions)	1998-1999 (Rs. in Millions)
Profit before Depreciation	190.36	196.87
Less: Depreciation	<u>26.44</u>	<u>20.94</u>
Profit before Taxation	163.92	175.93
Less: Provision for Taxation	<u>9.10</u>	<u>27.10</u>
Net Profit after Taxation	154.82	148.83
Add: Surplus brought forward from previous year	113.65	20.99
Add: Prior year's Income-tax written back	3.44	—
Profit available for appropriation	<u>271.91</u>	<u>169.82</u>
 APPROPRIATIONS		
Transfer to General Reserve	20.00	20.00
Proposed Dividend on Equity Shares	5.43	32.59
Corporate Tax on Proposed Dividend	1.20	3.58
Interim Dividend :		
Equity Shares	27.15	—
Preference Shares	7.42	—
Corporate Tax thereon	3.80	—
Balance carried to Balance Sheet	206.91	113.65
	<u>271.91</u>	<u>169.82</u>

DIVIDEND

During the year under review the Directors had decided and paid Interim Dividend @ 25% (Rs.2.50 per Equity Share of Rs.10/- each) to the Shareholders of the Company.

Your Directors are also pleased to recommend final payment of dividend for the year ended 31 March 2000 @ 5% (Rs. 0.50 per equity share of Rs. 10/- each) aggregating @ 30% for the entire year.

OPERATIONS

Transmission Line Division

In spite of a difficult business environment, the company could almost maintain the turnover of Rs.1658.1 million (USD 37 million) as against Rs.1657.9 million in the previous year. However, profit before tax was marginally lower due to higher depreciation and competitive pressures on prices though profit after tax increased by 4% from Rs.148.8 million in 1998-99 to Rs.154.8 million in 1999-2000.

Due to tremendous delay in the finalisation of a large order, the production during the year has been lower at 31,222 MT as against 34,962 MT in the previous year. However, sales increased 5% from 32,538 MT to 34,361 MT.

In the wake of continued sanctions imposed by the Multilateral Funding Agencies (like World Bank, ADB, J-Exim) for the last two years since May 1998, the domestic market continued to decline and orders took longer to materialise due to funds constraints. Also the financial condition of the State Electricity Boards has further deteriorated with the slow pace of reforms. With the increasing backlog of investment, the company is hopeful that the Indian market will improve in the medium term.

To tide over the situation, domestic jobs requiring financing packages are being preferred by some Electricity Boards. Your company has received a Letter of Intent as a Lead Member for a similar job, but finalisation of financing package may take some time. In view of the long tenure of financing, the consortium is contemplating the formation of a Special Purpose Vehicle to execute the Project.

Due to intense competition in the domestic markets, fewer tenders have resulted in pressure on prices and margins. Your company has made a sustained effort to increase its presence in the Export markets, which have borne results. Physical exports have risen from Rs. 232 million in 1997-98 to Rs.543 million in 1998-99 and further by 78% to Rs.952 million (USD 21.5 million) in 1999-2000. Hence, over 50% of the turnover and production in 1999-2000 have come from physical exports. Export turnover (including deemed exports) reached Rs.1,466 million (or approx. 88% of total revenues) as against Rs. 1,494 million in 1998-99.

Your company has successfully completed supplies to Australia, Indonesia, Thailand, Syria, Mexico, Vietnam, etc. to the fullest satisfaction of the clients as regards quality and timely supplies.

Your company plans to continue its thrust in international markets including following a selective approach for overseas turnkey jobs involving bought-out items and tower erection/stringing.

As a long-term strategy, the company will strive to attain Cost Leadership in the industry and has decided to further invest approx. Rs.100 million in the coming year in CNC machinery, Human Resources and Systems to increase its operating efficiency and productivity at all levels. Efforts are being made to further improve working capital management and reduce project cycle time. A new Office Building has also been planned.

Many tower tests have been successfully carried out at the company's Research & Development Centre near Gandhinagar to the full satisfaction of the customers and have resulted in faster execution of projects.

Real Estate Division

The activities at the 'Kalpataru Habitat' project at Parel, Mumbai have been unfortunately delayed and the first 23-storeyed residential tower is expected to be completed only by the next year. However, inspite of the delay, the company is hopeful of a good response from buyers and expects to benefit from the recent uptrend witnessed in the property markets in Mumbai.

As per the accounting policies followed by the company, no sales / revenue has been booked in 1999-2000.

Preference Share Issue

Your company has issued 13% Redeemable Non-Convertible Cumulative Preference Shares on private placement basis to augment the medium term resources of the company. During the year the company has allotted 7,750,000 Preference Shares of Rs.10/- each aggregating to Rs.77.5 million.

Y2K COMPLIANCE

Your company has successfully rolled over Y2K problems in all spheres and all the systems and infrastructure is Y2K compliant.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Jayanti C. Shah, Mr. Ismail M. Kanga and Mr. Mofatraj P. Munot are liable to retire by rotation and being eligible offer themselves for re-appointment.

Your Directors recommend re-appointment of Mr. Jayanti C. Shah, Mr. Ismail M. Kanga and Mr. Mofatraj P. Munot.

AUDITORS

M/s. Kishan. M. Mehta & Co., the Auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. They have given their consent to be re-appointed for the current year. Members are requested to consider their re-appointment.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, particulars of Employees of the Company are furnished in an Annexure to this Report.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

The information required under Section 217 (1)(e) of the Companies Act, 1956 is annexed hereto and forms part of this Report.

DEPOSITS

The Company has not accepted deposits from the public within the provisions of Section 58-A of the Companies Act, 1956.

DEMATERIALISATION OF SECURITIES

Your Directors have pleasure in informing you that your company has signed agreements with National Securities Depository Limited and Central Depository Services (India) Ltd. for dematerialisation of Company's Equity Shares.

AWARDS RECEIVED

Your Directors have pleasure in informing you that your company has been awarded 'The National Export Award (1998-99)' by Ministry of Commerce, Government of India, by the hands of Hon'ble Prime Minister, Shri Atal Behari Vajpayee for Meritorious Performance in the field of Exports during the year 1998-99.

The Engineering Export Promotion Council (EEPC) has also awarded your company The All India Trophy for highest exporters in the category of Exporters with highest growth for the year 1997-98 for outstanding Export Performance in Engineering Exports amongst Non-SSI units.

ACKNOWLEDGEMENT:

The Board places on record its gratitude to our valued Customers, Bankers, Financial Institutions and Members for their support and confidence in the company.

The Board also wishes to place on record its appreciation for the devoted services rendered by the employees of the company at all levels.

On behalf of the Board of Directors

Place : Mumbai

ISMAIL M. KANGA

Date : 12 June, 2000

Chairman

ANNEXURE TO DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY :

During the year continuous focus was given by your company to minimise the energy consumption by taking the following measures :

1. Use of Voltage Stabilizer to regulate the fluctuations in the voltage of the Ahmedabad Electricity Company Supply, which helps to reduce energy consumption and eliminates wastage.
2. With the latest galvanising technology adopted by your company, a substantial amount of fuel has been saved.
3. Your company has installed enough number of Capacitors at the Electrical Control Panel Boards to improve the overall power factor of the System.
4. Implementation of recommendations made by the National Productivity Council while conducting the energy audit.

Impact of above for reduction of energy consumption and consequent impact on cost of production of goods:

Our total energy cost is less than one percent of our total turnover, which reflects the success of your company's efforts in this direction.

Total energy consumption and energy consumption per unit of Production as per Form 'A' is not applicable in the case of your company.

B. TECHNOLOGY ABSORPTION :

Efforts made in Technology Absorption as per Form 'B' are given below:

FORM - B

Form for Disclosure of Particulars with regard to Absorption :

Your Company has commissioned Research and Development Centre at Punadra where development efforts are carried out in the field of design and engineering. Technical personnel at various levels have successfully made efforts for innovative product development.