

ANNUAL REPORT 2005-2006



MARSON'S LIMITED



BOARD OF DIRECTORS : 1. Mr. G. C. Kotia – Chairman
2. Mr. Akhilesh Kotia – Managing Director
3. Mr. M. C. Jain – Director
4. Mr. Nikhilesh Kotia – Director
5. Mr. Pravin Jain - Director
6. Mr. V. M. Swami – Director
7. Mr. Manoj Banka – Director
8. Mr. Peeyush Jain – Director
9. Mr. P. R. Dutta – Technical Director

AUDITORS : **K. K. Jain & Co.**
Chartered Accountant

**REGISTRAR &
SHARE TRANSFER AGENT** : **Maheswari Datamatics Pvt. Ltd.**
6, Mangoe Lane, 2nd Floor,
Kolkata - 700 001

BANKERS : **ALLAHABAD BANK**
C. R. Avenue Branch
Kolkata

REGISTERED OFFICE : **4, CHANDNI CHOWK STREET**
KOLKATA - 700 072



NOTICE

NOTICE is hereby given that the 29th Annual General Meeting of the members of the company will be held at Bhartiya Bhasha Parisad, 36A Shakespeare Sarani, Kolkata - 700017 on Saturday, the 3rd day of June, 2006 at 11.00 A.M. to transact the following business:

As Ordinary Business:

1. To consider and adopt the Balance Sheet as at 31st March, 2006, the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors' and the Auditors' thereon.
2. To appoint a Director in place of Sri M. C. Jain, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri G. C. Kotia, who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint retiring Auditors of the Company, M/s. K.K.Jain & Co., Chartered Accountants to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

As special business

To consider and if thought fit, to pass with or without modification, the following resolution:-

As Ordinary Resolution

"RESOLVED THAT Sri P. R. Dutta who was appointed as an Additional Director of the company with effect from 01.04.2006 and who ceases to hold office as such in terms of Section 260 of the Companies Act, 1956, but being eligible for appointment, be and is hereby appointed as a director of the company, liable to retire by rotation."

As Ordinary Resolution

"RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the above referred Act, the company hereby approves the appointment and terms of remuneration of Mr. Akhilesh Kotia as Managing Director of the company for a period of 5 years with effect from 1st April, 2006 upon the terms and conditions set out in the letter dated 31st March, 2006 issued to him by the Company, a copy of whereof laid on the table and initialed by the Chairman for the purpose of identification, with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment in such manner as may be agreed to between the Directors and Mr. Akhilesh Kotia."

As Ordinary Resolution

"RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the above referred Act, the company hereby approves the appointment and terms of remuneration of Mr. P.R. Dutta as Technical Director of the company with effect from 1st April, 2006 upon the terms and conditions set out in the letter dated 31st March, 2006 issued to him by the Company, a copy of whereof laid on the table and initialed by the Chairman for the purpose of identification, with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment in such manner as may be agreed to between the Directors and Mr. P. R. Dutta."

As Special Resolution

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modifications(s) or reenactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements, SEBI Regulations and all other applicable laws, rules and regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be, deemed to include any Committee thereof



for the time being exercising the powers conferred on the Board by the Resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from the Calcutta Stock Exchange".

9. **As Ordinary Resolution**

"RESOLVED THAT in supersession of the resolution passed in this context and pursuant to Section 293(1)(d) of the Companies Act, 1956, the Directors of the company be and are hereby authorized to borrow money apart from temporary loans obtained from the Company's bankers in the ordinary course of business) for the purpose of the Company in excess of the aggregate of the paid up capital of the company and its free reserves (that is to say, reserves not set apart for any specific purpose), provided however, the total amount of such borrowings shall not exceed the sum of Rs. 100 Crore (Rupees One Hundred Crore only)"

10. **As Ordinary Resolution**

"RESOLVED THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors to mortgage and/or charge and/or lien, in addition to the mortgages/charges/liens created/to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the company in certain events of default, in favour of the Lender(s), Agent(s) and Trust(s)/Trustee(s), for securing the borrowings of the Company availed/to be availed by way of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible Debentures and/or Non-Convertible Debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rate/notes/bonds or other debt instruments, issued/to be issued by the Company, from time to time, subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agent(s)/Trustees, premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchanges and all other monies payable by the Company in terms of the Loan Agreement(s)/ Heads of Agreement(s)/Debentures Trust Deed(s) or loan agreements or any other document, entered into/to be entered into between the Company and the Lender(s)/Agent(s) and Trustee(s)/Trustees(s), in respect of the said loan/borrowings/debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee hereof and the Lender(s)/Agent(s)/Trustees(s).

RESOLVED FURTHER THAT for the purpose of giving effect to desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges/liens as aforesaid.

By Order of the Board
For Marson's Limited.

Akhilesh Kotia
Managing Director

Place: Kolkata
Date : 07.05.2006

**NOTES**

1. The register of members and the share transfer books of the Company shall remain closed on 3rd June, 2006.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself/herself and the proxy need not be a member of the Company. However, the proxy forms duly filled up must be lodged with the company before 48 hours of the meeting.
3. Please note that as per the notifications of SEBI, the company's equity shares have been under compulsory demat trading mode for all the investors. You are therefore, requested to demat your shareholding to avoid inconvenience in future.
4. Members are requested to :-
 - i) Notify change of address, if any.
 - ii) Send Query (ies), if any, regarding audited accounts atleast 10 days before meeting.
 - iii) Bring with them their copy of the Annual Report in the meeting
 - iv) Carry their identity proof to produce at the venue for security reasons.
5. Information pursuant to Clause 49 of the Listing Agreement in connection with the Directors seeking appointment/re-appointment:

Name of Director	Mr. Akhilesh Kotia	Mr. P. R. Dutta	Mr. M. C. Jain	Mr. G.C. Kotia
Date of Birth	30.10.1964	17.04.1939	27.11.1929	09.10.1931
Date of Appointment	10.06.1995	01.04.2006	26.08.1976	26.08.1976
Qualification	B. Com.	B. Com.	B.Sc.	B.Com.
Experience	Associated with the Electricals Transformer business for over 18 years and have in depth knowledge in manufacturing and marketing of Power & Distribution of Transformers	Possess vast experience in technical field of transformer manufacturing.	Associated with the Electrical and Transformer business for over 40 years and is pioneer in developing the company as promoter director since inception of the company.	Associated with the Electrical and Transformer business for over 40 years and is pioneer in developing the company as promoter director since inception of the company.
Directorship in other Companies	1) Marson's Power & Infrastructure Development Ltd. 2) Marson's Textiles Ltd. 3) Marson's Transformers Ltd. 4) A. P. Electricals Pvt. Ltd.	NIL	NIL	1) Marsons' Transformers Ltd.
Chairman/ Membership of the Committee	1) Member of Shareholders'/ Investors' Grievance Committee of Marson's Power & Infrastructure Development Ltd. 2) Member of Remuneration Committee of Marson's Power & Infrastructure Development Ltd. 3) Member of Audit Committee of Marson's Textiles Limited 4) Member of Shareholders'/ Investors' Grievance Committee of Marson's Textiles Ltd.	NIL	NIL	NIL

6. Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is attached herewith and forms part of the Notice.

By Order of the Board
For Marson's Limited

Akhilesh Kotia
Managing Director

Place: Kolkata
Date: 07.05.2006



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

Item No. 5

Mr. P. R. Dutta was inducted in the Board as Additional Director with effect from 01.04.2006. In accordance with the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only upto the date of the ensuing Annual General Meeting, but is eligible for appointment as director liable to retire by rotation. The required notice, pursuant to the provisions of Section 257 of the Companies Act, 1956 has been received from shareholder proposing his name for the directorship of the company. The Board propose his appointment for your consideration.

None of the Directors, except Mr. P. R. Dutta in his personal capacity, is interested or deemed to be interested in the proposed resolution.

Item No. 6

Mr. Akhilesh Kotia was appointed as Managing Director of the company w.e.f. 01.04.2006 by the meeting of the Board of Directors of the Company held on 31.03.2003 for a term of 5 years.

Mr. Akhilesh Kotia born on 30.10.1964 is associated with the Electrical and Transformer business for over 15 years and has in-depth knowledge in manufacturing and marketing of power and distribution of Transformers.

The appointment letter issued to him contains the following terms and conditions.

1. Appointment would be effective from 1st April, 2006 for a period of 5 years.
2. Basic Salary – Rs. 10000/- per month w.e.f. 01.04.2006.
The perquisites to be offered to him would be as under:
 1. Medical Reimbursement – Reimbursement of Medical Expenses actually incurred for self and family shall be subject to a ceiling of one month's salary in a year.
 2. Leave Travel Concession – Once in a year incurred in accordance with rules specified by the Company.
 3. Personal Accident Insurance – Premium not exceeding Rs. 3,000/- per annum.
 4. Reimbursement of Cost of Gas & Electricity supply to the extent of 10% of the salary.
 5. Club Fees – Fees of Clubs subject to a maximum of two clubs. This would not include admission and life membership fees.
 6. Contribution to Provident Fund as per rules of the Company. Gratuity payable will not exceed half a month's salary for each completed year of service, subject to such ceiling as per govt. notification from time to time.
 7. Provision of Car for use on Company's business and telephone at residence as per rules of the Company.

The above will be the minimum remuneration payable to Mr. Akhilesh Kotia in the event of loss or inadequacy of profit during his tenure as Managing Director.

Save and except Mr. Akhilesh Kotia, in his personal capacity and Mr. Nikhilesh Kotia, Mr. G. C. Kotia, Mr. M. C. Jain and Mr. Pravin Jain being the relatives of Mr. Akhilesh Kotia, no other Director of the Company is concerned or interested in the proposed resolution.

Item No. 7

Mr. P. R. Dutta was inducted in the Board w.e.f. 01.04.2006 as Whole Time Director designated as Technical Director for 5 years. Mr. Dutta possess vast experience in technical field of transformer manufacturing. The appointment letter issued to him contain the following terms and conditions:

1. Monthly minimum remuneration will be Rs. 25000/- (Rupees twenty five thousand only) for six(6) months + Rs. 5000/- (Rupees five thousand only) conveyance allowance.
2. ¾% Commission on the value of core and copper for 25 MVA and above 132/33/66 KV power transformers and earthing transformers.
3. With regard to Furnace Transformers and Dry type Transformers, you will be paid 2% commission on the cost of core and copper.
4. The same commission, i.e. 2% on the cost of core and copper will apply for any Special Type of Transformers which you will develop.



5. Monthly remuneration is subject to adjustment thereof from the commission earned by you. But it shall not be less than Rs. 3.0 lacs per annum.
6. Conveyance allowance shall remain the same, which will not be adjusted against Commission.

The above will be the minimum remuneration payable to Mr. P. R. Dutta in the event of loss or inadequacy of profit during his tenure as Technical Director.

Except Mr. P. R. Dutta in his personal capacity, no other Director of the Company is concerned or interest in the proposed resolution.

Item No. 8

Presently the Company's shares are listed at Calcutta and Mumbai Stock Exchanges. The Company's shares are not at all traded at Calcutta Stock Exchange and the cost of compliance alongwith the annual listing fee paid to it does not have any significant compared to the benefit accrued from it. Further, since the Company's share shall remain listed at Mumbai Stock Exchange, the shareholders of the company shall not suffer at all as maximum trading are done only in this Stock Exchange. Again since the company's shares are in compulsory demat mode, shares of the company are easily tradable.

None of the Directors of the company is interested or deemed to be interested in the proposed resolution.

Item No. 9 and 10

The company will have to borrow money by way of term loans in either foreign currency or rupee currency or by issue of securities (comprising fully or partly convertible and/or non-convertible debentures) with or without warrant or secured promissory notes or any other debt instruments for meeting the fund requirement of the company for the planned expansion projects.

The borrowings of the Company may be in general required to be secured by suitable mortgage or charge or lien on all or any present or future movable or immovable properties of the company in such form, manner and ranking as may be determined by the Board of Directors of the company from time to time, if necessary.

The mortgage and/or charge and/or lien by the company of its movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company in favour of the Lender(s), with a power to take over the management of the business and concern of the Company in certain events of default by the company, may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 2983(1)(a) of the Companies Act, 1956, hence, it is necessary for the members to pass resolutions under the said sections.

None of the Directors of the Company is, interested in the resolution. Your Directors recommend the resolution for your approval.

By Order of the Board
For Marson's Limited

Place: Kolkata
Date : 07.05.2006

Akhilesh Kotia
Managing Director



DIRECTORS' REPORT

To

The Shareholders

The Directors of your company hereby submit their 29th Annual Report together with audited statement of accounts of the company for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHT:

	For the Year ended 31.03.2006 <u>Rs. (In Lacs)</u>	For the Year ended 31.03.2005 <u>Rs.(In Lacs)</u>
Surplus/(Deficit) before providing for		
Depreciation for the year	76.91	64.07
Less: Depreciation for the year	44.17	41.18
Profit/(Loss) before Taxation	32.74	22.89
Less: Provision for Income Tax		
(Net of Deferred Tax Assets)	(13.15)	(05.12)
Add: Surplus brought forward	<u>19.59</u>	<u>15.99</u>
TOTAL EARNINGS	<u>48.60</u>	<u>44.00</u>
Appropriation:		
Transfer to General Reserve	—	15.00
Surplus/(Deficit) carried to Balance Sheet	<u>48.60</u>	<u>29.00</u>
	<u>48.60</u>	<u>44.00</u>

DIVIDEND

To augment the Working Capital & to strengthen the reserves, the directors do not recommend any dividend for the year under Report.

CURRENT OPERATION & FUTURE PROSPECTS

The company has taken steps to upgrade its facility for manufacturing of transformers upto 100 MVA 220 KV Class from the present capacity of 100 MVA 132 KV Class. The feasibility report has been initially approved by the Board and the work on final blue print is going on. With this the Board has also decided to diversify into the field of EPC Contracts in Power Sector and the negotiations with major players in this field are at concrete stage.

The current scenario is very encouraging because the major thrust of our Government is on Power and Infrastructure sector. Meanwhile Eastern and North Eastern region is witnessing the maximum development in the power sector. We are in a commanding position for all North Eastern demand of these Large Transformers as we are at the gateway to the entire region. NTPC and NHPC are setting up power project of 25000 MW and 20000 MW at an estimated cost of approximately Rs. 20 Billion in the North East, which will give us a tremendous opportunity.

AUDITORS' REPORT:

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

PARTICULARS OF EMPLOYEES:

There has been no employee in the category as specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the Provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

- i) that in the preparation of the Annual Accounts, the applicable accounting standards has been followed except AS 15 as the company follow the policy of pay as you go in respect of gratuity and leave encashment;
- ii) 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 ended 31st March, 2006 and of the profit of the company for the year;
- iii) 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 for preventing and detecting fraud and other irregularities;

iv) that the Directors had prepared the annual accounts on a going concern basis

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC:

The Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are attached, forming part of this report.

AUDITORS:

M/s. K. K. Jain & Co., Chartered Accountants, the Statutory Auditors retire at the conclusion of the ensuing Annual General Meeting and they have expressed their willingness to accept reappointment and have further confirmed their eligibility under Section 224(1B) of the Companies Act, 1956.

DIRECTORS:

Mr. R. N. Agarwal and Mr. R. Kasliwal have resigned during the year. The Board took on record its deep sense of appreciation for the services rendered by them during the tenure of their directorship.

Mr. G. C. Kotia's tenure as Managing Director ceases on 31st March, 2006. Mr. G. C. Kotia attended the age of 75 years and the Board of Directors decided to appoint Mr. Akhilesh Kotia as Managing Director of the company w.e.f. 1st April, 2006 in his place. Mr. Akhilesh Kotia was already acting as Executive Director of the company and has been looking the day-to-day affairs of the company since last 3 years. The resolution for confirmation of his appointment as Managing Director is proposed for your approval. Mr. G. C. Kotia was designated as Chairman of the Board of Directors of the company w.e.f. 01.04.2006.

Mr. P. R. Dutta has been appointed as Technical Director and his appointment is also proposed for your confirmation. Mr. P. R. Dutta possesses a vast knowledge in the Technical field of transformer manufacturing.

Mr. Nikhilesh Kotia and Mr. Pravin Jain's tenures as Executive Director completed on 31st March, 2006. Mr. M. C. Jain and Mr. G. C. Kotia, Directors of the company retire by rotation and being eligible offer themselves for re-appointment.

LISTING:

The shares of the company are listed at Calcutta and Bombay Stock Exchange and the Listing Fees are paid upto 31st March, 2006 to The Bombay Stock Exchange. The resolution for delisting of the shares of the company from Calcutta Stock Exchange is proposed for your approval.

CORPORATE GOVERNANCE:

A Report on Corporate Governance along with the Certificate thereon from M/s. A. K. Labh & Co., Company Secretaries is separately attached with the Annual Report.

DEPOSITORY SYSTEM:

The Company's shares are under compulsory demat mode. The Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (I) Limited (CDSL) and the Company's Shares are tradable in demat mode. Members are requested to dematerialize their holdings for operational convenience.

ACKNOWLEDGEMENT:

Your Directors take the opportunity of placing their sincere appreciation to the Central Government, State Government, Banks and Financial Institutions for their valuable guidance and to all those who are associated with the company in any way. Your Directors are also thankful to all the employees of the company for their support.

On behalf of the Board
For Marson's Limited

G. C. Kotia
Chairman

Place : Kolkata

Date : 07.05.2006



INFORMATION AS PER SECTION 217(1) (e) OF THE COMPANIES(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006.

A. CONSERVATION OF ENERGY

- | | | | |
|------|--|---|--|
| 1) | Research and Development (R & D) | : | |
| a) | Specific areas in which R & D carried out by the Company | : | Improvement in Transformer Design |
| b) | Benefits derived as result of the | : | Development of these Transformers will enable above R & D the Company to capture the major portion of the market in future as these are cheaper, easy to handle and results in lower losses. |
| c) | Future plan of action | : | It is proposed to convert more areas in new product development, quality improvement and cost reduction. |
| d) | Expenditure of R & D | | |
| i) | Capital | : | Nil |
| ii) | Recurring | : | Nil |
| iii) | Total | : | Nil |
| iv) | Total R & D Expenditure as a Percentage of total Turnover | : | Nil |
| 2) | Technology absorption, adoption and innovation | : | All technology adopted by the Company has been development in house. |
| a) | Efforts in brief made towards technology absorption, adoption and innovation | : | All technology adopted by the Company has been development in house. |
| b) | Benefits derived as result of the above efforts e.g. product improvement Construction, Product Development Import substitution etc. | : | Since technology has been developed, in house absorption and adoption in efficient. Further significant cost reduction has been achieved. |
| c) | In case of imported technology(imported during the last 5 years Reckoned from the beginning of the financial year) following information may be furnished. | : | There has been no import of technology hence not applicable. |

B. FOREIGN EXCHANGE EARNING AND OUTGO

- | | | | |
|-------|--|---|--|
| 1) | Activities relating to export initiative taken to increase export, development of new export markets for production and services and export plans. | : | The Company is developing export market for the products and other item. |
| 2) a) | Total Foreign Exchange used | : | Nil. |
| b) | Total Foreign Exchanged earned | : | Nil |

CORPORATE GOVERNANCE REPORT:

1. Company's philosophy on code of Governance:

Marson's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operation and in all its interactions of its stake holders including shareholders, employees, the Government and Lenders. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time.

2. Board of Directors:

a) Composition and category of Directors