

Annual Report 2002-2003

For S & S POWER SWITCHGEAR LIMITED


V. RAMACHANDRAN
Chief Manager - Secretarial & Legal



S&S POWER SWITCHGEAR LTD.



S&S POWER SWITCHGEAR LIMITED

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BOARD OF DIRECTORS

Mr. Ashish Jalan (Chairman)
Dr. P.P. Gupta
Mr. S.C. Bhatia (Nominee Director of ICICI)
Mr. S. Purkayastha (Managing Director)

AUDITORS

GSV ASSOCIATES
Chartered Accountants
Chennai

BANKERS

Indian Bank
Bank of Baroda
State Bank of Hyderabad
HDFC Bank Ltd.
Bank International Indonesia
Citi Bank
South Indian Bank Ltd.
Central Bank of India

SHARE TRANSFER AGENT

GNSA Investor Services P. Ltd.
18/1 (Old No. 17/1) Balaiah Avenue,
Mylapore, Chennai - 600 004.

REGISTERED OFFICE

111, (Old No. 168) Mount Poonamallee Road,
Porur, Chennai 600116

CHENNAI WORKS

111, (Old No. 168) Mount Poonamallee Road,
Porur, Chennai 600116

PONDICHERRY WORKS

Setharapet Village
Mylam Road, Pondicherry 605 111

S&S POWER SWITCHGEAR LIMITED

REGD.OFF: 111, MOUNT POONAMALLEE ROAD,
PORUR, CHENNAI-600 116

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 26th Annual General Meeting of the Members of S&S Power Switchgear Limited will be held at Lakshmi Balaraman Thirumanakkoodam, No.62, V.V. Koil Street, Thiruvalluvar Nagar, Thirumangalam, Chennai-600 040 on Tuesday 30th March 2004 at 9.15 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited profits and loss account of the company for the period ended 30.09.2003, the balance sheet as at that date and the Directors' and Auditors reports thereon.
2. To appoint a Director in the place of Dr. P.P. Gupta, who retires by rotation in terms of Article 118 of the Company's Articles of Association and being eligible offers himself for re-appointment.
3. To appoint auditors for the current year to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. GSV Associates, Chartered Accountants the Auditors of the Company, retire and are eligible for re-appointment.

SPECIAL BUSINESS

4. Appointment of Director;

To consider and if thought fit to pass the following resolutions with or without modification as an Ordinary resolution:

RESOLVED THAT Mr. Sanjay Babubhai Desai be and is hereby appointed Director of the Company.

Registered Office:
111, Mount Poonamallee Road
Porur, Chennai-600 116

By order of the Board
For S&S Power Switchgear Limited

Date: 20th February, 2004

Ashish Jalan
Chairman

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 for the above mentioned item is annexed hereto.
3. The Registrar of Members and Share Transfer Books of the Company will remain closed from Monday 29th March 2004 to Tuesday 30th March 2004 (both days inclusive)
4. As per the provisions of Listing Agreements entered with the Stock exchanges, the Company has appointed M/s. GNSA Investor Services Private Limited as a Common Registrar and Share Transfer Agents for the shares of the Company held in both physical as well as electronic modes. All correspondence with regard to share transfers and matters related therewith may directly be addressed to the Company's Registrar and Share Transfer Agents at the address given below:

M/s. GNSA Investor Services Private Ltd
17/1, Balaiah Avenue, Luz,
Mylapore, Chennai-600 004
Tel: 24661675/24661976
Fax: 24662448.
e.mail: sharma@satyam.net.in

5. Members are requested to notify any change in their address to the Company or its Share Transfer Agents. In case of shares held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.
6. Members holding shares in physical form are requested to dematerialise the shares in electronic form to facilitate faster transfer and avoid rejections for bad deliveries. The share certificates may be sent directly to our share transfer agent: GNSA Investor Services (P) Limited 18/1 (Old No. 17/1), Balaiah Avenue, Mylapore, Chennai-600 004.
7. Members are requested to note that pursuant to Section 205A of the Companies Act, 1956, the unclaimed - Interim and final dividend for the year 1995-1996 is being transferred to Investor Education and Protection Fund established under sub-section (1) of Section 205 C of the Act.
8. Shareholders are requested to note that no claim shall lie against the company or the aforesaid Fund in respect of any amount of dividends remaining unclaimed and unpaid for a period of seven years from the dates they became first due for payment.
9. As a measure of economy, copies of the Annual Reports will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

ANNEXURE TO NOTICE

Information pursuant to clause 49 of the Listing Agreement with Stock Exchanges

ITEM NO.2

Dr. P.P. Gupta, Director of the Company retires by rotation during this AGM and is eligible for re-appointment.

Dr. Gupta holds Postgraduate Diploma in Electrical Technology, Indian Institute of Science, Bangalore. He obtained Ph.D, in London

Dr. P.P. Gupta has been with your Company for the past 9 years as Director of your Company. The Company would be benefited by his rich experience.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

ITEM NO.4

The Board of Directors has co-opted Mr. Sanjay Babubhai Desai as an additional director of the company on 07.05.2003 and he holds office as a Director up to the date of this Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member along with requisite deposit, signifying his intention to propose Mr. Sanjay Babubhai Desai as Director of the Company.

Mr. Sanjay Babubhai Desai is a B.Com., LLB, FCS CAIIB and has wide experience both in the field of Secretarial and Legal functions.

The Board recommends the resolution for your approval.

None of the Directors other than Mr. Sanjay Babubhai Desai is concerned or interested in the resolution.

Registered Office:
111, Mount Poonamallee Road
Porur, Chennai-600 116
Date: 20th February 2004

By order of the Board
For S&S Power Switchgear Ltd
Ashish Jalan
Chairman

DIRECTORS' REPORT

The Directors present the Twenty Sixth Annual Report together with the audited accounts for the fifteen month period ended 30th September 2003.

FINANCIAL RESULTS

| Particulars | (Rs. In Million) | |
|---|--------------------------|--------------------------|
| | 2002-2003 (15 Months) | 2001-2002 (15 Months) |
| Sales and other operational income | 72.54 | 159.90 |
| Other income | 20.29 | 21.54 |
| Gross Profit (Loss) | (9.49) | (150.84) |
| Add: Depreciation | (11.71) | (19.48) |
| Interest | (137.00) | (198.97) |
| Profit or (Loss) before extra Ordinary items and tax. | (158.20) | (369.28) |
| Add: Extra Ordinary Items | (58.91) | (24.60) |
| Less: Provision for Tax | NIL | NIL |
| Profit or (Loss) after Tax | (217.11) | (393.88) |
| Add: Balance in Profit and (Loss) account brought forward | (882.55) | (488.67) |
| Balance carried forward to Balance Sheet | (1099.66) | (882.55) |

Review of Operations and Outlook

During the financial year your company reduced the loss from Rs. 393.88 lakhs last year to Rs. 217.11 lakhs due to reduction in cost and focus on exports. Our turnover is lower compared to last year due to suspension of work at Porur unit. We continued to have shortage of working capital and the operations at Porur remain suspended. As a result, the performance of the company continued to be unsatisfactory.

During the year under review, your Company achieved a turnover of Rs.928.30 Lakhs. Focus has been only on export to South East Asia and United Kingdom. On the domestic front, your Company did not participate in view of low price levels.

Your company continued to be denied even the minimum banking facilities and as a result the Company was operating at a level far below the break even and consequently there was gross under utilisation of capacity.

Your Company is working on a proposal of financial restructuring which once complete and implemented should make the company viable. Your directors hope to make some progress in this regard in the current financial year. We hope the banks, BIFR and the workers will be receptive to this continued effort on our part to restructure the company.

Your Board of Directors are pleased to state that through maintenance of high quality your Company has been receiving repetitive orders for its products.

Sick Industrial Company.

As you are aware, the net worth of the company became negative as at 31.3.2000 and your company made a reference to the Board for Industrial and Financial Reconstruction (BIFR) for formulating a scheme for rehabilitation.

Further your Company filed a fresh reference with BIFR based on the audited accounts as at 30.06.2002 and the same has been registered.

ISO 9001 Certification

Your company has undergone surveillance audits successfully by RWTUV for the year 2002-2003.

Subsidiaries:

The audited accounts of the subsidiary companies are attached except S&S Power Corporation Sdn.Bhd., Malaysia and Acrastyle Switchgear Limited U.K. for which particulars under the provisions of Sec.212 of the Companies Act 1956 have not been received. Application is being made seeking exemption from the provisions of Section 212 of the Companies Act, 1956 in respect of these subsidiaries.

Non Compliance of Accounting Standard 21 and Segmental Reporting:

The accounts of Acrastyle Switchgear Ltd. as at 30.09.2003 is yet to be finalised and therefore the said accounts could not be consolidated. Further as the consolidation of financial statements of the other two subsidiaries namely, S&S Power Finvest Ltd. and RPIL Signalling Systems Ltd. with the financial statements of your company may lead to misleading results, it was thought prudent not to consolidate the financial statements of these two companies.

The company deals with only one type of product namely, Disconnecter and hence management is of the opinion that segmental reporting will not apply. Also most of the company's sales are outside India and hence management is of the opinion that geographical segment-wise reporting will also not apply to your company.

Disqualification under section 274(1) (g) of The Companies Act , 1956 :

With regard to Para 2e of the Auditor Report, all the directors of the company excepting Mr. S.C. Bhatia the nominee director of ICICI Bank Ltd. are disqualified from being appointed as directors in any other public limited companies.

Fixed/Cumulative Deposits:

The deposits outstanding as on 30th September 2003 were Rs1.68 million (including interest of Rs.0.73 million).

Depository services

As on date 27,27,031 shares have been dematerialised and are being held in electronic form.

Auditors

M/s.GSV Associates, Chartered Accountants, Chennai, your company's auditors retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Corporate Governance:

A report on the Compliance of Corporate Governance is annexed together with a certificate from the auditors of the Company on Compliance.

Directors

Dr. P.P. Gupta retires by rotation in terms of article 118 of the Company's Articles of Association and is eligible for re-appointment.

Mr.S. Purkayastha resigned as Managing Director of the company with effect from 31.7.2003 and the Board records its appreciation for the services rendered by Mr. S. Purkayastha during his tenure of office as Managing Director of the Company. However he continues as a Director.

Mr.Sanjay B Desai was appointed as Additional Director on 07.05.2003. According to Sec.260 of the Companies Act he holds office upto the date of the Annual General Meeting. The company under Section 257 of the Act has received a notice from a member proposing Mr. Sanjay B Desai as Director.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217 (2AA) the Directors state:

That for the preparation of the financial statements applicable accounting standards have been followed and proper explanations have been given relating to material departures.

Accounting policies have been selected and applied consistently and judgements and estimates made 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 and of the profit or loss account for the period ended 30.09.2003.

Proper and sufficient care has been taken for 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.

The financial statements have been prepared on a going concern basis.

Auditors' Report

With regard to para 2(b) read with f (i) and f (iii) of Auditors' Report, notes no 1 (a), 1 (b), 1(c) and 20 in schedule 15 are self-explanatory.

With regard to para 2 f (ii) of the Auditors Report, although the total value of assets with the company falls short of the balance of secured loans, this is essentially on account of interest applied on these loans upto 31.03.2003, even subsequent to the company turning sick.

With regard to para 2 f (iv), (v) and 2 g of the Auditors Report note 31, 30 and 4 respectively of Schedule 15 is self-explanatory.

With regard to para 3 of the annexure to the auditor's report note 20a of schedule 15 is self-explanatory. With regards to the loans granted, the company has obtained Demand Promissory Notes and also 293 (1) (d) resolutions.

With regard to para 6 of the annexure to the auditor's report the company has already repaid certain deposits in the financial year and would be clearing the balance.

With regard to para 7 of the annexure to the auditor's report the company has appointed a firm of Chartered Accountants to improve the system of internal audit.

With regard to para 9 of the annexure to the auditor's report the company has paid the listing fees to National Stock Exchange and to The Stock Exchange, Mumbai. As regards Provident Fund, the company has filed an appeal before the EPF Appellate Tribunal, New Delhi.

As regard para 11 of the annexure to the auditor's report note 30 of schedule 15 is self explanatory.

Particulars of Employees

None of the employees has received remuneration in terms of section 217(2A) of the Companies Act, 1956

Conservation of Energy, Technology absorption and foreign exchange earnings and outgo:

A statement giving details of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217 (1)(e) of the Companies Act, 1956, read with rule 2 of the Companies (Disclosure of particulars in the Report of the Board of Directors) rules 1988 is annexed.

Industrial Relations:

Industrial relations at Pondicherry are cordial.

At Porur, the Unions raised disputes before the Joint Commissioner of Labour challenging the suspension of operation and the same has been referred for adjudication.

Acknowledgement:

Directors wish to place on record their appreciation of the valuable support from the customers, employees, shareholders and others.

Place: Chennai

Date: 20th February, 2004

for and on behalf of the Board
for S&S Power Switchgear Ltd.

Ashish Jalan
Chairman

ANNEXURE TO DIRECTORS' REPORT**STATEMENT**

Information pursuant of Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY**a) Energy conservation measures taken during 2002-2003**

(i) Reduction of MD from 435 KVA to 185 KVA

(ii) Single shift running wherever possible

b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy. Proposal to: NIL**c) Impact of measures (a) and (b) for reduction of energy consumption and consequent impact on the cost reduction of goods.**

Estimated saving Rs.15,000 approx. per month

B. Technology Absorption**a. Research and Development**

i. Specific area in which R&D is carried out by the company: NIL

ii. Benefits derived as a result of the above R&D : NIL

iii. Future plan of action

a) 420KV Earth Switch for U.K. Market

b) To improve continuously quality and aesthetics to meet expectations of the export market and achieve world class quality.

iv. Expenditure on R&D (Rs. In Millions)

| | |
|---------------------------|--------|
| a. Capital | NIL |
| b. Recurring | 2.54 |
| c. Total | 2.54 |
| d. Percentage of Turnover | 3.60 % |

v. Technology absorption, adaptation and innovation:

1. Efforts in brief made towards technology absorption, adaptation and Innovation: NIL

2. Benefits derived as a result of the above R&D : NIL

3. Imported technology during last 5 years. : NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**i) Activities relating to Exports**

Efforts are continuously being made by the company to tap new exports markets and also to increase exports of the Company's products.

ii) Foreign exchange earned (Rs. In Millions)

| | |
|------------------|-------|
| Deemed Exports | 0.28 |
| Physical Exports | 65.65 |

iii) Foreign Exchange outgo 1.09

Place: Chennai
Date: 20th February, 2004

for and on behalf of the Board
for S&S Power Switchgear Ltd.

Ashish Jalan
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company:

S&S Power was established as a switchgear-manufacturing unit in 1975 in Chennai. In 1978 the Company entered into collaboration with South Wales Switchgear and introduced High Voltage Disconnecting Switches and the company is one of the major players in the world in this field today. The revolutionary introduction of Vacuum Circuit Breakers in the year 1981 and the launch of its patented Outdoor Porcelain Clad Vacuum Circuit Breakers soon after were instant successes with customers and eventually became benchmark for the industry. S&S Power was the first company in India to introduce this high technology equipment in Indian market.

Opportunity:

S&S has, over the years, identified exports as a key growth area. It has already established its presence in South American and ASEAN markets and made forays into the Middle East, the United Kingdom, Australia and New Zealand. S&S also established a manufacturing facility and a marketing set up in Malaysia to cater to the ASEAN market.

Based on the success achieved in the ASEAN region S&S extended its market access to significantly larger and more profitable developed countries through Acrastyle Limited, a U.K. Company engaged in the design and manufacture of control and processing equipment for power generation, transmission and distribution systems.

Your Company's products are well known in the world and are internationally tested and have a good export potential.

The History:

The company's factory in Chennai has been known for state-of-the-art manufacturing facilities to produce high quality equipment. A world class factory in Pondicherry houses all third generation equipment and provides low cost high quality manufacturing facilities for Disconnectors.

Your company's products have been tested in International Laboratories - KEMA in Holland and CESI in Italy. The company continuously works with well-laid systems and procedures and has been certified for ISO 9001 quality systems by RWTUV.

S&S major customers have been State Electricity Boards and Power Corporations like NTPC, NHPC, Power Grid Corporation.

The Trend:

The slow down in the Indian Economic scene since 1997, led to a big slump in the demand for Company's products and consequently selling price fell and the margin almost disappeared. The Company's major customers are Electricity Boards who inordinately delayed payments. Huge amounts of Working Capital thus got locked up in such receivables leading to shortage of working capital and a mismatch in the debt service capability of the company.

Consequently the turnover of the company started coming down and within short span of two years the company started making heavy losses.

Realizing the poor performance, the reasons for which are explained above, your company took several measures like reduction in manpower, reduction in fixed costs, shifting focus from domestic to exports, better inventory management, restructuring operations such as sale of its low tension business and wind farm at Coimbatore. However, your company could not derive the benefits of the measures in that the entire proceeds were adjusted by banks and institutions towards their due and did not restructure the debt as was being repeatedly asked for by the company. This short sighted approach resulted in acute shortage of working capital and the inability of the company to service its debts. This had a spiraling effect wherein the operations were starved of cash and the operations at the major unit in Chennai had to be suspended.

Outlook:

As stated above your company is continuing the Disconnector business at Pondicherry that too only for the export market. Since Porur operations are suspended no output for circuit breakers planned.

As far as Disconnector Unit is concerned, the company has been operating this unit at a very low level of capacity utilisation primarily due to severe shortage of working capital and non-availability of minimum banking facilities such as discounting of bills, availability of bank guarantees, issuance of letter of credit etc.

Amidst all these problems, your company put its best efforts to collect old outstanding and continued to manufacture and supply Disconnector to customers in South East Asia and Acrastyle in UK.

Human relations:

During the previous year the company had suspended its operations at Porur and the workmen have raised disputes and the same have been referred to arbitration. There has not been any untoward incident involving Labour and management. Though no formal training could be extended to any staff or executive because of the problem of resources in the company, on the job training to the concerned employees continued to be given.

The company's financial condition did not affect retention of key employees required for running Pondicherry unit and corporate office.

Place: Chennai
Date: 20th February, 2004

for and on behalf of the Board
for S&S Power Switchgear Ltd.

Ashish Jalan
Chairman