



**S&S POWER SWITCHGEAR LIMITED**

## **OUR VISION**

**“To Become Preferred Switchgear and P&C Solutions Company”**

**Annual Report 2018-2019**



<b>TABLE OF CONTENTS</b>		
<b>1</b>	<b>ANNUAL REVIEW</b>	MSG FROM CHAIRMAN.....01 MSG FROM MANAGING DIRECTOR.....02 OVERVIEW - INDIA & UK.....04
<b>2</b>	<b>CORPORATE PROFILE</b>	CORPORATE INFORMATION.....06 BOARD PROFILE.....07 EXECUTIVE LEADERSHIP TEAM.....08
<b>3</b>	<b>NOTICE TO MEMBERS</b>	NOTICE TO MEMBERS.....09
<b>4</b>	<b>DIRECTOR'S REPORT</b>	DIRECTOR'S REPORT.....16
<b>5</b>	<b>MANAGEMENT DISCUSSION ANALYSIS REPORT</b>	MANAGEMENT DISCUSSION ANALYSIS REPORT.....38
<b>6</b>	<b>CORPORATE GOVERNANCE REPORT</b>	COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE .....46 CERTIFICATE .....47 CEO / CFO CERTIFICATION .....48 CORPORATE GOVERNANCE REPORT.....49
<b>7</b>	<b>INDEPENDENT AUDITOR'S REPORT STANDALONE</b>	INDEPENDENT AUDITOR'S REPORT STANDALONE.....61
<b>8</b>	<b>FINANCIAL STATEMENTS STANDALONE</b>	FINANCIAL STATEMENTS STANDALONE.....69
<b>9</b>	<b>INDEPENDENT AUDITOR'S REPORT - CONSOLIDATED</b>	INDEPENDENT AUDITOR'S REPORT CONSOLIDATED.....110
<b>10</b>	<b>FINANCIAL STATEMENTS CONSOLIDATED</b>	FINANCIAL STATEMENTS CONSOLIDATED.....116
<b>11</b>	<b>FINANCIAL STATEMENTS SUBSIDIARIES</b>	FINANCIAL STATEMENTS SUBSIDIARIES .....156
<b>12</b>	<b>NOTES</b>	NOTES.....166
<b>13</b>	<b>PROXY FORM</b>	PROXY FORM....167
<b>14</b>	<b>ATTENDANCE SLIP</b>	ATTENDANCE SLIP ....169
<b>15</b>	<b>LOCATION MAP FOR AGM VENUE</b>	LOCATION MAP FOR AGM VENUE....171





## MESSAGE FROM CHAIRMAN

Fellow shareholders,

The year 2018-19 has been amongst the most difficult that I have experienced in the 30 years that I have been associated with S&S. Since our business has an almost equal presence in India and the UK so I will address the two situations separately.

In India, for some reason that it is not obvious to me at least, there is an acute shortage of both capital and confidence. Stung by the NPA problem and now compounded with the NBFC crisis, all companies, specially MSME's are being viewed with great caution. In the past, even after the Global financial crisis of 2008, banks were supportive of companies needing growth capital, but now it seems that they will not lend to anyone except those who don't need money! As a result, the entire supply chain has been crippled dramatically creating a shortage of confidence and liquidity.

Amidst this our Indian business has done reasonably well by growing 10% in sales but have been hit in our margins. Sales have grown because we have been able to diversify our markets and now are selling to many countries in Africa besides our traditional markets in the SAARC and ASEAN regions. This will hold us in good stead in the future. Margins were however affected because of undue pressure on selling prices faced in some key markets and increase in commodity prices.

In the UK, where Acrastyle is based the problem is unique. BREXIT has created a huge uncertainty in the minds of the entire eco system-customers, suppliers, contractors, regulators, causing a self-inflicted wound on an otherwise thriving economy and business. Pension schemes have also become a huge albatross around the necks of most businesses in the UK, where the Govt has piled on higher and higher regulatory costs. This is counterproductive and is making the UK economy less competitive.

Because of the two factors, Acrastyle has had a terrible year despite not losing any major order or losing market share. Our sales were down by 30% and an operating profit of almost 450K GBP turned into a loss of 400K GBP. Over and above we had to make an extra provision of 250K GBP for pension deficit because of Interest rates being reduced and the regulator changing some rules. This is our biggest challenge and we are working hard to find a resolution.

However, amidst all this difficulty, our company has grown stronger- we have developed more markets, more products and invested in a new IT system. This is because we have confidence in our ability to emerge stronger. Our fundamentals continue to be to do business profitably, fairly and with good customers, to keep working capital tight, develop our people and systems and work within our means. Our values of Integrity, Humility and Initiative will continue to be the way we run our lives, and our businesses and deal with society.

I am personally grateful to all our colleagues in India and England for their sincerity and to our Directors for their guidance.

Thank you and God bless,

**Ashish Sushil Jalan**  
Chairman

## MESSAGE FROM MANAGING DIRECTOR

Greetings!

Staying to course in a global economic slowdown and a tough market has been our endeavour in the last year. It has been toughest for me over the last four and a half years in my S&S Power assignment. While our volumes grew in India, UK has witnessed significant volume drop. Margins were under pressure in both the countries. The pension deficit provisions in UK business made the overall UK numbers look much worse. Demands were lower in UK – market was shrinking due to Brexit effect, Bangladesh was witnessing transition towards GIS and onslaught by European manufacturers, Project decisions were getting delayed in Africa and liquidity was very tight in the domestic market. In a nutshell, in a really tough year and coming out positive in Indian operation was still a credible outcome. Many of our peer companies have witnessed significant volume loss and profit loss. Year under review saw our revenue grow by > 10% over previous years in India. However, volumes dropped in UK by 30%. The overall consolidated volume was flat over previous year, as the previous year does not include the revenue consolidation of one of the subsidiaries for the period it remained an associate and only the last quarter revenue of the previous year has been consolidated after acquiring the shares from the JV partner.

Salient points in both the operations are presented below.

### India Operations – Salient Points

Poor ERP systems in the company didn't allow us to leverage data-based problem solving, decision making, and policy formulation. Successful implementation of SAP B1 in S&S PSE and planned extension to other businesses provides us great opportunity to improve overall organizational productivity and cultural shift.

Significant order from Madras Atomic Power Station (MAPS) for retrofit solution has opened the way to develop 40 kA 2500 A VCB for indoor application. With the potential for follow up order from MAPS and other NPCIL sites makes this a long term retrofit activity.

African market has been key focus area and we delivered several prestigious projects in this market. Our full range of disconnectors starting from 33 kV up to 420 kV were offered in several large projects. We executed biggest project of 60 MINR through L&T to Botswana successfully in the year.

We introduced GIS LCP product line in APIL to service GE and Toshiba as our key clients. This expands Non-Framed contract business in APIL.

Our focus on R3 program (Retrofit, Refurbish, and Renovate) has delivered several good orders in domestic market. We saw an extension of it in Vietnam, UK, and now we are seeing this in Bangladesh. Setting up a separate team to double the retrofit and service business over the next three years has been a significant change in our operations to improve profitability and visibility in the market. Our idea to retrofit any make of disconnector and credible warranty offerings for retrofit has big opportunity to offer our customer a real value proposition. We have already added four additional channel partners last year for service business expansion.

Creating an offering of pre-engineered standard distribution class disconnector will improve the availability of small batches of high-quality S&S disconnectors in remote places. This will be a growth area in coming years.

**33kV vertical break disconnector, 145 kV pantograph, 12 kV disconnector, and qualification of new RD 145G in UK market were significant development contributions in the year.**

Synergy between India and UK operations were significantly improved. India team is providing low cost engineering services, standard Manufacturing, supply of Global Range of Disconnectors and other electrical systems for secondary and tertiary distribution in UK network from India. UK Team is assisting Indian team in product development and international business development.

In the coming year, we have focused as what we call on 6C initiatives whilst keeping the cultural transformation in the center.

- Culture                      - Transformation of quality and speed of response to all.
- Customer                   - Deepening relationship with key customers.
- Cash                         - Improving flow in operations anticipating problems in the cycle.
- Contract                   - Learning from past experience
- Cost                         - Aggressive waste reduction programs
- Compliance               - Commit in letter & spirit

**UK OPERATIONS – SALIENT POINTS**

Acrastyle saw a shrinking market and fought well to increase the market share by focusing on EPC & OEM segment and Disconnector & Retrofit.

Sales and Marketing team was restructured to bring new focus and support new business development programs. Pursuing export business development in Middle East & North Africa and expanding domestic EPC and OEM market are the key drivers to regain the lost volume.

We continue to be challenged by the pension deficit that we are faced with. We do hope this situation reverses soon as it is putting an artificially high cost to both our profit and loss account and to our balance sheet. It gives tremendous stress to the current management team in overcoming an almost 5% cost disadvantage.

We have developed global value chain for much tighter integration of our business with those of our sister companies in India. I am sure this will result in more business opportunities by way of product range, costs and flexibility.

Disconnector business has seen more activities in field service and approval of new RD 145G disconnector and earth switch range by ENA. We have received our first large order for this new range from a large UK utility.

Expanding the product portfolio and geographical expansion by focusing on marketing, project management, engineering, and sourcing would enable us to grow UK business with strong support from Indian Operations by providing low cost, high quality engineering services and other technical services.

I would like to thank the senior management team in particular and entire team for their hard work, dedication, and commitment during this tough year. They are the biggest strength in the company and inspired to shape the bright future of the company.

Best wishes,

**Ashok Kumar Vishwakarma**  
**Managing Director**

## ANNUAL REVIEW

### STANDALONE HOLDING COMPANY (S&S PSL) PERFORMANCE – AN OVERVIEW

S&S PSL – PERFORMANCE OVERVIEW		
Financial Year	Turnover (INR in Millions)	PBDIT (INR in Millions)
2014-15	29.85	8.39
2015-16	38.98	5.42
2016-17	28.27	(3.30)
2017-18	40.40	0.94
2018-19	61.82	2.10

Significant resources of the holding company are applied for the management of Indian and UK subsidiaries.

The spares, service, and retrofit business development in Andhra, Telangana, and Kerala, where our Circuit Breaker installed base is high, led to some inroads in order acquisition.

A new project of providing retrofit solution to Madras Atomic Power Station (MAPS) HHV PRIME was launched. An order of 2 crores was received from MAPS. HHV PRIME project will deliver a 40 kA, 12 kV, 2500 A indoor VCB with a VCB panel design fitted with latest safety interlocks as per latest IEC.

### CONSOLIDATED RESULTS OF OPERATIONS – AN OVERVIEW

CONSOLIDATED PERFORMANCE OVERVIEW		
Financial Year	Turnover (INR in Millions)	PBDIT (INR in Millions)
2014-15	903.60	6.26
2015-16	1145.55	73.93
2016-17	1138.10	33.01
2017-18	1072.51	80.14
2018-19	1059.00	(3.29)

Volumes at a consolidated level have remained almost similar due to four quarter sales consolidation of S&S PSE and 10% Indian growth neutralised by volume drop in UK.

90% of the variance in profit was driven by UK. Profit significantly impacted due to 30% volume drop in UK and additional regulatory provision for pension deficit.

Indian operations margins were slightly impacted due to poor project mix, commodity increases, and tough competition in the market lowering the market price.

### S&S POWER SWITCHGEAR EQUIPMENT LIMITED (S&S PSE) (Disconnecter Business)

S&S PSE PERFORMANCE OVERVIEW		
Financial Year	Turnover (INR in Millions)	PBDIT (INR in Millions)
2014-15	190.50	(1.80)
2015-16	213.65	9.80
2016-17	313.82	8.32
2017-18	343.77	35.03
2018-19	385.00	17.21

While turnover has grown by approx. 10%, the profitability has decreased by half due to Negative project Mix, Cost increase in short cycle order execution in expedition. Bangladesh market for distribution class disconnector was significant part of execution.

We made good inroads in Africa and deepened our relationship with key contractors.

We are aggressively developing International sales footprint, agents & channel partners, alliances, and our product portfolio to develop global disconnector business. Now, we offer products from 12 kV to 550 kV, 400 A – 4000 A, 25 kA – 63 kA and have included Vertical break disconnector in our portfolio.

Launch of R3 program will increase our retrofit & service business revenue.

### ACRASTYLE POWER (INDIA) LIMITED (APIL)

APIL PERFORMANCE OVERVIEW		
Financial Year	Turnover (INR in Millions)	PBDIT (INR in Millions)
2014-15	98.28	8.98
2015-16	148.03	18.07
2016-17	166.98	3.03
2017-18	195.85	18.97
2018-19	210.00	7.82

While there is an increase in turnover, the overall performance of Switchgear and Protection panel industry has been on the lower side. Excess installed capacities have brought the margin down.

### ACRASTYLE LIMITED (AL)

#### CORE P&C BUSINESS – ACRASYL LIMITED, UK

AL, UK PERFORMANCE OVERVIEW		
Financial Year	Turnover (INR in Millions)	PBDIT (INR in Millions)
2014-15	610.89	(1.16)
2015-16	801.46	52.67
2016-17	708.75	45.99
2017-18	782.00	49.01
2018-19	538.00	(32.68)

Volumes came down by approx. 30% coupled with significant margin pressure. The pension deficit provisions in UK business made the overall UK numbers look much worse. Demands were lower in UK – market was shrinking due to Brexit effect, Bangladesh was witnessing transition towards GIS and onslaught by European manufacturers, Project decisions were getting delayed in Africa and liquidity was very tight in the domestic market.

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTOR'S & KEY MANAGERIAL PERSONNEL**

Mr ASHISH SUSHIL JALAN	CHAIRMAN
Mr AJAY KUMAR DHAGAT	INDEPENDENT DIRECTOR
Mr DEEPAK JUGAL KISHORE CHOWDHARY	INDEPENDENT DIRECTOR
Mrs. GAYATHRI SUNDARAM	INDEPENDENT DIRECTOR
Mr NANDAKUMAR SUNDARRAMAN	INDEPENDENT DIRECTOR
Mr PETER JOHN WOOLRICH	DIRECTOR
Mr ASHOK KUMAR VISHWAKARMA	MANAGING DIRECTOR
Ms NITHYA K	COMPANY SECRETARY
Mrs. SELVI NARASIMMAN	CHIEF FINANCIAL OFFICER

#### **REGISTERED OFFICE & WORKS**

Plot No 14, CMDA Industrial Area Part – II,  
Chithamanur Village, Maraimalai Nagar – 603209.  
Kancheepuram District. Tamilnadu  
Tel : 044 – 4743 1625, 4743 1626  
Website : [www.sspower.com](http://www.sspower.com)  
E-mail : [investor@sspower.com](mailto:investor@sspower.com)

#### **CORPORATE IDENTITY NUMBER**

L31200TN1975PLC006966

#### **BANKERS**

Kotak Mahindra Bank Ltd, Adyar, Chennai  
ICICI Bank Limited, Alwarpet, Chennai  
CITI BANK N.A, Anna Salai, Chennai

#### **STATUTORY AUDITORS**

M/s C N K & Associates LLP, Chartered Accountants,  
Chennai

#### **SECRETARIAL AUDITORS**

M/s BP & Associates, Company Secretaries,  
Chennai.

#### **INTERNAL AUDITORS**

M/s Durv & Associates LLP,  
Chartered Accountants, Chennai

#### **REGISTRAR & SHARE TRANSFER AGENT**

M/s. GNSA INFOTECH LIMITED,  
STA Department, Nelson Chambers,  
4th Floor, F-Block, No:115,  
Nelson Manickam Road, Aminjikarai,  
Chennai – 600029. Tamilnadu  
Tel : 044 – 4296 2025 | Email : [sta@gnsaindia.com](mailto:sta@gnsaindia.com)

### **ANNUAL GENERAL MEETING**

Date : AUGUST 22, 2019  
DAY : THURSDAY  
TIME : 11:00 AM  
VENUE : REGISTERED OFFICE, MARAIMALAI NAGAR

*(Member's are requested to bring their copy of the Annual report to the Annual General Meeting. Members are also requested to direct all correspondence relating to shares to the Company's Registrar & Share Transfer Agents, GNSA Infotech Limited, at the address above)*