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**S&S POWER SWITCHGEAR LTD.**



**S&S POWER SWITCHGEAR LIMITED**

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**SUBSIDIARIES**

<b>Nucleus Finance &amp; Investments Limited</b>	<b>29-38</b>
<b>RPIL Signalling Systems Limited</b>	<b>39-54</b>
<b>S&amp;A Finance &amp; Investments Private Limited</b>	<b>55-64</b>
<b>S&amp;S Low Tension Switchgear Ltd</b>	<b>65-73</b>
<b>S&amp;S Power Finvest Limited</b>	<b>74-79</b>
<b>Acrastyle Limited</b>	<b>80-88</b>
<b>Acrastyle Switchgear Limited</b>	<b>89-94</b>
<b>S&amp;S Power Corporation SDN. BHD.</b>	<b>95-101</b>

## **BOARD OF DIRECTORS**

Mr. Sushil K. Jalan (Chairman)  
Mr. K. Balarama Reddi  
Mr. Sanjiv Goenka  
Dr. P.P. Gupta  
Mr. A.S. Kapre (Nominee Director of ICICI)  
Mr. Manoj K. Maheshwari  
Mr. Brian McKean  
Mr. D.G. Rajan  
Mr. S. Rajgopal  
Mr. Ashish Jalan (Managing Director)

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Mr. S. Purkayastha (President)

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Mr. P. Murali Krishnan (Secretary)  
M/s. N.M. Rajji & Co., Mumbai (Auditors)  
Mr. T. Raghavan, Chennai (Solicitor)

## **BANKERS**

Indian Bank  
Bank of Baroda  
State Bank of Hyderabad  
Times Bank Ltd.  
Bank Internasional Indonesia  
Citi Bank  
South Indian Bank Ltd.  
Central Bank of India

## **REGISTERED OFFICE**

168, Mount Poonamallee Road  
Porur, Chennai 600 116

## **CHENNAI WORKS**

168, Mount Poonamallee Road  
Porur, Chennai 600 116

B2, Industrial Estate  
Ambattur, Chennai 600 058

## **PONDICHERRY WORKS**

Setharapet Village  
Mylam Road, Pondicherry 605 111

## DIRECTORS' REPORT

Your Directors present the Twenty-second Annual Report together with the Audited Accounts for the 18 months period ended 31st March, 1999.

### FINANCIAL RESULTS

	(Rs. in Million)	
	1997 - 99	1996 - 97
Sales and other operational Income	1067.08	1494.99
Other Income	46.77	65.50
Profit on sale of shares of Subsidiary	-	75.97
Gross Profit/(Loss)	(113.34)	247.41
Less/Add : Depreciation	(76.00)	66.93
Interest	(222.35)	171.33
	(411.69)	9.15
Add/Less : Adjustments relating to previous year	(1.79)	(0.16)
Profit / (Loss) before Extraordinary Items and Tax	(413.48)	8.99
Add : Extraordinary items	(31.41)	-
Less : Provision for Tax	-	(2.20)
Profit / (Loss) after Tax	(444.89)	11.19
Add : Balance in Profit & Loss Account brought forward	12.31	15.01
Amount available for appropriation	(432.58)	26.20
<b>APPROPRIATIONS</b>		
Transfer to / (Transfer from) General Reserve	(291.38)	1.50
Transfer to Debenture Redemption Reserve	-	2.37
Dividend - Interim	-	9.11
- Final	-	-
Dividend Tax	-	0.91
	(291.38)	13.89
Balance carried forward in Profit & Loss Account	(141.20)	12.31
	(432.58)	26.20

### OPERATIONS

The overall performance of the Company was extremely disappointing due to both internal and external factors.

The working performance of the Company during the said period has been adversely affected due to continued economic slowdown, particularly in the capital goods sector in the country and also in South-East Asian countries, particularly Malaysia where your Company has substantial interest. The Company has also been affected due to the following reasons which impaired partly the Company's cash flows, which in turn also affected the production at optimum level.

- Cash position of SEBs
- Poor selling prices
- Exchange loss on FCNRB loans
- Payment to workers who had gone on VRS
- Reduction in export business.

Adding to the above, your Company wrote off/provided for certain abnormal items like lease rentals, advances and debtors which are doubtful of recovery.

**STEPS**

To overcome the problems encountered, your Company has initiated certain steps such as -

- focusing on the core business of high tension switchgears
- reduction in fixed and interest costs
- reduction in manpower
- better inventory management
- introduction of well documented systems
- improvement in quality of products to bring rejections to zero-level
- strengthening internal controls and procedures
- development of new markets in South Africa, Egypt and U.K.

**PRODUCT DEVELOPMENT ACTIVITIES**

The Company, to improve its ability to access the markets, has continued its thrust to develop and increase its range of products.

The products developed and certified during the current year were:

- (i) Indoor Breaker at 31.5 kA to cater to the demand emanating from generating stations.
- (ii) Indoor & Outdoor Breakers at 36 kV, compliant to international standards.

**ISO 9001 CERTIFICATION**

As a result of steps adopted to improve the quality of products, and introduction of well documented systems, the Company has been recommended for ISO 9001 Certification by RWTUV.

**POTENTIALLY SICK INDUSTRIAL COMPANY**

Since the accumulated losses during the period ended 31st March, 1999, exceeded 50% of the peak net worth of Rs.550.30 Million as at 30th September, 1997, your Company has become a Potentially Sick Industrial Company as per the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.

In terms of the said Section, a report will be sent to the shareholders, after adoption of audited accounts for the 18 month period ended 31st March, 1999.

**DISPOSAL OF LOW TENSION BUSINESS**

You will recall that at the Extraordinary General Meeting held, the shareholders approved sale, lease and/or disposal of Low Tension Undertakings at Pondicherry and Ambattur. These transactions are progressing well and expected to be completed by September, 1999.

**Y2K COMPLIANCE**

Your Company has adopted measures to make all the computer hardware, software and computer aided machines including Vendors' and Customers' related software, Y2K compliant. The entire process is expected to be completed by October, 1999.

**ACRASTYLE LIMITED**

Acrastyle Limited (Acrastyle), Company's UK subsidiary, achieved a turn over of GBP 10.54 Million (Rs. 757.32 Million) and Profit after Tax of GBP 1.07 Million (Rs.77.14 Million) for the financial year ended 30th September, 1998.

Acrastyle has a strong presence in the Area Boards in the U.K. and with major contractors in developed world. It has excellent engineering and manufacturing facilities. Acrastyle will be used as a spring-board for export of HT products of your Company, which now meets specifications and standards of those markets. The first orders have already been received.

**SUBSIDIARIES**

The Audited Accounts of the Subsidiary Companies are attached.

**FIXED/CUMULATIVE DEPOSITS**

The deposits outstanding as on 31st March, 1999 were Rs.9.64 Million including unclaimed amounts of Rs. 0.23 Million, and claimed but not paid amounts of Rs.1.95 Million.

**DIRECTORS**

Your Directors deeply regret the demise of Mr. K.R. Ramamani and Mr. T.K. Srinivasan, Directors, during the period.

Your Directors place on record their deep sense of appreciation of the valuable services rendered by the said Directors, during the tenure of their office.

Mr. Brian McKean and Mr. Manoj K. Maheshwari retire by rotation in terms of Article 118 of the Company's Articles of Association. Mr. Maheshwari has offered himself for re-election.

Mr. K. Balarama Reddi, who was appointed an additional Director with effect from 30th April, 1999, will hold office up to the date of ensuing Annual General Meeting. The Company has received a notice from a member signifying his intention to propose him for appointment at the ensuing Annual General Meeting.

#### AUDITORS

Messrs N.M. Raiji & Co., Chartered Accountants, Mumbai, Company's Auditors, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

#### AUDITORS' REPORT

With regard to Para 2 (e) of Auditors' Report, the Notes Nos. 22, 23 and 24 are self-explanatory.

#### PROJECTIONS VERSUS PERFORMANCE

In terms of the Listing Agreements with the Stock Exchanges, the details are :

	Projections As per Letter of Offer dt.24.6.1994	Performance 18 Months ended 31.03.1999 (Annualised) (Rs. in Million)
Net Sales	1953	586
Gross Profit before interest, depreciation and tax	401	(76)
Profit/(Loss) before tax	394	(297)
Profit/(Loss) after tax	271	(297)

The drop in sales was mainly due to the continued economic recession in the country and also in South-East Asian countries particularly Malaysia.

The losses have occurred due to lower contributions, higher interest costs and larger Provisions/Write-offs.

#### PARTICULARS OF EMPLOYEES

The Statement of Particulars of Employees in terms of Section 217(2A) of the Companies Act, 1956, and the Rules framed thereunder is annexed.

#### 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 Board of Directors) Rules, 1988, is annexed.

#### INDUSTRIAL RELATIONS

Your Company due to the need to cut cost had to introduce Voluntary Retirement Scheme for workers; 33 workmen opted for the Scheme. Industrial relations were cordial throughout the period.

#### ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the valuable support from the customers, employees, vendors, bankers and financial institutions, shareholders and deposit holders at a time of financial crunch.

On behalf of the Board

Mumbai  
18th June, 1999

SUSHIL K. JALAN  
CHAIRMAN

## ANNEXURE TO DIRECTORS' REPORT

## STATEMENT

Information under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment) Rules, 1999 and forming part of the Directors' Report for the period ended 31st March, 1999.

(a) Employed throughout the period and were in receipt of remuneration in the aggregate of not less than Rs. 6,00,000 per annum.

Sl. No.	Name	Age	Qualification & Experience (in years)	Designation/ Nature of duties	Date of Commencement of Employment	Remuneration (in Rupees)	Previous Employment
1.	Mr. Ashish Jalan	35	B.Com (8)	Managing Director	11.10.90	1,722,307	—
2.	Mr. M. Bashyakar	50	B.Sc., C.F.A., A.C.A. (24)	Vice President- Corporate Finance	02.09.96	986,612	Vice President Finance- Jaya Food Industries Ltd.
3.	Mr. K. Jayachandran	52	B.E., Dip. in S.Q.L. & O.R. (29)	Vice President-LT	24.08.96	1,032,316	General Manager-Works GEC Alstom

(b) Employed for a part of the period under review and were in receipt of remuneration of not less than Rs. 50,000 per month

1.	Mr. J.M. Jain	60	B.Sc., (Engg.) (40)	President	18.01.94	928,599	President Tanfac Industries Ltd.
2.	Mr. N.K. Jain	63	B.Com., LL.B. FCA (40)	Vice President- Corporate Development	01.02.94	565,020	Vice President (Finance) Carborandum Universal Ltd.
3.	Mr. Kamal Goyal	40	F.C.A., A.C.S., A.C.C.A., (U.K) (15)	Vice President Corporate Affairs	14.04.97	693,102	Vice President (Finance) Rees Geo Physical
4.	Mr. R. Rajagopal	45	B.Com., LL.B. (24)	Vice President HRD	02.05.97	601,379	Consultant
5.	Mr. A.K. Rastogi	36	A.C.A. (10)	General Manager- Management Audit	01.06.98	484,401	RPL
6.	Mr. S. Purkayastha	54	B.E., D.B.M., C.C.M., (33)	President	06.07.98	540,089	Director - MV Switch Gear, GEC Alstom Ltd.
7.	Mr. V.V.R. Murthy	58	B.E., (Elec. Engg) (36)	Vice President- Circuit Breaker	01.01.97	252,615	Chief Executive ABB Power Cables Ltd.
8.	Mr. S. Swaminathan	51	D.M.E. (31)	Vice President- Operations	31.10.97	562,106	General manager (Operns.) Rane Brake Linings Ltd.

## Notes:

- Gross Remuneration shown above includes Salary, Commission, House Rent Allowance, Company's Contribution to Provident Fund and benefits besides other benefits under the Income Tax Rules.
- Mr. Ashish Jalan, Managing Director is the son of Mr. Sushil K. Jalan, Chairman.
- Terms of employment are Contractual in the case of Sl. No. (a) 1 above only.

On behalf of the Board

Mumbai  
18th June, 1999

**SUSHIL K. JALAN**  
CHAIRMAN

## ANNEXURE TO DIRECTORS' REPORT

### STATEMENT

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

#### A. CONSERVATION OF ENERGY

**a. Energy Conservation measures taken during 1997-99:**

Your Company is not a power intensive industry and hence the scope for conservation of energy is not much. However, the measures taken for conservation of energy include:

- i) reduction in the existing maximum sanctioned demand from 700 KVA to 550 KVA, based on present loads and introduced a demand controller to maintain the maximum demand at around 550 KVA.
- ii) installation of additional power capacitor in the compressor to improve power factor. Improved power factor achieved in the range of 0.96 to 0.98.
- iii) avoidance of day time usage of lightings by the introduction of Translu-Excel (Transparent) sheet in the Fabrication shop.

**b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy.**

- i) Introduction of Energy saving light fittings for street lights.
- ii) Introduction of Translu-Excel (Transparent) sheet in the assembly area to avoid day time usage of lights.

**c. Impact of measures (a) and (b) for reduction of energy consumption and consequent impact on cost reduction of goods.**

Estimated saving of 2 to 3% of total energy consumption will result because of the above measures.

#### B. TECHNOLOGY ABSORPTION

**a. Research and Development**

**i) Specific area in which R&D is carried out by the Company**

1. Extension of 12kV Indoor drawout Vacuum Circuit Breaker upto fault level of 31.5kA developed. Test was successfully carried out at CPRI, Bangalore.
2. Development of 36kV Indoor Vacuum Circuit Breaker to meet the Basic insulation level of 170kV upto 2000A current rating.
3. Development of earth suitable for indoor 36kV to withstand 25kA fault level.

**ii) Benefits derived as a result of the above R&D.**

1. The development of 31.5kA indoor VCB has resulted in an utility business and the market share will increase since the Company can offer complete solution from generation to distribution.
2. The proving test carried out at an independent laboratory increased the confidence level of the product and will increase the market share in both domestic and export business.
3. The development of earth switch will help cater all the possible requirement of the utility sector.

**iii) Future plan of action:**

Steps have been taken to standardize the product to meet the various demands of the customers in short span of time with the latest technology of designs and standards.

**iv) Expenditure on R&D:**

(Rs.in Million)

a. Capital	:	Nil
b. Recurring	:	7.96
c. Total	:	7.96
d. Percentage of Turnover	:	0.80



v) Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:  
Range extension of 12kV indoor VCB upto 31.5kA.
2. Benefits derived as a result of the above R&D:
  - a) Product development:  
Based on the customer needs, the range extension of 12kV, 31.5kA was developed and tests were successfully conducted at CPRI, Bangalore.
  - b) Import substitution:  
The company is making continuous effects to improve use of indigenous materials and components.
3. In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year) following information is furnished.

1.	Name of the Exporter	EPS (UK) Ltd., U.K.	EPS (UK) Ltd., U.K.
2.	Details of Technology	Import of Designs and Drawings Imported For magnetic Actuators.	Import of Designs and Drawings for low cost Cassette Type Vacuum Circuit Breakers and Horizontal drawout 36kV Vacuum Circuit Breakers.
3.	Year of Import	1993-94	1994-95
4.	Has the Technology been fully absorbed	Yes	Yes

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Activities relating to exports:  
Efforts are continuously being made by the Company to tap new export markets, and also to increase exports of our products viz., HT Switchgear, Miniature Circuit Breakers and HRC fuses to our existing markets.

(Rs.in Million)

ii) Foreign Exchange earned:		
Deemed Exports	:	82
Physical Exports	:	292
iii) Foreign Exchange Outgo	:	111

On behalf of the Board

Mumbai  
18th June, 1999

SUSHIL K JALAN  
CHAIRMAN

## AUDITORS' REPORT TO THE MEMBERS OF S&S POWER SWITCHGEAR LTD.

We have audited the attached Balance Sheet of S&S Power Switchgear Limited as at 31st March 1999 and the Profit and Loss Account of the said Company for the period ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a report on the matters specified in Paragraphs 4 and 5 of the said Order.
2. Further to the above, we report that:
  - (a) We have obtained all information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - (e) We are unable to express an opinion on the recoverability of and its impact on the accounts of the Company of:
    - (A) Rs. 270 lakhs due from a subsidiary Company as explained in Note 22.
    - (B) Rs. 496 lakhs due from the Company's subsidiary in Malaysia as explained in Note 24.
    - (C) Rs. 276 lakhs due from a Company in Malaysia as explained in Note 25.

Subject to (e) above, in our opinion and to the best of our information and explanations given to us, the said accounts read together with the schedules and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31.3.1999 and
- (ii) in the case of Profit and Loss Account, of the loss for the period ended on that date.

For N.M. RAIJI & CO  
CHARTERED ACCOUNTANTS

M.N. THAKKAR  
PARTNER

Place : Mumbai  
Date : 21st June, 1999