

Annual Report 2005-2006

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S&S
S&S POWER SWITCHGEAR LTD

BOARD OF DIRECTORS

Mr Ashish Jalan (Chairman)
Dr P P Gupta
Mr Anupam Vaid

AUDITORS

GSV Associates
Chartered Accountants
Chennai

BANKERS

ICICI Bank Ltd., Chennai
State Bank of India, Puducherry

SHARE TRANSFER AGENT

GNSA Investor Services P Ltd
G R Mansion, No 11, Srinivasa Road
Pondy Bazaar, T Nagar, Chennai – 600 017

REGISTERED OFFICE

No 16, TTK Road, 1st Cross Street,
Alwarpet, Chennai – 600 018

PONDICHERRY WORKS

Setharapet Village
Mylam Road, Pondicherry – 605 111



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S&S POWER SWITCHGEAR LIMITED

REGD.OFF: NO 16, TTK ROAD, FIRST CROSS STREET,
ALWARPET, CHENNAI - 600 018

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 29th Annual General Meeting of the Members of S&S Power Switchgear Limited will be held at Narada Gana Sabha Trust, Sathguru Gnanananda Mini Hall, 314, T.T.K. Road, Chennai-600 018 on Monday, the 23rd April 2007 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss account of the company for the year ended 30.09.2006, the Balance Sheet as at that date and the Directors' and Auditors reports thereon.
2. To appoint a Director in the place of Ashish Jalan, 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, the Auditors of the Company, retire and are eligible for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass the following resolution, with or without modification, as an ordinary resolution

RESOLVED THAT Mr Anupam Vaid, additional director, in respect of whom a notice under section 257 has been received, be and is hereby appointed as director, liable to retire by rotation.

5. To consider and if thought fit, to pass the following resolution, with or without modification, as an ordinary resolution

RESOLVED THAT pursuant to the provisions of section 163 and other applicable provisions of the Companies Act, 1956 approval be and is hereby accorded for the maintenance of the Register of Members, Index of Members, Register of Debentures, Register of Debenture holders, Index of Debenture holders, Copies of Annual Return, together with copies of Certificates, and documents required to be annexed thereto and other documents, at the office of the Company's Share Transfer Agents, M/s GNSA Investor Services (P) Limited, G R Mansion, No 11, Srinivasa Road, Pondy Bazaar, T Nagar, Chennai - 600 017 instead of with M/s GNSA Investor Services (P) Limited, 18/1, Balaiah Avenue, Mylapore, Chennai - 600 004.

Registered Office:
No 16, TTK Road,
First Cross Street
Alwarpet, Chennai-600 018

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

**Ashish Jalan
Chairman**

Date: 22nd March 2007

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. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 for the above mentioned items are annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday 20th April 2007 to Monday 23rd April 2007 (both days are 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
G R Mansion, No 11, Srinivasa Road,
Pondy Bazaar, T Nagar, Chennai – 600 017
Tel: 42121428/42121429 ♦ Fax: 42121430.
e.mail: info@gnsaindia.com
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, G R Mansion, No 11, Srinivasa Road, Pondy Bazaar, T Nagar, Chennai – 600 017.
7. 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

Mr Ashish Jalan Director of the Company retires by rotation during this AGM and is eligible for re-appointment.

Mr Ashish Jalan is a commerce graduate. He is an industrialist having long and diverse experience. The Company would be benefited by his rich experience.

ITEM NO. 4

Mr Anupam Vaid is a commerce graduate with 20 years of experience in marketing of engineering products. He was actively involved in the execution of various projects viz., VSNL and MTNL.

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 Anupam Vaid as an Additional Director of the Company on 8th June 2006 and he holds office as a Director upto 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 Anupam Vaid as a Director.

Mr Anupam Vaid is a commerce graduate with 20 years of experience in marketing of engineering products. He was actively involved in the execution of various projects viz., VSNL and MTNL.

The Company would be benefited by his rich experience.

The Board recommends the resolutions for your approval.

None of the Directors other than Mr Anupam Vaid is concerned or interested in the resolution.

ITEM NO. 5

By a special resolution passed by the members of the Company, at their Annual General Meeting held on 10th March 2003 approval pursuant to section 163 (1) of the Companies Act, 1956 (the Act) was accorded to the Company for keeping inter alia the Register and Index of Members, Register and Index of Debenture holders etc., at the Office of the Share Transfer Agents viz., M/s GNSA Investor Services (P) Limited, 18/1, Balaiah Avenue, Mylapore, Chennai – 600 004.

GNSA Investor Services (P) Limited have shifted their office to G R Mansion, No 11, Srinivasa Road, Pondy Bazaar, T Nagar, Chennai – 600 017 where the aforesaid documents will be maintained. This requires approval of the shareholders.

Accordingly, a Special Resolution set out in Item No 5 of the notice is submitted to the meeting.

As required under the provisions of section 163 of the Act, the Registrar of Companies, Tamil Nadu, has been given an advance copy of the proposed Special Resolution.

None of the Directors is concerned or interested in the Resolution.

Registered Office:
No 16, TTK Road,
First Cross Street
Alwarpet, Chennai - 600 018

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

Place : Chennai
Date : 22nd March 2007

**Ashish Jalan
Chairman**

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DIRECTORS' REPORT

The Directors present the Twenty Ninth Annual Report together with the audited accounts for the year ended 30th September 2006.

Financial Results

(Rs. In Million)

| Particulars | 2005-2006 (12 Months) | 2004-2005 (12 months) |
|--|--------------------------|--------------------------|
| Sales and other operational income | 52.50 | 42.55 |
| Other Income | 86.85 | 67.18 |
| Gross Profit / (Loss) | (61.76) | 29.78 |
| Add: Depreciation | (8.81) | (8.50) |
| Interest | (2.41) | (1.03) |
| Profit or Loss before extra Ordinary items and tax. | (72.98) | 20.25 |
| Less: Extra Ordinary Items | 16.77 | 3.70 |
| Less: Provision for Tax | 0.33 | NIL |
| Profit or (Loss) after Tax | (90.08) | 16.55 |
| Add: Balance in Profit or Loss account brought forward | (1087.66) | (1104.21) |
| Balance carried forward to Balance Sheet | (1177.75) | (1087.66) |

Settlement of Banks and Financial Institutions and Sundry Debtors

After taking into consideration the financial position of your company, your Board felt that it was necessary to reduce the huge financial burden of your company to ensure survival of its business and workmen, through a Scheme of Arrangement and Compromise with its creditors. Accordingly a detailed scheme of arrangement and compromise was prepared under Sec.391 of the Companies Act, 1956 and filed before the Hon'ble High Court of Judicature, Madras for approval, sanction and implementation.

The Scheme of Arrangement and Compromise between the company and its secured creditors and sundry creditors were approved by the said secured creditors and sundry creditors by majority at the court held meetings on 31.5.2006.

As regards unsecured creditors the scheme of compromise was not approved.

Pursuant to the petition filed by your company under Sec.391 of the Companies Act, 1956 the Hon'ble High Court at Madras sanctioned the Scheme of Arrangement and Compromise vide its order dated 19.8.2006.

Upon the scheme becoming effective on 29.8.2006 accounting treatment as contemplated in the scheme was given effect by passing necessary entries in the books of the company on the appointed date 01.04.2006. Subsequent to the accounting treatment in accordance with the Scheme, an audit for the limited purpose of arriving at the state of affairs as at 30.6.2006 was conducted. The net worth of the company as at 30.6.2006 has turned positive.

Your company effected payments to all the secured creditors and sundry creditors as stipulated in the scheme.

Though the scheme with respect to unsecured creditors was not approved, your company has since the date of the Balance Sheet settled all the three unsecured creditors through a One Time Settlement (OTS).

Prior to the Scheme, your company had settled Bank of Baroda, South Indian Bank, and State Bank of Hyderabad. These banks entered into OTS with the company and were paid in terms of the OTS.

Prospects :

As you may be aware, the performance of the company commencing 1998 was disappointing due to various factors such as economic slow down, loss of export markets, South East Asean market crisis, liquidity crisis due to which even the sale proceeds could not be recovered from the customer in Malaysia where your company had substantial interest.

With the first phase of restructuring having been completed and with the continued focus on inventory management, well documented systems, continued thrust on quality of products, development of new products your directors are confident to bring back the company to its erstwhile glory.

Finance :

Huge working capital is to be sourced to achieve the increased levels of production to match the growing demand and capture a sizeable portion of the market.

With the Secured Creditors having been settled, your company is hopeful of assistance from the banks for its much needed non fund based working capital facilities such as letters of credit, bid bond guarantees, performance guarantees. These facilities will help in bolstering the credibility of your company in executing huge contracts and your company is confident of improving sales substantially once these facilities are tied up.

Breaker undertaking:

The operations of the Porur Unit was suspended w.e.f. 22.6.2002 in view of huge financial losses from 1999. The Unions representing the workmen and staff at Porur raised certain industrial disputes challenging the Suspension of Operation. However, after prolonged negotiations settlements were arrived before the Joint Commissioner of Labour, Chennai under Sec.12(3) of the Industrial Disputes Act. However a section of a disgruntled workmen approached Hon'ble High Court for quashing the settlement. The writ petition was dismissed as not maintainable by the Hon'ble High Court. Against the order of the High Court, a writ appeal has been filed and same is pending.

Shifting of the Circuit Breaker Division:

To meet the financial obligation arising out of the financial restructuring, your company sold its Porur Land and Building to its subsidiary, RPIL Signalling Systems Ltd. The proceeds of the said sale were utilized to meet the liabilities arising out of One Time Settlement with Banks and unsecured creditors, Scheme of Arrangement with its secured and sundry creditors and also to meet statutory and other liabilities.

Consequent to the sale as above, the undertaking pertaining to Breaker Division will function either from Puducherry or at any other place as your Board may decide at the appropriate time depending upon the feasibility.

De-Registration from the purview of SICA

The Hon'ble Board for Industrial and Financial Reconstruction (BIFR) was unable to proceed on a comprehensive rehabilitation scheme due to the recalcitrant attitude of the banks. The Company finally succeeded in settling its secured, unsecured and sundry creditors by one time settlements and subsequently by way a scheme of re-structuring under section 391 of the Companies Act, 1956.

As earlier stated, your company's net worth as at 30.6.2006 became positive. Therefore your company made an application to Appellate Authority for Industrial and Financial Reconstruction (AAIFR) seeking de-registration of the company from the purview of Sick Industrial Companies (Special Provisions) Act, 1985, and the Hon'ble AAIFR passed an order on 15.9.2006 and discharging the company from the purview of SICA.

Review of Operations and Outlook :

During the financial year your Company suffered losses. During the year under review your Company achieved a turnover Rs. 52.50 Millions as against Rs. 42.55 Millions during the previous year. The company's focus has continued to be on exports during the period under review.

On the product side, your company is also taking steps to widen its range of switchgear and introduce more modern cost effective and maintenance free range of equipment.

Your company operates in a high growth business segment of the economy which is booming at the moment. Your company will take all efforts to take advantage of the business opportunities thrown at it.

With the favourable conditions, your company is re-entering domestic markets once again through revalidation of its products.

With the growth plans envisaged for the future, the organization structure has been revamped and your company has a well knit team which is expected to out-perform the challenges that would be thrown at it thus assuring long term stability of the company.

ISO 9001 Certification:

Your company has undergone surveillance audits successfully by RWTUV for the year 2003-2004.

Subsidiaries:

The audited accounts of the subsidiary companies are attached except S&S Power Corporation Sdn.Bhd., Malaysia for which particulars under the provisions of Sec.212 of the Companies Act 1956 have not been received. Application has been made seeking exemption from the provisions of Section 212 of the Companies Act, 1956 in respect of the said subsidiary.

Segmental Reporting:

The company is engaged predominantly in manufacture of Disconnectors and there are no business segments within the meaning of Accounting Standard 17. Also since the company's sales are predominantly for export market there are no geographical segments.

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

The Company has during the year under Audit repaid all its deposits and redeemed its debentures. Hence as on the date of this report, none of the Directors attract disqualification in terms of Section 274 (1) (g) of the Companies Act, 1956.

Fixed/Cumulative Deposits:

All fixed deposits have been repaid. The unclaimed deposit has already been remitted to Investor Education and Protection Fund.

Depository services:

As on 31st December 2006, 46,27,438 shares have been dematerialised and are being held in electronic form.

Auditors:

M/s.G.S.V.Associates, Chartered Accountants, Chennai, your company's auditors retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

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:

Mr Ashish Jalan retires by rotation in terms of Article 118 of the Company's Articles of Association and is eligible for re-appointment.

Mr.Sanjay Babubhai Desai resigned as Director of the company with effect from 22nd May 2006 and the Board records its appreciation for the services rendered by Mr. Sanjay Babubhai Desai during his tenure of office as Director of the Company.

Mr Anupam Vaid, a commerce graduate with 20 years of experience in marketing of engineering products was appointed as additional director of the Company on 22nd May 2006.

Directors' Responsibility Statement:

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and proper explanations have been given relating to material departures.
- (ii) such 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 of the profit or loss account for the year ended 30.09.2006.
- (iii) 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.
- (iv) the financial statements have been prepared on a going concern basis.

Auditors' Report :

With regard to points raised in the auditors' report the same are dealt with hereunder :

| Para Reference: to Auditors' Report | Reply |
|--|--|
| 2 (a) | The company had sent notices to all creditors existing as on 31.3.2006 under the Scheme of Arrangement and Compromise with the creditors of the company and all secured and sundry creditors have been settled in accordance with the scheme. No discrepancy was reported by any of the creditors. |
| 2 f (2) | In respect of Advance Licenses obtained for supply to Malaysia, the company could not fulfill its export obligations since the company stopped further supplies on default by the customer on payment for past supplies. |
| 2 (g) | No loan was given to any company during the financial year 2005-06. In order to meet part of the liability arising out of settlement with banks and institutions under One Time Settlement and the Scheme of Arrangement and Compromise, the company made OTS with three companies. |
| Para reference to Annexure to Auditors' Report | |
| 9 (A) | The company has since paid the statutory dues of Provident Fund (damages and interest) property tax, urban land tax, electricity and substantial portion of sales tax. The company would be clearing the balance in course of time. |
| 9 (B) | These are contingent in nature and cases have been instituted at various forums disputing the claims. |

Particulars of Employees:

None of the employees have 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.

A wage settlement was entered in Jan 2006 with the Union at Puducherry for 3 years from 2005.

Acknowledgement:

Your Directors wish to place on record their appreciation for the valuable support from the customers, vendors, bankers, financial institutions, employees, shareholders consultants and others.

Your directors also wish to place on record their special appreciation to all the banks and institutions and Sundry Creditors for their cooperation but for which the Scheme of Arrangement and Compromise with the lenders would not have been successful.

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

Ashish Jalan
Chairman

Place : Chennai

Date : 22nd March, 2007