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NUMERIC POWER SYSTEMS LIMITED

NUMERIC POWER SYSTEMS LIMITED

CHAIRMAN	:	Mr. R. VEERAMANI
DIRECTORS	:	Mr. R. CHELLAPPAN, <i>Managing Director</i> Mr. SIVA C. PARAMASIVAM, <i>Director</i> Mr. K.P. SIVANANDAM, <i>Director</i> Mr. DONALD GENE FAIR, <i>Director</i> Mr. JOHN J. DHYANCHAND, <i>Director</i> Mr. A. BALAN, <i>Director</i> Mr. G. RAMASUBRAMANIAN, <i>Director</i> Mr. M.K. BALASUBRAMANIAN, <i>Director</i> Mr. K.V. NACHIAPPAN, <i>Director</i>
COMPANY SECRETARY	:	Mr. S. KRISHNAMURTHY
AUDITORS	:	M/s GOPAL AND MURTHI <i>Chartered Accountants</i> 157, Luz Church Road Mylapore, Chennai - 600 004 M/s S.K. RAM ASSOCIATES <i>Chartered Accountants</i> 57-A, Sullivan Garden Road Mylapore, Chennai - 600 004
BANKERS	:	STATE BANK OF MYSORE Santhome Branch 164, Kutchery Road Mylapore, Chennai - 600 004 BNP PARIBAS Prince Towers, 3rd Floor, 25/26, College Road, Chennai - 600 006.
REGISTERED OFFICE	:	63, Dr. Radhakrishnan Salai Chennai - 600 004
FACTORY	:	33/1 Sedarpet Industrial Estate Pondicherry - 605 101 Plot No.B-69, Door No.47 PIPDIC Industrial Estate Sedarpet, Pondicherry - 605 101 122/1, Old Mahabalipuram Road Semmancherry, Chennai - 600 119

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**NUMERIC POWER SYSTEMS LIMITED****DIRECTORS' REPORT****OUR MARKET POSITION**

NUMERIC has recorded an overall growth of 7% in sales over the previous year (FY 2000-2001). The IT market has not witnessed a major growth excepting in selected markets like Banking and Insurance, thanks to the improvements in the manufacturing methods and the good work of the marketing and sales team that helped the manufacturing plants to increase their productivity to support bulk orders from Banks and Insurance sector.

With all the good team work we have retained our position as **India's No.1 ON-LINE UPS manufacturer and No.1 Power Electronic Company of the year** for the eighth time in succession (*Source: Softdisk - Journal of Association of Computer Professionals) from 1994 onwards.

During the last financial year the sales of the High-End UPS systems have come down as a result of slow down in the IT / Software facility expansion. In times to come the UPS industry will be even more competitive all across the spectrum with more MNCs getting into the Indian market by slashing prices. Our presence for the last over 17 years with very good market reach and technical support at all major cities of India is keeping us ahead of the rest in the Indian Industry.

Our MGE – NUMERIC team has won many new projects from the world's leading IT majors like MICROSOFT, DELL, IBM, LUCENT TECHNOLOGIES, ORACLE and major foreign banks projects like HSBC, STANDARD CHARTERED, CITIBANK, ABN AMRO etc. Indian corporate companies like ICICI, HDFC, MASCON GLOBAL, TATA INFOTECH have supported us with their prestigious projects.

OUR VISION AND FOCUS

In recent times all our focus has been mainly in improving our Product standards and higher level of service up-keep, exceeding the MNC specs, well suited for the Indian Power conditions keeping the major thrust on Energy saving concepts and HIGH – PERFORMANCE. Improved specifications in UPS systems engineered to ensure volume manufacturing and cost reduction for users and energy savings has been our main focus and we are quite successful in reaching this target.

LAUNCH OF NEW RANGE – Digital HP SERIES UPS SYSTEMS

Our constant R&D efforts and keeping up with the latest trends in Power Conditioning Technology, has evolved new range of products. We launched our **NUMERIC Digital HP series UPS** systems recently. This advanced series adapts digital technology and is available in 5 power ratings and 20 different models. Our Digital HP series UPS systems are available in rack / floor mounted versions to suit every power protection requirement and very much user friendly with many intelligent features.

NUMERIC has set its extra focus and active work on strengthening the channel sales division and launched a State-of-the-art UPS - **DIGITAL 500** series for the SOHO market two years back. This product line with more new features is catching up a good momentum in the market.



PRODUCT DEVELOPMENT

Our R&D team deserves a big appreciation for the efficient work in developing High Efficiency – Active Power Factor Corrected (APFC version) UPS systems. This double conversion On-Line range has brought many new major contracts during the FY 2001-02. The current developments and our Quality objectives are to comply with higher EMI / EMC standards.

NEW PROJECTS

Our dedicated facility built recently, for manufacturing the auxiliary power conditioners like Servo stabilizers and Isolation Transformers is giving an impressive output that supports our UPS systems offer more comprehensively in the market. These auxiliary power conditioners are available up to 60 KVA and the justification on this exclusive manufacturing unit is seen from the results.

Our Pondicherry manufacturing plant is almost doing to the maximum capacity and to support our new range (**Digital HP**) product line, we have started an exclusive manufacturing facility – NPSL - UNIT III at Pondicherry in a leased facility. This unit has already rolled out over 600 UPS systems of **Digital HP** series to many customers and has the comfort of witnessing 99.99% uptime.

NEW SERVICE CENTERS

Our company maintains the reputation as the best customer oriented company and our strong network of service centers offer technical support to all our valuable customers across India. During FY 2001-02 NUMERIC has established two more service centers with a team of dedicated Engineers to make our number of service locations to 72 and five more locations are awaited in the next FY (2002-03).

OUR CORPORATE OFFICE BUILDING

Our corporate office building is getting ready at faster pace and we expect to have the open house (inauguration) by mid January 2003. The details of our new Corporate Office are given below for your appreciation :

25000 Sq Ft Area including Basement Car parking
Centrally Air conditioning with two lifts
Good quality Interior & Exterior with all amenities
Construction by L & T
Architects: C.R.Narayana Rao & Sons

NUMERIC has managed the cost from the reserves and no additional borrowings were made from Banks / Financial institutions

COST CONTROL MEASURES THROUGH INNOVATION

Our team has shown a great deal of abilities to achieve faster production rate by adapting to good manufacturing concepts supported by the most efficient (best in India) backward integration created by NUMERIC – thanks to your wide participation in the company as share owners. By improving the sourcing methods and improved localization of major raw materials like Transformer core and copper, well supported by the new design concepts, we have achieved cost control on raw materials to a greater extent and this will continue.



FINANCIAL RESULTS

During this year, the Company has achieved a growth rate of 7% over the previous year, and the profit after tax is Rs.604.18 Lakhs. The EPS for FY 2001- 02 is Rs. 12.08 compared to the previous year EPS at Rs.10.54.

Abridged financial results are as under :

Particulars	For the year Ended 30/9/2002 Amount (Rs. Lakhs)	For the year ended 30/9/2001 Amount (Rs. Lakhs)
SALES AND OTHER RECEIPTS	10120.07	9462.08
PBDIT	1003.35	949.30
DEPRECIATION	55.26	40.15
PBIT	948.09	909.15
INTEREST	223.26	216.93
PBT	724.83	692.22
TAX (Net)	120.65	165.00
PAT	604.18	527.22
EQUITY CAPITAL	500.00	500.00
RESERVES AND SURPLUS	3923.87	3419.69
EPS	12.08	10.54

An analysis of the performance during the year 1.10.2001 to 30.09.2002 and the projections for the said year are presented below.

Projections Vs Performance (Year ended 30.09.2002):

	Projections (Rs. Lakhs)	Actuals (Rs. Lakhs)
Sales and Other Receipts	9973.21	10,120.07
Profit After Tax	527.22	604.18

DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors hereby report under Section 217 (2AA) of the Companies Act, 1956, that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) 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 fair and view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the period;



- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the directors had prepared the annual accounts on a going concern basis.

DIVIDEND

The Directors have pleasure in recommending a dividend at the rate of 20% on the equity shares of the Company, subject to deduction of tax as per Income Tax Act, for the year ended 30.09.2002, subject to approval of the shareholders.

DIRECTORS

Mr. A.Balan, Mr. G.Ramasubramanian, Mr. M.K.Balasubramanian, Mr. K.V. Nachiappan, Directors, retire by rotation at the ensuing Annual General Meeting under Section 255 of the Companies Act, 1956, and are eligible for reappointment.

PARTICULARS OF EMPLOYEES AS PER SECTION 217 (2A)

Particulars of Employees drawing remuneration of Rs. 24 lakhs and above during the year or Rs. 2 lakhs per month for a part of the year, as per Section 217 (2A) of the Companies Act, 1956 and the Rules framed thereunder : NIL

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO :

Particulars as required under Section 217 1(e) of the Companies Act, 1956 read with the (Companies Disclosure of Particulars in the Report of the Board of Directors) Rules are annexed.

CORPORATE GOVERNANCE :

A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this Report.

AUDITORS

M/s.Gopal & Murthi, Chartered Accountants and M/s.S.K.Ram Associates, Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting, and are eligible for reappointment.

ACKNOWLEDGMENT

The Board of Directors express their great appreciation of the cooperation extended to the Company by the Government of India, State Governments, Bankers and the employees of the Company.

For and on behalf of the Board

A. BALAN
Director

R. CHELLAPPAN
Managing Director

Chennai
25th November 2002



ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE ETC.

A. CONSERVATION OF ENERGY	:	Introduction of new technology in products sold.
B. RESEARCH & DEVELOPMENT	:	
1. Specific areas in which R & D carried out by the Company	:	Designing support for local adaptation of Digital HP range UPS systems with most advanced technical superiority.
2. Benefits derived as a result of the above R & D	:	Improvement in overall performance of UPS Systems have resulted in major orders from customers like Canara Bank, Syndicate Bank, State Bank of Bikaner & Jaipur, State Bank of India with the approval of ETDC, Government of India.
3. Future Plan of Action	:	<ul style="list-style-type: none"> Improvement on EMI / EMC to a higher standard for the UPS systems adoption to High Frequency Design. Development of Digital HP Series in 3 Phase version.
4. Expenditure on R & D	:	Rs. 30 lakhs
C. TECHNOLOGY ABSORPTION ADAPTATION & INNOVATION	:	
1. Efforts made towards Technology absorption, adaptation and innovation	:	Launch of High Efficiency UPS systems, with active Power factor correction.
2. Benefits derived as a result of the above efforts	:	Increase in overall efficiency, performance of Systems and reduction in operating cost.
3. Technology imported:	:	—
D. FOREIGN EXCHANGE EARNINGS AND OUTGO :	(Rs. in lakhs)	
	2001-2002	2000-2001
Foreign Exchange Earnings :		
Export Sales and Trade Receipts :	348.62	269.11
Foreign Exchange Outflow :		
Import of Machinery & Advance Payments :	---	16.12
Import of Materials (Net) :	1827.90	2182.59
Travelling Expenditure (Net) :	7.70	21.09
Other Expenses :	---	0.08
Dividend :	13.03	17.37



REPORT ON CORPORATE GOVERNANCE

1. CODE OF GOVERNANCE :

The Company believes in following sound corporate practices to ensure that the dealings of the Company with all its shareholders are directed to achieve its long term corporate goals. The Company would strive not only to meet the statutory requirements of Corporate Governance code introduced by SEBI and incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges, but to go beyond them and follow transparent systems and procedures in line with the global trends.

The Company has enunciated its Quality Policy as under:-

NUMERIC shall strive towards excellence in achieving total customer satisfaction in all transactions relating to products and services through :

- (1) Dedicated team effort;
- (2) Continual improvement in Quality of the product and services;
- (3) Upgrading the employee skills through effective training;
- (4) Adopting the latest technologies and use of scientific instruments for perfection; and
- (5) Compliance with the requirements of implemented Quality Management System and continually improving its effectiveness.

2. BOARD OF DIRECTORS :

a) Composition and Category of Directors:

Executive Directors	:	4
Non-Executive Directors	:	6

Name of Director	Executive/ Non-Executive	Category	No. of other Directorship	
			Private Ltd. Co.	Public Ltd. Co.
Shri R. Veeramani	Non-Executive	Chairman	6	10
Shri R. Chellappan	Executive	Managing Director	4	1
Shri Siva C Paramasivam	Non-Executive	Director - NRI	-	1
Shri K.P. Sivanandam	Non-Executive	Director - NRI	-	-
Shri Donald Gene Fair	Non-Executive	Director - US National	-	-
Shri J. Dhyanchand	Non-Executive	Director - NRI	-	-
Shri A. Balan	Executive	Director	1	-
Shri G. Ramasubramanian	Executive	Director	-	-
Shri M.K. Balasubramanian	Non-Executive	Director	1	1
Shri K.V. Nachiappan	Executive	Director	1	-

The Chairman of the Board is a non-executive; more than 1/3rd of the Board comprises of independent directors.



b) Attendance of Directors at the Board Meetings and last AGM

Director	No. of Board Meetings held during the year	No. of Board Meetings attended	Attended Last AGM
Shri R. Veeramani	7	3	Yes
Shri R. Chellappan	7	7	Yes
Shri Siva C. Paramasivam (NRI)			Yes
Shri A. Balan	7	7	Yes
Shri G. Ramasubramanian	6	6	Yes
Shri M.K. Balasubramanian	7	7	No
Shri K.V. Nachiappan	6	6	Yes

c) Details of Board Meetings held

Date of Meeting	Venue
26.10.2001	Regd. Office: 63, Dr. Radhakrishnan Salai, Chennai 600 004.
29.12.2001	- do -
12.01.2002	- do -
21.01.2002	- do -
28.01.2002	- do -
29.04.2002	- do -
27.07.2002	- do -

3. AUDIT COMMITTEE :

i) Composition of Audit Committee:

The Audit Committee comprises of the following members :-

- 1) Shri G.Ramasubramanian - Director
- 2) Shri A.Balan - Director
- 3) Shri S. Aboosali - Vice President
- 4) Shri A.C. Sankaran - Manager Finance

Shri G.Ramasubramanian, an independent director is the Chairman of the Committee. As per the provisions of Clause 49 of the Listing Agreement atleast one director is required to have financial and accounting knowledge. Shri G.Ramasubramanian, is a director, having financial and accounting knowledge.

ii) Details of the Audit Committee Meetings :

The Audit Committee is set up as per clause 49(II) of the Listing Agreement which became applicable to our Company effective 1st April 2002.

Date of Meeting	No. of Members Attended
29.04.2002	4
27.07.2002	3